ANNUAL REPORT **2006**

warimpex

Key figures of the Warimpex Group

EUR '000		**2006**	2005
Revenues from Hotels & Resorts segment		52,408	35,315
Revenues from Asset Management & Development segment		6,391	4,997
Total revenues		58,799	40,312
Gains from the sale of project companies		6,319	38,330
EBITDA		30,802	50,187
EBIT		22,801	43,959
Profit before tax		21,552	35,273
Profit for the year		21,210	33,670
Net cash flows from operating activities		11,728	11,731
Cash flows from investment activities		(31,441)	(8,383)
Cash flows from business combinations and sale of disposal groups		(12,419)	26,904
Cash flows from financing activities		29,788	(15,792)
Equity and liabilities		385,001	264,749
Equity		87,028	79,572
Issued capital		30,000	15,000
Equity ratio		22.6%	30.1%
Adjusted equity ratio		47.9%	50.0%
Gross Asset Value (GAV)	EUR m	477.5	296.0
Triple Net Asset Value (NNNAV)	EUR m	258.3	172.6
Earnings per share	EUR	0.70	1.14
Proposed dividend per share	EUR	0.15	0.13
Payout ratio		25.5%	5.9%
Number of shares	units	30,000,000	15,000,000
Number of hotels		12	8
Number of office and commercial properties		8	6
Number of hotel development projects		10	7
Ø employees in the Group		940	638

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WARIMPEX – Real Estate Development & Investment

Warimpex is a real estate development and investment group with a key focus on the construction and operation of hotels in Central and Eastern Europe.

We believe in quality and sustainability as the basis for strong future growth. Our medium-term objective is to become the leading hotel property group in “new Europe”.

Warimpex – an overview

Warimpex Finanz- und Beteiligungs AG is a real estate development and investment group focussing on the construction and operation of hotels in Central and Eastern Europe.

Evolution of the Warimpex Group

Warimpex was founded in 1959 by Stefan Folian as an import/export trading company. From 1982 onwards, under the management of Georg Folian and Franz Jurkowitsch, the company started to specialise in real estate projects in Central and Eastern Europe. Since that date the Warimpex Group has developed real estate with investments amounting to more than EUR 850 million, including 22 hotels with a total of more than 5,500 rooms. In addition, Warimpex also develops office buildings and other real estate.

Development and asset management

Warimpex views itself as a “hybrid” real estate company. As a developer, it develops real estate projects; as an asset manager it then operates and manages these properties before selling them on, depending on the specific market situation and degree of maturity, with the objective of realising the highest possible value-added. Accordingly, the Warimpex Group generates stable cash flows from the operation of hotel properties and the letting of commercial and office space while simultaneously realising proceeds from real estate sales.

Real estate project development and operations are coordinated by Warimpex in Vienna together with the local branch offices in Budapest, Prague and Warsaw. The majority of the hotels are managed by Vienna International Hotelmanagement AG. Warimpex is also building upon successful, long-standing cooperative projects with international hotel groups such as the InterContinental Group and Sheraton.

As of the end of 2006, Warimpex was the owner or co-owner of twelve luxury and business hotels with a total of more than 2,600 rooms, plus eight commercial and office buildings with a total floor area of some 40,000 sqm in Poland, the Czech Republic and Hungary. Around ten further hotel projects are currently at an advanced stage of development or under construction.

Highlights of 2006

Operative highlights

- Acquisition of Hotel Chopin in Krakow, Poland
- Sale of the Velký Špalíček Shopping and Multiplex Centre in Brno, Czech Republic
- Acquisition of a hotel project in Berlin, Germany
- Acquisition of two office properties in Budapest, Hungary
- Increase of share in Hotel Diplomat in Prague, Czech Republic, from 50% to 100%
- Joint acquisition with Europa Fund of Hotel Sobieski in Warsaw, Poland
- Opening of the Hotel Angelo in Prague, Czech Republic
- Laying of the foundation stone for Andel's Hotel in Krakow, Poland
- Announcement of building of Andel's Hotel in the "Manufaktura" hotel and business complex in Łódź, Poland
- Awarded "Austria's Leading Company" prize in the category "Golden Medium-Sized Companies, Vienna"

Financial highlights

- Revenues increased by 46%
- EBITDA raised by 106% (adjusted for sales of companies)
- CBRE evaluation showed real estate assets of EUR 477.5 million; real estate assets were up 61.3% year-on-year
- Triple Net Asset Value (NNNAV) rose by 50% to EUR 258.3 million
- Successful flotation on the stock exchange in January 2007 generates some EUR 62.2 million net in fresh capital for further expansion

Corporate governance

Warimpex is committed to compliance with the Austrian Corporate Governance Code as well as the Polish “Best Practices in Public Companies”. The Management Board declares that it complies with both sets of guidelines to the best of its ability. The company fulfils all the legal requirements as well as observing virtually all the comply-or-explain rules set forth in the Austrian Code. Deviations from individual corporate governance rules relate to the company’s structure and/or to Polish rules that are not complied with due to the company’s primary orientation towards the relevant Austrian regulations.

Detailed explanations are available on the company’s website at **www.warimpex.com**.

Bodies of the company

Management Board

Franz Jurkowitsch
Chairman of the Management Board

Georg Folian
Deputy-Chairman of the Management Board

Christian Fojtl
Member of the Management Board
since 31 July 2006

Alexander Jurkowitsch
Member of the Management Board
since 31 July 2006

Supervisory Board

Heinrich Geyer
Chairman of the Supervisory Board
mandate runs until 21 May 2007

Franz Burkert
Deputy-Chairman of the Supervisory Board
mandate runs until 21 May 2007

Victor Igalffy-Igally
Member of the Supervisory Board
mandate runs until 21 May 2007

Gert Hoppe
Member of the Supervisory Board
mandate runs until 21 May 2007

Auditors

Ernst & Young Wirtschafts-
prüfungsgesellschaft m.b.H.

Foreword by the Management Board

For Warimpex, the financial year 2006 was marked by continued growth. We acquired further hotels in our core markets, pressed ahead with our existing development projects and initiated a number of new ones.

In line with our strategy of focussing expansion of our five-star hotels in capital cities, we started with the development of a further Hotel Le Palais in Warsaw. Increasingly we will also be erecting three-star-plus and four-star hotels in secondary metropolitan areas. After scoring a major success in this segment with our first Andel's Hotel in Prague, which was sold in 2005, the year under report saw development start on three further Andel's Hotels in Krakow, Łódź and Berlin, besides other projects. The Hotel Angelo in Prague, one of our projects under development, was completed in 2006, with the opening ceremony taking place in June. We also sold a shopping and multiplex centre in Brno at the point when we judged the value-added to be the maximum achievable.

In total we recorded seven major real estate acquisitions in the year under report, as well as progressing eight projects under development to the extent that construction work can begin in 2007. In addition, one hotel was opened and one project realised through sale of the property.

With an increase of 46%, revenues reflect the Warimpex Group's strong growth in the Hotels and Resorts segment. However, owing to our development activities, our results are subject to strong fluctuations; following the extremely profitable sale of the Andel's Hotel in 2005, therefore, this year's results are below the previous year's figures. Nevertheless, we also succeeded in raising EBIT, adjusted for sales of companies, by 195% to EUR 16.5 million. This shows that based on strong cash flows from hotel operations and the letting of office properties we, as a hybrid real estate company, are able to also generate varying levels of development proceeds from real estate sales.

The value of our real estate assets was raised significantly year-on-year (+61.3%), even without a capital increase. The proceeds from the sale of the Andel's Hotel in Prague were reinvested and have been earning positive returns.

As of the balance sheet date, Warimpex held real estate assets worth EUR 477.5 million, which it plans to grow further in the future.

In order to better leverage the current great potential in our markets, we ventured a flotation on the capital markets in January 2007. Since that date Warimpex shares have been listed on the Vienna and Warsaw Stock Exchanges. In the course of the initial public offering we effected a capital increase to generate fresh capital for the further expansion of the Warimpex Group. The extremely strong demand for our shares has confirmed us in our intention to continue and build upon the strategy that has already proven so successful in the past.

Besides expanding our portfolio of five-, four-, and three-star hotels, our attention in the immediate future will also be focussed on the establishment of a chain of economy hotels. Together with our joint venture partner Louvre Hotels our aim is to further expand the latter's existing successful hotel brands – Campanile, Première Classe and Kyriad – in the CEE region (Czech Republic, Poland, Hungary, Slovenia and Slovakia). A first phase of investment foresees the construction of 30 new budget hotels. With our special expert knowledge of the hotel markets in Central and Eastern Europe we will be assuming the role of developer, while Louvre Hotels will act as the hotel operator.

We should like to take this opportunity to thank all our longstanding partners for their valued cooperation. Our staff likewise merit special recognition: not only did they contribute to the excellent further development of the operative side of our business in the financial year 2006, at the same time they were also intensively involved in the preparations for our stock market flotation.

Franz Jurkowitsch

Georg Folian

Christian Fojtl

Alexander Jurkowitsch

Group Management Report

for the year ended 31 December 2006

The Group's business

Warimpex is a real estate development and investment group with special focus on the construction and operation of hotel properties in Central and Eastern Europe. Office buildings, retail projects and other real estate complete the portfolio.

Economic environment

The year 2006 was marked by continuing dynamic growth of the global economy. The key driving forces were primarily the low level of long-term interest rates, the decline in crude oil prices and ongoing robust economic growth in China. The only damper came from the cooling of the US real estate markets and the resulting weakening of the pace of economic growth in the US. In the euro area, domestic demand has significantly strengthened and is supporting economic activity in these countries. Meanwhile, economic growth – especially in Germany – no longer relies exclusively on exports, as investment activity is playing a more important role.

Economic growth in the EU 8+2 (Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovakia, Slovenia, Bulgaria, Romania) has likewise remained strong.

Markets

In the early eighties, Warimpex was one of the first international groups to start developing hotels in the Czech Republic, Hungary and Poland. With more than 25 years of experience in these markets and local offices in Warsaw, Prague, and Budapest, Warimpex is able today to identify market opportunities quickly and efficiently. The Company aims to continue exploiting this competitive advantage to expand its portfolio at a steady pace.

The home markets of the Czech Republic, Poland and Hungary have undergone dramatic change over the past decades and have witnessed a highly dynamic development. Keeping pace with this development requires both specific know-how and flexibility on the part of the Group's management in order to be able to quickly respond as new opportunities arise.

Czech Republic

In Prague, the Warimpex Group owns and operates the five-star hotels Savoy, Palace, and Le Palais, all of which are members of the "Leading Hotels of the World". In 2005, the "Le Palais" hotel received the "Leaders Club Gold Award 2005" from Leading Hotels of the World as the best hotel of the Leading brand.

In the four-star hotel segment, the Group owns and operates the Dvořák health resort in Karlovy Vary, the Diplomat Hotel in Prague and the Angelo Hotel, which was opened in June 2006.

Until the end of June 2006, Warimpex also owned the Velký Špalíček Entertainment and Shopping Mall in Brno, which in the reporting year was sold to an institutional investor.

Economic environment

The economy of the EU member Czech Republic has been experiencing strong growth. Between 2002 and 2005, GDP growth was boosted from 2% to 6%. For 2006, growth is again expected to run at around 6%. The vibrant economy is driven by exports, mainly from the automobile industry.

Prague, the "Golden City", is a favourite venue for conferences and congresses, a preferred location of the international film industry, and a very popular city break destination for tourists from all over the world. In 2005, the World Tourism Organisation recorded more than 6.3 million international arrivals and EUR 3.7 billion in revenues from international tourism.

The dynamic development in the tourist sector has also led to increased competition, however. A number of new hotels are being planned in Prague, some by competitors of the Warimpex group. The management of the Warimpex Group's hotels was prepared to respond to the new challenges, however, and has been focussing on offering the best in facilities and service. As regards the occupancy rates and yields of its Prague hotels, Warimpex currently reports stabilisation at a high level.

In the reporting year, the occupancy rates of the Prague hotels were between 60% and 75% in the four-star segment and between 60% and 70% in the five-star segment.

The Dvořák health resort in Karlovy Vary also stabilised room occupancy at a very high level, attaining a rate of about 85% in the reporting year.

As Prague has been discovered as a destination by low-cost carriers, Warimpex opened the Hotel Angelo, a hotel with special design features, to target this relatively new customer segment.

Poland

Warimpex has held an interest in the five-star InterContinental Hotel Warsaw since 2003. In November 2006, it also acquired an interest in the four-star Sobieski Hotel in Warsaw.

In Międzyzdroje on the Baltic coast Warimpex owns the Amber Baltic Spa Resort Hotel, a hotel ship, and a 27-hole golf course. In Krakow, Warimpex has been owner of the three-star Chopin Hotel since July 2006.

In addition to the hotels, Warimpex owns the Sobieski office building and the Parkur Tower office block in Warsaw through joint ventures.

Economic environment

The Polish economy has also profited substantially from EU membership and is characterised by a brisk pace of growth. In 2006, GDP growth is expected to surpass 5%, up significantly from the 3.4% rate recorded in 2005. This high rate of growth is attributable on the one hand to a rise in domestic demand and, on the other, to stronger exports and investment activity.

In 2005, the World Tourism Organisation recorded more than 15.2 million international arrivals and EUR 5 billion in revenues from international tourism.

Krakow in particular came into the focus of tourism investment and the hotel market in Warsaw has been seeing continuous increases in occupancy rates after a phase characterised by an oversupply in the four- and five-star segments.

Since its opening, the InterContinental Hotel has been able to establish itself in the Warsaw hotel market and to steadily raise occupancy rates and profits. In the reporting year it attained about 78% occupancy. It is expected that the hotel will strengthen its market position further in 2007. The Sobieski Hotel, which was newly purchased in the reporting year, met expectations with an annual occupancy rate of about 70%. Equally satisfactory was the occupancy rate at the Chopin Hotel in Krakow at about 75 %.

Annual occupancy at the Amber Baltic beachfront resort was around 50%. This marked difference to the city hotels is due, above all, to the shorter season.

Hungary

Warimpex owns five office buildings in Budapest with a total floor space of more than 22,000 sqm. These office properties are either let under long-term leases or are currently undergoing improvements, upon completion of which they will be let under long-term contracts.

In addition, Warimpex realised an apartment building in Budapest in the reporting year.

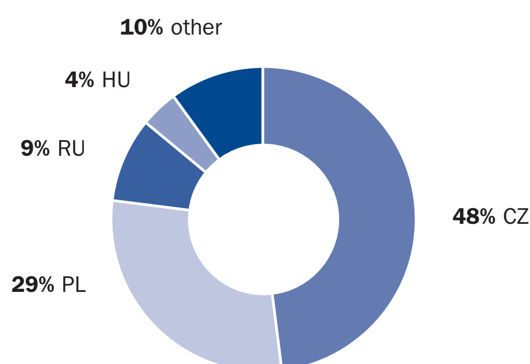
Economic environment

After accelerating moderately in 2004, GDP growth slowed to 4.2% in 2005. This economic growth was attributable in large part to exports and investment activity. In 2006, growth is expected to run at around 4%.

Warimpex has not developed any new hotel projects in Hungary in recent years as the market in Budapest was characterised by an oversupply in hotel rooms. New low-cost carrier services linking Budapest with West European cities have recently provided a fresh stimulus to the Budapest hotel market. This trend will continue in 2007. With ten million international guest arrivals Hungary ranks clearly ahead of the Czech Republic, while Hungary's revenues, at EUR 3.4 billion, are below the Czech level.

The Budapest office market developed well over the past year with falling vacancy rates. For 2007 a trend is emerging towards a slow rise in office rents. Compared with the previous year, prime office yields showed a highly dynamic development and currently stand at 6.25% according to CBRE (prior year: 7.00%).

Real estate assets by country (share of GAV)



Gross Asset Value (GAV)
as of 31 December 2006 acc. to CBRE

Main business activities in the reporting year

Sale of Velký Špalíček Entertainment and Shopping Mall in Brno (CZ)

In the reporting year, the 50% interest in the shopping mall as well as the 100% interest in an adjacent commercial property were sold to an institutional investor in the form of a share deal. The contract negotiations were closed in the second quarter 2006 and the property was transferred to the new owners as of 30 June 2006.

Acquisition of three-star Chopin Hotel, Krakow (PL)

Warimpex took over the 220-room Chopin Hotel in Krakow as of 30 June 2006. The hotel's occupancy rates and profitability developed very positively in the reporting year.

Acquisition of remaining 50% stake in Diplomat Hotel, Prague (CZ)

As of 30 June 2006, Warimpex acquired the minority interests in the four-star 398-room Diplomat Hotel.

Acquisition of Sobieski Hotel and office building, Warsaw (PL)

As of 31 October 2006, Warimpex and its joint-venture partner Europa Fund took over the four-star Jan III Sobieski Hotel plus the adjacent office building. The hotel has 427 rooms and is very popular among both Polish and international travellers.

Acquisition of two office properties in Budapest (H)

In Budapest, the Group purchased in the reporting year the two Pauler and Erzsebet office buildings with a total of 16,500 sqm in lettable office floor space for further development.

Project development

In the reporting year, hotel project development was stepped up in primary and secondary large cities with high levels of economic, industrial and tourist activity. Eight hotel projects were developed for construction start in the year 2007.

Poland

In Krakow, the 159-room Andel's Hotel is under construction and will be opened according to schedule in the second quarter 2007. The design hotel is already the second of its kind after the opening of Andel's Hotel in Prague in 2002. Like all Andel's Hotels, the Krakow Andel's Hotel was designed by the architects Jestico+Whiles.

In Łódź and Katowice work continued on the development of the Andel's Hotel Łódź and Hotel Angelo Katowice projects. Construction work on these two projects is due to start in 2007.

In addition, an existing office building was purchased in Krakow for conversion into a two- to three-star hotel in the coming two years.

In Warsaw, planning started for a five-star luxury hotel of the Le Palais brand. Project development proceeded as planned and construction work is expected to start in 2007.

Czech Republic

In the Czech Republic, the Hotel Angelo project in Plzeň is currently in the pipeline. Construction work is to commence in 2007.

Germany

In Berlin, Warimpex acquired a hotel building shell in a central location under a joint venture and started developing it into a 550-room Andel's Hotel. Interior work is scheduled to start in 2007.

In addition, Warimpex had already acquired an interest in the Leuchtenbergring office building in Munich in previous years with the intention of developing an Angelo hotel in a first phase. For the second phase, plans foresee the development of city archives and, possibly, a second hotel on the premises. In the reporting year, project development work proceeded according to plan and was covered, in large part, from the letting proceeds of the existing office building. Construction work is scheduled to commence in mid-2007.

Russia

In co-operation with St. Petersburg Airport, Warimpex started developing a business park on a 62,000 sqm plot beside Pulkovo Airport in the reporting year. On this piece of land, plans foresee the construction of a four-star hotel from an international hotel chain as well as an office building with about 16,000 sqm in lettable space in a first phase. Another office building is to be developed in a second phase. Project development proceeded successfully in the reporting year, permitting construction work to start in 2007.

Office and other commercial buildings

In Prague, close to Andel's City, Warimpex will complete an office building with some 4,000 sqm of floor space in April 2007. All of the office space was leased out even before completion of the office building.

In late 2006, the Parkur Tower office block was completed with some 8,900 sqm of floor space. Before completion, preliminary contracts were closed for about 30% of the space. The remaining space is to be let by mid-2007.

In Budapest, the Pauler office building with some 3,000 sqm was bought in early 2006 and the Erzsebet office complex in late 2006. Part of the centrally located office complex has been leased out. The complex consists of two separate buildings with a total floor space of about 15,000 sqm. Current plans foresee a modernisation of the office complex in several stages.

Other project development

In the city of Białystok, located northeast of Warsaw, Warimpex has started development of a shopping centre. At the end of the reporting period, a so-called "designation of areas" had been obtained. In 2007, this project is to be developed further until a building permit is obtained and then the Group will decide whether to continue to stay invested in the property or to sell the development.

Successful IPO in January 2007

In January 2007, Warimpex Finanz- und Beteiligungs AG completed a highly successful IPO, under which its shares were listed for official trading at the stock exchanges of Vienna and Warsaw. The demand for Warimpex shares was significantly higher than the offering. At the issue price of EUR 11, the ten million shares available for sale were more than 14 times oversubscribed.

Business development

Consolidated income statement (EUR '000)	**2006**	2005	2004
Revenues			
Hotels & Resorts	52,408	35,315	31,803
Asset Management & Development	6,391	4,997	20,797
	58,799	**40,312**	**52,600**
Changes in real estate projects under development or construction	601	995	(1,001)
Gains from the sale of group subsidiaries	6,319	38,330	–
Negative goodwill recognized in income	4,181	895	56
Other income	5,281	–	1,597
	16,381	**40,220**	**653**
Expenses			
Expenses for materials and services received	(22,741)	(16,605)	(13,394)
Expenses for project development	(2,025)	(287)	(11,891)
Personnel expenses	(15,284)	(9,362)	(8,317)
Other expenses	(4,329)	(4,091)	(4,334)
Total expenses	**(44,379)**	**(30,345)**	**(37,936)**
EBITDA	**30,802**	**50,187**	**15,316**
Depreciation and amortisation excl. goodwill amortisation	(8,000)	(6,228)	(6,311)
EBIT	**22,801**	**43,959**	**9,006**
Finance revenue	6,952	1,752	1,032
Finance cost	(8,201)	(10,439)	(6,570)
Profit before tax	21,552	35,273	3,468
Profit for the year	**21,210**	**33,670**	**5,031**

Development of turnover

In the financial year 2006, the policy of dynamic expansion had a marked positive effect on revenues, which were boosted by 46% from EUR 40.3 million in the prior year to a record level of EUR 58.8 million.

About 90% of revenues came from the operation of hotel properties, even though these contribute only about 50% of the Warimpex Group's EBITDA. This is explained by the fact that proceeds from the sale of real estate projects are not shown in the item "Revenues" as real estate transactions are usually carried out through a sale of shareholdings. Gains from share deals are reported in the item "Gains from the sale of disposal groups".

Analysis of the Group's business segments

(See detailed comments in [06] Segment Reporting in the Notes)

The Warimpex Group has defined the segments "Hotels & Resorts" and "Asset Management & Development" as primary segments. The "Hotels & Resorts" segment is clearly comparable with the hotels held by the Group as consolidated entities in the reporting year. In the segment "Asset Management & Development" profits are reported that result from the letting of investment property as well as profits from the realisation of project development. The realisation of projects usually involves the sale of an interest in the form of a share deal.

Hotels & Resorts segment

EUR '000	**2006**	2005	2004
Revenues for the Group	52,408	35,315	31,803
Number of hotel beds for the Group	1,460	832	702
Group's GOP	22,325	17,248	15,045

During the reporting period, revenues from hotel operations were boosted by 48% from EUR 35.3 million to EUR 52.4 million and the weighted number of hotel rooms was increased at the same time. The rise in revenues by EUR 17.1 million results primarily from the larger number of hotels but also from an increase in revenues from the individual hotels.

Gross operating profit (= GOP, computed according to the "Uniform System of Accounts for the Lodging Industry") was raised to EUR 22.3 million (+29%) in the reporting year while the average number of available rooms rose by 628.

Changes in capacity in the Hotels & Resorts segment resulted from the opening of the Hotel Angelo in Prague in June and the acquisition of the hotels Savoy (Prague), Amber Baltic (Międzyzdroje), and the Hansa hotel ship in late 2005. In addition, the Hotel Dream Castle Paris has been leased since June 2006 and the Chopin Hotel in Krakow was bought as of 30 June 2006. This increase in hotel rooms was offset in part by the sale of the Andel's Hotel in Prague as of 30 September 2005.

Asset Management & Development segment

EUR '000	**2006**	2005	2004
Revenues for the Group	6,391	4,997	20,797
Segment operating result	13,781	35,370	2,213

Revenues from the development and letting of office properties were also raised by close to 30% from EUR 5.0 million to EUR 6.4 million. This increase by EUR 1.4 million came predominantly from the Development segment.

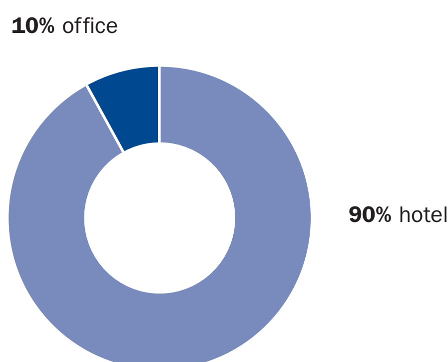
The segment result was influenced heavily by sales of real estate holdings (share deals). The fall in the segment result is due primarily to lower income from the sale of project companies in 2006 compared with the year 2005.

Profitability

A year-on-year comparison of the results of the Warimpex Group is not easy as the development of a project usually takes a few years before the project can be sold. For this reason, the annual profits of the Warimpex Group may be subject to fluctuations. Additionally, the form in which a project is sold also has an impact on the presentation in the financial statements: under IFRS, income from construction contracts is reported in "Revenues", income from a project development realised in an asset deal is presented in "Other operating income", and profits from the sale of shares – a frequently selected option – are included in "Gains from the sale of disposal groups".

In the financial year 2005, the Andel's Hotel and Suites in Prague were sold to an institutional investor in a share deal. The profit booked from this transaction amounted to more than EUR 38 million. Because of the size of this transaction a comparison with earnings in preceding or subsequent years is possible only to a limited extent.

Real estate assets held by sector (share of GAV)



Gross Asset Value (GAV)
as of 31 December 2006 acc. to CBRE

EBITDA

Earnings before amortisation and depreciation (EBITDA) fell by 39% from EUR 50.2 million to EUR 30.8 million. This decline by EUR 19.4 million is attributable primarily to lower gains from the sale of disposal groups, as explained above.

Net of this item, EBITDA rose by 106% from EUR 11.9 million to EUR 24.5 million. This increase was due above all to the larger number of hotel and office properties, realised income from the purchase of real estate below market value, and other operating income. Other income consists mainly of loan rebates and gains from the retransfer of provisions.

EBIT

The operating result (EBIT) declined by 48% year-on-year from EUR 43.9 million to EUR 22.8 million. This decline is attributable primarily to higher regular depreciation of plant, property and equipment and lower income from the sale of disposal groups. Net of the item "Gains from the sale of disposal groups", EBIT rose by 195% from EUR 5.6 million to EUR 16.5 million.

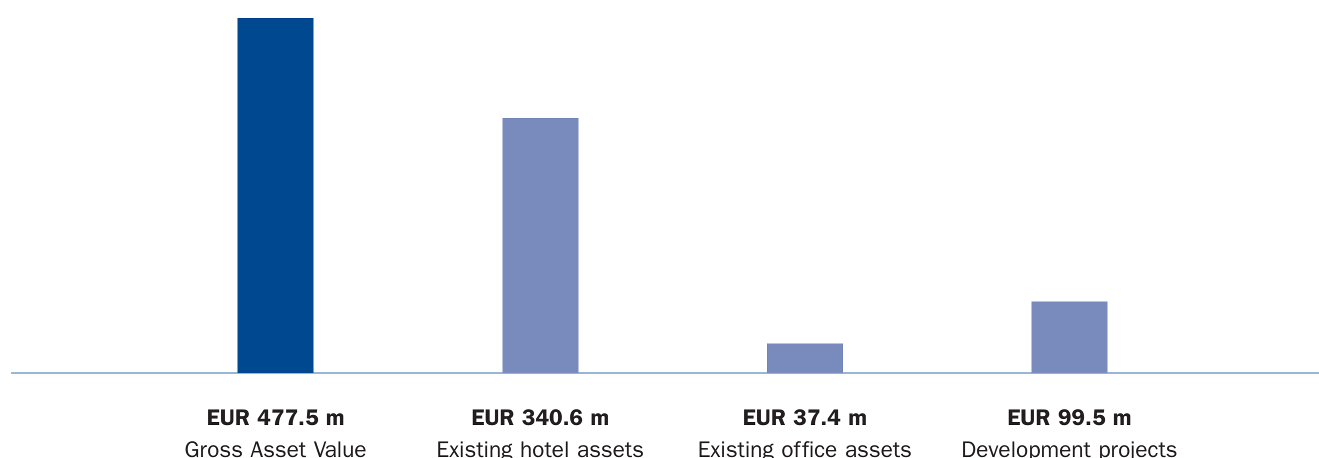
Financial result

The financial result improved by EUR 7.5 million from EUR –8.7 million to EUR –1.2 million. The reduction in finance expenses is due largely to the rise in value of financial assets written down in the previous year as well as to higher realised currency translation gains.

Profit for the year

The profit for the year of the Warimpex Group fell year-on-year by EUR 12.5 million from EUR 33.7 million to EUR 21.2 million. This decline is again attributable primarily to lower gains from the sale of disposal groups.

Calculation of Gross Asset Value and Net Asset Value



All existing real estate and development projects of the Warimpex Group were appraised as of 31 December 2006 by the international independent real estate appraiser CB Richard Ellis (CBRE).

The fair values were determined in accordance with the valuation standards of the Royal Institute of Chartered Surveyors. The fair value of a property is the price at which it could be exchanged in a current transaction between two knowledgeable, unrelated and willing parties.

To determine fair value, the real estate appraiser used the mean value between the real estate value as determined by means of the capital income approach and the value resulting from the discounted cash flow (DCF) approach.

The capitalisation factor (yield) used for calculation of the capital income was within a range of 6.15% and 7.75% for hotel properties in Poland and between 6.50% and 6.75% for those in the Czech Republic.

As of 31 December 2006, the fair value of Warimpex real estate assets amounted to EUR 477.5 million (prior year: about EUR 296 million[1]). This increase was due primarily to real estate acquisitions. Year-on-year, as of 31 December 2006, the Triple Net Asset Value (NNNAV) of the Warimpex Group was increased by EUR 85.7 million or 50% from EUR 172.6 million to EUR 258.3 million.

Calculation of the Triple Net Asset Value (NNNAV) according to the Best Practice Policy Recommendations published by the European Public Real Estate Association (EPRA) in November 2006 before accounting for deferred taxes:

EUR '000	**2006**	2005
GAV according to CBRE valuation	**477,545**	**296,049**
Other non-current assets	27,340	17,307
Current assets	34,066	30,983
Non-current debt	(174,091)	(112,055)
Current debt	(106,533)	(59,687)
NNNet Asset Value/EPRA	**258,326**	**172,597**

[1] Determined from the sum of the CBRE expertises as of 28 April and 28 June 2006 for the properties and projects held by Warimpex as of 31 December 2005.

Financial position

Consolidated balance sheet (EUR '000)	**2006**	2005	2004
Assets			
Non-current assets	350,936	220,003	179,012
Current assets	34,066	44,746	16,468
Total assets	**385,001**	**264,749**	**195,480**
Equity and liabilities			
Issued capital	30,000	15,000	6,250
Retained earnings and reserves	56,747	52,885	25,862
Minority interests	281	11,687	346
Total equity	**87,028**	**79,572**	**32,458**
Non-current liabilities	191,440	125,490	115,478
Current liabilities	106,533	59,687	47,544
Total liabilities	**297,973**	**185,177**	**163,022**
Total equity and liabilities	**385,001**	**264,749**	**195,480**

The assets side of the balance sheet of Warimpex is dominated by property, plant and equipment. The Group's dynamic expansion course is clearly reflected by the level of its non-current assets. These rose year-on-year by EUR 130.9 million or 60% from EUR 220.0 million to EUR 350.9 million. As the Warimpex Group, as a rule, finances two thirds of the cost of real estate assets under long-term project loans, the Group's non-current liabilities therefore also rose by EUR 65.9 million or 53% from EUR 125.5 million to EUR 191.4 million.

Based on the balance sheet figures, the Group's equity ratio dropped from 30% in the previous year to 23%. This is due to the substantial increase in the balance sheet total as a result of business expansion as well as the fact that Warimpex does not write up real estate assets held as financial investments on an annual basis and does not recognise the rise in value in income. For real estate developer Warimpex a project is realised when it is finally sold.

As Warimpex carries property, plant and equipment at cost less depreciation and amortisation and increases in the value of real estate are not realised annually and recognised in income, a comparison of the Group's equity ratio with that of other real estate companies is possible only to a limited extent.

A valuation of its real estate assets on the basis of fair values would result in an equity ratio of 48% (NNNAV/balance sheet total[2]).

[2] Without accounting for deferred taxes

Cash flows

Consolidated cash flow statement (EUR ’000)	**2006**	2005	2004
Cash receipts from operating activities	58,889	42,978	54,271
Cash payments from operating activities	(47,161)	(31,246)	(36,785)
Net cash flows from operating activities	**11,728**	**11,731**	**17,486**
Cash flows from investing activities	(31,441)	(8,384)	(28,983)
Cash flow from business combinations, other changes in the scope of consolidation and the acquisition of minority interests	(12,419)	26,904	(186)
Net cash flows used in/from financing activities	**29,788**	**(15,792)**	**11,483**
Cash and cash equivalents at end of year	**17,650**	**19,593**	**4,951**

Cash flows from operating activities

At EUR 11.7 million, the net cash flow from operating activities remained almost unchanged versus the financial year 2005. While cash payments for the operation of hotels and the letting of office buildings develop at about the same rate as cash receipts from operating activities, cash payments for project development are subject to pronounced annual fluctuations.

Cash flows from investing activities

The cash outflow from investing activities consisted mainly of payments made for property, plant and equipment in connection with the following projects:

EUR	**2006**	2005
Acquisition of property Andel’s Lodz Sp. z o.o. in Łódź, PL	5,234,078	–
Completion of Hotel Angelo in Prague, CZ (in prior year, under construction)	4,865,116	2,326,145
Start of construction of Andel’s Hotel in Krakow, PL (under construction)	6,450,841	–
Renovation of Hotel Dvořák in Prague, CZ	2,569,339	1,688,691
Purchase of Landsberger Allee in Berlin, Andel’s Hotel in Berlin	2,697,701	–
Project development of UBX 2 office block at Andel’s City in Prague, CZ (under construction)	3,108,146	652,309
Purchase of land in Białystok, PL, Białystok Shopping	1,671,517	541,593
Completion of Parkur Tower office block in Warsaw, PL	1,710,332	391,727
Purchase of land for MultiDevelopment Sp. z o.o. in Krakow, PL	1,663,684	–
Renovation of Palace Hotel in Prague, CZ	1,081,416	–
Other project development and ongoing replacement investments in hotel operations	2,226,793	2,676,625

Cash payments for development projects were increased significantly over the previous year.

Cash flows from business combinations and other changes in consolidated entities
as well as the acquisition of minority interests (see [04] in the Notes)

The balance of about EUR 12.4 million is made up largely by payments made for the purchase of the holding companies of the Chopin and Sobieski hotels and the holding companies of the Pauler and Erzsebet office properties, as well as cash receipts from the sale of the Velký Špalíček Entertainment and Shopping Mall in Brno.

The positive balance of cash flows from business combinations in 2005 was due primarily to the sale of the Andel's Hotel in Prague.

Cash flows from interest-bearing debt finance

The change in cash flows from financing activities is basically attributable to higher new borrowing in connection with investments in property, plant and equipment and the acquisition of project companies.

Material risks and uncertainties to which the Group is exposed

In the "Hotels & Resorts" segment, the Group is exposed to the general risks of the tourist industry such as cyclical fluctuations, political risk, and the growing fear of terrorist attacks. There is the risk that competitors may enter the Group's target markets, thereby increasing the number of beds available. In addition, there are interest rate risks and financing risks which might have an impact on the Company's ability to finance or sell properties.

More details on risk management targets and methods in connection with financial instruments as well as on existing interest rate, currency, default and liquidity risks and derivative instruments used by the Group is provided in Nos. 25 and 26 of the Notes to the Consolidated Financial Statements.

The "Asset Management & Development" segment is exposed to finance and currency risks, market entry risks and the risk of delays in the completion of construction work on real estate projects. In addition, there are risks of rent default, which may impact both on the current cash flow and on real estate valuation.

The Group holds real estate assets in a limited number of countries and is therefore exposed to an increased risk that local circumstances – such as an oversupply of properties – may influence the Group's economic performance. Owing to its focus on real estate development and real estate holdings, the Group's performance depends heavily on the current situation in the real estate markets. Price slides in the real estate market could therefore affect the Group significantly and also influence real estate finance.

Thanks to its twenty-five years of experience, Warimpex has excellent knowledge of the Central and Eastern European real estate markets and therefore has the capability to guard against such risks. The Group aims at identifying risks on a timely basis and relies on its efficient management and control systems for an appropriate response.

Real estate maintenance is a key aspect in the sustainable economic development of the Warimpex Group. Property and facility managers therefore submit status reports to the Management at regular intervals as well as projections for the optimum maintenance of the properties.

Risk management is a key component of the Group management's day-to-day running of the business. Responsibilities have been clearly defined for each area to enable early identification of risks and an appropriate response to risks as they emerge.

Investor relations

Warimpex Finanz- und Beteiligungs AG shares have been listed at the Vienna stock exchange since 26 January 2007 and at the Warsaw stock exchange since 29 January 2007.

Under the IPO, six million new shares were offered from a capital increase as well as three million old shares held by the two founders and Management Board members Franz Jurkowitsch and Georg Folian. In addition, the greenshoe option in the amount of one million old shares, also from holdings of the said Management Board members, was fully exercised. At the issue price, the offering was 14 times oversubscribed, which underlined the difference from other real estate shares and the resulting big demand. The issue price was EUR 11.00 or PLN 42.83. Market capitalisation based on the issue price was EUR 396.0 million.

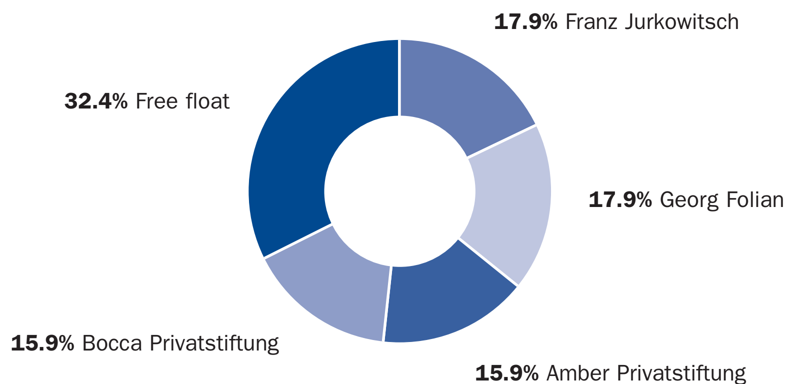
- ISIN: AT0000827209
- Number of shares: 36,000,000
- Issue price: EUR 11.00 | PLN 42.83
- Ticker symbol: Stock Exchanges WXF | Reuters: WXFB.VI

Since going public, the Company's share capital has been divided into 36 million non-par-value shares. 67.6% of the shares are still held by original shareholders Franz Jurkowitsch and Georg Folian and two private trusts. The free float is 32.4%, including 1.4% held by the management (apart from the two said Management Board members). About 10% are held by Polish private and institutional investors, the remainder mainly by investors in Austria, Scandinavia, Germany, and the United Kingdom.

Under the underwriting agreement, no further capital increase may be carried out during the lock-up period. This lock-up obligation expires on 26 July 2007. The main shareholders (Selling Shareholders) have undertaken not to sell their shares prior to 26 October 2007.

The Management Board was empowered as of 31 July 2007 to increase the share capital over a period of five years in one or several tranches by up to EUR 15 million (thereof EUR 6 million exercised) with the consent of the Supervisory Board. In addition, the Management Board has been empowered to fully or partly exclude, with the Supervisory Board's consent, the shareholders' right to buy shares in the event of a capital increase against contributions made in kind.

Shareholder structure (as of 10 April 2007)



Human capital

Excellently trained personnel in the hotels and committed, experienced project managers represent the Group's human capital. Warimpex places much emphasis on the continuing education and training of its employees. Conforming to the high standards of service excellence defined by the Group requires sound expertise and the capability to work flexibly and in a service-oriented manner. Especially high standards are expected by the Group from its managers.

The Group owes its success to the qualified and committed hotel staff as well as to the excellent Warimpex Group management team. The fact that the "Asset Management & Development" segment has seen practically no employee turnover for a number of years is an indication of the good working atmosphere. This team is being expanded continuously in order to provide the management resources needed to support rapid growth.

In 2006, an average of 886 (prior year: 587) employees were working for the "Hotel & Resorts" segment, and 54 (prior year: 51) employees in the "Asset Management & Development" segment.

Sustainability

The Warimpex Group's developments have an impact on the social, ecological and economic environments. Given its long history as a project developer, the Group strives to act in a sustainable manner and uses resources in a conservative way.

This conservative approach to the use of resources is pursued by the Group also in the operation of its hotels.

Events after the balance sheet date

Regarding material events after the balance sheet date reference is made to No. 27 in the Notes to the Group Financial Statements.

Outlook

Warimpex operates in an economic environment that is characterised by above-average growth. To strengthen the market position of the Warimpex Group in its home markets, Warimpex will start construction of the following hotels in 2007:

- Le Palais, Warsaw
- Angelo, Plzeň
- Angelo, Munich
- Multidevelopment, Krakow
- Andel's, Berlin
- Angelo, Katowice
- Andel's, Łódź
- Internationales Hotel, St. Petersburg

Plans for the first half of 2007 furthermore foresee the acquisition of an additional 16.67% stake in the InterContinental Hotel in Warsaw as well as of the remaining 50% interest in Andel's Hotel Krakow.

Budget hotels

With its joint-venture partner Louvre Hotels, Warimpex is going to start developing a chain of budget hotels.

Under the joint venture, the two companies will expand the existing successful hotel brands of Louvre Hotels – Campanile, Première Classe and Kyriad – in the region (Czech Republic, Poland, Hungary, Slovenia, and Slovakia). In a first investment phase, 30 new budget hotels are to be built.

Realisation of real estate projects – sale

In the first quarter 2007, negotiations were started on the sale of office properties that are fully let and therefore ready for realisation. This is in line with the strategy of a "hybrid" real estate company, which typically develops projects, operates and manages them upon completion and sells them depending on the market situation and degree of maturity as soon as the maximum value added can be attained.

Selling a property strengthens the cash flow. In accordance with the long-term strategy of "develop 3, sell 1", the proceeds of a sale are reinvested in about three new development projects. In addition, Warimpex is one of the few real estate companies that distributes dividends each year.

This strategy permits earning annual cash profits while expanding real estate assets at the same time.

Ongoing expansion

For the four- and three-star-plus hotels – the Andel's and Angelo hotel brands – further expansion opportunities will also be sought in the region's secondary cities. For the further development of the Le Palais luxury brand Warimpex will search for suitable land and properties especially in the capital cities.

Additional hotels in existing and new markets such as Slovakia, Serbia, Romania, Russia and Ukraine are to complement the portfolio in the future.

Given the controlled strategy of expansion and additional financial resources, the Warimpex Group is expected to continue delivering satisfactory growth.

Vienna, 10 April 2007

Georg Folian m.p.   Alexander Jurkowitsch m.p.

Franz Jurkowitsch m.p.   Christian Fojtl m.p.

Report by the Supervisory Board

In regular meetings held during the course of the financial year 2006 the Supervisory Board of Warimpex Finanz- und Beteiligungs AG was kept informed by the Management Board about significant business transactions, the course of business and the situation of the company and discharged the duties incumbent upon it by virtue of the law and the company's articles of association.

The annual financial statements and consolidated financial statements for the year ended 31 December 2006 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., the auditor chosen in accordance with § 270 of the Austrian Commercial Code. The final result of this audit revealed no grounds for objection and the legal provisions were fully complied with, so that an unqualified auditors' report was issued.

The Supervisory Board has approved the financial statements for the year ended 31 December 2006 and the management report for the business year 2006, which are thereby adopted. The Supervisory Board declares its acceptance of the consolidated financial statements and the Group management report as submitted. The Supervisory Board has examined and approved the Management Board's proposal for the distribution of profits for the financial year 2006.

In the financial year 2006 the composition of the Management Board was changed in that two further members were appointed.

The flotation of Warimpex Finanz- und Beteiligungs AG completed in January 2007 was extremely successful, generating a demand for shares among domestic and foreign investors that was significantly higher than the number on offer. Warimpex offered ten million shares, whereas the total demand was for more than 140 million shares. The issue was thus around 14 times over-subscribed at an offering price of EUR 11.00.

In view of the continued good business performance the Supervisory Board would like to express its special thanks to the Management Board, executives and staff of the Warimpex Group for their work in the financial year just ended.

Vienna, April 2007

Heinrich Geyer
Chairman of the Supervisory Board

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CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2006

in EUR	Notes	**2006**	2005
Revenues – Segment “Hotels & Resorts”		52,408,006	35,315,383
Revenues – Segment “Asset Management & Development”		6,391,014	4,996,608
	[7.1]	**58,799,020**	**40,311,991**
Changes in real estate projects under development or construction	[16]	601,084	995,261
Gains from the sale of Group subsidiaries	[4.1]	6,318,951	38,329,924
Other income	[7.1]	5,280,790	–
		12,200,824	**39,325,185**
Expenses for materials and services received	[7.2]	(22,741,060)	(16,604,878)
Expenses for project development	[7.2]	(2,024,755)	(287,470)
Personnel expenses	[7.3]	(15,284,350)	(9,362,314)
Depreciation and amortisation expense	[10]–[12]	(8,000,290)	(6,227,774)
Other expenses	[7.4]	(4,328,540)	(4,090,797)
Negative goodwill recognised in income	[4]	4,180,514	894,997
		(48,198,481)	**(35,678,235)**
Operating profit		**22,801,364**	**43,958,942**
Finance revenue	[7.6]	6,952,269	1,752,137
Finance costs	[7.5]	(8,201,160)	(10,438,561)
Profit before tax		**21,552,472**	**35,272,519**
Income tax expense	[8]	(790,335)	(640,020)
Deferred taxes	[8]	448,240	(962,690)
Profit for the year		**21,210,377**	**33,669,809**
Attributable to:			
– Equity holders of the parent		20,914,837	34,131,033
– Minority interests		295,540	(461,224)
Earnings per share	[9]		
Basic, for the profit of the year attributable to ordinary equity holders of the parent		0.70	1.14

CONSOLIDATED BALANCE SHEET

for the year ended 31 December 2006

ASSETS in EUR	Notes	**2006**	2005
Non-current assets			
Property, plant and equipment	[10]	288,327,053	189,132,670
Investment properties	[11]	25,338,478	5,028,903
Goodwill	[12]	7,400,765	6,089,466
Acquired computer software	[12]	244,577	209,100
Available-for-sale investments	[14]	603,145	1,778,889
Other financial assets	[15]	26,491,931	15,318,746
Deferred tax asset	[8]	2,529,622	2,444,767
		350,935,572	**220,002,541**
Current assets			
Inventories	[16]	3,148,360	2,121,429
Trade and other receivables	[17]	12,959,409	4,746,419
Available-for-sale investments		–	5,037,000
Other financial assets	[26]	308,314	145,610
Cash and short-term deposits	[18]	17,649,563	18,932,448
		34,065,646	30,982,906
Assets of a disposal group classified as held for sale	[4.1]	–	13,763,267
		34,065,646	**44,746,173**
Total assets		**385,001,217**	**264,748,714**

EQUITY AND LIABILITIES in EUR	Notes	**2006**	2005
Equity attributable to equity holders of the parent			
Issued capital		30,000,000	15,000,000
Retained earnings		51,181,541	46,958,117
Other reserves	[19]	5,565,543	5,926,903
		86,747,084	67,885,020
Minority interests		280,651	11,686,516
Total equity		**87,027,735**	**79,571,536**
Non-current liabilities			
Interest-bearing loans and borrowings	[20]	169,981,798	105,491,231
Provisions	[21]	3,478,290	6,318,047
Other liabilities		631,367	245,707
Deferred tax liability	[8]	17,348,669	13,434,777
		191,440,124	**125,489,763**
Current liabilities			
Trade and other payables	[22]	38,698,938	14,955,320
Interest-bearing loans and borrowings	[20]	65,844,876	32,039,914
Derivative financial instruments	[26]	129,839	771,653
Income tax payable		253,392	332,054
Provisions	[21]	1,606,312	1,579,906
		106,533,358	**49,678,846**
Liabilities directly associated with the assets classified as held for sale	[4.1]	–	10,008,568
		106,533,358	**59,687,415**
Total equity and liablities		**385,001,217**	**264,748,714**

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

in EUR	Notes	**2006**	2005
Cash receipts from operating activities			
from the operations of hotels and rent received		56,645,524	38,947,456
from real estate development projects		1,650,695	3,274,481
Interest received		592,994	755,584
		58,889,214	**42,977,520**
Cash payments for operating activities			
for real estate development projects		(2,380,557)	(4,753,905)
for materials and services received		(22,832,334)	(14,553,393)
for personnel expenses and related expenses		(15,043,112)	(9,287,788)
for other expenses		(5,883,447)	(1,973,794)
Income tax paid		(1,022,011)	(677,588)
		(47,161,461)	**(31,246,468)**
Net cash flows from operating activities	[6]	**11,727,753**	**11,731,052**
Cash flows from investing activities			
Relating to property, plant and equipment			
Proceeds from the sale of property, plant and equipment		26,407	13,643
Purchase of property, plant and equipment		(28,545,752)	(7,753,734)
	[10]	(28,519,345)	(7,740,091)
Relating to investment properties			
Proceeds from the sale of investment properties		479,939	–
Purchase of investment properties		(279,731)	(318,091)
	[11]	200,207	(318,091)
Relating to available-for-sale investments			
Proceeds from the sale of available-for-sale investments		6,163,168	–
Purchase of investment properties		(19)	(18,663)
		6,163,149	(18,663)
Purchase of computer software		(137,247)	(22,657)
Relating to other financial assets			
Loans granted		(9,448,021)	(283,099)
Other cash flows relating to financial assets		300,306	–
		(9,147,715)	(283,099)
		(31,440,951)	**(8,382,602)**

in EUR	Notes	**2006**	2005
Cash flows from business combinations, other changes in the scope of consolidation and acquisition of minority interests			
Proceeds from the sale of disposal groups		10,241,616	30,819,124
Cash and cash equivalents of disposal groups		(546,764)	(599,672)
		9,694,852	30,219,452
Payments made for business combinations		(18,645,861)	(5,139,052)
Cash acquired in business combinations		1,485,131	1,824,057
		(17,160,730)	(3,314,995)
Payments for business combinations effected in previous periods		(4,953,566)	–
	[4.1]	**(12,419,444)**	**26,904,457**
Net cash flows used in/from investing activities and changes in the scope of consolidation		**(43,860,396)**	**18,521,854**
Cash flows from financing activities			
Cash receipts from minority interests		297	55,627
Proceeds from loans and borrowings	[20.6]	58,928,918	13,060,183
Repayment of loans and borrowings	[20.6]	(19,652,725)	(18,384,526)
Interest and other finance costs paid		(7,488,163)	(5,523,365)
Dividends paid			
Dividends paid to equity holders of the parent		(2,000,000)	(5,000,000)
Net cash flows from/used in financing activities		**29,788,327**	**(15,792,080)**
Net change in cash and cash equivalents		(2,344,316)	14,460,827
Net foreign exchange difference		400,985	181,501
Cash and cash equivalents at 1 January		19,592,893	4,950,565
Cash and cash equivalents at 31 December		**17,649,563**	**19,592,893**
Cash and cash equivalents at year-end can be analysed as follows:			
Cash and cash equivalents of the Group		17,649,563	18,932,448
Cash and cash equivalents of a disposal group classified as held for sale		–	660,445
		17,649,563	**19,592,893**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

in EUR	Issued Capital	Retained Earnings	Other Reserves	Total	Minority Interests	Total Equity
At 31 December 2004, restated	**6,250,000**	**25,507,147**	**354,661**	**32,111,808**	**345,944**	**32,457,753**
Transfer of negative goodwill	–	1,150,591	–	1,150,591	–	1,150,591
At 1 January 2005, restated	**6,250,000**	**26,657,738**	**354,661**	**33,262,400**	**345,944**	**33,608,344**
Foreign currency translation	–	–	66,795	66,795	54,177	120,972
(Deferred) tax effects of foreign currency translation	–	–	(5)	(5)	–	(5)
Fair value gains of available-for-sale investments	–	–	17,422	17,422	–	17,422
(Deferred) tax effects of available-for-sale investments	–	–	(5,112)	(5,112)	–	(5,112)
Net gains (losses) from hedging	–	–	189,330	189,330	–	189,330
(Deferred) tax effects from hedging	–	–	(45,439)	(45,439)	–	(45,439)
Revaluation of land and buildings (according to IFRS 3)	–	–	7,050,993	7,050,993	–	7,050,993
(Deferred) tax effects from revaluation (according to IFRS 3)	–	–	(1,692,238)	(1,692,238)	–	(1,692,238)
Other transfers	–	1,473	(9,505)	(8,032)	9,505	1,473
Total income and expenses for the year recognised directly in equity	**–**	**1,473**	**5,572,242**	**5,573,715**	**63,681**	**5,637,396**
Changes in the scope of consolidation	–	–	–	–	11,728,574	11,728,574
Profit for the year	–	34,131,033	–	34,131,033	(461,224)	33,669,808
Losses of minority interests allocated against majority interests	–	(16,502)	–	(16,502)	16,502	–
Total income and expense for the year	**–**	**34,116,004**	**5,572,242**	**39,688,246**	**11,347,533**	**51,035,778**
Other changes in minority interests	–	–	–	–	(6,961)	(6,961)
Capital increase out of retained earnings	8,750,000	(8,815,625)	–	(65,625)	–	(65,625)
Dividends paid to shareholders of the parent	–	(5,000,000)	–	(5,000,000)	–	(5,000,000)
At 31 December 2005/ 1 January 2006	**15,000,000**	**46,958,117**	**5,926,903**	**67,885,021**	**11,686,516**	**79,571,536**

in EUR	Issued Capital	Retained Earnings	Other Reserves	Total	Minority Interests	Total Equity
At 31 December 2005/ 1 January 2006	**15,000,000**	**46,958,117**	**5,926,903**	**67,885,021**	**11,686,516**	**79,571,536**
Foreign currency translation	–	–	44,249	44,249	35,555	79,803
(Deferred) tax effects of foreign currency translation	–	–	222	222	18	241
Fair value gains of available-for-sale investments	–	–	(31,014)	(31,014)	–	(31,014)
(Deferred) tax effects of available-for-sale investments	–	–	7,753	7,753	–	7,753
Net gains (losses) from hedging	–	–	69,776	69,776	377	70,153
(Deferred) tax effects from hedging	–	–	(13,257)	(13,257)	(72)	(13,329)
Other transfers	–	439,089	(439,089)	–	–	–
Total income and expenses for the year recognised directly in equity	**–**	**439,089**	**(361,360)**	**77,729**	**35,879**	**113,608**
Changes in the scope of consolidation	–	–	–	–	(11,755,584)	(11,755,584)
Profit for the year	–	20,914,837	–	20,914,837	295,540	21,210,377
Losses of minority interests allocated against majority interests	–	(18,003)	–	(18,003)	18,003	–
Total income and expense for the year	**–**	**21,335,923**	**(361,360)**	**20,974,564**	**(11,406,162)**	**9,568,401**
Other changes in minority interests	–	–	–	–	297	297
Capital increase out of retained earnings	15,000,000	(15,112,500)	–	(112,500)	–	(112,500)
Dividends paid to shareholders of the parent	–	(2,000,000)	–	(2,000,000)	–	(2,000,000)
At 31 December 2006	**30,000,000**	**51,181,540**	**5,565,543**	**86,747,085**	**280,651**	**87,027,735**

Notes to the consolidated financial statements

for the reporting year from 1 January to 31 December 2006

1. Corporate information

Warimpex Finanz- und Beteiligungs AG (the “Company”) is registered with the Commercial Court of Vienna under registration number FN 78485 w. Its registered address is Porzellangasse 4, A-1090 Vienna, Austria.

The audited consolidated financial statements of Warimpex Finanz- und Beteiligungs AG for the reporting year ended 31 December 2006 were authorised for release to the Supervisory Board by the directors on 10 April 2007. It is the duty of the Supervisory Board to review the consolidated financial statements and state whether the consolidated financial statements are approved.

On 26 January 2007 and 29 January 2007 the shares of the Company were approved for trading on the official market of the Vienna Stock Exchange and the Warsaw Stock Exchange, respectively. In the course of this transaction the Company issued 6 million shares at an offer price of EUR 11.00 per share. Reference is made to note [9] “Share capital, earnings per share” and note [27] “Events after the balance sheet date”.

As of the reporting date all shares were privately held as disclosed in note [9].
The main activities of the Company are described in the Group Management Report.

2. Basis of preparation

2.1. General

The consolidated financial statements of Warimpex Finanz- und Beteiligungs AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. As a general rule, the consolidated financial statements have been prepared on a historical cost basis. The Group’s reporting currency is the euro. The consolidated financial statements are presented in full euros except where otherwise indicated. Rounding differences may arise from the summation of rounded figures.

Independent auditors have audited the financial statements of all subsidiaries included in the consolidated financial statements that are material for the presentation of the Group’s financial performance and cash flows. All financial statements have been examined for compliance with local accounting principles and have been awarded unqualified opinions. Local financial statements were reconciled with IFRS and uniform Group Accounting Guidelines by the Group’s accounting department in Vienna. All companies included in the consolidated financial statements prepare their financial statements as of 31 December.
Note [3] contains a list of all subsidiaries and joint ventures that have been included in the consolidated financial statements.

2.2. Changes in accounting policies

Generally, accounting policies remain unchanged in comparison to the previous financial year. However, the Company had to apply new and revised standards which are effective for financial years beginning on or after 1 January 2006.

- The amendments to IAS 19 (Employee Benefits) offer a new option to recognise actuarial gains and losses from defined benefit pension plans immediately. Under this option all actuarial gains and losses are immediately recognised outside the income statement through a statement of changes in equity (“statement of total recognised gains and losses”). The amendment also states (a) that

a contract between a so-called "multi-employer plan" and the participating employers, which defines how surpluses are shared or a deficit is to be funded has to be presented on the face of the balance sheet, (b) how defined benefit pension obligations have to be accounted for in the financial statements of the participating enterprises and (c) which additional disclosure requirements have to be fulfilled by the enterprises. The amendment is effective for all financial years beginning on or after 1 January 2006. The Group chose not to apply the new option.

- IFRIC 4 (Determining whether an Arrangement contains a Lease) provides guidance in determining which contracts have to be accounted for as leases under IAS 17 (Leases). IFRIC 4 is effective for financial years beginning on or after 1 January 2006. The application of this standard does not have an impact on the Group's consolidated financial statements.

- IFRIC 5 (Rights to Interests arising from Decommissioning, Restoration and Environmental Funds) establishes the accounting treatment for reimbursements from funds which have been established to help finance decommissioning, restoration and environmental rehabilitation and similar obligations. IFRIC 5 is effective for reporting periods beginning on or after 1 January 2006. The application of this standard does not have an impact on the Group's consolidated financial statements.

- IFRIC 6 (Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment) establishes the recognition of liabilities resulting from the EU directive on disposal of waste electrical and electronic equipment. IFRIC 6 is effective for reporting years beginning on or after 1 January 2006. The application of this standard does not have an impact on the Group's consolidated financial statements.

- The amendments to IAS 39 (Financial Instruments: Recognition and Measurement – Amendment for Financial Guarantee Contracts; Amendments for Cash Flow Hedges of Forecast intragroup Transactions; Amendments for the Fair Value Option) are effective for reporting years beginning on or after 1 January 2006. They relate to the application of the fair value option for financial assets and liabilities to be measured at fair value through the income statement. They also permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash-flow hedge provided that the transaction is denominated in a currency other than the functional currency. The application of this amendend standard does not have an impact on the Group's consolidated financial statements.

2.3. Basis of consolidation

The consolidated financial statements comprise the financial statements of Warimpex Finanz- und Beteiligungs AG and its subsidiaries as of 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company, using consistent accounting policies.

All intragroup receivables, payables, revenues and other income or expenses have been eliminated. Where intragroup receivables and loans have been discounted or impaired in separate financial statements, such provisions have been reversed. Unrealised results (profits) resulting from intragroup sales and other intragroup transactions have been eliminated from current and non-current assets.

Subsidiaries are included in the consolidated financial statements by full consolidation from the acquisition date, which is the date when the Group obtains control of the subsidiary. They continue to be consolidated until the date that the Group's control of the company ceases.

Business combinations are accounted for according to the purchase method. All subsidiaries that have to be consolidated have been included in the consolidated financial statements. As regards the accounting treatment of joint ventures, reference is made to note [2.5.].

Minority interests represent that portion of profit or loss and net assets not held by the Group in accordance with IAS 27 and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Acquisitions of minority interests are accounted for using the "parent entity extension method", whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

During the reporting period, minority interests in the subsidiary UBX Praha 1 s.r.o. were acquired, leading to recognition of goodwill in the amount of EUR 921,266.00. Reference is made to note [4.6.].

2.4. Accounting judgements and estimates

In preparing the consolidated financial statements of the Group it is necessary to estimate certain figures and make assumptions which influence the recording of assets and liabilities, the presentation of other obligations as of the balance sheet date, and the recognition of revenues and expenses during the period. The actual figures which become known at a later date may differ from these estimates. This does not prevent the consolidated financial statements from providing a true and fair view of the Group's economic situation. Substantial estimation uncertainties were identified in respect of estimates used in the valuation of properties and buildings, the impairment of goodwill and the recognition of deferred tax assets. Although valuation opinions according to international standards have been obtained for these assets, it cannot be ruled out that a different valuation method could lead to a different – and potentially lower – valuation of properties, buildings and goodwill.

Summary of significant accounting policies

2.5. Interests in joint ventures

Interests in other companies are classified as interests in joint ventures when there is joint control of the entity by two or more partners. The Group recognises its interest in a joint venture using proportionate consolidation.

The financial statements of joint ventures are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to eliminate any differences in accounting policies that may exist.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party.

Joint ventures are proportionately consolidated until the date on which the Group ceases to have joint control of the joint venture.

2.6. Foreign currency translation

The financial statements of foreign companies are translated into euro according to the concept of functional currency. The functional currency for each entity within the Group is determined on the basis of the relevant criteria. The financial statements of each entity are translated on the basis of the functional currency.

Where the transactions that are relevant in determining an entity's functional currency change, this will lead to a change in the functional currency of the respective entity. The functional currency of each reporting entity within the Group is presented in note [3].

Irrespective of whether the functional currency of a foreign subsidiary is the local currency or the euro, the subsidiary's income statement is translated, depending on the relevant position, at the actual exchange rate, average exchange rate or historical exchange rate. For subsidiaries pertaining to the segment "Hotels & Resorts", all transactions affecting the balance sheet are translated on the basis of monthly interim financial statements at the weighted average exchange rate for the respective month. Significant transactions are translated using the actual exchange rate. As a result, financial statements of such companies are translated as if the transactions of these companies had occurred in the Group's reporting currency.

Where the functional currency of the subsidiary is the local currency, all assets and liabilities (but not equity capital) are translated at the exchange rate prevailing at the reporting date. Where the functional currency of a subsidiary is the euro, all monetary items on the balance sheet are translated at the exchange rate prevailing at the reporting date, all other items are translated at historical exchange rates.

Where the local currency is the company's functional currency, all exchange differences arising on translation are taken directly to a separate component of equity. Upon disposal of a foreign entity, the deferred cumulative amount previously recognised in equity relating to the particular subsidiary is transferred to the income statement. By contrast, where the entity's functional currency is the euro, all exchange differences are immediately recognised in income.

The exchange rates at 31 December 2006, which have been applied for all items that are translated at the closing rate as of the reporting date, are as follows:

		31 Dec. 2006	31 Dec. 2005
Polish zloty	(PLN/EUR)	3.8312	3.8598
Czech koruna	(CZK/EUR)	27.495	29.005
Hungarian forint	(HUF/EUR)	252.30	252.87
Swiss franc	(CHF/EUR)	1.6015	1.549
US dollar	(USD/EUR)	1.3135	1.180
Russian rouble	(RUB/EUR)	35.0424	–

2.7. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Where significant components of an item of property, plant and equipment have different useful lives, depreciation is based on the useful lives of these components. Replacements are depreciated over their estimated useful lives.

For accounting purposes, hotels are separated into their most significant components (land and rights equivalent to land, building fabric, heating facilities and other technical equipment, and furniture) and depreciated individually (see note [10]).

The useful lives of assets are estimated. The carrying amount of property, plant and equipment is tested for impairment whenever there are conditions that indicate that the carrying amount of an asset exceeds its recoverable amount.

Production costs of property, plant and equipment developed by the Group contain direct expense plus allocated material and production overhead. Borrowing costs are capitalised where they can be directly attributed to the project under development through specific project financing or loans from joint venture partners or minority shareholders. These costs are depreciated over the estimated useful economic lives of the respective assets.

2.8. Investment properties

Investment properties are measured at historical acquisition or production cost less accumulated depreciation, which is calculated on a straight-line basis, and accumulated impairment in value. Depreciation is calculated over the useful lives of the assets. Replacements that are capitalised are amortised over their estimated useful lives. The carrying amount does not contain costs of day-to-day servicing of an investment property.

Real estate held as investment property is classified as such when there is no intention to use it for its own purposes. “Property under construction” includes “Investment property”, which is reclassified upon completion.

2.9. Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost, this being the excess of the cost of the business combination over the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger that a segment based on either the Group’s primary or secondary reporting format determined in accordance with IAS 14 “Segment Reporting”.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of under this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the income statement.

2.10. Other intangible assets

Currently the only other intangible assets held and presented by the Group relate to acquired computer software. The estimated useful life of software is five years based on straight-line depreciation. Internally generated intangible assets are not capitalised, as the required criteria are not fulfilled.

In a business combination, the Group reviews the acquired assets to identify whether any separately identifiable intangible assets, such as trademarks or regular clientele, have been acquired. So far no separately identifiable intangible assets have been identified in a business combination since the Group has acquired only individual properties (such as hotels or investment properties).

2.11. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. When such an indication exists, the Group estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset’s value in use and its net realisable value. The carrying amount of an asset that exceeds the recoverable amount is reduced to the lower recoverable amount. The value in use is determined by discounting expected future cash flows to their present value using a pre-tax interest rate and an appropriate adjustment for risk.

In determining an asset’s net realisable value (fair value less cost to sell), an appropriate valuation model is used. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

To assess potential impairment of real estate under development, the project’s development progress is compared with market values and projected income forecasts. Impairment is recognised when original project development expectations show a negative change.

2.12. Other financial assets

Where financial assets are classified as available for sale they are reported at fair value with gains or losses being recognised as a separate component of equity. When the financial asset is derecognised or is determined to be impaired, the accumulated profit or loss previously reported in equity is included in the income statement. Loans and receivables are reported at amortised cost using the effective interest method. Profits and losses are reported within income when the loans and receivables are derecognised or impaired.

Other financial assets contain loans given to joint ventures, which are, in substance, not to be treated as financial instruments. They are contrasted with “loans received from joint ventures”. Both instruments are, in substance, equity instruments and carry the same maturity and interest rate conditions. They are stated at amortised cost.

In accordance with Group policy, guarantees and other commitments are secured by term deposits pledged as collateral. These term deposits are held with Austrian banks and carried at amortised cost.

2.13. Inventories

Inventories are valued at the lower of acquisition cost, production cost or net realisable value. Inventories consist primarily of raw materials and merchandise (food & beverages) pertaining to the operations of hotels and resorts. This valuation is based on the FIFO method.

Real estate projects under development or construction are reported at the lower of cost or net realisable value.

2.14. Trade and other receivables

Trade receivables which generally have ten to 90 days’ term are recognised and carried at original invoice amount less allowance for any uncollectible amounts. A provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

2.15. Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

2.16. Derecognition of financial assets and liabilities

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the rights have been transferred.

If the Group has transferred its rights to receive cash flows from an asset but has retained substantially all the risks and rewards of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

During the reporting year the Group was released from liabilities in the amount of EUR 2,164,153.00 by the creditor. The resulting gains are reported within “Other income”. (Reference is made to note [7.1.]).

2.17. Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

2.17.1. Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in profit or loss.

Management first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.17.2. Available-for-sale financial assets

Following initial recognition, available-for-sale financial assets are measured at fair value with gains and losses being recognised as a separate component of equity. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available for sale are not recognised in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.18. Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

During the reporting year long-term provisions in the amount of EUR 1,959,187.00 were reversed and the resulting gains presented within "Other income". Unconsumed short-term provisions were reversed in the amount of EUR 320,049.00, and reduce expenses by that amount (reference is made to note [21.2.]).

2.19. Pensions and other post-employment benefits

Provisions for severance payments and long-term service bonuses for employees and members of the Management Board are primarily recognised for employees of Austrian Group companies, since employees in Poland, the Czech Republic and Hungary are not entitled to similar benefits and local laws only provide for a very limited range of employee benefits. In the reporting period the Group acquired a 25% share in the joint venture Hotel Jan III Sobieski, PL-Warsaw, in a business combination. This joint venture company has granted voluntary pension and long-term service bonus commitments to some employees. The resulting obligations were recognised at the Group's share in the joint venture. The provision is valued according to uniform methods within the Group and reflects the trends of salary increases and inflation in Poland.

Pension commitments have been made in favour of the directors. These plans also include benefits to dependants. Furthermore a current pension obligation exists. The Group's pension plans are defined benefit plans and are unfunded.

During the reporting year two additional directors were added to the Managing Board, which is now composed of four members. The pension commitments made to the old directors were amended by extending the pension date to age 65 (2005: age 60) and also led to a reduction of the pension to be paid. The new directors were granted pension commitments which are substantially equivalent to the modified pension plans of the old directors.

The modification of the "old" pension commitments led to a gain on the curtailment of the pension plan in the amount of EUR 1,473,284.00 (see note [21.1.]).

All long-term provisions for pensions and other post-employment benefits are calculated using the projected unit credit method. The pension and salary increase is estimated at 2.05% for severance payments and 1% for pensions. The calculations are based on a discount rate of 4.25% and no fluctuation discount. The provision is valued in accordance with the actuarial tables "AVÖ für Angestellte".

In the previous year the calculations were based on the same parameters. Actuarial profits and losses are recognised in profit and loss when they occur.

Pension reimbursement insurance was taken out for the pension plan of the directors and their dependants. Annual contributions are made to this insurance plan, which is committed to the coverage of the pension obligation and is of a long-term nature. It is not a pension plan asset within the meaning of IAS 19 and must be capitalised separately according to IAS 19.104a.

This reimbursement right is valued at EUR 816,876.00 (2005: EUR 661,780.00) and reported under (non-current) "Other financial assets".

2.20. Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process. Other financial liabilities are measured at amortised cost.

2.21. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which essentially transfer to the Group all the risks and benefits incidental to ownership of the leased item, lead to the capitalisation of the leased asset at its fair value at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are directly charged to the income statement.

Where there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, capitalized leased assets are fully depreciated over the shorter of the estimated useful life of the asset and the lease term.

During the reporting year the 50% joint venture UBX II (France) s.a.r.l concluded a lease agreement relating to the hotel Dream Castle in Paris effective from 1 June 2006. The lease contract contains a contingent lease payment which is dependent on the hotel's profits and expires on 1 June 2029. The Group has a call option on the leased asset at an exercise price which is expected to be significantly lower than the asset's fair value at the potential exercise date for the option.

The lease contract was classified as a finance lease; the present value of the asset under lease and all liabilities relating to the finance lease at 1 June 2006 are presented as follows:

EUR	relating to the Group's 50%	gross, 100%
Leased asset	26,680,848	53,361,696
Interest-bearing bank loans	(19,141,707)	(38,283,415)
Call option	(3,821,822)	(7,643,643)
Non-interest-bearing loans at discounted present value	(3,717.319)	(7,434,638)

2.22. Revenue recognition

Revenues are recognised in accordance with IAS 18.

- Revenues from the sale of goods or rendering of services and income from rent are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer or when the services have been effectively rendered.
- Interest income is recognised as interest accrues.
- Dividend income is recognised when the Group's right to receive the payment is established.

2.23. Taxes

2.23.1. Current tax assets and liabilities

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the balance sheet date.

2.23.2. Deferred taxes

Deferred income tax is provided for using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and carry-forwards of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and carry-forwards of unused tax credits can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that is has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.23.3. Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT, except when:

- the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- receivables and payables are stated with the amount of VAT included;
- the net amount of VAT recoverable from, or payable to, the taxation authorities is included as part of receivables or payables in the balance sheet.

2.24. Derivative financial instruments and hedging

The Group uses derivative financial instruments. These are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Cash flow hedges

Hedges designated to hedge cash flows and meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or a non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs. The same treatment applies when it is determined that the financial instrument no longer meets the criteria for hedge accounting.

2.25. Standards and interpretations not yet effective

The following standards that have already been endorsed by the EU have not been applied earlier:

IAS 1.124a to 1.124c ("Capital Disclosures") which have been added to IAS 1 have not been applied by the Group. The disclosures concerning objectives, policies and processes of managing capital become effective for reporting periods beginning on or after 1 January 2007. It is anticipated that the implementation of IAS 1.124a to IAS 1.124c will lead to additional disclosure requirements in the consolidated financial statements without affecting the recognition and measurement of assets and liabilities.

The additional disclosure requirements of IFRS 7 "Financial Instruments: Disclosures" were not included in the consolidated financial statements. The standard is effective for reporting periods beginning on or after 1 January 2007. The Group expects that the application of IFRS 7 will only lead to additional disclosures in the consolidated financial statements but will have no impact on the recognition and measurement of financial instruments.

IFRIC 9 was issued in March 2006 and becomes effective for reporting periods beginning on or after 1 June 2006. This interpretation states that the date to assess the existence of an embedded derivative and whether it has to be separated from the base contract and accounted for separately as derivative is the date an entity first becomes party to the contract. A reassessment may be done only if there is a change to the contract that significantly modifies the cash flows. The Group is still evaluating the effect of this interpretation and currently expects that adoption of this interpretation will have no impact on the Group's financial statements when implemented in 2007.

IFRS 8 (Operating Segments), IFRIC 7 (Applying the Restatement Approach under IAS 39 Financial Reporting in Hyperinflationary Economies), IFRIC 8 (Scope of IFRS 2), IFRIC 10 (Interim Financial Reporting and Impairment), IFRIC 11 (IFRS 2 – Group and Treasury Share Transactions) and IFRIC 12 (Service Concession Arrangements) have not been applied early by the Group. It is anticipated that the application of the modified standards will not have a significant impact on the Group's consolidated financial statements.

IFRS 8 "Operating Segments" has not yet been endorsed by the EU. However, in view of the increased reporting requirements of IFRS 8 the Group has extended its disclosures for segment reporting under IAS 14.

Companies included in the consolidated financial statements

The consolidated financial statements include the financial statements of Warimpex Finanz- und Beteiligungs AG and the following subsidiaries and joint ventures:

Investment in	Registered office/ Country	Holding direct	Holding indirect	Method of consolidation 2006	Method of consolidation 2005
a) Subsidiaries included by full consolidation (FC):					
WX-Leuchtenbergring GmbH	D-Munich	100%	–	FC	FC
Warimpex Leasing AG	A-Vienna	100%	–	FC	FC
Amber Baltic Sp. z o.o.	PL-Międzyzdroje	–	100%	FC	FC
Golf Amber Baltic Sp. z o.o.	PL-Międzyzdroje	–	100%	FC	FC
Hansa Sp. z o.o.	PL-Międzyzdroje	–	100%	FC	FC
Evropsky Investicní Holding a.s.	CZ-Prague	–	100%	FC	FC
UBX Praha 1 s.r.o.[3]	CZ-Prague	100%	–	FC	PC
Balnex 1 a.s.	CZ-Prague	84.13%	15.87%	FC	FC
Balnex 1 a.s. Kommanditgesellschaft	PL-Międzyzdroje	–	100%	FC	FC
Grassi Hotelbeteiliungs- und Errichtungs GesmbH	A-Vienna	100%	–	FC	FC
Recoop Tour a.s.	CZ-Prague	–	100%	FC	FC
Hotel Palace Praha s.r.o.	CZ-Prague	100%	–	FC	FC
Le Palais – Praha s.r.o.	CZ-Prague	100%	–	FC	FC
Vega Holding s.r.o.	CZ-Prague	100%	–	FC	FC
MEP s.r.o.	CZ-Prague	–	100%	FC	FC
Vladinvest Praha s.r.o.	CZ-Prague	100%	–	FC	FC
Revital Rt.	HU-Budapest	81.72%	–	FC	FC
PAX-Invest Kft	HU-Budapest	–	81.72%	FC	FC
Becsinvestor Kft.	HU-Budapest	–	81.72%	FC	FC
Goldmark Kft.	HU-Budapest	–	81.72%	FC	FC
Warimpex Investconsult Kft.	HU-Budapest	100%	–	FC	FC
Bocca kft	HU-Budapest	100%	–	FC	FC
Palminvest Kft.	HU-Budapest	100%	–	FC	FC
Elsbet Kft.	HU-Budapest	100%	–	FC	–
Idit kft	HU-Budapest	–	100%	FC	–
Synergie Patrimoine S.A.	LU-Luxembourg	100%	–	FC	FC
Andel's Lodz Sp. z o.o.	PL-Warsaw	–	100%	FC	–
Warimpex (Polska) Sp. z o.o.	PL-Warsaw	100%	–	FC	FC
El Invest Sp. z o.o.	PL-Warsaw	41%	10%	FC	FC
Kopernik Development Sp. z o.o.	PL-Warsaw	100%	–	FC	FC
Multi Development Sp. z o.o.	PL-Warsaw	100%	–	FC	FC
Próżna Properties Sp. z o.o.	PL-Warsaw	100%	–	FC	FC
Chopin Sp. z o.o.	PL-Krakow	99.46%	–	FC	–
Avielen OAO	RU-St. Petersburg	85%	–	FC	–
Tarabulus s.r.o. (until 30 June 2006)[4]	CZ-Brno	–	–	FC	FC

Share capital	Currency	Primary segment[1]	Ø Personnel[2]	Functional currency 2006	Functional currency 2005
25,000	EUR	A&D	–	EUR	EUR
500,000	EUR	A&D	–	EUR	EUR
38,325,000	PLN	H&R	127	EUR	EUR
2,500,000	PLN	H&R	17	EUR	EUR
430,000	PLN	H&R	7	EUR	EUR
100,000,000	CZK	H&R	56	EUR	EUR
200,000	CZK	H&R	26	EUR	EUR
155,000,000	CZK	H&R	108	EUR	EUR
2,842,840	PLN	H&R	–	EUR	EUR
2,943,252	EUR	A&D	–	EUR	EUR
24,000,000	CZK	H&R	223	EUR	EUR
26,000,000	CZK	H&R	102	EUR	EUR
50,000,000	CZK	H&R	68	EUR	EUR
100,000	CZK	H&R	–	EUR	EUR
82,800,000	CZK	H&R	2	EUR	EUR
3,100,000	CZK	A&D	–	EUR	EUR
220,500,000	HUF	A&D	9	HUF	HUF
3,000,000	HUF	A&D	–	HUF	HUF
35,380,000	HUF	A&D	–	EUR	EUR
34,100,000	HUF	A&D	–	HUF	HUF
10,000,000	HUF	A&D	2	EUR	EUR
3,000,000	HUF	A&D	–	EUR	EUR
3,000,000	HUF	A&D	–	EUR	EUR
3,000,000	HUF	A&D	–	EUR	–
3,000,000	HUF	A&D	1	EUR	–
31,000	EUR	H&R	–	EUR	EUR
50,000	PLN	H&R	–	EUR	–
9,095,000	PLN	A&D	13	PLN	PLN
1,300,000	PLN	A&D	1	PLN	PLN
25,000	PLN	A&D	–	PLN	PLN
50,000	PLN	A&D	–	PLN	PLN
3,650,000	PLN	H&R	–	EUR	PLN
11,207,000	PLN	H&R	34	EUR	–
500	RUB	H&R	–	EUR	–
200,000	CZK	A&D	–	EUR	EUR

Investment in	Registered office/ Country	Holding direct	Holding indirect	Method of consolidation 2006	Method of consolidation 2005
b) Joint ventures included by proportionate consolidation (PC):					
UBX I Objekt Berlin GmbH	D-Berlin	50%	–	PC	–
UBX Development (France) s.a.r.l	F-Paris	50%	–	PC	PC
UBX II (France) s.a.r.l	F-Paris	–	50%	PC	PC
Hotelinvestments s.a.r.l	LU-Luxembourg	50%	–	PC	PC
Europa Hawk s.a.r.l	LU-Luxembourg	25%	–	PC	–
Melica Sp. z o.o.	PL-Warsaw	–	25%	PC	–
Hotel Jan III Sobieski Sp. z o.o.	PL-Warsaw	–	25%	PC	–
UBX Plzeň s.r.o.[5]	CZ-Prague	50%	–	PC	PC
UBX Praha 2 s.r.o.[5]	CZ-Prague	50%	–	PC	PC
UBX 3 s.r.o.	CZ-Prague	50%	–	PC	–
Sienna Hotel Sp. z o.o.[6]	PL-Warsaw	33.33%	–	PC	PC
GF Ramba Sp. z o.o.	PL-Warsaw	50%	–	PC	PC
Thermo Energia Sp. z o.o.[7]	PL-Warsaw	–	40%	PC	PC
UBX Kraków Sp. z o.o.	PL-Warsaw	50%	–	PC	PC
UBX Katowice Sp. z o.o.	PL-Warsaw	50%	–	PC	PC
Bürohaus Leuchtenbergring[8]					
– GmbH & Co. Besitz KG	D-Munich	–	49.50%	PC	PC
– GmbH & Co. KG	D-Munich	–	46.53%	PC	PC
– Verwaltungs GmbH	D-Munich	–	49.50%	PC	PC
Intercom a.s. (until 30 June 2006)[4]	CZ-Brno	–	–	PC	PC

[1] Primary segments: "A&D" = "Asset Management & Development"; "H&R" = "Hotels & Resorts" (see Segment report, note [5]).

[2] The average number of employees relates to the number of employees in relation to the Group's share in the subsidiary or joint venture and is also presented on a pro rata temporis basis for those companies that did not participate in the Group for the whole year.

[3] UBX Praha 1 s.r.o. was included at the Group's 45% share in the consolidated financial statements until 12 May 2006. On 12 May 2006 an additional share of 50% was acquired and the company is now fully consolidated. On 27 December 2006 the remaining share of 5% was acquired (reference is made to note [4.6.]).

[4] The subsidiary Tarabulus s.r.o. (100%) and the joint venture Intercom a.s. (50%) were included in the consolidated financial statements until 30 June 2006. On 30 June 2006 the shares in the joint venture and the subsidiary were sold (reference is made to note [3.1.]). Employees of these companies are presented on a pro rata temporis basis for the term during which these companies were part of the Group.

[5] The joint ventures UBX Plzeň s.r.o. and UBX Praha 2 s.r.o. were included at a 45% share in the reporting period until 27 December 2006. On 27 December 2006 additional shares of 5% each were acquired (reference is made to note [4.9.]).

[6] The joint venture Sienna Hotel Sp. z o.o. was included in the consolidated financial statements during the reporting year (until 27 December 2006) at a 26.66% share. On 27 December 2006 6.67% were acquired (reference is made to note [4.9.]).

[7] The shares in the joint venture Thermo Energia Sp. z o.o. are held indirectly through the fully consolidated subsidiary Warimpex (Polska) Sp. z o.o.

[8] The shares in the joint venture companies Bürohaus Leuchtenbergring GmbH & Co Besitz KG, Bürohaus Leuchtenbergring GmbH & Co KG and Bürohaus Leuchtenbergring Verwaltungs GmbH are indirectly held through the fully consolidated subsidiary WX Leuchtenbergring GmbH.

Share capital	Currency	Primary segment[1]	Ø Personnel[2]	Functional currency 2006	Functional currency 2005
25,000	EUR	H&R	–	EUR	–
50,000	EUR	A&D	1	EUR	EUR
50,000	EUR	H&R	32	EUR	EUR
20,000	EUR	A&D	–	EUR	EUR
650,000	EUR	H&R	–	EUR	–
13,989,000	PLN	H&R	–	EUR	–
156,187,980	PLN	H&R	13	EUR	–
200,000	CZK	H&R	–	EUR	EUR
200,000	CZK	A&D	–	EUR	EUR
200,000	CZK	H&R	–	EUR	–
81,930,000	PLN	H&R	72	EUR	EUR
138,800	PLN	A&D	1	EUR	PLN
500,000	PLN	A&D	–	PLN	PLN
50,000	PLN	H&R	–	EUR	EUR
50,000	PLN	H&R	–	PLN	PLN
100,000	EUR	A&D	–	EUR	EUR
60,000	EUR	A&D	1	EUR	EUR
25,565	EUR	A&D	–	EUR	EUR
32,000,000	CZK	A&D	2	EUR	EUR

4. Business combinations and other changes in the scope of consolidation, and acquisition of minority interests

During the reporting year the following companies were sold or incorporated. The following business combinations and other changes in the scope of consolidation occurred and the following minority interests were acquired:

in EUR		± Acquisition date	Sales proceeds from or cost of acquired share
Sale of subsidiaries and joint ventures (IFRS 5):			
[4.1.]	Sale of 50% shareholding in Intercom Brno a.s.	30 June 2006	6,733,000
[4.1.]	Sale of 100% of the shares in Tarabulus s.r.o.	30 June 2006	1,471,000
Incorporation of subsidiaries and joint ventures:			
	UBX 3 s.r.o. (Group's share 50%)		
[4.4.]	Melica Sp. z o.o. (Group's share 25%)		
[4.5.]	Elsbet Kft. (Group's share 99%)		
Business combinations according to IFRS 3:			
[4.2.]	Acquisition of 100% of the shares in PAU 2005 kft	1 February 2006	(2,360,517)
[4.3.]	Acquisition of 99.46% of the shares in Chopin Sp. z o.o.	30 June 2006	(3,000,000)
4.5.	Acquisition of 100% of the shares in Idit kft	30 November 2006	(4,793,374)
Acquisition of interests in joint ventures:			
[4.4.]	Acquisition of 25% of the shares in Hotel Jan III Sobieski Sp. z o.o.	1 November 2006	(6,699,471)
Other changes in the scope of consolidation:			
[4.6.]	Acquisition of a further share of 50% in UBX Praha 1 s.r.o., increasing the participation from 45% to 95% (leading to a change from proportionate consolidation to full consolidation of the subsidiary)	12 May 2006	(2,350,000)
[4.7.]	Acquisition of a further share of 70% in Avielen OAO, St. Petersburg, Russia, increasing the participation from 15% to 85% (leading to full consolidation of the subsidiary)	19 December 2006	(200,000)
[4.4.]	Acquisition of a 25% interest in Europa Hawk s.a.r.l	5 April 2006	(3,125)
[4.8.]	Acquisition of a 50% share in UBX I Objekt Berlin GesmbH	31 August 2006	(14,008)
[4.9.]	Acquisition of a further share of 5% in UBX Plzeň s.r.o., increasing the participation from 45% to 50%	27 December 2006	(160,000)
[4.9.]	Acquisition of a further share of 5% in UBX Praha 2 s.r.o., increasing the participation from 45% to 50%	27 December 2006	(207,000)
[4.9.]	Acquisition of a further share of 16.67% in Kopernik Sp. z o.o., increasing the participation from 83.33% to 100%	27 December 2006	(326,000)
[4.9.]	Acquisition of a further share of 6.67% in Sienna Hotel Sp. z o.o., increasing the participation from 26.66% to 33.33%	27 December 2006	(1,484,000)

in EUR		± Acquisition date	Sales proceeds from or cost of acquired share
Acquisition of minority interests:			
[4.10.]	Buyout of minority interests in GHB Grassi GmbH and its subsidiary Recoop Tour a.s.	30 June 2006	(11,000,000)
[4.11.]	Buyout of minority interests in Warimpex Investconsult Kft.	21 December 2006	(397)
[4.11.]	Buyout of minority interests in Bocca kft	21 December 2006	(397)
[4.11.]	Buyout of minority interests in Palminvest Kft.	21 December 2006	(397)
[4.11.]	Buyout of minority interests in Elsbet Kft.	21 December 2006	(397)
[4.6.]	Buyout of minority interests in UBX Praha 1 s.r.o.	27 December 2006	(1,025,000)

4.1. Sale of Intercom a.s. and Tarabulus s.r.o. (30 June 2006)

Under the share purchase agreement of 30 June 2006, the Group's 50% interest in Intercom a.s., CZ-Brno, and its 100% interest in Tarabulus s.r.o., CZ-Brno, were sold to an Austrian insurance company. The sales price amounted to EUR 18.356 million reduced by the amount of interest-bearing loans and borrowings of EUR 8.28 million and shareholder loans amounting to EUR 2.266 million. The working capital according to the balance sheet as of 30 June 2006 increased the sale price by EUR 0.394 million. The Group holds a 50% share in a rent guarantee given for vacant rental space at closing. This guarantee is capped at a maximum of EUR 0.19 million p.a. and limited to a period of two years.

At 31 December 2005, the assets and liabilities of these two companies were classified as held for sale, and proceeded during the reporting period as follows:

in EUR	Assets	Liabilities & equity
Classified as held for sale as of 1 January 2006	13,763,267	10,008,568
Net changes in the reporting period	(171,292)	(545,002)
Cash and cash equivalents of disposal groups	(546,764)	–
Derecognised assets and liabilities that were transferred to the buyer	(13,045,211)	(9,463,566)
Effect of the sale of the Group's share on the consolidated financial statements:		
Derecognised assets, cash and liabilities	(13,591,975)	(9,463,566)
Sale price	8,204,000	–
Costs directly related to the sale	(22,748)	–
Loans that were assumed by purchaser	2,266,108	–
Contribution to Group profit	–	6,318,951
	(3,144,615)	**(3,144,616)**

During the reporting period the sold companies contributed an amount of EUR 347,964.00 to Group profit, which can be analysed as follows:

in EUR	1–6/2006	1–12/2005
Rental income	841,253	1,826,103
Operating expenses	(296,183)	(538,172)
Depreciation	–	(364,666)
Net financial results	(146,353)	(399,413)
Income tax	(50,753)	(98,108)
	347,964	**425,744**

Cash Flow

Cash receipts and cash outflows from sold subsidiaries during the reporting period from 1 January 2006 to 31 December 2006 are analysed as follows:

in EUR	1–12/2006
Net sale price for the shares	8,181,252
Loans that were assumed by purchaser	2,266,108
Thereof not yet paid at the end of the year, presented within "Other receivables"	(205,744)
Gross proceeds from the sale of disposal groups	10,241,616
Net cash of the companies sold	(546,764)
	9,694,852

4.2. Acquisition of 100% of the shares in PAU 2005 kft

Under a share purchase agreement dated 23 December 2005, the subsidiary Palminvest Kft. purchased 100% of the shares in PAU 2005 kft, which owns an office building in Hungary. The purchase was subject to the fulfilment of certain closing conditions. These conditions were met as of 1 February 2006 and the share purchase price was paid on 8 February 2006.

The fair values of the identifiable assets and liabilities of PAU 2005 kft, as at the date of acquisition were:

in EUR	Recognised on acquisition	Carrying value
Investment property	4,112,785	4,018,809
Trade and other receivables	23,092	23,092
Cash and cash equivalents acquired	66,482	66,482
	4,202,358	**4,108,382**
Interest-bearing loans and borrowings	1,529,012	1,529,012
Deferred tax liabilities	4,626	(10,410)
Trade payables and other current liabilities	8,242	8,242
	1,541,880	**1,526,844**
Fair value of net assets	2,660,478	2,581,538
Negative goodwill directly recognised in income	(299,961)	
Total cost of business combination	**2,360,517**	

If the business combination had taken place at the beginning of the year, revenues would have increased by EUR 39,325.00 and profits would have increased by EUR 13,952.00.

The newly acquired subsidiary earned revenues of EUR 337,479.00 and net rental income of EUR 286,782.00 since acquisition. The contribution to Group profit amounts to EUR 257,806.00.

Negative goodwill is due to a bargain purchase.

During the reporting period, Palminvest Kft. and PAU 2005 kft were merged.

4.3. Acquisition of 99.46% of the shares in Chopin Sp. z o.o.

Under a notarial deed dated 23 December 2005, the Company incurred the obligation to purchase Chopin Sp. z o.o., which is domiciled in PL-Krakow. This company owns and operates the Hotel Chopin. The purchase contract of 23 December 2005 contained several conditions precedent to closing which have been fulfilled during the reporting period and closing occurred as of 30 June 2006.

The Company received a business valuation from CBRE for the acquired property as of the date of acquisition. This valuation report certifies a fair value of EUR 24.3 million for the hotel. The Company decided to recognise the identifiable assets of the hotel at their replacement costs.

The replacement costs of the identifiable acquired assets and fair values of the liabilities of Chopin Sp. z o.o. as at the date of acquisition were:

in EUR	Recognised on acquisition	Carrying value
Property, plant and equipment and computer software	20,258,333	8,052,855
Inventories	32,126	32,126
Trade and other receivables	633,967	633,967
Cash and cash equivalents acquired	503,883	503,883
	21,428,309	**9,222,831**

in EUR	Recognised on acquisition	Carrying value
Minority interests	29,636	–
Interest-bearing loans and borrowings	13,244,460	13,244,460
Deferred tax liabilities	2,319,041	–
Trade and other payables	303,010	303,010
Provisions	49,343	49,343
	15,945,489	**13,596,813**
Fair value of net assets	5,482,820	(4,373,982)
Negative goodwill directly recognised in income	(2,433,065)	
Total cost of business combination	**3,049,755**	
Advance payments made for business combinations	(49,755)	
Cash payments made for business combinations in the reporting period	3,000,000	

If the business combination had taken place at the beginning of the reporting period, the Group's revenues would have increased by EUR 1,638,409.00 and the additional profit would have amounted to EUR 142,485.00. The contribution to Gross Operating Profit would have increased to EUR 941,905.00.

Since acquisition the subsidiary contributed an amount of EUR 2,137,391.00 to the Group's revenues and an amount of EUR 1,293,985.00 to the Group's Gross Operating Profit. The contribution to Group profit was EUR 1,442,584.00.

Negative goodwill is due to a bargain purchase.

4.4. Acquisition of 25% of the shares in Hotel Jan III Sobieski Sp. z o.o.

On 5 April 2006 the Company acquired a 25% interest in Europa Hawk s.a.r.l Luxembourg for the nominal amount of the share capital. Under the purchase agreement of 31 October 2006 the 25% joint venture Europa Hawk s.a.r.l Luxembourg acquired 100% of the shares in Hotel Jan III Sobieski Sp. z o.o. The preliminary purchase price was paid immediately. The anticipated purchase price adjustment (resulting from the assessment of the company's current assets less certain current liabilities) was recognised at amounts anticipated as of the reporting date.

According to a shareholders' agreement, decisions on the strategic financial and operating policies as well as significant business transactions require the unanimous consent of all partners to the joint venture, such that there is joint control in accordance with IAS 31.

The hotel and the office building were transferred to the newly established company Melica Sp. z o.o. at the end of the reporting period. However, Hotel Jan III Sobieski Sp. z o.o. continues to operate the hotel.

The Group's 25% share of the fair values of the identifiable assets and liabilities of Hotel Jan III Sobieski Sp. z o.o. as of the acquisition date was as follows:

in EUR	Recognised on acquisition	Carrying value
Property, plant and equipment	9,407,250	6,541,632
Investment properties	2,921,203	2,833,368
Deferred tax assets	138,508	699,664
Trade and other receivables	649,509	649,509
Cash and cash equivalents acquired	736,323	736,323
	13,852,792	**11,460,495**

in EUR	Recognised on acquisition	Carrying value
Provisions	109,543	109,543
Interest-bearing loans and borrowings	5,452,120	5,452,120
Trade payables and other payables	977,585	977,585
	6,539,248	**6,539,248**
Fair value of net assets	7,313,544	4,921,248
Negative goodwill directly recognised in income	(614,074)	
Total cost of business combination	6,699,471	
less purchase price obligation unpaid at the end of the reporting period	(757,500)	
Cash payments made for business combinations in the reporting period	5,941,971	

If the business combination had taken place at the beginning of the year, Group revenues would have increased by EUR 2,515,464.00 and Group profit would have increased by EUR 164,445.00. The asset's contribution to Gross Operating Profit would have increased to EUR 773,783.00.

After acquisition of the company, interest-bearing loans and borrowings acquired in the business combination in the amount of EUR 2,164,153.00 were forgiven. The resulting gain is presented within "Other income".

Since acquisition the subsidiary contributed an amount of EUR 645,810.00 and a Gross Operating Profit of EUR 224,249.00. The contribution to Group profit (incl. gains from the release from debt by the creditors referred to above) amounts to EUR 2,604,574.00.

Negative goodwill is due to a bargain purchase.

4.5. Acquisition of 100% of the shares in Idit kft

Under a share purchase agreement dated 30 November 2006, the subsidiary Elsbet Kft., which had been incorporated in the reporting period, purchased 100% of the shares in Idit kft, which owns an office building in Hungary. The purchase price was paid on the day of closing.

The fair values of the identifiable assets and liabilities of Idit kft as at the date of acquisition were as follows:

in EUR	Recognised on acquisition	Carrying value
Investment properties	9,900,000	5,499,721
Trade receivables and other current assets	95,632	95,632
Cash and cash equivalents acquired	462	462
	9,996,094	**5,595,815**
Deferred tax liabilities	683,095	(20,950)
Interest-bearing loans and borrowings	4,763,019	4,763,019
Trade and other payables	146,640	146,640
	5,592,753	**4,888,709**
Fair value of net assets	4,403,340	707,106
Goodwill	390,033	
Total cost of business combination	**4,793,374**	

If the business combination had taken place at the beginning of the year, Group revenues would have increased by EUR 1,089,305.00 whereas Group profits would have decreased by EUR 115,309.00. This results from the fact that lease agreements that were terminated in the reporting year were not prolonged (in order to redevelop the property).

Since acquisition the company generated revenues of EUR 76,662.00 and a net rental income of EUR 35,068.00. The subsidiary's contribution to Group profit is negative at EUR –104,932.00.

The property comprises two office buildings, one of which is slated for redevelopment, and a plot of vacant land.

4.6. Acquisition of further shares and minority interests in UBX Praha 1 s.r.o.

Under a purchase agreement dated 12 May 2006, the Group acquired another 50% of the shares in the company, which raised the Group's interest in UBX Praha 1 s.r.o. from 45% to 95%. The acquired assets and liabilities of UBX Praha 1 s.r.o. do not form a business according to IFRS 3.4 and the cost of the acquisition was therefore allocated to individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. The inclusion of the assets and liabilities was changed from proportionate consolidation until the date of acquisition to full consolidation.

Minority interests remaining after full consolidation were purchased on 27 December 2006. This transaction was accounted for under the "parent entity extension method" (for further details reference is made to note [24] "Related party disclosures").

The acquisition of shares in the company and the resulting change from proportionate consolidation to full consolidation, and the acquisition of minority interests have the following impact on the consolidated financial statements:

in EUR	Acquisition of 50%, raising the interest from 45% to 95%	Minority interests 5%
Acquired property, plant and equipment	9,629,795	–
Goodwill	–	921,266
Consolidation of loans given to joint ventures	(2,451,515)	–
Trade receivables and other current assets	140,245	–
Cash and cash equivalents acquired	30,226	–
	7,348,750	**921,266**
Minority interests	118,223	(103,734)
Deferred tax liabilities	819,489	–
Interest–bearing loans and borrowings	3,442,366	–
Trade and other payables	601,318	–
Liability for income taxes	17,355	–
	4,998,750	**(103,734)**
Total cost of acquisition	2,350,000	1,025,000
Purchase price obligation unpaid at the end of the reporting period	–	(1,025,000)
Cash outflow on acquisition in the reporting period	2,350,000	–

UBX Praha 1 s.r.o. owns and operates the Hotel Angelo in Prague, which opened on 10 June 2006. Until acquisition of additional shares and the resulting change to full consolidation, the hotel was still under construction. If the acquisition had occurred at the beginning of the reporting period, no changes would have occurred in Group revenues or Group profit.

The share of losses attributable to minority interests from 12 May 2006 to 27 December 2006 amounts to EUR –14,489.00.

4.7. Acquisition of shares in Avielen OAO, St. Petersburg, Russia

In 2005 15% of the shares in Avielen OAO were purchased for EUR 2.00. These shares were presented within "Available-for-sale investments" at historical cost.

As a result of the acquisition of further shares in the reporting period this subsidiary is now included in the consolidated financial statements by full consolidation. Loans that were given to the company before the acquisition of new shares as well as the acquisition costs for the shares held in the previous period were included in the consolidation.

The impact on the consolidated financial statements of the share purchase and the resulting consolidation is as follows:

in EUR	
Acquired property, plant and equipment	1,384,618
Non-current receivable from recoverable VAT	659,913
Consolidation of loans given by Warimpex	(1,435,191)
Cash and cash equivalents acquired	12,340
	621,679
Minority interests	35,294
Non-current loans	180,138
Deferred tax liabilities	118,322
Trade and other payables	87,924
	421,679
Total cost of acquisition	**200,000**

4.8. Acquisition of 50% in UBX I Objekt Berlin GesmbH

On 31 August 2006, 50% of the shares in the company were acquired at nominal value. This joint venture acquired by auction the unfinished hotel Landsberger Allee.

As of the date of acquisition this company had no assets and liabilities.

4.9. Buyout of shares formerly held in trust

In the reporting period the Company acquired all shares in subsidiaries which it had been holding in trust for certain related parties (reference is made to note [24] “Related party disclosures”).

The impact on the consolidated financial statements of these buyouts is as follows:

in EUR	5% UBX Plzeň s.r.o.	5% UBX Praha 2 s.r.o.	16.67% Kopernik Sp. z o.o.	6.67% Sienna Hotel Sp. z o.o.
Acquired property, plant and equipment	259,308	709,006	402,469	8,377,494
Consolidation of loans given by Warimpex	(15,711)	(45,411)	–	(837,062)
Trade receivables and other current assets	2,985	8,321	–	80,117
Cash and cash equivalents acquired	516	79	–	134,822
	247,099	**671,994**	**402,469**	**7,755,371**
Deferred tax liabilities	52,037	63,783	76,469	301,150
Interest-bearing loans and borrowings	17,543	272,071	–	5,862,517
Trade and other payables	17,518	126,607	–	81,892
Derivative financial instruments	–	–	–	25,812
Income taxes payable	–	2,534	–	–
	87,099	**464,994**	**76,469**	**6,271,371**

in EUR	5% UBX Plzeň s.r.o.	5% UBX Praha 2 s.r.o.	16.67% Kopernik Sp. z o.o.	6.67% Sienna Hotel Sp. z o.o.
Total cost of acquisition	160,000	207,000	326,000	1,484,000
Purchase price obligation unpaid at the end of the reporting period	(160,000)	(207,000)	(326,000)	(1,484,000)
Cash outflow on acquisition in the reporting period	–	–	–	–

4.10. Acquisition of minority interests in Grassi Hotelbeteiligungs- und Errichtungs GesmbH (Recoop Tour a.s.)

Under a notarial deed dated 28 June 2006, the Group's interest in Grassi Hotelbeteiligungs- und Errichtungs GesmbH (and hence its subsidiary Recoop Tour a.s.) was raised from 50% to 100%. The companies had already been included in the consolidated financial statements by full consolidation. The additional acquisition therefore affects minority interests.

in EUR	
As of the acquisition date, the carrying value of minority interests acquired amounted to	11,833,415
Negative goodwill directly recognised in income	(833,415)
Total costs of business combination	11,000,000
Purchase price obligation unpaid at the end of the reporting period	(11,000,000)
Cash outflow on acquisition in the reporting period	–

4.11. Other minority interests

On 21 December 2006 minority interests in Hungarian subsidiaries were purchased at their nominal value. Payment of the purchase price was effected on 23 January 2007.

4.12. Business combinations of the previous reporting period

In 2005 the Company made the following business combinations:

[4.12.a] Prózna Properties Sp. z o.o., partial acquisition of 25.21% (with call option for further 74.79%)
[4.12.a] Prózna Properties Sp. z o.o., partial acquisition of 74.79% (exercise of call option)
[4.12.b] Warimpex Leasing AG, Vienna, 100%
[4.12.b] Amber Baltic Sp. z o.o., 100% indirectly through Warimpex Leasing AG
[4.12.b] Golf Amber Baltic Sp. z o.o., 100% indirectly through Warimpex Leasing AG
[4.12.b] Hansa Sp. z o.o., 100% indirectly through Warimpex Leasing AG
[4.12.b] E.I.H. a.s., 100% indirectly through Warimpex Leasing AG
[4.12.c] Revital Rt., increase of shareholding by 24.51% to 81.72%
[4.12.c] Becsinvestor Kkft., increase of shareholding by 24.51% to 81.72%, indirectly through Revital Rt.
[4.12.c] Goldmark Kft., increase of shareholding by 24.51% to 81.72%, indirectly through Revital Rt.
[4.12.c] Pax-Invest kft, increase of shareholding by 24.51% to 81.72%, indirectly through Revital Rt.
[4.12.d] Grassi Hotelbeteiligungs- und Errichtungs- GesmbH, increase of shareholding by 20% to 50%
[4.12.d] Recoop Tour a.s., increase of shareholding by 20% to 50%, indirectly through GHB GesmbH

The fair values at acquisition date of the identifiable assets and liabilities acquired in business combinations in the previous reporting period are as follows:

in EUR	Note [4.12.a]	Note [4.12.b]	Note [4.12.c]	Note [4.12.d]
Acquired property, plant and equipment	1,137,541	25,962,120	–	54,750,355
Consolidation of loans given by Warimpex	–	(2,988,634)	–	(507,257)
Available-for-sale investments	–	–	–	808,909
Deferred tax assets	–	167,621	–	26,488
Inventories	–	170,866	–	126,811
Trade and other receivables	72,917	624,709	–	1,166,804
Cash and cash equivalents acquired	259	763,397	–	1,052,252
	1,210,716	**24,700,080**	**–**	**57,424,363**
Minority interests	91,152	(1,542)	(158,539)	11,733,608
Revaluation reserve (IFRS 3)	–	–	–	5,358,755
Deferred tax liabilities	–	2,052,290	–	8,963,173
Interest-bearing loans and borrowings	–	20,017,675	–	24,971,358
Trade and other payables	10,112	3,691,808	–	1,697,798
Derivative financial instruments	–	24,362	–	–
	101,264	**25,784,593**	**(158,539)**	**52,724,692**
Fair value of net assets acquired	1,109,453	(1,084,513)	158,539	4,699,672
Goodwill	–	5,784,513	–	304,952
Negative goodwill directly recognised in income	(775,416)	–	(119,581)	–
Total cost of business combinations	334,036	4,700,000	38,958	5,004,624
thereof remaining unpaid in the reporting period	(253,566)	(4,700,000)	–	–
Cash payments made for business combinations in the reporting period	**80,470**	**–**	**38,958**	**5,004,624**

5. Interests in joint ventures

The pro rata values for joint ventures included in the 2006 consolidated financial statements under proportionate consolidation are as follows:

in EUR	At 31 Dec. 2005	Changes in the scope of consolidation	Results for 2006	At 31 Dec. 2006
Non-current assets	45,487,385	15,817,369	43,745,433	105,050,187
Current assets	10,737,604	(7,864,558)	2,439,173	5,312,219
Cash and short-term deposits	673,405	847,010	2,739,856	4,260,271
	56,898,394	**8,799,821**	**48,924,462**	**114,622,677**
Equity	509,898	6,984,245	(5,055,320)	2,438,823
Warimpex loans[1)]	5,863,917	205,581	3,876,681	9,946,179
Non-current liabilities	20,703,205	(1,797,814)	39,678,073	58,583,464
Current liabilities	29,821,374	3,407,810	10,425,028	43,654,212
	56,898,394	**8,799,821**	**48,924,462**	**114,622,677**

in EUR	2005	2006
Revenues	8,724,429	11,126,203
Operating results	1,325,847	2,749,930
Financial results	(2,355,828)	(2,206,980)
Profit before income tax	(1,029,981)	542,951
Profit after income tax	**(1,376,611)**	**607,782**

[1)] Relates to the liabilities of joint ventures against Warimpex Finanz- und Beteiligungs AG which are eliminated on a pro rata basis under proportionate consolidation.

As of the end of the reporting period the Group holds interests in 18 joint ventures, 15 of which engage in project development. The joint venture Sienna Hotel Sp. z o.o. owns and operates the Hotel InterContinental Warsaw; the joint venture UBX II (France) s.a.r.l leases the Hotel Dream Castle Paris (finance lease); the joint venture Melica Sp. z o.o. is the owner and the joint venture Hotel Jan III Sobieski Sp. z o.o. is the operator of the Hotel Sobieski Warsaw.

Changes in the scope of consolidation result from the following joint ventures:

	Sale	Acquisition	Change to full consolidation	Acquisition of minority interests held in trust			
	Intercom	Sobieski	UBX Praha 1	UBX Plzeň	UBX Praha 2	Sienna Hotel	
in EUR	Note [4.1.]	Note [4.4.]	Note [4.6.]	Note [4.9.]	Note [4.9.]	Note [4.9.]	Total
Non-current assets	–	11,852,887	(5,085,211)	260,297	713,051	8,076,345	15,817,369
Current assets	(8,490,743)	649,509	(114,746)	2,985	8,321	80,117	(7,864,558)
Cash and short-term deposits	–	736,323	(24,730)	516	79	134,822	847,010
	(8,490,743)	**13,238,718**	**(5,224,686)**	**263,798**	**721,450**	**8,291,284**	**8,799,821**

in EUR	Sale Intercom Note [4.1.]	Acquisition Sobieski Note [4.4.]	Change to full consolidation UBX Praha 1 Note [4.6.]	Acquisition of minority interests held in trust UBX Plzeň Note [4.9.]	UBX Praha 2 Note [4.9.]	Sienna Hotel Note [4.9.]	Total
Equity	(1,669,992)	6,699,471	103,766	160,000	207,000	1,484,000	6,984,245
Warimpex loans[1)]	–	–	(692,603)	15,711	45,411	837,062	205,581
Non-current liabilities	–	109,543	(4,129,663)	70,569	339,898	1,811,838	(1,797,814)
Current liabilities	(6,820,751)	6,429,705	(506,187)	17,518	129,141	4,158,384	3,407,810
	(8,490,743)	**13,238,718**	**(5,224,686)**	**263,798**	**721,450**	**8,291,284**	**8,799,821**

[1)] Relates to the liabilities of joint ventures against Warimpex Finanz- und Beteiligungs AG which are eliminated on a pro rata basis under proportionate consolidation.

6. Segment information

The Warimpex Group's operations are divided into two business segments (primary segmentation): "Hotels & Resorts" and "Asset Management & Development". Operations are classified into one of the segments on the level of individual subsidiaries. For purposes of secondary segmentation, operations are classified according to target markets.

Transactions between business segments contain the recharge of intra-group services as well as project development services. The services are charged at cost plus a profit margin. The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2006 and 2005.

6.1. Primary segments – overview

	"Hotels & Resorts"		"Asset Management & Development"		Total	
in EUR	2006	2005	2006	2005	2006	2005
External sales	52,408,006	35,315,383	6,391,014	4,996,608	58,799,020	40,311,991
Inter-segment sales	(1,982,984)	(1,057,828)	1,982,984	1,057,828	–	–
Segment results	9,019,979	7,530,780	13,781,385	36,428,162	22,801,364	43,958,942
Capital expenditure						
• for tangible fixed assets and software	24,816,299	5,626,101	8,879,641	2,721,639	33,695,940	8,347,740
• from finance leases	26,680,848	–	–	–	26,680,848	–
• for financial assets	367	–	5,997,284	524,578	5,997,651	524,578
Business combinations and other changes in the scope of consolidation	49,316,798	49,623,767	19,356,762	–	68,673,560	49,623,767
	100,814,312	**55,249,868**	**34,233,687**	**3,246,217**	**135,047,999**	**58,496,085**
Depreciation						
• ordinary depreciation	(7,435,805)	(5,552,980)	(564,485)	(674,794)	(8,000,290)	(6,227,774)
Net cash flows from operating activities	14,728,340	12,850,806	(3,000,588)	(1,119,754)	11,727,752	11,731,052

in EUR	"Hotels & Resorts" 2006	"Hotels & Resorts" 2005	"Asset Management & Development" 2006	"Asset Management & Development" 2005	Total 2006	Total 2005
Segment assets	288,018,021	178,716,206	96,983,196	86,032,508	385,001,217	264,748,714
Segment liabilities (gross)	(232,481,202)	(148,519,593)	(65,492,280)	(36,657,585)	297,973,482	(185,177,178)
Intra-Group financing	27,908,715	11,001,340	(27,908,715)	(11,001,340)	–	–
Segment liabilities (net)	(204,572,488)	(137,518,253)	(93,400,994)	(47,658,925)	(297,973,482)	(185,177,178)
Average payroll	886	587	54	51	940	638

6.2. Secondary segments – overview

in EUR	Czech Republic	Poland	Hungary	Austria	Germany	France	Other
External sales 2006	37,144,855	12,255,226	1,892,258	2,131,783	487,919	4,886,980	–
External sales 2005	33,574,365	3,902,467	761,185	1,317,665	546,479	209,829	–
Segment assets 2006	164,817,062	113,752,117	23,133,997	36,477,878	15,964,701	28,616,745	2,238,716
Segment assets 2005	151,656,877	46,434,192	6,949,515	45,887,133	13,235,076	734,540	(148,618)
Capital expenditure 2006	12,498,952	18,211,611	53,356	6,075,170	2,783,390	71,112	–
Capital expenditure 2005	5,551,697	2,687,899	21,139	603,719	–	–	1,000
Depreciation 2006	(4,926,451)	(2,025,657)	(258,246)	(164,150)	(38,138)	(587,647)	–
Depreciation 2005	(4,793,716)	(1,168,417)	(156,520)	(66,756)	(40,066)	(2,299)	–

6.3. The business segment "Hotels & Resorts"

For purposes of capital employed and used, this segment is subdivided into "Hotels in operation", which contribute to the Group's profit, and "Hotels under development", which only generate costs until completion and opening. The Group determines whether a hotel project is already under construction or still in the design phase on the basis of whether a building permit has been obtained.

"Hotels in operation" are further classified into the sub-segments "Luxury" (Hotel Palace, Le Palais, Savoy and InterContinental Warsaw), and "Up-Market" (Hotel Diplomat, Hotel Dvořák, Angelo Prague, Dream Castle Paris, Amber Baltic and Hotel Sobieski). "Others" contain the Hotel Chopin in Krakow, the hotelship and the golf course in PL-Międzyzdroje.

Analysis of segment assets

as of 31 December 2006

in EUR	Hotels in operation: Luxury	Up-Market	Others	Total	Hotels under development: under construction	in design	Total
Property, plant and equipment	78,973,210	145,777,402	20,514,273	245,264,884	7,291,078	11,916,411	264,472,374
Other non-current assets	1,002,844	553,290	194,405	1,750,539	–	675,784	2,426,324
Other current assets	2,231,356	3,932,271	412,787	6,576,414	766,796	192,234	7,535,444
Cash and cash equivalents	4,341,087	7,135,226	1,147,361	12,623,674	431,271	528,933	13,583,879
Total assets	**86,548,497**	**157,398,189**	**22,268,826**	**266,215,512**	**8,489,146**	**13,313,363**	**288,018,021**

as of 31 December 2006	Hotels in operation				Hotels under development		
					under		
in EUR	Luxury	Up-Market	Others	Total	construction	in design	Total
Bank loans	(53,934,541)	(93,086,416)	(12,975,511)	(159,996,468)	(1,775,507)	(191,335)	(161,963,310)
Other non-current liabilities	–	(110,741)	–	(110,741)	–	(568,600)	(679,341)
Other current liabilities	(1,543,107)	(7,280,933)	(248,438)	(9,072,478)	(2,943,147)	(2,967,740)	(14,983,365)
Total (external) liabilities	**(55,477,648)**	**(100,478,091)**	**(13,223,949)**	**(169,179,688)**	**(4,718,654)**	**(3,727,674)**	**(177,626,016)**
Deferred tax liabilities[1]	(360,770)	(12,616,404)	(1,332,043)	(14,309,217)	–	(161,456)	(14,470,673)
Loans from joint ventures[2]	(9,059,192)	–	–	(9,059,192)	(2,066,185)	(1,350,420)	(12,475,798)
Total liabilities	**(64,897,610)**	**(113,094,495)**	**(14,555,992)**	**(192,548,097)**	**(6,784,840)**	**(5,239,551)**	**(204,572,488)**

[1] Deferred tax liabilities primarily result from the valuation of property, plant and equipment at fair values in a business combination and upon other changes in the scope of consolidation. This leads to higher depreciation in the consolidated financial statements as compared to the depreciation in the separate financial statements of the subsidiary or joint venture and hence to deferred tax income.

[2] Loans from joint venture partners are generally attributed to the segment of the relevant joint venture company. Loans made to joint ventures by Warimpex Finanz- und Beteiligungs AG are presented in the segment "Asset Management & Development". A reconciliation between loans given to joint ventures and loans received from joint venture partners is contained in note [20.8.].

Analysis of segment's property, plant and equipment

as of 31 December 2006	Hotels in operation				Hotels under development		
					under		
in EUR	Luxury	Up-Market	Others	Total	construction	in design	Total
At 1 January	71,988,448	94,367,971	452,120	166,808,539	3,038,402	1,286,727	171,133,668
Additions from							
• Business combinations	–	9,407,250	20,257,497	29,664,747	–	–	29,664,747
• Changes in the scope of consolidation	8,378,415	–	–	8,378,415	9,629,795	1,643,926	19,652,136
• Investment	1,307,861	7,174,881	136,439	8,619,181	7,103,143	8,981,797	24,704,121
• Finance leases	–	26,680,848	–	26,680,848	–	–	26,680,848
Transfers	–	12,480,261	–	12,480,261	(12,480,261)	–	–
Depreciation	(2,701,514)	(4,333,810)	(331,784)	(7,367,107)	–	(8,424)	(7,375,531)
Exchange adjustment	–	–	–	–	–	12,385	12,385
At 31 December 2006	**78,973,210**	**145,777,402**	**20,514,273**	**245,264,884**	**7,291,078**	**11,916,411**	**264,472,374**
thereof in							
• Czech Republic	46,048,762	98,462,537	–	144,511,298	–	608,572	145,119,870
• Poland	32,924,448	21,149,589	20,514,273	74,588,310	7,291,078	7,225,520	89,104,908
• Germany	–	–	–	–	–	2,697,701	2,697,701
• France	–	26,165,277	–	26,165,277	–	–	26,165,277
• other countries	–	–	–	–	–	1,384,618	1,384,618
At 31 December 2006	**78,973,210**	**145,777,402**	**20,514,273**	**245,264,884**	**7,291,078**	**11,916,411**	**264,472,374**

Analysis of financial liabilities for the segment

as of 31 December 2006	Hotels in operation				Hotels under development		
in EUR	Luxury	Up-Market	Others	Total	under construction	in design	Total
Loans at 1 January 2006	(51,324,655)	(54,592,377)	–	(105,917,032)	–	(80,587)	(105,997,619)
• Changes in the scope of consolidation	(4,050,679)	(9,616,735)	(13,244,460)	(26,911,874)	–	(180,138)	(27,092,012)
• New borrowings	(1,680,000)	(6,381,006)	–	(8,061,006)	(1,775,507)	–	(9,836,513)
• Finance lease	–	(26,680,848)	–	(26,680,848)	–	–	(26,680,848)
• Repayment of loans	3,120,792	3,884,220	268,949	7,273,962	–	69,390	7,343,352
• Capitalised interest	–	85,642	–	85,642	–	–	85,642
• Exchange adjustment	–	214,688	–	214,688	–	–	214,688
Loans at 31 December 2006	**(53,934,541)**	**(93,086,416)**	**(12,975,511)**	**(159,996,468)**	**(1,775,507)**	**(191,335)**	**(161,963,310)**
Joint venture loans at 1 January 2006	(6,455,970)	(710,897)	–	(7,166,868)	–	(36,697)	(7,203,565)
• Changes in the scope of consolidation	(1,811,838)	722,250	–	(1,089,588)	–	(17,543)	(1,107,132)
• New borrowings	(791,383)	(11,353)	–	(802,736)	(2,066,185)	(1,296,180)	(4,165,101)
• Repayment of loans	–	–	–	–	–	–	–
• Exchange adjustment	–	–	–	–	–	–	–
Joint venture loans at 31 December 2006	**(9,059,192)**	**–**	**–**	**(9,059,192)**	**(2,066,185)**	**(1,350,420)**	**(12,475,798)**

Additions to property, plant and equipment for the segment and financial liabilities for the segment resulting from business combinations and other changes in the scope of consolidation are disclosed in detail under note [4]. The finance lease concluded for Hotel Dream Castle Paris in 2006 is described in note [2.21.].

Loans from joint venture partners are, in substance, equity instruments and are generally subordinated to interest-bearing bank loans. This position is to be seen in connection with loans given to joint ventures which are presented in the segment "Asset Management & Development". Repayment from the joint venture occurs only to the extent that a repayment is made to the Warimpex Group.

Segment results

The segment "Hotels & Resorts" is analysed according to the "cost of sales" method for purposes of internal group reporting. The GOP (Gross Operating Profit, computed according to the Uniform System of Accounts for Hotels) contains all sales revenues, costs of materials and services and employee expenses that are directly related to the operation of the hotel.

Management fees generally amount to 4% of sales revenues and 8% of GOP. Property costs contain insurance premiums, land taxes, lease payments and expenses from operating leases.

Other costs after GOP are presented net of revenues from reimbursements. They include personnel expenses for administrative staff as well as expenses of the owner of the hotel which are not directly attributable to the operations of the hotel.

Segment results "Hotels & Resorts"

Comparison with 2005	Luxury		Up-Market		Others	
in EUR	2006	2005	2006	2005	2006	2005
Sales revenues	18,285,176	14,034,047	31,253,312	21,236,210	2,612,132	–
Expenses for materials and services	(6,757,272)	(5,763,825)	(10,629,776)	(7,784,773)	(785,419)	–
Personnel expenses	(4,516,739)	(2,224,073)	(6,646,227)	(2,249,392)	(490,355)	–
Gross operating profit	**7,011,165**	**6,046,149**	**13,977,309**	**11,202,045**	**1,336,359**	**–**
Hotel employees	293	253	496	315	56	–
Rooms available						
• Total	652	598	1,709	814	268	–
• Share of joint ventures	(295)	(295)	(520)	(212)	–	–
• Time allocation	–	–	(249)	(73)	(106)	–
Rooms available for the Group	358	303	940	529	162	–
Rooms sold	249	208	652	449	91	–
Average room occupancy	70%	68%	69%	85%	56%	–
Management fee	(995,463)	(834,850)	(2,150,734)	(1,903,864)	(255,252)	–
Property costs	(180,159)	(187,194)	(891,471)	(472,400)	(139,832)	–
Net operating profit	**5,835,543**	**5,024,105**	**10,935,105**	**8,825,781**	**941,275**	**–**
Other costs after GOP (net)	(252,117)	(361,168)	(379,336)	(594,802)	(88,215)	–
Pre-opening costs	–	–	(242,350)	–	–	–
Reversal of provisions	–	–	–	393,908	–	–
Depreciation	(2,711,219)	(2,618,243)	(4,383,686)	(2,934,737)	(332,475)	–
Contribution to operating profit	**2,872,206**	**2,044,694**	**5,929,733**	**5,690,149**	**520,585**	**–**
thereof in						
• Czech Republic	2,813,291	2,408,084	4,400,274	5,648,011	–	–
• Poland	58,916	(363,390)	1,196,919	42,138	520,585	–
• France	–	–	332,540	–	–	–
	2,872,206	**2,044,694**	**5,929,733**	**5,690,149**	**520,585**	**–**
Total for hotels in operation					**9,322,525**	**7,734,843**
less expenses for						
• Project development expenses for hotels under construction					(123,562)	(24,065)
• Project development expenses for hotels in design					(178,984)	(179,998)
Segment contribution to operating profit					**9,019,979**	**7,530,780**

Interpretation of the results of the sub-segment "Luxury"

Sales revenues increased in the reporting period by EUR 4,251,129.00 (30.3%) which is principally due to Hotel Savoy (acquired on 31 December 2005) contributing to the results for the first time. Additionally, the Hotel InterContinental was able to increase its occupancy in comparison to the prior period.

Sales revenues are generally linked to the euro, but employee expenses, in particular, are paid in the local currency. In the reporting period, both the Polish zloty (1%) and the Czech koruna (5%) have strongly appreciated against the euro, as a result of which personnel expenses of the segment – and the whole Group – have increased disproportionately.

GOP increased in the reporting period by EUR 965,016.00 (16.0%) in line with an increase in the average number of rooms available of 40 (17.9%).

Management fees have increased in accordance with sales revenues and GOP; other costs after GOP have decreased slightly in comparison to the previous year due to foreign exchange gains on the valuation of monetary items.

Interpretation of the results of the sub-segment "Up-Market"

External sales revenues increased in the reporting period by EUR 10,017,102.00 (47.2%) which is principally due to the contribution to results by Hotel Amber Baltic (acquired on 31 December 2005), Hotel Angelo Praha (from June 2006) and Hotel Dream Castle Paris (from June 2006).

The Hotel Sobieski, which had been acquired on 1 November 2006, also contributes for a period of two months. Additionally, the Hotel Diplomat contributed only at a 30% share in the period from 1 January 2005 to 11 November 2005 (and 100% from 11 November 2005) whilst it contributed to the Group's income at a 100% share for the whole reporting period.

Conversely, the results of the previous financial year contain the results for nine months of Hotel Andel's Praha, which was sold in 2005. The following table presents the pro forma results of the sub-segment for 2005 reflecting the changes in the scope of consolidation.

in EUR	2005 as in 2005	Unaudited; New to segment	Unaudited; Sold in 2005	Unaudited; In 2005 30% share	Unaudited; Now 100%	Unaudited; Pro forma 2005	2006
Revenues	21,236,210	11,054,896	(8,718,199)	(3,266,863)	10,889,543	31,195,587	31,253,312
Expenses for materials and services	(7,784,773)	(4,224,770)	2,001,994	725,720	(2,419,067)	(11,700,896)	(10,629,776)
Personnel expenses	(2,249,392)	(2,813,376)	1,597,381	646,756	(2,155,854)	(4,974,484)	(6,646,227)
GOP	**11,202,045**	**4,016,751**	**(5,118,824)**	**(1,894,386)**	**6,314,622**	**14,520,207**	**13,977,309**
Management fee	(1,903,864)	(682,106)	832,002	172,342	(574,475)	(2,156,101)	(2,150,734)
Property costs	(472,400)	(447,898)	(19,776)	9,066	(30,220)	(961,228)	(891,471)
Net operating profit	**8,825,781**	**2,886,747**	**(4,306,599)**	**(1,712,978)**	**5,709,927**	**11,402,878**	**10,935,105**

The comparison of the current year with the pro forma comparative amounts for the previous year (adjusted for changes in the scope of consolidation) shows that the profit contribution from Andel's Hotel (for nine months) which is missing in 2006 could only be partially offset by the new hotels included in the Group (Angelo Prague and Dream Castle contribute only from June 2006). Furthermore, the Hotel Dvořák was closed in the reporting period for two months due to renovation.

Sub-segment "Others"

This sub-segment was included in the management reporting for the first time in 2006 and contains the Hotel Chopin in Krakow (from 1 July 2006) and the results of the hotelship Hansa and the golf course in Międzyzdroje (both from 1 January 2006).

Segment cash flow "Hotels & Resorts"

	Luxury		Up-Market		Others	
in EUR	2006	2005	2006	2005	2006	2005
Cash receipts	18,367,038	13,972,057	30,869,996	21,047,631	2,744,451	–
Interest received	28,788	17,954	44,008	35,221	3,594	–
Cash paid for materials and services	(8,018,381)	(5,673,326)	(13,602,186)	(8,245,849)	(1,050,658)	–
Cash paid for personnel expenses	(4,673,916)	(3,171,409)	(6,935,098)	(3,861,207)	(529,905)	–
Cash paid for other expenses	(228,735)	(473,731)	(1,477,673)	(448,949)	(237,359)	–
Income taxes paid	(325,813)	–	(158,469)	(317,731)	–	–
	5,148,981	**4,671,545**	**8,740,578**	**8,209,115**	**930,123**	**–**
thereof in						
• Czech Republic	3,884,385	4,049,490	6,504,648	7,860,929	–	–
• Poland	1,264,595	622,055	1,175,326	348,189	930,123	–
• France	–	–	1,060,604	–	–	–
	5,148,981	**4,671,545**	**8,740,578**	**8,209,115**	**930,123**	**–**
Total for hotels in operation					**14,819,682**	**12,880,660**
less cash payments made for						
• Project development expenses for hotels under construction					(35,581)	(8,460)
• Project development expenses for hotels in design					(55,760)	(21,394)
Segment cash flow from operating activities					**14,728,340**	**12,850,806**

Cash payments for materials in the sub-segment "Up-market" contain the payment of EUR 2 million for a management fee which had not been paid due to being subordinated in prior periods. This leads to a distortion in the relationship between expenses and cash flows for materials and services received in the reporting period.

6.4. The business segment "Asset Management & Development"

For purposes of capital employed and used, this segment is subdivided into "Asset Management" (all office and commercial buildings which are rented to tenants, completed or under development) and "Development" (all management activities of the Group holding). "Others" relates to the Group's development activities in a broader sense which do not belong to the Warimpex Group's core business, and includes primarily energy projects in Poland which at the moment cannot be assessed as to their significance for the Warimpex Group.

Analysis of segment assets "Asset Management & Development"

as of 31 December 2006	Asset Management				Develop-		
in EUR	rented out	vacant	other	Total	ment	Others	Total
Properties	11,620,401	8,370,109	10,270,670	30,261,181	25,113,693	1,245,167	56,620,042
Financial assets	–	–	–	–	25,719,255	–	25,719,255
Other non-current assets	48,845	–	–	48,845	1,648,732	–	1,697,577
Other current assets	138,286	148,950	86,463	373,699	8,404,623	102,317	8,880,638
Cash and cash equivalents	129,234	176,701	127,976	433,911	3,540,601	91,172	4,065,684
Total assets	**11,936,767**	**8,695,761**	**10,485,109**	**31,117,636**	**64,426,904**	**1,438,656**	**96,983,196**
Bank loans	(6,476,598)	(6,418,006)	(8,031,869)	(20,926,473)	(39,740,364)	(720,729)	(61,387,566)
Other non-current liabilities	(24,404)	–	(24,205)	(48,609)	(3,381,707)	–	(3,430,316)
Other current liabilities	(103,527)	(1,462,722)	(216,287)	(1,782,536)	(23,866,562)	(56,018)	(25,705,117)
Total (external) liabilities	(6,604,530)	(7,880,727)	(8,272,361)	(22,757,618)	(66,988,634)	(776,747)	(90,522,999)
Deferred tax liabilities	(68,730)	(27,380)	(688,759)	(784,869)	(2,093,126)	–	(2,877,995)
Total liabilities	**(6,673,260)**	**(7,908,107)**	**(8,961,120)**	**(23,542,487)**	**(69,081,760)**	**(776,747)**	**(93,400,994)**

Asset management "vacant" contains the office building Parkur Tower, which was completed in the reporting period, as well as the office building Andel's Prague. Both assets start operations in 2007. Asset management "other" relates to the office building Erszebet, which was acquired in November 2006 and is intended for redevelopment.

Analysis of segment assets "Asset Management & Development"

as of 31 December 2006	Asset Management				Develop-		
in EUR	rented out	vacant	other	Total	ment	Others	Total
At 1 January	5,051,045	2,620,662	–	7,671,707	20,277,812	1,172,586	29,122,105
Additions from							
• Business combinations	7,033,988	–	9,900,000	16,933,988	–	–	16,933,988
• Changes in the scope of consolidation	–	709,006	390,033	1,099,039	1,323,735	–	2,422,774
• Investment	56,939	5,040,442	827	5,098,209	3,674,836	106,596	8,879,641
Disposals	(250,371)	–	–	(250,371)	(695)	–	(251,066)
Depreciation	(238,332)	–	(20,190)	(258,522)	(222,283)	(45,953)	(526,758)
Exchange adjustments	(32,868)	–	–	(32,868)	60,288	11,938	39,357
At 31 December 2006	**11,620,401**	**8,370,109**	**10,270,670**	**30,261,181**	**25,113,693**	**1,245,167**	**56,620,042**
thereof in							
• Czech Republic	–	4,411,537	–	4,411,537	1,226,219	–	5,637,756
• Poland	2,910,670	3,958,572	–	6,869,242	4,669,359	1,245,167	12,783,768
• Germany	–	–	–	–	13,044,212	–	13,044,212
• Austria	–	–	–	–	6,072,314	–	6,072,314
• Hungary	8,709,731	–	10,270,670	18,980,402	100,798	–	19,081,200
• other countries	–	–	–	–	792	–	792
At 31 December 2006	**11,620,401**	**8,370,109**	**10,270,670**	**30,261,181**	**25,113,693**	**1,245,167**	**56,620,042**

Analysis of financial liabilities for the segment

as of 31 December 2006	Asset Management				Develop-		
in EUR	rented out	vacant	other	Total	ment	Others	Total
Loans at 1 January 2006	(2,935,237)	(1,458,037)	–	(4,393,274)	(17,844,705)	(298,087)	(22,536,065)
• Changes in the scope of consolidation	(1,529,012)	(224,369)	(4,763,019)	(6,516,400)	–	–	(6,516,400)
• New borrowings	(3,944,620)	(3,770,014)	(8,031,869)	(15,746,503)	(23,816,753)	(385,108)	(39,948,365)
• Finance lease	–	–	–	–	–	–	–
• Repayment of loans	1,932,271	–	4,763,019	6,695,290	5,243,046	14,075	11,952,412
• Exchange adjustment	–	–	–	–	(26,144)	(13,271)	(39,415)
Loans at 31 December 2006	**(6,476,598)**	**(5,452,419)**	**(8,031,869)**	**(19,960,886)**	**(36,444,555)**	**(682,391)**	**(57,087,833)**
Joint venture loans at 1 January 2006	–	(655,020)	–	(655,020)	(1,103,928)	(34,948)	(1,793,896)
• Changes in the scope of consolidation	–	(47,702)	–	(47,702)	–	–	(47,702)
• New borrowings	–	(262,865)	–	(262,865)	(4,712,995)	(3,079)	(4,978,939)
• Repayment of loans	–	–	–	–	2,521,114	–	2,521,114
• Exchange adjustment	–	–	–	–	–	(311)	(311)
Joint venture loans at 31 December 2006	**–**	**(965,587)**	**–**	**(965,587)**	**(3,295,809)**	**(38,338)**	**(4,299,734)**

Segment results “Asset Management & Development”

Comparison with 2005	Asset Management		Development		Others	
in EUR	2006	2005	2006	2005	2006	2005
Sales revenues	1,330,846	2,500,429	4,729,823	2,445,768	330,345	50,019
Changes in real estate projects under development	–	–	601,084	995,261	–	–
Sale of subsidiaries and negative goodwill recognised in income	–	–	10,499,465	38,329,924	–	–
Other income	70,559	–	4,583,356	(21,471)	57,460	–
Expenses for materials	(300,803)	(464,046)	(423,859)	(2,344,280)	(319,229)	(25,689)
Project development expenses	–	–	(1,964,917)	(283,982)	–	–
Employee expenses	(44,271)	(80,419)	(2,753,685)	(2,239,441)	–	–
Depreciation	(250,152)	(509,873)	(268,380)	(161,092)	(45,953)	(3,828)
Other operating expenses	(407,987)	(264,516)	(1,633,172)	(2,530,037)	(9,145)	(22,392)
Segment operating results	**398,192**	**1,181,575**	**13,369,715**	**34,190,650**	**13,478**	**(1,891)**
thereof in						
• Czech Republic	(30,007)	923,266	2,177,032	(3,045,089)	–	–
• Poland	(26,920)	–	5,069,708	(395,287)	13,478	(1,891)
• Germany	–	–	272,621	297,914	–	–
• Austria	–	–	5,277,971	38,469,717	–	–
• Hungary	455,119	258,309	768,224	(747,399)	–	–
• others	–	–	(195,839)	(389,206)	–	–
	398,192	**1,181,575**	**13,369,715**	**34,190,650**	**13,478**	**(1,891)**

The sub-segment results for “Asset Management” of the previous period contained the contribution of the subsidiaries/joint ventures Intercom and Tarabulus, which were classified as “held for sale” at the end of 2005 and were sold in 2006. The sale is presented in the sub-segment “Development”, as are gains from business combinations.

Segment cash flow “Asset Management & Development”

Comparison with 2005	Asset Management		Development		Others	
in EUR	2006	2005	2006	2005	2006	2005
Cash receipts from rent	1,473,249	2,518,812	2,748,577	1,383,091	350,998	25,864
Cash receipts from development	–	–	1,650,695	3,274,481	–	–
Interest received	(485)	6,692	515,456	693,455	16	2,135
Cash paid for development	(207,913)	–	(1,988,789)	(4,752,271)	–	–
Cash paid for materials and services	(230,662)	(544,590)	351,365	(70,766)	(281,812)	(17,049)
Cash paid for personnel expenses	(33,820)	(80,818)	(2,870,374)	(2,174,353)	–	–
Cash paid for other expenses	(254,749)	(269,492)	(3,672,883)	(730,327)	(11,728)	(24,759)
Income taxes paid	(14,070)	(251,890)	(523,658)	(107,968)	–	–
Segment cash flow from operating activities	**731,549**	**1,378,715**	**(3,789,611)**	**(2,484,659)**	**57,474**	**(13,809)**
Cash flows from the sale of disposal groups			10,241,616	30,819,124		
thereof in						
• Czech Republic	(38,724)	916,400	(177,489)	(106,968)	–	–
• Poland	(7,267)	–	32,289	(730,356)	57,474	(13,809)
• Germany	–	–	293,272	335,302	–	–
• Austria	–	79,401	(3,517,556)	(44,653)	–	–
• Hungary	777,541	382,913	(305,228)	(2,123,559)	–	–
• Intra-segment transfers	114,899	(185,575)	(114,899)	185,575	–	–
	731,549	**1,378,715**	**(3,789,611)**	**(2,484,659)**	**57,474**	**(13,809)**

The operating cash flow in the sub-segment “Development” is generally negative if no construction contracts for third parties are recognised since this segment primarily contains gains from the sale of subsidiaries. Such gains are presented in the cash flow from changes in the scope of consolidation.

7. Notes to the consolidated income statement

7.1. Sales revenues and other income

Sales revenues contain revenues received from transactions with joint ventures amounting to EUR 1,124,090.00 (2005: EUR 1,076,847.00) and charges to related parties of EUR 10,000.00 (2005: EUR 96,287.00).

“Other income” contains gains recognised in the reporting period from the discharge of loans in the course of the acquisition of Hotel Sobieski in the amount of EUR 2,164,153.00 (see note [4.4.]) as well as gains from the reversal of provisions in the amount of EUR 1,959,187.00 (see note [21]). The remainder primarily consists of gains from the sale of property, plant and equipment and the sale of investment properties.

7.2. a) Expenses for materials and services received

This item contains all expenses relating to revenues from the operations of hotels and resorts, insofar as they are attributable to the "Cost of sales" or the "Direct expenses" of the hotel operations. Also included in this item are utilities expenses incurred for investment properties which could not be recharged (reference is made to note [11]).

Expenses for materials and services received contain management fees from the segment "Hotels & Resorts". Of these management fees EUR 3,268,242.00 (2005: EUR 2,634,768.00) were paid to related parties (Vienna International) and EUR 133,207.00 (2005: EUR 103,946.00) were paid to joint venture partners (InterCont).

b) Expenses for project development

This item contains expenses for projects which are currently under development.

7.3. Personnel expenses can be analysed as follows:

in EUR	2006	2005
Current personnel expense		
Wages and salaries	11,878,060	6,488,375
Social security costs	2,959,418	1,879,864
Other payroll-related taxes and contributions	349,517	178,871
Voluntary employee benefits	9,091	16,542
Expenses for posted employees	915,598	525,939
Payments in respect of pensions and severance payments	86,798	229,945
Changes in accrual for compensated absences	107,121	42,520
	16,305,603	**9,362,057**
Changes in payroll-related provisions (note [21])	(1,021,253)	257
	15,284,350	**9,362,314**

Directors' remuneration is included in expenses for wages and salaries at an amount of EUR 832,545.00 (2005: EUR 408,710.00) and relates to four (2005: two) directors. Additionally, these expenses contain an amount of EUR 1,045,742.00 (2005: EUR 0.00) for a bonus that is linked to the Group's profit and which is payable in 2007.

Director's fees of EUR 41,198.00 (2005: EUR 0.00) were paid to employees participating in the supervisory boards of subsidiaries. Director's fees of EUR 16,824.00 (2005: EUR 0.00) were paid to directors of Warimpex Finanz- und Beteiligungs AG in their capacity as members of the supervisory board of subsidiaries.

During the reporting period the Group employed an average of 940 (2005: 638) employees.

During the reporting period, average wages and salaries per employee (excluding the directors) have increased by approximately 8% over the previous year. This is due to a great extent to the fact that salaries and wages of foreign subsidiaries have to be paid in local currencies. In the reporting period, especially the Czech koruna has appreciated against the euro by approx 5%. Employees of companies included at their proportionate share are reflected in this calculation in relation to the Group's holdings in these companies. Employees of companies consolidated for the first or last time in the reporting period are included pro rata temporis.

7.4. Other operating expenses can be analysed as follows

in EUR	2006	2005
Foreign exchange differences	107,970	615,054
Pre-opening costs (Hotel Angelo Prague)	242,350	28,982
Legal fees	1,490,953	559,143
Administrative costs	1,026,237	612,864
Advertisement and marketing	258,899	243,385
Repairs	23,433	50,683
Non-recoverable VAT	370,524	219,846
Property costs	919,793	441,414
Reversal of unused short-term provisions	(320,049)	(394,835)
Impairment charges (reversal of impairment) for current assets	(269,416)	418,712
Other	477,846	1,295,549
	4,328,540	**4,090,797**

Non-recoverable VAT primarily results from the Hotel Dvořák in CZ-Karlovy Vary, as this hotel operates a VAT-exempt medical spa in addition to the hospitality business. Property costs comprise insurance premiums, land taxes and ground-lease payments. The impairment charge that had to be recognised for the project Örs Utca in 2005 was partially reversed in the reporting period since sales contracts could be concluded for most apartments.

7.5. Finance costs

in EUR	2006	2005
Interest on short-term borrowings, project loans and other loans	7,250,036	5,416,912
Interest on loans from minority interests	7,781	3,522
Interest on loans relating to joint ventures	454,849	305,575
Interest on loans from related parties	24,327	32,534
	7,736,993	**5,758,544**
Interest cost for provision for pensions and other long-term employee benefits	172,505	163,793
Interest cost of derivative financial instruments	192,850	–
Other finance costs	80,233	154,120
Losses on the sale of available-for-sale investments (see note [14])	18,579	–
Impairment of investments	–	18,411
Impairment of loans (non-current)	–	4,325,009
	8,201,160	**10,419,877**
Unrealised losses on derivative financial instruments	–	18,683
	8,201,160	**10,438,561**

For information on the terms and conditions of interest-bearing loans and borrowings, reference is made to note [20.7.]. Other finance costs contain lending commitment fees as well as other loan-related costs which are amortised over the term of the loan.

7.6. Finance revenue

in EUR	2006	2005
Interest income from cash management	294,340	867,509
Interest income from other financial assets	345,048	129,021
Interest on loans made to joint ventures	585,590	335,660
Interest on loans made to related parties	176	115,403
	1,225,154	**1,447,594**
Guarantee fees	10,217	126,974
Foreign currency gains on loans denominated in CHF	928,659	161,571
Reversal of impairment of other financial assets	3,717,319	–
	5,881,350	**1,736,139**
Unrealised gains on derivative financial instruments	1,070,919	15,998
	6,952,269	**1,752,137**

Of the foreign currency gains on loans, EUR 713,972.00 were realised upon repayment of the loan in the reporting period whereas EUR 214,688.00 relate to unrealised gains from the valuation of a foreign currency loan where no hedges exist against foreign currency exposure. Reference is made to note [20] and note [26.1.].

During the previous reporting period the item "Interest from cash management" contained realised gains from derivative financial instruments in the amount of EUR 681,637.00. By contrast, in the reporting year, losses were incurred on derivative financial instruments as described in note [7.5.].

As regards "Unrealised gains on derivative financial instruments" reference is made to note [26.2.].

Note [15] contains further information on the item "Reversal of impairment of other financial assets".

8. Income taxes

A reconciliation between tax expense and the product of accounting profit multiplied by the Group's domestic tax rate for the years 2006 and 2005 is as follows:

in EUR	2006	2005
Accounting profit before income tax	21,552,472	35,272,519
Accounting profit before income tax 25% (2005: 25%)	(5,388,118)	(8,818,130)
± Changes in tax rates	–	17,961
± Other foreign tax rates	578,961	(278,381)
± Tax free profits from the participation exemption (Sec. 10 Austrian CIT Act)	1,075,053	10,301,625
± Permanent differences	(615,533)	(33,995)
± Valuation allowance on deferred tax assets	(188,384)	(3,236,590)
± Income from the first-time recognition of deferred tax assets	2,651,753	67,132
± Permanent differences relating to (negative) goodwill	1,115,104	223,749
± Effects of exchange rate fluctuations	429,069	153,917
	(342,095)	**(1,602,710)**
Effective tax rate	1.59%	4.54%

In both the reporting period and the prior period no deferred tax liabilities were recognised for unremitted earnings of subsidiaries or joint ventures since intra-group dividend distributions within the European Union are not taxed.

Deferred tax assets and liabilities were, however, recognised for all temporary differences associated with equity instruments in subsidiaries and joint ventures.

	Deferred tax asset		Deferred tax liabilities	
in EUR	2006	2005	2006	2005
Temporary differences from property, plant and equipment[1)]	1,873,460	1,710,292	(25,743,179)	(11,395,422)
Revaluation of property, plant and equipment	–	–	(1,306,324)	(1,754,188)
Temporary differences from investments in subsidiaries and joint ventures	1,307,841	2,461,959	(2,679,922)	(2,619,606)
Temporary differences in current assets	292,144	71,902	(108,571)	(6,115)
Temporary differences from pension provisions and other long-term employment benefits	421,653	181,320	–	–
Temporary differences from liabilities[1)] and provisions	9,516,939	1,180,190	(1,369,873)	(175,700)
Tax loss carry-forwards	7,143,344	5,905,572	–	–
	20,555,381	**11,511,236**	**(31,207,870)**	**(15,951,031)**
Offset within legal tax units and jurisdictions	(13,359,201)	(2,516,254)	13,859,201	2,516,254
Impairment of deferred tax assets[2)]	(4,166,557)	(6,550,215)	–	–
	2,529,622	**2,444,767**	**(17,348,669)**	**(13,434,777)**

[1)] The change primarily results from the recognition of the finance lease of Hotel Dream Castle Paris. Reference is made to note [2.21.].

[2)] Impairment of deferred taxes principally relates to those tax loss carry-forwards for which it is not probable that future taxable profits will be available against which the unused tax losses can be utilised.

Development of deferred tax assets and liabilities can be analysed as follows:

	Deferred tax asset		Deferred tax liabilities	
in EUR	2006	2005	2006	2005
Balances at 1 January	2,444,767	3,579,754	13,434,777	2,324,610
Changes in the scope of consolidation	(157,608)	(195,823)	4,141,895	9,159,185
Effects of set-off	–	28,473	–	28,473
Transfers (IFRS 5)	–	(108,541)	–	76,130
Changes directly recognised in equity relating to:				
• gains and losses on available-for-sale investments	2,363	(5,112)	(5,391)	–
• Foreign currency translation	287	5	46	–
• Cash flow hedges	–	(45,439)	13,329	–
• Revaluation of fixed assets	–	–	–	1,692,238
Deferred tax income/expense:				
• for disposal groups classified as held for sale	27,562	–	–	–
• other	212,251	(808,549)	(235,989)	154,141
Balances at 31 December	**2,529,622**	**2,444,767**	**17,348,669**	**13,434,777**

9. Share capital, earnings per share

The number of shares outstanding and the registered share capital proceeds are as follows:

	in EUR
1 January 2006	
The share capital consists of 15,000 bearer shares with a nominal value of EUR 1,000.00 each.	15,000,000
8 February 2006	
An extraordinary shareholders' meeting of Warimpex Finanz- und Beteiligungs AG approved the conversion of 15,000 nominal shares into 15 million no-par-value shares.	
18 May 2006	
In the Annual General Meeting approving the financial statements for the year ended 31 December 2005 a capital increase through conversion of free reserves was approved, leading to an increase in the number of shares from 15,000,000 to 30,000,000. The related transaction costs comprise the capital transfer tax of 1% of the volume of the capital increase and have been charged to equity on a net-of-tax basis. The capital increase was registered in the Commercial Register on 7 July 2006.	15,000,000
31 July 2006	
An extraordinary shareholders' meeting approved an authorised capital increase of up to EUR 15 million.	
31 December 2006	
30 million no-par-value shares	30,000,000
26 January 2007	
Capital increase through issue of new shares, listing on the stock exchanges in Vienna and Warsaw.	6,000,000
	36,000,000

Additionally, the shareholders' meeting convened on 18 May 2006 to deliberate on the results of the reporting period 2005 approved a dividend of EUR 2 million (EUR 0.07 per share), which was paid to the shareholders on 18 July 2006.

Since there are no circumstances that could lead to a dilution of shareholders' interests, diluted earnings per share equal basic earnings per share.

According to the Austrian Stock Corporations Act, the separate financial statements as of 31 December 2006 of the parent company, Warimpex Finanz- und Beteiligungs AG, which have been prepared under the Austrian Commercial Code, provide the basis for the declaration of a dividend.

These financial statements show a profit for the year of EUR 11,392,467.00. The managing directors propose to the General Meeting of shareholders to approve a dividend payment of EUR 5,400,000.00 from the parent company's distributable retained earnings (Bilanzgewinn) of EUR 30,810,015.00 (EUR 0.18 per share on the basis of a share capital of EUR 30 million) and carry forward the remaining balance of EUR 25,410,015.00.

Shareholders

	At 31 Dec. 2006		At 31 Dec.	At 26 Jan. 2007	
	%	shares	2005	%	shares
Amber Privatstiftung	19.1%	5,721,999	3,000,000	15.9%	5,721,999
Bocca Privatstiftung	19.1%	5,721,999	3,000,000	15.9%	5,721,999
Mr. Georg Folian	28.1%	8,444,001	4,500,000	17.9%	6,444,001
Mr. Franz Jurkowitsch	28.1%	8,444,001	4,500,000	17.9%	6,444,001
Mr. Friedrich Grassi (since 28 June 2006)	1.0%	299,999	–	0.8%	299,999
Mr. Herbert Grassi (since 28 June 2006)	0.5%	150,001	–	0.4%	150,001
Mrs. Christa Stampfer-Grassi (since 28 June 2006)	1.0%	299,999	–	0.8%	299,999
Mrs. Sylvia Grassi (since 28 June 2006)	0.5%	150,001	–	0.4%	150,001
Mr. Alexander Jurkowitsch (since 20 December 2006)	0.9%	256,000	–	0.7%	256,000
Mr. Christian Fojtl (since 20 December 2006)	0.9%	256,000	–	0.7%	256,000
Mr. Jerzy Krogulec (since 20 December 2006)	0.9%	256,000	–	0.7%	256,000
Free float (since 26 January 2007)	0.0%	–	–	27.8%	10,000,000
		30,000,000	**15,000,000**		**36,000,000**

10. Property, plant and equipment

At 31 December 2005 in EUR	Land, rights equivalent to land	Buildings incl. buildings on lease-hold land	Equipment, (hotel) furniture	Finance lease	Plant	Total
Net carrying amount at 1 January 2005	21,911,475	112,878,939	7,922,974	–	359,398	143,072,786
Changes in the scope of consolidation	23,859,971	19,038,092	649,974	–	–	43,548,037
Additions	2,462,259	3,808,595	1,218,824	–	787,412	8,277,090
Disposals	–	–	(32,964)	–	–	(32,964)
Transfers (note [11])	(2,811)	41,447	(290,304)	–	–	(251,667)
Depreciation	(49,027)	(3,860,646)	(1,699,338)	–	–	(5,609,011)
Exchange adjustment	14,992	82,934	4,695	–	25,776	128,398
Net carrying amount at 31 December 2005	**48,196,859**	**131,989,362**	**7,773,863**	**–**	**1,172,586**	**189,132,670**
Acquisition or production cost[1)]	48,369,397	188,587,241	13,568,373	–	1,172,586	251,697,598
Accumulated depreciation and impairment[1)]	(172,538)	(56,597,879)	(5,794,511)	–	–	(62,564,928)
	48,196,859	**131,989,362**	**7,773,863**	**–**	**1,172,586**	**189,132,670**
including payments for						
• Property under construction	–	7,159,480	–	–	1,172,586	8,332,066
• Advance payments made	595,886	–	20,000	–	–	615,886

At 31 December 2006 in EUR	Land, rights equivalent to land	Buildings incl. buildings on lease-hold land	Equipment, (hotel) furniture	Finance lease	Plant	Total
Net carrying amount at 1 January 2006	48,196,859	131,989,362	7,773,863	–	1,172,586	189,132,670
Business combination (IFRS 3)	10,537,243	18,878,035	249,469	–	–	29,664,747
Additions from the acquisition of shares	5,163,921	15,131,971	467,719	–	–	20,763,611
Additions from finance lease	–	–	–	26,680,848	–	26,680,848
Additions from investments	1,741,483	27,908,956	3,523,768	–	104,755	33,278,961
Disposals	–	–	(695)	–	–	(695)
Transfers (note [11])	300,599	(3,522,290)	(415,543)	–	–	(3,637,234)
Depreciation	(153,884)	(4,628,336)	(2,232,746)	(580,155)	(45,191)	(7,640,311)
Exchange adjustment	146,966	(73,504)	(887)	–	11,882	84,456
Net carrying amount at 31 December 2006	**65,933,186**	**185,684,193**	**9,364,949**	**26,100,693**	**1,244,032**	**288,327,053**
Acquisition or production cost[1]	66,259,609	211,764,365	15,438,328	26,680,848	1,289,222	321,432,372
Accumulated depreciation and impairment[1]	(326,422)	(26,080,172)	(6,073,379)	(580,155)	(45,191)	(33,105,319)
	65,933,186	**185,684,193**	**9,364,949**	**26,100,693**	**1,244,032**	**288,327,053**
Including payments for						
• Property under construction	–	22,328,595	–	–	345,949	22,674,543
• Advance payments made	148,665	–	–	–	–	148,665

[1] Acquisition or production costs and accumulated depreciation were restated in the reporting period by an amount of approximately EUR 35.8 million. This restatement was necessary due to an error that occurred in the previous period upon the change of the consolidation method for Recoop Tour a.s. from proportionate consolidation to full consolidation and led to recognition of historical acquisition costs and accumulated depreciation as additions from the change in the scope of consolidation. The restatement of the previous period has no impact on the balance sheet or the income statement and only relates to the presentation of "acquisition costs" and "accumulated depreciation".

Property, plant and equipment with a carrying value of EUR 268,521,816.00 (2005: EUR 185,704,162.00) are subject to a first charge to secure the Group's loans (note [20.1.]). Additions contain capitalised interest of EUR 371,030.00 (2005: EUR 105,100.00). The related interest cost amounts to EURIBOR +1.5% to 2.5%.

Under a construction contract dated 1 September 2005 the joint venture UBX Praha 2 s.r.o. is obliged to have an office building in CZ-Prague constructed to completion. Construction work was completed in the reporting period. The final acceptance and – as a result – the property's transfer to "Investment properties" were effected in February 2007.

The Group's uniform estimates for the assets' useful lives are as follows:	2006	2005
• Buildings (including finance lease Hotel Dream Castle Paris)	Ø 35 years	Ø 35 years
• Furniture, fixtures, equipment	7 to 10 years	7 to 10 years
• Plant	20 years	20 years

Buildings are separated into the following components according to IAS 16.43 component approach: building fabric (estimated useful life: 60 years) and heating facilities and technical equipment (estimated useful life 15 years), each based on the historical acquisition date and the remaining useful life.

Additions from investments relate to the following projects:

in EUR	2006	2005
Land purchase by Andels Lodz Sp. z o.o., in PL-Łódź	5,234,078	–
Completion of Hotel Angelo Prague (2005: under construction)	4,865,116	2,326,145
Start of construction Hotel Andel's Krakow (under construction)	6,450,841	–
Refurbishment of Hotel Dvořák in CZ-Karlovy Vary	2,569,339	1,688,691
Acquisition of property Landsberger Allee, Hotel Andel's Berlin	2,697,701	–
Construction of office building UBX 2 Andel's City Prag (under construction)	3,108,146	652,309
Land purchase in PL, Bialistok Bialistok Shopping	1,671,517	541,593
Completion of office building Parkur Tower in PL-Warsaw	1,710,332	391,727
Land purchase by Multi Development Sp. z o.o. in PL-Krakow	1,663,684	–
Refurbishment of Hotel Palace in CZ-Prague	1,081,416	–
Other developments and current investment related to hotels	2,226,793	2,676,625
	33,278,961	**8,277,090**

Other developments include capitalised preliminary costs for the projects Hotel Le Palais Warsaw amounting to EUR 325,396.00, Angelo Plzeň amounting to EUR 319,580.00 and Angelo Katowice in the amount of EUR 252,493.00.

Current investments relating to hotels include refurbishments of Hotel Diplomat, Prague amounting to EUR 233,218.00. During the reporting period property, plant and equipment for administration in the amount of EUR 235,187.00 were purchased.

Cash outflows

Cash outflows for the acquisition and cash received from the disposal of property, plant and equipment are analysed as follows:

in EUR	2006	2005
Cash receipts from disposals	26,407	13,643
Payments agreed for additions	(33,278,961)	(8,277,090)
± Liabilities incurred for the purchase of property, plant and equipment	7,578,964	(547,307)
± Tax incurred for the purchase of property, plant and equipment	(2,845,755)	1,070,663
	(28,545,752)	**(7,753,734)**

11. Investment properties

Investment properties are measured at historical cost less accumulated depreciation, which is calculated on a straight-line basis, and accumulated impairment in value. The estimated average useful lives for investment properties are 35 years. During the reporting period, the position proceeds as follows:

in EUR	2006	2005
Net carrying amount at 1 January	5,028,903	17,021,062
Changes in the scope of consolidation	16,933,988	–
Additions	279,731	47,672
Transfers to assets of a disposal group classified as held for sale (IFRS 5)	–	(11,781,152)
Transfer (note [10]) from property, plant and equipment	3,637,234	251,667
Disposals	(250,371)	–
Depreciation	(258,139)	(500,663)
Exchange adjustment	(32,868)	(9,683)
Net carrying amount at 31 December	25,338,478	5,028,903
Acquisition or production cost	26,179,644	6,259,161
Accumulated depreciation and impairment	(841,166)	(1,230,258)
Net carrying amount at 31 December	**25,338,478**	**5,028,903**
• thereof pledged as security for loans and borrowings	25,422,845	4,680,796
• thereof land value	3,214,342	869,954

Disposals include the office building Török Floris, which was sold on 20 April 2006 by Revital Rt. for HUF 130 million (EUR 486,163.00). Cash payments for investments relate to the extension of the Dioszegi Utca office building, which started in the reporting period, as well as development work on the office building Pauler Utca, which had been acquired in a business combination.

Result from investment properties

in EUR	Properties completed but not yet rented out	Properties that are included only for parts of the reporting period	Properties that were also included in the previous period's financial statements	Properties included in the previous period, which were sold in the reporting period	Total
Carrying amounts at 31 December	3,958,572	16,838,850	4,541,056	–	25,338,478
Carrying amounts at 31 December 2005	–	–	*5,028,903*	–	*5,028,903*
Fair market value as of the year-end according to appraiser's valuation opinion: At the Group's share	8,365,000	18,265,000	6,880,000	–	33,510,000
Fair market value 2005:	–	–	*6,323,407*	–	*6,323,407*
Rental income and charged expenses	–	535,158	718,303	25,277	1,278,738
Rental income and charged expenses (2005)	–	–	*681,951*	*1,898,272*	*2,580,223*
Direct expenses	–	(103,815)	(187,046)	(9,943)	(300,803)
Direct expenses (2005)	–	–	*(136,653)*	*(327,393)*	*(464,046)*
Expenses for repairs and maintenance	–	(12,546)	(7,992)	(2,895)	(23,433)
Expenses for repairs and maintenance (2005)	–	–	*(22,453)*	*(28,230)*	*(50,683)*
Net rental income	–	418,798	523,265	12,439	954,502
Net rental income (2005)	–	–	*522,845*	*1,542,649*	*2,065,494*

The office building Parkur Tower in Warsaw was completed in the reporting period and transferred from “Property under construction” to “Investment properties”.

Three office buildings were acquired in business combinations during the reporting period and therefore only contribute to the Group’s profit from their acquisition date: Office building Sobieski from 1 December 2006; Office building Erzsebet from 1 November 2006; Office building Pauler Utca from 1 February 2006.

Rental income from properties included in the prior period, which were sold in the reporting period, contain the office building Török Floris, which contributes to Group income from 1 January 2006 to 20 April 2006. In 2005 this item also contained the results of the Multiplexcenter in Brno which had been classified as “held for sale” at the end of the previous reporting period.

Cash flows

Cash outflows for the acquisition and cash received from the sale of investment properties can be analysed as follows:

in EUR	2006	2005
Cash received for disposals	479,939	–
Purchase price of acquired investment properties	(279,731)	(47,672)
± Tax incurred for the purchase of investment properties	–	(270,419)
	(279,731)	**(318,091)**

12. Intangible assets

Computer software is amortised over an estimated useful economic life of five years.

in EUR	Computer software	Goodwil	Total
Net carrying amount at 1 January 2005	318,206	–	318,206
Transfers (IFRS 5)	(268)	–	(268)
Changes in the scope of consolidation	(13,736)	6,089,466	6,075,730
Additions	22,978	–	22,978
Depreciation	(118,099)	–	(118,099)
Exchange adjustment	19	–	19
Net carrying amount at 31 December 2005	**209,100**	**6,089,466**	**6,298,567**
Acquisition or production cost	641,067	6,089,466	6,730,534
Accumulated depreciation and impairment	(431,967)	–	(431,967)
	209,100	**6,089,466**	**6,298,567**

in EUR	Computer software	Goodwil	Total
Net carrying amount at 1 January 2006	209,100	6,089,466	6,298,566
Changes in the scope of consolidation	(85)	1,311,300	1,311,215
Additions	137,247	–	137,247
Depreciation	(101,839)	–	(101,839)
Exchange adjustment	154	–	154
Net carrying amount at 31 December 2006	**244,577**	**7,400,765**	**7,645,342**
Acquisition or production cost	623,935	7,400,765	8,024,700
Accumulated depreciation and impairment	(379,358)	–	(379,358)
	244,577	**7,400,765**	**7,645,342**

13. Impairment of goodwill

Goodwill acquired in business combinations has been allocated to the following cash-generating units for impairment testing: Warimpex Leasing AG (Hotel Amber Baltic and Hotel Savoy) at EUR 5,784,513.00; Grassi Hotelbeteiligungs- und Errichtungs GesmbH (Recoop Tour a.s. Hotel Diplomat) at EUR 304,952.00.

Additions for the reporting year result from the acquisition of minority interests in the subsidiary UBX Praha 1 s.r.o. as described in note [4.6.] and the acquisition of the subsidiary Idit kft as disclosed in note [4.5.].

The recoverable amount of the cash-generating units is determined on the basis of the respective fair market value less costs of sale in accordance with an external expert opinion. The cash flow forecasts used for this purpose are based on a discounting rate of 6.5% to 7.75% and a ten-year planning horizon.

14. Available-for-sale investments

in EUR	2006	2005
Listed investments	602,876	1,778,637
Unlisted investments	269	252
	603,145	**1,778,889**
Current available-for-sale investments	–	5,037,000
	603,145	**6,815,889**

During the reporting period, the Group sold listed mutual fund certificates (formerly pledged as security for a project) amounting to EUR 1.154 million as the mutual fund certificates were no longer required as collateral. The sale of these securities led to a loss of EUR 18,579.00. The increase in unlisted shares results from a capital increase out of retained earnings.

Under the share purchase agreement of 27 December 2005 Warimpex Finanz- und Beteiligungs AG purchased 43,800 ordinary no-par-value shares in Allgemeine Baugesellschaft – A. PORR Aktiengesellschaft, an Austrian company registered under FN 34853 f with the Commercial Court of Vienna and listed on the Vienna Stock Exchange under ISIN AT0000609607. The purchase price was EUR 115.00 per share, or a total of EUR 5.037 million for the shares acquired. The shares were delivered into the Company's portfolio on 10 January 2006. On this day the purchase price was also settled by the Company.

In fulfilment of a contractual purchase and sale commitment dated 30 December 2005, a sale contract was executed on 20 February 2006 (transaction date: 28 February 2006), under which 21,900 shares in A. PORR Aktiengesellschaft were sold to each Amber Privatstiftung und Bocca Privatstiftung for a price of EUR 115.00 per share, a price which had been agreed in the purchase and sale commitment. The purchase price was partially set off against liabilities of the Company against the private trusts.

15. Other financial assets

in EUR	2006	2005
Loans	3,800,777	4,969
Advances made for business combinations	–	49,755
Loans made to joint ventures	16,002,450	9,179,519
Deposits with banks pledged as collateral	5,014,010	5,000,000
Loans given to managers	109,626	108,814
Pension reimbursement insurance rights	816,876	661,780
Other non-current financial assets	748,192	313,909
	26,491,931	**15,318,746**

Loans primarily contain a loan given to RL UBX Hotelinvestments France, which had been written down to zero for impairment in the previous reporting period. Since the former lessee of the hotel paid an exit fee of approximately EUR 11 million in the reporting period, it is anticipated that the originally planned repayment schedule can be fulfilled. As a result, the impairment was reversed and the loan is stated at its discounted present value. The lease agreement was taken over by the joint venture UBX II (France) s.a.r.l and is accounted for as a finance lease. Further details are disclosed in note [2.21.].

Advances made for business combinations were consumed in the reporting period as disclosed in note [4.3.]. As regards terms and conditions for loans granted to joint ventures, reference is made to note [20.8.].

Deposits with banks pledged as collateral relate to the former subsidiary Hotel Andel Praha a.s. which was sold in 2005. For further details reference is made to note [23.6.]. For details on the terms and conditions of related-party loans, reference is made to note [24].

Pension reimbursement insurance rights relate to pension reimbursement insurance taken out to cover a portion of the pension obligations owed by the Company to its directors. Other non-current financial assets contain deposited caution monies and recoverable VAT for a development project in Russia.

16. Inventories

in EUR	2006	2005
Materials and merchandise	1,219,069	882,429
Real estate development projects under development or construction	1,929,291	1,238,999
	3,148,360	**2,121,429**

Materials and merchandise primarily relate to the hotels' stocks in food & beverage and are of a short-term nature. No write-down of inventories had to be charged to expense for these stocks.

Real estate development projects under development or construction relate to the apartments in the residential real estate project Örs Utca, which have not been sold as of the reporting date. Some of these apartments were sold in the first quarter of 2007. A partial write-down had been recognised on the project in 2005. The write-down could be reversed in the reporting period in the amount of EUR 0.4 million.

17. Trade and other receivables (current)

in EUR	2006	2005
Trade receivables	4,498,393	2,454,373
Receivables for taxes	4,592,803	1,316,049
Receivables relating to the sale of subsidiaries	205,744	–
Advance payments made	442,844	45,325
Other current receivables and other current assets	525,960	419,163
Receivables due from joint ventures	600,269	34,123
Receivables due from related parties	15,530	22,405
Receivables due from minority interests	–	30,976
Deferred expenses	2,077,865	424,004
	12,959,409	**4,746,419**

Trade receivables are non-interest-bearing and are generally on ten to 90 days' terms. For details on receivables due from related parties and joint ventures, reference is made to note [3]. Receivables relating to the sale of subsidiaries pertain to the sale of a subsidiary described in note [4.1.] and have been paid in February 2007.

Receivables for taxes contain an amount of recoverable input VAT of EUR 1,984,989.00 resulting from an intra-group property transfer of the Hotel and Office complex Sobieski which was effected in December 2006.

The relating tax liabilities are disclosed in note [22].

Other Group subsidiaries owe VAT liabilities of the same amount. Both VAT liabilities and the VAT receivable from the real estate transfer were settled in February 2007. Other tax receivables primarily relate to VAT refunds from investments made close to year-end and will be recovered after the balance sheet date.

Deferred expenses contain costs relating to the initial public offering and listing of the Company's shares. The net-of-tax amount is EUR 1,045,024.00 (gross amount: EUR 1,393,365.00). These amounts were directly charged to equity on 26 January 2007. Reference is made to note [9] and note [27].

18. Cash and short-term deposits

in EUR	2006	2005
Cash in hand	363,879	175,360
Cash at banks	12,750,138	6,715,482
Short-term deposits	2,578,594	11,015,840
Deposits pledged as security for a payment guarantee	–	1,025,767
Deposits relating to project loans	1,956,953	–
	17,649,563	**18,932,448**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods which depend on the liquidity requirements of the Group and range from one to six months. They earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents amounts to EUR 17,649,563.00 (2005: EUR 18,932,448.00). Deposits relating to project loans result from the project loans for Hotel Le Palais and the residential real estate project Örs Utca.

In the course of the initial public offering of the Company's share in January 2007, cash totalling EUR 62.225 million (net of costs relating to the offering) was raised by the Group through the issue of new shares.

19. Other reserves

in EUR	Revaluation reserve	Net unrealised gains/losses reserve	Foreign currency translation reserve	Total
At 1 January 2005	439,089	(188,198)	103,770	354,661
Foreign currency translation	–	–	66,795	66,795
(Deferred) tax effects of currency translation	–	–	(5)	(5)
Revaluation of land and buildings (IFRS 3)	7,050,993	–	–	7,050,993
(Deferred) tax effects of revaluation	(1,692,238)	–	–	(1,692,238)
Net unrealised gains (losses) of available-for-sale investments	–	17,422	–	17,422
(Deferred) tax effects of net unrealised gains (losses)	–	(5,112)	–	(5,112)
Net gains (losses) from hedging	–	189,330	–	189,330
(Deferred) tax effects from hedging	–	(45,439)	–	(45,439)
Other transfers	–	–	(9,505)	(9,505)
At 31 December 2005	**5,797,844**	**(31,997)**	**161,055**	**5,926,903**

in EUR	Revaluation reserve	Net unrealised gains/losses reserve	Foreign currency translation reserve	Total
At 1 January 2006	5,797,844	(31,997)	161,055	5,926,903
Foreign currency translation	–	–	44,249	44,249
(Deferred) tax effects of currency translation	–	–	222	222
Net unrealised gains (losses) of available-for-sale investments	–	(31,014)	–	(31,014)
(Deferred) tax effects of net unrealised gains (losses)	–	7,753	–	7,753
Net gains (losses) from hedging	–	69,776	–	69,776
(Deferred) tax effects from hedging	–	(13,257)	–	(13,257)
Other transfers	(439,089)	–	–	(439,089)
At 31 December 2006	**5,358,755**	**1,262**	**205,527**	**5,565,543**

Other transfers within the position “revaluation reserve” are due to a derecognition following the sale of the company Intercom a.s., which had revalued vacant land in prior periods. The remainder of the position contains a revaluation reserve in accordance with IFRS 3 resulting from a business combination achieved in stages.

20. Interest-bearing loans and borrowings

in EUR	2006	2005
Current		
Bank overdrafts	17,988,317	2,054,787
Bridge loans	18,762,863	1,458,037
Project loans	8,331,811	6,073,819
Project loans with breaches of loan agreements on the reporting date	20,496,302	17,335,685
Non-interest-bearing liabilities against banks	–	5,037,000
Other loans	265,585	80,586
	65,844,876	**32,039,914**
Non-current		
Project loans	125,617,807	85,483,830
Bridge loans	–	10,730,994
Obligations under finance leases		
• interest-bearing bank loans	19,426,035	–
• non-interest-bearing purchase option and loans	7,453,499	–
Loans from joint ventures		
• interest-bearing (see note [20.8.])	16,775,532	8,997,461
• non-interest-bearing	650,995	–
Loans from minority interests	57,931	278,946
	169,981,798	**105,491,231**
Total interest-bearing loans and borrowings	**235,826,675**	**137,531,145**

20.1. Bank loans secured by mortgages on land and buildings – overview

Interest-bearing loans and borrowings with a total amount of EUR 195,051,254.00 (2005: EUR 123,137,152.00) are secured by mortgages on land and buildings and proceed during the reporting period as follows:

Project-related loans secured by mortgages in EUR	At 1 Jan. 2006	Changes in the scope of consolidation	New borrowings	Repayment of loans	Foreign currency adjustments	At 31 Dec. 2006
Subsidiaries (full consolidation)						
for Hotel Diplomat	34,239,256	–	5,760,744	(2,394,767)	–	37,605,233
for Hotel Palace	17,072,500	–	1,680,000	(1,262,000)	–	17,490,500
for Hotel Chopin	–	13,244,460	–	(268,949)	–	12,975,511
for Hotel Angelo Praha	1,401,842	4,164,616	6,072,382	–	–	11,638,840
for Hotel Amber Baltic	10,907,262	–	–	(994,563)	(214,688)	9,698,011
for Hotel Savoy	9,110,413	–	–	(610,585)	–	8,499,829
for office building Erszebet-Bridgeloan	–	1,580,361	8,031,869	(1,580,361)	–	8,031,869
for Hotel Le Palais	8,051,320	–	–	(360,502)	–	7,690,818
for Hotel Dvořák	8,044,017	–	–	(779,219)	–	7,264,798
for office building Pauler Utca	596	25	3,944,620	(229,455)	–	3,715,787
for office building Cetelem	2,731,038	–	–	(145,969)	–	2,585,069
for the residential real estate project Örs Utca	1,850,588	–	519,629	20,095	26,124	2,416,437
for gas pipeline Warsaw	–	–	380,000	(9,969)	11,522	381,553
for office building Sajka Utca	203,603	–	–	(27,861)	–	175,742
	93,612,436	**18,989,461**	**26,389,245**	**(8,644,102)**	**(177,042)**	**130,169,998**
Joint ventures (proportionate consolidation)						
for Hotel InterContinental 33.33%	17,090,421	4,050,679	–	(887,705)	–	20,253,395
for Hotel Dream Castle 50%	–	19,141,707	–	284,327	–	19,426,035
for project Leuchtenbergring 49.5%	10,730,994	–	–	–	–	10,730,994
for hotel & office complex Sobieski 25%	–	5,452,120	1,547,880	–	–	7,000,000
for office building Parkurs Tower 50%	1,458,037	–	1,750,697	–	–	3,208,733
for office building Andel's Praha 50%	–	224,369	2,019,317	–	–	2,243,686
for Hotel Andel's Krakow (under construction) 50%	–	–	1,775,507	–	–	1,775,507
for gas-heating plant Warsaw 40%	245,263	–	–	(4,106)	1,749	242,906
	123,137,151	**47,858,335**	**33,482,646**	**(9,251,587)**	**(175,292)**	**195,051,254**

20.2. Other secured bank overdrafts

Bank overdrafts given to Warimpex Finanz- und Beteiligungs AG, Vienna, in the total amount of EUR 15,571,879.00 were secured temporarily at year-end by guarantees of Amber- und Bocca Privatstiftung in the amount of EUR 6 million and were repaid on 26 January 2007.

20.3. Obligations under finance leases

As discussed in note [2.21.] the Group entered a finance lease in the reporting period which involves interest-bearing loans. Since the lease agreement does not provide for minimum annual lease payments, the whole position is classified as non-current debt. The contingent lease payments for the reporting period (proportionately for seven months) amounted to EUR 0.881 million.

20.4. Bridge loans

Current bridge loans relate to the Group's proportionate share in the project Leuchtenbergring München with an amount of EUR 10.7 million. The loan agreement provides for repayment by 31 December 2007 and the bridge loan was consequently reclassified from non-current to current in the reporting period. It is anticipated that the bridge loan will either be prolonged or converted into a project loan in the following reporting period (2007).

A bridge loan of EUR 8 million was taken out for acquisition of the office building Erszebet Utca in November 2006. The bridge loan will be converted into a long-term project loan in 2007.

20.5. Projects loans with breaches of loan agreements on the reporting date

This position relates to two long-term project loans which were repaid by the Group on schedule. However, since certain conditions of the loan agreements had not been adhered to as of the reporting date, these loans have to be presented as current liabilities according to IFRS. Since debt service on the loans has always been on schedule, the financing banks have no intention of demanding immediate repayment in full. Currently negotiations are under way regarding potential refinancing of the project loan for the Hotel InterContinental Warsaw.

The scheduled debt service for the two loans is as follows:

in EUR	2007	2008	2009	2010	2011	> 5 years	Total
	(1,152)	**(1,152)**	**(1,152)**	**(1,152)**	**(1,134)**	**(14,753)**	**(20,496)**

20.6. Development of (cash flows from) all interest-bearing loans and borrowings

in EUR	At 1 Jan. 2006	Changes in the scope of consolidation	New borrowings	Repayment of loans	Foreign currency adjustments	At 31 Dec. 2006
Loans secured by mortgages	123,137,151	47,858,335	33,482,646	(9,251,587)	(175,292)	195,051,254
Other bank overdrafts	–	–	15,571,879	–	–	15,571,879
Other current loans	80,587	4,891,783	74,250	(4,781,035)	–	265,585
Non-current loans						
• from joint ventures	8,997,461	1,154,834	9,144,039	(2,521,114)	311	16,775,532
• from minority interests	278,946	–	5,108	(226,142)	19	57,931
	132,494,145	**53,904,952**	**58,277,923**	**(16,779,878)**	**(174,962)**	**227,722,181**
Non-interest-bearing liabilities						
• from finance lease obligations	–	7,453,499	–	–	–	7,453,499
• from joint ventures	–	–	650,995	–	–	650,995
• from banks	5,037,000	–	–	(5,037,000)	–	–
	5,037,000	7,453,499	650,995	(5,037,000)	–	8,104,493
Total interest-bearing loans and borrowings	**137,531,144**	**61,358,451**	**58,928,918**	**(21,816,878)**	**(174,962)**	**235,826,675**
Gains from release from a loan by the creditor (see note [7.1.])				2,164,153		
Cash flow from the repayment of loans and borrowings				(19,652,725)		

20.7. Interest conditions for current and non-current financial liabilities

in EUR	2006	2005
Total financial liabilities		
• thereof non-interest-bearing	8,104,493	5,037,000
• thereof carrying fixed interest	242,906	245,263
• thereof carrying variable interest	227,479,275	132,248,881
	235,826,675	**137,531,144**

Range of interest conditions
(valid for both the reporting years 2006 and 2005)

• Bank overdrafts	BUBOR/EURIBOR +1.5% – 3.65%
• Project loans (including loans where there is a breach of the loan agreement on the reporting date)	CHF-LIBOR/EURIBOR +0.5% – 2.25%
• Bridge loans	EURIBOR +0.75% – 1.2%
• Loans from joint ventures	EURIBOR +1.0% – 1.5%
• Loans from minority interests	EURIBOR +1.0% – 1.5%
• Other loans	EURIBOR +1.0% – 1.5%

20.8. Loans from joint ventures

Loans from joint ventures relate to the Group's proportionate share of the loans received by the joint venture from the other joint venture partners. This position is to be seen in connection with the loans given to joint ventures by the Group, which are presented within "Other financial assets" (see note [15]). Loans from joint ventures and loans given to joint ventures are, in substance, equity instruments and usually are subordinated to project loans.

Loans from/to joint ventures carry variable interest of EURIBOR +1.5 to 2.5%. Loans from/to joint ventures generally have the same terms and conditions. Differences in the amounts outstanding are of a temporary nature and may result from interest differentials which can be due to different payment dates.

	Loans given to joint ventures – see note [17]			Loans received from joint venture partners		
in EUR	At 1 Jan. 2006	Change	At 31 Dec. 2006	At 1 Jan. 2006	Change	At 31 Dec. 2006
Sienna Hotel Sp. z o.o.	(6,445,298)	(1,926,575)	(8,371,872)	6,455,970	2,603,222	9,059,192
Bürohaus Leuchtenbergring GmbH & Co. Besitz KG	(837,162)	–	(837,162)	820,584	–	820,584
GF Ramba Sp. z o.o.	(245,693)	(244,047)	(489,740)	245,653	242,915	488,567
Thermo Energia Sp. z o.o.	(32,592)	(72,412)	(105,004)	34,948	3,390	38,338
Melica Sp. z o.o.	–	(2,151,715)	(2,151,715)	–	2,180,142	2,180,142
UBX Kraków Sp. z o.o.	–	(2,068,411)	(2,068,411)	–	2,066,185	2,066,185
UBX Katowice Sp. z o.o.	(3,513)	(77,628)	(81,141)	3,169	77,566	80,735

	Loans given to joint ventures – see note [17]			Loans received from joint venture partners		
in EUR	At 1 Jan. 2006	Change	At 31 Dec. 2006	At 1 Jan. 2006	Change	At 31 Dec. 2006
UBX Praha 2 s.r.o.	(476,343)	22,229	(454,113)	409,367	67,652	477,020
UBX Plzeň s.r.o.	(22,405)	(134,702)	(157,107)	33,528	141,905	175,434
UBX Development s.a.r.l	(283,330)	88,285	(195,045)	283,344	11,739	295,082
UBX I Objekt Berlin GmbH	–	(1,091,139)	(1,091,139)	–	1,094,252	1,094,252
UBX Praha 1 s.r.o.[1]	(833,184)	833,184	–	710,897	(710,897)	–
	(9,179,519)	**(6,822,930)**	**(16,002,450)**	**8,997,461**	**7,778,070**	**16,775,532**

[1] Since 12 May 2006, the company UBX Praha 1 s.r.o. is fully consolidated and no longer treated as a joint venture. See note [4.6.].

20.9. Other loans

This item relates to the remaining liability from the Group's acquisition of Prózna Properties Sp. z o.o. against the seller.

20.10. Loans from minority interests

Similar to loans from joint ventures, loans from minority interests are, in substance, equity instruments and are generally of a long-term nature and subordinated to project loans, if any. These loans usually carry variable interest similar to the other interest conditions of the Group.

21. Provisions

21.1. Pensions and other long-term employee benefit plans (note [2.19.])

			Legal obligation to pay		
in EUR	Contractual pension commitments	Long-term service bonus	severance payments	long-term service bonus	Total
At 1 January 2005	3,195,977	–	441,711	48,880	3,686,568
Benefits paid	(74,900)	–	(40,441)	–	(115,341)
Service costs	159,272	–	(29,393)	2,862	132,741
Actuarial (gains)/losses	(17,143)	–	–	–	(17,143)
Recognised in personnel expenses	67,229	–	(69,834)	2,862	257
Interest costs	135,829	–	25,178	2,786	163,793
At 31 December 2005	**3,399,035**	**–**	**397,055**	**54,528**	**3,850,618**

in EUR	Contractual pension commitments	Long-term service bonus	Legal obligation to pay severance payments	Legal obligation to pay long-term service bonus	Total
At 1 January 2006	3,399,035	–	397,055	54,528	3,850,618
Benefits paid	(74,900)	–	–	–	(74,900)
Service costs	166,978	–	253,442	52,902	473,322
Gains from curtailment	(1,473,284)	–	–	–	(1,473,284)
Actuarial (gains)/losses	53,609	–	–	–	53,609
Recognised in personnel expenses	(1,327,597)	–	253,442	52,902	(1,021,253)
Interest costs	144,460	–	24,937	3,108	172,505
Additions from business combinations	22,706	86,837	–	–	109,543
Exchange adjustments PLN/EUR	248	950	–	–	1,198
At 31 December 2006	**2,238,852**	**87,787**	**675,434**	**110,538**	**3,112,611**

The amounts for the current period and the past four reporting periods are as follows:

in EUR	2006	2005	2004	2003	2002
• Defined benefit obligation	3,112,611	3,850,618	3,686,568	3,476,305	3,051,670
• Actuarial (gains) and losses	53,609	(17,143)	(41,379)	240,353	(39,740)

21.2. Other provisions

in EUR	Current provisions	Non-current provisions for onerous contracts	Non-current provisions for litigation risks	Total
At 1 January 2005	2,398,134	–	393,908	2,792,042
Changes in the scope of consolidation	(590,091)	–	–	(590,091)
Utilised	(1,472,941)	–	–	(1,472,941)
Arising during the year	1,240,990	2,467,429	–	3,708,419
Unused amounts reversed	(928)	–	(393,908)	(394,836)
Exchange adjustment	9,515	–	–	9,515
Transfers (IFRS 5)	(4,774)	–	–	(4,774)
At 31 December 2005	**1,579,906**	**2,467,429**	**–**	**4,047,334**

		Non-current provisions		
	Current	for onerous	for litigation	
in EUR	provisions	contracts	risks	Total
At 1 January 2006	1,579,906	2,467,429	–	4,047,334
Changes in the scope of consolidation	177,106	–	–	177,106
Utilised	87,457	(142,563)	–	(55,106)
Arising during the year	92,076	–	–	92,076
Unused amounts reversed	(320,049)	(1,959,187)	–	(2,279,236)
Exchange adjustment	(10,184)	–	–	(10,184)
At 31 December 2006	**1,606,312**	**365,679**	**–**	**1,971,991**

The non-current provision for onerous contracts relates to a lease obligation of the subsidiary Vladinvest s.r.o. which has existed since 2005. Due to the current status of sublease contracts at the end of the reporting period, the provision could be partially released up to the amount of the discounted present value of the expected future losses from the lease obligation. The discounting rate amounts to 5.5% (2005: 3.5%) (reference is made to note [23.8.] “Other obligations”).

Current provisions contain fees for legal services to the parent company which are uncertain as to amount at the reporting date as well as liabilities of consolidated subsidiaries, the amount of which is uncertain. It is anticipated that these liabilities will lead to cash outflows within the next twelve months.

22. Trade and other payables (current)

in EUR	2006	2005
Trade payables	10,796,696	3,484,757
Trade payables due to joint ventures	800,015	169,919
Trade payables from business combinations	11,757,500	–
Trade payables due to related parties	7,870,091	8,198,406
Purchase price obligations for investments	2,664,384	1,268,146
Payables due to minority interests	–	275,639
Other payables	4,004,133	1,319,134
Advance payments received	806,119	239,318
	38,698,938	**14,955,320**

Other payables contain tax liabilities of EUR 2,410,851.00 (2005: EUR 98,206.00), liabilities for social security contributions of EUR 519,056.00 (2005: EUR 298,044.00) and accruals for compensated absences of EUR 270,196.00 (2005: EUR 115,501.00).

Tax liabilities principally result from an intra-group sale of a property in December 2006. The corresponding tax receivable is presented within note [17].

For terms and conditions relating to related parties, please refer to note [24].

Trade payables are non-interest-bearing and are normally settled within ten to 60 days. Current tax liabilities and liabilities for social security contributions are non-interest-bearing, except for late payment. These liabilities are generally due within 30 days. Other (current) liabilities are non-interest-bearing and also contain liabilities owed to employees for wages and salaries for December 2006.

Purchase price obligations for investments principally contain the unpaid purchase price for a property in Łódź at an amount of EUR 2.5 million. An amount of EUR 1 million will become payable upon receipt of a building permit and EUR 1.5 million upon starting construction. The remaining term of this liability is less than one year.

Trade payables from business combinations relate to the partial acquisition of Grassi Hotelbeteiligungs- und Errichtungs GesmbH (50%) in the amount of EUR 11 million, which was paid in January 2007 (see note [4.10.]), as well as a preliminary purchase price adjustment relating to the acquisition of the Hotel and office complex Sobieski (see note [4.4.]).

23. Other commitments, litigation and contingencies

23.1. Obligation to complete Andel's Hotel in PL-Krakow

Under the notarial deed of 21 December 2005 the joint venture UBX Kraków Sp. z o.o. has acquired a property in Krakow and assumed the obligation to construct a hotel. Hotel construction must be completed within 15 months after receipt of the building permit. Liquidated damages in the amount of EUR 100,000.00 are due for each violation of this obligation if the violation results from gross negligence, however total liquidated damages are capped at EUR 1 million.

The building permit was obtained in early 2006. Construction works started in March 2006. The Group anticipates that construction will be completed on schedule at the end of May 2007.

23.2. Litigation

a) Other receivables contain a receivable with a carrying amount of CZK 3.02 million (EUR 0.1 million) which is subject to litigation. The receivable is secured with a pledge on real estate.

b) The 50% joint venture UBX Development s.a.r.l, which had completed and transferred the Dream Castle Hotel, Paris, in 2004, was approached by a sub-contractor in 2005 threatening to sue the company for an amount of approximately EUR 3.1 million for additional services rendered in addition to the sub-contracting agreement. According to legal counsel, the outcome of legal proceedings and the amount of a potential settlement payment cannot be estimated. On 16 March 2007 the sub-contractor brought his claim before the court of arbitration.

c) In 2005 the subsidiary Recoop Tour a.s. purchased a freehold interest in the property on which the Hotel Diplomat Prague is located. The company was registered as legal owner in the land register. Although the seller of the property was declared the rightful owner in a ruling by the court of appeals, a third party has filed an extraordinary appeal, since this third party claims rights to the title in the property. The acquisition of the property by Recoop Tour a.s. and the registration of Recoop Tour a.s. in the land register was not appealed against by this third party.

During the reporting period the extraordinary appeal was rejected by both the lower court and the court of appeals. Currently the supreme court (CZ-Brno) is deliberating on the third party's appeal against the court rulings.

23.3. Contingent liabilities

The subsidiary Prózna Properties Sp. z o.o. has given a guarantee to the municipality of Warsaw to renovate a property which is subject to landmark protection. Furthermore, it promised the municipality of Warsaw that it would start renovation work by 31 December 2005 and complete it by 31 December 2008 at the latest. In case of a violation of these bonds and guarantees, an amount of USD 560,000 would have to be paid to the municipality of Warsaw.

Should the building permit not be obtained by 31 December 2005 due to gross negligence of the Company, a penalty of 7% of the land value would become payable out of the guarantee. The Company estimates the land value of the property at approx. PLN 10.2 million (EUR 2.6 million), since this amount serves as the basis for determining the ground lease. By the reporting date renovation work could not be started since no settlement had been reached with the landmark protection authority. During the reporting period no claims were brought up against the company.

23.4. Call option relating to the subsidiary UBX Praha 1 (Hotel Angelo)

In the previous reporting period the Company granted a call option on its interest in the subsidiary to an Austrian insurance company. In the reporting year UBX Praha 1 opened the Hotel Angelo on 10 June 2006. The call option may be exercised from 2007 up to three years after the opening of the hotel. From the call option, no indications for an impairment of UBX Praha 1's assets can be inferred, nor does it constitute a liability to be recognised.

23.5. Contractual bonds and guarantees

• Relating to the sale of Andel's Hotel:		
Guarantee – note [23.6.]		EUR 5,014,010
Contingent liability – note [23.7.]		EUR 1,000,000
• Relating to project loans of joint ventures		
Joint venture Sienna Hotel Sp. z o.o.		EUR 1,500,000
Joint venture Thermo Energia Sp. z o.o.	PLN 2,000,000	EUR 522,030

23.6. GOP guarantee for Andel's Hotel Prague (sold in 2005)

At the end of the third quarter 2005 the subsidiaries Andel Investment s.r.o. and Hotel Andel Praha a.s. were sold to an Austrian institutional investor. According to the contractual arrangements and on the basis of the sale price calculation, Warimpex Finanz- und Beteiligungs AG guarantees that Andel's Hotel Prague will generate annual free cash flows in the amount of EUR 6.16 million p.a., indexed according to the Austrian consumer price index of 2000 up to a total amount of EUR 5 million. This guarantee ends on 30 September 2025.

Free cash flow is defined in the contract as follows: GOP (gross operating profit) less management fee plus fixed rental income for those parts of the building which are not used as a hotel.

Should Andel's Hotel be able to achieve a free cash flow that exceeds the indexed guaranteed free cash flow by 30 September 2025, then Warimpex Finanz- und Beteiligungs AG will receive a 25% share of the excess of actual free cash flows over guaranteed free cash flows. This surplus will be credited to the deposit pledged as collateral and increase the guarantee up to EUR 8 million until 31 March 2019.

At the end of the first free cash flow guarantee period (4th quarter 2005) the Group's share in the excess cash flow was determined to be EUR 14,010.00. This amount increases the guarantee and was transferred by the buyer to the deposit account pledged as collateral which is presented within "Other financial assets" in the balance sheet – see note [15].

Additionally, a guarantee commitment was made in respect of repair and maintenance requirements of Andel's Hotel Prague until 30 September 2025. Should the necessary amount of expenses for repairs and maintenance exceed the guaranteed threshold level of 0.59% of the purchase price then Warimpex Finanz- und Beteiligungs AG would be obliged to refund such excess expenses. The guarantee for repair and maintenance expenses is indexed in the same manner as the free cash flow guarantee. The sum total of all guarantees is limited to an amount of EUR 5 million and increases only insofar as the Company participates in excess cash flows of Andel's Hotel.

23.7. Contingent liabilities relating to the transaction described in note [23.6.]

The sale of the former subsidiaries Andel Investment s.r.o. and Hotel Andel Praha a.s. caused preliminary termination of a management agreement with Vienna International AG which resulted in a compensation payment in the amount of EUR 1 million (see note [24.4.].

An additional amount of EUR 1 million will be payable under the condition that the new owner terminates the management agreement prior to 2014.

23.8. Lease obligation of Vladinvest s.r.o.

The wholly owned subsidiary Vladinvest s.r.o. has concluded a master lease agreement with the former subsidiary that was sold in 2005 (note [23.6.]) over 4,356.1 sqm of commercial real estate for a net rent of EUR 0.4 million p.a. (indexed). This rent is reduced by any rental income that the sold former subsidiary will be able to generate from renting out the property.

The master lease agreement was originally concluded for a term of 12 years and ends on 30 September 2017. A provision for onerous contracts was recognised for an amount of EUR 365,679.00 (2005: EUR 2,467,429.00) based on the projected cash outflows from shortfalls of rent received over rent payable over the term of the lease and based on a discount rate of 5.5% (2005: 3.5%). Since the Company was successful in obtaining sublease agreements for a substantial part of the lettable area, an amount of EUR 1,959,187.00 from the provision for onerous contracts could be reversed. See note [21.2.] for further details.

23.9. Avielen OAO

This subsidiary currently owns a pre-project to develop a hotel and office complex on a property located at St. Petersburg airport. The subsidiary is required to file the planning for submission with the competent authority by November 2010 at the latest.

As regards the land, the company's current title is based on a temporary lease contract with the municipality of St. Petersburg which lasts until November 2010. The municipality demands payment of a commitment fee for the property in the amount of approximately EUR 9 million. This obligation was entered into in December 2006, but had not entered into effect as of the reporting date. The legal validity will be achieved by registration of the contract in the contract register.

As regards the lease commitment in the amount of EUR 9 million, it was agreed to settle the liability on a quarterly basis with a rouble-based interest rate of 10.5%. In exchange for a right to lease the property, the Company is obliged to prepare a plan for submission according to the preliminary design by 2010 and construct the property after obtaining a building permit. Should the construction of the property not be completed within this term the municipality may terminate the lease contract. If the investment is completed according to contract, the company will have the pre-emptive right to purchase the property (alternatively a lease agreement for a 49-year term could be concluded).

Moreover, Warimpex Finanz- und Beteiligungs AG has entered the following obligations under a purchase price escalation clause against the seller of the shares in Avielen OAO: EUR 1,312,500.00 upon obtaining the building permit, EUR 1 million upon completion of construction phase I, EUR 1 million after obtaining the use permit and EUR 2 million at the inception of construction phase II; in total EUR 5,312,500.00.

24. Related party disclosures

The following enterprises/persons are related parties to the Group and have the following business relations:

Amber Privatstiftung
A-1090 Vienna, Porzellangasse 4 (FN 178109 a, HG Wien), as of the reporting date holds 19.1% of the shares in Warimpex Finanz- und Beteiligungs AG (as of 26 January 2007: 15.9%) and 30.4% of the shares in Vienna International AG. Amber Privatstiftung is a related party due to Mr. Georg Folian being a member of its board of trustees.

Bocca Privatstiftung
A-1090 Vienna, Porzellangasse 4 (FN 178104 v, HG Wien), as of the reporting date holds 19.1% of the shares in Warimpex Finanz- und Beteiligungs AG (as of 26 January 2007: 15.9%) and 30.4% of the shares in Vienna International AG. Bocca Privatstiftung is a related party due to Mr. Franz Jurkowitsch being member of its board of trustees.

Franz Jurkowitsch
is a director of the Company and owns 28.1% of its shares as of the reporting date (as of 26 January 2007: 17.9%).

Georg Folian
is a director of the Company and owns 28.1% of its shares as of the reporting date (as of 26 January 2007: 17.9%).

Alexander Jurkowitsch
is a director since 31 July 2006 and owns 0.9% of its shares as of the reporting date (as of 26 January 2007: 0.7%)

Christian Fojtl
is a director since 31 July 2006 and owns 0.9% of its shares as of the reporting date (as of 26 January 2007: 0.7%)

Additionally, Mr. Christian Fojtl is the economic beneficiary of Homeinvestments Sp. z o.o., which is a joint venture partner or minority shareholder of certain Group subsidiaries/joint ventures related to energy projects.

Vienna International AG

A-1200 Vienna, Dresdnerstrasse 87, manages all hotels of the Group with the exception of the Hotel InterContinental Warsaw.

Other senior managers

In the reporting year the Company purchased shares in two subsidiaries from Mr. Jerzy Krogulec (senior manager for Poland) which had been held in trust for him by the Company; the Company also had a receivable against Mrs. Johanna Swiekadowska (manager of several Polish subsidiaries) resulting from a loan that carries interest and is due in one lump sum at maturity.

24.1. Transactions with Amber/Bocca Privatstiftung

in EUR	2006	2005
Balances at 1 January	(5,674,503)	4,510,558
Acquisition of Warimpex Leasing AG on 31 December 2005, paid on 30 March 2006	4,700,000	(4,700,000)
Liabilities relating to the acquisition of Warimpex Leasing AG	–	(3,234,906)
Sale of current available-for-sale investments	5,037,000	–
Dividends	(1,164,000)	(2,000,000)
Interest on current accounts	(24,327)	115,404
± Payments received and made	(3,629,251)	(365,559)
Balances at 31 December	**(755,081)**	**(5,674,503)**

24.2. Transactions with directors who hold substantial shareholdings in the Company

in EUR	2006	2005
Balances at 1 January	1,788	(1,007,567)
Dividends	(776,000)	(3,000,000)
Bonus	(627,445)	–
Interest on current accounts	176	(32,534)
± Payments received and made	720,328	4,041,889
Balances at 31 December	**(681,153)**	**1,788**

24.3. Transactions with other directors

in EUR	2006	2005
Balances at 1 January	–	–
Acquisition of shares formerly held in trust (notes [4.6.] and [4.9.])	(2,297,000)	–
Loans to joint ventures that had been formerly held in trust	(877,495)	–
Bonus	(418,297)	–
Balances at 31 December	**(3,592,792)**	**–**

As of the reporting date, Homeinvestment Sp. z o.o. held 10% in the joint venture company Thermo Energia Sp. z o.o. and a 10% minority interest in EI Invest Sp. z o.o.

24.4. Transactions with Vienna International (incl. KDAG Data GesmbH)

in EUR	2006	2005
Balances at 1 January	(2,503,286)	(569,785)
Liabilities recognised on business combinations	–	(1,565,949)
Management fees charged by Vienna International	(3,268,242)	(2,634,768)
Payment for the dissolution of a management contract	–	(1,000,000)
Administration cost sharing for KDAG Data	(10,000)	(10,000)
Services charged to Vienna International	–	15,797
± Payments received and made	4,708,799	3,261,419
Balances at 31 December	**(1,072,729)**	**(2,503,286)**

24.5. Transactions with senior managers

in EUR	2006	2005
Balances at 1 January	108,814	108,814
Acquisition of shares formerly held in trust (note [4.9.])	(905,000)	–
Loans to joint ventures that had been formerly held in trust	(860,508)	–
± Exchange adjustments PLN/EUR	(812)	–
± Payments received and made	–	–
Balances at 31 December	**(1,657,507)**	**108,814**

24.6. Summary of receivables from and liabilities due to related parties

in EUR	2006	2005
Other financial assets – note [15]	109,626	108,814
Trade receivables and other current assets – note [17]	15,530	22,405
Trade payables and other current payables – note [22]	(7,870,091)	(8,198,406)
	(7,744,934)	**(8,067,188)**

Of the net liabilities due to related parties as of the reporting date, an amount of EUR 7.8 million was paid after the reporting date.

24.7. Joint ventures

in EUR	2006	(2005)
Revenues from transactions with joint ventures – note [7.1.]	1,124,090	1,076,847
Services received from joint ventures	–	(218,332)
Loans given to joint ventures – note [20.8.]	16,002,450	9,179,519
Interest income on loans given to joint ventures – note [7.6.]	585,590	335,660
Loans received from joint ventures and joint venture partners – note [20.8.]	(16,775,532)	(8,997,461)
Interest expense on loans received from joint ventures – note [7.5.]	(454,849)	(305,575)

24.8. Other information

The Supervisory Board of Warimpex Finanz- und Beteiligungs AG is composed of the following members:

- Heinrich Geyer, chairman
- Franz Burkert, deputy chairman
- Viktor Igalffy-Igaly, member
- Gert Hoppe, member

Fees to members of the Supervisory Board of Warimpex Finanz- und Beteiligungs AG amounted to EUR 14,600.00 in the reporting period (2005: EUR 14,600.00).

The total amount of compensation due to the directors for the reporting year (including entitlement to bonus for the year 2006) amounted to EUR 1,895,111.00 (2005: EUR 408,710.00). Reference is made to note [7.3.].

25. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts and cash and cash deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

Loans received from joint ventures and loans extended to joint ventures are, in substance, equity instruments and are not regarded as financial instruments by the Group.

The Group also enters into derivatives transactions which are intended to reduce the Group's exposure to interest rate risk on the one hand and to provide a general risk reduction and to utilize opportunities in the market on the other hand.

25.1. Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group uses derivative financial instruments to control its interest rates and interest rate risk. Reference is made to note [26.2.].

25.2. Foreign currency risk

Foreign currency risk results primarily from loans and other interest-bearing liabilities denominated in foreign currencies (primarily CHF). Neither are there any natural hedges nor does the Group systematically use derivative financial instruments to hedge its exposure to foreign currency risk. As a result, gains of EUR 928,659.00 (2005: gains of EUR 161,571.00) from the effect of foreign exchange rate fluctuations on loans and other interest-bearing liabilities were incurred and recognised for the reporting period.

Debt finance denominated in PLN and HUF does not expose the Group to foreign currency risk since the relevant subsidiary's functional currency is the same as the currency in which the loan is denominated.

The denomination in terms of currency for financial liabilities can be analysed as follows:

	2006	2005		2006	2005
CHF	15,531,365	69,931,956	EUR	9,698,011	45,146,517
PLN	2,392,429	946,668	EUR	624,460	245,263
HUF	609,467,669	467,936,125	EUR	2,415,647	1,850,501
			EUR	223,088,557	90,288,865
			EUR	**235,826,675**	**137,531,145**

Additionally, a foreign exchange risk exists for those Group companies that operate hotels as regards personnel expenses and expenses for materials and services received, which have to be paid in the local currency, whereas revenues are generally based on the euro and the debt must also be serviced in euro.

25.3. Credit risk

The amounts stated as assets on the face of the consolidated balance sheet represent the maximum credit risk and risk of loss since there are no general settlement agreements. Credit risk associated with investments and other securities is limited, since these assets are only held by the Austrian Group companies and the Group's portfolio of securities contains only fixed income securities and mutual funds which have been issued by financial institutions of the highest standing. Credit risk associated with cash and short-term deposits can be considered as moderate since the Group only works with financial institutions which can demonstrate sound creditworthiness.

25.4. Liquidity risks

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans for project financing.

The Group's segment "Hotels & Resorts" largely depends on occupancy rates and achievable prices. Liquidity planning is based on hotel budgets and financial forecasts which are prepared in cooperation with the hotel management.

As a rule, long-term lease contracts exist for office buildings and commercial buildings. Liquidity planning is based on budgeted rent income. For the Group's segment "Asset Management & Development" expected pre-development costs are budgeted from the Group's own funds whereas assets under construction are usually financed by project-specific financing. Free liquidity resulting from the sale of real estate is primarily used to finance the acquisition of and the equity contribution to new project developments.

26. Financial instruments

Primary financial instruments of the Group comprise financial instruments available for sale, trade receivables and cash and short-term deposits. As regards liabilities, interest-bearing loans and liabilities and trade payables are classified as financial instruments.

The carrying amounts of primary financial assets generally correspond to their fair values. It can be assumed that fair values of interest-bearing loans and borrowings correspond to their carrying amounts since long-term loans are generally floaters and other financial liabilities have a short-term maturity.

26.1. Interest rate risk of primary financial instruments

The following table presents the carrying amounts and fair values of variable-rate debt instruments of the Group which are subject to interest rate risk. The table analyses these amounts according to contractual maturities.

Bank loans where there is a breach of the loan agreement are presented as being due within one year in accordance with the accounting treatment in the consolidated balance sheet, even though management believes that the project loans will be repaid over their agreed contractual maturities.

For the reporting year ending 31 December 2006

in EUR 1,000	Within 1 year	2008	2009	2010	2011	> 5 years	Total
Cash and short-term deposits	17,650	–	–	–	–	–	17,650
Available-for-sale investments	603	–	–	–	–	–	603
Bridge loans	(18,763)	–	–	–	–	–	(18,763)
Finance leases	–	–	–	–	–	(19,426)	(19,426)
Loans where there is a breach of the loan agreement	(20,496)	–	–	–	–	–	(20,496)
Overdrafts	(17,988)	–	–	–	–	–	(17,988)
	(38,995)	**–**	**–**	**–**	**–**	**(19,426)**	**(58,421)**
Hotel Diplomat (until 2017)	(1,759)	(1,852)	(1,950)	(2,053)	(2,162)	(27,829)	(37,605)
Hotel Palace (until 2017)	(1,292)	(1,322)	(1,352)	(1,372)	(1,382)	(10,771)	(17,491)
Hotel Chopin (until 2016)	(581)	(612)	(651)	(691)	(734)	(9,706)	(12,976)
Hotel Angelo Prague (until 2016)	(573)	(599)	(625)	(652)	(681)	(8,509)	(11,639)
Hotel Amber Baltic (until 2016)	(904)	(931)	(959)	(987)	(1,017)	(4,901)	(9,698)
Hotel Savoy (until 2016)	(602)	(634)	(667)	(702)	(740)	(5,155)	(8,500)
Hotel Le Palais (until 2017)	(379)	(399)	(419)	(441)	(464)	(5,589)	(7,691)
Hotel Dvořák (until 2012)	(1,063)	(1,115)	(1,167)	(1,167)	(1,167)	(1,587)	(7,265)
Hotel Sobieski (until 2021)	(263)	(263)	(263)	(263)	(263)	(5,688)	(7,000)

in EUR 1,000	Within 1 year	2008	2009	2010	2011	> 5 years	Total
Office building Pauler Utca (until 2022)	(229)	(229)	(229)	(229)	(229)	(2,569)	(3,716)
Office building Parkur Tower (until 2016)	(178)	(357)	(357)	(357)	(357)	(1,604)	(3,209)
Office building Andels (until 2016)	(193)	(201)	(210)	(219)	(228)	(1,192)	(2,244)
Office building Cetelem (until 2018)	(142)	(149)	(156)	(164)	(172)	(1,803)	(2,585)
Gas pipeline Warsaw (until 2012)	(59)	(59)	(59)	(59)	(59)	(88)	(382)
Office building Sajka Utca (until 2011)	(46)	(46)	(47)	(38)	–	–	(176)
Hotel Angelo Krakow (until 2017)	–	(250)	(250)	(300)	(300)	(676)	(1,776)
	(8,261)	**(9,016)**	**(9,360)**	**(9,693)**	**(9,954)**	**(87,667)**	**(133,950)**
	(47,255)	**(9,016)**	**(9,360)**	**(9,693)**	**(9,954)**	**(107,093)**	**(192,370)**

For the reporting year ending 31 December 2005

in EUR 1,000	Within 1 year	2008	2009	2010	2011	> 5 years	Total
Cash and short-term deposits	18,932	–	–	–	–	–	18,932
Available-for-sale investments	6,816	–	–	–	–	–	6,816
Bridge loans	(1,458)	(10,731)	–	–	–	–	(12,189)
Loans where there is a breach of the loan agreement	(17,336)	–	–	–	–	–	(17,336)
Overdrafts	(7,092)	–	–	–	–	–	(7,092)
	(137)	**(10,731)**	**–**	**–**	**–**	**–**	**(10,868)**
Hotel Diplomat (until 2017)	(1,878)	(1,954)	(2,034)	(2,116)	(2,202)	(24,055)	(34,239)
Hotel Palace (until 2017)	(1,262)	(1,292)	(1,322)	(1,352)	(1,372)	(10,473)	(17,073)
Hotel Angelo Prague (until 2016)	–	(258)	(269)	(281)	(293)	(300)	(1,402)
Hotel Amber Baltic (until 2016)	(928)	(956)	(985)	(1,014)	(1,045)	(5,979)	(10,907)
Hotel Savoy (until 2016)	(696)	(722)	(750)	(779)	(809)	(5,354)	(9,110)
Hotel Le Palais (until 2017)	(361)	(379)	(399)	(419)	(441)	(6,053)	(8,051)
Hotel Dvořák (until 2012)	(782)	(1,063)	(1,115)	(1,167)	(1,167)	(2,751)	(8,044)
Office building Cetelem (until 2018)	(167)	(171)	(177)	(184)	(191)	(1,841)	(2,731)
	(6,074)	**(6,795)**	**(7,051)**	**(7,313)**	**(7,520)**	**(56,805)**	**(91,558)**
	(6,211)	**(17,526)**	**(7,051)**	**(7,313)**	**(7,520)**	**(56,805)**	**(102,426)**

26.2. Hedging activities relating to interest-bearing loans and borrowings

As of the reporting date there are derivative financial instruments (interest rate collars) relating to the Group's financial liabilities. The main terms and parameters of these collars are as follows:

in EUR	2006	2005
Project loan Hotel Le Palais, Prague		
Underlying: 3-month EURIBOR		
Notional amount at 31 December	7,690,818	8,051,320
Fair value at 31 December	(13)	(20,000)
Project loan Hotel Chopin, Krakow		
Underlying: 3-month EURIBOR		
Notional amount at 31 December	12,975,511	–
Fair value at 31 December	70,153	–
Project loan Hotel InterContinental, Warsaw		
(at the Group's share)		
Underlying: 3-month EURIBOR		
Notional amount at 31 December	20,253,395	17,090,421
Fair value at 31 December	(129,062)	(597,274)
Project loan Hotel Sobieski, Warsaw		
(at the Group's share)		
Underlying: 3-month EURIBOR		
Notional amount at 31 December	7,000,000	–
Fair value at 31 December	26,837	–

These derivative financial instruments are designated exclusively for hedging the interest rate risk resulting from financial liabilities. Notional amounts presented relate to the volume of the underlying of the derivative financial instrument as of the reporting date. Actual cash flows from the derivative financial instruments are only a small fraction of the notional value. Fair values presented were obtained from the financing banks. The valuation of derivative financial instruments requires a certain degree of subjective judgement, as a result the figures presented in this report may deviate from the values subsequently realised in the market. The negative fair values of these instruments are presented within current liabilities under the heading "Derivative financial instruments", positive fair values are presented within current assets under the heading "Other financial assets".

26.3. Other derivative financial instruments

As of the end of the reporting period the Group is party to the following derivative financial instruments. All derivative financial instruments outstanding as of the reporting date have been concluded between Warimpex Finanz- und Beteiligungs AG and Raiffeisenlandesbank Wien-Niederösterreich. Since there are no hedges for the exposures resulting from these financial instruments, the Group is exposed to interest rate risk and foreign currency risk for the whole term of the contracts.

Knock-out cap	Maturity date	Fair value				2005
	30 June 2009	buy cap	15,000,000	3-M EURIBOR 4 %	141,311	111,363
	14 April 2008	buy cap	5,000,000	3-M EURIBOR 2 %	70,013	34,247

In 2004 the Company purchased an interest rate cap based on the 3-month EURIBOR for a notional amount of EUR 15 million. If the EURIBOR exceeds 4%, the Company receives the excess payment. The knock-out rate is 6%.

FX options	Maturity date	Fair value			2005
	10 April 2008	>= 1.45	EUR/CHF 5 million/strike 1.525	(765)	(75.878)

Subject to the condition that the CHF exchange rate falls to or below 1.45 by 14 April 2008, the Company is obliged to purchase the CHF equivalent of EUR 5 million for a fixed rate of 1.525. The option premium received by the Company for selling this option was granted in the form of an interest rate cap on the 3-month EURIBOR, the strike price of which is 2%.

Negative fair values from derivative financial instruments are presented within “Current liabilities”, positive fair values are presented within current “Other financial assets”.

27. Events after the balance sheet date

IPO in January 2007

On 26 January 2007 and 29 January 2007 the Company’s shares were admitted to trading on the official market of the Vienna Stock Exchange and the Warsaw Stock Exchange, respectively. In the course of the IPO a capital increase was made by issuing 6 million new shares at a price of EUR 11.00 per share. For further information please refer to note [9] “Share capital, earnings per share”.

Development of a budget hotel chain

On 25 March 2007 the Company concluded an agreement setting out the legal framework for a future joint venture with the French hotel operator Louvre Hotels for the purpose of developing a budget hotel chain. The first investment phase is intended to comprise approximately 30 budget hotels.

Approved sales of subsidiaries

In its meeting on 28 February 2007 the Supervisory Board approved the sale of the following subsidiaries: UBX Praha 2 s.r.o., Bocca Kft and Palminvest Kft. UBX Praha 2 s.r.o. was sold on 30 March 2006, the sale of the remaining subsidiaries is anticipated to be effected within the next twelve months.

Vienna, 10 April 2007

Franz Jurkowitsch m.p.
Christian Fojtl m.p.

Georg Folian m.p.
Alexander Jurkowitsch m.p.

Auditors’ Report

(Translation)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Warimpex Finanz- und Beteiligungs Aktiengesellschaft, Vienna, for the financial year from 1 January 2006 to 31 December 2006. These consolidated financial statements comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2006, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Consolidated Financial Statements

The Company’s management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit proce-

dures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections.

Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2006, and of its financial performance and its cash flows for the financial year from 1 January 2006 to 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

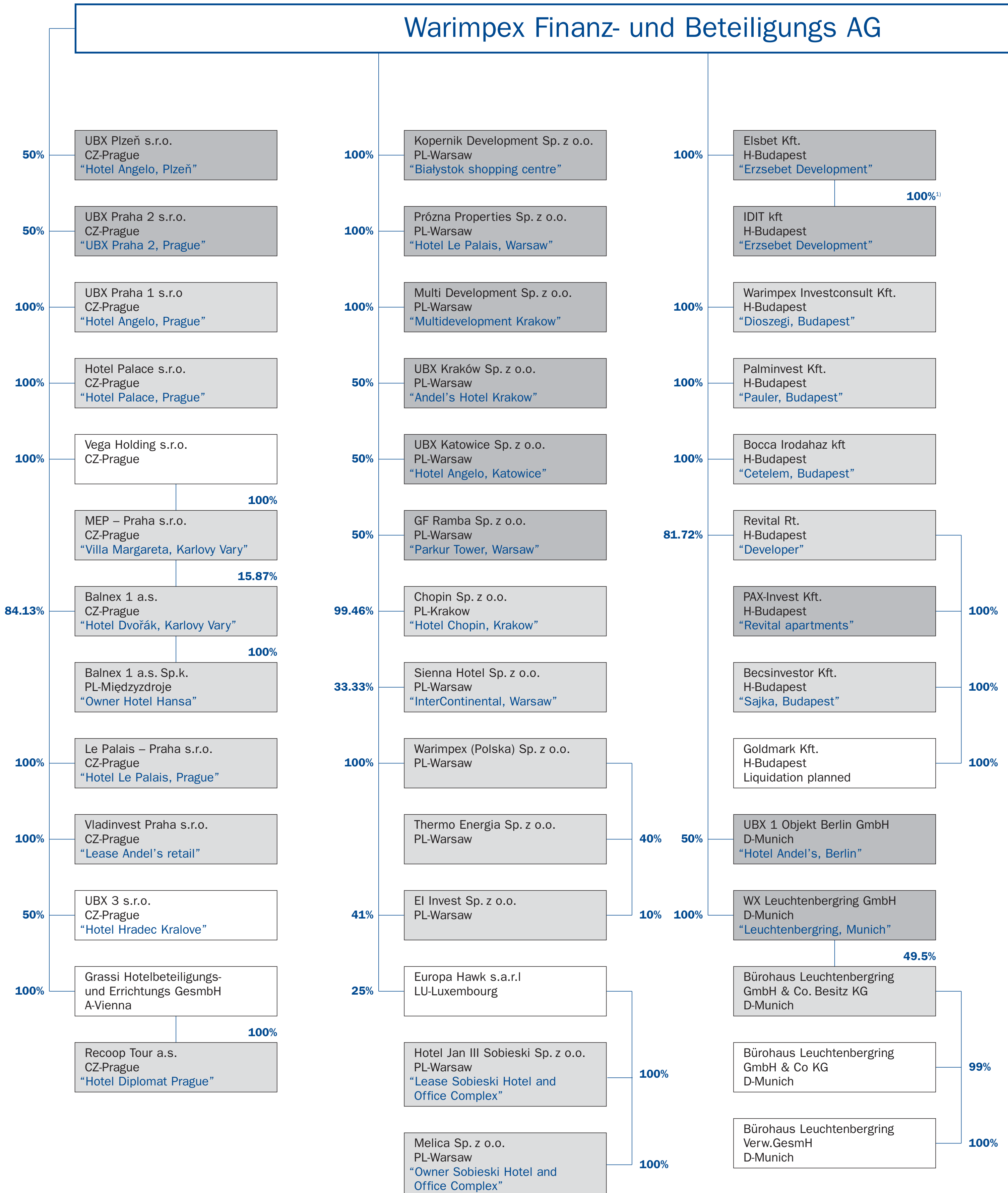
Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group.

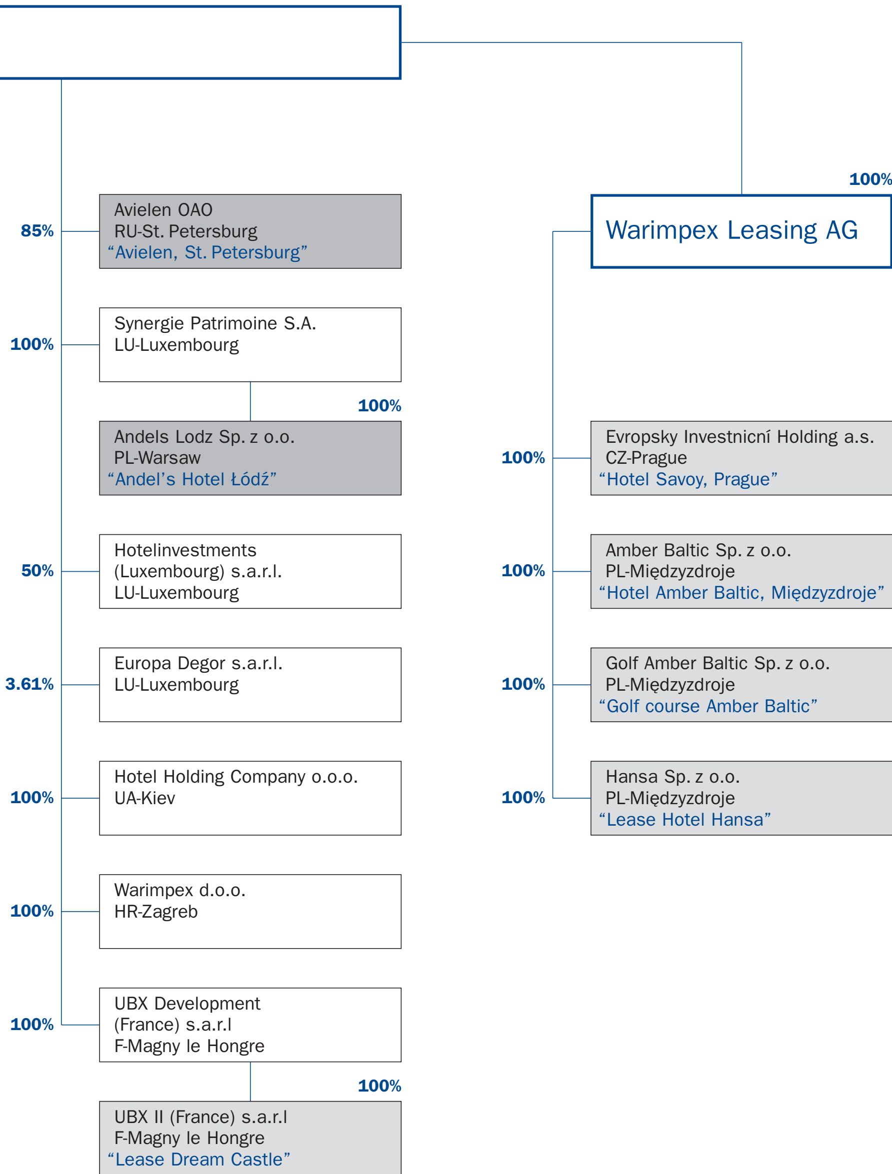
In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements.

Vienna, 10 April 2007

Wirtschaftsprüfungsgesellschaft mbH

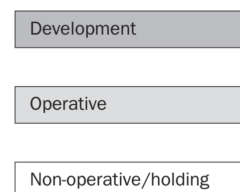
Mag. Helmut Maukner	Mag. Alexander Wlasto
Wirtschaftsprüfer	Wirtschaftsprüfer


Warimpex Finanz- und Beteiligungs AG
50%
UBX Plzeň s.r.o.
CZ-Prague
"Hotel Angelo, Plzeň"
50%
UBX Praha 2 s.r.o.
CZ-Prague
"UBX Praha 2, Prague"
100%
UBX Praha 1 s.r.o
CZ-Prague
"Hotel Angelo, Prague"
100%
Hotel Palace s.r.o.
CZ-Prague
"Hotel Palace, Prague"
100%
Vega Holding s.r.o.
CZ-Prague
100%
MEP – Praha s.r.o.
CZ-Prague
"Villa Margareta, Karlovy Vary"
15.87%
84.13%
Balnex 1 a.s.
CZ-Prague
"Hotel Dvořák, Karlovy Vary"
100%
Balnex 1 a.s. Sp.k.
PL-Międzyzdroje
"Owner Hotel Hansa"
100%
Le Palais – Praha s.r.o.
CZ-Prague
"Hotel Le Palais, Prague"
100%
Vladinvest Praha s.r.o.
CZ-Prague
"Lease Andel's retail"
50%
UBX 3 s.r.o.
CZ-Prague
"Hotel Hradec Kralove"
100%
Grassi Hotelbeteiligungs- und Errichtungs GesmbH
A-Vienna
100%
Recoop Tour a.s.
CZ-Prague
"Hotel Diplomat Prague"
100%
Kopernik Development Sp. z o.o.
PL-Warsaw
"Białystok shopping centre"
100%
Prózna Properties Sp. z o.o.
PL-Warsaw
"Hotel Le Palais, Warsaw"
100%
Multi Development Sp. z o.o.
PL-Warsaw
"Multidevelopment Krakow"
50%
UBX Kraków Sp. z o.o.
PL-Warsaw
"Andel's Hotel Krakow"
50%
UBX Katowice Sp. z o.o.
PL-Warsaw
"Hotel Angelo, Katowice"
50%
GF Ramba Sp. z o.o.
PL-Warsaw
"Parkur Tower, Warsaw"
99.46%
Chopin Sp. z o.o.
PL-Krakow
"Hotel Chopin, Krakow"
33.33%
Sienna Hotel Sp. z o.o.
PL-Warsaw
"InterContinental, Warsaw"
100%
Warimpex (Polska) Sp. z o.o.
PL-Warsaw
Thermo Energia Sp. z o.o.
PL-Warsaw
40%
41%
El Invest Sp. z o.o.
PL-Warsaw
10%
25%
Europa Hawk s.a.r.l
LU-Luxembourg
Hotel Jan III Sobieski Sp. z o.o.
PL-Warsaw
"Lease Sobieski Hotel and Office Complex"
100%
Melica Sp. z o.o.
PL-Warsaw
"Owner Sobieski Hotel and Office Complex"
100%
100%
Elsbet Kft.
H-Budapest
"Erzsebet Development"
100%1)
IDIT kft
H-Budapest
"Erzsebet Development"
100%
Warimpex Investconsult Kft.
H-Budapest
"Dioszegi, Budapest"
100%
Palminvest Kft.
H-Budapest
"Pauler, Budapest"
100%
Bocca Irodahaz kft
H-Budapest
"Cetelem, Budapest"
81.72%
Revital Rt.
H-Budapest
"Developer"
PAX-Invest Kft.
H-Budapest
"Revital apartments"
100%
Becsinvestor Kft.
H-Budapest
"Sajka, Budapest"
100%
Goldmark Kft.
H-Budapest
Liquidation planned
100%
50%
UBX 1 Objekt Berlin GmbH
D-Munich
"Hotel Andel's, Berlin"
100%
WX Leuchtenbergring GmbH
D-Munich
"Leuchtenbergring, Munich"
49.5%
Bürohaus Leuchtenbergring GmbH & Co. Besitz KG
D-Munich
Bürohaus Leuchtenbergring GmbH & Co KG
D-Munich
99%
Bürohaus Leuchtenbergring Verw.GesmH
D-Munich
100%



As of 31 December 2006

[1] Merger planned



Selected Warimpex Group properties

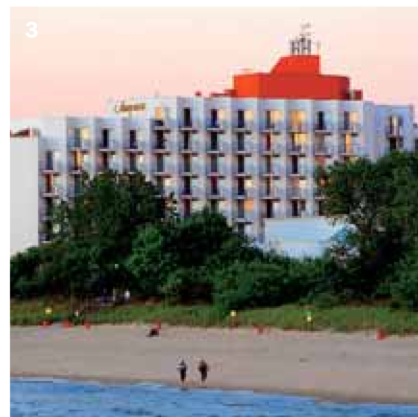
1) Hotel Palace*****
CZ-111 21 Prague 1, Panska 12
124 rooms (opened in 1989)

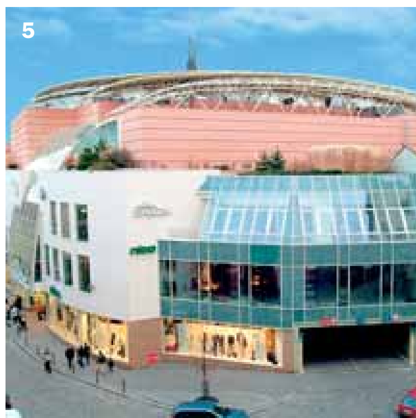
2) Hotel Dvořák****
CZ-360 21 Karlovy Vary, Nová Louka 11
126 rooms (opened in 1990)

3) Hotel Amber Baltic****
PL-72 500 Międzyzdroje,
Promenada Gwiazd 1
191 rooms (opened in 1991)

4) Hotel Savoy*****
CZ-118 00 Prague 1, Keplerova 6
61 rooms (opened in 1994)

**5) Velký Špalíček –
Shopping and Multiplexcenter**
CZ-602 00 Brno, Dominikanska 1–7
13,016 sqm (opened in 2001,
sold in second quarter of 2006)





6) Hotel Le Palais***, Prague**
CZ-120 00 Prague 2, U Zvonařky 1
72 rooms (opened in 2002)

7) Hotel Dream Castle**, Paris**
F-77703 Magny le Hongre,
Marne la Vallée,
40 Avenue de la Fosse des Pressoirs
400 rooms (opened in 2004)

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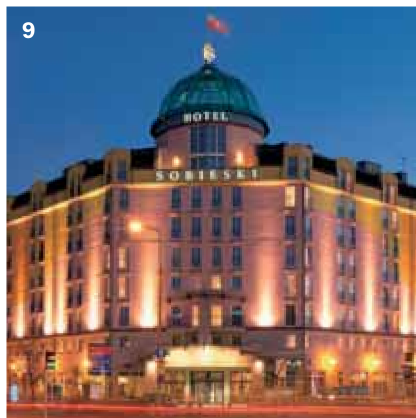
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8) Hotel Angelo****
CZ-150 00 Prague 5, Radlicka 1g
168 rooms (opened in 2006)

9) Hotel Sobieski****
PL-02 025 Warsaw,
Plac Artura Zawiszy 1
427 rooms (opened in 1992,
purchased in 2006)

10) Andel's City – office building
CZ-150 00 Prague 5, Karla Englise 1
4,000 sqm (opened in first quarter
of 2007, sold in first quarter of 2007)

11) Hotel Le Palais*****,**
Warsaw
PL-00 950 Warsaw, ul. Prozna 7–9
79 rooms/suites
(anticipated opening in 2008)

12) Hotel Angelo**, Plzeň**
CZ-301 00 Plzeň, Klicperova
144 rooms
(anticipated opening in 2008)

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Financial calendar

30 May 2007	Publication of the results for the 1st quarter of 2007
31 May 2007	Annual General Meeting
5 June 2007	Ex-dividend date
8 June 2007	Dividend payment date
30 August 2007	Publication of the results for the 1st half of 2007
29 November 2007	Publication of the results for the 3rd quarter of 2007

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Our annual consolidated financial statements for the fiscal year from 1 January 2006 to 31 December 2006, the management report and the audit opinion thereon have been issued in German language in accordance with section 245a and 193 of the Austrian Commercial Code and the audit opinion set forth below relates to such financial statements and management report.

Printing and other errors excepted.