

warimpex

Landel's HOTEL

WARIMPEX

*Annual Report*  
*2015*

## WARIMPEX GROUP

## Key figures

in EUR '000	2015	Change	2014
Hotels revenues	54,462	-12%	61,559
Investment Properties revenues	4,384	-55%	9,813
Development and Services revenues	3,053	23%	2,476
<i>Total revenues</i>	<i>61,898</i>	<i>-16%</i>	<i>73,848</i>
Expenses directly attributable to revenues	-38,539	-15%	-45,559
<i>Gross income from revenues</i>	<i>23,359</i>	<i>-17%</i>	<i>28,289</i>
Gains or losses from the disposal of properties	14,220	–	-30
EBITDA	29,280	71%	17,114
Depreciation, amortisation, and remeasurement	-39,185	76%	-22,274
EBIT	-9,905	92%	-5,160
Earnings from joint ventures	9,647	530%	1,531
Profit for the period (annual result)	-42,330	20%	-35,306
Profit or loss for the period (shareholders of the parent)	-17,838	-14%	-20,654
Net cash flow from operating activities	12,853	-37%	20,542
Equity and liabilities	350,235	-29%	493,404
Equity	21,728	-62%	57,676
Share capital	54,000	–	54,000
Equity ratio	6%	-6 pp	12%
Adjusted equity ratio <sup>1</sup>	15%	-9 pp	24%
Average number of shares in the financial year	54,000,000	–	54,000,000
Earnings per share in EUR	-0,33	-13%	-0,38
Number of shares on 31 December	54,000,000	–	54,000,000
Number of hotels	15	-3	18
Number of rooms (adjusted for proportionate share of ownership)	2,672	-497	3,169
Number of office and commercial properties	5	–	5
<b>Segment information (including joint ventures on a proportionate basis):</b>			
Hotels revenues	96,573	-9%	106,316
Net operating profit (NOP)	28,124	-9%	30,992
NOP per available room	8,752	-2%	8,954
Investment Properties revenues	5,121	-52%	10,560
Investment Properties EBITDA	3,170	-47%	5,994
Development and Services revenues	3,514	23%	2,866
Gains or losses from the disposal of properties	24,270	–	367
Development and Services EBITDA	23,375	–	-3,022
Average number of employees in the Group	1,418	-7%	1,532
	<b>31/12/2015</b>	<b>Change</b>	<b>31/12/2014</b>
Gross asset value (GAV) in EUR millions	340.8	-31%	498.0
Triple net asset value (NNNAV) in EUR millions	98.4	-39%	160.5
NNNAV per share in EUR	1.8	-40%	3.0
End-of-period share price in EUR	0.665	-6%	0.705

<sup>1</sup> Assuming that the property assets are recognised at their fair values

WARIMPEX ANNUAL REPORT 2014

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# Warimpex

Warimpex is a “hybrid” real estate company, which carries out projects itself as asset manager and property owner until the greatest added value can be generated through sale, and which develops projects with a focus on Central and Eastern Europe.

In this way, the Warimpex Group generates stable cash flows by operating hotels and leasing office space while also realising proceeds from the sale of properties.

Through property management and real estate development, Warimpex has a social, ecological, and economic impact on its environment. Exercising this influence is a great responsibility, which we accept and understand as an integral part of our corporate culture, but also as the cornerstone of our success.



andel's hotel\*\*\*\*  
Łódź, PL

WARIMPEX

## *An Overview*

### **Evolution of the Warimpex Group**

Warimpex was founded in 1959 by Stefan Folian as an import/export and transit 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 time, the Warimpex Group has developed real estate with investments amounting to more than one billion euros, including hotels in the five-, four-, and three-star categories. In addition, Warimpex also develops office buildings and other real estate.

### **Development and asset management**

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

As at the end of 2015, Warimpex was the owner, co-owner, or leaseholder of 15 hotels with a total of 3,700 rooms (roughly 2,700 rooms when adjusted for the proportionate share of ownership), plus five commercial and office buildings with a total floor area of some 42,000 square metres (roughly 30,000 square metres when adjusted for the proportionate share of ownership) in Poland, the Czech Republic, Russia, Hungary, Romania, France, and Austria.

# Highlights

2015

## Operational highlights

### 3/2015

AIRPORTCITY St. Petersburg:  
Successful closing of the sale of two office towers

### 6/2015

Sale and lease-back agreement  
with mLeasing for andel's Łódź

### 6/2015

Transfer of the Zeppelin office tower  
at AIRPORTCITY St. Petersburg to the tenant

### 7/2015

Union Investment secures andel's Berlin congress hotel  
from UBM and Warimpex

### 9/2015

Sale of andel's Berlin concluded successfully

### 9/2015

Warimpex sells hotels in Ekaterinburg

### 9/2015

Transfer of Tower A of Erzsébet Office,  
Budapest, to the tenant

### 11/2015

Warimpex redeems and extends convertible bonds

### 12/2015

Bonds with a volume of over EUR 25.9 million placed

## Financial highlights

- Revenues decreased by 16 per cent
- Gross income from revenues down by 17 per cent
- EBITDA boosted from EUR 17.1 million to EUR 29.3 million
- Write-downs and remeasurements increase from EUR 22.3 million to EUR 39.2 million due to the rouble crisis.
- EBIT of EUR -9.9 million
- Loss for the year of EUR 42.3 million. The loss for the shareholders of the parent company improved in annual comparison, however, from EUR -20.7 million to EUR -17.8 million.
- Operating performance of the hotels not impacted by the rouble crisis positive, NOP per room up by 10 per cent
- Appraisals put real estate assets at EUR 341 million
- Triple net asset value (NNNAV) per share of EUR 1.8

WARIMPEX

# Corporate Governance Report

## Commitment to the Code of Corporate Governance

Warimpex is committed to compliance with the Austrian Code of Corporate Governance as well as the Polish Best Practice for GPW Listed Companies 2016. The Management Board declares that it complies with both sets of guidelines to the best of its ability and published its corporate governance report at [www.warimpex.com](http://www.warimpex.com) (About us/Corporate Governance). 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.

## Austrian Code of Corporate Governance, as amended in January 2015

The Austrian Code of Corporate Governance (as amended in January 2015 and which was applied for financial year 2015, [www.corporate-governance.at](http://www.corporate-governance.at)) contains rules that must be followed (L-Rules), rules that are not mandatory for the Company but for which justification must be provided in the event of non-compliance (C-Rules), and rules that are entirely optional for the Company and for which no justification must be provided in cases of non-compliance (R-Rules). Overall, the Company's statutes and the internal terms of reference for the Management Board and the Supervisory Board comply with the L-Rules in full, and with all of the C-Rules except as explained below:

- The Company has neither outsourced its internal auditing functions nor set up a separate staff unit for internal auditing purposes, which would be required by Rule 18. The Company has no intention to make such changes at this time. The Management Board has judged that such measures would be disproportionately cost intensive, and the implementation of Rule 18 is not planned for the foreseeable future for cost reasons.
- According to Rule 62, an external evaluation of compliance with the C-Rules must take place regularly, in any case at least every three years. The results of this evaluation must be presented in the corporate governance report. An internal evaluation is completed on the basis of the External Evaluation of Compliance with the Austrian Code of Corporate Governance questionnaire, which is also used for external evaluations. No external evaluation is conducted for cost reasons.
- An assessment by the financial auditor of the effectiveness of the Company's risk management system in accordance with Rule 83 did not take place because the operational risk management system is installed at the level of the Group's subsidiaries, and because equity-investment-specific risk management is an integral part of equity investment management in the Company's function as a holding company.



## Poland – Best Practice for GPW Listed Companies 2016

The Company has decided to comply with these Polish rules, with the following exceptions. The majority of the exceptions relate to Austrian law, to which the Company is subject.

### Rule I.Z.1

A company should operate a corporate web site and publish documentation required under Polish law in a separate section of this web site. Warimpex is a company that is subject to Austrian law. Austrian law calls for a corporate governance report that contains a great deal of this information, but not all of it. Additional documents can also be accessed in other parts of the web site. The following items are not required by Austrian law, and are therefore not fulfilled:

- 1.2.: Curricula vitae are only published on the web site for candidates for the Supervisory Board.
- 1.8.: Selected financial indicators for the last five years are not available in a document enabling the recipient to process such data.
- 1.9.: Information about the planned dividend and the dividend paid out by the company in the last 5 financial years, including the dividend record date and the dividend payment date, cannot be downloaded.
- 1.11.: There is no internal guideline on changing the financial auditor.
- 1.15.: There is no formulated diversity policy.
- 1.19.: In accordance with Austrian law, questions from shareholders about agenda items are documented in the minutes of the annual general meetings, but not published by the Company on its own web site.
- 1.20.: Audio and video recordings of the annual general meetings are not made by the Company, and are therefore not published on the Company's web site.

### Rule II.Z.10.:

Austrian law does not require an assessment by the Supervisory Board of the internal control, risk management, and compliance systems and other such systems. Austrian law requires that a Supervisory Board report be submitted to the annual general meeting; the contents of this report do not fully satisfy the Polish regulations.

### Rule III.Z.3ff.:

The Company has neither outsourced its internal auditing functions nor set up a separate staff unit for internal auditing purposes. The Company has no intention to make such changes at this time. The Management Board has judged that such measures would be disproportionately cost intensive, and the implementation of this is not planned for the foreseeable future for cost reasons.

### Rule IV.R.2. and IV.Z.2.:

Webcasts of the Company's annual general meeting are currently not offered, but will be offered in future when required by law. The Company allows votes to be cast by authorised proxy, and this option is exercised by numerous Polish institutional investors.

### Rule IV.R.3.:

Company capital measures that entail the acquisition of shareholders' rights are executed at the same time or during the same periods in Austria and Poland; excepted from this are annual general meetings, which are always held at a venue in Austria.

## SUMMARY OF THE BOARDS AND THEIR REMUNERATION

*Management Board*

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**Franz Jurkowitsch**

Chairman of the Management Board

Year of birth: 1948

First appointed: 2 September 1986

Appointed until 30 September 2019

Responsibilities:

Strategy, investor relations  
and corporate communications

Chairman of the Supervisory Board of Vienna  
International Hotelmanagement AG, Vienna

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**Georg Folian**

Deputy Chairman of the Management Board

Year of birth: 1948

First appointed: 2 September 1986

Appointed until 30 September 2019

Responsibilities:

Finance and accounting, financial management,  
and human resources

Deputy Chairman of the Supervisory Board of Vienna  
International Hotelmanagement AG, Vienna

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**Florian Petrowsky**

Member of the Management Board

Year of birth: 1967

First appointed: 1 May 2014

Appointed until 1 May 2017

Responsibilities:

Transaction management,  
organisation and legal issues

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**Alexander Jurkowitsch**

Member of the Management Board

Year of birth: 1973

First appointed: 31 July 2006

Appointed until 30 September 2019

Responsibilities:

Planning, construction,  
IT, and information management

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## SUMMARY OF THE BOARDS AND THEIR REMUNERATION

*Supervisory Board***Günter Korp**

Chairman of the Supervisory Board  
Chairman of the Audit Committee/finance expert  
Chairman of the Personnel Committee  
Deputy Chairman of the Project Committee

Year of birth: 1945  
First appointed: 16 October 2009  
Current period of office ends in 2016

**Thomas Aistleitner**

Deputy Chairman of the Supervisory Board  
Deputy Chairman of the Audit Committee  
Member of the Personnel Committee

Year of birth: 1953  
First appointed: 11 June 2012  
Current period of office ends in 2016

**Hannes Palfinger**

Member of the Supervisory Board  
Member of the Project Committee  
Member of the Audit Committee

Year of birth: 1973  
First appointed: 3 May 2011  
Current period of office ends in 2017  
Deputy Chairman of the Supervisory Board of Palfinger AG

All members of the Supervisory Board are independent as defined by C-Rule 53 of the Austrian Code of Corporate Governance. The guidelines for independence are the same guidelines as published in Annex 1 to the Code. A directors and officers liability insurance policy has been taken out.

For information regarding the remuneration paid to the Supervisory Board and the individual members of the Management Board and the principles of the Company's remuneration policy, please consult sections 9.3.2.2. and 9.3.2.3. in the notes to the consolidated financial statements.

**Information about the procedures of the Management Board and Supervisory Board****The Management Board**

The terms of reference for the Management Board govern the composition and procedures of the Board, collaboration between the Management Board and Supervisory Board, how conflicts of interest are to be handled, the reporting and disclosure obligations of the Board, and what decisions require the approval of the Supervisory Board (including the most important business transactions of the Company's material subsidiaries). The Management Board generally meets at least every two weeks to exchange information and decide on motions.

**Working principles of the Supervisory Board**

The Supervisory Board discusses the position and objectives of the Company and adopts motions to fulfil its duties, in particular the supervision and strategic assistance of the Management Board. In addition to the composition, procedures,



### **William Henry Marie de Gelsey**

Member of the Supervisory Board

Year of birth: 1921  
 First appointed: 31 May 2007  
 Current period of office ends in 2016  
 Member of the Board of Directors of Gedeon Richter Ltd, Budapest



### **Harald Wengust**

Member of the Supervisory Board  
 Chairman of the Project Committee  
 Deputy Chairman of the Personnel Committee

Year of birth: 1969  
 First appointed: 16 October 2009  
 Current period of office ends in 2016  
 Chairman of the Supervisory Board of Informica Real Estate AG



### **Tomasz Mazurczak**

(until August 2015)  
 Member of the Supervisory Board

Year of birth: 1968  
 First appointed: 19 June 2013  
 Current period of office ends in 2017  
 Member of the Supervisory Board of Kredyt Inkaso S.A.  
 Member of the Supervisory Board of Globe Trade Centre S.A.  
 Member of the Supervisory Board of Tell S.A.

working principles, and responsibilities of the Supervisory Board, the terms of reference for this Board also govern how conflicts of interest are to be handled and specify the Supervisory Board committees (Audit Committee, Personnel Committee, and the Project Committee) and their responsibilities and powers. The Supervisory Board held five meetings during the reporting period. Please refer to the Supervisory Board report for information about the focuses of the activities of and the number of meetings of the individual committees during the financial year.

Meetings were also held between the Supervisory Board and Management Board to discuss issues of Company management. All members of the Supervisory Board were physically present at more than half of the meetings of this Board during the reporting period.

#### **Committees**

The Supervisory Board appoints an Audit Committee, a Project Committee, and a Personnel Committee from among its members. A separate strategy committee has not been formed because all such issues are handled by the Supervisory Board as a whole. The members of the committees are appointed for the duration of their tenure on the Supervisory Board. Each committee elects a chairman and a deputy chairman from among its members. Please refer to "Board and officers of the Company" for more information.

#### **Measures for promoting women**

Men and women completing the same tasks and having the same education receive equal salaries at Warimpex, and the ratio of women to men at the Warimpex head office is 1:1. One woman has been appointed proxy. There are no concrete measures for the promotion of women in managerial positions at this time.

## Sustainability

The Warimpex Group's real estate development projects and the operation of its properties have an impact on the social, ecological, and economic environments in which it does business. Because of this, the Company bears great responsibility. It has firmly anchored the fulfilment of this responsibility into its corporate culture, and sees living up to this responsibility as a central element in its success. This applies to new and existing buildings. In the further development of existing hotel and office buildings, we attach considerable importance to compliance with the requirements for the preservation of the historic features of the properties. Building energy-efficient buildings is a matter of course for us because the operating costs of these buildings are lower, and this enables higher rents to be negotiated.

At the beginning of 2013, Warimpex completed the BREEAM – Good-certified Le Palais Office building in Warsaw.

### Initiatives for boosting energy efficiency in the Hotels segment

In 2014, a technical pilot project was launched to identify energy savings potential in hotels. The project covered the areas of electricity; heating, ventilation, and climate control; water consumption; and waste separation.

## andelsart

Andelsart.com was established at the andel's in Łódź.

The andel's in Łódź is a unique place where contemporary Polish art meets extraordinary design: a monument of European industrial architecture, a textile mill from the 19th century that was converted into a one-of-a-kind hotel. All of the historically important features were preserved during the refurbishment so that the old building defines how it is used without negatively impacting its utility. The andel's Łódź is not only a hotel, but also a place where contemporary art projects are regularly displayed. After the success of andelsart in Łódź, the project has been expanded to other andel's hotels.

The andel's Berlin is a 580-room hotel in the Prenzlauer Berg district. The giant building, originally designed as a commercial and office centre by Studio Aldo Rossi, stood uncompleted and empty on the Berlin skyline for many years. The British designer duo of Jestico + Whiles was responsible for the successful conversion of the property into a boutique hotel. The hotel contains works by Rivka Rinn, an artist who takes photographs from speeding aircraft and trains, and a video installation by Dominik Lejman, who combines painting with modern recording and picture projection methods.

The andel's Krakow is distinguished by its modern architecture, clear lines, and unique interior by the British designers Jestico + Whiles. The hotel contains a permanent collection of pieces by renowned Polish artists including Iwona Siwek-Front, Leszek Misiak, Teresa Tula-Pająk, Jacek Sroka, Małgorzata Borek, Leszek Bartkiewicz, and Sabina Woźnica.



andel's hotel\*\*\*\*  
Łódź, PL

A portrait of Franz Furkowitz, an older man with grey hair, wearing round glasses, a white shirt, a striped tie, and a light-colored suit jacket. He is smiling slightly and looking towards the camera. The background is a plain, light color.

*Franz  
Furkowitz*

CHAIRMAN OF THE MANAGEMENT BOARD



FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

*Dear Shareholders,*

The development of the different markets diverged widely again in 2015. While Poland and the Czech Republic are doing well, for example, the Russian economy remains under substantial pressure due to a combination of a falling oil price and rouble, international sanctions, and structural deficiencies. The projections are being revised constantly, and the European Commission now does not expect stabilisation until 2017.

**Operational performance**

In line with these conditions, the performance of our hotels not catering primarily to Russian clientèle improved in all markets in 2015, with occupancy and room rates rising at nearly all establishments. The NOP per available room improved by 10 per cent. Things are different at the hotels that are directly impacted by the rouble crisis. Our establishments in St. Petersburg and Ekaterinburg suffered revenue contractions, and hotel revenues were around 32 per cent lower than in the previous year. The Dvorak spa hotel in Karlovy Vary, Czech Republic, suffered a revenue slide of 35 per cent due to a lack of bookings, especially by Russian guests. As a result of this, we will expand our focus to include other target groups here in future.

It goes without saying that these developments also had a major effect on our profit for the year. The reduction of the number of rooms through hotel sales and revenue contractions at the hotels catering largely to Russian guests caused total hotel revenues to decline by 12 per cent to EUR 54.5 million. Consolidated revenues fell by 16 per cent to EUR 61.9 million.

EBITDA, one of the most important performance indicators for real estate companies because it is not distorted by industry-specific valuation methods, improved by 71 per cent from EUR 17.1 million in 2015 to EUR 29.3 million due to profits from the sale and deconsolidation of properties.

Write-downs and losses from remeasurement in the amount of EUR 39.2 million, primarily on Russian properties, caused EBIT to decrease by EUR 5.2 million to EUR -9.9 million. The financial result including earnings from joint ventures fell from EUR -31.6 million to EUR -31.9 million due to non-cash foreign currency losses relating to changes in foreign exchange rates. This includes the earnings from joint ventures, which

improved from EUR 1.6 million to EUR 9.6 million thanks to the profit on the sale of the andel's hotel Berlin.

Overall, this resulted in a loss for the year of EUR 42.3 million. The parent company's result for the period improved from EUR -20.7 million in 2014 to EUR -17.8 million.

The negative result is primarily due to non-cash value decreases on properties and the non-cash foreign currency losses.

**Transactions, completions, and development activities**

Despite the headwinds from Russia, we completed development projects and successfully closed transactions in 2015. Despite the difficult market environment in Russia, we sold the two Jupiter office towers at AIRPORTCITY St. Petersburg and also disposed of the two hotels at Koltsovo international airport in Ekaterinburg, the angelo and the Liner. In this context, I feel it is important to stress that Russia will remain one of our most important markets and that we are making good progress in the development of AIRPORTCITY St. Petersburg. The already fully let out Zeppelin office tower was completed in June as part of the second construction phase. We also brought a project in Budapest to a successful conclusion: The renovation of building A at Erzsébet Office has now been completed and the office spaces handed over to the tenant.

The four-star conference hotel andel's Berlin was also sold to Union Investment Real Estate GmbH, one of the leading real estate investment managers in Europe, in September. The profit from this transaction was roughly EUR 10 million.

In terms of development activities, we are currently focused strongly on Poland. Two office projects are now in planning in Krakow. The first is the construction of an office building with around 26,000 square metres of space on a plot next to the Chopin Hotel, and the second is an office building owned by Warimpex that is to be demolished and replaced by a new office building with approximately 20,000 square metres of space. In Łódź, we acquired a property near the andel's hotel and are also planning an office building here with about 26,000 square metres of space. At AIRPORTCITY St. Petersburg, construction is under way on a parking garage with roughly 20,000 square metres of space, all of which is let out.

**Outlook**

To sum up, I would like to note that the predominant reason for the weakness of the Russian currency is certainly the low oil price. Once the oil price begins climbing again, this will bring growth in other areas of the economy after a delay of no more than one year. The resulting strengthening of the currency will not only boost the Russian economy, but also our profits.

The declared goal for 2016 is to move forward with the current development projects in Poland and Russia. We are also considering a number of further transactions. At the same time, we are constantly working to improve our financing terms and to repay or refinance expensive lines of credit, and will continue to advance the diversification of our portfolio.

Last but not least, I would like to sincerely thank everyone who supported and assisted us in 2015, above all our investors and employees. I look forward to continuing on our path together in 2016.



**Franz Jurkowitsch**



andel's hotel\*\*\*\*  
Krakau, PL

# Investor Relations

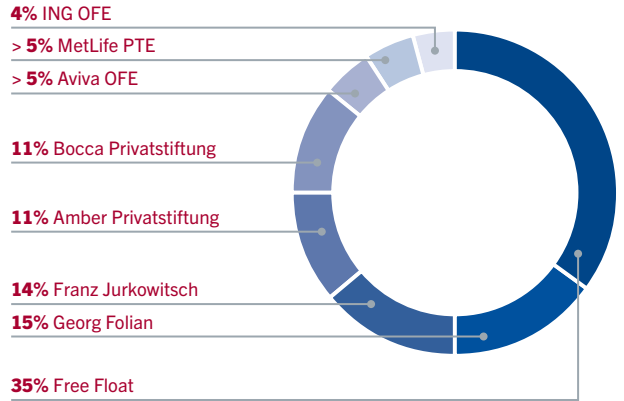
The falling oil price and weakening rouble combined with the slow pace of economic growth in Europe had a noticeable impact on the share price. After closing 2014 at EUR 0.705 and PLN 3.13, the share price rose until around the middle of 2015 but started to fall in mid-May. The closing price on 30 December 2015 was EUR 0.665 and PLN 2.66.

Since our IPO, we have maintained an open and proactive communication policy with our investors. Warimpex participated in investor conferences in Zürs, Warsaw, Frankfurt, London, and Vienna in 2015.

The following analysts are covering the Warimpex share: Raiffeisen Centro Bank, Wood & Company, SRC Research, ODDO Seydler, and Vestor.

## SHAREHOLDER STRUCTURE

AS AT 10 APRIL 2016



## SHARE PRICE PERFORMANCE



## KEY SHARE DATA

<b>ISIN</b>	AT0000827209
<b>Number of shares on 31 December 2015</b>	54,000,000
<b>Ticker symbols</b>	Stock Exchanges WXF Reuters WXF.B.VI
<b>High*</b>	EUR 0.98   PLN 4.00
<b>Low*</b>	EUR 0.634   PLN 2.58
<b>Price on 31 December 2015</b>	EUR 0.665   PLN 2.66
* Last 52 weeks	

### Warimpex is included in the following indices:

<b>Vienna</b>	ATX Prime, Immobilien-ATX
<b>Warsaw</b>	Main 50 Plus, WIG, Real Estate Developers
<b>100-day trading average</b>	in Vienna roughly 31,000 shares in Warsaw around 1,500 shares

## OTHER SECURITIES OF WARIMPEX FINANZ- UND BETEILIGUNGS AG AS AT 31 DECEMBER 2015

	ISIN	Conversion price	Outstanding amount
Bond 03/16	PLWRMFB00016	-	PLN 39,907,000
Convertible bond 06/17	AT0000A18Q78	EUR 1.80	EUR 4,500,000
Bond 10/17	AT0000A139F7	-	PLN 1,500,000
Bond 02/18	PLWRMFB00024	-	PLN 3,000,000
Convertible bond 11/18	AT0000A100Y0	PLN 5.94	PLN 19,500,000
Bond 12/18	PLWRMFB00032	-	EUR 25,885,000

In November 2015, convertible bonds that would have matured in March 2016 and October 2016 were redeemed early in a total amount of PLN 23.5 million (roughly EUR 5.5 million) and outstanding convertible bonds with a volume of PLN 19.5 million (around EUR 4.6 million) extended by three years under new terms.

The convertible bonds that were issued on 28 March 2013 and would have matured on 31 March 2016 now have the following characteristics:

Nominal value: PLN 19.5 million  
(around EUR 4.6 million)  
Interest rate: 2.5% p.a., payable semi-annually  
Maturity: 3 November 2018  
Conversion price: PLN 5.94 (around EUR 1.40)

In December 2015, bonds with the following characteristics were privately placed:

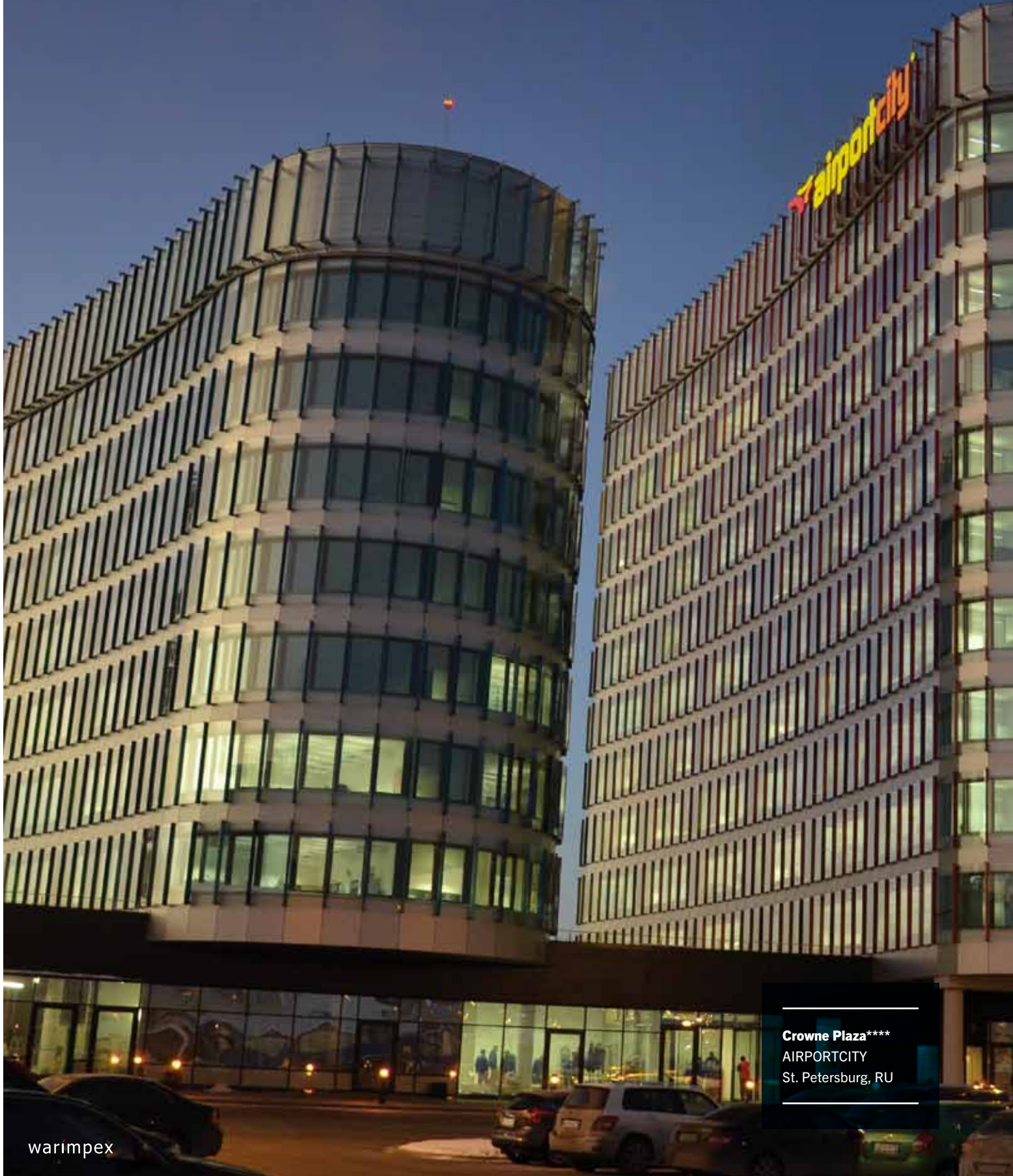
Nominal value: EUR 25.9 million  
Interest rate: 3.75% p.a., payable semi-annually  
Maturity: 10 December 2018

After the reporting date, in January 2016, bonds with the following characteristics were privately placed:

Nominal value: PLN 9.7 million  
Interest rate: 6M WIBOR + 5.00% p.a., payable semi-annually  
Maturity: 25 January 2019

After the reporting date, in March 2016, bonds with the following characteristics were privately placed:

Nominal value: PLN 15 million  
Interest rate: 6M WIBOR + 7.00% p.a., payable semi-annually  
Maturity: 14 March 2017



**Crowne Plaza\*\*\*\***  
AIRPORTCITY  
St. Petersburg, RU

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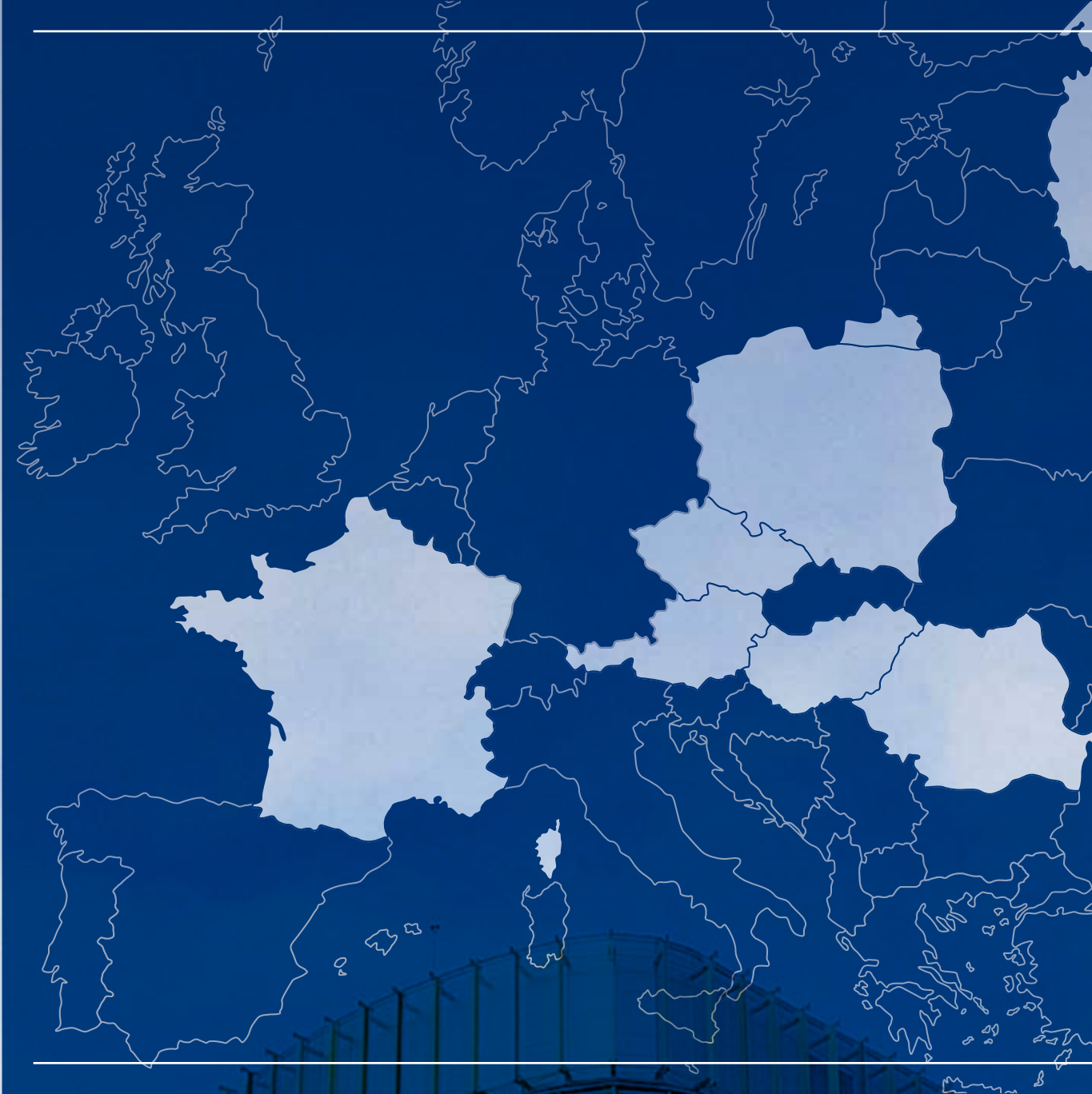
# *Group Management Report*

FOR THE FINANCIAL YEAR  
FROM 1 JANUARY TO 31 DECEMBER 2015

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GROUP MANAGEMENT REPORT

# Markets







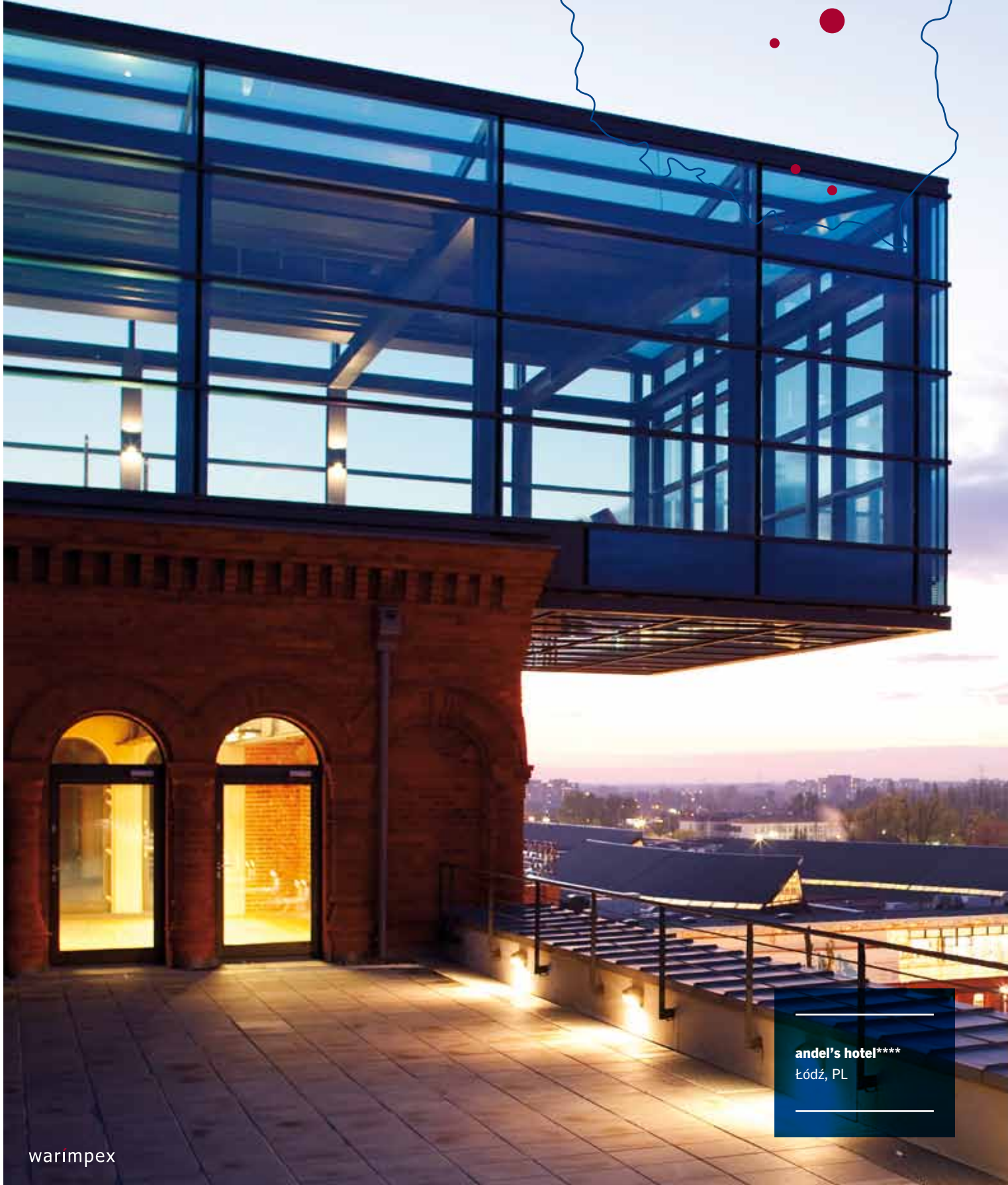
7  
COUNTRIES

15  
HOTELS

5  
OFFICE BUILDINGS

7  
PROJECTS  
IN DEVELOPMENT





andel's hotel\*\*\*\*  
Łódź, PL

## MARKETS

*Poland***Economic environment**

Despite external headwinds, real GDP growth was strong in Poland in 2015. The economy is projected to have grown by 3.5 per cent for 2015 as a whole, surpassing the previous year's rate of 3.3 per cent. Growth is expected to remain robust, driven by solid private consumption thanks to improvements on the labour market and tax incentives, as well as higher transfer payments. Growth is expected to remain strong in 2016 and 2017 at 3.5 per cent in each year.<sup>1</sup>

The volume of real estate transactions increased by 31 per cent to around EUR 4 billion in 2015.<sup>2</sup> Prime yields for office properties in Warsaw were 5.75 per cent (2014: 6.0 per cent), the highest level in CEE aside from Prague as at the end of 2015<sup>3</sup>. In the hotel industry, average occupancy in Warsaw rose by 2 percentage points to 80 per cent while the average room rate in euros increased by 6 per cent to EUR 91.<sup>4</sup>

**Existing portfolio: 6 hotels, 1 office property**

Warimpex has been 50 per cent leaseholder of the five-star InterContinental in Warsaw since December 2012. Warimpex and UBM developed the hotel together, and each most recently held 50 per cent of the hotel with its 414 rooms. Warimpex and UBM sold the hotel at the end of December 2012. A lease was concluded between the purchaser and a subsidiary of Warimpex and UBM, under which it will lease the hotel back at a fixed rate and continue to run the establishment under the brand InterContinental until 2027. In Krakow, Warimpex has owned the three-star Chopin Hotel since 2006 and has operated the four-star-plus andel's hotel since 2007 (as owner until 2009, and as leaseholder since then). In Łódź, Warimpex opened a further andel's hotel in June 2009; in March 2010, the first angelo hotel in Poland (a joint venture with UBM) opened in Katowice. In Międzyzdroje on the Baltic coast, Warimpex owns the Amber Baltic spa resort hotel.

The occupancy rate at the InterContinental hotel remained stable at 80 per cent, and the average room rate in euros increased by about 10 per cent. The andel's hotel in Łódź achieved occupancy of 62 per cent (2014: 58 per cent), and the average room rate in euros also rose slightly. Occupancy at the Chopin Hotel in Krakow advanced from 65 per cent to 74 per cent, and the average room rate in euros edged up slightly. At the andel's hotel in Krakow, occupancy came in at 81 per cent (2014: 75 per cent), and the average room rate rose by around 10 per cent. Room occupancy at the Amber Baltic beachfront resort amounted to 55 per cent (2014: 52 per cent), and the average room rate increased by roughly 15 per cent. Due to its location on the Baltic coast, occupancy rates at this hotel are subject to stronger seasonal fluctuations, and cannot be compared with those of city hotels.

In addition to the hotels listed above, Warimpex owns 50 per cent of the Parkur Tower office building in Warsaw, roughly 90 per cent of which is let out.

**Under development:****3 office buildings, 1 development property**

Warimpex is the owner of a development property next to the Chopin Hotel, on which an office building with around 26,000 square metres of space is to be built. Planning for this project is under way.

In addition, an office building owned by Warimpex in Krakow is to be demolished and replaced by a new office building with around 20,000 square metres of space. Planning for this project is under way.

In Łódź, Warimpex purchased a property near the andel's hotel for the development of an office building. The Company plans to build a new office building with roughly 26,000 square metres of space.

Warimpex owns a development property in Białystok.

<sup>1</sup> European Commission – European Economic Forecast, Winter 2016

<sup>2</sup> CB Richard Ellis, CEE Property Investment Market View, Q4 2015

<sup>3</sup> CB Richard Ellis EMEA Rents and Yields, Q4 2015

<sup>4</sup> HotStats European Chain Hotels – Performance Report for Warimpex

## MARKETS

*Czech Republic***Economic environment**

The most recent data from the Czech Republic confirm a sustained economic recovery that is mostly being carried by domestic demand and GDP growth of 4.5 per cent (2014: 2.0 per cent). Private consumption and above all public investment were the most important sources of growth in 2015. Public investment is expected to contract going forward, which will have a negative impact on GDP growth. Growth of 2.3 per cent and 2.7 per cent are projected for 2016 and 2017, respectively.<sup>5</sup>

In 2015, average occupancy in Prague rose by 5 percentage points to 76 per cent and the average room rate in euros improved by 8 per cent to EUR 94.<sup>6</sup>

<sup>5</sup> European Commission – European Economic Forecast, Winter 2016

<sup>6</sup> HotStats European Chain Hotels – Performance Report for Warimpex

**Existing portfolio: 4 hotels**

In the Czech Republic, Warimpex owns the Diplomat Hotel in Prague and the angelo hotels in Prague and Plzeň (50 per cent). Warimpex also consolidated the Dvorak spa hotel in Karlovy Vary according to the provisions of the IFRS until the end of 2015. The Savoy Hotel (61 rooms) in Prague was sold at the end of June 2014.

In the reporting period, the Diplomat Hotel and the angelo hotel in Prague achieved occupancy rates of 73 and 76 per cent (2014: 69 and 68 per cent), respectively; the average room rates increased slightly at both establishments. Occupancy at the Dvořák spa hotel in Karlovy Vary declined to 54 per cent (2014: 60 per cent). The average room rate fell by around 45 per cent. The share of Russian and Ukrainian guests is very high in Karlovy Vary, and the strong depreciation of the rouble has impacted travel by this customer segment. Occupancy at the angelo hotel in Plzeň improved from 65 to 70 per cent, and the average room rate increased by roughly 20 per cent.



## MARKETS

*Hungary***Economic environment**

After growth of an estimated 3.7 per cent in 2014, the pace of economic expansion in Hungary is expected to slow to 2.7 per cent in 2015 and 2.1 per cent in 2016. GDP growth of 2.5 per cent is projected in 2017.<sup>7</sup>

Top rents improved by 5 per cent in annual comparison to EUR 21/month in Budapest, but prime yields fell by 10 basis points to 7.15 per cent and the vacancy rate is still very high.<sup>8</sup> The fact that there is almost no new development in Budapest at this time is a positive factor.

<sup>7</sup> European Commission – European Economic Forecast, Winter 2016

<sup>8</sup> CB Richard Ellis EMEA Rents and Yields, Q4 2015

**Existing portfolio: 3 office properties**

In Budapest, Warimpex owns the Erzsébet, Dioszegi, and Sajka office buildings, which together have a total net floor space of around 17,000 square metres.

The Dioszegi office building has roughly 800 square metres of lettable space and is almost fully occupied. Sajka office building with its approximately 600 square metres of lettable space is fully let out.

In the previous financial year, Warimpex signed a long-term lease with the leading Hungarian insurance company Groupama Garancia Insurance Private Co. Ltd. – a Hungarian branch of the international Groupama Group – for 12,250 square metres of space (of the 14,500 square metres in total) in the Erzsébet office building in Budapest. This is one of the largest leases that Warimpex has concluded on the Hungarian office market in recent years. Groupama moved into the newly renovated building A at the end of September 2015. Tenants are being sought for the remaining space.



**Erzsébet Offices**  
Budapest, HU

## MARKETS

*Romania***Economic environment**

Economic growth will likely remain robust in Romania in 2015 and 2016. This is due to strong domestic demand that is being driven by wage increases and tax cuts. Growth in 2015, 2016, and 2017 is expected to come to 3.6 per cent, 4.2 per cent, and 3.7 per cent, respectively.<sup>9</sup>

In the hotel industry, average occupancy in Bucharest rose by 4 percentage points to 78 per cent while the average room rate in euros increased by 9 per cent to EUR 94.<sup>10</sup>

**Existing portfolio: 1 hotel**

The angelo Airporthotel in Bucharest, which Warimpex acquired in 2007 and expanded by 69 rooms in 2008 along with adapting it into an angelo hotel, saw an occupancy increase from 56 to 65 per cent. The average room rate in euros was down slightly.

<sup>9</sup> European Commission – European Economic Forecast, Winter 2016

<sup>10</sup> HotStats European Chain Hotels – Performance Report for Warimpex



## MARKETS

*Germany***Economic environment**

Growth came to 1.6 per cent in 2014. Economic expansion in Germany seems to be strengthening gradually on the back of a robust labour market and good financing conditions. Spending for asylum-seekers is also providing additional stimulus. This should boost growth back to 1.7 per cent in 2015 and to 1.8 per cent in 2016 and 2017.<sup>11</sup>

In Berlin, occupancy rates rose by an average of 3 percentage points to 79 per cent, and the average room rate improved by 7 per cent to EUR 129.<sup>12</sup>

Warimpex held 50 per cent of the andel's hotel in Berlin until September 2015. Occupancy at the andel's hotel was 77 per cent (1–9 2014: 72 per cent). The average room rate was down slightly.

Union Investment Real Estate GmbH acquired the hotel for EUR 105 million at the beginning of September. The hotel has been leased to Vienna International since 1 August 2015.

**Under development: Commercial space and conference centre**

A piece of land adjacent to the andel's in Berlin was purchased in 2009 for the development of a conference centre and commercial space. The joint venture interest was sold at the end of October 2015.

<sup>11</sup> European Commission – European Economic Forecast, Winter 2016

<sup>12</sup> HotStats European Chain Hotels – Performance Report for Warimpex



andel's hotel\*\*\*\*\*  
Berlin, D

## MARKETS

*France***Economic environment**

While economic growth came to 0.2 per cent in 2014, France's economy is expected to slowly gain momentum and strengthen. This trend will be driven primarily by household spending. Growth in 2015, 2016, and 2017 is expected to come to 1.1 per cent, 1.3 per cent, and 1.7 per cent, respectively.<sup>13</sup>

**Existing portfolio: 2 hotels**

In Paris, Warimpex and its partner UBM are the joint leaseholders (finance leasing) of the four-star Dream Castle Hotel and the four-star Magic Circus at Disneyland® Resort Paris, each of which have about 400 rooms. The occupancy rates at the hotels were 75 and 67 per cent (2014: 77 and 71 per cent), respectively. The average room rate was raised by roughly 10 per cent at both establishments.

<sup>13</sup> European Commission – European Economic Forecast, Winter 2016



**Magic Circus\*\*\*\***  
at Disneyland® Paris, F



## MARKETS

*Austria***Economic environment**

The year 2014 as a whole saw minimal growth of 0.4 per cent. The economy is expected to expand by 0.7 per cent in 2015, by 1.7 per cent in 2016, and by 1.6 per cent in 2017 above all thanks to higher domestic demand and investments.<sup>14</sup>

**Existing portfolio: 1 hotel**

In Vienna, Warimpex holds around 10 per cent of the project company behind the Palais Hansen Kempinski hotel in Vienna together with Wiener Städtische Versicherung/Vienna Insurance Group and UBM. The hotel is Warimpex's first project in Austria and was opened in March 2013.

<sup>14</sup> European Commission – European Economic Forecast, Winter 2016





**Crowne Plaza \*\*\*\***  
**AIRPORTCITY**  
St. Petersburg, RU

## MARKETS

*Russia***Economic environment**

The combination of a collapsing oil price, economic sanctions, and structural weaknesses is putting Russia under serious pressure. After meagre growth of 0.6 per cent in 2014, Russia is expected to slide into a deep recession in 2015 and 2016 (2015: -3.7 per cent, 2016: -1.2 per cent), followed by a certain degree of stabilisation in 2017 (0.3 per cent).<sup>15</sup>

The volume of real estate transactions in Russia decreased by 8 per cent to around EUR 2.2 billion in 2015.<sup>16</sup> The peak yields for office properties in St. Petersburg came to 12.25 per cent (2014: 12.25 per cent), while prime rents decreased by 39 per cent to around EUR 296 per year and square metre.<sup>17</sup>

In St. Petersburg, occupancy rates rose by an average of 7 percentage points to 67 per cent, and the average room rate improved by 4 per cent to EUR 82.<sup>18</sup> Occupancy in the peer group (CompSet) for Ekaterinburg decreased by 4.2 percentage points to 49 per cent while the average room rates also retreated by around 3 per cent to RUB 4,048.<sup>19</sup>

**Existing portfolio: 1 hotel, 1 office property**

In Russia, Warimpex held 60 per cent of the Liner Hotel and of the angelo hotel at Koltsovo airport in Ekaterinburg during the reporting period. These stakes were sold on 29 September 2015. The sale was completed under the currently difficult market conditions. Despite the withdrawal from Ekaterinburg, Russia will remain one of the most important core markets.

In St. Petersburg, Warimpex holds 55 per cent of AIRPORTCITY St. Petersburg. In the first phase of the project, a four-star Crowne Plaza hotel (InterContinental Hotel Group) and an office building with 16,800 square metres of lettable space were opened at the end of December 2011.

AIRPORTCITY St. Petersburg is being developed by ZAO AVIELEN A.G. together with CA Immo and UBM and is directly next to Pulkovo 2 international airport in St. Petersburg. AIRPORTCITY is the first premium-class business centre in the region and is a key infrastructure project in the growing economic centre of St. Petersburg.

The contract for the sale of the Jupiter 1 and Jupiter 2 office towers was signed in November 2014, and the deal closed in the first quarter of 2015.

The Zeppelin office building with 15,600 square metres of lettable space was completed at AIRPORTCITY at the end of June 2015. The office tower is already fully let out.

By the time the Liner Hotel in Ekaterinburg was sold at the end of September 2015, occupancy had decreased from 65 per cent to 52 per cent. At the more expensive angelo hotel, occupancy decreased from 66 to 50 per cent, and the average room rate in euros was some 25 per cent lower due to the weakness of the rouble.

The Crowne Plaza achieved occupancy of 73 per cent (2014: 72 per cent) in the reporting period, and the average room rate in euros fell by about 25 per cent.

**Under development: 1 parking garage, 1 development property**

Planning is under way for a parking garage and further office buildings.

<sup>15</sup> European Commission – European Economic Forecast, Winter 2016

<sup>16</sup> CB Richard Ellis, CEE Property Investment Market View, Q4 2015

<sup>17</sup> CB Richard Ellis EMEA Rents and Yields, Q4 2015

<sup>18</sup> HotStats European Chain Hotels – Performance Report for Warimpex

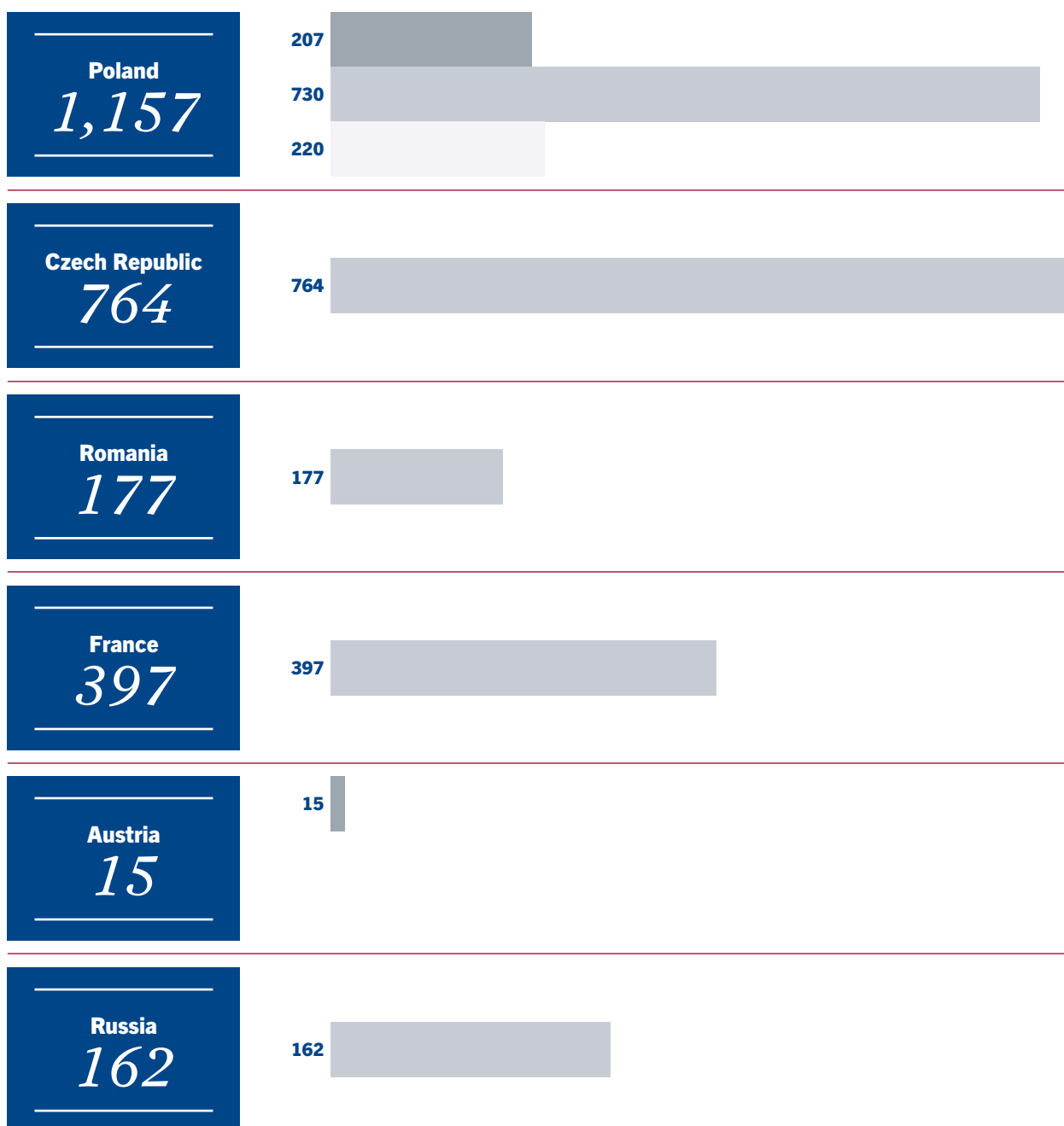
<sup>19</sup> CompSet for the angelo airport hotel Ekaterinburg

## MARKETS

*Hotel Portfolio*

**HOTEL PORTFOLIO** (NUMBER OF ROOMS ADJUSTED FOR PROPORTIONATE SHARE OF OWNERSHIP) AS OF 31 DECEMBER 2015

five-star (luxury)  
four-star (mid market)  
three-star (others)



The reduction in the proportionate number of rooms by 497 in annual comparison from 3,169 to 2,672 can be attributed to the sale of the andel's Berlin as well as the Liner and angelo hotels in Ekaterinburg.

## BUSINESS DEVELOPMENT

# Assets, Financial Position, and Earnings Situation

## Development of revenues

Hotel operations continued to be impacted by the Russia crisis and the depreciation of the rouble in the 2015 financial year. While hotels not catering predominantly to Russian clientele saw their revenue increase in 2015, the Dvorak (Karlovy Vary), Liner and angelo (Ekaterinburg), and the Crowne Plaza (St. Petersburg) saw in part substantial contractions. The Dvorak spa hotel in Karlovy Vary suffered a revenue slide of roughly 35 per cent due to a lack of bookings by Russian guests. Russian hotels saw their revenues decline by some 32 per cent in euro terms compared with the previous year.

The decrease in revenue in the Hotels segment from EUR 61.6 million to EUR 54.5 million is primarily due to the sale of hotels in Ekaterinburg and Prague (angelo and Liner in Ekaterinburg in September 2015 and the Savoy Hotel in Prague in June 2014), as well as to revenue decreases in Russia and Karlovy Vary that were not offset by revenue increases at other hotels.

Revenues from the letting of offices fell from EUR 9.8 million to EUR 4.4 million as a result of the sale of the two Jupiter office towers in St. Petersburg. Revenues from new letting in St. Petersburg and Budapest are included in the revenues starting in July 2015 and October 2015, respectively.

Total revenues fell by 16 per cent from EUR 73.8 million to EUR 61.9 million. Roughly 88 per cent of the revenues were generated by hotel operations, some 7 per cent by the letting of office properties, and roughly 5 per cent by the Development and Services segment.

## Earnings situation

### Gains or losses from the disposal of properties

The deal for the sale of both Jupiter office towers in St. Petersburg closed during the reporting period. The posting of the transaction costs resulted in a loss from the disposal of properties in the amount of roughly EUR 0.3 million in connection with this transaction.

The two fully consolidated hotels in Ekaterinburg were sold at the end of September 2015. The deconsolidation resulted in a gain of roughly EUR 3.7 million.

At the end of December, the Dvorak spa hotel in Karlovy Vary was deconsolidated due to the provisions of the IFRS. The deconsolidation resulted in a gain of roughly EUR 11.1 million.

### EBITDA

Earnings before interest, taxes, depreciation, and amortisation and gains/losses on remeasurement (EBITDA) increased by 71 per cent from EUR 17.1 million in 2014 to EUR 29.3 million. This gain can primarily be attributed to profits from the sale and deconsolidation of properties.

### EBIT

There is a certain degree of uncertainty about the future development of the real estate markets in Eastern Europe due to the Russian economic crisis. Impairment charges of EUR 12.2 million had to be made in the reporting period (2014: EUR 7.0 million) while scheduled depreciation and amortisation came to EUR 8.9 million (2014: EUR 11.5 million).

The remeasurement result from the office assets (investment properties) came to approximately EUR -20.2 million (2014: EUR -1.4 million). The impairment charges and remeasurement losses primarily involve Russian properties. Overall, EBIT fell from EUR -5.2 million to EUR -9.9 million.

### Finance income

The financial result (including the earnings from joint ventures) changed from EUR -31.6 million to EUR -31.9 million. Interest on current account loans, long-term project financing and other loans, and interest on convertible and other bonds decreased from EUR 16.9 million to EUR 15.0 million in annual comparison.

Non-cash losses of EUR 19.5 million (2014: EUR 14.4 million) in connection with exchange rate changes had a negative impact on the financial result for the period.

Earnings from joint ventures went from EUR 1.5 million to EUR 9.6 million due to the sales proceeds from the andel's in Berlin.

### Profit or loss for the period

The total loss for the period fell from EUR -35.3 million in 2014 to EUR -42.3 million in 2015. The loss for the parent company improved in annual comparison from EUR -20.7 million to EUR -17.8 million.

The negative result is primarily the result of non-cash value decreases on properties and the non-cash foreign currency losses.

## Segment analysis

For more information, see the detailed comments in section 2. Segment information of the notes to the consolidated financial statements.

The Warimpex Group has defined the business segments of: Hotels, Investment Properties, and Development and Services. The joint ventures that are recognised using the equity method in the consolidated financial statements are included in the segment report using the proportionate consolidation method. The Hotels segment is comparable with the hotels and/or hotel rooms held by the Group as consolidated entities in the reporting period (with the joint ventures recognised on a proportionate basis). The Investment Properties segment contains the rental revenue from office properties. The Development and Services segment covers development services, activities of the Group parent, and profit contributions from the sale of properties.

### Hotels segment\*

in EUR '000	2015	2014
Revenues for the Group	96,573	106,316
Average number of hotel rooms for the Group**	3,213	3,461
GOP for the Group	37,062	41,351
NOP for the Group	28,124	30,992
NOP/available room in EUR	8,752	8,954

\* Including all joint ventures on a proportionate basis

\*\* See the disclosures pertaining to the Hotels segment in the consolidated financial statements

The average number of available rooms fell by 7 per cent to 3,213 during the reporting period due to the sale of hotels, while revenues from hotel operations declined by 9 per cent from EUR 106.3 million to EUR 96.6 million due to revenue contraction at the hotels catering predominantly to Russian clientèle.

Key figures that are typical for the sector are used to manage the hotels. These include GOP (gross operating profit, calculated according to the Uniform System of Accounts for the Lodging Industry) and NOP (net operating profit, which corresponds to the GOP less specific costs of ownership after GOP such as management fees, insurance, land tax, etc.). The NOP fell by 9 per cent to EUR 28.1 million; the NOP per available room declined by 2 per cent to EUR 8,752.

### Investment Properties segment\*

in EUR '000	2015	2014
Revenues for the Group	5,121	10,560
Segment EBITDA	3,170	5,994

\* Including all joint ventures on a proportionate basis

The revenues and EBITDA of the Investment Properties segment fell due to the sale of the two Jupiter office towers at AIRPORTCITY, St. Petersburg.

Investment Properties revenues will increase significantly again in 2016 now that the two office developments of Zeppelin at AIRPORTCITY St. Petersburg (15,600 square metres) and Erzsébet in Budapest (14,500 square metres) have been completed.

### Development and Services segment\*

in EUR '000	2015	2014
Revenues for the Group	3,514	2,866
Gains or losses from the disposal of properties	24,270	367
Segment EBITDA	23,375	-3,022

\* Including all joint ventures on a proportionate basis

The results in this segment depend heavily on the sale of real estate holdings (share deals) and properties (asset deals) and are subject to significant year-on-year fluctuation. The segment EBITDA resulted from the proceeds from the sale of the andel's hotel in Berlin (roughly EUR 10.1 million) and the effect of the deconsolidation of the two hotels in Ekaterinburg (around EUR 3.9 million), offset by the loss on the disposal of the two Jupiter office towers (roughly EUR -0.3 million) resulting from the posting of the transaction costs. At the end of December, the Dvorak spa hotel in Karlovy Vary was deconsolidated due to the provisions of the IFRS. The deconsolidation resulted in a gain of roughly EUR 11.1 million.

# Assets

Consolidated Statement of Financial Position in EUR '000	31/12/2015	31/12/2014	31/12/2013 adjusted
<b>ASSETS</b>			
Non-current assets	322,960	389,247	403,825
Current assets	27,274	104,157	102,227
<b>Total assets</b>	<b>350,235</b>	<b>493,404</b>	<b>506,052</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	54,000	54,000	54,000
Retained earnings and reserves	-235	18,143	36,151
Equity attributable to the parent	53,765	72,143	90,151
Non-controlling interests	-32,037	-14,467	-1,440
<b>Total equity</b>	<b>21,728</b>	<b>57,676</b>	<b>88,711</b>
Non-current liabilities	286,722	352,447	340,064
Current liabilities	41,785	83,280	77,277
<b>Total liabilities</b>	<b>328,507</b>	<b>435,727</b>	<b>417,341</b>
<b>Total equity and liabilities</b>	<b>350,235</b>	<b>493,404</b>	<b>506,052</b>

As Warimpex is a property developer, the assets side of the statement of financial position is dominated by property, plant, and equipment and investment properties. As two thirds of the properties held by Warimpex Group are financed through long-term project loans, non-current debt makes up the majority of the liabilities side of the statement of financial position.

In view of the fact that Warimpex carries property, plant, and equipment at cost less depreciation, a comparison of the Group's equity ratio with that of other real estate companies is possible only to a limited extent. Assuming that the property, plant, and equipment items (hotels) are recognised at their fair values, the equity ratio would be 15 per cent (2014: 24 per cent) (NAV/adjusted balance sheet total).

## Financial Position

Consolidated Statement of Cash Flows in EUR '000	2015	2014
Cash receipts from operating activities	63,044	76,073
Cash payments for operating activities	-50,191	-55,531
<b>Net cash flows from operating activities</b>	<b>12,853</b>	<b>20,542</b>
Net cash flows from investing activities	38,759	-7,221
Net cash flows for financing activities	-54,406	-8,848
<b>Cash and cash equivalents at 31 December</b>	<b>7,394</b>	<b>9,765</b>

### Cash flow from operations

The cash flow from operations declined by 37 per cent from EUR 20.5 million in 2014 to EUR 12.9 million.

For more information, see the detailed comments in item 2. Segment information in the notes.

### Net cash flows from investing activities

The cash receipts from investing activities pertain primarily to the sale of the Jupiter office towers and repayments from joint ventures (sale of the andel's Berlin). The cash payments for investments pertain to construction activity for investment properties (Erzsébet Offices in Budapest and Zeppelin office tower in St. Petersburg).

### Cash flows from financing activities

The change in the cash flows from financing activities can primarily be attributed to the high repayment of loans. The cash flows for paid interest rose from EUR 15.9 million in the previous year to EUR 16.4 million. Overall, the net cash flow from investing activities came to EUR -54.4 million (2014: EUR -8.8 million).



## Real Estate Assets

On 31 December 2015, the real estate portfolio of the Warimpex Group comprised 15 hotels with roughly 3,700 rooms (2,700 rooms when adjusted for the proportionate share of ownership) plus five office properties with a total lettable floor area of roughly 43,000 square metres (30,000 square metres when adjusted for the proportionate share of ownership).

### Calculation of gross asset value and net asset value in EUR millions

Warimpex recognises its property, plant, and equipment such as hotel properties at cost less depreciation according to IAS 16, as is required for owner-operated hotels in IAS 40.12. Changes in the value of investment properties (primarily office buildings) are recognised annually through profit or loss according to the fair value model in IAS 40.56. To allow comparison with other real estate companies, Warimpex reports the triple net asset value (NNNAV) in its management report.

All existing real estate and development projects are valued twice annually (on 30 June and 31 December) by independent real estate appraisers.

On 31 December 2015, the following experts appraised Warimpex's portfolio:

Appraiser	Fair value as of 31/12/2015 in EUR millions	in%
CB Richard Ellis	286	84%
PricewaterhouseCoopers	6	2%
Knight Frank	18	5%
Others	31	9%
	<b>341</b>	<b>100%</b>

The fair values are determined in accordance with the valuation standards of the Royal Institute of Chartered Surveyors. The fair value is the price that would be paid for the transfer of an asset or a liability in a transaction at arm's length terms on the reporting date. The real estate appraiser uses the discounted cash flow (DCF) approach to calculate the fair values of developed properties, and the comparative method for other properties. Development projects are measured using the residual value method, taking a developer's profit into account.

For information on the yield used to calculate the fair value, please see section 7.1.2. (Hotels) and section 7.2.3. (Investment properties) in the notes to the consolidated financial statements.

Warimpex's gross asset value came in at EUR 340.8 million on 31 December 2015 (2014: EUR 498.0 million), of which EUR 74.9 million (2014: EUR 130.0 million) can be attributed to joint ventures. This reduction was due above all to the sale of

the andel's hotel in Berlin, the angelo Ekaterinburg, the Liner Ekaterinburg, the deconsolidation of the Dvorak spa hotel in Karlovy Vary, and impairment charges and remeasurement losses primarily on Russian properties. The Group's triple net asset value (NNNAV) fell from EUR 160.1 million in 2014 to EUR 98.4 million as at 31 December 2015.

The triple net asset value (NNNAV) is as follows:

in EUR millions	12/2015		12/2014	
Equity before non-controlling interests		53.8		72.1
Goodwill		-0.9		-0.9
Deferred tax assets	-0.1		-	
Deferred tax liabilities	10.1	10.0	10.6	10.6
Carrying amount of existing hotel assets	-188.8		-241.7	
Fair value of existing hotel assets	204.4	15.6	291.5	49.8
Carrying amount of development projects	-33.1		-75.8	
Fair value of development projects	33.1	-	76.5	0.7
Carrying amount of joint ventures	-24.1		-36.2	
Fair value of joint ventures	44.0	19.9	64.4	28.2
<b>Triple net asset value</b>		<b>98.4</b>		<b>160.5</b>
Number of shares on 31 December		54.0		54.0
<b>NNNAV per share in EUR</b>		<b>1.8</b>		<b>3.0</b>

## *Material Risks and Uncertainties to Which the Group is Exposed and Risk Management*

As an international group, Warimpex is exposed to various economic and financial risks as part of its daily operations.

### **a) General**

As part of its risk management system, Warimpex has set internal risk management targets for the Management Board and Company staff and adapts these targets to the prevailing market conditions. These risk management targets include special regulations and define responsibilities for risk assessment, control mechanisms, monitoring, information management, and communication within the Company and with external parties.

There is a clearly defined organisation within Warimpex and especially within the Management Board that governs responsibilities and authorisations in this connection to enable risks to be identified at an early stage and appropriate action to be taken. The Management Board's guidelines and the guidelines for the Supervisory Board define the responsibilities and obligations of the Company's boards and officers.

### **b) Operating risks**

In the Hotels segment, Warimpex is exposed to the general risks inherent to the tourism industry such as economic fluctuations, political risks, and increasing 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 the Investment Properties and Development and Services segments, the Group is exposed to finance and currency risks, interest rate 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 property values.

The Group invests in real estate in a limited number of countries, and is therefore exposed to increased risk that local conditions such as an excess supply of properties can affect the development of business. Owing to its focus on property development and property holdings, the Group's performance is heavily dependent on the current situation in the real estate markets. Price declines in the real estate market could therefore affect the Group significantly and also influence real estate financing.

Real estate maintenance is a key aspect in the sustainable economic development of the Warimpex Group. Asset management staff therefore submit status reports to the Management Board at regular intervals together with projections for the optimum maintenance of the properties.

### **c) Capital market risk**

Refinancing on the capital market is of high strategic importance for Warimpex.

To avoid risks of insufficient capital market compliance, Warimpex has enacted a compliance guideline that ensures adherence to the capital market regulations and that especially prevents the abuse or sharing of insider information. A permanent confidentiality area has been set up for all employees in Vienna, and temporary confidentiality areas are set up and waiting periods and trading prohibitions enacted on a project basis.

### **d) Legal risks**

As an internationally active company, Warimpex is exposed to a wide range of legal risks. These include risks related to the purchase and sale of properties and legal disputes with tenants or joint venture partners.

At the time that the financial statements were prepared, no material legal disputes were known.

### **e) Risk and risk management related to financial instruments**

Aside from derivative forms of financing, the most significant financial instruments used by the Group are current account and bank loans, bonds and convertible bonds, cash and cash equivalents, and short-term deposits. The main purpose of these financial instruments is to provide 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.

The Group also enters into derivatives transactions that are intended to minimise the Group's exposure to interest rate and currency risk. The Group's risk management policies provide for a risk-oriented relationship between fixed-rate and variable-rate financial liabilities. All significant financial transactions are subject to approval by the Management Board and, when required, also approval by the Supervisory Board.

Further information on financial risk management, in particular quantitative disclosures, can be found in the notes to the consolidated financial statements in section 8.2.

#### **1. Interest rate risk**

The risk of fluctuations in market interest rates (usually the

three-month EURIBOR for bank loans and the six-month WIBOR for bonds) to which the Group is exposed results primarily from its variable-rate long-term financial liabilities. Interest rate hikes can impact the Group's result by causing higher interest expenses for existing variable-rate financing. In the case of variable-rate financing, a change in the interest rate has an immediate effect on the Company's financial result.

Warimpex limits the risk of rising interest rates that would lead to higher interest expenses and a worsening of the financial result in part through the arrangement of fixed-rate financing and in part through the use of derivative financial instruments (especially interest rate swaps). Please see section 7.1.2. of the notes to the consolidated financial statements for information about the recognition of derivative financial instruments.

## 2. Currency risk

Currency risk results primarily from financial liabilities denominated in currencies other than the functional currency. For Group companies that have the euro as their functional currency, this is primarily financial liabilities in a local or other foreign currency (such as CHF or PLN), or for foreign Group companies with the local currency as their functional currency, financial liabilities in a foreign currency (EUR).

There are no natural hedges, and the Group does not systematically use derivative financial instruments to hedge its exposure to foreign currency risk. When needed, cross currency swaps or currency forwards concluded for a maximum of one year in relation to specific future payments in foreign currencies are employed to hedge the currency risk.

In addition to the currency risk from financial liabilities, a foreign exchange risk exists especially for those Group companies that operate hotels and that have the euro as their functional currency with regards to personnel expenses and expenses for materials and services received, which must be paid in the local currency, while revenues are generally based on the euro and debt must also largely be serviced in euros.

## 3. Default risk

The amounts stated as assets on the face of the consolidated statement of financial position represent the maximum credit risk and default risk, since there are no general settlement agreements. The default risk associated with trade receivables can be considered moderate because receivables are generally paid either in advance or immediately on site, especially in the Hotels segment. Longer payment terms are generally only accepted for receivables from travel agencies.

During the reporting period, the Group substantially increased its financial assets due to the long-term deferral of part of the

purchase price from the sale of the Jupiter office towers (see section 7.5. of the notes to the consolidated financial statements). The repayment of the loan depends primarily on the cash flow of the Jupiter office property. The rental revenue is guaranteed until November 2019 by guarantees from Warimpex and the co-shareholders of ZAO Avielen AG in the amount of EUR 14,318 thousand. Of the guarantee, EUR 7,875 thousand falls to Warimpex (see section 9.1.3.4. in the notes to the consolidated financial statements). In addition, the purchase price claim is senior to the shareholder loans.

The default risk associated with cash and short-term deposits can be considered moderate since the Group only works with financial institutions which can demonstrate sound creditworthiness. The default risk for other receivables is also relatively low, as attention is paid to working with contract partners that have good credit ratings. The Group recognises impairments where necessary.

## 4. Liquidity risk

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. Refinancing on the capital market is also of high strategic importance for Warimpex. The Group issued three bonds and one convertible bond during the reporting period.

Significant fluctuations on the capital markets can hamper the raising of equity and debt capital. To limit refinancing risk, Warimpex maintains a balanced combination of equity and debt capital and of different terms for bank and capital market financing.

Liquidity risks are also minimised through a medium-term 18-month plan, an annual budget planned in monthly blocks, and revolving monthly liquidity planning. Daily liquidity management ensures that all operational obligations are met and that cash is invested optimally. Free liquidity resulting from the sale of properties is primarily used to repay operating credit lines and to finance acquisitions and the development of new projects.

The effects of the financial and real estate crisis that erupted in 2008, the sovereign debt crisis of recent years, and the problems in the Russian economy are causing a degree of uncertainty as to how the market participants will proceed. If these events repeat themselves or continue, prices and asset values can be subject to higher volatility. The risk of insufficient liquidity also means that it may be difficult to successfully sell properties on the market or to obtain refinancing from credit institutions depending on the prevailing conditions. This risk is diminished by ongoing capital market activities.

It has again become possible and probable that assets can be sold at acceptable prices. A number of asset disposals are currently in planning.

The Group had current financial liabilities in the amount of EUR 38,247 thousand (2014: EUR 60,827 thousand) as at the reporting date. Of this, EUR 28,223 thousand (2014: EUR 46,955 thousand) pertain to current financial liabilities serving Group financing purposes.

To secure the liquidity needed to ensure the continued operation of the Company, it will remain necessary to extend or refinance operating credit lines or to convert them into long-term financing, and to generate additional liquidity inflows.

To cover the liquidity needs for ongoing operations over the next 12 months, the liquidity plan includes the increase of project loans in the amount of roughly EUR 12 million and the sale of properties. In 2015 and March 2016, bonds that were maturing in the near future were repaid early in part and extended in part. Bonds with a total volume of PLN 42.7 million (roughly EUR 10 million) will mature by March 2017. The payments are to be financed through property sales and increases in project loans with the currently low loan-to-value ratios. Should it prove impossible to complete the planned sales or increase the loans in the planned time frame or to the planned extent, other sources of financing will need to be arranged to cover any liquidity risk that arises.

To prevent cost overruns and an associated increased outflow of liquidity, Warimpex completes continuous budget and progress monitoring for development projects and maintenance work.

#### **f) Reporting on key characteristics of the internal control system and the risk management system as relevant for the accounting process**

The Management Board bears overall responsibility for the Group's risk management system, while operational responsibility lies with the managers of the respective business units.

This makes the internal reports that are submitted to Group headquarters particularly important in ensuring that risks are recognised at an early stage so that suitable countermeasures can be taken. To this end, the operating units submit weekly and monthly reports to the Management Board with all necessary information.

The Group has enacted uniform standards for all subsidiaries governing the implementation and documentation of the

entire internal control system, and therefore also the accounting process in particular. This is intended to prevent the risks that can lead to incomplete or erroneous financial reporting.

The internal reports that are prepared by the subsidiaries are also subjected to plausibility reviews at the Group headquarters and are compared with the planning calculations to ensure that suitable countermeasures can be taken in the event of deviations. To this end, the companies are required to submit annual budgets and medium-term plans, which must be approved by the Management Board.

The correctness of the accounts at the subsidiaries is monitored by the hotel managers (such as Vienna International, InterContinental Hotel Group) as well as by the Group holding company. The annual financial statements of all operating property companies are also reviewed by external financial auditors.

The risk management system is primarily monitored by the Management Board, and compliance with the prescribed risk management targets and methods in the preparation of quarterly and annual financial statements is ensured by the following units and individuals:

- Management Board, especially the Chief Financial Officer
- Group accounting department
- Audit Committee (only for annual financial statements)

The current development of business and foreseeable opportunities and risks are discussed at regular meetings between the Management Board and local managers.

Quarterly financial statements are prepared by the Group accounting department in accordance with IAS 34, Interim Financial Reporting, reviewed by the Chief Financial Officer, and then approved for publication by the Management Board. The annual financial statements and consolidated annual financial statements are studied by the Supervisory Board and by the Audit Committee before they are published.

## Employees

The Warimpex Group's employees are a key factor in its success.

Particularly in the hotel sector, well qualified, service-oriented staff are crucial to an establishment's reputation and, as a consequence, have a decisive impact on its occupancy rates. The Group's experienced asset managers also play a key role in Warimpex's success. The fact that the Development and Services segment has seen extremely low employee turnover over the past few years is an indication of the good working atmosphere.

With a view to constantly expanding the key skills and capabilities of its employees, Warimpex places great emphasis on continuing education and training. The Group has especially high requirements for all of its managerial staff in terms of commitment to quality, well founded technical expertise, and flexibility.

In 2015 (including the joint ventures), an average of 1,387 (2014: 1,496) employees worked in the Hotels segment, 2 (2014: 2) in the Investment Properties segment, and 30 (2014: 34) in the Development and Services segment.

## Sustainability

The Warimpex Group's real estate development projects and the operation of its properties have an impact on the social, ecological, and economic environments in which it does business. Because of this, the Company bears great responsibility. It has firmly anchored the fulfilment of this responsibility into its corporate culture, and sees living up to this responsibility as a central element in its success. This applies to new and existing buildings. In the further development of existing hotel and office buildings, we attach considerable importance to compliance with the requirements for the preservation of the historic features of the properties. Building energy-efficient buildings is a matter of course for us because the operating costs of these buildings are lower, and this enables higher rents to be negotiated.

At the beginning of 2013, Warimpex completed the BREEAM – Good-certified Le Palais Office building in Warsaw.

### Initiatives for boosting energy efficiency in the Hotels segment

In 2014, a technical pilot project was launched to identify energy savings potential in hotels. The project covered the areas of electricity; heating, ventilation, and climate control; water consumption; and waste separation.

## *Disclosures pursuant to § 243a Austrian Uniform Commercial Code*

The share capital of Warimpex Finanz- und Beteiligungs AG amounts to EUR 54,000,000 and is divided into 54,000,000 non-par-value bearer shares.

The Management Board is aware of no limitations on voting rights or the transfer of shares.

The following shareholders each hold interests amounting to more than 10 per cent of the Company's share capital:

Georg Folian	14.6%
Franz Jurkowitsch	14.1%
Bocca Privatstiftung	10.6%
Amber Privatstiftung	10.7%

The Annual General Meeting on 11 June 2012 authorised the Management Board to increase the capital stock of the Company by up to EUR 5,400,000 through the issue of up to 5,400,000 new shares, including the partial or entire preclusion of subscription rights, within five years, subject to the approval of the Supervisory Board.

The Annual General Meeting on 11 June 2012 authorised the Management Board to issue convertible and/or warrant bonds granting the right of conversion or share subscription for up to a total of 9 million shares within five years, subject to the approval of the Supervisory Board (contingent capital 1). The subscription right of the existing shareholders was waived.

or subscription for up to 3,753,541 bearer shares in the Company (contingent capital 1).

In October 2013, convertible bonds with a total nominal value of PLN 16.5 million (roughly EUR 4.1 million) and a denomination of PLN 500,000 (around EUR 125,000) were successfully placed with a term of three years and a coupon of 3.9 per cent p.a., payable semi-annually. The conversion price was set at PLN 7.65 (roughly EUR 1.91). This bond grants the right of exchange or subscription for up to 2,156,863 shares in the Company (contingent capital 2).

In November 2015, the Company completed the early redemption of convertible bonds with a total volume of PLN 23.5 million (roughly EUR 5.5 million) that were to mature in March 2016 and October 2016 and the extension of existing convertible bonds with a volume of PLN 19.5 million (roughly EUR 4.6 million) for three years under new terms (contingent capital 1).

The convertible bonds that were issued on 28 March 2013 and would have matured on 31 March 2016 now have the following characteristics:

Nominal value:	PLN 19.5 million (around EUR 4.6 million)
Interest rate:	2.5% p.a., payable semi-annually
Maturity:	3 November 2018
Conversion price:	PLN 5.94 (around EUR 1.40)

### THE BONDS OF WARIMPEX FINANZ- UND BETEILIGUNGS AG AS AT 31 DECEMBER 2015

	ISIN	Conversion price	Outstanding amount
Bond 03/16	PLWRMFB00016	-	PLN 39,907,000
Convertible bond 06/17	AT0000A18Q78	EUR 1.80	EUR 4,500,000
Bond 10/17	AT0000A139F7	-	PLN 1,500,000
Bond 02/18	PLWRMFB00024	-	PLN 3,000,000
Convertible bond 11/18	AT0000A100Y0	PLN 5.94	PLN 19,500,000
Bond 12/18	PLWRMFB00032	-	EUR 25,885,000

The Annual General Meeting on 19 June 2013 authorised the Management Board to issue convertible and/or warrant bonds granting the right of conversion or share subscription for up to a total of 9 million shares within five years, subject to the approval of the Supervisory Board (contingent capital 2). The subscription right of the existing shareholders was waived.

At the end of March 2013, convertible bonds with a total nominal value of PLN 26.5 million (roughly EUR 6.4 million) and a denomination of PLN 250,000 were successfully placed with a term of three years and a coupon of 4.875 per cent p.a., payable semi-annually. The conversion price was set at PLN 7.06 (roughly EUR 1.7). This bond grants the right of exchange

In June 2014, convertible bonds with a total nominal value of EUR 5 million and a denomination of EUR 10,000 were successfully placed with a term of three years and a coupon of 4.0 per cent p.a., payable semi-annually. The conversion price was set at EUR 1.80. This bond grants the right of exchange or subscription for up to 2,777,778 shares in the Company (contingent capital 2). In December 2015, Warimpex purchased convertible bonds with a nominal value of EUR 0.5 million.

This means that there are still convertible and/or option bonds (from contingent capital 2) that are associated with the right of conversion or subscription to up to 4,065,359 shares.

The buyback programme began on 21 July 2008 and ran until the end of 2008, with the acquisition price range set at EUR 3.00 to EUR 8.00. As at 31 December 2008, a total of 66,500 shares had been purchased at an average price of EUR 4.53. This corresponds to 0.18 per cent of the capital stock.

At the Annual General Meeting on 11 June 2012, the Management Board was authorised to purchase shares in the Company up to the maximum amount permitted by law of 10 per cent of the total capital stock within a period of 30 months after the passing of the motion. The purposes for which the purchased shares may be used were also specified. In addition to being held as treasury shares, they can be sold or given to employees of the Company or of an associated company. The shares can also be used to service the convertible and/or warrant bonds or as payment for the purchase of real estate, business entities, business operations, or shares in one or more companies in Austria or abroad, or can be sold at any time on the exchange or through a public offer, and can be sold by any other legal means, including outside of the stock exchange, for a period of five years after the adoption of the resolution.

Apart from the above, there are no further particulars that must be disclosed pursuant to § 243a Uniform Commercial Code.

## Events after the Reporting Date

Regarding material events after the reporting date, please see section 9.4. in the notes to the consolidated financial statements.

## Outlook

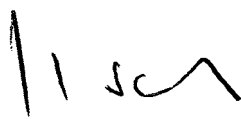
The following development projects are currently under construction or development:

- **AIRPORTCITY, St. Petersburg**, parking garage
- **Office building with around 26,000 m<sup>2</sup> of space**, Łódź
- **Mogilska office building with roughly 20,000 m<sup>2</sup> of space**, Krakow
- **Chopin office building with about 26,000 qm<sup>2</sup> of space<sup>2</sup>**, Krakow

The development of hotel operations was stable in the first quarter of 2016, and revenues from investment properties increased due to the new leases signed in the second half of 2015.

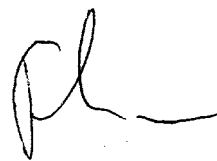
The declared goal for 2016 is to move forward with the current development projects in Poland and Russia. We are also working on a number of further transactions. At the same time, we are constantly working to improve our financing terms and to repay or refinance expensive lines of credit, and will continue to advance the diversification of our portfolio.

Vienna, 27 April 2016



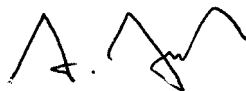
**Franz Jurkowitsch**

Chairman of the Management Board



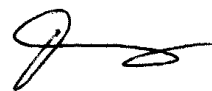
**Georg Folian**

Deputy Chairman of the Management Board



**Alexander Jurkowitsch**

Member of the Management Board



**Florian Petrowsky**

Member of the Management Board





**InterContinental  
Hotel\*\*\*\*\***  
Warsaw, PL

# Consolidated Financial Statements

AS OF 31 DECEMBER 2015

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**Parkur Tower**  
Warsaw, PL

# Consolidated Income Statement

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2015

in EUR '000	Note	2015	2014
Hotels revenues		54,462	61,559
Investment Properties revenues		4,384	9,813
Development and Services revenues		3,053	2,476
<b>Revenues</b>	6.1.	<b>61,898</b>	<b>73,848</b>
Expenses from the operation of hotels		(36,374)	(41,773)
Expenses from the operation of investment properties		(1,267)	(2,691)
Expenses directly attributable to development and services		(898)	(1,095)
<b>Expenses directly attributable to revenues</b>	6.2.	<b>(38,539)</b>	<b>(45,559)</b>
<b>Gross income from revenues</b>		<b>23,359</b>	<b>28,289</b>
Income from the sale of properties		68,853	7,588
Disposal of carrying amounts and expenses related to sales		(54,633)	(7,618)
<b>Gains or losses from the disposal of properties</b>	5.1	<b>14,220</b>	<b>(30)</b>
<b>Other operating income</b>	6.3.	<b>3,740</b>	<b>584</b>
<b>Administrative expenses</b>	6.4.	<b>(9,391)</b>	<b>(8,232)</b>
<b>Other expenses</b>	6.5.	<b>(2,649)</b>	<b>(3,498)</b>
<b>EBITDA (Results of operating activities before financial result, taxes, depreciation, amortisation, and remeasurement)</b>		<b>29,280</b>	<b>17,114</b>
Scheduled depreciation and amortisation on property, plant, and equipment and intangible assets		(8,905)	(11,471)
Impairments of property, plant and equipment		(12,189)	(7,059)
Reversals of impairment of property, plant and equipment		2,149	42
Gains/losses on remeasurement on assets held for sale		-	(2,387)
Gains/losses on remeasurement of investment property		(20,240)	(1,399)
<b>Depreciation, amortisation, and remeasurement</b>	6.6.	<b>(39,185)</b>	<b>(22,274)</b>
<b>EBIT (earnings before interest and taxes)</b>		<b>(9,905)</b>	<b>(5,160)</b>
Finance income	6.7.	2,416	4,191
Financing expenses	6.8.	(24,410)	(22,958)
Changes in foreign exchange rates	6.9.	(19,506)	(14,356)
Result from joint ventures (equity method) after taxes	7.4.3.	9,647	1,531
<i>thereof from the sale of andel's Berlin</i>		<i>10,050</i>	<i>-</i>
<b>Financial result</b>		<b>(31,854)</b>	<b>(31,592)</b>
<b>Earnings before taxes</b>		<b>(41,759)</b>	<b>(36,752)</b>
Income taxes	6.10.	(194)	(115)
Deferred income taxes	7.6.	(377)	1,561
<b>Taxes</b>		<b>(571)</b>	<b>1,446</b>
<b>Profit or loss for the period</b>		<b>(42,330)</b>	<b>(35,306)</b>
thereof profit of non-controlling interests		(24,492)	(14,652)
<b>thereof profit of shareholders of the parent</b>		<b>(17,838)</b>	<b>(20,654)</b>
Undiluted earnings per share in EUR	7.10.1.	<b>-0.33</b>	<b>-0.38</b>
Diluted earnings per share in EUR	7.10.1.	<b>-0.33</b>	<b>-0.38</b>

# Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2015

in EUR '000	Note	2015	2014
<b>Profit or loss for the period</b>		<b>(42,330)</b>	<b>(35,306)</b>
Foreign exchange differences		(2,100)	1,033
<i>thereof reclassified to the income statement</i>		(2,146)	–
Remeasurement of cash flow hedges		(788)	–
Other comprehensive income from joint ventures (equity method)		–	304
Gains/losses from available-for-sale financial assets	7.8.	(1,930)	519
(Deferred) taxes in other comprehensive income		592	416
<b>Other comprehensive income (to be reclassified in profit or loss in subsequent periods)</b>	7.10.3.	<b>(4,226)</b>	<b>2,272</b>
Allocation of revaluation reserve		–	1,624
Result of remeasurement result in accordance with IAS 19		16	(166)
(Deferred) taxes in other comprehensive income		(4)	42
<b>Other comprehensive income (not to be reclassified in profit or loss in subsequent periods)</b>	7.10.3.	<b>12</b>	<b>1,499</b>
<b>Other comprehensive income</b>		<b>(4,214)</b>	<b>3,771</b>
<b>Total comprehensive income for the period</b>		<b>(46,544)</b>	<b>(31,534)</b>
thereof profit of non-controlling interests		(26,020)	(13,027)
<b>thereof profit of shareholders of the parent</b>		<b>(20,524)</b>	<b>(18,507)</b>

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2015

in EUR '000	Note	31/12/2015	31/12/2014
<b>ASSETS</b>			
Property, plant, and equipment	7.1.	195,731	249,118
Investment property	7.2.	84,595	87,751
Goodwill	7.3.	921	921
Other intangible assets		34	41
Net investments in joint ventures (equity method)	7.4.3.	24,083	36,222
Financial assets, available for sale	7.8.	2	6,468
Other financial assets	7.5.	17,493	8,704
Deferred tax assets	7.6.	102	22
<b>Non-current assets</b>		<b>322,960</b>	<b>389,247</b>
Inventories	7.7.	583	759
Trade and other receivables	7.7.	8,686	21,098
Financial assets, available for sale	7.8.	10,610	7,052
Cash and cash equivalents	7.9.	7,394	9,765
Non-current assets held for sale	5.1.	–	65,483
<b>Current assets</b>		<b>27,274</b>	<b>104,157</b>
<b>TOTAL ASSETS</b>		<b>350,235</b>	<b>493,404</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	7.10.1.	54,000	54,000
Capital reserves	7.10.3.	–	4,661
Retained earnings	7.10.3.	(4,204)	8,742
Treasury shares	7.10.3.	(301)	(301)
Other reserves	7.10.3.	4,270	5,041
<b>Equity attributable to shareholders of the parent</b>		<b>53,765</b>	<b>72,143</b>
Non-controlling interests		(32,037)	(14,467)
<b>Equity</b>		<b>21,728</b>	<b>57,676</b>
Convertible bonds	7.11.1.	8,265	13,051
Other bonds	7.11.2.	41,270	18,953
Other financial liabilities	7.11.3.	208,925	298,393
Derivative financial instruments	7.12.	2,142	385
Other liabilities	7.13.	6,542	7,316
Provisions	7.14.	2,353	2,220
Deferred tax liabilities	7.6.	10,064	10,649
Deferred income	7.15.	7,162	1,481
<b>Non-current liabilities</b>		<b>286,722</b>	<b>352,447</b>
Convertible bonds	7.11.1.	61	–
Bonds	7.11.2.	9,800	5,215
Other financial liabilities	7.11.3.	18,363	41,740
Derivative financial instruments	7.12.	–	17
Trade and other payables	7.16.	11,519	35,265
Provisions	7.14.	613	431
Income tax liabilities	6.10.	134	73
Deferred income	7.15.	1,296	539
<b>Current liabilities</b>		<b>41,785</b>	<b>83,280</b>
<b>Liabilities</b>		<b>328,507</b>	<b>435,727</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>350,235</b>	<b>493,404</b>

# Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2015

in EUR '000	Note	2015	2014
<b>Cash receipts</b>			
from hotel operations and rent received		61,213	74,042
from real estate development projects and other		760	1,895
from interest income		1,070	136
<b>Cash receipts from operating activities</b>		<b>63,044</b>	<b>76,073</b>
<b>Cash payments</b>			
for real estate development projects		(1,274)	(1,059)
for materials and services received		(23,326)	(27,020)
for related personnel expenses		(17,317)	(18,997)
for other administrative expenses		(8,150)	(8,222)
for income taxes		(124)	(234)
<b>Cash payments for operating activities</b>		<b>(50,191)</b>	<b>(55,531)</b>
<b>Net cash flows from operating activities</b>		<b>12,853</b>	<b>20,542</b>
<b>Cash receipts from</b>			
the sale of disposal groups and property	5.1.	49,111	2,685
less outflow of cash and cash equivalents from disposal groups sold	5.1.	(181)	(67)
disposal proceeds from purchase price receivables relating to disposals in prior periods	5.3.	535	3,201
advances		–	8,626
dividends from available-for-sale securities		–	40
other financial assets		1,687	279
returns on joint ventures		15,981	2,431
<b>Cash receipts from investing activities</b>		<b>67,133</b>	<b>17,195</b>
<b>Cash payments for</b>			
investments in property, plant, and equipment		(2,003)	(2,098)
investments in investment property		(25,885)	(17,104)
investments in available-for-sale financial assets		–	(5,127)
the purchase of data processing programs		(7)	(35)
other financial assets		(479)	(52)
<b>Payments made for investing activities</b>		<b>(28,374)</b>	<b>(24,416)</b>
<b>Net cash flows from investing activities</b>		<b>38,759</b>	<b>(7,221)</b>
<b>Cash receipts from the issue of (convertible) bonds</b>			
		11,451	12,494
<b>Payments for the redemption of (convertible) bonds</b>			
		(12,050)	(2,977)
<b>Payments received from loans and borrowing</b>			
		78,681	23,980
<b>Payments made for the repayment of loans and borrowing</b>			
		(114,273)	(25,258)
<b>Paid interest (for loans and borrowing)</b>			
		(13,468)	(13,373)
<b>Paid interest (for bonds and convertible bonds)</b>			
		(2,969)	(2,528)
<b>Paid financing costs</b>			
		(1,777)	(623)
<b>Payments received and made for derivatives</b>			
		–	(563)
<b>Net cash flows from/used in financing activities</b>		<b>(54,406)</b>	<b>(8,848)</b>
<b>Net change in cash and cash equivalents</b>		<b>(2,794)</b>	<b>4,474</b>
<b>Foreign exchange rate changes in cash and cash equivalents</b>			
		69	(1,139)
<b>Foreign exchange rate changes from other comprehensive income</b>			
		354	(187)
<b>Cash and cash equivalents as at 1 January</b>			
		9,765	6,618
<b>Cash and cash equivalents as at 31 December</b>		<b>7,394</b>	<b>9,765</b>
<b>Cash and cash equivalents at the end of the period consist of:</b>			
Cash and cash equivalents of the Group		<b>7,394</b>	9,765

# Consolidated Statement of Changes In Equity

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2015

in EUR '000	Equity attributable to shareholders of the parent						TOTAL	Non-controlling interests	Total equity
	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves				
<b>As at 1 January 2014</b>	<b>54,000</b>	<b>17,051</b>	<b>16,507</b>	<b>(301)</b>	<b>2,895</b>	<b>90,151</b>	<b>(1,440)</b>	<b>88,711</b>	
Repurchase of convertible bond	–	500	–	–	–	<b>500</b>	–	<b>500</b>	
Total comprehensive income for the period	–	–	(20,654)	–	2,147	<b>(18,507)</b>	(13,027)	<b>(31,534)</b>	
<i>thereof profit for the period</i>	–	–	(20,654)	–	–	<b>(20,654)</b>	(14,652)	<b>(35,306)</b>	
<i>thereof other comprehensive income</i>	–	–	–	–	2,147	<b>2,147</b>	1,625	<b>3,771</b>	
Reversal of capital reserves	–	(12,889)	12,889	–	–	–	–	–	
<b>As at 31 December 2014 =</b>									
<b>As at 1 January 2015</b>	<b>54,000</b>	<b>4,661</b>	<b>8,742</b>	<b>(301)</b>	<b>5,041</b>	<b>72,143</b>	<b>(14,467)</b>	<b>57,676</b>	
Changes in the scope of consolidation	–	–	–	–	2,146	<b>2,146</b>	8,450	<b>10,596</b>	
Reclassification of reserves in accordance with IAS 16	–	–	231	–	(231)	–	–	–	
Total comprehensive income for the period	–	–	(17,838)	–	(2,686)	<b>(20,524)</b>	(26,020)	<b>(46,544)</b>	
<i>thereof profit for the period</i>	–	–	(17,838)	–	–	<b>(17,838)</b>	(24,492)	<b>(42,330)</b>	
<i>thereof other comprehensive income</i>	–	–	–	–	(2,686)	<b>(2,686)</b>	(1,528)	<b>(4,214)</b>	
Reversal of capital reserves	–	(4,661)	4,661	–	–	–	–	–	
<b>As at 31 December 2015</b>	<b>54,000</b>	<b>–</b>	<b>(4,204)</b>	<b>(301)</b>	<b>4,270</b>	<b>53,765</b>	<b>(32,037)</b>	<b>21,728</b>	

## Consolidated Segment Information

THE FIGURES FOR THE PREVIOUS YEARS WERE ADJUSTED.

In “Segment overview: profit or loss for the period”, the segments are presented in accordance with their breakdown in the income statement and allocated to the consolidated result.

As the Hotels segment is subject to different criteria than the other segments in terms of its management, the corresponding information for the Hotels segment is shown below. Detailed information about the individual segments in terms of their scope and management criteria is presented in section 2.

in EUR '000	Hotels		Investment Properties	
	2015	2014	2015	2014
<b>SEGMENT OVERVIEW – PROFIT OR LOSS FOR THE PERIOD</b>				
External revenues	96,573	106,316	5,121	10,560
Intragroup services	–	–	–	–
Expenses directly attributable to revenues	(68,450)	(75,324)	(1,680)	(3,125)
<b>Gross income from revenues</b>	<b>28,124</b>	<b>30,992</b>	<b>3,442</b>	<b>7,435</b>
Gains or losses from the disposal of properties	–	–	–	–
Other operating income	289	194	–	–
Expenses for development projects	–	–	–	–
Personnel expenses	(1,171)	(1,416)	–	–
Other/miscellaneous expenses	(7,375)	(6,641)	(92)	(1,346)
Intragroup services	(889)	(667)	(180)	(95)
<b>Segment EBITDA</b>	<b>18,978</b>	<b>22,462</b>	<b>3,170</b>	<b>5,994</b>
Scheduled depreciation and amortisation	(12,303)	(16,825)	–	–
Impairments	(11,747)	(6,804)	–	(2,387)
Reversals of impairment	2,576	–	–	–
Measurement gains	–	–	10	–
Measurement losses	–	–	(20,875)	(1,113)
<b>Segment EBIT</b>	<b>(2,495)</b>	<b>(1,167)</b>	<b>(17,695)</b>	<b>2,494</b>
Finance income	103	59	3	27
Financing expenses	(11,615)	(13,580)	(2,756)	(2,533)
Changes in foreign exchange rates	(9,538)	(14,543)	(9,339)	–
Earnings from joint ventures	–	–	–	–
Income taxes	(1,041)	(33)	–	–
Deferred income taxes	(831)	831	611	1,028
<b>Segment overview – profit or loss for the period</b>	<b>(25,418)</b>	<b>(28,433)</b>	<b>(29,176)</b>	<b>1,016</b>



	Development and Services		Segment total as at 31 December		Reconciliation		Group total as at 31 December	
	2015	2014	2015	2014	2015	2014	2015	2014
	3,514	2,866	<b>105,208</b>	119,742	<b>(43,310)</b>	(45,894)	<b>61,898</b>	73,848
	1,069	762	<b>1,069</b>	762	<b>(1,069)</b>	(762)	–	–
	(1,063)	(1,237)	<b>(71,192)</b>	(79,687)	<b>32,653</b>	34,128	<b>(38,539)</b>	(45,559)
	<b>3,520</b>	<b>2,390</b>	<b>35,085</b>	<b>40,817</b>	<b>(11,726)</b>	<b>(12,528)</b>	<b>23,359</b>	<b>28,289</b>
	24,270	367	<b>24,270</b>	367	<b>(10,050)</b>	(396)	<b>14,220</b>	(30)
	3,436	584	<b>3,725</b>	778	<b>(202)</b>	(194)	<b>3,523</b>	584
	(194)	(109)	<b>(194)</b>	(109)	<b>1</b>	6	<b>(193)</b>	(104)
	(4,360)	(3,633)	<b>(5,531)</b>	(5,049)	<b>318</b>	508	<b>(5,213)</b>	(4,542)
	(3,296)	(2,621)	<b>(10,763)</b>	(10,607)	<b>4,347</b>	3,524	<b>(6,416)</b>	(7,084)
	–	–	<b>(1,069)</b>	(762)	<b>1,069</b>	762	–	–
	<b>23,375</b>	<b>(3,022)</b>	<b>45,523</b>	<b>25,434</b>	<b>(16,243)</b>	<b>(8,319)</b>	<b>29,280</b>	<b>17,114</b>
	(72)	(78)	<b>(12,375)</b>	(16,903)	<b>3,470</b>	5,432	<b>(8,905)</b>	(11,471)
	(443)	(139)	<b>(12,189)</b>	(9,330)	–	(116)	<b>(12,189)</b>	(9,446)
	25	42	<b>2,601</b>	42	<b>(452)</b>	–	<b>2,149</b>	42
	826	8,300	<b>836</b>	8,300	<b>(826)</b>	(1,589)	<b>10</b>	6,711
	(1,428)	(7,414)	<b>(22,304)</b>	(8,527)	<b>2,054</b>	417	<b>(20,250)</b>	(8,110)
	<b>22,283</b>	<b>(2,311)</b>	<b>2,093</b>	<b>(984)</b>	<b>(11,998)</b>	<b>(4,176)</b>	<b>(9,905)</b>	<b>(5,160)</b>
	2,314	4,117	<b>2,420</b>	4,203	<b>(5)</b>	(12)	<b>2,416</b>	4,191
	(12,231)	(10,147)	<b>(26,602)</b>	(26,260)	<b>2,192</b>	3,302	<b>(24,410)</b>	(22,958)
	(629)	187	<b>(19,506)</b>	(14,356)	–	–	<b>(19,506)</b>	(14,356)
	297	702	<b>297</b>	702	<b>9,350</b>	829	<b>9,647</b>	1,531
	(17)	(80)	<b>(1,058)</b>	(113)	<b>864</b>	(2)	<b>(194)</b>	(115)
	247	(358)	<b>27</b>	1,501	<b>(404)</b>	60	<b>(377)</b>	1,561
	<b>12,264</b>	<b>(7,890)</b>	<b>(42,330)</b>	<b>(35,308)</b>	–	<b>2</b>	<b>(42,330)</b>	<b>(35,306)</b>

in EUR '000	Segment total		Reconciliation		Group subtotal	
	2015	2014	2015	2014	2015	2014
<b>SEGMENT OVERVIEW – STATEMENT OF FINANCIAL POSITION</b>						
Revenues – Hotels	<b>96,232</b>	105,920	<b>(42,112)</b>	(44,757)	<b>54,121</b>	61,163
Cost of materials	<b>(35,558)</b>	(40,191)	<b>16,969</b>	18,926	<b>(18,589)</b>	(21,265)
Personnel expenses	<b>(23,612)</b>	(24,378)	<b>11,018</b>	10,198	<b>(12,594)</b>	(14,180)
<b>Gross operating profit (GOP)</b>	<b>37,062</b>	<b>41,351</b>	<b>(14,124)</b>	<b>(15,633)</b>	<b>22,937</b>	<b>25,718</b>
Income after GOP	<b>630</b>	590	<b>(289)</b>	(194)	<b>341</b>	396
Management fees	<b>(5,980)</b>	(6,403)	<b>2,608</b>	2,737	<b>(3,373)</b>	(3,666)
Exchange rate differences	<b>259</b>	(394)	<b>(257)</b>	45	<b>2</b>	(349)
Property costs	<b>(3,847)</b>	(4,151)	<b>2,027</b>	1,839	<b>(1,820)</b>	(2,312)
<b>Net operating profit (NOP)</b>	<b>28,124</b>	<b>30,992</b>	<b>(10,036)</b>	<b>(11,206)</b>	<b>18,088</b>	<b>19,786</b>
Other costs after NOP	<b>(3,041)</b>	(2,610)	<b>1,062</b>	503	<b>(1,979)</b>	(2,107)
Leases/rent	<b>(5,215)</b>	(5,253)	<b>3,133</b>	3,106	<b>(2,082)</b>	(2,147)
Scheduled depreciation and amortisation on fixed assets	<b>(12,303)</b>	(16,825)	<b>3,465</b>	5,427	<b>(8,838)</b>	(11,398)
Impairment of fixed assets	<b>(11,747)</b>	(6,804)	–	(116)	<b>(11,747)</b>	(6,920)
Other impairments	–	–	–	–	–	–
Reversals of impairment	<b>2,576</b>	–	<b>(452)</b>	–	<b>2,124</b>	–
<b>Contribution to the operating profit for the Hotels segment</b>	<b>(1,606)</b>	<b>(500)</b>	<b>(2,829)</b>	<b>(2,287)</b>	<b>(4,435)</b>	<b>(2,787)</b>
Less intragroup services	<b>(889)</b>	(667)	<b>889</b>	667	–	–
<b>Segment EBIT</b>	<b>(2,495)</b>	<b>(1,167)</b>	<b>(1,940)</b>	<b>(1,620)</b>	<b>(4,435)</b>	<b>(2,787)</b>
<b>Key operating figures in the Hotels segment</b>						
Employees – Hotels	<b>1,358</b>	1,466	<b>-377</b>	-364	<b>981</b>	1,102
Total rooms	<b>3,368</b>	3,486	<b>-994</b>	-1,051	<b>2,374</b>	2,435
Rooms available	<b>3,213</b>	3,461	<b>-993</b>	-1,055	<b>2,221</b>	2,406
Rooms sold	<b>2,257</b>	2,348	<b>-727</b>	-764	<b>1,530</b>	1,584
Occupancy	<b>70%</b>	68%	<b>-1%</b>	-2%	<b>69%</b>	66%
REVPAR (in EUR)	<b>55</b>	53	<b>-16</b>	-14	<b>39</b>	40
<b>Composition of NOP (geographic):</b>						
• Czech Republic	<b>5,810</b>	6,273	<b>(372)</b>	(273)	<b>5,439</b>	6,000
• Poland	<b>13,722</b>	12,012	<b>(4,590)</b>	(4,273)	<b>9,131</b>	7,739
• Romania	<b>888</b>	679	–	–	<b>888</b>	679
• Russia	<b>2,630</b>	5,368	–	–	<b>2,630</b>	5,368
• Germany	<b>1,130</b>	3,103	<b>(1,130)</b>	(3,103)	–	–
• France	<b>3,944</b>	3,557	<b>(3,944)</b>	(3,557)	–	–

## SEGMENT DISCLOSURES AT GROUP LEVEL(GEOGRAPHIC)

	Hotels		Investment Properties		Development and Services		Group total	
	31/12/15	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14
Composition of non-current assets in accordance with IFRS 8.33 (geographic):								
• Austria	–	–	–	–	50	328	50	328
• Czech Republic	66,945	78,682	–	–	–	–	66,945	78,682
• Poland	90,779	87,512	–	–	19,464	16,765	110,244	104,277
• Romania	12,677	12,774	–	–	–	–	12,677	12,774
• Russia	19,374	63,687	35,717	65,483	11,399	56,846	66,489	186,016
• Hungary	–	–	21,527	10,903	3,349	10,334	24,876	21,237
<b>Total</b>	<b>189,774</b>	<b>242,656</b>	<b>57,244</b>	<b>76,386</b>	<b>34,263</b>	<b>84,272</b>	<b>281,281</b>	<b>403,314</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Composition of revenues (geographic):								
• Austria	–	–	–	–	894	354	894	354
• Czech Republic	18,361	20,720	336	360	–	–	18,697	21,080
• Poland	22,693	20,617	–	–	1,467	2,122	24,160	22,739
• Romania	3,050	2,668	–	–	–	–	3,050	2,668
• Russia	10,357	17,554	2,827	8,273	654	–	13,838	25,827
• Hungary	–	–	1,221	1,180	38	–	1,260	1,180
<b>Total</b>	<b>54,462</b>	<b>61,559</b>	<b>4,384</b>	<b>9,813</b>	<b>3,053</b>	<b>2,476</b>	<b>61,898</b>	<b>73,848</b>
Average number of employees	1,009	1,132	1	1	30	34	1,040	1,167

# Notes on the Consolidated Financial Statements

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2015

## [01] Corporate information

Warimpex Finanz- und Beteiligungs AG (“the Company” or “Warimpex”) is registered with the Commercial Court of Vienna under the number FN 78485w. The Company’s registered address is Floridsdorfer Hauptstrasse 1, A-1210 Vienna, Austria.

The audited consolidated financial statements of Warimpex Finanz- und Beteiligungs AG for the reporting year ended 31 December 2015 were authorised for release to the Supervisory Board by the Management Board on 27 April 2016. It is the duty of the Supervisory Board to review the consolidated financial statements and state whether the consolidated financial statements are approved.

The core activities of the Group encompass the construction of hotels and office buildings as well as the operation of these properties in Central and Eastern Europe. Depending on the market situation and maturity, properties are sold to achieve the maximum added value.

Information about the Group structure is presented in section 4.1.

## [02] Segment information

### 2.1. General

Reporting within the Group is based on the following reportable business segments:

- Hotels
- Investment Properties
- Development and Services

The business segments were defined according to the criteria in IFRS 8.5 ff. The individual segments are identified on the basis of their different products and services. The individual hotels and individual managed properties (investment properties) also represent individual business segments based on the Group’s reporting structure and are consolidated under the reportable segments of Hotels and Investment Properties as appropriate in accordance with IFRS 8.12. Detailed information about this can be found in section 2.2.

Transactions between business segments contain the recharging of intragroup services and project development services at arm’s length terms. In no cases do service relationships with individual external customers exceed 10 per cent of the total Group revenues. Revenues from customers are allocated geographically in the segment reporting according to the place of performance.

The internal reporting and segment reporting are completed according to the provisions of the IFRS as they have been adopted by the EU. Part of the activities of all segments are conducted through joint ventures. The income, expenses, assets, and liabilities of joint ventures are included under the principle of proportionate consolidation for segment reporting purposes. The “Reconciliation” column shows the effects from the reconciliation between recognition of the joint ventures using the proportionate consolidation method for the segment information and the equity method in the consolidated financial statements.

### 2.2 Information about the individual business segments:

#### 2.2.1. Hotels segment

The individual hotels are combined into a single reportable segment on the basis of comparable economic characteristics. This pertains particularly to the type of products and services (lodging, food and beverages), to the production processes in the hotels, to the customer structure (business and leisure), and to the sales channels.

The resulting business segment covers all activities, assets, and liabilities that are associated with the operation of hotels. The hotels are either wholly owned by the Group, partially owned by the Group through joint ventures, or are leased.

Nearly all of the hotels are four-star establishments. The following hotels are fully or proportionately included in the segment information:

Czech Republic:	Diplomat, angelo Prague, angelo Plzeň, Dvorak spa hotel, Savoy (until 30 June 2014)
Poland:	InterContinental hotel, andel's Krakow, Chopin, andel's Łódź, angelo Katowice, Amber Baltic
Romania:	angelo Bucharest
Russia:	Liner and angelo hotels in Ekaterinburg (until 30 September 2015), Crowne Plaza St. Petersburg
Germany:	andel's Berlin (until 1 August 2015)
France:	Magic Circus, Dream Castle

Key figures that are typical for the sector are used to manage the hotels. These include GOP (gross operating profit, calculated according to the Uniform System of Accounts for the Lodging Industry) and NOP (net operating profit, which corresponds to the GOP less specific costs of ownership such as management fees, insurance, land tax, etc.). A reconciliation of the NOP against the earnings before interest and taxes (EBIT) can be seen in the profit or loss account for the Hotels segment. Additional hotel-specific metrics are occupancy and the average revenue per available room (REVPAR).

The Hotels segment is analysed according to the cost of sales method for purposes of internal Group reporting. The GOP contains all sales revenues, costs of materials and services, and personnel expenses that are directly related to the operation of the hotel. The NOP also contains the directly allocable costs of the owner.

Hotel revenue consists mainly of revenue for lodging and for food and beverages. The hotels are managed by external service providers; the management fee is generally calculated as a percentage of the revenues and of the GOP. The property costs include insurance and property taxes, among other expenses.

Other costs after NOP include personnel expenses for administrative staff as well as expenses of the owner of the hotel that are not directly attributable to the operation of the hotel.

### 2.2.2. Investment Properties segment

The Investment Properties segment contains the business activities, assets, and liabilities for the non-hotel properties that are currently operated by the Group. These are offices and office buildings that have comparable economic characteristics. The office properties in the reportable segment are comparable in terms of the rendered services (letting), the production processes (construction or purchase of the property, tenant

adaptations), the customer groups (corporate customers), and the sales channels.

The properties are either wholly owned by the Group or partially owned by the Group through joint ventures. The Investment Properties segment contains the following buildings for the reporting period:

Czech Republic:	office and retail space, Prague (leased)
Poland:	Parkur Tower, Warsaw; multidevelopment, Krakow
Russia:	Zeppelin office tower, St. Petersburg (from July 2015)
Hungary:	Erzsébet office building (thereof Tower A from the end of September 2015), Dioszegi, Sajka (all in Budapest)

This segment is managed on the basis of the performance metrics according to IFRS, in particular EBITDA (earnings before financial expenses and gains/losses on remeasurement). The revenues consist primarily of rental revenue and revenue for tenant adaptations.

### 2.2.3. Development and Services segment

The Development and Services segment contains development activities and other services, as well as the associated assets and liabilities including activities in the Group parent company. The revenues in this segment come either from the sale of developed properties or from development activities and services for third parties, and are subject to significant annual fluctuation. Properties operated under a different segment are reclassified into the Development and Services segment before being sold.

During the reporting period, the segment assets included development properties in Poland, Hungary, and Germany and buildings being constructed or converted in Russia and Hungary.

This business segment is primarily managed on the basis of sale transactions, and revenue, EBITDA, and the segment result according to IFRS are the most important metrics.

## [03] Accounting policies

### 3.1. Basis for preparation

The consolidated financial statements of Warimpex Finanz- und Beteiligungs AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The additional requirements of § 245a (1) UGB (Uniform Commercial Code) were also met.

As a general rule, the consolidated financial statements are prepared using the (amortised) historical cost of all assets; excepted from this rule are investment properties, derivative financial instruments, and available-for-sale financial assets, which are stated at fair value.

The consolidated financial statements are based on the going concern principle. The continued operation of the Company requires the ongoing refinancing of current financial liabilities and further measures to secure liquidity such as asset sales; the implementation of these measures involves a high degree of uncertainty. The Management Board of Warimpex assumes that it will be possible to secure sufficient liquidity through suitable measures to continue the operations of the Company. Please also see section 8.2.4. for further information.

The Group's reporting currency is the euro. The consolidated financial statements are presented in full thousands of euros except where otherwise indicated. Rounding differences may arise from the addition of rounded figures.

Financial statements of the Group member companies prepared in accordance with local accounting regulations 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 at 31 December.

All entities that are included in the consolidated financial statements are listed in section 4.

### 3.2. Changes in accounting policies and regulations

#### 3.2.1. New and changed standards and interpretations – first-time application

*The following new or amended standards were applied for the first time in the reporting period:*

##### IFRS 8: Segment information

Due to an amendment to IFRS 8, decisions made at the discretion of management in the assignment of operations to the business segments must be disclosed. In the Group, this pertains to the reportable segments of Hotels and Investment Properties (see also the comments in sections 2.2.1. and 2.2.2.). In addition, the obligation to disclose reconciliation calculations for assets from the reportable segments to assets at the company level no longer applies when the assets are not regularly reported to the responsible company board or management member. As such reports are not made regularly in the Group, Warimpex is no longer preparing such reconciliation calculations for assets and liabilities.

*The following amended standards and interpretations are to be applied for the financial year in the EU, but are not relevant for the annual financial statements aside from the provision described above:*

- Annual Improvements IFRS 2010–2012 and 2011–2013
- Amendments to IAS 19: Defined Benefit Plans – Employee Contributions
- IFRIC 21 Levies: Guidelines on from when a debt for an officially imposed levy is to be recognised

### 3.2.2. New and changed standards and interpretations – not yet applied

The following interpretations and amended standards were adopted by the EU after they were published by the IASB:

#### Annual Improvements IFRS 2012–2014

The following annual improvements are to be applied for financial years beginning on or after 1 January 2016.

Standard	Type of changes	Explanation
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Changes in the disposal method	The changes pertain to the adoption of special guidelines in IFRS 5 in connection with assets held for profit disbursement purposes. The Group expects this to have no impact on the consolidated financial statements.
IFRS 7: Financial Instruments: Information	Administration contracts	It was clarified as to under what circumstances an administration agreement represents a continued commitment regarding a transferred asset (to determine the required disclosures). The Group expects this to have no material impact on the consolidated financial statements.
	Applicability of the amendments to IFRS 7 to condensed interim financial reports	This amendment clarifies the applicability of the information about offsetting to condensed interim reports. The Group expects this to have no material impact on the consolidated financial statements.
IAS 19: Employee Benefits	Discount rate: regional market question	High-value corporate bonds that are used for determining the discount rate for post-employment benefits must be denominated in the same currency as the benefits to be provided. This is expected to result in no changes to the consolidated financial statements.
IAS 34: Interim Financial Reporting	Disclosure of information elsewhere in the interim financial report	The meaning of “elsewhere” was clarified; a reference to this other location must be provided in the interim report. The Group will add these references in the interim financial report as appropriate.

#### Amendments to IFRS 11:

##### Accounting for Acquisitions of Interests in Joint Operations

These amendments contain guidelines about how the acquisition of an interest in a joint operation is to be recognised when the interest is in a business operation pursuant to IFRS 3. In this case, the relevant principles for business combinations in IFRS 3 and other IFRSs must be applied provided that they do not conflict with the guidelines in IFRS 11. The amendments are to be applied to the acquisition of an interest in an existing joint operation and to the acquisition of an interest in a joint operation upon its establishment provided that the formation of the joint operation does not coincide with the formation of the business. The amendments must be applied to financial years beginning on or after 1 January 2016. This provision will be applied by the Group in future when such a case arises.

#### Amendments to IAS 1: Disclosure Initiative

These amendments to IAS 1 provide guidelines for the application of the materiality principle and clarification on the statement of financial position and statement of comprehensive income. The Group expects this to have no direct impact on the consolidated financial statements.

The following standards and amendments to standards have already been published by the IASB, but have not yet been adopted by the EU:

#### IFRS 16: Leases:

The IASB published the new standard on leases on 16 January 2016. Based on the new regulations, the lessee is required to recognise the rights and obligations from any leases. In future, lessees must recognise a right-of-use asset and a corresponding lease liability. There are exceptions for short-term contracts and low-value assets, and for certain special cases.

The first-time recognition of the right of use consists of the following components: the initial measurement of the lease liability (cash value of the lease payments), lease payments made before or at the beginning of the leasing arrangement, direct initial costs of the lessee, and any dismantling costs. Subsequently, the right of use is recognised at amortised cost pursuant to IAS 16 Property, Plant and Equipment and IAS 36 Impairment of Assets. This does not include investment properties that are measured at fair value pursuant to IAS 40.

The lease liability is discounted using the rate implicit in the agreement and reduced by the lease payments. Interest costs and variable lease payments that are not part of the lease liability are recognised in the income statement.

Sale and lease-back transactions are only recognised according to IFRS 16 when they involve a sale according to the criteria of IFRS 15 Revenue from Contracts with Customers. Otherwise, the asset shall continue to be recognised on the balance sheet and a financial liability according to IFRS 9 Financial Instruments shall also be recognised.

The new standard results in no material changes for lessors. The standard still differentiates between finance and operating leasing arrangements. The disclosure requirements are significantly expanded. IFRS 16 is to be applied starting on 1 January 2019. Earlier application is possible when IFRS 15 Revenue from Contracts with Customers is also applied. The Group does not intend to apply the standard early.

After an initial analysis, the Group expects that the application of the new standard will lead to an expansion of the balance sheet. The most important change is expected to result from the recognition of the right of use and lease liability relating to the andel's hotel in Krakow (see also section 9.2.2.). Other rental and leasing arrangements of a smaller scale are currently being reviewed. The new rules for sale and lease-back agreements differ from the current practice in the Group, according to which the profit from the increase in value over the course of the leasing arrangement is recognised according to IAS 17 (see also section 7.15.). In addition, there will be more extensive disclosures in the notes.

#### IFRS 9: Financial Instruments

IFRS 9 contains regulations for the recognition, measurement, and derecognition of financial instruments and for the recognition of hedging relationships. The new IFRS 9 completely replaces IAS 39. The most important provisions of IFRS 9 are:

- IFRS 9 introduces a new classification model for financial assets.
- The subsequent measurement of financial assets is based on three categories with different measures of value and a different method of recognising value changes. The categorisation is made based on the contractual payment flows of the instrument and the business model under which the instrument is held. These categories are generally mandatory. Choices can be made in certain cases.
- The provisions of IAS 39 were largely adopted for financial liabilities. The most important change pertains to financial

liabilities under the fair value option. For these assets, changes in value stemming from changes in the default risk must be recognised in other comprehensive income.

- IFRS 9 specifies three stages that determine the amount of the losses and interest revenue to be recognised. It specifies that expected losses in the amount of the present value of an expected 12-month loss must be measured upon initial recognition (stage 1). If there is a significant increase in the default risk, the risk provision must be increased to the amount of the expected full lifetime losses for the entire remaining term (stage 2). When there is objective evidence of impairment, interest revenue must be recognised on the basis of the net book value (book value less risk provisions) (stage 3).

IFRS 9 must be applied for financial years beginning on or after 1 January 2018. After an initial analysis, Warimpex expects that IFRS 9 will result in changes in the classification of the financial assets and changes and further disclosures in the notes. Based on the Group's business model, significant effects on the income statement are not expected at this time. But a more detailed analysis must still be conducted.

#### IFRS 15: Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 and IAS 18 and the associated interpretations. IFRS 15 specifies when and in what amount revenue is to be recognised and requires more extensive disclosures. IFRS 15 must be applied to all customer contracts in general; exceptions apply to certain non-monetary exchanges and certain contracts that are covered by other standards.

The new standard specifies a uniform five-stage model with the following steps:

- Identification of the contract with a customer
- Identification of the individual performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of the revenue when the company satisfies a performance obligation (criterion: transfer of control)

When a contract is concluded, IFRS 15 requires that it be determined whether the revenue from the contract is to be recognised at a specific point in time or over a specific period. In this, it must first be determined on the basis of certain criteria whether the control of an asset is conferred for a period of time. If this is not the case, the revenue must be recognised at the point in time at which the control of the asset passes to the customer. If the control of the asset is transferred over a period of time, the revenue may only be recognised over a period of time to the extent that the progress of contract



fulfilment can reliably be measured using input- or output-oriented methods.

In addition to the general revenue recognition principles, the standard contains detailed implementation guidelines on specific issues such as sale with the right of return, customer options for additional goods or services, principal-agent relationships, and bill-and-hold agreements. It also deals with the costs for the fulfilment and winning of a contract and the recognition of such costs. Costs that do not meet the specified criteria must be recognised as expenses when incurred.

The standard must be applied for financial years beginning on or after 1 January 2018. Earlier application is permitted. Warimpex especially expects an impact on the consolidated financial statements in the case of future development services for third parties and property sales. The timing of the recognition of hotel revenue and office rents should not change materially. The disclosures in the notes can also be expected to expand substantially. After a more detailed analysis, the Group will decide on the first-time application and transition methods depending on when the standard is adopted by the EU.

### 3.3. Basis of consolidation

The consolidated financial statements comprise the financial statements of Warimpex Finanz- und Beteiligungs AG and its direct and indirect subsidiaries. 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. Please refer to the information under section 3.5. for details about the recognition of joint ventures.

A non-controlling interest is a share in the equity of a subsidiary that cannot be directly or indirectly attributed to its parent company. These shares are reported separately for the profit or loss for the period and the total comprehensive income, in the consolidated statement of financial position, and in the statement of changes in equity. In the consolidated statement of financial position, these interests are presented within equity, separately from the equity attributable to shareholders of the parent. Losses are also attributed to non-controlling shares when this results in a negative balance. Changes in interests in subsidiaries not leading to a loss of control over the subsidiary are recognised as equity transactions.

### 3.4. Important accounting judgements and estimation uncertainty

In preparing the consolidated financial statements of the Group, it is necessary to estimate figures and make assumptions which influence the recording of assets and liabilities, the presentation of other obligations as at the reporting 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.

Please see section 3.1. and section 8.2.4. for information on the liquidity-procurement measures that are required for the continued operation of the Company.

The most important future-related assumptions and other sources of estimation uncertainties that existed as at the reporting date and which may constitute a source of considerable risk that substantial adjustments of the carrying amounts of assets and liabilities will have to be made in the subsequent financial year are explained in detail below:

#### 3.4.1. Measurement of the fair value (IFRS 13)

The Group measures financial instruments such as derivatives and non-financial assets such as investment properties at their fair value on each reporting date. The fair value is the price that would be paid for the transfer of an asset or a liability in a transaction at arm's length terms on the reporting date. In measuring the fair value, it is assumed that the transaction will take place on the primary market or, when such a market does not exist, on the most advantageous market.

The fair value is measured on the basis of the assumptions that the market participants would use in determining the price. When measuring the fair value of a non-financial asset, the ability of the market participants to obtain the greatest possible financial benefits from the asset through the most lucrative and best use or through sale to another market participant is taken into account.

All assets and liabilities for which the fair value is measured or that are reported in the consolidated financial statements are classified according to the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Measurement methods employing inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Measurement methods employing inputs other than

quoted prices included within level 1 that are not observable for the asset or liability

For assets and liabilities that are included in the consolidated financial statements on a recurring basis, the Group determines whether items have been reclassified within the hierarchy by reviewing the classification at the end of every reporting period (based on the lowest level of inputs material for determining the fair value).

Reclassification between the individual levels of the hierarchy

#### 3.4.1.1. Measurement of financial instruments

If the fair value of recognised financial instruments cannot be measured using listed prices on active markets, it is determined using measurement methods including the discounted cash flow approach. The inputs used in the valuation models that fall under level 3 of the hierarchy are based on observable market data to the greatest extent possible. If such data are not available, the fair value is determined in large part at the discretion of the management. This discretion pertains to inputs such as liquidity risk, default risk, and volatility. When changes are made to the assumptions for these factors, this can have an effect on the recognised fair values of the financial instruments.

The available-for-sale financial assets and derivative financial instruments are recognised at fair value in the consolidated statement of financial position. Additional information is provided in sections 7.8. and 7.12. Please refer to sections 3.6. and 8.1. for further information about financial instruments and fair values.

#### 3.4.1.2. Valuation of property

Because of the importance of properties for the Group, the value of properties is generally determined by independent external experts with appropriate professional qualifications and current experience with the location and type of the property in question using recognised appraisal methods. In the cases where there is a binding offer to buy a property or a purchase contract for a property, this is used for the valuation.

The appraisal method used by the expert depends on the type of property. In this, developed properties that generate regular returns (hotels and office properties), properties under development, and undeveloped plots of land are treated differently.

The discounted cash flow method is generally used to determine the fair value of developed properties. For this, the expected cash flows are discounted on the valuation date. This corresponds to level 3 of the fair value hierarchy. The discount rate reflects current market valuations arising from uncertain-

ties about the amounts and timing of future cash flows. The planning period is generally 10 years plus the terminal value (residual value in year 10), which is determined using the exit yield. The valuation includes a country-specific inflation rate.

The residual value method is generally used for properties under development. For this, the fair value is first determined on the basis of the expected cash flows. The outstanding investment costs and an appropriate project profit for the developer are deducted from this. The project profit is calculated as a percentage of the outstanding investment costs, and covers the development risk, among other things.

The fair value of undeveloped properties (reserve properties) is determined using the comparative method, based on standard market prices per square metre.

**Impairment of and reversal of impairments on hotel properties (see also sections 6.6. and 7.1.):**

The Group recognises the hotel properties as property, plant, and equipment and regularly reviews them for impairment. This requires the estimation of the recoverable amount. The recoverable amount is the higher of the value in use or fair value, less selling expenses. The recoverable amount of each property is determined on the basis of external appraisals.

If the carrying amount of an asset is greater than the recoverable amount, the asset is written down to its recoverable amount. Impairment charges that have been recognised are reversed when a valuation completed after the recognition of the last impairment charge indicates a higher recoverable amount. In this case, the carrying amount of the asset is written up to the recoverable amount (impairment reversal). This amount may not exceed the carrying amount that would apply for the asset had scheduled depreciation but no impairment charges been applied up to the reporting date.

The recoverable amount depends heavily on the applied exit yield and the expected future cash inflows. There is increased planning certainty at present due to various geopolitical and financial market distortions. These especially affect the markets in Eastern Europe, above all Russia. Related uncertainties may result in significant carrying amount adjustments in the coming financial years.

The impairment reversals and impairment charges are shown in section 6.6. Please see section 7.1. for information on the carrying amounts of these assets.

**Remeasurement results for investment properties:**

Warimpex recognises its investment properties using the fair value model based on external appraisals. The remeasurement

results that stem from the changes in the fair values are recognised through profit or loss.

Please see section 7.2. for information about the changes in investment properties, the valuation input parameters, and the associated sensitivity information. The gains/losses on remeasurement are shown in section 6.6.

**3.4.2. Control of other companies without a voting majority**

Two structured companies in which no direct or indirect interest is held were previously included in the consolidated annual financial statements. According to the Group's assessment, the criteria in IFRS 10.7 applied regarding control, risk exposure from and the entitlement to variable yields, and the ability to exert control to influence these yields. This was based especially on contractual pre-emption and drag-along rights that conferred the Group control and variable yields.

Under the drag-along right, Warimpex was entitled to demand the sale of the structured companies to a third party named by Warimpex.

Warimpex reassessed the situation on the reporting date and came to the conclusion that the specified rights are so limited as at the reporting date due to the economic conditions that they can no longer be considered to be material. For this reason, these companies were deconsolidated on the reporting date (see also section 5.1.).

**3.4.3. Determination of the functional currency of foreign business operations**

The functional currency of subsidiaries deviates from the local currency in some cases. At hotels in the EU, the revenue is denominated in euros. The rental revenue from office properties in the Group is also denominated in euros with the exception of Russian properties. The goods and services required for the operation of these hotel and office properties are paid for in part in the local currency and in part in euros. Financing throughout the Group is generally conducted in euros. Applying the discretion permitted in IAS 21.12, the euro is defined as the functional currency for the subsidiaries whose revenue is denominated in euros. The functional currency of each subsidiary is shown in the overview of subsidiaries (section 4.1.1.).

**3.4.4. Recognition of deferred tax assets**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the loss carryforwards of unused tax credits can be utilised. The amount of deferred tax assets is determined at the discretion of the management based on the

expected time of occurrence and the amount of future taxable income as well as future tax planning strategies.

Other deferred tax assets are only shown in the statement of financial position if tax plans for the individual taxable entity make it appear probable that the deferrals can actually be utilised.

Further information is provided in section 6.10. Income taxes and section 7.6. Deferred taxes (tax assets and liabilities).

### 3.5. Recognition of joint ventures

Interests are qualified as joint ventures when an agreement is in place under which the contract partners that exercise joint control over the arrangement have rights to the net assets of the arrangement. The Group recognises its net investments in joint ventures using the equity method according to IFRS 11.

In accordance with the equity method of accounting, the shares in joint ventures are recognised in the statement of financial position at cost plus any changes in the share of net assets of the joint venture held by the Group. In addition to the cost of acquisition, the net investments include loans extended to joint ventures that are not planned or expected to be repaid in the foreseeable future.

The goodwill associated with a joint venture is included in the carrying amount of the respective interest and is not subject to regular amortisation. The Group's share in the profit or loss of the joint venture is recognised on the income statement.

Changes shown in the other comprehensive income of the joint venture are recognised in the amount of the Group's pro-rata share and shown in the consolidated statement of changes in equity where applicable. Gains and losses from transactions between the Group and the joint venture are eliminated in line with the Group's share in the joint venture.

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

Adjustments are made in the consolidated financial statements to eliminate the Group share of non-realised profits and losses from transactions between the Group and joint ventures. When the Group purchases assets from a 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.

After applying the equity method, the Group determines whether or not it is necessary to recognise additional impairment charges for its interests in joint ventures. On every reporting date, the Group determines whether or not there are objective reasons to believe that the value of an interest in a joint venture may be lower than its carrying amount. If this is the case, the difference between the recoverable amount of the share in the joint venture and the carrying amount of the interest is recognised as an impairment charge on the income statement.

Allocated profits from a joint venture increase the recognised value of the interest, and allocated losses reduce the recognised value down to the amount of the net investment in the joint venture.

If the net investment in a joint venture has been written down entirely because of the allocation of losses and if the proportionate equity in the joint venture is negative beyond this, an assessment is completed to determine whether provisions must be formed related to associated liabilities or issued guarantees.

Joint ventures are recognised in the consolidated financial statements using the equity method until the joint management of the venture by the Group ceases.

The composition of and changes in the net investments in joint ventures and summarised financial information about the key joint ventures can be found in section 7.4.

### 3.6. Financial instruments

#### 3.6.1. Financial assets

Financial assets within the meaning of IAS 39 are classified either as financial assets to be measured at fair value through profit or loss, as loans and receivables, or as available-for-sale financial assets. On initial recognition, financial assets are measured at fair value.

In the case of financial assets other than those classified as recognised at fair value through profit or loss, transaction costs directly attributable to the acquisition of the respective asset are additionally taken into account. Classification of financial assets into one of the stated categories is effected upon initial recognition.

#### Financial assets measured at fair value through profit or loss:

The category of financial assets measured at fair value through profit or loss includes all derivative financial instruments with positive fair values not held for hedging purposes. There were no derivative financial assets in hedging relationships on the reporting date.

**Loans and receivables:**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method and taking into account value impairments, if any. Gains and losses are recognised in the profit or loss for the period when the liabilities are derecognised, as well as through the amortisation process.

**Available-for-sale financial assets:**

Available-for-sale financial assets are any non-derivative financial assets that are designated on initial recognition as available for sale rather than assigned to one of the above categories. Following initial recognition, available-for-sale assets are measured at fair value. Unrealised gains and losses are recognised in other comprehensive income. The cumulated gain or loss that was recognised in equity is recognised in profit or loss when available-for-sale financial assets are derecognised.

**3.6.2. Impairment of financial assets**

On each reporting date, the Group assesses whether a financial asset or group of financial assets is impaired. An impairment exists when one or more events have occurred since the first recognition of the asset that have an effect on the expected future cash flows of the financial asset or group of financial assets that can reliably be estimated. Evidence of impairment can exist when there are signs that a debtor is experiencing significant financial difficulties.

**Loans and receivables****(financial assets carried at amortised cost):**

If there is objective evidence that an impairment loss has been incurred on financial assets carried at amortised cost, 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.

Trade receivables, which generally have a term of 10 to 90 days, are recognised and carried at original invoice amount less impairment charges for any uncollectable amounts. An impairment charge 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.

**Available-for-sale financial assets:**

On every reporting date, the Company determines whether there is evidence for impairment of the available-for-sale financial assets. For equity instruments classified as held for sale, a significant or lasting decline in the fair value below the cost of acquisition is considered to be such evidence. The criterion of "significant" is assessed on the basis of the original

cost, while the criterion of "lasting" pertains to the period in which the fair value is less than the original cost.

The same principles as for financial assets recognised at amortised cost are applied for the determination of impairment of available-for-sale debt instruments.

If an asset is impaired, the cumulated loss is recognised through profit or loss under financial expenses and deducted from the reserve for value changes for available-for-sale financial assets.

Reversals for equity instruments classified as available for sale are not recognised in the profit or loss for the period. Reversals of impairment on debt instruments are stated through profit or loss if the increase in the fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

**3.6.3. Financial liabilities**

When recognised for the first time, financial liabilities are either categorised as financial liabilities recognised at amortised cost, as financial liabilities recognised at fair value through profit or loss, or as derivative financial instruments in a hedging relationship.

Upon initial recognition, financial liabilities are recognised at fair value; financial liabilities that are recognised at amortised cost are recognised at their fair value less directly allocable transaction costs upon initial recognition.

**Financial liabilities measured at amortised cost:**

After initial recognition, financial liabilities are recognised at amortised cost using the effective interest rate method. Gains and losses are recognised through profit or loss when the liabilities are derecognised, as well as through the amortisation process.

**Financial liabilities measured at fair value through profit or loss:**

The category of financial liabilities measured at fair value through profit or loss includes all derivative financial instruments with negative fair values (including separately recognised embedded derivatives) not held for hedging purposes. Gains and losses from financial liabilities that are recognised at fair value are recorded in the income statement.

**Derivative financial instruments with hedging relationships**

The derivative financial instruments in a hedging relationship that are held by the Group are cash flow hedges. These serve to protect against the risk of fluctuations in cash flows associated with an asset or liability on the statement of financial position, for example loans subject to variable interest, a risk that may

materialise related to a forecast transaction, or the currency risk associated with a firm off-balance-sheet commitment.

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while any ineffective portion is recognised immediately in the profit or loss for the period.

Amounts taken to other comprehensive income 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 an expected sale occurs. When a hedging relationship results in the recognition of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income become part of the acquisition cost upon recognition of the non-financial asset or liability.

If the intended transaction or firm commitment is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the profit or loss for the period. If the hedging instrument expires or is sold, terminated, or exercised without replacement or rollover, amounts previously recognised in other comprehensive income remain in equity until the intended 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.

#### 3.6.4. Convertible bonds

When a convertible bond is issued in euros, the future payment flows are discounted for the agreed term at the agreed interest rate plus a premium that would have been paid had a bond without conversion rights been issued. The amount of this difference is recognised directly in the capital reserve as the value of the conversion right.

For convertible bonds that are not issued in the Group's functional currency, no equity capital component is recognised; instead, the liabilities (bond component) and the conversion rights are recognised separately, the latter as an embedded derivative. The transaction costs that can be allocated to the bond component are distributed over the term according to the effective interest rate method.

The non-derivative portion of the convertible bonds is assigned to the category of liabilities recognised at amortised cost according to IAS 39 and recognised at amortised cost. In subsequent periods, the embedded derivatives are recognised at their fair value. Changes in the values are recognised through profit or loss.

#### 3.6.5. Derivative financial instruments and hedging transactionse

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. Derivative financial instruments that are used for hedging purposes and that meet the requirements for hedge accounting according to IAS 39 are designated as part of the hedging relationship and recognised according to the hedge accounting rules (cash flow hedges). Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (see also section 3.6.3.).

#### 3.6.6. Leases

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

##### The Group as lessee

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 the 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. If the Group will obtain ownership at the end of the lease term, capitalised leased assets are fully depreciated according to IAS 16 over the estimated useful life of the asset.

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

A surplus from a sale and lease-back transaction that leads to a finance lease is distributed over the term of the leasing arrangement through profit or loss.

Lease payments for operating leases are written down as an expense on the income statement over the term of the lease.

##### The Group as lessor

Leases under which all material risks and benefits incidental to ownership of the leased item are not transferred from the Group to the lessee are classified as operating leases. The Group has concluded leases for the commercial letting of its

investment properties. These have been classified as operating leases.

Please see section 9.2. for information about the leases.

### 3.7. Non-current assets held for sale

If individual disposal groups are classified as held for sale, all assets and liabilities are reclassified in accordance with IFRS 5. Assets are classified as held for sale when the associated carrying amount is based primarily on a disposal transaction. It must be highly probable that the asset will be sold, and the asset or disposal group must be in an immediately saleable condition. Further criteria for classification as held for sale are related Management Board decisions, the initiation of a search for a buyer or the implementation of the associated plans, and expected sale within one year.

Non-current assets (or disposal groups) that are classified as held for sale are recognised at the lower of the carrying amount or the fair value less selling costs. Investment properties are still subject to the measurement rules of IAS 40, even when they have been classified as held for sale. For this reason, these properties are recognised at fair value, not taking the costs of disposal into account.

Information on the assets held for sale (disposal groups) can be found in section 5.1.

### 3.8. Foreign currency transactions and balances

The financial statements of foreign companies are translated into euros according to the functional currency concept. The functional currency for each entity within the Group is determined on the basis of the relevant criteria (see section 3.4.3.). The items contained in 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. An overview of the functional currencies is presented in section 4.1.1.

#### Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency by the Group member company at the valid spot rate on the date of the transaction. Monetary assets and liabilities in a foreign currency are translated into the functional currency on the reporting date using the valid spot rate on the reporting date.

When the respective local currency is not the functional currency for foreign businesses, current income and expenses

are translated on the basis of monthly interim financial statements at the weighted average exchange rate for the respective month. Significant transactions are translated at the spot rate that is valid for the date of the transaction. All translation differences are recognised in profit or loss.

Non-monetary items measured at historical cost in a foreign currency are translated at the valid exchange rate on the date of the transaction.

#### Translation of the financial statements of the entities included in the consolidated financial statements (foreign businesses):

The assets and liabilities of the foreign subsidiaries are translated into euros at the valid rate on the reporting date. The income and expenses are translated at the spot rate on the date of the transaction, or at average rates for the purposes of simplification. All exchange differences that arise are recognised in other comprehensive income. Upon disposal of a foreign entity, the deferred cumulated amount relating to the particular subsidiary previously recognised in other comprehensive income is transferred to the statement of comprehensive income. When settling internal monetary assets and debts within the Group, the translation difference is recognised through profit or loss so far as the difference is not a translation difference from monetary items that are part of the net investment in a foreign business. These are recognised in the other comprehensive income, and are transferred from equity to the profit or loss statement in the event that the net investment is sold.

#### Exchange rates:

The exchange rates on 31 December 2015, which have been applied for all items that are translated at the closing rate as of the reporting date, are as follows:

		31/12/2015	31/12/2014
Polish zloty	(PLN/EUR)	4,2615	4,2623
Czech koruna	(CZK/EUR)	27,0250	27,7250
Hungarian forint	(HUF/EUR)	313,12	314,89
Swiss franc	(CHF/EUR)	1,0835	1,2024
Russian rouble	(RUB/EUR)	79,6972	68,3427
Romanian leu	(RON/EUR)	4,5285	4,4821

### 3.9. Property, plant, and equipment

Property, plant, and equipment that is eligible for depreciation is recognised at cost of acquisition or production less scheduled depreciation and impairment charges and plus any impairment reversals in accordance with IAS 16. Scheduled depreciation is applied on a straight-line basis and is calculated for 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 that are capitalised are also written down over their estimated useful lives. The carrying amounts of property, plant, and equipment items are tested for impairment whenever there is evidence to indicate that the carrying amount of the asset is greater than its recoverable amount.

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 fixtures) and depreciated individually. Please see section 7.1. in the notes for information about the useful lives.

Production costs of property, plant, and equipment developed by the Group contain direct expenses plus allocated material and production overheads. Borrowing costs are capitalised according to IAS 23 where they can be directly attributed to the project under development through specific project financing or loans from joint venture partners or minority shareholders, for example. These costs are also written down over the estimated useful economic lives of the respective assets.

A property, plant, and equipment item is derecognised upon its disposal or when no further economic benefit is expected from the continued use or disposal of the asset. The gains or losses associated with the derecognition of the asset are determined by calculating the difference between the net selling proceeds and the carrying amount of the asset and are recognised through profit or loss in the period in which the asset is derecognised.

### 3.10. Investment properties

These assets are recognised at fair value according to IAS 40. Changes in the fair value result in measurement gains or losses that are recognised through profit or loss during the financial year.

Investment properties are classified as such when there is no intention to sell them or use them for Group purposes and they are held to generate rental revenue or value increases.

Investment properties are derecognised upon the sale of such properties or when no further continued use is possible or no future economic benefit is expected from their disposal. Gains or losses from the disposal of investment property are recognised through profit or loss at the time at which the property is disposed of or sold.

### 3.11. Goodwill

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 acquired entity's identifiable assets and liabilities. If this consideration is less than the current fair value of the net assets of the acquired subsidiary, the difference is recognised in the profit or loss for the period.

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

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 these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Information about the measurement of goodwill can be found in section 7.3.



### 3.12. Other intangible assets

The Group recognises acquired computer software as intangible assets. 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 clientèle, have been acquired. So far, no separately identifiable intangible assets have been identified in a business combination since the Group has only acquired individual properties (such as hotels or investment properties).

### 3.13. Inventories

Inventories are valued at the lower of acquisition cost, production cost, or net realisable value. Inventories consist primarily of raw materials and merchandise (primarily food and beverages) from the Hotels segment. Consumption is recorded based on the FIFO (first in-first out) method.

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

### 3.14. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less from the time of acquisition.

The Group holds bank deposits that serve as collateral for guarantees or loans. These are not reported under the cash and cash equivalents, but under the other financial assets.

### 3.15. Pensions and other employee 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.

The provisions are measured using the projected unit credit method. For this, the expected benefits to be paid are distributed according to the active time of the employee until retirement. The provision amounts are determined on the reporting date by an external expert in the form of an actuarial opinion.

Valuation changes are recognised in other comprehensive income in the period in which they are incurred according to IAS 19. The interest component is taken into account in finance expenses. Provisions for pensions and other long-term employee benefits pertain solely to the Development and Services segment.

Pension agreements were in force with two Management Board members of the parent company on the reporting date. Pension reimbursement insurance has been taken out for these pension commitments. Annual contributions are made to this item, which is dedicated to the coverage of the pension obligations and is of a long-term nature. The pension reimbursement insurance is not a pension plan asset within the meaning of IAS 19 and must be recognised separately. The Group's pension plan is a defined benefit plan and is unfunded.

Reimbursement rights from this pension reimbursement insurance in the amount of EUR 370 thousand (2014: EUR 323 thousand) are reported under the non-current other financial assets. The pension reimbursement insurance includes the actuarial capital including profit shares.

Due to the amount of the pension commitment, which is covered by the pension reimbursement insurance, no material risk is associated with the pension plan.

### 3.16. Revenue recognition

#### Income recognition 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 when interest entitlements accrue. Dividend income is recognised when the Group's right to receive the payment is established.

#### Gains from the sale of subsidiaries (IFRS 10):

Income is recognised when control of the subsidiary is lost in accordance with IAS 10.25. In the case of the sale of a subsidiary, the difference between the sale price and the net assets plus cumulated foreign currency translation differences recognised in other comprehensive income and the goodwill are recognised through profit or loss at the point that the material opportunities and risks are transferred.

### 3.17. Deferred taxes

Deferred income tax is provided for using the liability method on temporary differences as of the reporting 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, with the exception of deferred tax liabilities from initial recognition of goodwill, an asset, or a liability under a transaction other than a business combination which at the time of the transaction had no impact on the pre-tax result or the taxable result.

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when an asset will be realised or a liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted on the reporting date.

Income tax relating to items recognised either in other comprehensive income or directly in equity are not included in the profit or loss for the period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

## [04] Information about the companies and interests in other companies included in the consolidated financial statements

### 4.1. Information about consolidated subsidiaries

#### 4.1.1. Overview of subsidiaries

The following entities are fully consolidated:

Included equity holdings	Domicile/country	Voting rights share and equity interest		Share capital in thousands	Currency of capital	Functional currency <sup>2</sup>	Activity/segment
		direct	indirect				
100% interests:							
Grassi Hotelbeteiligungs- und Errichtungs GesmbH	A-Vienna	100%	–	2,943	EUR	EUR	H
→ Grassi H1 Hotel-beteiligungs GmbH	A-Vienna	–	100%	35	EUR	EUR	H
→ Recoop Tour a.s.	CZ-Prague	–	100%	24,000	CZK	EUR	H
Warimpex Leasing GmbH	A-Vienna	100%	–	500	EUR	EUR	H
→ Amber Baltic Sp. z o.o.	PL-Miedzyzdroje	–	100%	38,325	PLN	EUR	H
→ Evropský Investiční Holding a.s. (sold in 2014) <sup>2</sup>							
WX Leuchtenbergring GmbH	D-Munich	100%	–	25	EUR	EUR	DS
REVITÁL ZRT.	HU-Budapest	100%	–	220,500	HUF	HUF	DS
BÉCSINVESTOR Kft.	HU-Budapest	100%	–	35,380	HUF	EUR	IP
WARIMPEX-INVESTCONSULT Kft.	HU-Budapest	100%	–	10,000	HUF	EUR	IP
ELSBET Kft.	HU-Budapest	100%	–	103,000	HUF	EUR	IP
Hamza-Office Kft. <sup>3</sup>	HU-Budapest	100%	–	15	EUR	HUF	DS
UBX Praha 1 s.r.o.	CZ-Prague	100%	–	33,200	CZK	EUR	H
Warimpex CZ s.r.o.	CZ-Prague	100%	–	200	CZK	CZK	DS
Balnex 1 a.s.	CZ-Prague	100%	–	4,557	CZK	EUR	H
WX Praha 1 s.r.o.	CZ-Prague	100%	–	147,000	CZK	EUR	H
Vladinvest Praha s.r.o.	CZ-Prague	100%	–	3,100	CZK	EUR	IP
WX Office Development Sp. z o.o. <sup>4</sup>	PL-Warsaw	100%	–	100	PLN	PLN	DS
Multi Development Sp. z o.o.	PL-Warsaw	100%	–	50	PLN	PLN	IP
WX Krakow Sp. z o.o.	PL-Krakow	100%	–	5	PLN	EUR	H
Hotel Rondo Krakow Sp. z o.o.	PL-Krakow	100%	–	5	PLN	EUR	H
→ WX Krakow Sp. z o.o. SKA	PL-Krakow	–	100%	11,207	PLN	EUR	H
Mogilska Office Development Sp. z o.o.	PL-Krakow	100%	–	7,045	PLN	PLN	DS
→ Limonite Sp. z o.o. <sup>3</sup>	PL-Krakow	–	100%	8,035	PLN	PLN	DS
WX Office Innovation Sp. z o.o. <sup>5</sup>	PL-Warsaw	100%	–	5	PLN	PLN	DS
WX Office Development 2 Sp. z o.o.	PL-Warsaw	100%	–	150	PLN	PLN	DS
Warimpex Polska Sp. z o.o.	PL-Warsaw	100%	–	2,000	PLN	PLN	DS
Synergie Patrimoine S.A. <sup>6</sup>	LU-Luxembourg						
→ andel's Łódź Sp. z o.o.	PL-Warsaw	–	100%	50	PLN	EUR	H
WX Budget Hotel Holding S.A.	LU-Luxembourg	100%	–	80	EUR	EUR	DS
→ Warimpex Property HU 2 Kft.	HU-Budapest	–	100%	600	HUF	HUF	DS
WX Krakow Holding S.A.	LU-Luxembourg	100%	–	31	EUR	EUR	DS
→ UBX Krakow Sp. z o.o.	PL-Warsaw	–	100%	50	PLN	EUR	H
→ WX Management Services Sp. z o.o.							
Prozna Development SKA <sup>5</sup>	PL-Warsaw	–	100%	50	PLN	EUR	DS
→ Le Palais Holding s. a r.l.	LU-Luxembourg	–	100%	13	EUR	EUR	DS
→ Prozna Investments Sp. z o.o.	PL-Warsaw	–	100%	23,550	PLN	EUR	DS
Kopernik Development Sp. z o.o.	PL-Warsaw	100%	–	25	PLN	PLN	DS
WX Warsaw Holding S.A.	LU-Luxembourg	100%	–	31	EUR	EUR	IP
Sugura S.A.	LU-Luxembourg	100%	–	31	EUR	EUR	H
→ Comtel Focus S.A.	RO-Bucharest	–	100%	10,232	RON	EUR	H
Non-controlling interests:							
EI Invest Sp. z o.o.	PL-Warsaw	81%	–	1,300	PLN	PLN	DS
Reitano Holdings Limited <sup>7</sup>	CY-Nikosia						
→ ZAO Horeca Koltsovo <sup>7</sup>	RU-Ekaterinburg						
→ OOO RusAvia Horeca <sup>7</sup>	RU-Ekaterinburg						
ZAO Avielen A.G.	RU-St.Petersburg	55%	–	370,001	RUB	RUB	H/IP/DS
Interests with no capital shares: <sup>8</sup>							
KHD s.r.o.	CZ-Prague	–	–	2,000	CZK	EUR	H
RLX Dvorak SARL	LU-Luxembourg	–	–	31	EUR	EUR	H

Note:

H = Hotels segment

IP = Investment Properties segment

DS = Development and Services segment

→ These are indirect subsidiaries with the company specified above as the parent company.

<sup>1</sup> Discretionary decisions on the functional currency are explained in section 3.4.3.

<sup>2</sup> The company was sold in June 2014 and deconsolidated at this time (see section 5.1.).

<sup>3</sup> The companies were newly established or acquired in the reporting period.

<sup>4</sup> Formerly: Via Prop Sp. z o.o.

<sup>5</sup> Formerly: WX Office Development 1 Sp. z o.o.

<sup>6</sup> The company was liquidated in December 2015.

<sup>7</sup> The company was sold and deconsolidated at the end of September 2015.

<sup>8</sup> The companies were deconsolidated at the end of December 2015.

Please see section 3.4.2. for information on the discretionary decision to consolidate or deconsolidate these companies.

#### 4.1.2. Information about subsidiaries with non-controlling interests

The information about subsidiaries in which material non-controlling interests are held pertains to general information and summary financial information about each company. The financial information below is amounts before intragroup reconciliation. Dividends were not assigned to the non-controlling interests.

Overview of non-controlling interests:

Activity (by segment)	Country	Number of wholly owned subsidiaries		Number of subsidiaries with minority interests		Number of subsidiaries without an equity interest	
		31/12/15	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14
Reitano Holdings Limited <sup>1</sup>	CY-Nikosia	–	40%	(143)	55	–	(981)
→ ZAO Horeca Koltsovo <sup>1</sup>	RU-Ekaterinburg	–	40%	(1,886)	(6,419)	–	(5,689)
→ OOO RusAvia Horeca <sup>1</sup>	RU-Ekaterinburg	–	40%				
ZAO Avielen A.G.	RU-St.Petersburg	45%	45%	(22,463)	(8,306)	(32,129)	(7,889)
El Invest Sp. z o.o.	PL-Warsaw	19%	19%	–	18	92	92
<b>Total non-controlling interests</b>						<b>(32,037)</b>	<b>(14,467)</b>

<sup>1</sup> The companies were sold and deconsolidated at the end of September 2015; for this reason, no values are shown in the balance sheet as at 31 December 2015. The figures in the income statement and for the cash flow pertain to the first three quarters.

## Summary financial information:

	ZAO Avielen A.G.		ZAO Horeca Koltsovo and OOO RusAvia Horeca *)		Reitano Holdings Limited	
	31/12/15	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14
<b>Summary balance sheet:</b>						
Non-current assets	80,008	93,395	–	27,138	–	–
Current assets	8,847	91,682	–	823	–	13
<b>Total assets</b>	<b>88,855</b>	<b>185,077</b>	<b>–</b>	<b>27,962</b>	<b>–</b>	<b>13</b>
Equity – Group share	(39,269)	(9,642)	–	(8,534)	–	(1,471)
Equity – non-controlling interests	(32,129)	(7,889)	–	(5,689)	–	(981)
Non-current liabilities	156,948	177,657	–	38,794	–	2,435
Current liabilities	3,304	24,950	–	3,391	–	29
<b>Total equity and liabilities</b>	<b>88,855</b>	<b>185,077</b>	<b>–</b>	<b>27,962</b>	<b>–</b>	<b>13</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Summary profit or loss statement:</b>						
Income	13,607	16,873	4,070	9,032	–	–
Expenses	(63,524)	(35,330)	(8,786)	(25,080)	(108)	138
Profit or loss for the period	(49,917)	(18,457)	(4,715)	(16,048)	(108)	138
thereof attributable to the owner of the parent	(27,454)	(10,151)	(2,829)	(9,629)	35	83
thereof attributable to non-controlling interests	(22,463)	(8,306)	(1,886)	(6,419)	(143)	55
Other income/expenses	(3,950)	1,659	10,096	2,206	1,124	–
thereof attributable to the owner of the parent	(2,173)	913	2,521	1,324	–	–
thereof attributable to non-controlling interests	(1,778)	747	7,575	882	1,124	–
<b>Profit/loss for the period</b>	<b>(53,867)</b>	<b>(16,798)</b>	<b>5,381</b>	<b>(13,843)</b>	<b>1,016</b>	<b>138</b>
thereof attributable to the owner of the parent	(29,627)	(9,239)	(309)	(8,306)	35	83
thereof attributable to non-controlling interests	(24,240)	(7,559)	5,689	(5,537)	981	55
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Summary cash flow statement:</b>						
Net cash flows from operating activities	3,259	7,614	1,841	4,647	(14)	(33)
Net cash flows from investing activities	28,330	(11,703)	(156)	(726)	(4)	–
Net cash flows from/used in financing activities	(32,751)	5,979	(1,786)	(4,251)	5	30
<b>Net change in cash and cash equivalents</b>	<b>(1,162)</b>	<b>1,890</b>	<b>(101)</b>	<b>(330)</b>	<b>(13)</b>	<b>(3)</b>

\*) ZAO Horeca Koltsovo and OOO RusAvia Horeca: Both companies are 100% subsidiaries of Reitano Holdings Limited. The financial information above pertains to both companies, as both companies were viewed together and consolidated in the Group until the end of September 2015.

#### 4.1.3. Other disclosures

##### Nature and extent of material restrictions in connection with subsidiaries:

The subsidiaries are subject to contractual restrictions on the use of assets and the payment of interest and dividends to shareholders and on the repayment of shareholder loans based on existing credit agreements. For information on the granting of mortgage collateral to lenders, please see the information in section 7.1. Property, plant, and equipment and section 7.2. Investment properties about the carrying amounts of the

assets in question. There are no restrictions based on industrial property rights of non-controlling interests in the Group.

Nature of risks in connection with shares of the Company in consolidated structured subsidiaries:

No financial support was provided to consolidated structured subsidiaries during the reporting period, and no such assistance is planned for the future.

## [05] Property sales and changes in the scope of consolidation

### 5.1. Disposals of properties and shares

The following sale transactions were conducted in the Group during the reporting period:

#### Sale of Jupiter 1 and 2 office buildings, St. Petersburg, Russia:

On 1 January 2015, the Jupiter 1 and Jupiter 2 office towers in St. Petersburg in the Investment Properties segment were categorised as held for sale pursuant to IFRS 5. The sale closed in the first quarter of 2015.

Assets:	As at 01.01. adjusted	Addition	Change during year pursuant to IFRS 5	Disposal by sale	As at 31.12.
Real estate	65,483	–	1,043	66,526	–
Net assets according to IFRS 5	65,483	–	1,043	66,526	–

The purchase price amounted to EUR 66,526 thousand. Previous to that, the office towers were measured at their fair value pursuant to IAS 40, so that the result stated in 2015 is composed of a result from the sale in the amount of EUR -301 thousand due to a purchase price adjustment in the amount of EUR 1,043 thousand and the costs of the sale in the amount of EUR -1,344 thousand. These amounts are reported in the income statement under gains or losses from the disposal of properties.

The office towers were sold by the 55% subsidiary ZAO Avielen AG, which holds 19% of the purchaser, ZAO Micos. The sale of these shares to the 81% majority shareholder in May 2016 is contractually agreed (see section 7.8.).

The net cash inflow from the sale was EUR 44,838 thousand. Part of the purchase price was deferred for the purchaser ZAO Micos in the form of a long-term loan. The net purchase price claim on the reporting date was EUR 11,075 thousand and can be seen in the cash flow reconciliation below. The non-current portion of the gross purchase price claim in the amount of EUR 13,187 thousand is reported under the other financial assets (see section 7.5.), the current portion in the amount of EUR 271 thousand under the other receivables (see section 7.7.). The extended loan has a fixed interest rate of 7.2% p.a.; capital and interest payments are made on a quarterly basis. The term runs until May 2025. It is contractually agreed that the purchase price claim against ZAO Micos takes precedence over the other shareholder loans extended to Micos. See section 9.1.3.4. for information about the guarantees issued in connection with the sale.

#### Sale of the shares in Reitano Holdings Limited, Cyprus:

The Group sold its 60% interest in Reitano Holdings Limited during the reporting period. The transaction included the two subsidiaries of Reitano Holdings Limited, ZAO Horeca Koltsovo and OOO RusAvia. ZAO Horeca Koltsovo is the owner of the two hotels Liner and angelo in Ekaterinburg, Russia.

The purchase price for the shares was EUR 1.2 thousand. The deconsolidation of the companies resulted in total earnings in the amount of EUR 3,675 thousand.

#### Sale of the shares in UBX 2 Objekt Berlin GmbH, Germany:

UBX 2 Objekt Berlin GmbH owns a development property in Berlin. The shares were sold to the joint venture partner.

The purchase price for the shares was EUR 1,200 thousand; the result from the sale was EUR -296 thousand because the development property was already measured at its fair value. The purchase price and the repayment of the shareholder loan resulted in a total inflow of cash and cash equivalents of EUR 4,092 thousand.

#### Sale of Dvorak spa hotel in Karlovy Vary, Czech Republic:

The Group sold the Dvorak spa hotel in Karlovy Vary to an outside company in 2008. The Group contributed subordinated participating capital to the parent of this company. The property purchase was financed by the group of the purchasing company. A Group company leased the hotel back at a variable rate (depending on the cash flow) and operated it. The hotel lease expires on 31 December 2016. The Group has drag along and pre-emptive rights in relationship to the purchasing company; due to the retention of material rights and the associated material opportunities, the transaction was not to be recognised as a sale at that time and the purchasing company and its parent were to be consolidated as structured companies in the consolidated financial statements. For this reason, the hotel property was recognised at amortised cost and the project loan as a liability relating to this establishment in the consolidated statements of financial position.

A reassessment of the drag-along and pre-emptive rights of the Group on the reporting date revealed that there are no longer any material rights to the holding companies or to the hotel property due to the development of the value of the property (see also the information about discretionary decisions in section 3.4.2.). For this reason, the structured companies were deconsolidated. The sale that took place in 2008 is now also being recognised on the balance sheet according to the IFRS regulations and reported under the result from the sale of properties on the income statement. The result from the deconsolidation came to EUR 11,142 thousand and breaks down as follows:

	Assets	Equity and liabilities
Disposal of hotel carrying amount	(11,156)	
Disposal of cash and cash equivalents	(111)	
Disposal of loan		22,002
Disposal of other items		407
	(11,268)	22,409
<b>Result of deconsolidation</b>	<b>11,142</b>	

#### Sales by joint ventures:

The andel's hotel in Berlin was sold by the joint venture UBX 1 Berlin GmbH. The gain from this transaction is reported in the result from joint ventures in the financial result (see section 7.4.2.).

The sales by the Group had the following overall effects on the consolidated financial statements:

Consolidated statement of financial position:	Assets	Equity and liabilities
Property, plant, and equipment and intangible assets	(35,036)	
Net investments in joint ventures and repayment	(4,389)	1,766
Current assets and liabilities	(343)	1,961
Cash and cash equivalents	(181)	
Financial assets, available for sale	2	
Assets and liabilities of a disposal group classified as held for sale (IFRS 5)	(65,483)	
Project loans		59,009
Currency reserves		(2,146)
Non-controlling interests		(8,450)
	<b>(105,430)</b>	<b>52,141</b>

Consolidated income statement:	2015
Carrying amount of the proportionate net assets of the sold properties/companies	(53,289)
Agreed (net) purchase price for the properties/shares	68,853
Assumed loans and current liabilities	–
Directly allocable expenses in connection with the sale of interests and properties	(1,344)
<b>Net result</b>	<b>14,220</b>

Cash flow	2015
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The disposal transactions above led to the following inflows of cash during the reporting period:

Agreed consideration	68,853
Less/plus:	
Directly allocable cash paid	(1,344)
Net purchase price claims at the reporting date (Jupiter)	(11,075)
Non-cash offsetting of rental revenue against purchase price claim (Jupiter)	(1,043)
Payments received for the sale of properties, advance payment in prior year	(8,226)
Discharged group loans	180
Repayment of joint venture loans	1,766
Payments received from the sale of properties and interests in the reporting period	49,111
less outflow of cash and cash equivalents	(181)
<b>Cash flow</b>	<b>48,930</b>

#### 5.2. Changes in the scope of consolidation

Aside from the transactions disclosed in section 5.1., there were no other changes in the scope of consolidation during the reporting period. Details on the scope of consolidation can be found in section 4.1.1.

### 5.3. Disposal of shares and property in the previous year

In 2014, all shares in Evropský Investiční Holding a.s., the project company of the Savoy hotel in Prague, were sold. There was also a minor gain from a purchase price adjustment in connection with the sale of the project company of the Le Palais Hotel in Prague from 2013.

This had the following effects on the consolidated financial statements:

Consolidated statement of financial position:	Assets	Equity and liabilities
Assets and liabilities of a disposal group classified as held for sale (IFRS 5)	(7,484)	4,770
	<b>(7,484)</b>	<b>4,770</b>

Consolidated income statement:	2014
Carrying amount of the proportionate net assets of the sold shares	(2,715)
Agreed (net) purchase price for the shares	7,588
Assumed loans and current liabilities	(4,770)
Directly allocable expenses in connection with the sale of interests and properties	(133)
<b>Net result</b>	<b>(30)</b>

Cash flow:	2014
<i>The disposal transactions above led to the following inflows of cash in 2014:</i>	
Consideration received	7,588
Directly allocable cash paid	(4,903)
Payments received for the sale of shares	2,685
less outflow of cash and cash equivalents	(67)
<b>Cash flow</b>	<b>2,619</b>



## [06] Notes to the consolidated income statement

### 6.1. Revenues

The revenues are broken down according to the business segments of the Group.

During the reporting period, the Zeppelin office tower in St. Petersburg and Erzsébet, Tower A, in Budapest were completed and handed over to the tenants. There were revenue contractions in the Hotels segment and with office properties compared with the previous year as a result of property sales (Jupiter office tower in St. Petersburg, hotels in Ekaterinburg) and due to a weaker rouble. The additional rent revenue from the new lettings in 2015 is not included in the revenue until the third and fourth quarters of the year.

The revenue in the Development and Services segment includes revenue with joint ventures in the amount of EUR 767 thousand (2014: EUR 265 thousand).

### 6.2. Expenses directly attributable to revenues

	2015	2014
<b>Composition of direct Hotels expenses:</b>		
Expenses for materials and services rendered	(22,618)	(25,387)
Personnel expenses	(11,957)	(13,738)
Other expenses	(1,799)	(2,648)
	<b>(36,374)</b>	<b>(41,773)</b>

Expenses for materials and services rendered include management fees from the Hotels segment to a related party (Vienna International Hotelmanagement AG) in the amount of EUR 2,865 thousand (2014: EUR 3,228 thousand).

	2015	2014
<b>Composition of direct Investment Properties expenses:</b>		
Expenses for materials and services rendered	(751)	(1,345)
Personnel expenses	(37)	(702)
Other expenses	(479)	(644)
	<b>(1,267)</b>	<b>(2,691)</b>

The decrease in expenses for materials and rendered services pertains primarily to Russia as a result of the sale of the Jupiter office towers.

	2015	2014
<b>Composition of direct Development and Services expenses:</b>		
Expenses for materials and services rendered	(528)	(563)
Other services	(369)	(532)
	<b>(898)</b>	<b>(1,095)</b>

### 6.3. Other operating income

	2015	2014
<b>Composition:</b>		
Foreign currency translation differences	2,649	–
Income from the release of deferred items (see section 7.15.)	866	539
Other	225	46
	<b>3,740</b>	<b>584</b>

### 6.4. Administrative expenses

	2015	2014
<b>Composition:</b>		
Other personnel expenses	(5,213)	(4,542)
Other administrative expenses	(4,178)	(3,690)
	<b>(9,391)</b>	<b>(8,232)</b>

The individual components of the administrative expenses are explained in sections 6.4.1. and 6.4.2.

#### 6.4.1. Other personnel expenses

	2015	2014
<b>Composition:</b>		
Wages and salaries	(13,438)	(14,673)
Ancillary wage and salary costs	(2,698)	(2,768)
Expenses for posted employees	(1,113)	(1,334)
Expenses for holiday, severance, pension, and anniversary bonus benefits	41	(207)
	(17,208)	(18,982)
Less personnel expenses directly attributable to revenues	11,995	14,440
<b>Other personnel expenses</b>	<b>(5,213)</b>	<b>(4,542)</b>

During the reporting period, the Group had an average of 1,040 (2014: 1,167) employees.

Please see section 9.3.2.2. for information about directors remuneration.

**6.4.2. Other administrative expenses**

	2015	2014
<b>Composition:</b>		
Administrative costs	(2,031)	(1,908)
Legal and consulting costs	(888)	(574)
Sundry administrative expenses	(1,259)	(1,208)
	<b>(4,178)</b>	<b>(3,690)</b>

During the financial year, fees were paid to the Group financial auditor, Ernst & Young Wirtschaftsprüfungs GmbH, Vienna, as follows: EUR 114 thousand (2014: EUR 113 thousand) for auditing services, and EUR 0 thousand (2014: EUR 22 thousand) for other services.

**6.5. Other expenses**

	2015	2014
<b>Composition:</b>		
Property costs	(2,113)	(2,322)
Lease expenses	(2,082)	(2,147)
Non-deductible input taxes	(288)	(700)
Advertising	(349)	(367)
Expenses for the preparation of property transactions	–	(680)
Sundry other expenses	(94)	(675)
	(4,927)	(6,892)
Less administrative expenses directly attributable to revenues	2,278	3,394
<b>Other expenses</b>	<b>(2,649)</b>	<b>(3,498)</b>

Property costs consist of owner expenses such as maintenance, insurance premiums, and property taxes. The real estate lease expenses pertain primarily to the andel's hotel in Krakow. Non-recoverable VAT results from the Dvořák spa hotel in Karlovy Vary, as this hotel differentiates between its hotel operations and (VAT-exempt) medical spa operations, and from non-deductible input taxes of the Group parent company.

**6.6. Depreciation, amortisation, and remeasurement**

	2015	2014
<b>Composition:</b>		
Scheduled amortisation and depreciation	(8,905)	(11,471)
Impairments	(12,189)	(7,059)
Reversals of impairment	2,149	42
Gains/losses on remeasurement of assets held for sale	–	(2,387)
Measurement gains (from investment properties)	10	6,711
Measurement losses (from investment properties)	(20,250)	(8,110)
	<b>(39,185)</b>	<b>(22,274)</b>

The scheduled depreciation, impairments, and impairment reversals pertain to the property, plant, and equipment (primarily hotel properties) that are recognised at amortised cost according to IAS 16. Measurement gains and losses result from the changes in the fair values of the investment properties, which are recognised at fair value according to IAS 40.

Appraisals were obtained from the property valuation company CBRE Hotels for the hotel properties on the reporting date (see section 3.4.1.2.). These valuations are based on assumptions about the future development of earnings that reflect the prevailing market conditions on the reporting date. In accordance with IFRS, all assets revealed to be impaired were written down to the lower recoverable amounts on the reporting date.

**Impairments:**

The impairment charges during the reporting period pertain to the Hotels segment in the amount of EUR -11,747 thousand (2014: EUR -6,920 thousand) and a development property in the Development and Services segment in the amount of EUR -443 thousand (2014: EUR -139 thousand). As in the previous year, the impairments are due largely to the changed economic conditions in Russia combined with the devaluation of the rouble.

The recoverable amount for the hotels for which impairment charges were recognised during the reporting period is EUR 19,363 thousand (2014: EUR 122,881 thousand) and EUR 3,310 thousand (2013: EUR 3,719 thousand) in the Development and Services segment.

**Reversals of impairment:**

Because of the better prospects, impairments in the Hotels segment were reversed in the amount of EUR 2,124 thousand (2014: EUR 0 thousand) during the reporting period.

The recoverable amount of the hotels for which an impairment reversal was recognised in the reporting period comes to EUR 74,307 thousand (2014: EUR 0 thousand); this amount in the Development and Services segment is EUR 2,452 thousand (2014: EUR 2,428 thousand).

**Gains/losses on remeasurement of investment property**

The losses on remeasurement of investment property pertain mostly to the Zeppelin office tower in St. Petersburg that was completed in 2015, in which the Group holds a 55% interest through its Russian subsidiary ZAO Avielen AG. The lower fair value is due to lower estimated future cash flows because the lease was renegotiated and the rent payments are now denominated in roubles instead of euros, and due to a higher discount rate.

**6.7. Financial revenue**

	2015	2014
<b>Composition:</b>		
Interest received from extended loans	1,049	–
Dividend income	998	1,482
Interest income from cash management	117	150
Unrealised gains on derivative financial instruments	251	2,558
	<b>2,416</b>	<b>4,191</b>

The interest received from extended loans pertains to the deferred portion of the purchase price for the Jupiter office towers in St. Petersburg (see section 7.5.).

**6.8. Financing expenses**

	2015	2014
<b>Composition:</b>		
Interest on short-term borrowings, project loans, and other loans	(11,612)	(13,594)
Impairment charges/discount expenses on other loans	(3,619)	(2,075)
Interest on loans from minority shareholders	(2,782)	(2,427)
Other financing expenses	(2,158)	(1,278)
Interest on bonds	(1,838)	(1,775)
Interest on convertible bonds	(1,586)	(1,482)
Expenses from early redemption of convertible bonds	(660)	–
Interest paid to related parties	(106)	(95)
Interest cost for provisions for pensions and other long-term employee benefits	(48)	(63)
Not-yet realised losses from derivative financial instruments	(1)	(156)
Realised losses from derivative financial instruments	–	(13)
	<b>(24,410)</b>	<b>(22,958)</b>

Please see section 7.11.5. for information about the terms for interest-bearing financial liabilities. The other financing expenses include lending commitment fees and transaction costs, costs associated with the assumption of financial liabilities, and other loan-related costs distributed over the respective terms using the effective interest rate method. The increase in annual comparison is related to the early redemption of loans.

The impairment charges and discount expenses on other loans pertain to a long-term purchase price claim that was remeasured in full during the reporting period.

**6.9. Foreign exchange rate changes in the financial result**

	2015	2014
<b>Composition:</b>		
From EUR financing (deviating functional currency)	(18,054)	(14,949)
From loans in CHF	(2,645)	(635)
From EUR claims (deviating functional currency)	1,505	–
From (convertible) bonds in PLN	(102)	820
Other financing-related foreign exchange rate changes	(210)	409
	<b>(19,506)</b>	<b>(14,356)</b>

**6.10. Income taxes**

A reconciliation between income tax expense and the product of accounting profit multiplied by the Group's domestic tax

The foreign exchange translation gains and losses from EUR financing at subsidiaries pertain to bank loans at subsidiaries where the functional currency is the local currency and the financing is denominated in euros. The largest share can be attributed to subsidiaries in Russia.

The translation differences of foreign currencies pursuant to IAS 21 totalled EUR -16,530 thousand (2014: EUR -14,701 thousand) in the reporting period. This amount consists of operating translation differences in the amount of EUR 327 thousand (contained in other expenses), income from foreign currency translation in the amount of EUR 2,649 thousand (included in the other income), and translation differences in the finance income.

rate (valid corporate income tax rate in Austria) of 25% for the reporting period (2014: 25%) is as follows:

	2015	2014
<b>Reconciliation of tax expenses:</b>		
<b>Consolidated income statement</b>		
Earnings before taxes	(41,759)	(36,752)
Accounting profit before income tax x 25% tax rate	10,440	9,188
± Other foreign tax rates	(2,724)	(1,997)
± Effects of tax-exempt results	8,377	391
± Permanent differences	(1,733)	(1,657)
± Expired loss carryforwards	(111)	(93)
± Effects of changes in the previous year	54	(18)
± Impairment of deferred tax assets	216	103
± Use of previously unrecognised tax assets	10	–
± Unused temporary differences	(14,812)	(4,310)
± Foreign withholding taxes and minimum corporate income taxes	(8)	(10)
± Effects of changes in equity	(150)	–
± Effects of exchange rate fluctuations	(129)	(151)
<b>Taxes according to the income statement</b>	<b>(571)</b>	<b>1,446</b>
	Effective tax rate	-1.37 %
		3.94%
<b>Consolidated statement of comprehensive income</b>		
± Cash flow hedges	150	–
± Revaluation of available-for-sale securities	246	161
± Remeasurement according to IAS 19	(4)	42
± OCI result allocation from joint ventures	–	1
± Remeasurement due to reclassification to IAS 40 joint ventures	–	(77)
± Remeasurement due to reclassification to IAS 40 group	–	(308)
± Non-controlling interests	146	134
± Effects of exchange rate fluctuations	50	506
	<b>588</b>	<b>458</b>

In both the reporting period and the prior periods, no deferred tax liabilities were recognised for unremitted earnings of subsidiaries, since intragroup dividend distributions within the European Union are not taxed.

Deferred tax assets and liabilities are recognised for temporary differences associated with joint ventures and applied to the extent that these differences result in tax liability. Deferred tax assets and liabilities are recognised for all temporary differences associated with interests in subsidiaries within the scope of the outside basis differences.

The Group has loss carryforwards of EUR 168,873 thousand (2014: EUR 160,613 thousand) at its disposal. Of these tax loss carryforwards, EUR 35,140 thousand (2014: EUR 88,270 thousand) are offset against deferred tax liabilities; deferred taxes were recognised for tax loss carryforwards in the amount of EUR 48 thousand (2014: EUR 94 thousand) because these will be offset against taxable profits in the foreseeable future.

The tax loss carryforwards originated:

in the Czech Republic (can be carried forward for 5 years, tax rate 19%)	2,841
in Poland (can be carried forward for 5 years, tax rate 19%)	16,974
in Hungary (can be carried forward indefinitely, tax rate 10%)	2,489
in Luxembourg (can be carried forward indefinitely, tax rate 30%)	1,968
in Romania (can be carried forward for 7 years, tax rate 16%)	5,690
in Russia (can be carried forward for 10 years, tax rate 20%)	79,994
in Austria (can be carried forward indefinitely, tax rate 25%)	58,917
	<b>168,873</b>

Applied loss carryforwards in the amount of EUR 1,473 thousand will expire in the coming financial year. If these cannot be offset against taxable income in the coming financial year, the associated tax expenses will amount to EUR 243 thousand in the coming financial year.

No deferred tax claims were recognised for tax loss carryforwards in the amount of EUR 133,686 thousand (2014: EUR 72,249 thousand) because they may not be used against the taxable profits of other companies in the Group and arose in subsidiaries that have been generating losses for some time already.

If the Group had capitalised all deferred tax claims on loss carryforwards that were not taken into account in the previous

years, the profit for the period would have been EUR 12,388 thousand higher. The equity would be EUR 28,745 thousand higher.

No deferred taxes were recognised for deferred tax assets according to IAS 12.44 (outside basis differences) in the amount of EUR 99,083 thousand (2014: EUR 113,356 thousand) because the temporary differences are not expected to reverse in the foreseeable future.

No deferred taxes were recognised for deferred tax liabilities according to IAS 12.39 (outside basis differences) in the amount of EUR 32,299 thousand (2014: EUR 28,706 thousand) because the temporary differences are not expected to reverse in the foreseeable future.

## [07] Notes to the statement of financial position

### 7.1. Property, plant, and equipment

#### 7.1.1. Changes in and composition of property, plant, and equipment

	Hotels	Reserve properties	Other property, plant, and equipment	Total
<b>Changes in 2014:</b>				
Carrying amounts at 1 January	272,272	8,494	1,049	281,815
Additions	2,251	–	288	2,539
IAS 16 remeasurement in conjunction with IAS 40 classification	93	1,530	–	1,624
Reclassification to investment properties	(362)	(3,380)	–	(3,742)
Scheduled depreciation and amortisation	(11,352)	(30)	(40)	(11,423)
Impairment charges	(6,920)	(139)	–	(7,059)
Exchange adjustments	(14,277)	(327)	(30)	(14,634)
<b>Carrying amounts at 31 December</b>	<b>241,704</b>	<b>6,148</b>	<b>1,266</b>	<b>249,118</b>
<b>Composition at 31.12.2014:</b>				
Acquisition or production cost	334,866	11,039	1,974	347,879
Cumulated write-downs	(93,162)	(4,891)	(708)	(98,761)
	<b>241,704</b>	<b>6,148</b>	<b>1,266</b>	<b>249,118</b>
<i>thereof pledged as senior collateral for interest-bearing loans (see section 7.11.4.)</i>				247,303
<b>Changes in 2015:</b>				
Carrying amounts at 1 January	241,704	6,148	1,266	249,118
Additions	3,089	–	24	3,113
Disposals	3,932	(20)	(89)	3,822
Eliminations from the scope of consolidation	(35,036)	–	–	(35,036)
Scheduled depreciation and amortisation	(8,829)	–	(65)	(8,894)
Impairment charges	(11,747)	(443)	–	(12,189)
Reversals of impairment	2,124	25	–	2,149
Exchange adjustments	(6,406)	53	–	(6,353)
<b>Carrying amounts at 31 December</b>	<b>188,831</b>	<b>5,763</b>	<b>1,137</b>	<b>195,731</b>
<b>Composition at 31.12.2015:</b>				
Acquisition or production cost	264,050	10,990	1,889	276,930
	(75,219)	(5,228)	(752)	(81,199)
	<b>188,831</b>	<b>5,763</b>	<b>1,137</b>	<b>195,731</b>
<i>thereof pledged as senior collateral for interest-bearing loans (see section 7.11.4.)</i>				194,104

The hotels are recognised at the amortised cost of acquisition or production in accordance with the IFRS provisions. The recoverable amount of the hotel portfolio on the reporting date was EUR 201,930 thousand. The reserve properties in the property, plant, and equipment are intended for later hotel development projects.

The Group's uniform estimates for the assets' useful lives are as follows:

	2015	2014
Buildings (including finance leasing)	60 years	60 years
Hotel technical facilities	15 years	15 years
Hotel fixtures	7 years	7 years
Furniture and office equipment	7 years	7 years
Plant	20 years	20 years

The costs of acquisition and production of the hotels is broken down into building fabric, building technical systems, and fixtures and written down over respective useful lives pursuant to IAS 16.43 (component approach).

Further information on the impairments and impairment reversals on property, plant, and equipment is provided in section 6.6.

**7.1.2. Material inputs and sensitivity information**

The amortised costs of the hotels and reserve properties are assessed on the basis of external appraisals to determine any

impairment or the need for impairment reversal. The inputs used for this and the possible effects of changes in the most important inputs on earnings before taxes are shown below.

**Hotels:**

Material inputs	2015		2014	
	Range	Weighted average	Range	Weighted average
Exit yield	6.3–11.8%	8.6%	6.3–12.5%	8.3%
Discount rate	8.8–13.8%	10.8%	8–14.5%	13.2%
Expected cash flows (year one) in EUR '000/room	0–11.1	5.9	3.3–17.4	8.3

Sensitivity analysis	Change of assumption	Change in the result before taxes	
		2015	2014
Exit yield	+ 50 basis point	-4,707	-3,100
Exit yield	- 50 basis point	2,820	3,400
Discount rate	+ 50 basis point	-7,098	-4,200
Discount rate	- 50 basis point	3,703	4,300
Expected cash flows (year one)	+ 10%	5,764	10,550
Expected cash flows (year one)	- 10%	-12,693	-12,590

**Reserve properties (property, plant, and equipment):**

Material inputs	2015		2014	
	Range	Weighted average	Range	Weighted average
Market price/m <sup>2</sup> area in EUR	216–1,083	399	214–1,230	429

Sensitivity analysis	Change of assumption	Change in the result before taxes	
		2015	2014
Market price/m <sup>2</sup> area	+ 10%	576	620
Market price/m <sup>2</sup> area	- 10%	-576	-620

## 7.2. Investment properties

The Group measures investment properties at their fair value.

### 7.2.1. Changes in and composition of investment properties

	Developed properties	Development properties	Reserve properties	Total
<b>Changes in 2014:</b>				
Carrying amounts at 1 January	10,207	43,286	19,557	73,050
Advance payments made	–	650	–	650
Additions/investments	–	9,299	62	9,362
Capitalised borrowing costs	–	2,551	–	2,551
Transfer of property, plant, and equipment	–	3,380	362	3,742
Net measurement result	430	4,518	(6,347)	(1,399)
Exchange adjustment	–	(204)	(1)	(205)
<b>Carrying amounts at 31 December</b>	<b>10,637</b>	<b>63,480</b>	<b>13,633</b>	<b>87,751</b>
<b>Changes in 2015:</b>				
Carrying amounts at 1 January	10,637	63,480	13,633	87,751
Additions/investments	55	22,624	2,453	25,132
Capitalised borrowing costs	–	1,986	33	2,018
Reclassification due to completion	62,391	(62,391)	–	–
Disposals	(143)	–	–	(143)
Net measurement result	(18,832)	(1,733)	325	(20,240)
Exchange adjustment	3,135	(11,220)	(1,839)	(9,924)
<b>Carrying amounts at 31 December</b>	<b>57,244</b>	<b>12,745</b>	<b>14,606</b>	<b>84,595</b>

The additions to the investment properties contain no subsequent acquisition costs.

During the reporting period, the Zeppelin office tower in St. Petersburg and Erzsébet, Tower A, in Budapest were completed and handed over to the tenants. This resulted in a reclassification from the development properties to developed properties.



**7.2.2. Result from investment properties:**

	2015	2014
Rental income and charged expenses	4,048	9,813
Direct operating expenses	(934)	(2,691)
<b>Net rental income</b>	<b>3,114</b>	<b>7,122</b>

During the reporting period, no material operating expenses were incurred from investment properties for which no rental revenue was generated.

**7.2.3. Information on fair value, material inputs, and sensitivity**

The carrying amounts of the investment properties correspond to their fair values. The properties are assessed every six months by external property valuers applying level 3 of the fair value hierarchy, i.e. using non-observable inputs (see also the information on discretionary decisions in section 3.4.1.2.).

The valuation method and the measurement parameters (inputs) depend on the respective development stage of the property. In this, the Group differentiates between developed properties, development properties, and reserve properties.

The inputs presented below can influence each other. In particular, rising rents and falling yields (interest rates) increase the market value while falling rents and rising yields have a detrimental effect on the market value.

**Developed properties:**

Developed properties are valued using the income approach (DCF method).

Material inputs	2015		2014	
	Range	Weighted average	Range	Weighted average
Exit yield	7.8–10.5%	9%	7–8.5%	8%
Discount yield	8–19.1%	13.8%	8–9.5%	8.2%
Estimated rent value (ERV)/m <sup>2</sup> /month in EUR	7.3–21.5	15.9	5.4–10	9.2

A change in the indicated inputs would result in the following changes in the fair values:

Sensitivity analysis 2014					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	4%	12%	21%	27%	36%
-50 bp	-5%	3%	10%	16%	25%
0 bp	-14%	-7%	0%	8%	15%
50 bp	-21%	-14%	-7%	-1%	5%
100 bp	-26%	-21%	-15%	-8%	-3%

Sensitivity analysis 2015					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	-2%	4%	9%	15%	20%
-50 bp	-6%	-1%	4%	9%	15%
0 bp	-10%	-5%	0%	5%	10%
50 bp	-14%	-9%	-4%	1%	6%
100 bp	-17%	-12%	-7%	-3%	2%

**Development properties:**

Development properties are valued using the income approach (residual value method).

Material inputs	2015		2014	
	Range	Weighted average	Range	Weighted average
Exit yield	6.75%	6.75%	6.75%–10.5%	8%
Estimated rent value (ERV)/m <sup>2</sup> /month in EUR	14	14	10–40.4	20.8
Outstanding construction and development costs/m <sup>2</sup> in EUR	1.513–1.662	1.598	564–2.044	1.371
Developer's profit	20%	20%	0–22.5%	13%

A change in the indicated inputs would result in the following changes in the fair values:

Sensitivity analysis 2014					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	8%	18%	28%	38%	48%
-50 bp	-6%	4%	13%	22%	32%
0 bp	-18%	-9%	0%	9%	18%
50 bp	-28%	-20%	-12%	-3%	5%
100 bp	-38%	-30%	-22%	-14%	-5%

Sensitivity analysis 2015					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	70%	87%	105%	122%	140%
-50 bp	16%	32%	48%	64%	80%
0 bp	-30%	-15%	0%	15%	30%
50 bp	-69%	-55%	-41%	-28%	-14%
100 bp	-104%	-91%	-78%	-65%	-52%

Sensitivity analysis 2014					
Change in the developer's profit in percentage points	Change in the outstanding construction and development costs				
	-10%	-5%	0%	+5%	+10%
-10%	20%	14%	9%	3%	-2%
-5%	15%	10%	4%	-1%	-7%
0%	11%	6%	0%	-6%	-11%
5%	7%	1%	-4%	-10%	-15%
10%	3%	-2%	-8%	-14%	-19%

Sensitivity analysis 2015					
Change in the developer's profit in percentage points	Change in the outstanding construction and development costs				
	-10%	-5%	0%	+5%	+10%
-10%	66%	52%	39%	25%	11%
-5%	48%	34%	19%	5%	-10%
0%	30%	15%	0%	-15%	-30%
5%	12%	-4%	-19%	-35%	-51%
10%	-6%	-22%	-39%	-55%	-71%

**Reserve properties:**

The reserve properties are valued based on their market prices using the comparative method.

Material inputs	2015		2014	
	Range	Weighted average	Range	Weighted average
Market price/m <sup>2</sup> area in EUR	70–455	242	74–337	251

Sensitivity analysis	Change of assumption	Change in the result before taxes	
		2015	2014
Market price/m <sup>2</sup> area	+10%	1.460	1.360
Market price/m <sup>2</sup> area	+5%	730	680
Market price/m <sup>2</sup> area	-5%	-730	-680
Market price/m <sup>2</sup> area	-10%	-1.460	-1.360

### 7.3. Goodwill

The recognised goodwill was identified as part of the acquisition of a company and pertains to the angelo hotel in Prague.

The goodwill is reviewed for impairment at least once per year. For this, the recoverable amount of the hotel is determined on the basis of an external appraisal (see section 3.4.1.2.). The measurement falls under level 3 of the fair value hierarchy and uses an income-based approach.

The goodwill is EUR 921 thousand, or 7% of the carrying amount of the property. This means that the goodwill is insignificant. The undisclosed reserves of the hotel are EUR 10,600 thousand, or 85% of the carrying amount of the property. Because of the extent of the undisclosed reserves, possible changes in the material valuation parameters have no impact on the goodwill.

### 7.4. Net investments in joint ventures (equity method)

#### 7.4.1. Overview of joint ventures

The consolidated financial statements include the following joint ventures that are recognised using the equity method as at the reporting date:

Company	Domicile/ country	Voting rights and capital share	Capital stock	Currency of capital	Functional currency	Segment
in thousands						
UBX 1 Objekt Berlin Ges.m.b.H.	D-Munich	50%	25	EUR	EUR	H
UBX 2 Objekt Berlin Ges.m.b.H <sup>1</sup>	D-Munich					
ACC Berlin Konferenz Betriebs GmbH	D-Berlin	50%	25	EUR	EUR	DS
UBX 3 s.r.o. <sup>1</sup>	CZ-Prague					
UBX Plzen s.r.o.	CZ-Prague	50%	200	CZK	EUR	H
Hotelinvestments (Luxembourg) SARL	LU-Luxembourg	50%	20	EUR	EUR	H
UBX Development (France) SARL	F-Paris	50%	50	EUR	EUR	H
→ UBX II (France) SARL <sup>2</sup>	F-Paris	50%	50	EUR	EUR	H
Hotel Paris II SARL	F-Paris	50%	650	EUR	EUR	H
Warimpex Management Services Sp. z o.o.	PL-Warsaw	50%	9,095	PLN	PLN	DS
→ WX MS Investment Sp. z o.o. <sup>2,4</sup>	PL-Warsaw	25%	60	PLN	PLN	DS
IPOPEMA 66 Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych	PL-Warsaw	50%	200	PLN	EUR	H
→ Lanzarota Investments Sp. z o.o. Sienna Hotel S.K.A. <sup>2</sup>	PL-Warsaw	50%	81,930	PLN	EUR	H
Lanzarota Investments Sp. z o.o.	PL-Warsaw	50%	5	PLN	EUR	H
UBX Katowice Sp. z o.o.	PL-Warsaw	50%	50	PLN	EUR	H
GF Ramba Sp. z o.o. <sup>2,3</sup>	PL-Warsaw	50%	139	PLN	EUR	IP

Explanations:

<sup>1</sup> The companies were sold during the reporting period (see section 5.1.).

<sup>2</sup> These companies are joint ventures in which the parent company is indirectly invested. The shareholding refers to the indirect interest.

<sup>3</sup> WX Warsaw Holding S.A. holds the interest in GF Ramba Sp. z o.o. (100% subsidiary).

<sup>4</sup> The company was newly established in the reporting period.

#### 7.4.2. Information about material joint ventures

The following information corresponds to the amounts in the IFRS annual financial statements of the joint ventures.

	UBX 1 Objekt Berlin Ges.m.b.H.		UBX 2 Objekt Berlin Ges.m.b.H.		UBX Plzen s.r.o.	
	31/12/15	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14
<b>Summary balance sheet:</b>						
Non-current assets	0	78,445	–	7,191	9,654	9,566
Current assets	3,765	2,745	–	(22)	1,743	550
<b>Total assets</b>	<b>3,765</b>	<b>81,190</b>	<b>–</b>	<b>7,169</b>	<b>11,397</b>	<b>10,116</b>
<i>thereof cash and cash equivalents</i>	<i>1,033</i>	<i>228</i>	<i>–</i>	<i>2</i>	<i>659</i>	<i>311</i>
Equity	176	12,365	–	3,624	5,656	5,146
Non-current liabilities	1,173	64,400	–	3,545	5,193	551
Current liabilities	2,416	4,425	–	–	549	4,420
<b>Total equity and liabilities</b>	<b>3,765</b>	<b>81,190</b>	<b>–</b>	<b>7,169</b>	<b>11,397</b>	<b>10,116</b>
<i>thereof non-current financial liabilities pursuant to IFRS 12</i>	<i>–</i>	<i>59,342</i>	<i>–</i>	<i>–</i>	<i>4,993</i>	<i>–</i>
<i>thereof current financial liabilities pursuant to IFRS 12</i>	<i>–</i>	<i>2,000</i>	<i>–</i>	<i>–</i>	<i>162</i>	<i>4,094</i>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Summary profit or loss statement:</b>						
Income	35,264	24,307	–	–	2,765	2,376
Expenses including remeasurement result	(17,502)	(27,107)	1,622	3,121	(2,255)	(3,441)
Profit or loss for the period	17,762	(2,800)	1,622	3,121	510	(1,065)
Other income/expenses	–	–	–	617	–	–
<b>Net profit or loss for the period</b>	<b>17,762</b>	<b>(2,800)</b>	<b>1,622</b>	<b>3,738</b>	<b>510</b>	<b>(1,065)</b>
<b>Included in the profit or loss for the period:</b>						
Scheduled depreciation and amortisation	–	(4,374)	–	–	(889)	(874)
Interest received	2	–	–	–	1	1
Interest paid	(2,400)	6	–	–	(211)	(925)
Income tax expenses (or income)	(1,488)	(3,575)	–	–	–	–
<b>Reconciliation to carrying amount of the interest:</b>						
Net assets of the joint venture	176	12,365	–	3,624	5,656	5,146
Group interest	50%	50%	0%	50%	50%	50%
Proportionate net assets	88	6,182	–	1,812	2,828	2,573
Shareholder loan as net investment	–	1,684	–	1,720	–	175
<b>Net investment in joint venture (carrying amount)</b>	<b>88</b>	<b>7,866</b>	<b>–</b>	<b>3,532</b>	<b>2,828</b>	<b>2,748</b>

UBX II (France) SARL and UBX Development (France) SARL		Hotel Paris II SARL		Lanzarota Investments Sp. z o.o. Sienna Hotel S.K.A., Lanzarota Sp. zo.o., and IPOPEMA 66		UBX Katowice Sp. z o.o.		GF Ramba Sp. z o.o.	
31/12/15	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14
43,313	44,616	21,080	22,083	12,430	10,718	23,026	24,232	10,029	14,069
3,355	3,355	3,593	3,289	3,543	4,333	595	433	34	153
<b>46,668</b>	<b>47,971</b>	<b>24,674</b>	<b>25,372</b>	<b>15,973</b>	<b>15,050</b>	<b>23,622</b>	<b>24,665</b>	<b>10,063</b>	<b>14,222</b>
821	1,497	1,352	1,389	1,761	2,903	335	236	8	4
2,837	1,626	1,174	899	13,833	13,746	(4,487)	(4,497)	(119)	2,732
39,215	41,906	20,639	21,452	–	–	26,279	27,565	5,056	10,512
4,616	4,440	2,861	3,022	2,140	1,304	1,830	1,598	5,127	978
<b>46,668</b>	<b>47,971</b>	<b>24,674</b>	<b>25,372</b>	<b>15,973</b>	<b>15,050</b>	<b>23,622</b>	<b>24,665</b>	<b>10,063</b>	<b>14,222</b>
32,123	34,186	15,043	15,838	–	–	14,746	15,996	–	4,792
2,312	2,274	795	795	–	–	1,230	1,100	4,721	511
<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
22,208	21,130	17,400	16,550	22,057	21,432	5,040	4,924	2,283	1,496
(20,997)	(19,768)	(17,125)	(16,172)	(21,970)	(20,947)	(5,031)	(5,090)	(5,134)	(1,220)
1,211	1,363	276	378	87	485	9	(167)	(2,851)	276
–	–	–	–	–	–	–	–	–	–
<b>1,211</b>	<b>1,363</b>	<b>276</b>	<b>378</b>	<b>87</b>	<b>485</b>	<b>9</b>	<b>(167)</b>	<b>(2,851)</b>	<b>276</b>
(2,245)	(2,097)	(1,630)	(1,540)	(873)	(686)	(1,292)	(1,283)	–	–
–	–	–	–	–	11	6	4	–	1
(648)	(735)	(326)	(395)	–	–	(557)	(758)	(244)	(216)
9	4	(157)	–	–	–	(93)	–	809	–
2,837	1,626	1,174	899	13,833	13,746	(4,487)	(4,497)	(119)	2,732
50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
1,418	813	587	449	6,917	6,873	(2,244)	(2,248)	(60)	1,366
3,559	3,879	2,799	2,824	–	–	5,768	5,789	2,214	2,161
<b>4,977</b>	<b>4,692</b>	<b>3,386</b>	<b>3,273</b>	<b>6,917</b>	<b>6,873</b>	<b>3,525</b>	<b>3,540</b>	<b>2,155</b>	<b>3,526</b>

The following information pertains to the joint ventures presented above:

**UBX 1 Objekt Berlin Ges.m.b.H.:**

The company sold the andel's hotel Berlin and a development property during the reporting period.

**UBX 2 Objekt Berlin Ges.m.b.H.:**

The company owns development properties for a shopping centre and conference centre. The shares were sold to the joint venture partner in October 2015.

**UBX Pilsen s.r.o.:**

The company owns and operates the angelo hotel in Plzeň.

**UBX II (France) SARL and**

**UBX Development (France) SARL:**

The company UBX II (France) SARL leases a hotel at Eurodisney/Paris (F) under a finance lease and operates the establishment. UBX Development (France) SARL is the 100% parent and engages in no material business operations. As both companies are viewed together in the Group, they are depicted together here.

**Hotel Paris II SARL:**

The company leases a hotel at Eurodisney/Paris under a finance lease and operates the establishment.

**Lanzarota Investments Sp. z o.o. Sienna Hotel S.K.A., Lanzarota Sp. z o.o., and IPOPEMA66 Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych:**

Lanzarota Investments Sp. z o.o. Sienna Hotel S.K.A. is a Polish corporation. It leases the Intercontinental hotel under an operating lease and runs the establishment. The Polish fund IPOPEMA 66 Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych is the general partner of the company while Lanzarota Investments Sp. z o.o. is the limited partner. The general and limited partners engage in no material business activities. As these companies are viewed together in the Group, they are depicted together here.

**UBX Katowice Sp. z o.o.:**

The company owns and operates the angelo hotel Katowice in Poland.

**GF Ramba Sp. z o.o.:**

The company owns and operates an office property (Parkur Tower) in Warsaw.

**7.4.3. Composition of and changes in the net investments in joint ventures**

	Capital shares joint ventures	Loans to joint ventures	Total
<b>Composition at 31.12.2014:</b>			
Net investments in joint ventures	29,777	18,231	48,008
Cumulated allocated results from the profit or loss for the period	(13,527)	1,437	(12,090)
Cumulated allocated results from the other comprehensive income	304	–	304
	<b>16,554</b>	<b>19,668</b>	<b>36,222</b>
<b>Composition at 31.12.2015:</b>			
Net investments in joint ventures	14,727	14,340	29,067
Cumulated allocated results from the profit or loss for the period	(4,353)	(631)	(4,984)
	<b>10,374</b>	<b>13,709</b>	<b>24,083</b>

The net investments include shares in the joint ventures and loans extended to joint ventures that are not planned or likely to be repaid in the foreseeable future. Proportionate gains and losses are recognised as allocated results when they are covered by the net investment. Any impairment according to IAS 28.40 is also taken into account.

Dividends awarded by UBX 1 Objekt Berlin Ges.m.b.H. to the parent companies were capitalised immediately in the 2015 financial year. Of this, the Group was entitled to dividends in the amount of EUR 14,975 thousand.



	2015	2014
Changes in the net investments in joint ventures:		
Carrying amounts at 1 January	36,222	36,818
Additions	–	5,258
Disposals and dividend payments	(19,440)	(761)
Extension (+) / repayment (-) of loans	(2,346)	(6,928)
Interest income from loans granted	297	702
Earnings allocation from profit/loss for the period	9,350	829
Earnings allocation from other comprehensive income	–	304
<b>Carrying amounts at 31 December</b>	<b>24,083</b>	<b>36,222</b>

#### 7.4.4. Other information about joint ventures

The following table contains summarised financial information about the net investments in joint ventures. The amounts are adjusted for the Group's share.

	31/12/15	31/12/14
Share of the assets and liabilities of the joint ventures:		
Non-current assets	59,776	101,486
Current assets	8,534	7,602
<b>Assets</b>	<b>68,310</b>	<b>109,088</b>
Proportionate equity	9,743	17,986
Proportionate Group shareholder's loans	7,170	9,416
Proportionate joint venture partner shareholder's loans	7,541	9,116
Non-current liabilities	34,066	62,450
Current liabilities	9,790	10,121
<b>Equity and liabilities</b>	<b>68,310</b>	<b>109,088</b>

	31/12/15	31/12/14
Reconciliation to carrying amount of the joint ventures:		
Proportionate net assets of the joint venture (50%)	9,743	17,986
Group shareholder's loan as net investment	14,340	18,231
Uncovered portion of unrecognised losses from joint ventures	–	5
<b>Net investment in joint ventures (carrying amount)</b>	<b>24,083</b>	<b>36,222</b>

	31/12/15	31/12/14
Aggregated disclosures about joint ventures that are individually immaterial:		
Net investment in joint ventures (carrying amount)	208	171
Group share of the profit or loss for the period (going operations)	37	31
Group share of other comprehensive income	–	(4)
<b>Group share of net result for the period</b>	<b>37</b>	<b>27</b>

#### Nature and extent of material restrictions in connection with joint ventures:

The material joint ventures specified above are subject to contractual restrictions on the use of assets and the payment of interest and dividends to shareholders and on the repayment of shareholder loans based on existing credit agreements and based on leasing arrangements in connection with property financing.

#### Risks associated with shares in joint ventures:

The guarantees and bonds entered into in connection with joint ventures are explained in section 9.1.3.

**7.5. Other financial assets**

	31/12/15	31/12/14
<b>Composition non-current:</b>		
Purchase price claim from sale of Jupiter towers	13,187	–
Deposits with banks pledged as collateral	3,247	4,573
Pension reimbursement insurance rights	370	323
Advance payments	332	–
Other non-current financial assets	189	189
Loans and other non-current receivables	168	3,619
	<b>17,493</b>	<b>8,704</b>

Pension reimbursement insurance claims relate to pension reimbursement insurance taken out to cover pension obligations.

The non-current claim from the sale of the Jupiter 1 and 2 office towers (see section 5.1.) pertains to a loan extended to the buyer to finance the purchase price. The loan has a fixed interest rate of 7.2% p.a.; the internal interest rate is 8.85%. Capital and interest payments are made on a quarterly basis. The term runs until May 2025.

The restricted accounts pledged as collateral for guarantees amount to EUR 3,247 thousand. The terms correspond to the standard terms for each contract partner. The restricted accounts relate to the hotel andel's Krakow, which was sold in 2009 (see section 9.1.3.1.), and the InterContinental hotel in Warsaw, which was sold in 2012 (see section 9.1.3.). They also include a security account in connection with the project loan for the Erzsébet office towers in Budapest.

The lendings in the amount of EUR 3,619 thousand reported as at 31 December 2014 pertain to a non-current, non-interest-bearing purchase price claim for shares in a Russian subsidiary in the original amount of EUR 8 million. Because of the high property remeasurement loss in the company in connection with the stagnating economic conditions in Russia, the value of the claim was reassessed on the reporting date. The contractual provisions on the deferral of the purchase price indicate that the payment of the purchase price can no longer be assumed under the current conditions. For this reason, this claim is valued at EUR 0 on the reporting date.

The remaining financial assets in this position are neither overdue nor impaired.

**7.6. Deferred taxes (tax assets and liabilities)**

The deferred taxes break down and changed as follows:

	Available deferred tax claims		Thereof applied deferred tax claims	
	31/12/15	31/12/14	31/12/15	31/12/14
<b>Composition:</b>				
Differences in property, plant, and equipment and investment properties	1,379	2,386	4	9
Temporary differences in connection with shares in joint ventures	2,399	4,669	–	–
Measurement differences in the current assets	373	12,776	352	12,753
Differences in the tax treatment of pensions and other long-term employee benefits	329	274	329	274
Measurement differences in borrowings and provisions	2,828	1,426	2,776	1,264
Capitalisation of tax loss carryforwards	36,243	34,312	7,497	17,955
Impairment of deferred tax assets	–	–	(1,139)	(1,279)
	<b>43,552</b>	<b>55,843</b>	<b>9,820</b>	<b>30,976</b>
Offsetting with the same tax authority			(9,718)	(30,954)
			<b>102</b>	<b>22</b>

	deferred tax liabilities	
	31/12/15	31/12/14
<b>Composition:</b>		
Differences in property, plant, and equipment and investment properties	(16,944)	(37,218)
Temporary differences in connection with shares in joint ventures	–	(1,624)
Measurement differences in the current assets	(1,484)	(958)
Measurement differences in borrowings and provisions	(1,354)	(1,803)
	(19,782)	(41,602)
Offsetting with the same tax authority	9,718	30,954
	<b>(10,064)</b>	<b>(10,649)</b>

	deferred tax claims		deferred tax liabilities	
	2015	2014	2015	2014
<b>Development:</b>				
<b>As at 1 January</b>	<b>22</b>	<b>27</b>	<b>(10,649)</b>	<b>(12,673)</b>
Changes in the scope of consolidation	–	–	454	–
Change recognised in other comprehensive income in connection with:				
Foreign currency translation	(1,601)	(445)	1,684	1,272
Other comprehensive income from joint ventures	–	(76)	–	–
Revaluation of securities available for sale	97	–	262	(26)
Remeasurement pursuant to IAS 19	(4)	42	–	–
Remeasurement in connection with reclassification from IAS 16 to IAS 40	–	–	–	(308)
Cash flow hedges	150	–	–	–
Change recognised in profit or loss for the period	1,438	475	(1,816)	1,087
<b>As at 31 December</b>	<b>102</b>	<b>22</b>	<b>(10,064)</b>	<b>(10,649)</b>

**7.7. Trade and other receivables (current)**

	31/12/15	31/12/14
<b>Composition:</b>		
Trade receivables	2,753	2,321
Receivables due from joint ventures	1,696	142
Receivables from tax authorities	1,140	345
Deferred expenses	1,218	1,233
Advance payments made	860	5,631
Other current receivables and assets	488	728
Claims in connection with the sale of Jupiter towers	271	10,187
Other current receivables (restricted)	254	506
Receivables due from related parties	5	5
	<b>8,686</b>	<b>21,098</b>

The claim from the sale of the Jupiter towers pertains to the current portion of the purchase price claim (see section 5.1.). The claim reported as at 31 December 2014 pertains to an offsetting item from the VAT from the sale, which was already a liability to the Russian tax office on the reporting date under Russian tax code. In 2015, this item was offset against the purchase price claim that arose and the purchase price payment in 2015.

The advance payments made were largely related to the finishing of the Zeppelin office tower in St. Petersburg. The advance payments made decreased substantially due to the completion of the office tower during the reporting period.

The maturity structure of trade receivables is as follows:

	31/12/15	31/12/14
<b>Composition:</b>		
Neither overdue nor bad debt provision made	1,835	1,326
30 days overdue, no bad debt provision made	422	528
60 days overdue, no bad debt provision made	197	156
90 days overdue, no bad debt provision made	76	73
120 days overdue, no bad debt provision made	94	33
>120 days overdue, no bad debt provision made	130	204
Impaired receivables	228	228
	<b>2,982</b>	<b>2,549</b>

The remaining current financial assets in this item are neither overdue nor impaired.

Trade receivables are non-interest-bearing and generally have terms of 10 to 90 days.

**7.8. Financial assets, available for sale**

	31/12/15	31/12/14
<b>Development:</b>		
Carrying amount on 1 January	13,520	8,607
Additions	2	4,394
Disposals	(397)	–
Remeasurement	(1,628)	519
Exchange adjustments	(885)	–
<b>Carrying amount on 31 December</b>	<b>10,612</b>	<b>13,520</b>
<b>Composition:</b>		
Shares in Palais Hansen Immobilienentwicklung GmbH, Vienna	6,621	7,052
Shares in ZAO Micos, Moscow	3,989	6,468
Other	2	–
	<b>10,612</b>	<b>13,520</b>

The shares in Palais Hansen Immobilienentwicklung GmbH represent a 9.88% interest. The company owns the Kempinski hotel Palais Hansen. As there is no active market for this shareholding, its measurement is based primarily on a fair value calculated using the discounted cash flow method, and was determined on the basis of an appraisal.

ZAO Micos is the purchaser of the Jupiter 1 and Jupiter 2 office towers in St. Petersburg (see section 5.1.). The Group held a 19% interest in the company on the reporting date. The sale of these shares to the majority shareholder in May 2016 is contractually agreed. The interest is recognised at the expected purchase price based on the contractual agreement as at 31 December 2015. The purchase price for the shares will be calculated according to a specific formula that depends primarily on the expected rental revenue from the sold office property in the first year after the closing date.

Further information about the measurement, the material inputs, and the sensitivity of the available-for-sale financial assets can be found in sections 8.1.2. to 8.1.4.

**7.9. Cash and cash equivalents**

	31/12/15	31/12/14
<b>Composition:</b>		
Cash on hand	113	121
Bank balances	7,281	9,644
	<b>7,394</b>	<b>9,765</b>

This item consists of cash and cash equivalents.

The fair value of cash and cash equivalents corresponds to the carrying amount.

## 7.10. Equity

### 7.10.1. Share capital, earnings per share

The Company's share capital is divided into 54,000,000 non-par-value shares and is fully paid up. At the reporting date, the Company had purchased 66,500 treasury shares at an average

price of EUR 4.53 per share. The weighted average number of shares in free float between 1 January and 31 December 2015 was 53,933,500.

	31/12/15	31/12/14
	Shares	Shares
<b>Breakdown of shares and potential shares:</b>		
Shares 1 January to 31 December	54,000,000	54,000,000
Less treasury shares	-66,500	-66,500
<b>Weighted average number of shares</b>	<b>53,933,500</b>	<b>53,933,500</b>
<b>Dilution effect of potential shares:</b>		
Approved shares convertible bond 04/2013–11/2018 weighted	3,678,743	3,753,541
Approved shares convertible bond 10/2013–10/2016 weighted	1,814,128	2,156,863
Approved shares convertible bond 06/2014–06/2017 weighted	2,761,796	1,400,304
Weighted approved shares convertible bonds	8,254,667	7,310,708
<b>Weighted average number of shares adjusted for the dilution effect</b>	<b>62,188,167</b>	<b>61,244,208</b>

	2015	2014
	IN EUR '000	IN EUR '000
<b>Earnings per share (based on the weighted average number of shares):</b>		
Profit or loss for the period allocable to the shareholders of the Group:		
Undiluted	(17,838)	(20,654)
Adjustment related to potential conversion of convertible bonds (in EUR '000)	1,586	1,482
Diluted (in EUR '000)	(16,252)	(19,173)
<b>Earnings per share undiluted = diluted (in EUR)</b>	<b>(0.33)</b>	<b>(0.38)</b>

A total of 5,782,828 (2014: 8,688,182) approved shares from convertible bonds were in circulation on the reporting date.

When calculating the undiluted earnings per share, the result attributable to the holders of shares in the parent company is divided by the weighted average number of shares in circulation during the reporting period.

When calculating the diluted earnings per share, the result attributable to the holders of shares in the parent company, adjusted for changes related to a conversion of the potential shares, is divided by the weighted average number of shares in circulation during the reporting period plus the weighted average number of shares that would result from the conversion of the convertible bond. This diluted result is only applied when the conversion would reduce the earnings per share or would increase the loss for the period. Otherwise, the diluted result is the same as the undiluted result.

The Company has no knowledge of special rights or limitations that are associated with the shares.

According to the Austrian Stock Corporation Act, the separate financial statements as of 31 December 2015 of the parent company Warimpex Finanz- und Beteiligungs AG, which have been prepared under the Austrian Uniform Commercial Code, provide the basis for the distribution of a dividend.

These annual financial statements report a loss for the financial year of EUR 38,240 thousand. After the release of restricted capital reserves to cover a loss for the period that would otherwise be reported, the net result for the period is a loss of EUR 22,649 thousand.

**7.10.2. Capital management**

The equity reported in the consolidated financial statements is used for the purposes of capital management at the Group level. The primary objective of the Group's capital management policy is to ensure that the Group preserves a favourable equity ratio to support its business activities and maximise shareholder value.

The Group is not subject to capital requirements, either under its articles of association or under external regulations. Legal requirements only apply to the share capital and legal reserves, and are complied with in full.

The Group monitors its capital on the basis of its equity ratio, which should be between 20% and 40%.

The consolidated equity ratio was 6.2% on the reporting date (2014: 11.7%), and was within the target range.

	31/12/15	31/12/14
Determining the consolidated equity ratio:		
Equity	21,728	57,676
Borrowings	328,507	435,727
Total equity and liabilities	350,235	493,404
<b>Equity ratio in %</b>	<b>6.2%</b>	<b>11.7%</b>

When the equity attributable to the shareholders of the parent (without non-controlling interests) is included, the equity ratio is higher:

	31/12/15	31/12/14
Determining the equity ratio before non-controlling interests:		
Equity attributable to equity holders of the parent	53,765	72,143
Equity attributable to non-controlling interests	(32,037)	(14,467)
Borrowings	328,507	435,727
Total equity and liabilities	350,235	493,404
<b>Equity ratio in %</b>	<b>15.4%</b>	<b>14.6%</b>

**7.10.3. Reserves**

The equity includes the following Group reserves:

**Capital reserve:**

The capital reserve consists of the portions of equity originating from outside the Group and that are not part of the capital stock of the parent company.

**Revaluation reserve:**

The revaluation reserve consists of the parts of the undisclosed reserves that are attributable to old shares and that were determined by the revaluation of the net assets at the time of the transaction as part of the successive acquisition of a subsidiary according to IFRS 3. The revaluation reserve also includes re-measurement results from assets that are subsequently measured as investment properties recognised at fair value.

**Reserve for currency translation:**

Cumulated exchange rate differences resulting from the translation of annual financial statements of subsidiaries operating with functional currencies other than the euro are reported in the reserve for currency translation.

**Available-for-sale reserve:**

The available-for-sale reserve contains not-yet realised changes in the value of available-for-sale financial assets.

**Cash flow hedge reserve:**

Cumulated, not yet recognised changes in the fair value of derivative financial instruments that are designated as cash flow hedges are recognised in the cash flow hedge reserve.

**IAS 19 reserve:**

The IAS 19 reserve contains cumulated changes in the remeasurement of obligations to provide benefits after or related to the termination of the employment relationship according to IAS 19 that are reported in other comprehensive income. This reserve will not be reclassified into profit or loss in future periods.

The changes in the respective reserves and the analysis of the other comprehensive income per component of equity are as follows:

	Re-valuation reserve	Reserve for currency translation	Available-for-sale reserve	Cash flow hedge reserve	IAS 19 reserve	Total
<b>Changes in 2014:</b>						
As at 1 January	5,359	(3,840)	2,087	–	(711)	2,895
Other income/expenses	1,624	475	(414)	–	(166)	1,518
Other comprehensive income from joint ventures	308	(4)	–	–	–	304
(Deferred) taxes	(386)	507	161	–	42	324
Total other comprehensive income	1,546	979	(254)	–	(125)	2,147
<b>As at 31 December</b>	<b>6,905</b>	<b>(2,861)</b>	<b>1,833</b>	<b>–</b>	<b>(835)</b>	<b>5,041</b>
<b>Changes in 2015:</b>						
As at 1 January	6,905	(2,861)	1,833	–	(835)	5,041
Reclassification of equity	(231)	–	–	–	–	(231)
Changes in the scope of consolidation	–	2,146	–	–	–	2,146
<i>thereof reclassification to profit or loss</i>	–	2,146	–	–	–	2,146
Other income/expenses	–	(1,100)	(1,255)	(788)	16	(3,127)
(Deferred) taxes	–	50	246	150	(4)	441
Total other comprehensive income	–	(1,050)	(1,010)	(638)	12	(2,686)
<b>As at 31 December</b>	<b>6,674</b>	<b>(1,765)</b>	<b>823</b>	<b>(638)</b>	<b>(823)</b>	<b>4,270</b>

The other comprehensive income allocable to non-controlling interests in the amount of EUR -1,528 thousand (2014: EUR 1,625 thousand) pertains to currency translation to which deferred taxes of EUR 146 thousand (2014: EUR 134 thousand) apply.

The capital reserve and the retained earnings from the previous year were adjusted because the reversal of the capital reserve in the previous year was stated incorrectly due to a mistake (incorrect algebraic sign). This pertains solely to a shift between the capital reserve and the retained earnings and has no effect on the total capital or other capital components.

### 7.11. Financial liabilities

Financial liabilities contain interest-bearing liabilities – primarily convertible bonds, bonds, and loans from financial institutions or companies – that serve to cover the Group's financing needs. These do not correspond to the financial liabilities for the purposes of IAS 32, which are shown separately in section 8.1.1.

#### 7.11.1. Convertible bonds

	31/12/15	31/12/14
<b>Composition:</b>		
Convertible bond 04/2013–03/2016	–	5,605
Convertible bond 10/2013–10/2016	–	2,915
Convertible bond 06/2014–06/2017	4,238	4,530
Convertible bond 11/2015–11/2018	4,088	–
	<b>8,326</b>	<b>13,051</b>
<i>thereof non-current</i>	8,265	13,051
<i>thereof current</i>	61	–

Please refer to the information in section 3.6.4. and the information about the embedded derivative financial instruments in section 7.12.1. for details about the recognition of the convertible bonds. The potential shares from the convertible bonds are shown in section 7.10.1.



The convertible bond 04/2013–03/2016 was partially redeemed in November 2015; the remaining amount was extended to November 2018 under new conditions. The extension was recognised as a redemption and new issue due to the accounting regulations.

The convertible bond 10/2013–10/2016 was redeemed early during the reporting period.

Proportionate transaction costs are taken into account using the effective interest rate method when recognising the convertible bonds. The current portion pertains to deferred interest and financing costs.

#### 7.11.2. Other bonds

	31/12/15	31/12/14
<b>Composition:</b>		
Bond 04/2014–10/2015	–	1,948
Bond 12/2014–12/2015	–	3,266
Bond 03/2013–03/2016	9,541	14,883
Bond 03/2015–03/2017	6,485	–
Bond 10/2013–10/2017	357	1,957
Bond 02/2014–02/2018	722	2,114
Bond 03/2015–03/2018	5,652	–
Bond 10/2015–10/2018	2,533	–
Bond 12/2015–12/2018	25,780	–
	<b>51,070</b>	<b>24,168</b>
<i>thereof non-current</i>	41,270	18,953
<i>thereof current</i>	9,800	5,215

The project companies issued new bonds during the reporting period to finance two office building development projects in Krakow and one office building project in Łódź. The group parent also redeemed bonds early. The bond 12/2015–12/2018 resulted from the restructuring of the PLN bond 03/2013–03/2016 and an existing CHF loan. As the new bond was issued in EUR, the CHF exchange rate risk no longer applies.

Proportionate transaction costs are taken into account using the effective interest rate method when recognising the bonds.

#### 7.11.3. Other financial liabilities (loans)

	31/12/15	31/12/14
<b>Breakdown of non-current loans:</b>		
Project loans	151,376	227,465
Holding company borrowing facilities	8,796	622
Loans from non-controlling interests	48,753	49,983
Other loans	–	20,323
	<b>208,925</b>	<b>298,393</b>

	31/12/15	31/12/14
<b>Breakdown of current loans:</b>		
Overdraft and borrowing facilities	7,034	20,228
Project loans	10,517	15,786
Other loans	811	5,727
	<b>18,363</b>	<b>41,740</b>
<b>Total loans</b>	<b>227,287</b>	<b>340,133</b>

During the reporting period, the project loan for the Jupiter 1 and 2 office towers in St. Petersburg was repaid, and the project loan for the andel's hotel in Łódź was refinanced through a sale and lease-back transaction.

The new project loans pertain to the finance leasing agreement for the andel's Łódź mentioned above as well as office tower A at Erzsébet Offices in Budapest and the Zeppelin office tower in St. Petersburg.

Please see section 8.2.4. for information on the maturity of the project loans.

**7.11.4. Breakdown of interest-bearing financial liabilities**

The change in and composition of financial liabilities can be broken down as follows:

	Project loans	Borrowing	Bonds, convertible bonds	Loans from minorities and others	Total
<b>Changes in 2014:</b>					
As at 1 January	241,763	22,778	28,128	74,789	367,457
Borrowing/accumulated interest	21,213	437	12,494	2,088	36,231
Repayment	(21,314)	(2,262)	(2,977)	(1,667)	(28,219)
Exchange rate and other changes	1,590	(103)	(426)	823	1,883
<b>As at 31 December</b>	<b>243,251</b>	<b>20,849</b>	<b>37,219</b>	<b>76,033</b>	<b>377,352</b>
<i>thereof current (due &lt; 1 year)</i>	<i>15,786</i>	<i>20,228</i>	<i>5,215</i>	<i>5,727</i>	<i>46,955</i>
<i>thereof non-current (due &gt; 1 year)</i>	<i>227,465</i>	<i>622</i>	<i>32,004</i>	<i>70,306</i>	<i>330,397</i>
<b>Changes in 2015:</b>					
As at 1 January	243,251	20,849	37,219	76,033	377,352
Borrowing/accumulated interest	78,853	–	11,451	–	90,304
Repayment	(104,346)	(5,019)	(12,050)	(4,908)	(126,323)
Changes in the scope of consolidation	(55,721)	–	–	–	(55,721)
Financial restructuring (see section 7.11.2.)	–	–	21,300	(21,300)	–
Exchange rate and other changes	(145)	–	1,477	(261)	1,071
<b>As at 31 December</b>	<b>161,893</b>	<b>15,830</b>	<b>59,396</b>	<b>49,564</b>	<b>286,683</b>
<i>thereof current (due &lt; 1 year)</i>	<i>10,517</i>	<i>7,034</i>	<i>9,861</i>	<i>811</i>	<i>28,223</i>
<i>thereof non-current (due &gt; 1 year)</i>	<i>151,376</i>	<i>8,796</i>	<i>49,535</i>	<i>48,753</i>	<i>258,460</i>

Financial liabilities in a total amount of EUR 177,061 thousand (2014: EUR 268,664 thousand) are secured by mortgages on land and buildings. Of this, EUR 127,840 thousand (2014: EUR 180,913 thousand) pertain to property, plant, and equipment and EUR 49,220 thousand (2014: EUR 87,751 thousand) to investment properties.

**7.11.5. Interest rate terms on financial liabilities**

		31/12/15	31/12/14
<b>Interest on financial liabilities:</b>			
thereof fixed rate		148,297	255,683
thereof variable rate		138,386	121,669
		<b>286,683</b>	<b>377,352</b>
<b>Per cent share:</b>			
thereof fixed rate		52%	68%
thereof variable rate		48%	32%
		2015	2014
<b>Range of the variable interest for:</b>			
	<b>Base rate</b>	<b>Premium</b>	<b>Premium</b>
• Bonds	6M WIBOR	5–7%	6.4–7%
	3M WIBOR	4.50%	–
	6M EURIBOR	3.75%	–
• Overdraft/borrowing facilities	3M EURIBOR	1.5–3%	1.5–6%
• Project loans	3M SFR LIBOR	0.5–2.25%	0.5–2.25%
	3M EURIBOR	1.85–3.5%	1.85–4.5%
	1M EURIBOR	3.10%	–
	5Y CMS swap rate	4%	4%
	3M PRIBOR	2.85%	2.85%

Please see section 8.1.1. for information about the market values of interest-bearing financial liabilities.

## 7.12. Derivative financial instruments

### 7.12.1. Composition

	31/12/15	31/12/14
Composition non-current:		
Interest rate swap related to project financing	1,704	237
Conversion rights related to convertible bonds	438	148
	<b>2,142</b>	<b>385</b>

The conversion rights are embedded derivatives related to the convertible bonds issued in PLN. Further information about the fair value is provided in section 8.1.3.

Because of the terms of the underlying transactions (convertible bonds), which entitle the holder to convert the bond into equity capital or to demand the repayment of the nominal value on the maturity date, no payment flows are associated with the embedded derivatives reported in accordance with IAS 32 and IAS 39.

### 7.12.2. Derivative financial instruments related to financing loans

The interest rate swaps serve to hedge the variable interest rates on the leasing arrangements for the andel's hotel in Łódź and the Chopin in Krakow.

	2015	2014
Interest rate swap in connection with the lease-back transaction for the andel's Łódź		
Agreement: swap 1M EURIBOR versus 0% or 1.45% from 1 July 2017		
Nominal loan amount at 31 December	46,166	–
Fair value of swap at 31 December	(1,504)	–

The interest rate swap is a cash flow hedge to hedge the interest rate risk from the leasing arrangement for the andel's hotel in Łódź. The interest rate swap was concluded for an amount of 65% of the total financing and has a term and payment dates corresponding to those of the lease-back agreement. The payments are made monthly until the end of May 2022.

	2015	2014
Two interest rate swaps related to the lease-back transaction for Chopin Hotel, Krakow		
Agreement: swap 3M EURIBOR against 1.4% and 1.45%		
Nominal loan amount at 31 December	12,441	12,737
Fair value of swaps on 31 December	(200)	(237)

The interest rate swaps were concluded for an amount of 40% of the total financing and have terms and payment dates corresponding to those of the lease-back agreement.

The derivative financial instruments presented above serve solely to hedge the interest rate risk in connection with financial liabilities. The notional amounts presented relate to the volume of the underlying of the derivative financial instruments as at the reporting date. The expected cash flows are substantially lower. The reported fair values correspond to the valuations of the respective financial institutions that are party to the contracts. The Group's credit risk and the credit risk of the contract partner were not taken into account due to the immateriality of the amounts.

### 7.13. Other non-current liabilities

	31/12/15	31/12/14
Composition:		
Payables due to joint ventures	4,394	4,384
Security deposits received	990	1,728
Payables due to affiliated companies	878	–
Security deposits	279	1,204
	<b>6,542</b>	<b>7,316</b>

The payables due to joint ventures pertain to a received payment, which serves as collateral for a guarantee issued to third parties by Warimpex for the joint venture.

**7.14. Provisions**

The provisions pertain to pensions and other long-term employee benefits and other provisions. The provisions for pensions and other long-term employee benefits are non-current provisions.

**7.14.1. Provisions for pensions and other long-term employee benefits (section 3.15)**

	Voluntary pension benefit commitments	Legal entitlement to Severance benefits	Anniversary bonuses	Total
<b>Changes in 2014:</b>				
As at 1 January	262	1,561	68	1,891
Service costs	37	56	6	100
<b>Change recognised in personnel expenses</b>	<b>37</b>	<b>56</b>	<b>6</b>	<b>100</b>
Actuarial losses				
from changed financial assumptions	175	119	–	294
Other (restatements based on experience)	–	(128)	–	(128)
<b>Remeasurement recognised in other comprehensive income</b>	<b>175</b>	<b>(9)</b>	<b>–</b>	<b>166</b>
Interest costs	9	52	2	63
<b>As at 31 December</b>	<b>483</b>	<b>1,660</b>	<b>76</b>	<b>2,220</b>
<b>Changes in 2015:</b>				
As at 1 January	483	1,660	76	2,220
Service costs	60	23	18	101
<b>Change recognised in personnel expenses</b>	<b>60</b>	<b>23</b>	<b>18</b>	<b>101</b>
Actuarial losses				
from changed financial assumptions	52	28	–	80
Other (restatements based on experience)	6	(102)	–	(96)
<b>Remeasurement recognised in other comprehensive income</b>	<b>58</b>	<b>(75)</b>	<b>–</b>	<b>(16)</b>
Interest costs	11	35	2	48
<b>As at 31 December</b>	<b>612</b>	<b>1,644</b>	<b>97</b>	<b>2,353</b>

The provisions are determined using the projected unit credit method. The salary increase is estimated at 2.75% (2014: 2.75%) for severance payments and for anniversary bonuses. The annual increase for pension entitlements is 2%–2.125%. The calculations are based on a discount rate of 2% (2014: 2.25%). Fluctuation discounts were not applied. The calculation is based on the current version of AVÖ 2008-P für Angestellte. The average term of the obligations for pension benefits is 36.6 years (2014: 37.4 years) and for severance payments 7.1 years (2014: 6.5 years).

Two members of the Management Board have been awarded binding pension plans. These are reported in the transactions with Management Board members in section 9.3.2.2.

The following table shows the sensitivity of the net cash values of the obligations in response to certain changes in the inputs

that, based upon reasonable judgement, may in principle occur. All other variables remain constant.

Actuarial assumption	Possible change	Change in the net cash value for:	
		Pensions	Severance payments
<b>Sensitivity analysis 2014:</b>			
Discount rate	+ 1 percentage point	(146)	(98)
Discount rate	- 1 percentage point	217	116
Salary increase	+ 0.5 percentage points	n/a	53
Salary increase	- 0.5 percentage points	n/a	(50)
<b>Sensitivity analysis 2015:</b>			
Discount rate	+ 1 percentage point	(182)	(105)
Discount rate	- 1 percentage point	269	123
Salary increase	+ 0.5 percentage points	64	58
Salary increase	- 0.5 percentage points	(58)	(53)

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

	2015	2014
• Defined benefit obligations	2,353	2,220
• Remeasurement (actuarial gains/losses)	80	166

#### 7.14.2. Other provisions

	Short-term	Long-term	Total
<b>Changes in 2014:</b>			
As at 1 January (adjusted)	705	–	705
Utilised	(336)	–	(336)
Additions	65	–	65
Exchange adjustments	(2)	–	(2)
<b>As at 31 December</b>	<b>431</b>	<b>–</b>	<b>431</b>
<b>Changes in 2015:</b>			
As at 1 January	431	–	431
Changes in the scope of consolidation	(5)	–	(5)
Utilised	(156)	–	(156)
Additions	343	–	343
<b>As at 31 December</b>	<b>613</b>	<b>–</b>	<b>613</b>

**7.15. Deferred liabilities**

	31/12/15	31/12/14
<b>Composition non-current:</b>		
Advanced rent received St. Petersburg	2,974	–
Gains on disposal of andel's Łódź (sale and lease-back)	3,042	–
Gains on disposal of Chopin Hotel (sale and lease-back)	943	1,481
Other	203	–
	<b>7,162</b>	<b>1,481</b>

	31/12/15	31/12/14
<b>Composition current:</b>		
Gain on sale and lease-back of andel's hotel Łódź	562	–
Gains on disposal of Chopin Hotel (sale and lease-back)	539	539
Advanced rent received St. Petersburg	172	–
Other	23	–
	<b>1,296</b>	<b>539</b>

The advance rental payments for St. Petersburg pertain to a 20-year lease for the use of vehicle parking spaces for the tenants of the Jupiter office towers. The rent was paid in full in advance in accordance with the provisions of the lease and will be recognised as revenue on a proportionate basis over the term of the lease.

The gains from the sale and lease-back agreement will be recognised over the term of the leasing arrangements in accordance with the IFRS rules until 2018 (Hotel Chopin) and 2022 (andel's Łódź).

**7.16. Trade and other payables and other current liabilities**

	31/12/15	31/12/14
<b>Composition:</b>		
Trade liabilities	3,840	5,556
Liabilities to related parties	3,640	5,350
Other liabilities	2,300	12,173
Payables due to joint ventures	790	340
Security deposits received	336	199
Advance payments received	613	11,646
<i>(thereof in connection with the sale of Jupiter towers, St. Petersburg)</i>	–	8,626
	<b>11,519</b>	<b>35,265</b>

Other payables contain tax liabilities of EUR 332 thousand (2014: EUR 8,999 thousand), liabilities for social security contributions of EUR 276 thousand (2014: EUR 274 thousand), and accruals for compensated absences of EUR 266 thousand (2014: EUR 490 thousand).

The tax liabilities in the prior year include the VAT from the sale of the Jupiter towers (see also section 7.7.).

For information on terms and conditions for transactions with related parties, please refer to section 9.3.2.

Trade receivables are non-interest-bearing and generally have terms of 10 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 liabilities are non-interest-bearing.

**[08] Information about financial instruments measured at fair value and about financial risk management****8.1. Financial instruments and fair value****8.1.1. Carrying amounts and fair values according to class and measurement category**

The following shows the carrying amounts for financial instruments and for assets and liabilities that are measured at fair value, broken down by classes.

Measurement category as per IAS 39 or other IFRS		IFRS 13 Level	Carrying amount 31/12/15	Fair value 31/12/15	Carrying amount 31/12/14	Fair value 31/12/14
<b>Assets – categories</b>						
IAS 40	Investment properties (developed)	3	57,244	57,244	11,266	11,266
IAS 40	Investment properties (in development)	3	27,351	27,351	76,485	76,485
IAS 19	Refund claims (other financial assets)		370	370	323	323
LaR	Financial assets – fixed rate		13,187	10,706	–	–
LaR	Other financial assets		3,604	3,604	8,381	8,381
AfS	Financial assets, available for sale	3	2	2	6,468	6,468
	Non-current non-financial assets and non-current assets not measured at fair value		221,203		286,324	
	<b>Total non-current assets</b>		<b>322,960</b>		<b>389,247</b>	
LaR	Receivables		5,197	5,197	13,889	13,889
LaR	Cash and cash equivalents		7,394	7,394	9,765	9,765
AfS	Financial assets, available for sale	3	10,610	10,610	7,052	7,052
IFRS 5	Non-current assets held for sale	3	–	–	65,483	65,483
LaR	Financial assets – fixed rate		271	238	–	–
	Non-financial current assets and current assets not measured at fair value		3,802		7,968	
	<b>Total current assets (including IFRS 5)</b>		<b>27,274</b>		<b>104,157</b>	
	<b>Total assets</b>		<b>350,235</b>		<b>493,404</b>	
<b>Liabilities – classes</b>						
FL	Fixed-rate convertible bonds	3	8,265	8,511	13,051	13,803
FL	Variable-rate bonds	3	33,254	33,281	18,953	19,166
FL	Fixed-rate bonds	3	8,016	8,061	–	–
FL	Fixed-rate loans	3	127,772	117,955	217,756	228,486
FL	Variable-rate loans	3	81,152	71,280	80,637	80,690
FL	Other non-current liabilities		6,542	6,542	7,316	7,316
FVTPL	Derivative financial instruments – conversion rights	3	438	438	148	148
FVTPL	Derivative financial instruments – interest rate swaps	3	200	200	237	237
Hedge	Derivative financial instruments with hedging relationships	3	1,504	1,504	–	–
IAS 19	Provisions for pensions		612	612	483	483
	Non-financial non-current liabilities and non-current liabilities not measured at fair value		18,967		13,867	
	<b>Total non-current liabilities</b>		<b>286,722</b>		<b>352,447</b>	
FL	Fixed-rate convertible bonds	3	61	61	5,215	5,215
FL	Variable-rate bonds	3	9,631	9,624	–	–
FL	Fixed-rate bonds	3	169	1,448	–	–
FL	Fixed-rate loans	3	4,014	4,030	19,662	20,063
FL	Variable-rate loans	3	14,349	14,740	22,078	22,014
FVTPL	Derivative financial instruments	3	–	–	17	17
FL	Other liabilities	3	10,023	10,023	13,855	13,855
	Non-financial current liabilities and current liabilities not measured at fair value		3,538		22,453	
	<b>Total current liabilities (including IFRS 5)</b>		<b>41,785</b>		<b>83,280</b>	
	<b>Total liabilities</b>		<b>328,507</b>		<b>435,727</b>	

		31/12/15	31/12/14
<b>Summary of carrying amounts by category for financial assets and liabilities:</b>			
LaR	loans and receivables		29,653
AfS	available for sale		10,612
FL	financial liabilities at amortised cost	303,249	398,522
FVTPL	at fair value through profit or loss	638	402
Hedge	Derivative financial instruments with hedging relationships	1,504	–



**The fair values were determined as follows:**

The investment properties are recognised at fair value pursuant to IAS 40. The fair value is determined using the discounted cash flow method, the residual value method, or the comparative method depending on the stage of development of the respective property (see also the information about material discretionary decisions and estimates in section 3.4.1.2.).

The fair value of the fixed-rate financial assets (fair value level 3) was determined in the same manner as the fair value of the financial liabilities. The carrying amounts of the cash and cash equivalents and of the current receivables and liabilities are almost identical with the fair values because of the short terms. The same applies to the other financial assets because of their interest rate structure.

Please see sections 7.8. and 8.1.3. for information about the measurement of the fair value of the available-for-sale financial assets.

The measurement of the non-current assets recognised pursuant to IFRS 5 is explained in section 5.3.

The fair value for convertible bonds, bonds, and loans in level 3 of the fair value hierarchy was determined by discounting the future payment flows with the Group-specific interest rates for new financing as estimated on the reporting date, taking own credit risk into account. The fair value of the fixed-rate financial assets was determined in the same manner as the fair value of the financial liabilities.

The conversion rights represent embedded derivative financial instruments that are measured according to the Black/Scholes model, taking own credit risk into account.

The other derivatives pertain to interest rate swaps and are measured by the credit institutions with which the derivative transactions were concluded using recognised valuation models. The performance risk of the contract partners and the Group's own credit risk were deemed to be immaterial, and were therefore not taken into account separately.

**8.1.2. Reconciliation of level 3 measurement  
(recurring fair value measurement)**

The assets and liabilities that are subject to recurring fair value measurement changed as follows::

	2015	2014
<b>Change in assets:</b>		
Carrying amounts at 1 January	101,271	81,657
Additions	27,934	20,494
Disposals	(397)	–
Gains/losses on remeasurement in profit or loss	(21,154)	(1,399)
Other comprehensive income	(12,447)	519
<b>Carrying amounts at 31 December</b>	<b>95,207</b>	<b>101,271</b>

The remeasurement result in the income statement pertains to investment properties, as in the prior year, and is included in the depreciation, amortisation, and remeasurement. The remeasurement result in the other comprehensive income pertains to assets that are available for sale, as in the prior year. These are unrealised value changes in each case.

	2015	2014
<b>Changes in liabilities:</b>		
Carrying amounts at 1 January	402	3,378
Additions	716	–
Disposals	–	(533)
Gains/losses on remeasurement in profit or loss	236	(2,443)
Gains/losses on remeasurement in other comprehensive income	788	–
<b>Carrying amounts at 31 December</b>	<b>2,142</b>	<b>402</b>

The remeasurement result in the income statement involves unrealised measurement gains from the conversion rights, which are recognised under the financial result, and to a lesser extent the measurement of interest rate swaps (recognised under financing expenses). The measurement in other comprehensive income pertains to a cash flow hedge that was concluded in the reporting period.

### 8.1.3. Measurement methods and inputs (recurring fair value measurement)

The following table shows the measurement method and input parameters relating to the recurring fair value measurement of financial instruments:

Level	Classes	Measurement method	Material inputs
3	Assets, available for sale	Income approach	Cash flows, capitalisation interest rate
3	Non-current derivative financial instruments – conversion right	Income approach	Volatility, share prices
3	Non-current derivative financial instruments – interest rate swaps	Income approach	Yield curve
3	Derivative financial instruments with hedging relationships	Income approach	Yield curve

No changes were made to the measurement methods in the reporting period.

The following is quantitative information about material, unobservable inputs that were used in the measurement of fair value.

Level	Classes	Material inputs	Range	Weighted average
<b>2014</b>				
3	Assets, available for sale	Capitalisation interest rate	3,5% -10%	5,97%
3	Assets, available for sale	Cash flow (year one) in EUR '000	2,380–7,100	4,172
3	Non-current derivative financial instruments – conversion rights	Volatility	30%	
3	Non-current derivative financial instruments – interest rate swaps	Yield curve	n/a	
3	Derivative financial instruments with hedging relationships	Yield curve	n/a	
<b>2015</b>				
3	Assets, available for sale	Capitalisation interest rate	3,25%–10%	5,35%
3	Assets, available for sale	Cash flow (year one) in EUR '000	3,492–5,646	4,162
3	Non-current derivative financial instruments – conversion rights	Volatility	50%	
3	Non-current derivative financial instruments – interest rate swaps	Yield curve	n/a	
3	Derivative financial instruments with hedging relationships	Yield curve	n/a	

#### 8.1.4. Sensitivity analysis for changes in unobservable material inputs (recurring measurement)

The following is quantitative information about material, unobservable inputs that were used in the measurement of the fair value of financial instruments.

Level	Input	Change of assumption	Change in total comprehensive income before taxes	
			2015	2014
3	<b>Assets, available for sale</b>			
	Capitalisation interest rate	+ 50 bp	-3,992	-4,516
	Capitalisation interest rate	- 50 bp	2,968	3,737
	Cash flow (year one)	+ 5%	3,436	4,076
	Cash flow (year one)	- 5%	-2,827	-3,550
3	<b>Non-current derivative financial instruments – conversion right:</b>			
	Volatility of Warimpex share price in PLN	+ 5 percentage points	-56	-268
	Volatility of Warimpex share price in PLN	- 5 percentage points	12	188
3	<b>Non-current derivative financial instruments – interest rate swaps</b>			
	Yield curve	+ 50 basis points	82	119
	Yield curve	- 50 basis points	-52	-66
Level	Input	Change of assumption	Change in equity	
			2015	2014
3	<b>Derivative financial instruments with hedging relationships</b>			
	Yield curve	+ 50 basis points	894	n/a
	Yield curve	- 50 basis points	-894	n/a

### 8.1.5. Net results from financial instruments

The following information pertains to the income and expense items and the gains and losses per measurement category as related to the financial instruments:

	Measurement categories according to IAS 39					Total
	FVTPL	LaR	AfS	FL	Hedge	
<b>Financial year 2014:</b>						
Allocation/release of impairments		(2,069)				(2,069)
Interest and other financial revenue		150				150
Dividend income			1,482			1,482
Interest costs				(20,713)		(20,713)
Unrealised remeasurement result	2,402					2,402
Realised remeasurement result					(13)	(13)
Result from exchange rate changes				(14,356)		(14,356)
<b>Profit or loss for the period</b>	<b>2,402</b>	<b>(1,918)</b>	<b>1,482</b>	<b>(35,069)</b>	<b>(13)</b>	<b>(33,117)</b>
Unrealised remeasurement result OCI			519		–	519
<b>Net result from consolidated statement of comprehensive income</b>	<b>2,402</b>	<b>(1,918)</b>	<b>2,001</b>	<b>(35,069)</b>	<b>(13)</b>	<b>(32,598)</b>
<b>Financial year 2015:</b>						
Allocation/release of impairments		(3,619)				(3,619)
Interest and other financial revenue		1,166				1,166
Dividend income			998			998
Interest costs				(20,130)		(20,130)
Expenses from early redemption				(660)		(660)
Unrealised remeasurement result	251					251
Result from exchange rate changes				(19,506)		(19,506)
<b>Profit or loss for the period</b>	<b>251</b>	<b>(2,453)</b>	<b>998</b>	<b>(40,296)</b>	<b>–</b>	<b>(41,500)</b>
Unrealised remeasurement result OCI			(1,930)		(788)	(2,718)
<b>Net result from consolidated statement of comprehensive income</b>	<b>251</b>	<b>(2,453)</b>	<b>(932)</b>	<b>(40,296)</b>	<b>(788)</b>	<b>(44,218)</b>

All financial instruments that are measured at fair value through profit or loss are classified upon initial recognition.

Changes in the value of available-for-sale assets and the cash flow hedge affect the other comprehensive income.

### 8.2. Financial risk management

In terms of financial risk management, the goal of the Group is to minimise risks to the greatest extent possible, taking the associated costs into account. A detailed description of the material financial risks to which the Group is exposed and the associated financial risk management (qualitative information on financial risks) can be found in the risk reporting section of the consolidated management report (Material risks and uncertainties to which the Group is exposed).

The following information is about the quantitative risks that relate to financial instruments.

#### 8.2.1. Interest rate risk

The Group strives to maintain a risk-oriented relationship between fixed- and variable-rate financial liabilities.

Taking into account existing interest rate swaps, about 52% (2014: 68%) of the Group's debt obligations were fixed-rate obligations on the reporting date and are not subject to interest rate risk. Details about the interest rate terms for the variable-rate financial liabilities can be found in section 7.11.5.

#### Sensitivity of interest rate changes:

The following table shows the sensitivity of Group earnings before taxes to certain changes in material market interest rates that, based upon reasonable judgement, may in principle occur (owing to the impact of such changes on variable-rate loans). All other variables remain constant.

	Increase in basis points	Effect on the earnings before taxes	Reduction in basis points	Effect on the earnings before taxes
<b>2014</b>				
3M EURIBOR	+50	(734)	-50	734
6M WIBOR	+50	(96)	-50	96
<b>2015</b>				
1M EURIBOR	+50	(116)	-50	116
3M EURIBOR	+50	(622)	-50	622
6M WIBOR	+50	(79)	-50	79

**Interest rate risk for financial liabilities:**

The following table shows the variable-rate financial liabilities

of the Group that are subject to interest rate risk broken down by contractual maturity:

	2015	2016	2017	2018	2019	more than five years	Total
<b>31/12/2014:</b>							
Project loans	8,068	26,160	5,430	16,793	4,622	26,907	87,979
Borrowing/overdraft facilities	12,247	358	177	87	–	–	12,868
Bonds	3,266	14,883	1,957	2,114	–	–	22,220
	<b>23,581</b>	<b>41,400</b>	<b>7,564</b>	<b>18,993</b>	<b>4,622</b>	<b>26,907</b>	<b>123,067</b>

	2016	2017	2018	2019	2020	more than five years	Total
<b>31/12/2015:</b>							
Project loans	7,444	6,060	13,104	6,461	6,405	45,891	85,366
Borrowing/overdraft facilities	6,034	3,027	96	–	–	–	9,157
Bonds	9,365	6,852	26,589	–	–	–	42,806
Other	919	–	–	–	–	–	919
	<b>23,762</b>	<b>15,939</b>	<b>39,789</b>	<b>6,461</b>	<b>6,405</b>	<b>45,891</b>	<b>138,247</b>

**8.2.2. Currency risk**

The currency structure of financial liabilities in the Group breaks down as follows:

	CHF	PLN	RUB	EUR	Total
<b>31/12/2014:</b>					
In foreign currencies	29,040	120,960	162,789	–	–
in EUR	24,152	29,064	2,615	321,521	<b>377,352</b>
<b>31/12/2015:</b>					
In foreign currencies	5,133	36,786	–	–	–
in EUR	4,737	9,422	–	272,524	<b>286,683</b>

The following table shows the sensitivity of the Group's earnings before taxes to certain changes in exchange rates that, based upon reasonable judgement, may occur for the respective currency versus the euro. All other variables remain constant.

	CHF	CZK	PLN	RON	RUB	Total
<b>Sensitivity 2014:</b>						
Increase by 10%	(2,415)	(1,481)	(4,954)	(190)	(4,691)	(13,731)
Decrease by 10%	2,415	1,481	4,954	190	4,691	13,731
Increase by 20%	(6,919)				(9,382)	(16,301)
Decrease by 20%	6,919				9,382	16,301
Increase by 50%					(23,456)	(23,456)
Decrease by 50%					23,456	23,456
<b>Sensitivity 2015:</b>						
Increase by 10%	(474)	(1,293)	(3,081)	(199)	(7,209)	(12,256)
Decrease by 10%	474	1,293	3,081	199	7,209	12,256
Increase by 20%	(947)				(14,418)	(15,365)
Decrease by 20%	947				14,418	15,365
Increase by 50%					(36,045)	(36,045)
Decrease by 50%					36,045	36,045

The following table shows the sensitivity of the Group's equity to certain changes in exchange rates that, based upon reasonable judgement, may occur for the respective currency versus the euro. All other variables remain constant.

	CHF	CZK	PLN	RON	RUB	Total
<b>Sensitivity 2014:</b>						
Increase by 10%	(2,415)	(411)	(2,786)	11	(433)	(6,033)
Decrease by 10%	2,415	411	2,786	(11)	433	6,033
Increase by 20%	(4,830)				(865)	(5,695)
Decrease by 20%	4,830				865	5,695
Increase by 50%					(2,163)	(2,163)
Decrease by 50%					2,163	2,163
<b>Sensitivity 2015:</b>						
Increase by 10%	(474)	(417)	(1,385)	23	(517)	(2,770)
Decrease by 10%	474	417	1,385	(23)	517	2,770
Increase by 20%	(947)				(1,035)	(1,982)
Decrease by 20%	947				1,035	1,982
Increase by 50%					(2,587)	(2,587)
Decrease by 50%					2,587	2,587

**8.2.3. Default risk**

Please refer to section 7.7. for quantitative information about default risk. This shows the impairments that were recognised and the maturity structure of the receivables. The maximum default risk is limited to the carrying amount of the financial receivables. There is no evidence of impairment for the financial assets that are neither past due nor impaired.

Because of the business activities of the Group, default risk is not generally seen as a core risk; impairment charges are recognised to the extent necessary.

During the reporting period, the Group substantially increased its financial assets due to the long-term deferral of part of the purchase price from the sale of the Jupiter office towers (see section 5.1.). The Group holds a 19% interest in the purchaser ZAO Micos through its 55% subsidiary. The shareholders of ZAO Micos have extended a shareholder loan in the equivalent amount of EUR 18,309 thousand proportionate to their interests. These are subordinate to the purchase price claim. The payment of the purchase price claim also depends on the cash flow of the Jupiter office towers. Please see section 9.1.3.4. for information on the extended rental guarantees.

**8.2.4. Liquidity risk**

The Group had current financial liabilities in the amount of EUR 38,247 thousand (2014: EUR 60,827 thousand) as at the reporting date. Of this, EUR 28,223 thousand (2014: EUR 46,955 thousand) pertain to current financial liabilities serving Group financing purposes.

The share of debt falling due within 12 months should not exceed 35% of liabilities. On the reporting date, 12.7% (2014: 19.1%) of the liabilities were current.

The Group serviced, refinanced, or extended short-term liabilities during the reporting period.

To secure the liquidity needed to ensure the continued operation of the Company, it will remain necessary to extend or refinance operating credit lines or to convert them into long-term financing, and to generate additional liquidity inflows.

To cover the liquidity needs for ongoing operations over the next 12 months, the liquidity plan includes the increase of project loans in the amount of roughly EUR 12 million and the sale of properties. In 2015 and March 2016, bonds that were maturing in the near future were repaid early in part and extended in part. Bonds with a total volume of PLN 42.7 million (roughly EUR 10 million) will mature by March 2017. The payments are to be financed through property sales and increases in project loans with the currently low loan-to-value ratios. Should it prove impossible to complete the planned sales or increase the loans in the planned time frame or to the planned extent, other sources of financing will need to be arranged to cover any liquidity risk that arises.

The maturity structure of the Group's non-derivative financial liabilities was as shown below on the reporting date. The figures are stated on the basis of contractual, non-discounted payment obligations including interest payments.

Non-derivative financial liabilities:	Due within 1 year	1 to 5 years	over 5 years	Total
Fixed-rate convertible bonds	287	9,456	–	9,742
Variable-rate bonds	11,320	35,657	–	46,978
Fixed-rate bonds	638	10,020	–	10,658
Fixed-rate project loans	7,107	33,945	64,242	105,296
Variable-rate project loans	12,243	45,663	91,413	149,319
Fixed-rate borrowing/overdraft facilities	1,352	5,816	–	7,168
Variable-rate borrowing/overdraft facilities	6,180	3,149	–	9,329
Other loans and borrowings	811	–	87,578	88,389
Trade and other payables	10,023	6,542	–	16,565
<b>Total</b>	<b>49,962</b>	<b>150,249</b>	<b>243,233</b>	<b>443,444</b>

Information about the maturity analysis of the derivative liabilities can be found in section 7.12. No derivative financial liabilities have a remaining maturity of more than five years.

## [09] Other information

### 9.1. Other commitments, litigation, and contingencies

#### 9.1.1. Litigation

There were no legal disputes as at the reporting date that have a significant effect on the assets or financial or earnings position of the Company.

#### 9.1.2. Contractual obligations

There were no contractual obligations at the reporting date. In the previous year, there was an obligation to buy two properties in Budapest. One property was purchased by a third party with the involvement of the Group. The purchase obligation for the other property was contractually terminated in exchange for the loss of the advance payment made in the amount of EUR 650 thousand.

#### 9.1.3. Contractual bonds and guarantees

The Group was subject to the following contractual bonds and guarantees on the reporting date:

	Note	Maximum outstanding amount
<b>Guarantees and bonds in the Group:</b>		
Guarantee relating to the sale of andel's hotel Krakow	9.1.3.1.	3,969
Lease obligation of Vladinvest	9.1.3.2.	752
Guarantee related to the sale of Le Palais Offices, Warsaw	9.1.3.3.	31,701
Guarantee relating to the sale of the Jupiter office towers, St. Petersburg – loan	9.1.3.4.	11,252
Guarantee relating to the sale of the Jupiter office towers, St. Petersburg – rent	9.1.3.4.	7,875

	Note	Maximum outstanding amount
<b>Guarantees and bonds related to joint ventures:</b>		
Contractual guarantee relating to the sale of andel's hotel, Berlin	9.1.3.5.	17,520
Obligations relating to Dream Castle Hotel, Paris	9.1.3.6.	17,217
Obligations relating to the Magic Circus hotel, Paris	9.1.3.7.	7,919
Contractual liability relating to a loan for angelo Plzeň	9.1.3.8.	2,578
Contractual liability relating to a loan for Parkur Tower, Warsaw	9.1.3.8.	2,361
Business guarantee relating to the leasing of the InterContinental hotel, Warsaw	9.1.3.8.	3,147

#### 9.1.3.1. Guarantees in connection with andel's hotel Krakow (sold in 2009)

The subsidiary UBX Krakau Sp.z.o.o. sold its property, the andel's hotel Krakow, to an international fund in 2009 and leased the hotel back for a period of 15 years. The annual lease fee was originally around EUR 2 million, and is index-linked. The guarantee is equivalent to 1.5 gross annual lease payments. A restricted account in the amount of EUR 1.42 million was pledged as collateral.

Also as part of the sale, Warimpex issued a guarantee to the manager of the hotel, Vienna International AG, stipulating a payment in the amount of the average management fees I and II for the past three years times two in the event that the new owner of the hotel terminates the management agreement early. Settlement payments made by the owner will be deducted from this.

#### 9.1.3.2. Lease obligation of Vladinvest s.r.o., Prague

The Group company Vladinvest s.r.o. concluded a master lease for other commercial space covering an area of 4,356 square metres with the company owning andel's hotel in Prague for a net rent of roughly EUR 0.4 million p.a. (indexed). This fixed rent is reduced by any rental income that the sold former subsidiary will be able to generate from renting out the property.

The lease agreement was concluded for a term of 12 years and ends on 30 September 2017.

#### 9.1.3.3. Guarantees related to the sale of Le Palais Offices, Warsaw

In connection with the sale of the Le Palais Offices property in 2013, Warimpex issued various guarantees for the new owner up to a maximum amount of the total purchase price. These guarantees primarily cover the standard warranty obligations of a seller with regards to the characteristics of the property and the legal title to the property.

#### 9.1.3.4. Guarantees relating to the sale of the Jupiter office towers, St. Petersburg

The company ZAO Avielen AG, of which the Group holds 55%, sold the Jupiter 1 and 2 office towers in St. Petersburg during the reporting period (see section 5.1.). The purchaser is the company ZAO Micos (Micos), of which ZAO Avielen AG holds 19%. ZAO Micos took out a bank loan to finance the towers, for which ZAO Avielen AG issued a guarantee in the amount of its shareholding of 19%. The guaranteed amount was EUR 11,252 thousand as at the reporting date. The guarantee will expire after the contractually agreed sale of the shares to ZAO Micos, which is planned in May 2016.



The owners of ZAO Avielen AG issued long-term letting guarantees relating to the sale of the office towers and the long-term letting of parking spaces. These guarantee minimum rent payments until November 2019 in the event of the unilateral termination of the lease by the tenant or of a rent reduction. There are unlimited rental guarantees until November 2017. The resulting maximum liability for the Group was measured at EUR 3,200 based on the existing leases. The guarantees for the period between November 2017 and November 2019 are limited to EUR 4,675 thousand for Warimpex. This means that the Group had outstanding rental guarantees totalling EUR 7,875 thousand on the reporting date. The guarantees for all owners of ZAO Avielen AG amount to EUR 14,318 thousand.

#### **9.1.3.5. Guarantees relating to the sale of the andel's hotel Berlin**

The joint venture UBX 1 Objekt Berlin Ges.m.b.H. entered into the typical liabilities and guarantee obligations for real estate transactions in connection with the sale of the andel's hotel in Berlin. The liability is limited to an amount of 15 per cent of the purchase price and, with the exception of the guarantee that the property remain unencumbered, to a period of three years. The joint venture partners are jointly liable, and the liability is limited to 50 per cent internally.

In addition, the buyer and the leaseholder agreed on lease collateral in the lease agreement, of which EUR 1,770 thousand apply to Warimpex. This amount is subject to a counter-guarantee from the leaseholder.

#### **9.1.3.6. Dream Castle Hotel, Paris**

In connection with the finance lease, the lessor has sell-out rights to Warimpex and the joint venture partner UBM Development AG. These sell-out rights can be exercised starting in 2024 or in the event that the lessee is late in making its contractual payments. Warimpex is jointly liable for the 50% share in the joint venture partner.

The obligations arising from this joint liability above and beyond the financial liabilities recognised in the statement of financial position totalled EUR 17.2 million on the reporting date (2014: EUR 18.2 million).

#### **9.1.3.7. Magic Circus hotel, Paris**

In connection with the finance lease, the lessor has sell-out rights to Warimpex and the joint venture partner UBM Development AG. These sell-out rights can be exercised starting in 2027 or in the event that the lessee is late in making its contractual payments. Warimpex is jointly liable for the 50% share in the joint venture partner.

The obligations arising from this joint liability above and

beyond the financial liabilities recognised on the statement of financial position totalled EUR 7.9 million on the reporting date (2014: EUR 8.3 million).

#### **9.1.3.8. Contract bonds related to joint ventures**

Warimpex has entered into contractual bonds related to various joint ventures; these obligations are listed above (section 9.1.3.). In general, the liability for each joint venture is limited to the value of the equity interest. Please see sections 9.1.3.6. and 9.1.3.7. for information about joint and several liability.

## **9.2. Information about leasing arrangements**

### **9.2.1. Finance leases as lessee**

During the reporting period, a sale and lease-back agreement was concluded for the sale and subsequent leasing of the andel's hotel in Łódź and the associated property for a period of seven years. It is agreed that the property will be repurchased at a price equal to the difference between the selling price and the paid lease payments after the end of the lease. The lease stipulates that the assumption of other material obligations, major maintenance and repair on the building, and legal resolutions require the approval of the lessor. It is also agreed that 65% of the future leasing capital payments will be hedged with interest rate swaps. The minimum lease payments correspond to the market value of the property at the signing of the contract. The interest rate is variable and is based on the one-month Euribor.

In 2013, a sale and lease-back agreement was concluded for the sale and subsequent leasing of the Chopin Hotel and the associated property for a period of five years. It is agreed that the property will be repurchased for EUR 1 after the end of the lease. The lease stipulates that the assumption of other material obligations, major maintenance and repair on the building, and legal resolutions require the approval of the lessor. It is also agreed that 40% of the future interest rate payments will be hedged with interest rate swaps. The minimum lease payments correspond to the market value of the property upon the signing of the contract. The interest rate is variable and is based on the three-month Euribor.

	31/12/15	31/12/14
Net carrying amount of property, plant, and equipment (hotels) in finance leases	19,746	79,698

	31/12/14	Thereof up to 1 year	Thereof 1 to 5 years
<b>Reconciliation of future minimum lease payments 2014:</b>			
Minimum lease payments	14,393	754	13,639
Less interest contained in the minimum lease payments	(1,656)	(456)	(1,200)
<b>Present value of minimum lease payments</b>	<b>12,737</b>	<b>298</b>	<b>12,439</b>

	31/12/15	Thereof up to 1 year	Thereof 1 to 5 years	More than 5 years
<b>Reconciliation of future minimum lease payments 2015:</b>				
Minimum lease payments	67,787	3,451	23,611	40,724
Less interest contained in the minimum lease payments	(9,180)	(1,829)	(5,769)	(1,582)
<b>Present value of minimum lease payments</b>	<b>58,607</b>	<b>1,622</b>	<b>17,842</b>	<b>39,143</b>

### 9.2.2. Operating leasing as lessee

The Group is party to the following material operating leasing arrangement: - Lease for andel's hotel Krakow (see section 9.1.3.1.)

	2015	2014
Expenses from minimum lease payments	2,082	2,127

	Total	Thereof up to 1 year	Thereof 1 to 5 years	More than 5 years
Future minimum lease payments as at 31.12.2014	21,272	2,127	8,509	10,636
Future minimum lease payments as at 31.12.2015	18,742	2,082	8,330	8,330

### 9.2.3. Operating leasing as lessor

The Group is party to operating leasing agreements as lessor in relation to its let investment properties. During the reporting period, this pertained to the following properties and subsidiaries:

- Erzsébet office towers, Budapest, thereof Tower A from October 2015
- Zeppelin office tower, St. Petersburg, from June 2015
- Multidevelopment office building, Krakow
- Vladinvest Prague (see section 9.1.3.2.)
- Smaller properties in Budapest

	Total	Thereof up to 1 year	Thereof 1 to 5 years	More than 5 years
Future minimum lease payments, non-cancellable as at 31.12.2014	1,108	430	678	n/a
Future minimum lease payments, non-cancellable as at 31.12.2015	54,746	6,062	22,968	25,716

### 9.3. Related party disclosures

#### 9.3.1. Overview of related parties

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

##### Amber Privatstiftung:

A-1210 Vienna, Floridsdorfer Hauptstrasse 1 (FN 178109a, Commercial Court Vienna), as of the reporting date holds 10.7% of the shares in Warimpex Finanz- und Beteiligungs AG and 30.4% of the shares in Vienna International Hotelmanagement AG. The entity is a related party due to Franz Jurkowitsch being a beneficiary.

##### Bocca Privatstiftung:

A-1210 Vienna, Floridsdorfer Hauptstrasse 1 (FN 178104v, Commercial Court Vienna), as of the reporting date holds 10.6% of the shares in Warimpex Finanz- und Beteiligungs AG and 30.4% of the shares in Vienna International Hotelmanagement AG. The entity is a related party due to Georg Folian being a beneficiary.

##### Management Board:

###### Franz Jurkowitsch

Is Chairman of the Management Board of the Company and held 14.1% of the shares of Warimpex Finanz- und Beteiligungs AG on the reporting date.

###### Georg Folian

Is Deputy Chairman of the Management Board of the Company and held 14.6% of the shares of Warimpex Finanz- und Beteiligungs AG on the reporting date.

###### Alexander Jurkowitsch

Is a member of the Management Board of the Company and held 0.6% of the shares of Warimpex Finanz- und Beteiligungs AG on the reporting date.

###### Florian Petrowsky

Is a member of the Management Board of the Company and held 0.1% of the shares of Warimpex Finanz- und Beteiligungs AG on the reporting date.

##### Supervisory Board:

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

Günter Korp, Chairman of the Supervisory Board

Thomas Aistleitner, Deputy Chairman of the Supervisory Board

Harald Wengust, Member of the Supervisory Board

William de Gelsey, Member of the Supervisory Board

Hannes Palfinger, Member of the Supervisory Board

Tomasz Mazurczak, Member of the Supervisory Board

(until August 2015)

##### Vienna International Hotelmanagement AG:

A-1200 Vienna, Dresdnerstrasse 87, manages all hotels of the Group with the exception of the InterContinental hotel in Warsaw and the Crowne Plaza in St. Petersburg.

Amber Privatstiftung and Bocca Privatstiftung hold shares in Warimpex Finanz- und Beteiligungs AG and in Vienna International AG (see comments above).

##### All subsidiaries and joint ventures:

Please refer to the information about subsidiaries in section 4. and to the information about joint ventures in section 7.4.

#### 9.3.2. Transactions with related parties

##### 9.3.2.1. Transactions with Amber Privatstiftung and Bocca Privatstiftung

There were no transactions with Amber Privatstiftung or Bocca Privatstiftung in the reporting period.

##### 9.3.2.2. Transactions with Management Board members

	2015	2014
Directors' remuneration 1 January to 31 December	1,114	1,247
Liabilities due to Management Board members as at 31 December	1,494	1,457
<i>The directors' remuneration breaks down among the Management Board members as follows:</i>		
Franz Jurkowitsch	271	283
Georg Folian	271	283
Alexander Jurkowitsch	342	475
Florian Petrowsky	231	206
	<b>1,114</b>	<b>1,247</b>
<i>The directors' remuneration breaks down as follows:</i>		
Current benefits	1,063	1,013
<i>thereof variable (bonus)</i>	-	-
Release/allocation to provision for severance payments	(67)	22
Allocation to provision for pension benefits	118	212
	<b>1,114</b>	<b>1,247</b>

The variable remuneration (bonus) for the Management Board amounts to 5% (2014: 5%) of the annual profit attributable to the shareholders of the parent. This variable remuneration was waived in the reporting period and in the previous period.

Pension plans were in force for the Management Board members Alexander Jurkowitsch and Florian Petrowsky (fixed, indexed amount) on the reporting date. Pension reimbursement insurance has been taken out for these commitments. The right to pension benefits starts when the beneficiary reaches the legal retirement age of 65 years.

Eligibility for pension benefits under the Company pension plan lapses if the employment contract is terminated for the grounds stated in Section 27 Employees Act, or if a director resigns or terminates his or her work contract for no material reason. With regards to the pension reimbursement insurance, in the event that a director's employment contract is terminated prior to reaching the age of 65, he or she will be entitled to the payment of the surrender value of the policy instead of pension benefits.

Other termination entitlements are governed by the Austrian Salaried Employee Act (AngG).

#### 9.3.2.3. Transactions with Supervisory Board members

	2015	2014
Supervisory Board members' fees 1 January to 31 December	135	135
Balance with Supervisory Board members as at 31 December	–	–
<b>The Supervisory Board member's fees break down among the Supervisory Board members as follows:</b>		
Günter Korp	35.0	35.0
Thomas Aistleitner	30.0	30.0
Harald Wengust	17.5	17.5
William de Gelsey	17.5	17.5
Hannes Palfinger	17.5	17.5
Tomasz Mazurczak (until August 2015)	17.5	17.5
	<b>135</b>	<b>135</b>

All Supervisory Board members' fees are current liabilities. Transactions with the members of the Supervisory Board all pertain solely to the parent company.

#### 9.3.2.4. Transactions with Vienna International Hotelmanagement AG (VI)

Remuneration for hotel management is provided on a variable basis and depends on the revenue and gross operating profit (GOP) of the respective hotel. The contracts with Vienna International AG contain standard industry periods of notice for termination.

	2015	2014
<b>Transactions between Group companies (fully consolidated) and Vienna International AG:</b>		
Assessed management fee 1 January to 31 December	(2,856)	(3,228)
Other services rendered in hotel operations	(1,856)	(1,871)
Balance with Vienna International AG as at 31 December	(2,146)	(3,893)
<b>Transactions between joint ventures (equity method) and Vienna International AG</b>		
Assessed management fee 1 January to 31 December	(1,914)	(2,135)
Other services rendered in hotel operations	(710)	(605)
Balance with Vienna International AG as at 31 December	(339)	(540)

#### 9.3.2.5. Transactions with joint ventures

	2015	2014
Earnings from transactions with joint ventures 1 January to 31 December	1,064	967
Receivables due from joint ventures	1,696	142
Liabilities to joint ventures as at 31 December	(5,184)	(4,724)

Earnings from joint ventures pertain primarily to interest income from loans to joint ventures, which are predominantly recognised as net investments in joint ventures (see section 7.4.3.). The liabilities to joint ventures include the non-current payable related to the allocation of a security account for a rent guarantee.

Please refer to section 9.1.3. for information about contractual bonds and guarantees issued for joint ventures.

#### 9.4. Events after the reporting date

Bonds with an outstanding volume of PLN 39.9 million (roughly EUR 9.4 million) as at the reporting date came due at the end of March 2016. Part of the bonds was swapped out for new bonds. One tranche with a nominal value of PLN 9.7 million (roughly EUR 2.3 million) was issued in January 2016 at a lower interest rate and a term of three years. The second tranche with a nominal value of PLN 15 million (roughly EUR 3.5 million) was issued in March 2016 with a term of one year. The remaining amount of PLN 15.2 million (roughly EUR 3.6 million) was repaid.

After the reporting date, a conditional agreement was concluded with the joint venture partner for the sale of the Group's shares in GF Ramba sp. z o.o as owner of the Parkur office towers in Warsaw. Shareholder loans in the amount of around EUR 2.2 million were repaid to the Group in this context.

Vienna, 27 April 2016



**Franz Jurkowitsch**

Chairman of the Management Board



**Georg Folian**

Deputy Chairman of the Management Board



**Alexander Jurkowitsch**

Member of the Management Board



**Florian Petrowsky**

Member of the Management Board



**Dvořák Hotel\*\*\*\***  
Karlovy Vary, CZ

# Auditor's Report

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Warimpex Finanz- und Beteiligungs Aktiengesellschaft, Vienna, for the fiscal year from 1 January 2015 to 31 December 2015. These consolidated financial statements comprise the consolidated balance sheet as of December 31 2015, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31 2015, as well as a summary of the material accounting and valuation methods used and other disclosures in the notes.

## Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

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

## Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

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 Austrian Accounting Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 reasonable basis for our audit opinion.

## Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2015 and of its financial performance and its cash flows for the fiscal year from 1 January 2015 to 31 December 2015 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

## Comments on the Consolidated Management Report

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 27 April 2016

ERNST & YOUNG  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH

Alexander Wlasto MP  
Certified Auditor

Isabelle Vollmer MP  
Certified Auditor

# Supervisory Board report

## Fundamental aspects

The Management Board informed the Supervisory Board of Warimpex Finanz- und Beteiligungs Aktiengesellschaft verbally and in writing of all significant business activities, the development of business, and the Company's economic situation at regular meetings during the 2015 financial year and fulfilled all of the duties and control functions required of it by law, the articles of association of the Company, and the terms of reference of the Supervisory Board. In particular, we supervised the Management Board in the direction of the company and convinced ourselves that the operations of the Company were managed properly. The Chairman of the Supervisory Board also maintained regular contact with the Chairman of the Management Board and his deputy, in particular to discuss strategy issues, the development of business, and risk management. One of the key topics at the Supervisory Board meetings was comprehensive, timely reports on the economic and structural changes in Russia and Central and Eastern Europe and the associated opportunities and risks. The development of sales and earnings, liquidity forecasts, and the Company's financial position were also regularly discussed at these meetings.

The Company is committed to compliance with the Austrian Code of Corporate Governance as well as the Polish Best Practice for GPW Listed Companies 2016. The Supervisory Board faithfully fulfilled the duties and responsibilities laid down in these codes and also monitored the Company's compliance with these rules. The articles of association and the terms of reference of the Management Board and Supervisory Board are amended as needed to account for changes. 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. In line with the provisions of the 2007 Issuer Compliance Ordinance as amended, the Compliance Officer's annual report was submitted to the Supervisory Board and discussed.

Five Supervisory Board meetings were held in financial year 2015. All members of the Supervisory Board fulfilled the required minimum attendance requirements. In addition, three motions were adopted by way of circular resolution relating to the issue of bonds in November and December 2015 and to the sale of the Jupiter office towers at AIRPORTCITY St. Petersburg in February 2015. The circular resolutions that were adopted were again discussed in detail at subsequent Supervisory Board meetings.

## Committees

The Supervisory Board has set up three permanent committees: the Audit Committee, the Project Committee, and the Person-

nel Committee. A separate strategy committee has not been formed because all such issues are handled by the Supervisory Board as a whole. The members of the committees are appointed for the duration of their tenure on the Supervisory Board. Each committee elects a chairman and a deputy chairman from among its members.

Three Audit Committee meetings and one Personnel Committee meeting were held during the 2015 financial year.

## Audit Committee

In accordance with the law and the rules of procedure of the Supervisory Board, the Supervisory Board has set up a permanent committee for reviewing and accepting the annual financial statements, the proposal for the appropriation of profits, and the management report for the Company and the Group (Audit Committee). The Audit Committee reviewed the consolidated annual financial statements and issued a proposal on the selection of the financial auditor, and reported to the Supervisory Board on this. The chairman of the Supervisory Board, Günter Korp, is a member of the Audit Committee and applies his special knowledge and practical experience in finance and accounting and in financial reporting (financial expert). Two other members of the Supervisory Board who are independent according to the rules of procedure of the Supervisory Board also sit on the Audit Committee.

## Project Committee

The Supervisory Board has set up a permanent committee to monitor and approve transactions that are subject to approval according to law and the rules of procedure of the Management Board, provided that the total transaction costs do not exceed EUR 50,000,000 (Project Committee). When the total costs of the intended transaction exceed this limit, the transaction must be reviewed and approved by the Supervisory Board as a whole. The Project Committee is chaired by Supervisory Board member Harald Wengust. Two other members of the Supervisory Board who are independent according to the rules of procedure of the Supervisory Board also sit on the Project Committee.

## Personnel Committee

The Supervisory Board has formed a permanent committee that is responsible for personnel matters between the Company and the Management Board (remuneration, issue of proposals for the filling of vacant posts on the Management Board, and succession planning). The Personnel Committee is authorised to conclude service agreements with the members of the Management Board. The Personnel Committee is chaired by Supervisory Board chairman Günter Korp. Two other members of the Supervisory Board who are independent according to the rules of procedure of the Supervisory Board also sit on the



Personnel Committee. The chairman of the Personnel Committee conducted extensive discussions with the individual members of the Management Board, including about the extension of their Management Board contracts. The Personnel Committee meeting included a detailed discussion with Georg Folian, Franz Jurkowitsch, and Alexander Jurkowitsch, including about the extension of their employment contracts. The Management Board appointments of Georg Folian, Franz Jurkowitsch, and Alexander Jurkowitsch were extended early until 30 September 2019 with the same allocation of duties.

#### **Sale of Jupiter office towers at AIRPORTCITY St. Petersburg**

The contract on the sale of the two Jupiter office towers at AIRPORTCITY in St. Petersburg was signed in November 2015. The Supervisory Board discussed this transaction as proposed by the Management Board and adopted the corresponding approval resolutions. When the deal closed in February 2015, the EUR/RUB exchange rate had worsened so much that the sales terms had to be adapted in February 2015.

#### **Sale of the andel's Berlin**

Warimpex and UBM each sold 50% of the four-star andel's in Berlin to Union Invest in September 2015. The Supervisory Board discussed this transaction as proposed by the Management Board and adopted the corresponding approval resolution.

#### **Sale of the angelo and liner hotels, Ekaterinburg**

Warimpex sold its 60% share of both hotels in Ekaterinburg in September 2015, reducing the Group's holdings of Russian properties. The Supervisory Board discussed this transaction as proposed by the Management Board and adopted the corresponding approval resolution.

#### **Approval of the annual financial statements for 2015**

The annual financial statements, the management report, and the consolidated financial statements for the year ended 31 December 2015 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. The final result of this audit revealed no grounds for objection and the legal provisions were fully complied with, so that unqualified auditor's reports were issued.

The annual financial statements, the management report, the consolidated financial statements including the group management report, and the corporate governance report were reviewed by the Audit Committee at its meeting on 27 April 2016 in the presence of and after an oral report by the auditor, and their acceptance was proposed to the Supervisory Board. The Supervisory Board reviewed the annual financial statements including the management report, the consolidated financial statements including the group management report,

and the corporate governance report prepared by the Management Board and approved the annual financial statements. The Audit Committee also proposed to the Supervisory Board that Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. be appointed as the financial auditor for the Company and the Group for the financial year ending on 31 December 2016.

The Supervisory Board thanks the Management Board, the Company's managers, and all employees of Warimpex Group for their commitment during the financial year and wishes the Company continued success in the future. The Supervisory Board wishes to express its particular thanks to Tomasz Macurczak, who was a member of the Supervisory Board until August 2015 and who turned to new professional challenges.

Vienna, April 2016

**Günter Korp**  
Chairman of the Supervisory Board

## *Declaration by the Management Board*

We confirm to the best of our knowledge that the consolidated financial statements prepared in accordance with the relevant financial accounting standards give a true and fair view of the net assets, financial position, and results of operations of the Group and that the Group management report portrays the

business performance, results, and situation of the Group such that it gives a true and fair view of the net assets, financial position, and results of operations of the Group and that the Group management report describes the most important risks and uncertainties to which the Group is exposed.



**Franz Jurkowitsch**  
*Chairman of the Management Board*

Responsibilities:

Strategy, investor relations, and corporate communications



**Georg Folian**  
*Deputy Chairman of the Management Board*

Responsibilities:

Finance and accounting, financial management, and human resources



**Alexander Jurkowitsch**  
*Member of the Management Board*

Responsibilities:

Planning, construction, information management, and IT



**Florian Petrowsky**  
*Member of the Management Board*

Responsibilities:

Transaction management, organisation, and legal issues

# Financial Calendar

2016

**28 April 2016***Publication of the  
Annual Report for 2015***29 May 2016***Verification deadline***30 May 2016***Publication of the results  
for the first quarter of 2016***8 June 2016***Annual General Meeting***30 August 2016***Publication of the results  
for the first half of 2016***30 November 2016***Publication of the results  
for the first three quarters of 2016***PUBLICATION DETAILS:**

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Photos: Warimpex

We have compiled this report and checked the data with the greatest possible care.  
Nonetheless, rounding, typographical, or printing errors cannot be ruled out.  
The summation of rounded amounts and percentages may result in rounding differences.  
Statements referring to people are intended to be gender-neutral.  
This report was prepared in German, English, and Polish.  
In cases of doubt, the German version is authoritative.

