warimpex

WARIMPEX

Annual Report 2019

WARIMPEX GROUP

Key Figures

in EUR '000	**2019**	Change	2018
Hotels revenues	9,987	-20%	12,420
Investment Properties revenues	19,861	28%	15,482
Development and Services revenues	1,794	42%	1,265
Total revenues	*31,641*	*8%*	*29,168*
Expenses directly attributable to revenues	-14,169	16%	-12,226
Gross income from revenues	*17,473*	*3%*	*16,942*
Gains or losses from the disposal of properties	28,934	–	–
EBITDA	29,858	588%	4,337
Depreciation, amortisation, and remeasurement	14,868	-4%	15,489
EBIT	44,726	126%	19,826
Earnings from joint ventures	3,585	412%	699
Financial result	25,756	–	-14,857
Profit or loss for the period (annual result)	66,505	–	1,927
Profit or loss for the period (shareholders of the parent)	61,472	944%	5,890
Net cash flow from operating activities	-41	–	3,289
Equity and liabilities	356,559	22%	292,012
Equity	157,068	74%	90,147
Share capital	54,000	–	54,000
Equity ratio	44%	13 pp	31%
Average number of shares in the financial year	54,000,000	–	54,000,000
Earnings per share in EUR	1.16	944%	0.11
Number of shares on 31 December	54,000,000	–	54,000,000
Number of treasury shares on 31 December	1,534,257	1,306,777	227,480
Number of hotels	4	-2	6
Number of rooms (adjusted for proportionate share of ownership)	796	-96	892
Number of office and commercial properties	8	–	8
Lettable office space (adjusted for proportionate share of ownership)	92,800 m²	27%	73,300 m²
Segment information (including joint ventures on a proportionate basis):			
Hotels revenues	37,545	-16%	44,628
Net operating profit (NOP)	9,114	-15%	10,676
NOP per available room in EUR	13,395	28%	10,431
Investment Properties revenues	24,015	24%	19,403
Investment Properties EBITDA	16,170	4%	15,513
Development and Services revenues	2,241	19%	1,883
Gains or losses from the disposal of properties	28,934	–	–
Development and Services EBITDA	16,355	–	-10,168
Average number of employees in the Group	311	-9%	343

	31/12/2019	Change	31/12/2018
Gross asset value (GAV) in EUR millions	333.3	23%	269.9
Triple net asset value (NNNAV) in EUR millions	178.8	30%	137.6
NNNAV per share in EUR	3.41	33%	2.56
End-of-period share price in EUR	1.63	63%	1.00

WARIMPEX ANNUAL REPORT 2019

Contents

02 Key Figures of the Warimpex Group
06 Warimpex – An Overview
07 Highlights in 2019
08 Foreword by the Chairman of the Management Board
10 Investor Relations

12 Corporate Governance Report including Diversity Concept
14 Boards and Officers of the Company

19 Consolidated Non-Financial Report
24 Environment and Energy
27 Ethics and Compliance
28 Social Responsibility
28 Employees
30 Human Rights

31 Group Management Report
32 Markets
41 Assets, Financial Position, and Earnings Situation
44 Real Estate Assets
46 Material Risks and Uncertainties
49 Employees
49 Sustainability
50 Disclosures pursuant to § 243a Austrian Commercial Code
50 Events after the Reporting Date
51 Outlook

52 Consolidated Financial Statements of Warimpex Finanz- und Beteiligungs AG
53 Consolidated Income Statement
54 Consolidated Statement of Comprehensive Income
55 Consolidated Statement of Financial Position
56 Consolidated Statement of Cash Flows
57 Consolidated Statement of Changes in Equity
58 Notes to the Consolidated Financial Statements
121 Auditor's Report

126 Supervisory Board Report
128 Declaration by the Management Board
131 Financial Calendar
131 Publication Details

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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.

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 Budapest, St. Petersburg, Krakow, and Warsaw. Warimpex is also building upon its successful, long-standing cooperative projects with international hotel groups such as Vienna House, InterContinental Group, Kempinski, and Accor.

As at the end of 2019, Warimpex was the owner, co-owner, or leaseholder of four hotels with a total of 1,000 rooms (roughly 800 rooms when adjusted for the proportionate share of ownership), plus eight commercial and office buildings with a total floor area of some 104,600 square metres (roughly 92,800 square metres when adjusted for the proportionate share of ownership) in Poland, Germany, Russia, Hungary, and Austria.

Highlights

2019

Operational highlights

3/2019
Warimpex sells Dvořák hotel in Karlovy Vary

4/2019
Warimpex acquires property in Darmstadt

5/2019
Warimpex opens Mogilska 43 Office in Krakow

8/2019
Acquisition of additional stake
in AIRPORTCITY St. Petersburg

9/2019
Reopening of "The Hotel Darmstadt – soon to be greet"

9/2019
Sale of two hotels in Paris

Financial highlights

- Revenue of EUR 31.6 million (up 8 per cent)
- Gross income from revenues of EUR 17.5 million (up 3 per cent)
- EBITDA of EUR 29.9 million
- Depreciation, amortisation, and remeasurement of EUR 14.9 million
- EBIT of EUR 44.7 million
- Profit for the financial year of EUR 66.5 million
- Property assets of EUR 333 million (up 23 per cent)
- Triple net asset value (NNNAV) per share of EUR 3.41 (up 33 per cent)

Franz Jurkowitsch

CHAIRMAN OF THE MANAGEMENT BOARD

FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear Shareholders,

The 2019 financial year was a record year for Warimpex Finanz- und Beteiligungs AG, with a consolidated profit of nearly EUR 67 million, which is the best result in the company's more than 60-year history. This record result can largely be attributed to the sale of properties – first and foremost our two hotels in Paris – as well as accounting gains and the completion of office projects in Poland that delivered stable cash flows in 2019.

The medium- to long-term strategic course that was set in the years following the global financial and economic crisis was resoundingly confirmed last year. Under this strategy, Warimpex aimed to build up its property portfolio after the successful sale of hotel assets at optimal times; to strengthen its earning potential, particularly in the office property segment; to diversify its market and product portfolio; and to improve its equity ratio, which was 44 per cent as at the reporting date. On the whole, the distribution of the asset classes in our property portfolio has shifted heavily towards offices. As a result, the hotel segment, which is being drastically impacted by the corona crisis, now only accounts for 14 per cent of the portfolio, while office properties make up the lion's share at 74 per cent.

From this standpoint, our record result also has to be considered in the context of the COVID-19 pandemic: At just the right time, we were able to solidify Warimpex's financial base through hotel sales and thus increase our equity. Fortunately, we have a very experienced and crisis-tested team that has already proven in the past – for example, during the global financial and economic crisis – that the Warimpex business model is successful in even the most challenging times. Combined with our deep roots in our core markets and strong local networks and partners, Warimpex is therefore well equipped for the current and coming challenges.

Transactions and development projects

We successfully sold four real estate projects in 2019: the Vienna House Dream Castle and Vienna House Magic Circus hotels in Paris, the operating company for the Dvořák spa hotel in the Czech town of Karlovy Vary, and an office property in Budapest.

By contrast, Mogilska 43 Office in Krakow was completed in May 2019 and added to the property portfolio, as was a hotel including a property reserve that was acquired in the German city of Darmstadt. Warimpex has been active on the German market again since the property reopened in September 2019. The hotel is currently being converted to the new Accor eco-lifestyle brand "greet" and will be repositioned on the market. Modern coworking offices will be added to the hotel's offerings in order to provide flexible office space with short contract periods in the future. The three-hectare hotel site also has property reserves for the development of additional premium office and commercial space.

We expanded our activities in the Russian city of St. Petersburg: Following the acquisition of a 35 per cent stake in the project company AO AVIELEN A.G., the operating company for AIRPORTCITY St. Petersburg, Warimpex now holds 90 per cent of the shares and started construction on another office tower (Avior Tower 1) with roughly 16,000 square metres of space in the third quarter of 2019.

Company performance in 2019

Naturally, the sale of hotels led to a decline in revenues in this segment to EUR 10 million, which represents a drop of 20 per cent versus the prior year. By contrast, revenues from the rental of office properties increased by 28 per cent year-on-year, improving to EUR 19.9 million. This can be attributed primarily to the purchase of the B52 office building in Budapest and the completion and opening of Ogrodowa Office in Łódź in 2018 as well as the completion and opening of Mogilska 43 Office in Krakow in May 2019. Total revenues rose to EUR 31.6 million, and expenses directly attributable to revenues advanced by 16 per cent to EUR 14.2 million. This results in gross income from revenues of EUR 17.5 million (up 3 per cent). A disposal result of EUR 28.9 million was generated due to successful transactions.

EBITDA improved from EUR 4.3 million to EUR 29.9 million during the reporting period, primarily due to successful property sales. Depreciation, amortisation, and remeasurement fell from EUR 15.5 million in the prior year to EUR 14.9 million. EBIT increased from EUR 19.8 million to EUR 44.7 million as a result of gains on the sale of properties. The financial result (including earnings from joint ventures) rose from minus EUR 14.9 million to EUR 25.8 million. This includes an accounting gain of EUR 20.3 million on the purchase of loans of former minority shareholders of a Russian Group company as well as exchange rate gains in the amount of EUR 8.3 million (2018: exchange rate losses of EUR 11.5 million). The profit for the period increased from EUR 1.9 million in 2018 to EUR 66.5 million.

Outlook

The concrete medium-term effects of the current health crisis are very difficult to predict in general. However, Warimpex is on solid financial footing, even against the backdrop of the current COVID-19 pandemic. Therefore, we expect the positive and stable development of our business model to continue. Current development projects are progressing according to plan. We have a number of exciting activities on the agenda, including projects in the Polish cities of Krakow and Białystok, the continuing development of AIRPORTCITY St. Petersburg, the refurbishment of the hotel in Darmstadt, and the creation of new offerings such as coworking spaces. The latter combines the best of two worlds with which we are very familiar: the short-term requirements of the hotel market and the longer-term orientation of the office market. These are all good reasons to look to the future with optimism!

On this note, I would like to thank our employees for their tremendous dedication and you, our shareholders, for the trust you have placed in us. This record result would not have been possible without you! In closing, I want to wish for the continued health of our company this year, but – more importantly – I want to wish you and your families good health!

Franz Jurkowitsch

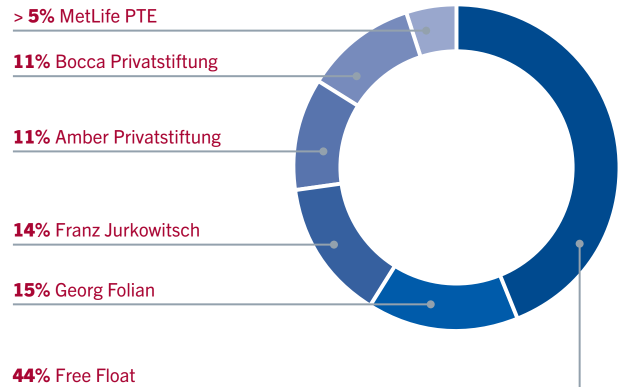
Investor Relations

The share price was EUR 1.00 and PLN 4.40 at the beginning of the year, and the share performed very well in 2019, climbing as high as EUR 1.69 and PLN 7.36. The closing price at 30 December 2019 was EUR 1.63 and PLN 6.78.

Since our IPO, we have maintained an open and proactive communication policy with our investors. Warimpex participated in investor conferences in Zurich, Geneva, Zürs, London, Warsaw, Vienna, Singapore, Hong Kong, and Prague in 2019.

The following analysts are covering the Warimpex share: Raiffeisen Centro Bank, SRC Research, Erste Bank, and Wood & Co.

SHAREHOLDER STRUCTURE AS AT 10 APRIL 2020



SHARE PRICE PERFORMANCE

KEY SHARE DATA

ISIN	AT0000827209
Number of shares on 31/12/2019	54,000,000
Ticker symbols	Stock Exchanges WXF
	Reuters WXFB.VI
High*	EUR 1.69 | PLN 7.36
Low*	EUR 1.01 | PLN 4.53
Price at 30/12/2019	EUR 1.63 | PLN 6.78
* Last 52 weeks	

Warimpex is included in the following indices, among others:	
Vienna	ATX Prime, Immobilien-ATX
Warsaw	Main 50 Plus, WIG,
	Real Estate Developers
100-day trading average	in Vienna roughly 39,200 shares
	in Warsaw around 1,100 shares

WARIMPEX

Corporate Governance Report

In accordance with the recommendation in the AFRAC opinion on corporate governance reports, the corporate governance report of the parent company and the consolidated corporate governance report have been merged into a single report.

Commitment to the Code of Corporate Governance

Warimpex is committed to compliance with the Austrian Code of Corporate Governance (ACCG) 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 (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 2018

The Austrian Code of Corporate Governance (as amended in January 2018 and which was applied for financial year 2019, 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. Failure to comply with them requires no justification (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.

- The remuneration of the Management Board is made up of fixed and variable components. The amount of the variable remuneration is not linked to any non-financial criteria as defined in Rule 27 and Rule 27a. This is intended to ensure objectivity and transparency. There is no limit on the amount of the variable remuneration. For further disclosures and information regarding the remuneration paid to the individual Supervisory Board members and the individual members of the Management Board, please consult sections 9.3.2.5. and 9.3.2.6. in the notes to the consolidated financial statements.

- 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.

- The financial auditor does not assess the effectiveness of the Company's risk management system in accordance with Rule 83 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 website and publish documentation required under Polish law in a separate section of this website. 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 website. The following items are not required by Austrian law, and are therefore not fulfilled:

- 1.2.: Curricula vitae are only published on the website 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 website.
- 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 website.

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 shareholder's 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 OFFICERS AND THE CORRESPONDING REMUNERATION

Management Board

Daniel Folian
Deputy Chairman

Year of birth: 1980
First appointed: 1 January 2018
Appointed until 31 December 2022
Responsibilities:
finances and accounting,
investor relations,
and financial management

Alexander Jurkowitsch
Member of the Management Board

Year of birth: 1973
First appointed: 31 July 2006
Appointed until 31 March 2024
Responsibilities:
planning, construction, IT,
and information management

Franz Jurkowitsch
Chairman of the Management Board

Year of birth: 1948
First appointed: 2 September 1986
Appointed until 31 December 2022
Responsibilities:
strategy and corporate communications

Florian Petrowsky
Member of the Management Board

Year of birth: 1967
First appointed: 1 May 2014
Appointed until 1 May 2021
Responsibilities:
transaction management, organisation, human resources, and legal issues

Supervisory Board

Günter Korp
Chairman of the Supervisory Board
Chairman of the Audit Committee/financial 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 2021 (36th AGM)

Thomas Aistleitner
Deputy Chairman of the Supervisory Board
Deputy Chairman of the Audit Committee
Member of the Project Committee
Member of the Personnel Committee
Year of birth: 1953
First appointed: 11 June 2012
Current period of office ends in 2021 (36th AGM)

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 2021 (36th AGM)
Honorary chairman of the board of directors of Gedeon Richter Ltd, Hungary

Harald Wengust
Member of the Supervisory Board
Chairman of the Project Committee
Member of the Audit Committee
Deputy Chairman of the Personnel Committee
Year of birth: 1969
First appointed: 16 October 2009
Current period of office ends in 2021 (36th AGM)

Hubert Staszewski
Member of the Supervisory Board
Year of birth: 1972
First appointed: 8 June 2016
Current period of office ends in 2022 (37th AGM)
Member of the supervisory board of Elektrobudowa S.A., Poland (until 8 January 2019)
Member of the management board of Elektrobudowa S.A., Poland (from 8 January 2019)
Member of the supervisory board of Próchnik S.A., Poland

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 based on the guidelines published in Annex 1 to the Code.

1 The Supervisory Board member has not served as a member of the management board or as a management-level staff member of either the Company or a subsidiary, associate, or affiliate of the Company (referred to as “Group companies” in the following) in the past five years.

2 The Supervisory Board member does not maintain and has not maintained in the past year any business relations with the Company or one of its Group companies to an extent of significance for the member of the Supervisory Board. This also applies to relationships between the Company and companies in which the Supervisory Board member has a considerable economic interest. The exercise of functions within the Group or the mere exercise by a Supervisory Board member of duties as a member of the management board or as a managing director do not generally result in the relevant company being considered a company in which the Supervisory Board member has a considerable economic interest. The approval of individual transactions by the Supervisory Board pursuant to L-Rule 48 of the ACCG does not automatically mean the person is qualified as not independent.

3 The Supervisory Board member has not acted as auditor of the Company or owned a share in the auditing company or worked there as an employee in the past three years.

4 The Supervisory Board member is not a member of the management board of another company in which a member of the Management Board of Warimpex Finanz- und Beteiligungs AG is a supervisory board member.

5 The Supervisory Board member is not a close relative (direct offspring, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the Company’s Management Board or of persons who hold one of the positions described in items (1) to (4).

A directors and officers liability insurance policy has been taken out.

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, 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 the information about the boards and officers of the Company for further details.

Diversity concept – measures for promoting women

There are currently no women serving on the Supervisory Board or Management Board of Warimpex; one woman serves as an authorised officer (Prokuristin). There are five women in other management positions, which represents a share of 33 per cent.

There are currently no concrete measures for the promotion of women in managerial positions in place at the Company.

At this time, the Company does not have a binding diversity concept that stipulates the consideration of criteria such as age, gender, education, and professional background in the appointment of members of the Management Board and Supervisory Board. The Company does not want to limit itself in the selection of board members. Nevertheless, the Management Board and Supervisory Board are very diverse in terms of the age, educational and professional background, and nationality of the members.

WARIMPEX

Consolidated Non-Financial Report

DISCLOSURES PURSUANT TO § 267A AUSTRIAN COMMERCIAL CODE

Mogilska 3
Krakow, PL

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WARIMPEX – Business model

Warimpex is a "hybrid" real estate company that develops and operates properties itself as an asset manager and property owner until the time at which the highest added value can be realised through sale. The majority of these projects is located in Central and Eastern Europe.

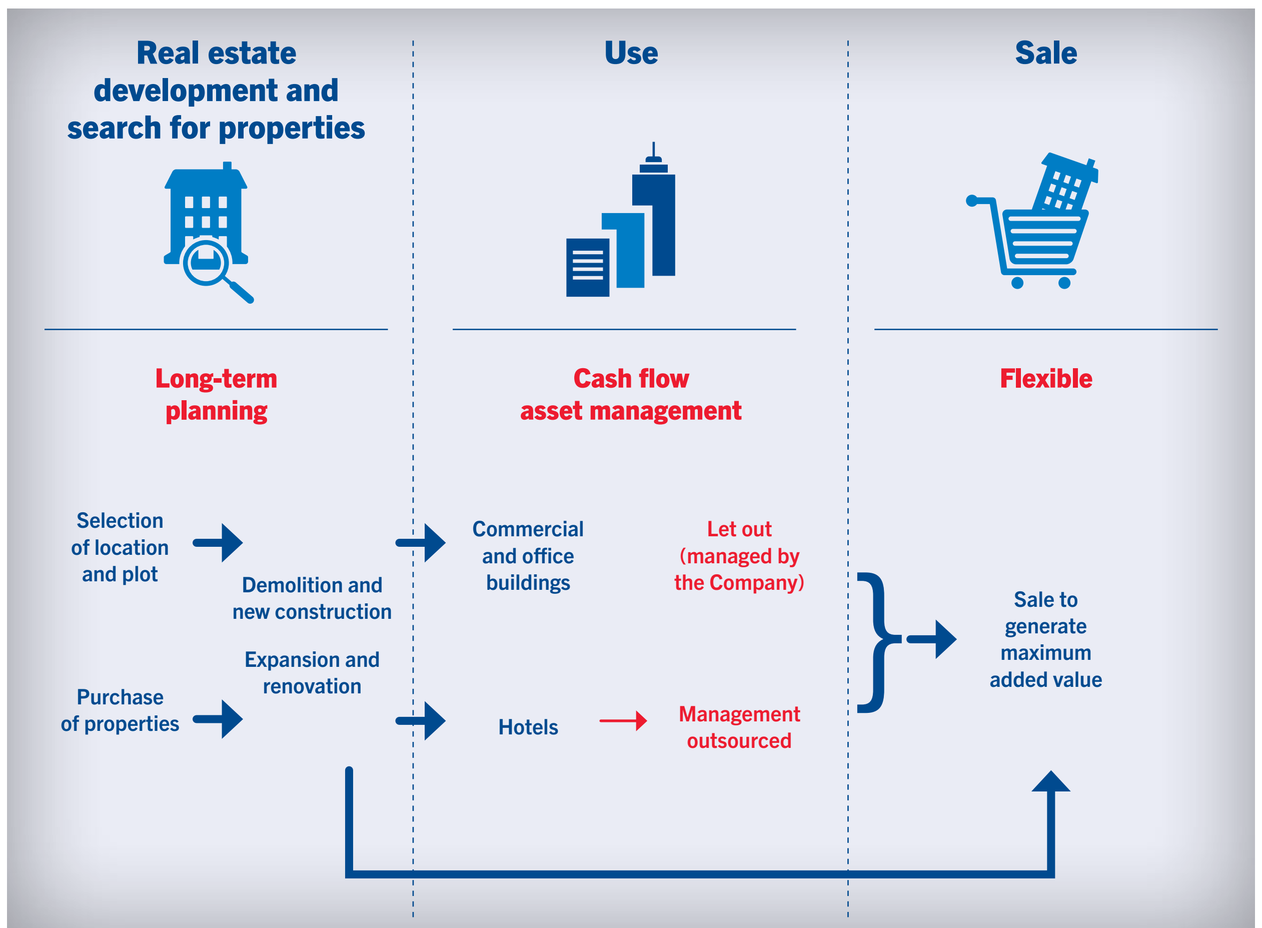
Accordingly, the Warimpex Group generates stable cash flows from the operation of hotel properties and the letting of office space while simultaneously realising proceeds from property sales.

In contrast to pure real estate portfolio companies, Warimpex combines the steady business of the asset management segment with the high profitability of the property development segment. Under this strategy, the property development units benefit from the financing strength of the asset management units, and the typical exit risk of a pure project developer is simultaneously minimised because the completed properties are generally held in the Company's portfolio initially in order to wait for the right time to sell.

Sustainable management

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 properties into 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.

To this end, a project aimed at developing a sustainability strategy for the development of properties was completed in 2019. Along with internal strategic requirements for renovation projects and new construction projects in the hotel and office seg-



ments, sustainability standards were defined for Warimpex's properties. Important aspects in this context include requirements from tenants and investors as well as criteria for sustainability certifications such as the BRE Environmental Assessment Method (BREEAM), the Deutsche Gesellschaft für Nachhaltiges Bauen (DNGB) Certification System, and Leadership in Energy and Environmental Design (LEED).

Therefore, this project included the following measures:
1. Survey to ascertain the sustainability requirements of the key customers
2. Clarification of the importance and use of sustainable building certifications
3. Development of minimum sustainability standards for Warimpex real estate projects
4. Definition of new, sustainable energy solutions for hotels and office buildings

As a result, the Company now has a clear definition regarding the key sustainability aspects for developments, a process for dealing with sustainability certifications, and a guideline and questionnaire for optimised energy solutions. The key sustainability aspects are energy efficiency, the use of renewable energy sources, the reduction of carbon dioxide emissions, and the quality of interior space (comfort, air quality, etc.). LEED for Existing Buildings: Operation & Maintenance was selected as the standard certification, but different certifications may be employed depending on the country, project type, and market requirements. Different certifications may also exist in the given country, for example when it is necessary to differentiate between new buildings and existing buildings. The plan is to have all new buildings certified during construction and to gradually have existing buildings certified. These certifications do not just benefit the owners – they also directly benefit the tenants in the form of cost savings. Certification will also pay off in the long run: It is conceivable that excessive carbon dioxide emissions will be "punished" in the future. These certifications will become a unique selling point that is indicative of high sustainability standards for the Warimpex Group's properties.

As at the reporting date, the following properties are certified:

Orgodowa 8 in Łódź	Breeam In Use – Very Good
Mogilska 43 in Krakow	Breeam In Use – Very Good

Due to the long service life of properties, the decisions we make today have an impact for the next 10 to 30 years. In the coming decades, climate protection and the sustainable use of resources will become even more important than they already are today. Real estate companies have to respond now – for instance in the area of climate protection. In order to achieve the 2-degree target defined at the Paris climate conference in 2015, we will have to transform into a low-carbon economy that hardly emits any carbon dioxide by 2050. This already has to be factored into long-term investments today. Warimpex is aware of its deep responsibility in this context and does not see properties merely as economic goods, but also takes the ecological and social aspects into account in every stage of the planning. This basic philosophy reflects a deep-seated conscientiousness and respect for people and the environment and shapes both the Company's corporate culture and its concrete activities in all areas of business.

Materiality and stakeholders

The following sustainability report prepared in accordance with the requirements of the Austrian Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG) is addressed to all stakeholders as well as everyone else who is interested in Warimpex's ecological, social, and economic performance.

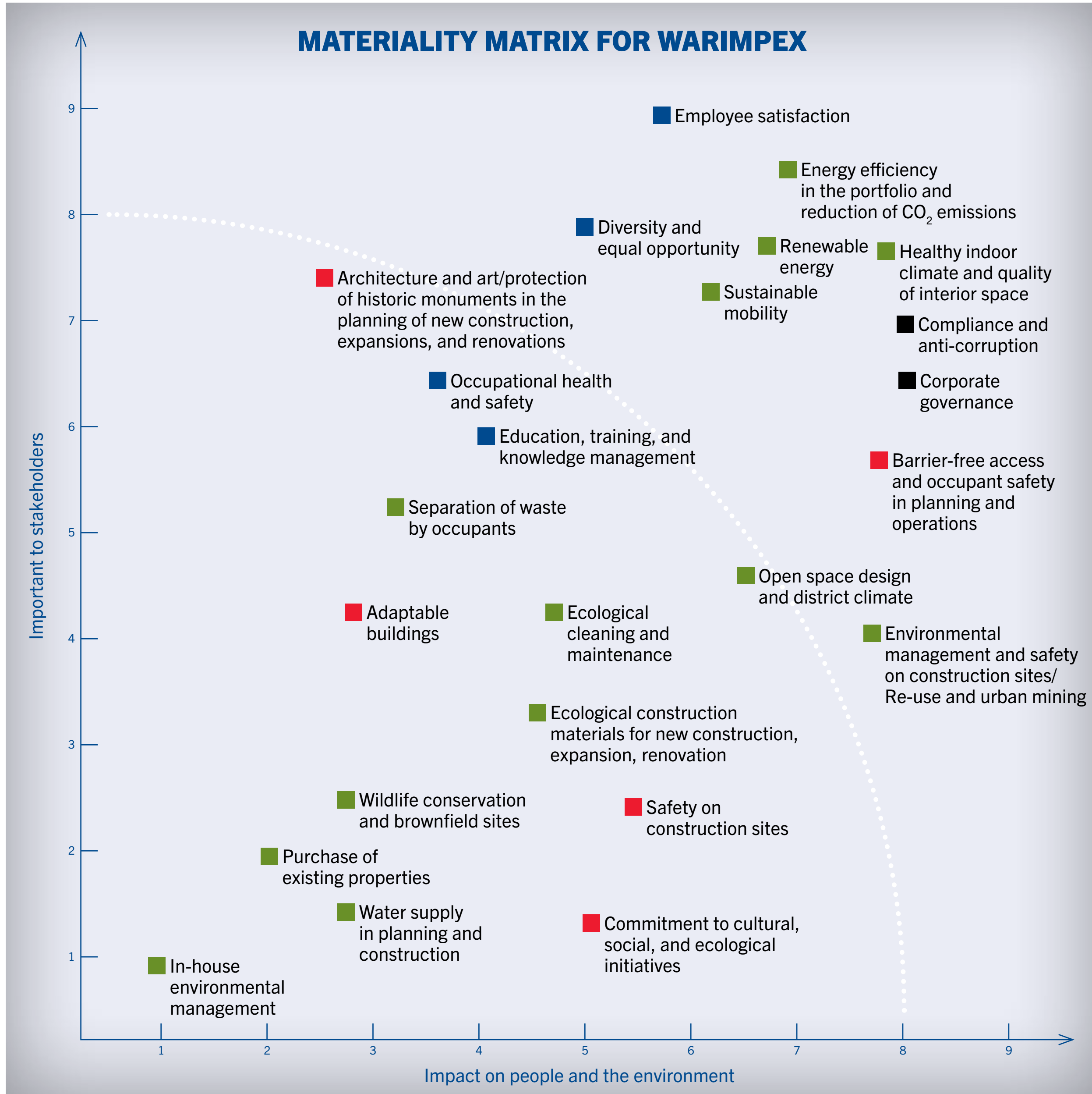
Sustainable development is a multifaceted process that is influenced by many different issues in the areas of the economy, the environment, and society. The potential impact of business activities on these areas of life is determined by a company's core business, industry, and business environment.

A comprehensive materiality analysis forms the basis for the reporting. The potential material topics for the Warimpex Group were identified and prioritised in a multi-stage process. The topics were analysed with regard to their impact on people and the environment as well as with regard to their importance for the following key stakeholders: investors, shareholders, analysts, banks, employees, suppliers, service providers, tenants, neighbours, peer companies, the media, policymakers, public authorities, and hotel guests. The topics that were deemed to be material can be assigned to the following categories:

- **Environment and energy**
- **Sustainable corporate culture (ethics and compliance)**
- **Social responsibility**
- **Employees**
- **Human rights**

In the following, Warimpex reports on activities and measures related to the issues deemed to be material, which are described in the overview below:

Topic	Description	Issue according to NaDiVeG
Energy efficiency of buildings	Thermal quality of buildings, energy-efficient technical building systems, appliances, etc. support the energy efficiency of buildings (heating, cooling, electricity consumption)	Environmental issue
Re-use and urban mining/Environmental management on construction sites	Use of renewable resources as well as materials that are manufactured in an environmentally friendly manner and are regionally sourced, contaminant-free, multifunctional, and recyclable Noise and dust prevention, exclusion of brownfield sites, effective waste management, safe handling and storage of chemicals, and short transport distances	Environmental issue
Sustainable mobility	Offering of and incentives to use environmentally friendly means of transport such as connections to public transport networks, pedestrian and bike path networks, provision of infrastructure for bicycles, e-mobility, and car and bike sharing	Environmental issue
In-house environmental management	Conservation of resources within the Company's own operations (planning of travel activities, sustainable mobility)	Environmental issue
Corporate governance, compliance, and anti-corruption	Compliance with legal requirements (employment law, competition law, data protection, etc.), clear contract awarding processes, proper working relationships with contractors	Combating corruption and bribery
Barrier-free access and occupant safety	Technical components (such as fire protection measures, escape routes, alarms for dangerous situations, or evacuation), structural components (such as signage, lighting, video surveillance, or concierge services) Compliance with all legal regulations and requirements and regular monitoring of this compliance	Social issue
Employee satisfaction	Motivation and satisfaction of the team is strengthened and maintained at a high level	Employee issue
Diversity and equal opportunity	Diverse team structure with regard to age, gender, background, working model, etc.	Employee issue
Respect for human rights	Deep-rooted part of the corporate culture that is put into practice internally and externally	Respect for human rights



Categories
- Environment and energy
- Employees
- Sustainable corporate culture (ethics and compliance)
- Social responsibility

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 Budapest, St. Petersburg, Krakow, and Warsaw. Warimpex is also building upon its successful, long-standing cooperative projects with international hotel groups such as Vienna House, InterContinental Group, Kempinski, and Accor.

As at the end of 2019, Warimpex was the owner, co-owner, or leaseholder of four hotels with a total of 1,000 rooms (roughly 800 rooms when adjusted for the proportionate share of ownership), plus eight commercial and office buildings with a total floor area of some 104,600 square metres (roughly 92,800 square metres when adjusted for the proportionate share of ownership) in Poland, Russia, Hungary, Germany, and Austria.

In 2019, Warimpex added one hotel and one commercial and office building to its property portfolio: the newly acquired hotel including a property reserve in Darmstadt and the Mogilska 43 office building in Krakow, which the Company developed itself. Three hotels and one office building in Budapest were sold.

Only properties that have been in the portfolio for at least 12 months are included in the indicators for the non-financial report.

ENVIRONMENT AND ENERGY

The topics of energy supply, energy consumption, and energy-related technical building systems are extremely important in the construction and real estate industry. The provision of energy in the form of electricity and heat is the basis for comfortable office facilities. At the same time, energy sources and energy consumption have a significant impact on climate change. Warimpex is aware of its energy-related impact on the environment and society and therefore takes great care with regard to ecological and economic requirements in terms of the energy supply and energy consumption and in terms of enhancing and preserving the value of buildings.

Warimpex also confronts the challenges of our time and makes an essential contribution to the lasting reduction of emissions by planning projects on a long-term basis. 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. Warimpex believes that sustainability and cost efficiency are not mutually exclusive.

At the beginning of 2013, Warimpex completed the BREEAM – Good-certified Le Palais Office building in Warsaw. In 2018, the newly opened Ogrodowa office building in Łódź received a BREEAM – Very Good certification. The Company intends to obtain a BREEAM In Use– Very Good rating for the Mogilska 43 office project in Krakow that was completed in 2019 and a BREEAM In Use – rating for the recently acquired B52 office building in Budapest. In general, the Company plans to secure certifications for all new developments, with one example being LEED Gold certification for the new Avior Tower project at AIRPORTCITY in St. Petersburg. Although Warimpex's portfolio does not contain any certified hotel properties at this time, the Company nevertheless attaches considerable importance to high environmental standards for existing and future hotels.

When it comes to new projects, the Company plans to maximise the environmental, social, and economic benefits. For Warimpex, this means that properties retain their value or increase in value over the long term while at the same time offering ecological and social benefits. In this context, measures will also be taken to prevent environmental damage. These principles will be followed not only for new construction projects but also for renovations. The Company is working on a control model for internal project controlling aimed at reviewing projects with regard to energy efficiency, flexible floor plans, accessibility, and mobility.

Energy efficiency of the portfolio

Warimpex's direct area of influence lies in the energy-related design of new buildings, modernisation measures on existing properties, and energy performance. In addition, the selection of the energy source can have a positive impact on the energy balance of the properties.

However, energy efficiency does not just depend on the building itself. The careful use of energy by the occupants is also a decisive factor and can make a significant contribution to climate protection. However, Warimpex can only influence the individual behaviour of the occupants to a very limited extent.

The steering measures in this regard are focused on clear and targeted communication with occupants, such as through notices at the property.

One key task for Warimpex is to create the conditions for low energy consumption at its buildings. This includes the energy-efficient design of new properties as well as the gradual energy-related modernisation of suitable existing properties.

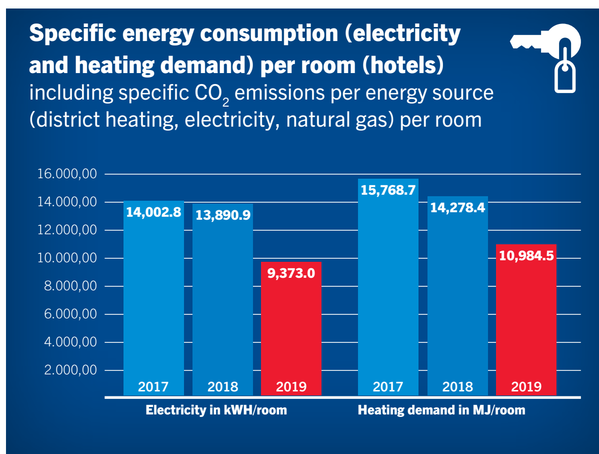
Indicators for 2019

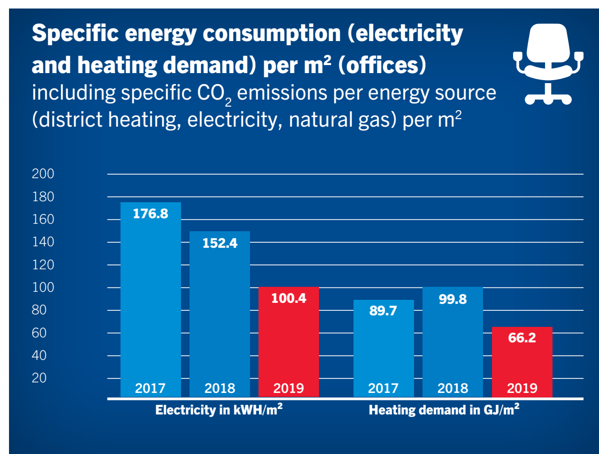
The indicators are presented differently for the asset classes of hotels and office buildings in order to provide a clear picture. For hotels, indicators are reported on a per-room basis in order to improve comparability. In contrast, the energy consumption figures for office properties are based on the square metres of lettable space.

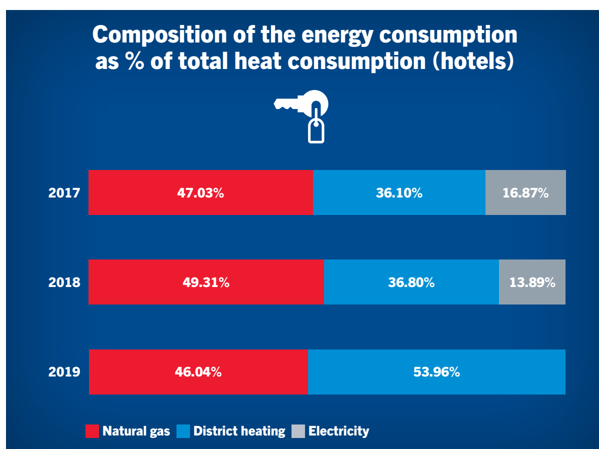
The indicators were collected for the first time in 2017 and thus form the basis for the ongoing monitoring of energy consumption in order to keep track of and minimise the risk of contributing to climate change. Warimpex aims to improve these indicators on an ongoing basis and take them into consideration in the planning of new projects.

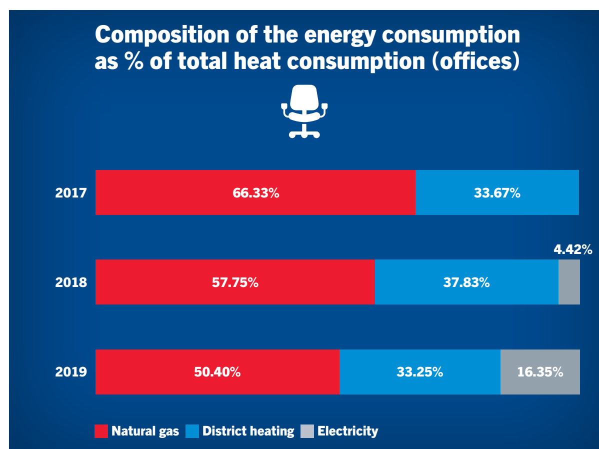
Particular emphasis was placed on energy-efficient and environmentally friendly design for the two development projects that were under way in Poland in 2019: A green wall was built at the Mogilska 43 project in Krakow, and a green roof was implemented for the Ogrodowa project in Łódź, which has now been completed. These measures not only contribute to the occupants' well-being, but also play a decisive role in environmental and climate protection. The energy consumption for cooling is reduced and the burden on the sewer system is minimised by the water retention. At the same time, these measures help to counteract urban heating and the formation of heat islands.

The Company ensures the energy-efficient operation of its own hotels by planning the occupancy of the rooms so that vacant rooms or floors do not have to be fully heated. In this way, care is taken in the initial planning of the projects to ensure that hotel areas can be supplied with energy individually, which can make a major contribution to reducing heating demand.









Environmental management and safety on construction sites/ Re-use and urban mining

At construction sites, the Company does everything in its power to prevent noise and dust, to clean up brownfield sites, and to ensure effective waste management for building demolitions. The efficient separation of secondary raw materials is facilitated by working with companies that provide separation with as little mixing of materials as possible. It is important to Warimpex to maintain good relations and optimal communication with all stakeholders. One notable example in this context is the fact that the heating system of the direct neighbours of the Mogilska 43 construction site was converted to a district heat connection. In addition, vouchers for professional car washes were handed out to neighbours during the demolition work at this construction site. Warimpex aims to continue preventing complaints and lawsuits through good communication with neighbours.

All legal requirements are complied with in the Company's construction activities, and there have been no official complaints or fatal workplace accidents to date. Warimpex receives monthly reports from the general contractors containing updates on the progress of projects and, if applicable, information about violations of safety requirements and accidents on construction sites. Warimpex has set a clear goal to continue to avoid legal complaints and major violations of safety requirements at construction sites. In addition, the monthly reports from the general contractors for future projects will be expanded to include information about workplace accidents and official complaints related to occupational safety, environmental issues, and other legal issues.

The rehabilitation of old buildings is prioritised whenever possible in order to save resources, costs, and time. Construction activities are always resource-intensive. The intense use of raw materials contributes to the waste of resources and thus represents a risk to the environment. This risk is minimised by ensuring the optimal continued use of existing buildings in projects. For example, an old office building in Munich was converted into a hotel and an old office building that was built in Budapest in the 1960s was gutted and refurbished into an office building that meets today's requirements. There was one rehabilitation project in 2019: the lobby area of the hotel in Darmstadt, with the rest of the hotel scheduled to be renovated in 2020.

Sustainable mobility

Mobility involves a number of current and future challenges pertaining to climate change, particularly in urban areas. This includes the risk of local air pollution due to emissions from automobile traffic in the form of nitrogen oxide as well as energy consumption.

Due to the rising demand for charging stations for electric vehicles, there is a risk that it will not be possible to provide a sufficient number of EV charging stations for the occupants of buildings. Forward-looking, intelligent mobility and traffic concepts are viable solutions in this context, including the increased use of public transport and car-sharing programmes as well as the further electrification of mobility in urban areas. In order to meet these requirements, it is important to account for a sufficient number of charging stations with a suitable charging capacity and charging connection in the initial planning stages and to observe and evaluate various concepts in order to determine which ones should be implemented at a site to optimally meet the demand.

E-mobility in particular represents an essential and groundbreaking topic. In this context, the future need for parking spaces with electric charging points or cable conduits for later retrofitting efforts at the building already have to be taken into consideration in the design and planning phase – generally around three years before completion. Among Warimpex's existing properties, Ogrodowa Office and Mogilska 43 currently offer EV charging stations, and EV charging stations are also planned for new projects. A total of 60 bike parking spaces were built at Mogilska 43 (which corresponds to 0.4 parking spaces per 100 square metres of office space). The building also offers showers and changing rooms in order to make it more appealing for employees to bike to the office. The Ogrodowa 8 project in Łódź has 150 bike parking spaces (which corresponds to 0.5 parking spaces per 100 square metres of office space) as well as showers and changing rooms in the office facilities.

The majority of Warimpex's projects are in central locations in primary and secondary cities. Good transport connections for the users of the building (employees and customers) are an important factor for all of the projects. Hotels and office properties have to be easy to get to – both with public transport such as buses or trains as well as with cars and coaches. Public transport stations are generally located within a radius of 200 metres, and a connection to the airport must be available.

In the future, it will become increasingly important to offer optimal connections to the public transport network in a city because significant restrictions on private transport such as car-free zones or parking restrictions are to be expected. It is also crucial to promote sustainable mobility (electric vehicles, car sharing, etc.) because property users will see these offerings as decisive factors. In order to optimally address these developments, Warimpex has set itself the goal of taking sustainable mobility into consideration as a criterion for future projects.

In-house environmental management

	2019	2018	2017
Flights	129 t CO_2	113 t CO_2	123 t CO_2
Kilometres driven by car	29 t CO_2	32 t CO_2	64 t CO_2

Footnote: Employees of Warimpex Finanz- und Beteiligungs AG

The volume of carbon dioxide emissions caused by travel activities in 2019 increased compared with the prior year. This increase was the result of increased travel in connection with the sale of the French hotels and the acquisition and commencement of development activities for the project in Darmstadt.

Warimpex's employees have a high level of travel because nearly all of the Company's projects are located outside of Austria. This impacts the environment through increased emissions and represents a danger to employee safety due to the increased risk of car accidents. Travel planning is the responsibility of the relevant project team, but reducing travel to an absolute minimum is a basic principle at Warimpex. Efforts are made in the planning of business travel to combine the travel of individual employees and to form carpools in order to keep travel expenses and the environmental impact as low as possible. Some project sites can be reached by train or plane, while others are more conducive to travelling by car because they are more easily accessible by car or require technical equipment to be taken along. In order to reduce business travel, the use of teleconferences and video conferences is encouraged and the necessary technology provided.

New developments are evaluated and incorporated into the Company's IT on an ongoing basis in order to ensure the optimal use of new technologies. This enables cross-border collaboration in projects to be simplified and employees' travel to be optimised. Warimpex acquired two electric vehicles for its electric vehicle fleet as part of a pilot project in order to study usage behaviour and gather valuable information both for future travel and for the charging infrastructure and other requirements for office locations. Along with the ongoing maintenance and modernisation of the vehicle fleet, investments are being made in employee training for business travel in the form of driving courses.

SUSTAINABLE CORPORATE CULTURE (ETHICS AND COMPLIANCE)

Around the world, bribery and corruption hinder investment activities and disrupt international competition. In addition, the economic, social, and ecological well-being of society is jeopardised by the diversion of funds through corrupt practices. Companies play an important role in combating these practices because corruption is damaging not only to democratic institutions but also to proper corporate governance. In addition, some of the countries in which Warimpex does business have poor rankings according to the Corruption Perceptions Index and are thus exposed to a higher risk of corruption.

Corporate governance, compliance, and anti-corruption

Therefore, the implementation of effective corporate governance practices represents a significant sustainability topic with regard to fostering a responsible corporate culture.

As a listed company, Warimpex operates in accordance with the rules of the Austrian Code of Corporate Governance (January 2018 version) and the Polish Best Practice for GPW Listed Companies 2016. These codes are voluntary agreements for proper corporate governance and control aimed at achieving responsible value creation focused on sustainability and a long-term vision. These measures ensure that the interests of all stakeholders whose welfare is dependent upon the success of the Company are optimally served and that a high level of transparency is provided.

Code of Conduct

The Code of Conduct (CoC) is a summary of the general rules of conduct for Warimpex employees. The CoC has been applied at Warimpex AG since 2013 and was extended to all of the fully consolidated companies in 2018.

It documents the Company's interactions with employees, customers, suppliers, and all other stakeholders and provides orientation for day-to-day conduct.

The ethical and legal rules and guidelines are specified in the CoC and promote individual responsibility and an open, respectful, and responsible working climate.

Employees receive ongoing training in order to foster an open and honest working climate. In 2019, training courses were offered on current topics such as the new General Data Protection Regulation. Training sessions were also held on the Code of Conduct and corruption prevention as well as occupational safety. These training measures will be offered again in 2020. The various workdays of employees due to different scheduling models and travel are taken into account when planning the

dates for training by offering multiple courses on different days so that everyone can participate. In addition, Warimpex strives to offer additional training as needed when it becomes apparent that a certain topic is important at the moment or is requested by the employees.

No cases related to corruption or violations of internal compliance guidelines have been identified to date.

SOCIAL RESPONSIBILITY

Barrier-free access and occupant safety in planning and operations

Barrier-free access is taken into account in accordance with legal requirements in both new construction and in the renovation/refurbishment of existing properties. All offices and hotels offer barrier-free access. The safety of the occupants is ensured through regular monitoring in line with local ordinances (e.g. inspection by the fire department or work inspectors) and at the management level (inspection together with the operators of the relevant property). Our own random inspections ensure the safety of the occupants of our properties and minimise the risk of a violation of the applicable regulations. No significant complaints (e.g. imminent hazards) have been lodged by authorities in relation to safety requirements to date. In acute cases, individual measures are taken to ensure the safety of the occupants at the given property. For example, increased security checks have been performed at the entrances to hotels in response to terrorist attacks in a given destination.

The goal is to prevent complaints by authorities and customers and to meet all legal requirements in order to guarantee the safety of the occupants at all times.

Of the 420 hotel rooms owned by the Warimpex Group, 8 are barrier-free, which represents a share of 2 per cent.

EMPLOYEES

Employee satisfaction

Warimpex aims to offer opportunities for growth and career advancement, to reward outstanding performance, to promote collaboration at all levels, and to ensure an open corporate culture.

The working world is constantly changing due to more vigorous demands and increasing requirements for flexibility. It is becoming more and more difficult for employees to achieve a balance between their careers, family duties, and private lives.

A consistent policy of equal treatment, flexitime work models, and teleworking opportunities represent the pillars of a healthy work-life balance for Warimpex's employees.

Employees in the Group

As at 31 December 2019, 58 employees worked in administrative capacities at the fully consolidated companies of the Warimpex Group. The following charts show the distribution of the employees according to their regional assignment and their area of responsibility. Overall, roughly 40 per cent of the employees work in the areas of asset and property management.

The duties in asset and property management include the management of the existing properties and development properties by the managers, technicians, and project controllers. The finance segment encompasses the chief accountants and accountants. The support functions provide administrative and organisational assistance to the other two segments.

In order to guard against the risk of losing highly qualified staff members, Warimpex's employees are provided with state-of-the-art technical equipment to make the work process as smooth and efficient as possible. This is intended to ensure a safe and pleasant work environment for everyone. Employees are also supported through the open and honest corporate culture. Warimpex does not put stock in adhering to hierarchies, but instead fosters a level playing field and respectful collaboration. The Company takes the individual needs of the employees into consideration by offering various working models such as part-time schedules, teleworking, and other possibilities, and adapting these models as necessary.

Diversity and equal opportunity

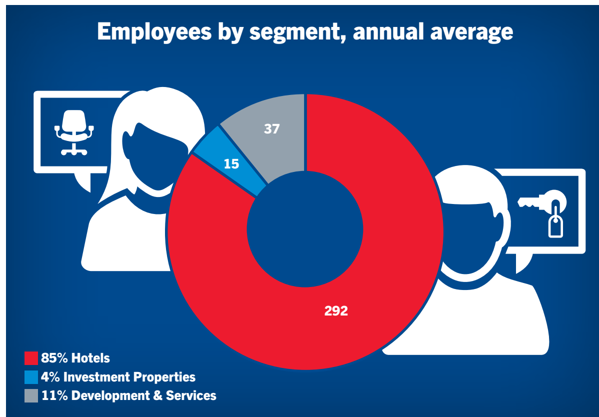
Ensuring equal opportunity between women and men and diversity with regard to the employees' different backgrounds is a key priority for the Company. Diversity is valued at Warimpex. This diversity applies not only to the background of employees from different cultures and countries, but can also be seen in the age structure of the staff. Employees from four countries and with various migration backgrounds work at the Group's headquarters in Vienna. At Warimpex, no one is excluded due to their gender, age, or background. On the contrary: The convergence of different views, opinions, and experiences allows many different aspects to be examined and addressed in projects.

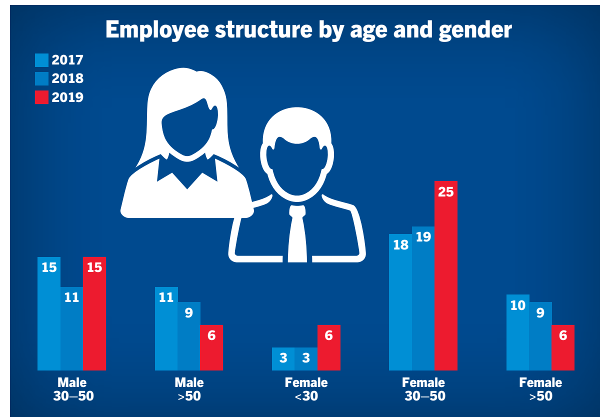
A flat hierarchy also allows goals to be achieved through short communication channels, without having to fight through extraneous bureaucracy. Women and men are given equal opportunities to stay connected to the Company even when they are on parental leave. Invitations to company events are also sent to employees on parental leave, and these employees can continue to use communication devices such as their phones and laptops while on leave. It is also possible to work while on parental leave, and many employees take advantage of this opportunity. When employees return from parental leave, their needs are re-evaluated and individually adapted to suit their circumstances. In cases where it is desired and possible, teleworking and flexible working hours are agreed with employees. All of these measures have proven to be effective in the past and will thus be continued in the future. As a result, the risk of potential discrimination against employees is deemed to be low. Warimpex sees the diversity of its employees as an opportunity and utilises it accordingly.

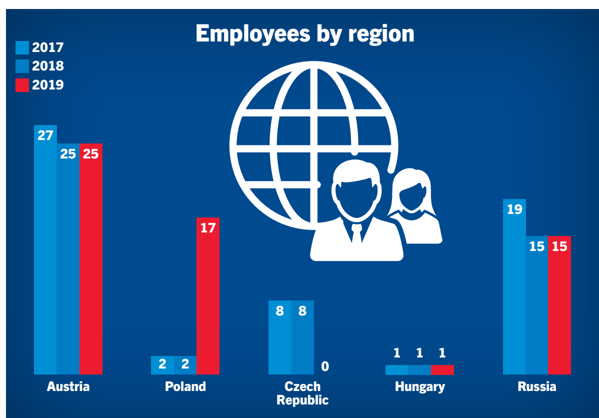
The share of women in the total workforce was just under 64 per cent as at 31 December 2019, which represents an increase of 4 per cent compared with 2018. The share of female managers rose from 6.3 per cent in 2018 to 38 per cent. Warimpex offers its female and male employees the same opportunities and requirements. What counts are an employee's qualifications and experience in their field, not their nationality or gender. There are no targeted measures for the advancement of women – equality is a matter of course at Warimpex and is also reflected in the share of women in the total workforce.

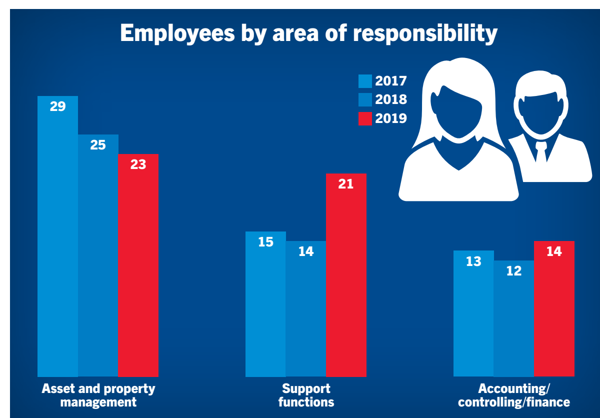
The average age of the employees is roughly 44.1 years. The Warimpex Group works with an attractive mix of experienced employees and new employees.

Warimpex sees the diversity of its employees as an important factor for success.









HUMAN RIGHTS

Respecting human rights is seen as a deep-rooted part of Warimpex's philosophy and is put into practice each and every day. Freedom of expression is anchored in Warimpex's organisational structure because there are no restrictions on communication of any kind. Warimpex also respects and aims to protect everyone's right to freely practise their beliefs. At hotel buildings, for example, the interior design is kept non-religious as far as possible in order to ensure the religious freedom of all users. This is reflected in the selection of the pictures in the rooms and the lack of religious symbols such as crosses.

Warimpex is clearly committed to protecting international human rights. The Company supports and respects the protection of human rights within its sphere of influence and ensures that it is not involved in human rights violations. We expect our suppliers and partners to comply with the legal regulations as well. Warimpex assumes that they comply with the applicable laws for the protection of human rights and that violations are appropriately prosecuted by the competent legal authorities in the jurisdiction of the relevant suppliers and partners. We do not see a need or a possibility to take additional internal initiatives in this area. Suppliers and partners also receive goods and services from third parties in some cases. We are not aware of any human rights violations in connection with this supply chain to date. We assume that our suppliers and partners take action if they become aware of such issues. Proven violations are punished and can result in the termination of the business relationship with the respective supplier or partner.

Franz Jurkowitsch
Chairman
of the Management Board

Daniel Folian
Deputy Chairman
of the Management Board

Alexander Jurkowitsch
Member of the
Management Board

Florian Petrowsky
Member of the
Management Board

Group Management Report

FOR THE FINANCIAL YEAR

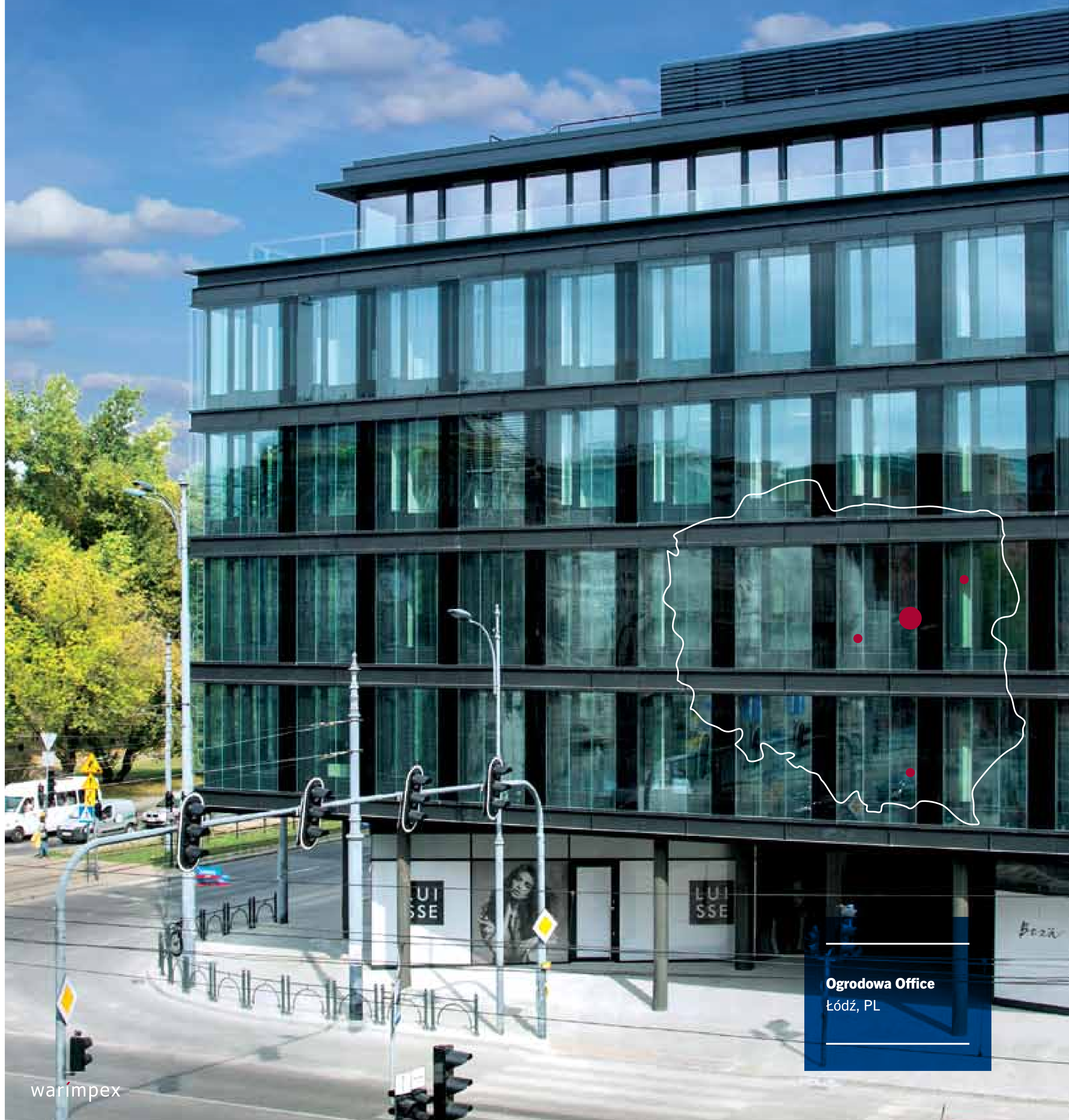
FROM 1 JANUARY TO 31 DECEMBER 2019

Mogilska 43 Office
Krakow, PL

Markets

Economic outlook

A global COVID-19 pandemic began after the reporting date. Measures such as lockdowns, travel bans, and the closure of airports, hotels, and businesses were implemented. The growth forecasts were revised, making it impossible to provide a reliable economic outlook for the individual countries at this time.



Ogrodowa Office
Łódź, PL

MARKETS

Poland

Economic environment

The volume of real estate transactions increased to around EUR 7.7 billion in 2019 (2018: EUR 7.2 billion).[1] Prime yields for office properties were 4.25 per cent in Warsaw in 2019 (2018: 4.75 per cent) and roughly 5.75 per cent in secondary cities (2018: 6.00 per cent)[1]. Rents ranged between EUR 9.00 and EUR 15.00 per square metre in regional cities such as Krakow and Łódź.[3] In the five-star hotel segment, average occupancy in Warsaw rose by around 1 percentage point to 71 per cent while the average room rate in the local currency increased by 3 per cent to PLN 475.[4]

Existing portfolio: 3 office properties, 1 hotel

Warimpex has been 50 per cent leaseholder of the five-star InterContinental in Warsaw since December 2012. As part of a lease agreement, the hotel is being leased back at a fixed rate and managed under the InterContinental brand until 2034. Occupancy at the InterContinental hotel declined from 82 per cent to 80 per cent while the average room rate in euros remained constant.

In December 2017, Warimpex purchased a fully occupied office building in Krakow (Mogilska 41) with roughly 5,800 square metres of space for the purpose of generating rental revenue over the medium term and redeveloping the property at a later date. Property reserves were also acquired along with the building. The building was renovated during the reporting period and handed over to the new tenant in September 2019.

Ogrodowa Office was opened in Łódź at the beginning of October 2018. The building is a state-of-the-art office property located directly in the Łódź city centre near the Manufaktura shopping centre. The current tenants include Orange Polska, PwC Poland, and Harman Connected Services. Around 79 per cent of the space at the office building was occupied as at 31 December 2019.

Mogilska 43 Office was completed in early April 2019. As of the reporting date, roughly 71 per cent of the office space had been let out. Mogilska 43 Office is an ultra-modern, class A office building that encompasses a total of 12,000 square metres over nine floors. Large glass surfaces provide natural lighting for the offices, and the efficient climate control system ensures the optimal temperature and humidity. Green balconies and terraces can be accessed directly from the office level. The building's ground floor contains retail and service spaces, and the two-storey garage offers 204 parking spaces as well as bike racks, changing rooms, and showers. Mogilska 43 Office meets the highest environmental standards and has been awarded BREEAM certification with a "Very Good" rating.

Under development: 3 office buildings

Property reserves were also acquired along with the Mogilska 41 building, and planning has started for an office building (Mogilska Phase III) with around 12,000 square metres of space. A portion of the available land will be parcelled out for further development and used for a new office building.

Warimpex is also the owner of a development property next to the Chopin Hotel in Krakow, on which an office building with around 21,000 square metres of space is to be built. Planning for this project is under way.

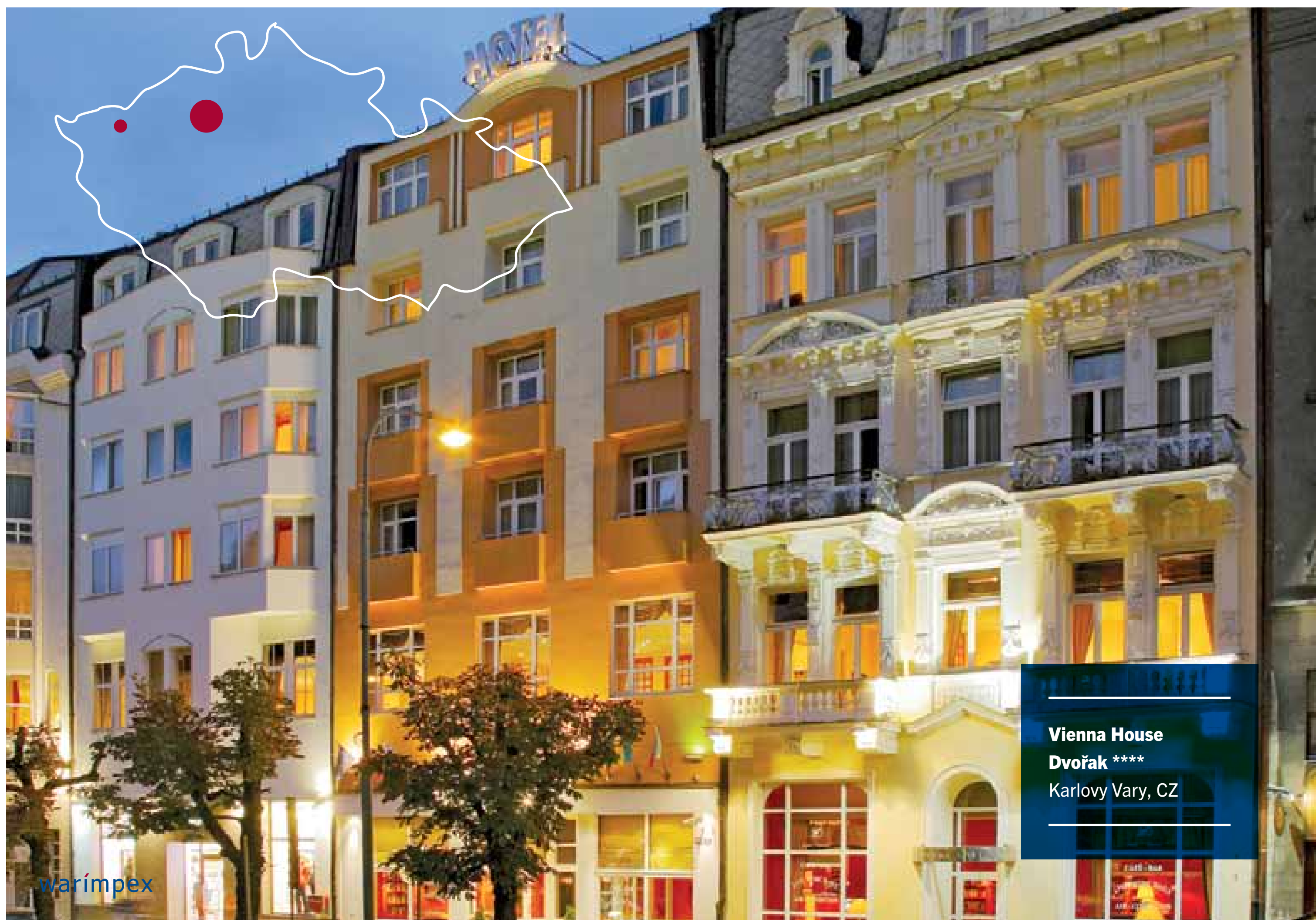
Warimpex owns a development property in Białystok. Four office properties and a hotel will be built on this site in multiple phases. An office building with roughly 13,000 square metres of office space is being planned as the first step.

[2] CB Richard Ellis, Real Estate Market Outlook 2020, Poland
[3] CB Richard Ellis, Real Estate Market Outlook 2020, Poland
[4] CB Richard Ellis, Real Estate Market Outlook 2020, Poland
[5] STR Comp Set – Performance Report for Intercontinental Warsaw

MARKETS

Czech Republic

In the Czech Republic, Warimpex was the leaseholder and operator of the Vienna House Dvořák hotel in Karlovy Vary. Warimpex disposed of this operating company in late February 2019.



Vienna House Dvořak ****
Karlovy Vary, CZ

MARKETS

Hungary

Economic environment

In Budapest, average rents increased to roughly EUR 13.00 per month, prime yields declined from 5.75 per cent to 5.25 per cent[5], and vacancy fell from 7.3 per cent to a record low of 5.6 per cent.[6]

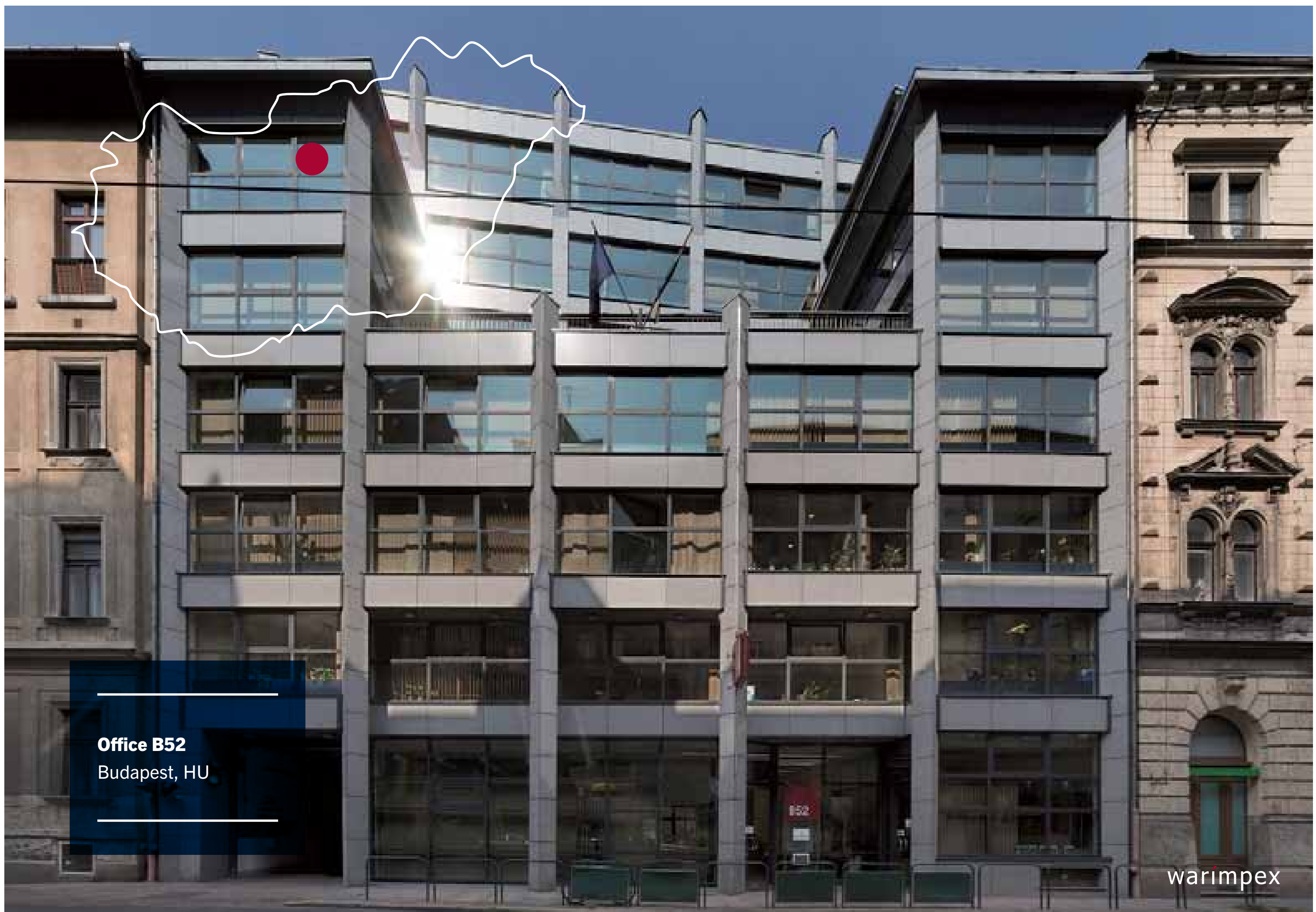
[5] CB Richard Ellis, Budapest Office Snapshot, Q4 2019
[6] CB Richard Ellis, Budapest Investment Snapshot, Q4 2019

Existing portfolio: 2 office properties
In Budapest, Warimpex owns the Erzsébet and B52 office buildings, which together have a total net floor space of around 20,200 square metres.

The B52 office building was acquired at the end of May 2018 and has a total net floor space of 5,200 square metres and an occupancy rate of 96 per cent.

Roughly 100 per cent of the space at Erzsébet Office was let out on the reporting date; 12,250 square metres (of 14,500 square metres) are let to the insurance company Groupama Garancia Insurance Private Co. Ltd., a Hungarian branch of the international Groupama Group.

The Sajka office building with its approximately 600 square metres of lettable space was sold at the beginning of 2019.



Office B52
Budapest, HU

MARKETS

France

In Paris, Warimpex and a joint venture partner were the leaseholders (finance leasing) of the four-star Vienna House Dream Castle Hotel and the four-star Vienna House Magic Circus at Disneyland® Resort Paris, each of which have about 400 rooms. In August, Warimpex announced the sale of both hotels to a 50/50 joint venture between the British private equity fund manager Benson Elliot Capital Management and Schroder Real Estate Hotels (formerly Algonquin). The sale of the hotels, which Warimpex and UBM Development had developed as part of a 50/50 joint venture, was subject to the standard prerequisites for transactions of this type in France. The transaction was successfully closed on 27 September.

Occupancy remained stable at 83 per cent at both hotels in the first nine months of 2019 (1–9 2018: 82 and 83 per cent). The average room rate increased by roughly 2 per cent at Vienna House Dream Castle and by around 7 per cent at Vienna House Magic Circus.

Vienna House Magic Circus****
at Disneyland® Paris, F

MARKETS

Austria

Existing portfolio: 1 hotel

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

Palais Hansen Kempinski******

Vienna, A

AirportCity
St. Petersburg, RU

MARKETS

Russia

Economic environment

The volume of real estate transactions in Russia increased by 34 per cent to around USD 3.8 billion in 2019. The share of transactions in St. Petersburg advanced by 13 percentage points to 37 per cent.[7] The vacancy rate for office properties in St. Petersburg was very low at 3.3 per cent, and average rents (including operating costs and VAT) came to roughly RUB 1,960 (around EUR 28, 2018: RUB 1,865) per square metre per month.[8]

In St. Petersburg, occupancy rates increased by an average of 4 percentage points to 70 per cent, and the average room rate improved by 6 per cent to RUB 4,406.[9]

Existing portfolio:
1 hotel, 2 office properties, 1 multi-use building
In St. Petersburg, Warimpex holds 90 per cent of AIRPORTCITY St. Petersburg. In the first phase of the project, a four-star Crowne Plaza hotel (InterContinental Hotel Group) and two office towers (Jupiter 1 + 2) with 16,800 square metres of lettable space were opened at the end of December 2011. AIRPORTCITY St. Petersburg is being developed by the project company AO AVIELEN A.G. and is located in close proximity to the Pulkovo 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.

Warimpex indirectly holds roughly 40 per cent of the Jupiter 1 and 2 office towers at AIRPORTCITY St. Petersburg.

The Zeppelin office building (stake: 90 per cent) with 15,600 square metres of lettable space was completed at AIRPORTCITY at the end of June 2015. The tower is completely let out.

The Crowne Plaza hotel achieved occupancy of 77 per cent (1–12 2018: 76 per cent) while the average room rate in euros declined by about 13 per cent.

Warimpex owns a 100 per cent stake in the Bykovskaya multi-use building (with parking spaces for around 450 vehicles and roughly 6,000 square metres of office and archive space), which has been fully occupied since it was completed in May 2017.

In May 2019, an agreement was signed for the acquisition of a 35 per cent stake in the project company AO AVIELEN A.G. Following this acquisition, Warimpex holds a total stake of 90 per cent in AVIELEN, which is responsible for the development and operation of AIRPORTCITY St. Petersburg. The remaining 10 per cent is held by UBM Development. The contract negotiations and the signing were successfully completed on 13 May 2019. The transaction closed on 11 August 2019.

Under development: 1 office property, development properties
There are property reserves for around 150,000 square metres of office space at AIRPORTCITY St. Petersburg.

In April 2018, Warimpex took over full ownership of a portion of this property reserve (roughly 17,000 square metres) from AO AVIELEN A.G. through a project company. The construction of an office tower (Avior Tower) with roughly 16,000 square metres of lettable office space began in the fourth quarter of 2019. The opening is scheduled for the fourth quarter of 2021.

[7] CB Richard Ellis, Russian Real Estate Investment Market, Q4 2019
[8] Maris CBRE, Market Overview, Saint Petersburg 2019
[9] STR Comp Set – Performance Report for Crowne Plaza St. Petersburg Airport

MARKETS

Germany

Existing portfolio: 1 hotel

In April 2019, Warimpex acquired a hotel property (324 rooms) in Darmstadt. The hotel was reopened under the name “The Hotel Darmstadt – soon to be greet” in early September 2019. Cycas Hospitality was tasked with managing the three-star conference hotel. During a year-long refurbishment programme, the hotel will be converted to the new Accor brand “greet” while remaining open for business and will then be repositioned on the market in autumn 2020. The telecom training centre that is part of the property was converted to offices and coworking spaces.

Under development: Development properties

In addition, the 29,000 square metre hotel property offers property reserves for the development of additional premium office and commercial space. Warimpex will now start using this development potential to create new offerings.

The Hotel Darmstadt
Darmstadt, D

BUSINESS DEVELOPMENT

Assets, Financial Position, and Earnings Situation

Development of revenues

Revenues in the Hotels segment fell to EUR 10.0 million in 2019, which represents a decline of 20 per cent compared with the prior year. This can be attributed primarily to the sale of the operating company for the Dvořák hotel in Karlovy Vary at the end of February 2019. Because the hotel in Darmstadt was not reopened until September 2019, it did not make a significant contribution to revenues.

Revenues from the rental of office properties (Investment Properties revenues) increased compared with the prior year, going from EUR 15.5 million to EUR 19.9 million primarily due to the purchase of the B52 office building in May 2018 as well as the completion of Ogrodowa Office in Łódź in October 2018 and Mogilska 43 Office in May 2019.

Total revenues improved to EUR 31.6 million, and expenses directly attributable to revenues rose by 16 per cent to EUR 14.2 million. This results in gross income from revenues of EUR 17.5 million (2018: EUR 16.9 million).

Earnings situation

Gains or losses from the disposal of properties
During the reporting period, Warimpex sold two hotels in Paris, an office property in Budapest, and the operating company for the Dvořák spa hotel in Karlovy Vary. This brought the disposal result to EUR 28.9 million.

In the prior year, Warimpex sold a reserve property located in Budapest for EUR 5.4 million. The property had already been valued at the sale price, so no sale proceeds were recognised during the prior year.

EBITDA
Earnings before interest, taxes, depreciation, and amortisation, and gains/losses on the remeasurement of investment properties (EBITDA) rose from EUR 4.3 million to EUR 29.9 million, primarily due to gains on property sales as well as an accounting gain in the amount of EUR 20.3 million on the purchase of loans of former minority shareholders of a Russian Group company.

Depreciation, amortisation, and remeasurement
Depreciation, amortisation, and remeasurement fell slightly, going from EUR 15.5 million to EUR 14.9 million. The remeasurement result from the office assets (investment properties) came to roughly EUR 15.3 million (2018: EUR 16.0 million).

EBIT
EBIT improved from EUR 5.0 million to EUR 44.7 million due to gains on the sale of properties and accounting gains.

Financial result
The financial result (including earnings from joint ventures) rose from minus EUR 14.9 million to EUR 25.8 million. This includes changes in foreign exchange rates in the amount of EUR 8.3 million (2018: exchange rate losses of EUR 11.5 million) as well as an accounting gain in the amount of EUR 20.3 million on the purchase of loans of former minority shareholders of a Russian Group company.

Earnings from joint ventures went from EUR 0.7 million to EUR 3.6 million. This can be attributed primarily to foreign currency gains due to currency translation.

Profit or loss for the period
The profit for the period increased from EUR 1.9 million in the previous year to EUR 66.5 million. The profit for the shareholders of the parent rose from EUR 5.9 million to EUR 61.5 million in annual comparison.

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	**2019**	2018
Revenues for the Group	37,545	44,628
Average number of hotel rooms for the Group**	680	1,024
GOP for the Group	12,689	14,838
NOP for the Group	9,114	10,676
NOP/available room in EUR	13.395	10,431

* Including all joint ventures on a proportionate basis
** See the disclosures pertaining to the Hotels segment in the consolidated financial statements

In the reporting period, the average number of rooms falling under Group ownership declined due to the sale of the Dvořák hotel at the end of February 2019 and the sale of the two hotels in Paris at the end of September 2019. An additional hotel was opened in Darmstadt in September 2019.

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 declined by 14.6 per cent to EUR 9.1 million; the NOP per available room rose by 28 per cent to EUR 13,395.

Investment Properties segment*

in EUR '000	**2019**	2018
Revenues for the Group	24,015	19,403
Segment EBITDA	16,170	15,513

* Including all joint ventures on a proportionate basis

The revenues and EBITDA of the Investment Properties segment increased primarily due to the purchase of the B52 office building in May 2018 as well as the completion of Ogrodowa Office in Łódź in October 2018 and Mogilska 43 Office in May 2019.

Development and Services segment*

in EUR '000	**2019**	2018
Revenues for the Group	2,241	1,883
Gains or losses from the disposal of properties	28,934	–
Segment EBITDA	16,355	-10,168

* 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. During the reporting period, Warimpex sold two hotels in Paris, an office property in Budapest, and the operating company for the Dvořák spa hotel in Karlovy Vary.

Assets

Consolidated Statement of Financial Position EUR '000	**31/12/2019**	31/12/2018	31/12/2017
ASSETS			
Non-current assets	345,053	265,505	223,272
Current assets	11,506	26,506	41,982
Total assets	**356,559**	**292,012**	**265,254**
EQUITY AND LIABILITIES			
Share capital	54,000	54,000	54,000
Retained earnings and reserves	104,431	56,887	56,926
Equity attributable to the parent	**158,431**	**110,887**	**110,926**
Non-controlling interests	-1,364	-20,740	-27,445
Total equity	**157,068**	**90,147**	**83,481**
Non-current liabilities	172,210	172,261	153,922
Current liabilities	27,282	29,603	27,851
Total liabilities	**199,491**	**201,865**	**181,773**
Total equity and liabilities	**356,559**	**292,012**	**265,254**

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

Warimpex sold the majority of its hotel portfolio in May 2017. The transaction covered eight hotel holdings, which accounted for around 50 per cent of the total real estate assets of Warimpex and represented a property value of roughly EUR 180 million (excluding the holdings of the joint venture partner in this portfolio). The sale resulted in the realisation of hidden reserves, which in turn led to a significant increase in equity. In addition, the sale led to a significant balance sheet contraction.

Despite property sales, 2018 and 2019 were marked by growth, as the Company's property assets and balance sheet total increased once again.

Financial Position

Consolidated Statement of Cash Flows EUR '000	**2019**	2018
Cash receipts from operating activities	31,663	29,768
Cash payments for operating activities	-31,704	-26,479
Net cash flows from operating activities	-41	3,289
Net cash flows from investing activities	-11,597	-38,631
Net cash flows for financing activities	9,717	22,196
Cash and cash equivalents at 31 December	7,519	8,805

Cash flow from operations

The cash flow from operating activities declined by 101 per cent. For more information, see the detailed comments in section 2. Segment information in the notes.

Net cash flows from investing activities

The cash receipts from investing activities relate primarily to the sale of the two hotels in Paris. The cash payments for investments primarily pertain to construction work for Ogrodowa Office in Łódź and Mogilska 43 Office in Krakow (2018: Bykovskaya multi-use building at AIRPORTCITY St. Petersburg and Ogrodowa Office in Łódź).

Cash flows from financing activities

The change in the cash flows from financing activities can primarily be attributed to a lower amount of loans and borrowing in connection with construction work.

Real Estate Assets

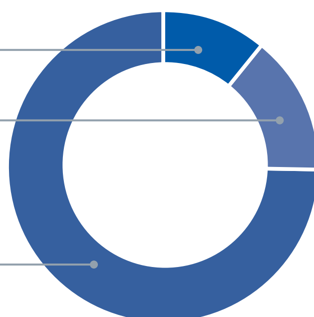
On 31 December 2019, the real estate portfolio of the Warimpex Group comprised four hotels with roughly 1,000 rooms (800 rooms when adjusted for the proportionate share of ownership) plus eight office properties with a total lettable floor area of roughly 104,600 square metres (92,800 square metres when adjusted for the proportionate share of ownership).

PROPERTY ASSETS IN EUR MILLION

39.3 Development projects

47.2 Hotel assets

246.8 Existing office assets



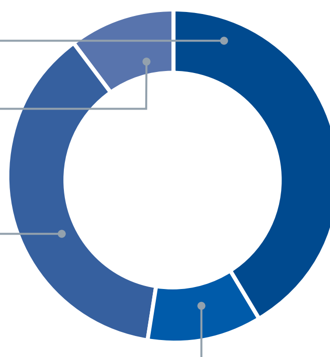
GAV BY COUNTRY IN %

42% Poland

10% Hungary

37% Russia

11% Germany



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.

The majority of the properties and development projects are valuated twice annually (on 30 June and 31 December) by independent real estate appraisers.

On 31 December 2019, the following experts appraised Warimpex's portfolio:

Appraiser	**Fair values as at 31 December 2019** in EUR millions	in %
CB Richard Ellis	93	28%
Knight Frank	135	40%
PricewaterhouseCoopers	101	31%
Others or not appraised	3	1%
	333	**100%**

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 generally 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.

The gross asset value of Warimpex's proportionate properties came in at EUR 333.3 million on 31 December 2019 (31 December 2018: EUR 269.9 million), of which EUR 19.6 million (31 December 2018: EUR 62.6 million) can be attributed to joint ventures. This increase was primarily due to progress in development projects in Poland, the share purchase in Russia, and the acquisition of the hotel in Darmstadt, offset by sales in France (reduction of joint ventures). The Group's triple net asset value (NNNAV) rose from EUR 137.6 million as at 31 December 2018 to EUR 178.8 million as at 31 December 2019.

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

in EUR millions	**12/2019**		12/2018	
Equity before non-controlling interests		158.4		110.9
Deferred tax assets	-4.5		-2.0	
Deferred tax liabilities	10.9	6.4	7.9	5.9
Carrying amount of existing hotel assets	-35.6		-21.0	
Fair value of existing hotel assets	49.6	14.0	21.1	0.1
Carrying amount of development projects	–		11.2	
Fair value of disposal groups	–	–	31.9	20.7
Triple net asset value		**178.8**		**137.6**
Number of shares on 31 December		54.0		54.0
Treasury shares		-1.5		-0.2
Number of shares on 31 December		52.5		53.8
NNNAV per share in EUR		**3.41**		**2.56**

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 Investment Properties segment, Warimpex is exposed to the risk that it will be unable to let out spaces, that rents will decline, and that tenants will default on their payments. Rental risk is closely linked to the general economic conditions in the individual markets and is thus subject to corresponding planning uncertainties. There is always a certain degree of rental risk due to the different political and economic developments in the various markets. The competition between property owners for well-known, attractive tenants can also impact occupancy rates and lease extensions. Depending on the economic development in the various markets, rents can come under pressure. This may make it necessary to accept rents that are lower than originally projected.

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 and pandemics. There is the risk that competitors may enter the Group's target markets, thereby increasing the number of beds available.

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 as at 31 December 2019 in section 8.2.

1. Interest rate risk

The risk of fluctuations in market interest rates (usually the three-month EURIBOR for bank loans) 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).

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 RUB 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.

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 pertaining to trade receivables in the Investment Properties segment correlates to the creditworthiness of the tenant. Tenants' creditworthiness can deteriorate on a short- or medium-term basis, particularly during an economic downturn. In addition, the risk can emerge that a tenant will become insolvent or is otherwise incapable of meeting the payment obligations defined in the lease. The risk of rent default can be reduced further through targeted monitoring and proactive measures (e.g. requiring collateral, assessing tenants' creditworthiness and reputation).

The default risk associated with trade receivables can be considered moderate in the Hotels segment because receivables are generally paid either in advance or immediately on site. Longer payment terms are generally only accepted for receivables from travel agencies.

The Group is in a position to influence the default risk on loans to joint ventures or associates through its involvement in the management of the respective companies, but there are still default risks arising from operational risks.

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

Please also see section 8.2.3. in the notes to the consolidated financial statements.

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.

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.

Please also see section 8.2.4. in the notes to the consolidated financial statements.

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 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 local management 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 orientation towards 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

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 2019, an average of 244 (2018: 292) employees worked in the Hotels segment, 29 (2018: 15) in the Investment Properties segment, and 38 (2018: 37) in the Development and Services segment.

Sustainability

Please refer to the consolidated non-financial report pursuant to § 267a Austrian Commercial Code.

Disclosures pursuant to § 243a Austrian 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 BONDS OF WARIMPEX FINANZ- UND BETEILIGUNGS AG

AS AT 31 DECEMBER 2019

	ISIN	Outstanding amount
Bond 05/20	AT0000A1VWE0	EUR 5,500,000
Bond 09/25	AT0000A23GA4	EUR 9,000,000

At the Annual General Meeting on 3 June 2019, 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 associate. 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.

A buyback programme began on 23 September 2019 and is scheduled to run until the end of August 2020. The maximum volume is up to 1,000,000 shares. The acquisition price range was set at a maximum of 30 per cent below and no more than 10 per cent above the average unweighted closing share price on the Vienna Stock Exchange for the 10 trading days preceding the buyback. As at 31 December 2019, a total of 594,977 shares had been purchased at an average price of EUR 1.59.

Warimpex held a total of 1,534,257 treasury shares as at 31 December 2019, which corresponds to 2.84 per cent of the capital stock.

Apart from the above, there are no further particulars that must be disclosed pursuant to § 243a Austrian 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:

- Avior Tower 1 with roughly 16,000 square metres of space, St. Petersburg (under construction)
- Phase III of Mogilska office building with roughly 12,000 square metres of space, Krakow (currently being planned)
- Office building in Białystok with roughly 13,000 square metres of space (currently being planned)
- Chopin office building with roughly 21,000 square metres of space, Krakow (currently being planned)

Making preparations for construction and obtaining building permits will be the focus of our activities again in 2020. At the same time, we expect to see an increase in revenues in the Investment Properties segment thanks to rental revenue from our new assets – first and foremost Mogilska Office 43 in Krakow, which was completed in the spring.

Warimpex Finanz- und Beteiligungs AG is on solid financial footing, even against the backdrop of the current COVID-19 pandemic. The 2019 financial year was a record year for Warimpex – the equity ratio was 44 per cent as at the reporting date, and the Company has used the past few years to complete a strategic realignment and diversify its portfolio. While the Company was primarily active in the hotel segment, which is being hit particularly hard at the moment, up until a few years ago, hotels now make up just 14 per cent of the total portfolio. Office properties with long-term leases that are contractually assured account for 74 per cent of the overall portfolio.

Due to the massive spread of the SARS-CoV-2 virus (coronavirus) and the associated COVID-19 pandemic, measures such as lockdowns, travel bans, the closure of airports and businesses were implemented by the governments in Austria as well as in other European countries and in Russia starting in February/March 2020.

Growth forecasts have been revised downward recently because of this pandemic and its negative impact on the economy, the extent of which cannot be foreseen at this time. We expect this to result in challenging conditions for the time being; the concrete effects of the pandemic cannot be conclusively assessed due to the dynamic development of the situation, but are being evaluated on an ongoing basis. The financial effects resulting from this situation are not yet quantifiable.

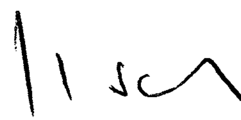
In the Investment Properties segment, there is a risk that rent payments will not be made in accordance with the contractual arrangements. Commercial spaces make up only a very small percentage of the office properties, so no material effects are expected in this context. In the Hotels segment, the hotel in Darmstadt was closed at the beginning of April, presumably until September 2020. Because the hotel was scheduled to be renovated while remaining open for business, the renovation will now be completed more quickly with the hotel being closed. The Crowne Plaza hotel at AIRPORTCITY St. Petersburg will remain open, but occupancy declined significantly starting in March 2020. The InterContinental hotel in Warsaw, which is operated under a 50/50 joint venture, has been closed since March 2020, and no reopening date has been determined at this time. The hotel in Darmstadt and the InterContinental hotel in Warsaw have applied for short-time work for their employees. In the Development and Services segment, there is a risk that construction activities will be delayed. Only one property is in the shell construction phase at the moment (Avior Tower, St. Petersburg). Warimpex has the option of halting the construction after the building shell is completed because there is no specific obligation regarding the completion of the building.

In general, there is a risk of negative effects on the real estate transaction market and on financing arrangements.

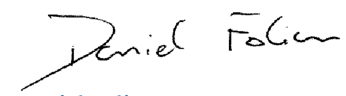
Past crisis events, such as the financial crisis of 2008, have shown that the hotel segment responds to macroeconomic developments early on in the cycle, but also recovers quickly once conditions normalise. In the office segment, which is characterised by long-term leases, Warimpex is not seeing any direct effects from the health crisis at the present time.

At the moment, the concrete long-term effects of the COVID-19 pandemic are very difficult to predict in general. However, it is safe to assume that the record year seen in 2019 will not be repeated this year. Nevertheless, Warimpex expects the positive development of its business activities to continue. Our updated planning calculations still show positive results of operating activities before finance income, taxes, depreciation, and amortisation (EBITDA) and sufficient liquidity for 2020. With a solid financial base and an experienced, crisis-tested team, Warimpex is well equipped for the current and coming challenges.

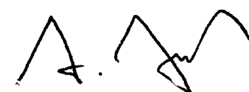
Vienna, 23 April 2020



Franz Jurkowitsch
Chairman of the Management Board



Daniel Folian
Deputy Chairman of the Management Board



Alexander Jurkowitsch
Member of the Management Board

Florian Petrowsky
Member of the Management Board

Consolidated Financial Statements

AS OF 31 DECEMBER 2019

53 Consolidated Income Statement
54 Consolidated Statement of Comprehensive Income
55 Consolidated Statement of Financial Position
56 Consolidated Statement of Cash Flows
57 Consolidated Statement of Changes in Equity

58 Notes to the Consolidated Financial Statements
58 Consolidated segment information
62 Corporate information
62 Segment information
64 Basis for preparation
76 Information about the companies and interests in other companies included in the consolidated financial statements
78 Property sales and changes in the scope of consolidation
80 Notes to the consolidated income statement
86 Notes to the consolidated statement of financial position
109 Disclosures on financial instruments, fair value, and financial risk management
116 Other disclosures

121 Auditor’s Report

Palais Hansen Kempinski***
Vienna, A

Consolidated Income Statement

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

in EUR '000	Note	2019	2018
Hotels revenues		9,987	12,420
Investment Properties revenues		19,861	15,482
Development and Services revenues		1,794	1,265
Revenues	6.1.	**31,641**	**29,168**
Expenses from the operation of hotels		(7,720)	(8,660)
Expenses from the operation of investment properties		(5,288)	(2,599)
Expenses directly attributable to development and services		(1,161)	(967)
Expenses directly attributable to revenues	6.2.	**(14,169)**	**(12,226)**
Gross income from revenues		**17,473**	**16,942**
Income from the sale of properties		33,612	5,400
Disposal of carrying amounts and expenses related to sales		(4,678)	(5,400)
Gains or losses from the disposal of properties	5.1.	**28,934**	–
Other operating income		**481**	**72**
Administrative expenses	6.3.	**(13,642)**	**(9,424)**
Other expenses	6.4.	**(3,387)**	**(3,253)**
Earnings before interest, taxes, depreciation, amortisation, and remeasurement (EBITDA)		**29,858**	**4,337**
Scheduled depreciation and amortisation on property, plant, and equipment		(1,125)	(912)
Scheduled depreciation on right-of-use assets		(433)	–
Impairments		–	(21)
Reversals of impairment on property, plant, and equipment		1,170	503
Gains/losses on remeasurement of assets held for sale		–	(69)
Gains/losses on remeasurement of investment property		15,255	15,989
Depreciation, amortisation, and remeasurement	6.5.	**14,868**	**15,489**
Earnings before interest and taxes (EBIT)		**44,726**	**19,826**
Interest revenue	6.6.	653	1,037
Other finance income	6.7.	20,921	2,343
Finance expenses	6.8.	(7,733)	(7,408)
Changes in foreign exchange rates	6.9.	8,330	(11,528)
Result from joint ventures (equity method) after taxes	7.3.4.	3,585	699
Financial result		**25,756**	**(14,857)**
Earnings before taxes		**70,482**	**4,969**
Current income taxes	6.10.	(3,340)	(444)
Deferred income taxes	7.5.	(637)	(2,598)
Taxes		**(3,977)**	**(3,042)**
Profit or loss for the period		**66,505**	**1,927**
thereof profit or loss of non-controlling interests		5,033	(3,963)
thereof profit or loss of shareholders of the parent		**61,472**	**5,890**
Undiluted earnings per share in EUR	7.9.1.	1.16	0.11
Diluted earnings per share in EUR	7.9.1.	1.16	0.11

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

in EUR '000	Note	2019	2018
Profit or loss for the period		**66,505**	**1,927**
Foreign exchange differences		5,592	(2,283)
thereof reclassified to the income statement		*–*	*12*
Other comprehensive income from joint ventures (equity method)		6	(18)
(Deferred) taxes in other comprehensive income		(21)	(6)
Other comprehensive income (reclassified to profit or loss in subsequent periods)	7.9.3.	**5,577**	**(2,307)**
Gains/losses from available-for-sale financial assets at fair value through other comprehensive income	7.7.	(13)	109
Result of remeasurement result in accordance with IAS 19		(1,290)	(427)
(Deferred) taxes in other comprehensive income		3	(27)
Other comprehensive income (not reclassified to profit or loss in subsequent periods)	7.9.3.	**(1,300)**	**(345)**
Other income/expenses		**4,277**	**(2,652)**
Total comprehensive income for the period		**70,782**	**(725)**
thereof profit or loss of non-controlling interests		5,950	(4,095)
thereof profit or loss of shareholders of the parent		**64,832**	**3,370**

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

in EUR '000	Note	31/12/2019	1/1/2019	31/12/2018
ASSETS				
Property, plant, and equipment	7.1.	38,876	27,361	26,303
Investment property	7.2.	272,455	212,253	211,747
Other intangible assets		110	5	5
Joint ventures (equity method)	7.3.	10,671	9,337	9,337
Financial assets measured at fair value through other comprehensive income	7.7.	6,242	6,255	6,255
Other assets	7.4.	12,224	9,906	9,906
Deferred tax assets	7.5.	4,475	1,952	1,952
Non-current assets		**345,053**	**267,069**	**265,505**
Inventories		131	168	168
Trade and other receivables	7.6.	3,856	6,659	6,659
Cash and cash equivalents	7.8.	7,519	8,456	8,456
Non-current assets and disposal groups, held for sale	5.2.	–	15,519	11,223
Current assets		**11,506**	**30,802**	**26,506**
TOTAL ASSETS		**356,559**	**297,871**	**292,012**
EQUITY AND LIABILITIES				
Share capital	7.9.1.	54,000	54,000	54,000
Retained earnings	7.9.3.	109,155	62,171	62,171
Treasury shares	7.9.3.	(2,337)	(474)	(474)
Other reserves	7.9.3.	(2,386)	(4,810)	(4,810)
Equity attributable to shareholders of the parent		**158,431**	**110,887**	**110,887**
Non-controlling interests		(1,364)	(20,740)	(20,740)
Equity		**157,068**	**90,147**	**90,147**
Bonds	7.10.1.	8,943	14,493	14,493
Other financial liabilities	7.10.2.	135,817	135,019	135,019
Lease liabilities	7.10.2.	1,259	1,278	–
Other liabilities	7.11.	7,785	9,063	9,071
Provisions	7.12.	4,722	3,156	3,156
Deferred tax liabilities	7.5.	10,939	7,900	7,900
Deferred income	7.14.	2,746	2,622	2,622
Non-current liabilities		**172,210**	**173,531**	**172,261**
Bonds	7.10.1.	5,802	76	76
Other financial liabilities	7.10.2.	9,912	9,761	9,761
Lease liabilities	7.10.2.	367	376	–
Trade and other payables	7.13.	10,178	17,734	17,815
Provisions	7.12.	758	950	950
Income tax liabilities	6.11.	51	184	184
Deferred income	7.14.	213	166	166
Liabilities directly associated with assets classified as held for sale	5.2.	–	4,946	651
Current liabilities		**27,282**	**34,193**	**29,603**
Liabilities		**199,491**	**207,724**	**201,865**
TOTAL EQUITY AND LIABILITIES		**356,559**	**297,871**	**292,012**

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

in EUR '000	Note	2019	2018
Cash receipts			
from hotel operations and letting		30,551	28,937
from real estate development projects and other		823	199
from interest income		289	632
Cash receipts from operating activities		**31,663**	**29,768**
Cash payments			
for real estate development projects		(981)	(309)
for materials and services received		(11,057)	(6,688)
for related personnel expenses		(7,907)	(10,470)
for other administrative expenses		(8,260)	(8,383)
for income taxes		(3,499)	(630)
Cash payments for operating activities		**(31,704)**	**(26,479)**
Net cash flows from operating activities		**(41)**	**3,289**
Cash receipts from			
the sale of disposal groups and property	5.1.	31,303	5,400
less outflow of cash and cash equivalents from disposal groups sold		(268)	–
purchase price payments from sales in previous periods	5.4.	–	5,647
the sale of property, plant, and equipment		28	–
dividends		50	–
other financial assets		5	2,251
returns on joint ventures		10,466	–
Cash receipts from investing activities		**41,583**	**13,299**
Cash payments for			
investments in property, plant, and equipment		(13,174)	(590)
investments in investment property		(37,379)	(50,145)
Investments in intangible assets		(119)	(1)
other financial assets		(2,509)	(959)
joint ventures		–	(236)
the purchase of equity interests		(14)	–
less received cash and cash equivalents of equity interests		14	–
Payments made for investments		**(53,181)**	**(51,930)**
Net cash flows from investing activities		**(11,597)**	**(38,631)**
Cash payments for the purchase of treasury shares	7.9.1.	(1,863)	(173)
Cash receipts from the issue of (convertible) bonds	7.10.3.	7,000	9,000
Payments for the redemption of (convertible) bonds	7.10.3.	(7,000)	(6,123)
Cash receipts from loans and borrowing	7.10.3.	35,642	40,711
Payments made for the repayment of loans and borrowing	7.10.3.	(13,574)	(9,292)
Payments made for the repayment of lease liabilities	7.10.3.	(566)	–
Paid interest (for loans and borrowing)		(5,586)	(7,686)
Paid interest (for bonds and convertible bonds)		(316)	(417)
Paid financing costs		(821)	(587)
Payments for dividends	7.9.1.	(3,199)	(3,236)
Net cash flows from/used in financing activities		**9,717**	**22,196**
Net change in cash and cash equivalents		**(1,921)**	**(13,146)**
Foreign exchange rate changes in cash and cash equivalents		12	(21)
Foreign exchange rate changes from other comprehensive income		623	(876)
Cash and cash equivalents as at 1 January		8,805	22,849
Cash and cash equivalents as at 31 December		**7,519**	**8,805**
Cash and cash equivalents at the end of the period consist of:			
Cash and cash equivalents of the Group		7,519	8,456
Cash and cash equivalents of a disposal group classified as held for sale		–	349
		7,519	**8,805**

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

in EUR '000	Equity attributable to shareholders of the parent						
	Share capital	Retained earnings	Treasury shares	Other reserves	**Total**	**Non-controlling interests**	**Total equity**
As at 1 January 2018	**54,000**	**59,435**	**(301)**	**(2,208)**	**110,926**	**(27,445)**	**83,481**
Capital from non-controlling interests	–	–	–	–	–	10,800	**10,800**
Share buyback	–	–	(173)	–	**(173)**	–	**(173)**
Dividend	–	(3,236)	–	–	**(3,236)**	–	**(3,236)**
Total comprehensive income for the period	–	5,972	–	(2,602)	**3,370**	(4,095)	**(725)**
thereof profit for the period	–	*5,890*	–	–	***5,890***	*(3,963)*	***1,927***
thereof other comprehensive income	–	*82*	–	*(2,602)*	***(2,520)***	*(132)*	***(2,652)***
As at 31 December 2018	**54,000**	**62,171**	**(474)**	**(4,810)**	**110,887**	**(20,740)**	**90,147**
As at 1 January 2019		**62,171**	**(474)**	**(4,810)**	**110,887**	**(20,740)**	**90,147**
Capital from non-controlling interests		–	–	–	–	1,200	**1,200**
Share buyback		–	(1,863)	–	**(1,863)**	–	**(1,863)**
Dividend		(3,199)	–	–	**(3,199)**	–	**(3,199)**
Shareholding increase in scope of consolidation	–	(11,280)	–	(946)	**(12,226)**	12,226	–
Total comprehensive income for the period	–	61,463	–	3,369	**64,832**	5,950	**70,782**
thereof profit for the period	–	*61,473*	–	–	***61,473***	*5,033*	***66,505***
thereof other comprehensive income	–	*(10)*	–	*3,369*	***3,360***	*918*	***4,277***
As at 31 December 2019	**54,000**	**109,155**	**(2,337)**	**(2,386)**	**158,431**	**(1,364)**	**157,068**

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

CONSOLIDATED SEGMENT INFORMATION

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 also presented. Detailed information about the individual segments in terms of their scope and management criteria is presented in section 2.

	Hotels		Investment Properties	
in EUR '000	**2019**	2018	**2019**	2018
SEGMENT OVERVIEW – PROFIT OR LOSS FOR THE PERIOD				
External revenues	37,545	44,628	24,015	19,403
Intragroup services	–	–	–	–
Expenses directly attributable to revenues	(28,431)	(33,952)	(6,038)	(3,277)
Gross income from revenues	**9,114**	**10,676**	**17,977**	**16,127**
Gains or losses from the disposal of properties	–	–	–	–
Other operating income	7	226	468	–
Expenses for development projects	–	–	–	–
Personnel expenses	(155)	(652)	(282)	(37)
Other/miscellaneous expenses	(2,056)	(4,462)	(803)	(364)
Intragroup services	–	–	(1,189)	(213)
Segment EBITDA	**6,910**	**5,788**	**16,170**	**15,513**
Scheduled depreciation and amortisation on property, plant, and equipment	(2,532)	(3,147)	6	–
Scheduled depreciation on right-of-use assets	(2,294)	–	(34)	–
Impairments	–	–	–	–
Gains/losses on remeasurement of assets held for sale	–	–	–	–
Impairment reversals	1,170	503	–	–
Measurement gains	–	–	13,467	3,665
Measurement losses	–	–	(1,890)	(323)
Segment EBIT	**3,253**	**3,144**	**27,720**	**18,855**
Finance income	42	668	537	779
Finance expenses	(3,096)	(1,779)	(6,705)	(5,966)
Changes in foreign exchange rates	2,777	(3,863)	7,567	(9,881)
Earnings from joint ventures	–	–	–	–
Income taxes	(855)	(209)	(1,961)	(188)
Deferred income taxes	638	125	(3,236)	(291)
Segment overview – profit or loss for the period	**2,758**	**(1,915)**	**23,923**	**3,308**

	Development and Services		Segment total as at 31 December		Reconciliation		Group total	
	2019	2018	2019	2018	2019	2018	2019	2018
	2,241	1,883	63,802	65,915	(32,160)	(36,747)	31,641	29,168
	1,189	213	1,189	213	(1,189)	(213)	–	–
	(1,591)	(1,575)	(36,061)	(38,804)	21,892	26,578	(14,169)	(12,226)
	1,839	521	28,930	27,324	(11,457)	(10,382)	17,473	16,942
	28,934	–	28,934	–	–	–	28,934	–
	13	72	488	298	(7)	(226)	481	72
	(821)	(178)	(821)	(178)	–	–	(821)	(178)
	(8,097)	(4,835)	(8,534)	(5,524)	84	47	(8,450)	(5,477)
	(5,513)	(5,748)	(8,373)	(10,573)	615	3,551	(7,758)	(7,022)
	–	–	(1,189)	(213)	1,189	213	–	–
	16,355	(10,168)	39,435	11,133	(9,577)	(6,796)	29,858	4,337
	(224)	(145)	(2,750)	(3,291)	1,625	2,379	(1,125)	(912)
	(399)	–	(2,727)	–	2,294	–	(433)	–
	–	(21)	–	(21)	–	–	–	(21)
	–	(69)	–	(69)	–	–	–	(69)
	–	–	1,170	503	–	–	1,170	503
	5,093	12,929	18,560	16,594	(351)	(41)	18,209	16,553
	(1,064)	(241)	(2,954)	(564)	–	–	(2,954)	(564)
	19,761	2,285	50,734	24,285	(6,008)	(4,459)	44,726	19,826
	21,074	1,985	21,653	3,432	(79)	(53)	21,574	3,380
	(1,423)	(1,500)	(11,224)	(9,245)	3,491	1,837	(7,733)	(7,408)
	–	62	10,343	(13,683)	(2,013)	2,155	8,330	(11,528)
	22	25	22	25	3,563	675	3,585	699
	(1,005)	(261)	(3,821)	(659)	481	215	(3,340)	(444)
	1,395	(2,062)	(1,202)	(2,228)	565	(369)	(637)	(2,598)
	39,824	534	66,505	1,927	–	–	66,505	1,927

in EUR '000	Segment total		Reconciliation		Subtotal	
	2019	2018	**2019**	2018	**2019**	2018
HOTELS SEGMENT – PROFIT OR LOSS OVERVIEW						
Revenues from hotels	37,537	44,577	(27,559)	(32,208)	**9,978**	12,369
Expenses for materials and services rendered	(15,527)	(17,823)	11,187	13,588	**(4,340)**	(4,236)
Personnel expenses	(9,321)	(11,916)	6,973	8,838	**(2,349)**	(3,078)
Gross operating profit (GOP)	**12,689**	**14,838**	**(9,399)**	**(9,782)**	**3,289**	**5,056**
Income after GOP	15	277	(7)	(226)	**8**	51
Management fees	(2,103)	(2,306)	1,580	1,749	**(523)**	(558)
Exchange rate differences	(6)	55	(22)	(96)	**(28)**	(42)
Property costs	(1,481)	(2,187)	1,000	1,440	**(480)**	(747)
Net operating profit (NOP)	**9,114**	**10,676**	**(6,848)**	**(6,915)**	**2,266**	**3,761**
Other income/costs after NOP	(4,501)	(1,158)	2,953	269	**(1,549)**	(889)
Lease/rent	2	(3,730)	(2)	3,123	–	(607)
Scheduled amortisation and depreciation	(2,532)	(3,147)	1,622	2,373	**(911)**	(773)
Impairment reversals	1,170	503	–	–	**1,170**	503
Contribution to the operating profit for the Hotels segment	**3,253**	**3,144**	**(2,276)**	**(1,150)**	**977**	**1,994**
Less intragroup services	–	–	–	–	–	–
Segment EBIT	**3,253**	**3,144**	**(2,276)**	**(1,150)**	**977**	**1,994**
Key operating figures in the Hotels segment						
Employees – Hotels	322	501	-85	-215	**237**	287
Rooms (absolute)	894	1,024	-505	-604	**389**	420
Rooms available	680	1,024	-291	-604	**389**	420
Rooms sold	496	789	-241	-493	**254**	296
Occupancy	73%	77%	-8%	-7%	**65%**	70%
REVPAR (in EUR)	64	81	-46	-35	**18**	46
Composition of NOP (geographic):						
Czech Republic	(82)	816	–	–	**(82)**	816
Poland	4,041	4,243	(4,041)	(4,243)	–	–
Germany	(500)	–	–	–	**(500)**	–
Russia	2,848	2,944	–	–	**2,848**	2,944
France	2,807	2,673	(2,807)	(2,673)	–	–

SEGMENT DISCLOSURES AT GROUP LEVEL (GEOGRAPHIC)

	Hotels		Investment Properties		Development and Services		Group total as at 31 December	
	31/12/19	31/12/18	**31/12/19**	31/12/18	**31/12/19**	31/12/18	**31/12/19**	31/12/18
Composition of non-current assets in accordance with IFRS 8.33 (geographic):								
Austria	–	–	–	–	444	88	**444**	88
Czech Republic	–	–	–	–	11	19	**11**	19
Poland	–	–	123,426	78,441	17,792	35,046	**141,218**	113,487
Russia	24,619	20,982	75,713	62,915	12,019	7,428	**112,351**	91,325
Germany	11,019	–	–	–	12,731	1,049	**23,750**	1,049
Hungary	–	–	33,599	32,936	68	51	**33,667**	32,987
Total	**35,638**	**20,982**	**232,738**	**174,292**	**43,065**	**43,681**	**311,441**	**238,955**

	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Composition of revenues (geographic):								
Austria	–	–	–	–	300	289	**300**	289
Czech Republic	478	4,346	–	–	32	86	**510**	4,432
Poland	–	–	4,688	1,241	1,293	783	**5,981**	2,024
Russia	8,712	8,074	12,341	11,834	100	89	**21,153**	19,996
Germany	796	–	–	–	–	–	**796**	–
Hungary	–	–	2,832	2,407	69	18	**2,901**	2,426
Total	**9,987**	**12,420**	**19,861**	**15,482**	**1,794**	**1,265**	**31,641**	**29,168**
Average number of employees	**244**	292	**29**	15	**38**	37	**311**	343

[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 2019 were authorised for release to the Supervisory Board by the Management Board on 23 April 2020. 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 office buildings and hotels 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.

[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. Service relationships with a single customer exceeded 10 per cent of the total Group revenues in the reporting period. These revenues amounted to EUR 12,441 thousand (2018: EUR 11,922 thousand) and primarily pertained to the Investment Properties segment. 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 othe joint ventures using the 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. The hotels are upscale three-star and four-star establishments. The following hotels are fully or proportionately included in the segment information:

Czech Republic: Dvořák spa hotel, Karlovy Vary (until February 2019)

Poland: InterContinental hotel, Warsaw

Russia: Crowne Plaza, St. Petersburg

Germany: The Hotel Darmstadt – soon to be greet (from September 2019)

France: Magic Circus, Dream Castle (until September 2019)

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 overview 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:

Poland: Ogrodowa Office, Łódź (let out starting in the summer of 2018); Mogilska 41 Office, Krakow; Mogilska 43 Office, Krakow (from May 2019)

Russia: Zeppelin office tower, Jupiter 1 and 2 office towers, Bykovskaya multi-use building – all in St. Petersburg

Hungary: B52 (from May 2018), Erzsébet, and Sajka (until February 2019) – 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, income from charged operating expenses, and, if applicable, 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 in the event of a sale.

During the reporting period, the segment assets included development properties and properties under construction in Poland and Russia.

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] Basis for preparation

3.1. Basis for preparation of the financial statements

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 (Austrian Commercial Code) were also met.

As a general rule, the consolidated financial statements are prepared using the (amortised) historical cost of all assets. However, investment properties, derivative financial instruments (to the extent such instruments are held), and financial assets measured at fair value through other comprehensive income are stated at fair value.

The consolidated financial statements are based on the going concern principle.

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 are 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 4.1.1.

3.2. Changes in accounting policies and regulations

3.2.1. New and amended standards and interpretations – first-time application

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

• IFRS 16: Leases

IFRS 16 replaces the following previously valid standards and interpretations: IAS 17, IFRIC 4, SIC 15, and SIC 27. According to IFRS 16, the Group recognises a right-of-use asset and the corresponding lease liability for leases in which it is the lessee. The previous differentiation for lessees between operating leases and finance leases defined under IAS 17 has been eliminated. The Group applies the stipulated exemptions for short-term leases (with a [remaining] term of less than one year) and low-value assets (up to roughly EUR 5,000). When determining the useful life of the right-of-use asset, the Group assesses whether it is reasonably certain that an extension option will be exercised, taking into account the overall circumstances and, in particular, the economic incentives. The Group did not re-evaluate contracts that existed as of 1 January 2019 to ascertain whether or not they contain a lease.

The first-time recognition of the right of use encompasses 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 (see section 7.1.1.). This does not include investment properties that are measured at fair value pursuant to IAS 40 (see section 7.2.1.).

The lease liability is discounted using the rate implicit in the agreement and reduced by the lease payments (see section 7.10.3.). Interest costs and variable lease payments that are not part of the lease liability are recognised in the income statement.

The new standard results in no material changes for the Group as a lessor. According to IFRS 16.B33, income from land tax and insurance charged to tenants in the amount of EUR 174 thousand was assigned to rental revenue and not revenues in accordance with IFRS 15 in 2019. The standard still differentiates between finance and operating leasing arrangements, although the Group has only concluded operating leases.

The Group made use of the reliefs defined in the transitional arrangements (modified retrospective approach) for the first-time application as at 1 January 2019. In particular, comparative information was not restated. The opening balance as at 1 January 2019 resulting from the first-time application of IFRS 16 is shown separately along with the closing balance as at 31 December 2018. In accordance with the exemptions defined in IFRS 16, neither a right-of-use asset nor a lease liability have been recognised for leases that ended within one year of the initial application of the standard. The relevant incremental borrowing rate (4.06 per cent on average) was used to determine the present value.

The most significant change in the consolidated financial statements pertains to the recognition of the right-of-use asset and lease liability related to the lease for the Dvořák hotel in Karlovy Vary in the amount of EUR 4,295 thousand. Because the assets and liabilities of the hotel operating company were recognised as held for sale according to IFRS 5 as at 31 December 2018 (see section 5.2.), the right-of-use asset and the lease liability were also recognised in accordance with IFRS 5 as at 1 January 2019. The effects on the income statement and cash flow are negligible because the hotel operating company was sold in February 2019.

In addition, right-of-use assets from rental and lease agreements for office space, office equipment, and vehicles were recognised under property, plant, and equipment for the first time as at 1 January 2019. Any existing extension options were not taken into account in the evaluation of the useful life due to a lack of economic incentives.

Lease agreements for investment properties have already been measured at fair value in accordance with IAS 40 up to now. This results in the recognition of a right-of-use asset in the amount of EUR 506 thousand upon first-time application, which increases the previously measured fair value according to the provisions of IAS 40, and the recognition of a lease liability in the same amount.

Summary of the effects on the individual carrying amounts in the opening balance as at 1/1/2019:

	1/1/19	31/12/18	Difference
Assets:			
Property, plant, and equipment	27,361	26,303	1,058
Investment property	212,253	211,747	506
Non-current assets (disposal groups), held for sale (IFRS 5)	15,519	11,223	4,295
	255,133	**249,273**	**5,860**

	1/1/19	31/12/18	Difference
Equity and liabilities:			
Lease liabilities (non-current)	1,278	–	1,278
Lease liabilities (current)	376	–	376
Other liabilities (non-current)	9,063	9,071	(8)
Trade and other payables	17,734	17,815	(82)
Liabilities directly associated with the assets (disposal groups) held for sale (IFRS 5)	4,946	651	4,295
	33,397	**27,537**	**5,860**

Reconciliation of minimum lease payments as at 31/12/2018 to right-of-use assets as at 1/1/2019:

Future minimum lease payments as at 31 December 2018	3,054
plus lease for Dvořák hotel (only included in minimum lease payments on a proportionate basis due to sale)	4,194
less interest portion (discount on incremental borrowing rate of 4.06 per cent)	(1,211)
less short-term leases	(178)
Initial recognition of right-of-use assets on 1/1/2019	**5,860**

• IFRIC 23: Uncertainty over Income Tax Treatments

This interpretation provides guidelines regarding the accounting for uncertain tax positions under IAS 12. In accordance with this interpretation, the Group makes assumptions when determining tax positions (taxable result, tax assessment, loss carryforwards, etc.) pertaining to the probability that the relevant authority will accept the uncertain tax treatment. The effect of the uncertainty must be presented in the statement of financial position based on the assumption that is made. The estimates regarding uncertain tax positions may change due to new knowledge, for example in connection with changes in administrative or legal practices, or due to tax audits and this may lead to the recognition of additional tax assets or liabilities. Warimpex has not identified any uncertain tax positions that are unlikely to be accepted by the tax authority.

• Other amendments:

The following amendments that must be applied starting on 1 January 2019 did not have any effects for the Group in the financial year:

Standard / Interpretation	Content/Description	Initial application mandatory starting on
IFRS 9	Prepayment Features with Negative Compensation	1/1/19
IAS 28	Long-term Interests in Associates and Joint Ventures	1/1/19
IFRS 3	Annual Improvements 2015–2017	1/1/19
IFRS 11	Annual Improvements 2015–2017	1/1/19
IAS 12	Annual Improvements 2015–2017	1/1/19
IAS 23	Annual Improvements 2015–2017	1/1/19
IAS 19	Plan Amendment, Curtailment or Settlement	1/1/19

3.2.2. New and amended standards and interpretations – not yet applied

The following new or amended standards and interpretations were adopted by the EU after they were published by the International Accounting Standards Board (IASB) and therefore must be applied starting on the specified date (see section 3.2.2.1.):

Standard / Interpretation	Content/Description	Initial application mandatory starting on
IAS 1	Definition of Material	1/1/20
IAS 8	Definition of Material	1/1/20
Conceptual Framework	Amendments to References to the Conceptual Framework	1/1/20
IFRS 9	Interest Rate Benchmark Reform	1/1/20
IAS 39	Interest Rate Benchmark Reform	1/1/20
IFRS 7	Interest Rate Benchmark Reform	1/1/20

The following new or amended standards and interpretations have already been published by the IASB, but have not yet been adopted by the EU (see section 3.2.2.2.):

Standard / Interpretation	Content/Description	Initial application date according to standard
IFRS 17	Insurance Contracts	1/1/2021*
IFRS 3	Amendments to Definition of a Business	1/1/2020

*) Based on the Group's current assessment, these amendments to the accounting regulations will have no effects or only minor effects on the consolidated financial statements. Therefore, they are not explained in detail in the following. The assessment of the relevance of these amendments will be evaluated on a regular basis before the first-time application date and adapted if necessary.

Warimpex does not intend to apply the new or amended standards and interpretations listed above early.

3.2.2.1. New and amended standards and interpretations (adopted by the EU)

• IAS 1 and IAS 8: Definition of Material

With these amendments to IAS 1 and IAS 8, the IASB has standardised and clarified the concept of materiality. According to the new definition, information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. In general, this corresponds to the concept of materi-

ality used by the Group. Nevertheless, it is possible that this clarification may impact the quality or quantity of information provided in the consolidated financial statements in the future.

• Conceptual Framework: Amendments to References to the Conceptual Framework in IFRS Standards

The revised Conceptual Framework serves the IASB as a guideline for the development of standards and supports companies in developing accounting methods when no specific IFRS regulations are applicable. The content changes include revised definitions and the addition of information regarding the prudence concept, commercial substance, recognition and derecognition, measurement, etc. Accordingly, the references to the Conceptual Framework in current standards will be updated. These are applicable from 1 January 2020. The new Conceptual Framework and the amendments to references to it may result in changes to the Group's accounting policies in the event that relevant transactions are executed.

• Amendments to IFRS 9, IAS 39, and IFRS 7: Interest Rate Benchmark Reform

These amendments are intended to counteract potential effects of the uncertainty caused by the IBOR reform on financial reporting. In particular, the amendments provide specific relief with regard to the hedge accounting requirements and must be applied for all hedging relationships that are affected by the interest rate benchmark reform. In addition, the amendments require companies to provide additional information about the affected hedging relationships. The amendments come into force from 1 January 2020. Although the Group was not involved in any hedging relationships as at the reporting date, an impact is likely in the future for relevant circumstances.

3.2.2.2. New and amended standards and interpretations (not yet adopted by the EU)

• Amendments to IFRS 3: Definition of a Business

The amendments to IFRS 3 clarify the definition of a business. According to the new definition, a business is a set of activities and assets that includes an input and a substantive process that together contribute to the ability to create outputs. In this context, output applies to goods and services provided to customers. The amended definition must be applied to business combinations starting on 1 January 2020. This could lead to changes in the Group's accounting policies in the event that a relevant transaction is executed.

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 that of the parent company, using consistent accounting policies.

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 (see section 4.1.). Please refer to the information in section 3.5. for details about the recognition of joint ventures.

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 uncertainty that is associated with these estimates can result in material changes to the values of assets or liabilities in future periods.

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 balance sheet items 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.

All assets and liabilities for which the fair value is measured or for which the fair value is 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

3.4.1.1. Measurement of financial instruments

If the Group cannot measure the fair value of recognised financial instruments 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 is not available, discretionary decisions have to be made by 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.

One equity instrument is measured at fair value in the consolidated statement of financial position as at the reporting date. Additional information is provided in section 7.7. 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. The experts are selected by the chief financial officer in coordination with the responsible project or asset managers. 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. This was not the case as at 31 December 2019.

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.

Income-based appraisal methods (investment method or discounted cash flow method) are used to determine the fair value of developed properties. This corresponds to level 3 of the fair value hierarchy. Regardless of the appraisal method, planning uncertainties are accounted for by selecting an appropriate interest rate. Both the contracted rental revenue as at the reference date and the projected standard rental revenue after the expiration of leases are taken into account in the appraisal of office properties.

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 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.

The fair value determined by the experts is checked by the responsible project/asset manager with regard to the assumptions and input parameters applied by the expert as well as the changes compared with the previous valuation date and is approved for posting by the chief financial officer.

Remeasurement results for investment properties:

Warimpex recognises its investment properties using the fair value model taking external appraisals into account. 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 6.5.

Impairment of and reversal of impairments on hotel properties (see also sections 6.5. and 7.1.):

The Group generally recognises the hotel properties it operates itself 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.

Changes in the recoverable amount are recognised on the income statement as follows: impairments in their full amount and impairment reversals only up to the amortised cost of acquisition. The amortised cost of acquisition is the amount that would result after accounting for scheduled depreciation and amortisation without any impairment charges in prior years.

The recoverable amount depends heavily on the applied exit yield and the expected future cash inflows.

The impairment reversals and impairment charges are shown in section 6.5. Please see section 7.1. for information on the carrying amounts of these assets.

3.4.2. Measurement of revenues

For the application of IFRS 15 (Revenue from Contracts with Customers), the Group made discretionary decisions for the measurement of the revenues in the Investment Properties segment pertaining to whether the Group is to be considered the principal or the agent when it comes to earnings from operating costs in connection with the letting of office space.

Based on the indicators specified in IFRS 15, the Group determined that it has primary responsibility for fulfilling the commitments vis-à-vis the customers; must fulfil the contract vis-à-vis the suppliers even if costs cannot be charged with or without a surcharge; and has discretion in establishing prices in the course of the contract negotiations. Therefore, the Group recognises its income from charged operating expenses as revenues according to IFRS 15.

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. In most cases, the rental revenue from office properties in the Group is also denominated in euros – with the exception of Russia or agreements concluded with government entities. The goods and services required for hotel operations and letting out 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 budgeting for the individual taxable entity makes it appear probable that the deferrals can actually be utilised.

Further information is provided in section 6.10. Income taxes and section 7.5. Deferred taxes (tax assets and liabilities).

3.5. Joint ventures and associates

An associate is a company in which the Group holds a material interest, in which it can influence decisions, but in which it can exert no control over decision-making processes and in which decisions are not made jointly. In cases of doubt, interests of between 20 per cent and below 50 per cent are classified as associates.

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 according to IFRS 11 and interests in associates using the equity method.

The Group recognises its 44 per cent stake in AO Micos as a joint venture based on its contractual rights (see section 7.3.3.).

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 7.3.

3.6. Financial instruments

3.6.1. Financial assets

In accordance with IFRS 9, financial assets are classified as follows upon initial recognition:

1. Measured at amortised cost
2. Measured at fair value through other comprehensive income
3. Measured at fair value through profit or loss

The classification is based on the Group's business model and the characteristics of the contractual cash flows. In each case, assets are recognised at their fair value upon initial recognition, taking the provisions of IFRS 9 into account. The transaction costs must also be recognised except in the case of financial assets recognised at fair value through profit or loss.

Measured at amortised cost

Financial assets are recognised at amortised cost when the objective of the business model is to hold the asset in order to collect the contractual cash flows ("business model test") and the contractual terms give rise on specified dates to cash flows from payments of principal and interest ("cash flow characteristics test"). The objective of the Group's business model is to collect the contractual cash flows from payments of principal and in some cases interest, so the Group's financial assets are generally recognised at amortised cost. Interest revenue is to be calculated by applying the effective interest rate method to the gross carrying amount. There are exceptions for credit-impaired assets. In the event of changes in contractual cash flows that do not result in derecognition, the gross carrying amount is recalculated and the difference compared with the previous gross carrying amount is recognised as a modification gain or modification loss.

Measured at fair value through other comprehensive income

Financial assets are recognised at fair value through other comprehensive income if the asset is either

1. an equity instrument that is not held for trading, or

2. a debt instrument in a hold to collect and sell business model with cash flows that are solely payments of principal and interest.

With regard to the equity instruments held within the Group, Warimpex has elected to recognise value changes in other comprehensive income. Later reclassification of cumulated value changes (recycling) is not permitted. Dividends from the equity instruments are recognised through profit or loss.

IFRS 9 stipulates that debt instruments in a hold to collect and sell business model that meet the conditions of the cash flow characteristics test must be measured at fair value through other comprehensive income. Value changes are not recognised through profit or loss, but are instead initially recognised in other comprehensive income. Later reclassification to the income statement (recycling) is permitted.

Measured at fair value through profit or loss

Derivatives and debt instruments that do not meet the conditions of the business model test and cash flow characteristics test described above – and thus are not measured at amortised cost or at fair value through other comprehensive income – must be recognised at fair value through profit or loss according to IFRS 9. Value changes are recognised in the income statement.

3.6.2. Impairment of financial assets

The amount of the impairment and the recognised interest is determined in three stages in accordance with IFRS 9:

Stage 1: Expected losses in the amount of the present value of an expected 12-month loss must be measured upon initial recognition.

Stage 2: 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 3: When there is objective evidence of impairment, interest revenue must be recognised on the basis of the net carrying amount, i.e. the carrying amount less risk provisions.

The Group applies the simplified approach for trade receivables and contract assets that do not contain a significant financing component. Under this approach, impairments must be recognised in the amount of the expected lifetime losses for the entire remaining term.

3.6.3. Financial liabilities

When recognised for the first time, financial liabilities are either categorised as financial liabilities measured at amortised cost, as financial liabilities measured 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 Group occasionally employs derivative financial instruments with hedging relationships (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 Group did not hold any derivative financial instruments in a hedging relationship during the reporting period.

3.7. Leases

3.7.1. Leases from 1 January 2019

The accounting policies for leases were fundamentally changed due to IFRS 16, which came into force on 1 January 2019. Details about the new basic requirements and the effects on the consolidated financial statements can be found in section 3.2.1. Information about leases is provided in section 9.2.

3.7.2. Leases until 31 December 2018

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.

3.8. Non-current assets/disposal groups held for sale

If disposal groups are classified as held for sale, all associated assets and liabilities are reclassified in accordance with IFRS 5. Non-current assets or disposal groups 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 (disposal groups) held for sale can be found in section 5.2.

3.9. 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 related 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 2019, which have been applied for all items that are translated at the closing rate as of the reporting date, are as follows:

		31/12/2019	31/12/2018
Polish zloty	(PLN/EUR)	4.2585	4.3000
Czech koruna	(CZK/EUR)	25.4100	25.7250
Hungarian forint	(HUF/EUR)	330.52	321.51
Russian rouble	(RUB/EUR)	69.3406	79.4605

3.10. 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, minority shareholders, or majority 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.

3.11. Investment properties

The Group recognises investment properties 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. Rent incentives (e.g. rent-free periods) and the initial costs of leases are deferred in accordance with the relevant IFRS regulations and recognised through profit or loss over the term of the given lease. The formation of these deferred items is recognised in the same way as additions to property and thus reduce the remeasurement result, while the release of these deferred items increases the remeasurement result over the term.

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. The Group reclassified a reserve property from property, plant, and equipment to investment properties during the financial year (see section 7.1.1.).

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.

3.12. 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 assets.

3.13. 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, Hungary, Germany, and Russia 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 or until the last planned anniversary bonus payment. 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 three 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 820 thousand (2018: EUR 693 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.

3.14. Revenue recognition

Income recognition in accordance with IFRS 15:
Pursuant to IFRS 15, revenue is recognised according to the following model:

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

The Group's revenues are recognised as follows:

Hotels revenues:
Revenue in the Hotels segment consists mainly of revenue for overnight stays (lodging) and revenue from the sale of food and beverages. For these types of performance obligations, revenue is recognised at a point in time. There are no customer loyalty programmes in place in the Group that have a material impact on the timing or the amount of the revenue recognition.

Investment Properties revenues:
The revenue in this segment is primarily made up of rental revenue as well as earnings from facility management and operating costs. When negotiating leases for office space, not only the rent but also the fees for operating costs and in some cases other services are generally agreed together in the contracts with the tenants.

IFRS 16 (Leases) stipulates that lease and non-lease components of a contract must be separated and the non-lease components must be recognised separately in accordance with IFRS 15. Therefore, rental revenue is recognised in accordance with IFRS 16 and other income from contracts with tenants in accordance with IFRS 15.

Development and Services revenues:
In the development segment, IFRS 15 stipulates the recognition of revenue over a period of time for properties that have already been sold but are still in development. Warimpex does not perform such services at this time. This business segment also includes property sales, which are generally recognised at a point in time as at the date of the closing. Other customer contracts in the Development and Services segment are analysed individually according to the requirements of IFRS 15 and the revenues are recognised accordingly.

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 control is transferred.

3.15. 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.

The Group reviews the carrying amount of deferred income tax assets on each reporting date and does not recognise tax assets for which 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 realised.

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

[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	Currency of capital	Functional currency*	Activity/ segment
		direct	indirect				
				in thousands			
100% interests:							
Grassi Hotelbeteiligungs- und Errichtungs GesmbH	A-Vienna	100%	–	2,943	EUR	EUR	DS
Grassi H1 Hotel-beteiligungs GmbH[1]	A-Vienna	100%	–	35	EUR	EUR	DS
Warimpex Leasing GmbH	A-Vienna	100%	–	500	EUR	EUR	DS
Boyauville Invest GmbH	D-Munich	100%	–	25	EUR	EUR	DS
Boyauville Betriebs GmbH[1]	D-Darmstadt	100%	–	25	EUR	EUR	H
Memos GmbH[1]	D-Darmstadt	100%	–	25	EUR	EUR	DS
→ Memos sp. z o.o.[1]	PL-Warsaw	100%	–	5	PLN	PLN	DS
REVITÁL ZRt.	HU-Budapest	100%	–	220,500	HUF	HUF	DS
BÉCSINVESTOR Kft.	HU-Budapest	100%	–	35,380	HUF	EUR	IP
WARIMPEX-INVESTCONSULT Kft. i.L.[3]	HU-Budapest	100%	–	10,000	HUF	EUR	DS
ELSBET Kft.	HU-Budapest	100%	–	103,000	HUF	EUR	IP
Hamzsa-Office Kft.	HU-Budapest	100%	–	15	HUF	EUR	DS
Balnex 1 a.s.[4]	CZ-Prague	100%	–	4,557	CZK	EUR	H
WX Praha 1 s.r.o. i.L.[3]	CZ-Prague	100%	–	147,000	CZK	CZK	DS
Vladinvest Praha s.r.o.	CZ-Prague	100%	–	3,100	CZK	CZK	IP / DS
WX Office Development p. z o.o.	PL-Warsaw	100%	–	100	PLN	PLN	DS
Multi Development sp. z o.o.	PL-Warsaw	100%	–	50	PLN	PLN	DS
→ WX Office Innovation sp. z o.o.	PL-Warsaw	3%	97%	5	PLN	EUR	IP / DS
Erty sp. z o.o.[1]	PL-Krakow	100%	–	5	PLN	PLN	DS
Duose sp. z o.o.[1]	PL-Krakow	100%	–	5	PLN	PLN	DS
WX Krakow sp. z o.o. i.L.[3]	PL-Krakow	100%	–	5	PLN	PLN	DS
Hotel Rondo Krakow sp. z o.o.	PL-Krakow	100%	–	5	PLN	PLN	DS
Mogilska Office Development sp. z o.o.	PL-Krakow	100%	–	7,045	PLN	PLN	DS
→ Limonite sp. z o.o.	PL-Krakow	-	100%	8,035	PLN	PLN	DS
WX Office Development 2 sp. z o.o.	PL-Warsaw	100%	–	150	PLN	EUR	DS
Warimpex Polska sp. z o.o.	PL-Warsaw	100%	–	2,000	PLN	PLN	DS
RLX Dvorak S.A.[1 2]	LU-Luxembourg	100%	–	0	EUR	EUR	DS
WX Budget Hotel Holding S.A.[2]	LU-Luxembourg	100%	–	80	EUR	EUR	DS
Warimpex Property HU 2 Kft.[5]	HU-Budapest	100%	–	600	HUF	HUF	DS
WX Krakow Holding S.A.	LU-Luxembourg	100%	–	31	EUR	EUR	DS
→ WX Management Services sp. z o.o. Prozna Development SKA	PL-Warsaw	–	100%	50	PLN	PLN	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	PLN	DS
Kopernik Development sp. z o.o.	PL-Warsaw	100%	–	25	PLN	PLN	DS
AO Avielen Parking	RU-St. Petersburg	100%	–	30	RUB	RUB	IP
AO Atmosfera	RU-St. Petersburg	100%	–	30	RUB	RUB	DS
OOO Fomalhaut[1]	RU-St. Petersburg	100%	–	1,000	RUB	RUB	DS
Subsidiares with non-controlling interests:							
EI Invest Sp. z o.o.	PL-Warsaw	81%	–	1,300	PLN	PLN	DS
AO Avielen A.G.[6]	RU-St. Petersburg	90%	–	370,001	RUB	RUB	H / IP / DS

Note:
H = Hotels segment
IP = Investment Properties segment
DS = Development and Services segment
i.L. = These companies are in liquidation.
→ These are indirect subsidiaries with the company specified above as the parent company.
* Discretionary decisions on the functional currency are explained in section 3.4.3.

1 These companies were acquired or founded during the financial year.
2 These companies were liquidated during the financial year.
3 These companies were liquidated in 2018.
4 This company was sold during the financial year (see section 5.1.).
5 The shares in this company were transferred to the Group parent in an intragroup transaction during the financial year.
6 The Group increased its stake in this company from 55 per cent to 90 per cent during the financial year.

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 shows amounts before intragroup reconciliation. Dividends were not assigned to the non-controlling interests.

Overview of non-controlling interests:

Company	Domicile/country	Voting rights and capital share non-controlling interests		Profit/loss attributable to non-controlling interests		Total non-controlling interests	
		31/12/19	31/12/18	**2019**	2018	**31/12/19**	31/12/18
AO Avielen A.G.	RU-St. Petersburg	10%	45%	5,028	(3,957)	(1,477)	(20,847)
EI Invest Sp. z o.o.	PL-Warsaw	19%	19%	5	(6)	113	107
Total non-controlling interests						**(1,364)**	**(20,740)**

Summary financial information:

	AO Avielen A.G.	
	31/12/19	31/12/18
Summary balance sheet:		
Non-current assets	94,940	77,548
Current assets	1,715	4,181
Total assets	**96,655**	**81,729**
Equity – Group share	(13,290)	(25,480)
Equity – non-controlling interests	(1,477)	(20,847)
Non-current liabilities	106,433	123,425
Current liabilities	4,988	4,630
Total equity and liabilities	**96,655**	**81,729**

	2019	2018
Summary income statement:		
Income	16,813	17,378
Expenses	(597)	(26,172)
Profit or loss	**16,216**	**(8,794)**
thereof attributable to shareholders of the parent	*11,188*	*(4,837)*
thereof attributable to non-controlling interests	*5,028*	*(3,957)*
Other comprehensive income	**4,544**	**(282)**
thereof attributable to shareholders of the parent	*2,428*	*(155)*
thereof attributable to non-controlling interests	*2,116*	*(127)*
Total comprehensive income	**20,760**	**(9,076)**
thereof attributable to shareholders of the parent	*13,616*	*(4,992)*
thereof attributable to non-controlling interests	*7,144*	*(4,084)*

	2019	2018
Summary cash flow statement:		
Net cash flows from operating activities	4,313	7,537
Net cash flows from investing activities	2,330	(1,269)
Net cash flows from/used in financing activities	(10,034)	(13,148)
Net change in cash and cash equivalents	**(3,390)**	**(6,880)**

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.

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

5.1. Disposal of shares and property

The following sales transactions occurred during the financial year:

- Sale of shares in Balnex 1 a.s., Karlovy Vary (hotel operating company for Dvořák spa hotel)
- Sale of Sajka office property in Budapest
- Sale of shares in WX Management Services Sp. z o.o., Warsaw (50 per cent stake)
- Sale of shares in the holding company for the companies owning and operating the Disney hotels, Paris (50 per cent stake)

This had the following effects on the consolidated financial statements:

Consolidated statement of financial position:	Assets	Equity and liabilities
Non-current assets and disposal groups held for sale (IFRS 5)	(8,395)	–
thereof outflow of cash and cash equivalents	*(268)*	
Liabilities related to disposal groups		4,529
	(8,395)	**4,529**

Consolidated income statement:	2019
Agreed (net) purchase price for the properties/shares	33,612
Carrying amount of the proportionate net assets of the sold properties/companies	(3,867)
Directly allocable expenses in connection with the sale of interests and properties	(811)
Net result	**28,934**

Cash flow:	2019
Agreed consideration	33,612
less directly allocable expenses in connection with the sale of interests and properties	(811)
less settlement of advance payments received for property sales	(285)
less purchase price claims at the reporting date (see sections 7.4. and 7.6.)	(1,156)
less interest portion of long-term purchase price claims	(57)
Payments received for the sale of properties during the financial year	31,303
less outflow of cash and cash equivalents	(268)
Cash flow	**31,035**

5.2. Non-current assets/disposal groups classified as held for sale (IFRS 5)

The assets and disposal groups held for sale and the associated liabilities changed as follows during the reporting period:

	As at 31/12/2018	**As at 1/1/2019**	Addition	Disposal	**As at 31/12/2019**
Assets according to IFRS 5:					
Property in Budapest (see section 5.1.)	900	900	–	(900)	–
Right-of-use asset	–	4,295	–	(4,295)	–
Net investments in joint ventures	9,596	9,596	–	(9,596)	–
Other current receivables	378	378	–	(378)	–
Cash and cash equivalents	349	349	–	(349)	–
Net assets according to IFRS 5	**11,223**	**15,519**	–	**(15,519)**	–
Liabilities according to IFRS 5:					
Other liabilities and lease liabilities	651	4,946	–	(4,946)	–
	651	**4,946**	–	**(4,946)**	–

5.3. Changes in the scope of consolidation

Please see section 4.1.1. for information about further changes in the scope of consolidation. During the financial year, only companies that do not constitute a business for the purposes of a business combination according to IFRS 3 were acquired.

5.4. Sale of hotel holdings and non-current assets classified as held for sale in the prior year

In May 2018, Warimpex sold a reserve property located in Budapest for EUR 5,400 thousand. The transaction resulted in a cash inflow of EUR 5,400 thousand, but did not make an earnings contribution due to the impairment reversal that was already recognised in 2017.

Effects of property sales on the consolidated financial statements:

Consolidated statement of financial position:	**Assets**	**Equity and liabilities**
Non-current assets held for sale (IFRS 5)	(5,400)	–
	(5,400)	–

Consolidated income statement:	**2019**
Agreed (net) purchase price for the properties/shares	5,400
Carrying amount of the proportionate net assets of the sold properties/companies	(5,400)
Net result	–

Cash flow:	**2019**
Payments received for the sale of properties during the financial year	5,400
Payments received from the sale of properties and interests in the prior year	5,647
Cash flow	**11,047**

[06] Notes to the consolidated income statement

6.1. Revenues

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

The following table breaks revenues down into revenues according to IFRS 15 and other revenues:

	Hotels	Investment Properties	Development and Services	Total
Geographical composition in 2018:				
Russia	8,074	1,593	89	9,756
Poland	–	139	631	770
Czech Republic	4,346	–	30	4,376
Hungary	–	451	4	455
Austria	–	–	289	289
Revenues according to IFRS 15	**12,420**	**2,184**	**1,043**	**15,647**
Russia	–	10,240	–	10,240
Poland	–	1,102	152	1,254
Czech Republic	–	–	56	56
Hungary	–	1,956	14	1,971
Revenues according to IAS 17 (rental revenue)	–	**13,298**	**223**	**13,521**
Total revenues	**12,420**	**15,482**	**1,265**	**29,168**
Geographical composition in 2019:				
Russia	8,712	2,244	100	11,056
Poland	–	1,040	1,293	2,334
Germany	796	–	–	796
Czech Republic	478	–	14	493
Hungary	–	547	69	617
Austria	–	–	300	300
Revenues according to IFRS 15	**9,987**	**3,832**	**1,777**	**15,595**
Russia	–	10,097	–	10,097
Poland	–	3,648	–	3,648
Czech Republic	–	–	17	17
Hungary	–	2,284	–	2,284
Revenues according to IFRS 16 (rental revenue)	–	**16,029**	**17**	**16,046**
Total revenues	**9,987**	**19,861**	**1,794**	**31,641**

The revenue in the Development and Services segment includes revenue with joint ventures in the amount of EUR 100 thousand (2018: EUR 378 thousand).

6.2. Expenses directly attributable to revenues

Composition of direct Hotels expenses:	2019	2018
Expenses for materials and services rendered	(4,863)	(4,793)
Personnel expenses	(2,349)	(3,078)
Other expenses	(509)	(788)
	(7,720)	**(8,660)**

Composition of direct Investment Properties expenses:	2019	2018
Expenses for materials and services rendered	(4,296)	(2,006)
Other expenses	(992)	(594)
	(5,288)	**(2,599)**

Composition of direct Development and Services expenses:	2018	2017
Expenses for materials and services rendered	(1,103)	(601)
Personnel expenses	(52)	(51)
Other services	(6)	(315)
	(1,161)	**(967)**

6.3. Administrative expenses

Composition:	2019	2018
Other personnel expenses	(8,450)	(5,477)
Other administrative expenses	(5,192)	(3,947)
	(13,642)	**(9,424)**

The individual components of the administrative expenses are explained in sections 6.3.1. and 6.3.2.

6.3.1. Other personnel expenses

Composition:	2019	2018
Wages and salaries	(9,581)	(6,803)
Ancillary wage and salary costs	(708)	(1,000)
Expenses for posted employees	(257)	(378)
Expenses/income related to holiday, severance, pension, and anniversary bonus benefits	(305)	(425)
	(10,851)	**(8,606)**
Less personnel expenses directly attributable to revenues	2,401	3,130
Other personnel expenses	**(8,450)**	**(5,477)**

During the reporting period, the Group had an average of 311 (2018: 343) employees.

Please see section 9.3.2.5. for information about directors' remuneration.

6.3.2. Other administrative expenses

Composition:	2019	2018
Administrative costs	(2,340)	(1,676)
Legal and consulting costs	(1,667)	(1,181)
Sundry administrative expenses	(1,185)	(1,090)
	(5,192)	**(3,947)**

Fees were paid to the Group financial auditor, Ernst & Young Wirtschaftsprüfungs GmbH, Vienna, for the financial year as follows: EUR 116 thousand (2018: EUR 86 thousand) for auditing services and there were no expenses for other services, as in the prior year.

6.4. Other expenses

	2019	2018
Composition:		
Lease expenses	–	(630)
Property costs	(1,490)	(1,062)
Public relations, stock exchange listing, and sales	(1,817)	(873)
Hotel pre-opening expenses	(237)	–
Contractual penalties	(10)	(770)
Non-deductible input taxes	(205)	(421)
Operational foreign currency translation differences	(75)	(343)
Rental expenses for short-term leases	(117)	n/a
Rental expenses for low-value assets	(2)	n/a
Sundry other expenses	(942)	(538)
	(4,893)	**(4,636)**
Less administrative expenses directly attributable to revenues	1,506	1,383
Other expenses	**(3,387)**	**(3,253)**

Property costs consist of owner expenses such as maintenance, insurance premiums, and property taxes. The increase in the expenses for public relations, stock exchange listing, and sales can be attributed primarily to the marketing of recently completed and planned office space. The elimination of the real estate lease expenses in the financial year is due to the new requirements for the recognition of leases (see section 3.2.1.).

The pre-opening expenses pertain to the hotel that was acquired in Darmstadt during the reporting period.

6.5. Depreciation, amortisation, and remeasurement

	2019	2018
Composition:		
Scheduled depreciation and amortisation on property, plant, and equipment	(1,125)	(912)
Scheduled depreciation on right-of-use assets	(433)	–
Impairment of property, plant, and equipment	–	(21)
Reversals of impairment on property, plant, and equipment	1,170	503
Gains/losses on remeasurement of non-current assets held for sale	–	(69)
Measurement gains (from investment properties)	18,209	16,553
Measurement losses (from investment properties)	(2,954)	(564)
	14,868	**15,489**

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 for hotel properties from the property valuation company CBRE Hotels 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.

Impairment reversals:

Impairments in the Hotels segment were reversed in the amount of EUR 1,170 thousand (2018: EUR 503 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 24,619 thousand (2018: EUR 20,982 thousand).

Gains/losses on remeasurement of investment property:
The measurement gains in the Investment Properties segment primarily pertain to the Mogilska 43 Office building in Krakow due to the completion in the first half of 2019 as well as the Elsbet office towers in Budapest, the Zeppelin office tower, and the Bykovskaya multi-use building (both in St. Petersburg) due to rising rental revenue. The measurement gains in the Development and Services segment are the result of the remeasurement of the property reserve in Darmstadt as well as the development progress on new projects in Krakow and St. Petersburg.

The measurement losses in the Investment Properties segment are due to the planning of additional tenant adaptations at Ogrodowa Office as well as planned renovation work at Mogilska 41 Office, which was handed over to the tenant during the reporting period. In the Development and Services segment, measurement losses were incurred on a property reserve in St. Petersburg due to changes in the assumptions about the future.

In the prior year, the measurement gains were primarily the result of the completion of Ogrodowa Office in Łódź and the Bykovskaya multi-use building in St. Petersburg as well as the developed properties in Budapest due to lower yields and in St. Petersburg due to higher planned values.

6.6. Interest received

	2019	2018
Composition:		
Interest received from loans to joint ventures	521	577
Other interest received	132	460
	653	**1,037**

The interest received from joint ventures pertains to AO Micos (see explanation regarding Micos in section 7.3.3.).

6.7. Other finance income

	2019	2018
Composition:		
Income from the derecognition of liabilities	20,308	–
Modification gain from credit agreements	456	1,287
Joint venture guarantee fees	157	156
Realised gains on derivative financial instruments	–	900
	20,921	**2,343**

The income from the derecognition of liabilities is connected with the purchase of loans of (former) minority shareholders of AO Avielen A.G. by Warimpex Finanz- und Beteiligungs AG and is explained in section 7.10.3.

The modification gain from credit agreements pertains to reductions of fixed interest rates by the financing bank. According to IFRS 9, the resulting effect must be recognised on a one-time basis in the income statement, while the effective interest rate remains unchanged and thus the resulting interest expense is recognised in the same amount as prior to the interest rate reduction.

The realised gains on derivative financial instruments in the prior year pertain to the elimination of the conversion right from the convertible bond 11/2015–11/2018, which was redeemed early.

6.8. Finance expenses

	2019	2018
Composition:		
Loan interest	(5,375)	(3,999)
Interest on loans from minority shareholders	(1,023)	(2,000)
Interest on bonds	(454)	(256)
Other finance expenses	(688)	(751)
Interest on lease liabilities	(87)	–
Interest expenses for non-current receivables	(57)	–
Interest on convertible bonds	–	(362)
Interest cost for provisions for pensions and other long-term employee benefits	(50)	(39)
	(7,733)	**(7,408)**

Please see section 7.10.4. for information about the terms for interest-bearing financial liabilities. The other finance expenses include lending commitment fees and transaction costs, costs from the assumption of financial liabilities, and other loan-related costs distributed over the respective terms using the effective interest rate method.

6.9. Foreign exchange rate changes in the financial result

	2019	2018
Composition:		
From EUR financing (deviating functional currency)	8,330	(11,590)
From (convertible) bonds in PLN	–	62
	8,330	**(11,528)**

The changes in foreign exchange rates from EUR financing stem from the currency translation of bank loans and loans from non-controlling interests in a Russian subsidiary, for which the functional currency is the local currency and the financing is denominated in euros.

The translation differences of foreign currencies pursuant to IAS 21 totalled EUR 8,256 thousand (2018: minus EUR 11,871 thousand) in the reporting period. This amount consists of operating translation differences in the amount of minus EUR 75 thousand (2018: minus EUR 343 thousand) contained in other income and translation differences in the financial result.

6.10. Income taxes

A reconciliation between income tax expense and the product of the profit for the period multiplied by the Group's domestic tax rate of 25 per cent (valid corporate income tax rate in Austria) for the reporting period and previous year is as follows:

Reconciliation of tax expenses:	**2019**	2018
Consolidated income statement		
Earnings before taxes	70,482	4,969
Accounting profit before income tax x 25% tax rate	(17,621)	(1,242)
± Changes in tax rates	139	–
± Other foreign tax rates	1,866	1,351
± Effects of tax-exempt results	13,473	621
± Permanent differences	(2,235)	(1,742)
± Expired loss carryforwards	(2)	(18)
± Effects of changes in the previous year	(234)	(117)
± Impairment of deferred tax assets	–	(11)
± Use of previously unrecognised tax assets	5,664	10
± Unused temporary differences	(1,874)	(2,753)
± Foreign withholding taxes and minimum corporate income taxes	(1,040)	(97)
± Effects of exchange rate fluctuations	(2,113)	956
Taxes according to the income statement	**(3,977)**	**(3,042)**
Effective tax rate	5.64%	61.21%
Consolidated statement of comprehensive income		
± Remeasurement of financial assets measured at fair value through other comprehensive income	3	(27)
± OCI result allocation from joint ventures	(2)	5
± Non-controlling interests	–	(6)
± Effects of exchange rate fluctuations	(19)	(5)
Taxes in other comprehensive income	**(18)**	**(33)**

Of the income taxes incurred during the reporting period, an amount of minus EUR 30 thousand pertains to the prior year (excluding deferred taxes).

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 141,250 thousand (2018: EUR 134,060 thousand) at its disposal. Of these tax loss carryforwards, EUR 41,499 thousand (2018: EUR 28,272 thousand) are offset against deferred tax liabilities; deferred taxes were recognised for tax loss carryforwards in the amount of EUR 22,377 thousand (2018: EUR 9,761 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%)	350
in Poland (can be carried forward for 5 years, tax rate 9–19%, 15% for SMEs)	8,023
in Hungary (can be carried forward indefinitely, tax rate 9%)	2,330
in Luxembourg (can be carried forward indefinitely, tax rate 30%)	3,890
in Russia (can be carried forward indefinitely starting in 2017, tax rate 20%)	74,449
in Austria (can be carried forward indefinitely, tax rate 25%)	48,379
in Germany (can be carried forward indefinitely, tax rate 15.83%–31.72%)	3,829
	141,250

Recognised loss carryforwards in the amount of EUR 129 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 12 thousand in the coming financial year.

No deferred tax claims were recognised for tax loss carryforwards in the amount of EUR 77,374 thousand (2018: EUR 96,027 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.

No deferred taxes were recognised for deferred tax assets according to IAS 12.44 (outside basis differences) in the amount of EUR 70,518 thousand (2018: EUR 70,929 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 45,019 thousand (2018: EUR 33,831 thousand) because the temporary differences are not expected to reverse in the foreseeable future, as this reversal is within the parent company's sphere of influence.

The tax audit that was started at the Group company AO Avielen A.G. in December 2017 was concluded during the financial year with no notable findings.

A tax audit was conducted at the Group parent company in Vienna during the financial year. The audit covered the years 2012 to 2017 and was concluded in March 2019. The tax audit resulted in an additional payment in the amount of EUR 138 thousand, for which a provision was formed, and in the reduction of loss carryforwards that have not been recognised up to now.

[07] Notes to the consolidated 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**
Changes in 2018:				
Carrying amounts at 1 January	24,396	3,857	1,308	29,561
Additions	94	22	496	612
Disposals	–	–	(47)	(47)
Scheduled depreciation and amortisation	(770)	–	(138)	(908)
Impairment charges	–	(21)	–	(21)
Impairment reversals	524	–	–	524
Exchange adjustments	(3,262)	(117)	(39)	(3,418)
Carrying amounts at 31 December	**20,982**	**3,741**	**1,580**	**26,303**
Composition at 31/12/2018:				
Acquisition or production cost	40,394	6,814	2,320	49,528
Cumulated write-downs	(19,411)	(3,073)	(740)	(23,224)
	20,982	**3,741**	**1,580**	**26,303**
thereof pledged as senior collateral for interest-bearing loans (see section 7.10.3.)				*24,724*

	Hotels	Reserve properties	Right-of-use assets	Other property, plant, and equipment	**Total**
Changes in 2019:					
Carrying amounts at 31 December 2018	20,982	3,741	–	1,580	26,303
Initial recognition of right-of-use assets	–	–	1,173	(114)	1,058
Carrying amounts at 1 January	20,982	3,741	1,173	1,465	27,361
Additions	11,234	–	364	944	12,542
Disposals	(12)	–	(14)	(32)	(58)
Reclassification to investment properties	–	(3,741)	–	–	(3,741)
Scheduled depreciation and amortisation	(906)	–	(433)	(178)	(1,517)
Impairment reversals	1,170	–	–	–	1,170
Exchange adjustments	3,097	–	23	(3)	3,118
Carrying amounts at 31 December	**35,567**	–	**1,113**	**2,196**	**38,876**
Composition at 31/12/2019:					
Acquisition or production cost	57,512	–	1,541	3,002	62,055
Cumulated write-downs	(21,945)	–	(428)	(806)	(23,179)
	35,567	–	**1,113**	**2,196**	**38,876**
thereof pledged as senior collateral for interest-bearing loans (see section 7.10.3.)					*36,680*

The hotels are recognised at the amortised cost of acquisition or production in accordance with the IFRS provisions.

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

	2019	2018
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 useful life of the right-of-use assets is oriented toward the contractual minimum lease term as well as any extension options, provided the likelihood that they will be exercised is deemed to be sufficiently high.

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

The additions to the hotels primarily pertain to the acquisition and furnishing of a hotel property in Darmstadt. The reclassification to the investment properties (see section 7.2.1.) pertains to reserve properties in Białystok, for which the permit application planning for the construction of office buildings was started in 2019.

Further information on the impairments and impairment reversals on property, plant, and equipment is provided in section 6.5.

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:

	2019		2018	
Material inputs	Range	Weighted average	Range	Weighted average
Exit yield	7–11%	8.90%	11.00%	11.00%
Discount rate	9–13%	10.90%	13.00%	13.00%
Expected cash flows (year one) in EUR '000/room	3.2–7.9	5.4	7.6	7.6

Sensitivity analysis	Change of assumption	Change in the result before taxes 2019	2018
Exit yield	+ 50 basis points	-397	-644
Exit yield	- 50 basis points	434	773
Discount rate	+ 50 basis points	-724	-1,200
Discount rate	- 50 basis points	754	1,304
Expected cash flows (year one)	+ 5%	1,237	1,060
Expected cash flows (year one)	- 5%	-1,249	-1,060

Reserve properties (property, plant, and equipment):

	2019		2018	
Material inputs	Range	Weighted average	Range	Weighted average
Market price/m² area in EUR	n/a	n/a	211	211

Sensitivity analysis	Change of assumption	Change in the result before taxes 2019	2018
Market price/m² area	+ 10%	n/a	374
Market price/m² area	- 10%	n/a	-374

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**
Changes in 2018:				
Carrying amounts at 1 January	103,613	44,018	7,133	154,763
Reclassification due to start of development	–	2,713	(2,713)	–
Reclassification due to completion	70,238	(70,238)	–	–
Additions/investments	6,845	43,569	1,634	52,049
Capitalised borrowing costs	–	849	–	849
Reclassification according to IFRS 5	(900)	–	–	(900)
Net measurement result	3,287	11,401	1,279	15,967
Exchange adjustments	(9,691)	(313)	(978)	(10,981)
Carrying amounts at 31 December	**173,392**	**32,000**	**6,356**	**211,747**
Changes in 2019:				
Carrying amounts at 31 December 2018	173,392	32,000	6,356	211,747
Initial recognition of right-of-use assets	–	506	–	506
Carrying amounts at 1 January	173,392	32,506	6,356	212,253
Reclassification due to completion	27,213	(27,213)	–	–
Additions/investments	17,363	2,271	10,689	30,323
Capitalised borrowing costs	–	108	–	108
Transfer of property, plant, and equipment	–	3,741	–	3,741
Net measurement result	5,376	7,313	2,597	15,287
Exchange adjustments	9,395	678	670	10,743
Carrying amounts at 31 December	**232,738**	**19,405**	**20,312**	**272,455**

The additions to the reserve properties mainly pertain to the purchase of property reserves next to the newly acquired hotel in Darmstadt as well as purchases in Krakow (2018: an office property in Budapest). The additions to the developed properties resulted from construction activities/renovations in Krakow as well as tenant adaptations in Łódź and Krakow. The capitalised borrowing costs are based on a borrowing cost rate of 2.4 per cent. The reclassification due to completion is related to the Mogilska 43 Office building, which was opened in Krakow in May 2019 (2018: Ogrodowa Office in Łódź). The additions include no subsequent purchase costs.

The reclassification from property, plant, and equipment pertains to reserve properties in Białystok (see section 7.1.1.). The developed properties contain right-of-use assets in the amount of EUR 505 thousand (no additions); the development properties contain right-of-use assets in the amount of EUR 24 thousand (thereof additions of EUR 24 thousand).

7.2.2. Result from investment properties

	2019	2018
Rental revenue	16,046	13,521
Income from charged operating expenses and other services	3,846	2,214
less income from properties let out on a short-term basis	(32)	(252)
less direct operating expenses	(5,288)	(2,599)
Net rental income	**14,573**	**12,882**

During the reporting period, material operating expenses that can be directly attributed to the investment properties and for which no rental revenue was generated amounted to EUR 1,924 thousand (2018: EUR 317 thousand).

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 based on the income they generate using the investment or DCF method.

Material inputs	2019 Range	2019 Weighted average	2018 Range	2018 Weighted average
Exit yield	6.1–10.5%	7.8%	6.8–11.5%	8.6%
Discount yield	5.6–15.3%	9.3%	6.2–17.8%	10.5%
Estimated rent value (ERV)/m²/month in EUR	9.5–37.4	17.6	9.9–32.4	16.4

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

Sensitivity analysis 2018					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	3%	8%	13%	18%	23%
-50 bp	-4%	1%	5%	10%	15%
0 bp	-9%	-4%	0%	4%	8%
50 bp	-14%	-10%	-7%	-3%	1%
100 bp	-19%	-15%	-11%	-8%	-4%

Sensitivity analysis 2019					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	1%	6%	11%	15%	20%
-50 bp	-6%	-2%	3%	7%	11%
0 bp	-12%	-8%	0%	0%	4%
50 bp	-17%	-13%	-10%	-6%	-2%
100 bp	-21%	-18%	-15%	-11%	-8%

Development properties:

Development properties are valued based on the income they generate using the residual value method.

	2019		2018	
Material inputs	Range	Weighted average	Range	Weighted average
Exit yield	6.3–10%	8.1%	6.3–6.4%	6.3%
Estimated rent value (ERV)/m²/month in EUR	12.7–21.8	17.2	14.6–15.2	14.9
Outstanding construction and development costs/m² in EUR	1.088–1.917	1,444	696–1.837	1,402
Developer's profit	15–20%	16%	20%	20%

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

Sensitivity analysis 2018					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	1%	14%	26%	38%	50%
-50 bp	-12%	0%	11%	22%	34%
0 bp	-22%	-11%	0%	11%	22%
50 bp	-33%	-23%	-12%	-2%	8%
100 bp	-41%	-32%	-22%	-12%	-2%

Sensitivity analysis 2019					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	4%	39%	74%	109%	145%
-50 bp	-23%	11%	45%	79%	113%
0 bp	-65%	-33%	0%	33%	65%
50 bp	-102%	-71%	-39%	-8%	24%
100 bp	-121%	-90%	-60%	-29%	1%

Sensitivity analysis 2018					
Change in the developer's profit in percentage points	Change in the outstanding construction and development costs				
	-10%	-5%	0%	+5%	+10%
-10%	28%	21%	14%	7%	0%
-5%	22%	14%	7%	0%	-8%
0%	15%	8%	0%	-8%	-16%
5%	9%	1%	-7%	-15%	-23%
10%	3%	-6%	-14%	-22%	-31%

Sensitivity analysis 2019					
Change in the developer's profit in percentage points	Change in the outstanding construction and development costs				
	-10%	-5%	0%	+5%	+10%
-10%	120%	97%	73%	49%	26%
-5%	86%	61%	37%	12%	-13%
0%	51%	26%	0%	-26%	-51%
5%	17%	-10%	-37%	-63%	-90%
10%	-18%	-45%	-73%	-101%	-129%

Reserve properties:

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

Material inputs	2019 Range	2019 Weighted average	2018 Range	2018 Weighted average
Market price/m² area in EUR	220–1,006	516	157–225	194

Sensitivity analysis	Change of assumption	Change in the result before taxes 2019	Change in the result before taxes 2018
Market price/m² area	+10%	1,728	740
Market price/m² area	+5%	864	370
Market price/m² area	-5%	-864	-370
Market price/m² area	-10%	-1,728	-740

7.3. Joint ventures and associates (equity method)

7.3.1. Overview of joint ventures

The consolidated financial statements include the following companies 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	DS
ACC Berlin Konferenz Betriebs GmbH[3]	D-Berlin	50%	25	EUR	EUR	DS
Hotelinvestments (Luxembourg) SARL[2]	LU-Luxembourg	50%	20	EUR	EUR	H
UBX Development (France) SARL[2,4]	F-Paris	50%	50	EUR	EUR	H
→ UBX II (France) SARL[1,2,4]	F-Paris	50%	50	EUR	EUR	H
Hotel Paris II SARL[2,4]	F-Paris	50%	650	EUR	EUR	H
Warimpex Management Services Sp. z o.o.[2]	PL-Warsaw	50%	9,095	PLN	PLN	DS
→ WX MS Investment Sp. z o.o. [1,2]	PL-Warsaw	25%	60	PLN	PLN	DS
Sienna Hotel Sp. z o.o.	PL-Warsaw	50%	81,930	PLN	EUR	H
Lanzarota Investments Sp. z o.o.	PL-Warsaw	50%	5	PLN	EUR	H
AO Micos [1]	RU-Moscow	44%	43	RUB	RUB	IP

Note:
1 These companies are joint ventures in which the Group's parent company is indirectly invested. The shareholding refers to the indirect interest.
2 The companies were sold in September 2019.
3 The company was liquidated in 2019.
4 As at 31 December 2018, the net investments in these companies were recognised in the non-current assets held for sale in accordance with IFRS 5.

7.3.2. Financial information about material joint ventures

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

	UBX II (France) SARL and UBX Development (France) SARL *)		Hotel Paris II SARL *)	
	31/12/19	31/12/18	**31/12/19**	31/12/18
Summary balance sheet:				
Non-current assets	–	39,924	–	19,842
Current assets	–	5,302	–	4,092
Total assets	**–**	**45,226**	**–**	**23,934**
thereof cash and cash equivalents	–	*3,767*	–	*2,161*
Equity	–	2,075	–	805
thereof capital transactions	–	–	–	–
Non-current liabilities	–	38,126	–	19,536
Current liabilities	–	5,025	–	3,593
Total equity and liabilities	**–**	**45,226**	**–**	**23,934**
thereof non-current financial liabilities pursuant to IFRS 12	–	*29,565*	–	*12,258*
thereof current financial liabilities pursuant to IFRS 12	–	*1,715*	–	*995*
	2019	2018	**2019**	2018
Summary profit or loss statement:				
Income	17,669	23,801	13,323	17,459
Expenses including remeasurement result	(16,676)	(24,027)	(12,569)	(16,905)
Profit or loss for the period	993	(227)	754	554
Other income/expenses	–	–	–	–
Net profit or loss for the period	**993**	**(227)**	**754**	**554**
Included in the profit or loss for the period:				
Scheduled depreciation and amortisation	(763)	(2,568)	(929)	(1,058)
Interest received	–	–	–	–
Interest paid	(724)	(499)	(275)	(309)
Income tax expenses (or income)	–	2	–	–
	31/12/19	31/12/18	**31/12/19**	31/12/18
Reconciliation to carrying amount of the interest:				
Net assets	–	2,075	–	805
Group interest	0%	50%	0%	50%
Proportionate net assets	–	1,037	–	402
Shareholder loan as net investment	–	4,419	–	3,738
Reclassification to held for sale (IFRS 5)	–	(5,457)	–	(4,140)
Net investment (carrying amount)	–	–	–	–

*) As at 31 December 2018, the net investments in these companies were recognised in the non-current assets held for sale (see section 5.2.), and they were sold at the end of September 2019.

	Sienna Hotel Sp. z o.o. and Lanzarota Sp. z o.o.		AO Micos	
	31/12/19	31/12/18	**31/12/19**	31/12/18
	83,743	14,477	51,888	46,374
	3,076	4,432	3,669	5,132
	86,819	**18,908**	**55,556**	**51,506**
	1,884	*1,419*	*105*	*1,434*
	13,073	16,254	8,617	813
	(2,017)	*135*	*–*	*–*
	69,527	–	46,487	50,221
	4,219	2,655	453	472
	86,819	**18,908**	**55,556**	**51,506**
	–	–	*31,816*	*33,401*
	–	–	–	–
	2019	2018	**2019**	2018
	24,168	23,622	9,572	9,616
	(25,333)	(22,666)	(2,299)	(9,638)
	(1,164)	956	7,273	(22)
	–	–	531	(194)
	(1,164)	**956**	**7,805**	**(216)**
	(6,140)	(1,120)	–	–
	29	15	134	113
	(3,218)	(13)	(3,140)	(3,240)
	219	(213)	(2,762)	595
	31/12/19	31/12/18	**31/12/19**	31/12/18
	13,073	16,254	8,617	813
	50%	50%	44.02%	44.02%
	6,536	8,127	3,793	358
	–	–	–	–
	6,536	**8,127**	**3,793**	**358**

7.3.3. Information on joint ventures

The following information pertains to the material joint ventures presented above:

AO Micos:

The Group holds a 44.02 per cent stake in AO Micos through its 90 per cent subsidiary AO Avielen A.G. Due to the articles of association, which stipulate that all material decisions must be made unanimously, the company must be recognised as a joint venture, which is also recognised according to the equity method. Micos is the owner of the Jupiter 1 and 2 office towers in St. Petersburg and lets these properties out.

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 per cent parent and engages in no material business operations. As both companies are viewed together in the Group, they are depicted together here. These companies were recognised as held for sale as at 31 December 2018 and were sold in September 2019.

Hotel Paris II SARL:

The company leases a hotel at Eurodisney/Paris under a finance lease and operates the establishment. This company was recognised as held for sale as at 31 December 2018 and was sold in September 2019.

Sienna Hotel Sp. z o.o. and Lanzarota Investments Sp. z o.o.:

Sienna Hotel Sp. z o.o. (formerly Lanzarota Investments Sp. z o.o. Sienna Hotel S.K.A.) leases the InterContinental hotel in Warsaw under an operating lease and runs the establishment. Lanzarota Investments Sp. z o.o. held a small stake in Lanzarota Investments Sp. z o.o. Sienna Hotel S.K.A. and engages in no material business operations. As these companies are viewed together in the Group, they are depicted together here.

7.3.4. Composition and development of joint ventures

	Capital shares	Loans	**Total**
Composition at 31/12/2018:			
Net investments	10,158	–	10,158
Cumulated earnings allocations (profit or loss for the period)	(820)	16	(804)
Cumulated allocated results from the other comprehensive income	(18)	–	(18)
	9,321	**16**	**9,337**
Composition at 31/12/2019:			
Net investments	10,146	–	10,146
Cumulated earnings allocations (profit or loss for the period)	525	(2)	523
Cumulated allocated results from the other comprehensive income	2	–	2
	10,673	**(2)**	**10,671**

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.

	2019	2018
Development:		
Carrying amounts at 1 January	9,337	17,224
Additions	5	71
IFRS 5 reclassification	(567)	(9,596)
Disposals	(1,013)	–
Extension (+) / repayment (-) of loans	–	1,041
Capitalised interest income from loans granted	–	29
Earnings allocation from profit/loss for the period	2,669	671
Earnings allocation from other comprehensive income	240	(103)
Carrying amounts at 31 December	**10,671**	**9,337**

7.3.5. 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.

	31/12/19	31/12/18
Share of the assets and liabilities:		
Non-current assets	64,713	57,549
Current assets	3,262	9,626
Assets	**67,974**	**67,175**
Proportionate equity	10,671	10,776
Proportionate Group shareholder's loans	2,873	7,123
Proportionate joint venture partner shareholder's loans	3,585	7,934
Non-current liabilities	48,383	35,236
Current liabilities	2,463	6,105
Equity and liabilities	**67,974**	**67,175**

	31/12/19	31/12/18
Reconciliation to carrying amount:		
Share of net assets	10,671	10,776
Group shareholder loan	6,526	15,679
Reclassification to held for sale	–	(9,596)
Loans to joint ventures	(6,526)	(7,522)
Net investment in joint ventures (carrying amount)	**10,671**	**9,337**

	31/12/19	31/12/18
Aggregated disclosures about joint ventures that are individually immaterial:		
Net investment in joint ventures (carrying amount)	–	577
Group share of the profit or loss for the period (going operations)	7	31
Group share of other comprehensive income	2	(18)
Group share of net result for the period	**8**	**13**

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 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.

7.4. Other assets

	31/12/19	31/12/18
Composition non-current:		
Loans to joint ventures	6,501	7,522
Pension reimbursement insurance rights	820	693
Deposits with banks pledged as collateral	3,157	642
Non-current receivables from tax authorities	189	168
Long-term purchase price claims (see section 5.1.)	594	–
Loans and other non-current receivables	344	326
Advance payments made	76	54
Other non-current financial assets	543	499
	12,224	**9,906**

The loans to joint ventures consist of loans to AO Micos.

The remaining financial assets listed above are neither overdue nor impaired.

The restricted accounts pledged as collateral for guarantees amount to EUR 3,157 thousand. The terms correspond to the standard terms for each contract partner. The restricted account primarily pertains to security accounts in connection with the project loan for Ogrodowa Office in Łódź and, as in the prior year, the InterContinental hotel in Warsaw (see section 9.1.3.).

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

7.5. Deferred taxes (tax assets and liabilities)

The deferred taxes break down and changed as follows:

	Available deferred tax claims		Thereof applied deferred tax claims	
	31/12/19	31/12/18	**31/12/19**	31/12/18
Composition:				
Differences in property, plant, and equipment and investment properties	50	41	1	–
Temporary differences in connection with shares	4,815	9,451	–	–
Measurement differences in the current assets	865	1,335	865	1,334
Differences in the tax treatment of pensions and other long-term employee benefits	904	426	103	72
Measurement differences in the liabilities and provisions	739	359	361	56
Capitalisation of tax loss carryforwards	30,591	29,284	12,983	7,510
	37,965	**40,895**	**14,313**	**8,972**
Offsetting with the same tax authority			(9,838)	(7,020)
			4,475	**1,952**

	Deferred tax liabilities	
	31/12/19	31/12/18
Composition:		
Differences in property, plant, and equipment and investment properties	(19,994)	(14,350)
Measurement differences in the current assets	(185)	(5)
Measurement differences in the liabilities and provisions	(597)	(565)
	(20,776)	**(14,920)**
Offsetting with the same tax authority	9,838	7,020
	(10,939)	**(7,900)**

	Deferred tax claims		Deferred tax liabilities	
	2019	2018	**2019**	2018
Development:				
As at 1 January	1,952	1,922	(7,900)	(5,572)
Change recognised in other comprehensive income, thereof:	514	(270)	(392)	570
Foreign currency translation	*511*	*(243)*	*(392)*	*570*
Financial assets, measured at fair value through other comprehensive income	*3*	*(27)*	–	–
Change recognised in profit or loss for the period	2,009	300	(2,646)	(2,898)
As at 31 December	**4,475**	**1,952**	**(10,939)**	**(7,900)**

Unrecognised deferred tax assets in connection with shares stem entirely from Austria and do not expire.

7.6. Trade and other receivables (current)

	31/12/19	31/12/18
Composition:		
Claims related to property and share sales	562	–
Trade receivables	476	728
Receivables due from joint ventures	25	35
Receivables due from related parties	34	15
Subtotal of contract balances according to IFRS 15	**1,097**	**777**
Receivables related to leases	217	–
Other current receivables and assets	354	463
Deferred expenses	220	167
Receivables from tax authorities	1,641	3,324
Advance payments made	327	1,067
Furnished collateral	–	860
	3,856	**6,659**

Please refer to section 5.1. for information about the claims related to property and share sales.

As in the prior year, the receivables from tax authorities primarily relate to not yet reimbursed input taxes in connection with construction and development activities.

The furnished collateral in the prior year pertains to a purchase agreement for a property in Darmstadt that was concluded at the end of 2018. The contract closed in the spring of 2019 and the collateral was deducted from the purchase price payment.

The maturity structure of trade receivables and rent receivables is as follows:

	31/12/19	31/12/18
Composition:		
Neither overdue nor bad debt provision made	593	663
30 days overdue, no bad debt provision made	21	34
60 days overdue, no bad debt provision made	35	19
90 days overdue, no bad debt provision made	38	5
120 days overdue, no bad debt provision made	4	–
>120 days overdue, no bad debt provision made	1	8
Impaired receivables	215	122
	908	**849**

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.

7.7. Financial assets measured at fair value through other comprehensive income

	31/12/19	31/12/18
Development:		
Carrying amount on 1 January	6,255	6,146
Remeasurement	(13)	109
Carrying amount on 31 December	**6,242**	**6,255**

This item includes a 9.88 per cent interest in Palais Hansen Immobilienentwicklung GmbH. 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 for the property using the discounted cash flow method, and was determined on the basis of an appraisal.

Further information about measurement, material inputs, and sensitivity can be found in sections 8.1.2. to 8.1.4.

7.8. Cash and cash equivalents

	31/12/19	31/12/18
Composition:		
Cash on hand	9	2
Bank balances	7,509	8,454
	7,519	**8,456**

This item consists of cash and cash equivalents.

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

7.9. Equity

7.9.1. 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 1,534,257 treasury shares (2018: 227,480) at an average price of EUR 1.52 per share (2018: EUR 2.09 per share).

The weighted average number of shares in free float between 1 January and 31 December 2019 was 53,200,100 (2018: 53,925,324).

	2019	2018
	Shares	Shares
Breakdown of shares and potential shares:		
Shares 1 January to 31 December	54,000,000	54,000,000
Less weighted treasury shares	-799,900	-74,676
Weighted average number of shares	**53,200,100**	**53,925,324**
Dilution effect of potential shares:		
Approved shares from convertible bond 04/2013–11/2018, weighted	–	806,697
Weighted approved shares from convertible bonds	–	806,697
Weighted average number of shares adjusted for the dilution effect	**53,200,100**	**54,732,021**

	2019	2018
	IN EUR '000	IN EUR '000
Earnings per share (based on the weighted average number of shares):		
Profit or loss for the period allocable to the shareholders of the Group:		
Undiluted	61,472	5,890
Adjustment related to potential conversion of convertible bonds	–	362
Diluted	61,472	6,252
Earnings per share undiluted = diluted (in EUR)	**1.16**	**0.11**

As in the prior year, there were no potential approved shares from convertible bonds outstanding 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. This also corresponds to the diluted earnings per share.

According to the Austrian Stock Corporation Act, the separate financial statements as of 31 December 2019 of the parent company Warimpex Finanz- und Beteiligungs AG, which have been prepared under the Austrian Commercial Code, provide the basis for the distribution of a dividend.

These annual financial statements report a profit for the financial year of EUR 22,758 thousand. The net profit amounted to EUR 27,313 thousand as at 31 December 2019. The Management Board proposes that the net profit be carried forward to the next accounting period. This is in line with the current assessment of the Management Board and Supervisory Board and is intended to keep sufficient liquidity available in the Group during the corona crisis. Due to the current travel restrictions aimed at containing COVID-19, the time at which it will be possible to hold the Annual General Meeting and the economic and legal developments that will occur between now and then are uncertain at the moment. Therefore, the Management Board will evaluate the situation on an ongoing basis in coordination with the Supervisory Board until the Annual General Meeting and revise the proposal for the appropriation of profits as necessary.

On 3 June 2019, the Annual General Meeting approved the disbursement of a dividend in the amount of EUR 0.06 per dividend-bearing share. This dividend for 2018 totalled EUR 3,199 thousand and was paid out in June 2019.

7.9.2. 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 per cent and 40 per cent.

The consolidated equity ratio was 44.1 per cent on the reporting date (2018: 30.9 per cent), and was thus slightly above the target range.

	31/12/19	31/12/18
Determining the consolidated equity ratio:		
Equity	157,068	90,147
Borrowings	199,491	201,865
Equity and liabilities	356,559	292,012
Equity ratio in %	**44.1%**	**30.9%**

7.9.3 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 includes remeasurement results from property, plant, and equipment that is 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.

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	IAS 19 reserve	**Total**
Changes in 2018:				
As at 1 January	1,239	(2,663)	(784)	(2,208)
Other income/expenses	–	(2,157)	(427)	(2,584)
Other comprehensive income from joint ventures	–	(18)	–	(18)
Total comprehensive income	–	(2,176)	(427)	(2,602)
As at 31 December	**1,239**	**(4,839)**	**(1,210)**	**(4,810)**
Changes in 2019:				
As at 1 January	1,239	(4,839)	(1,210)	(4,810)
Other income/expenses		3,728	(1,290)	2,438
Other comprehensive income from joint ventures	–	6	–	6
(Deferred) taxes	–	(21)	–	(21)
Total comprehensive income	–	3,714	(1,290)	2,423
As at 31 December	**1,239**	**(1,125)**	**(2,501)**	**(2,386)**

The other comprehensive income allocable to non-controlling interests in the amount of EUR 918 thousand (2018: minus EUR 132 thousand) pertains to currency translation to which no deferred taxes apply (2018: minus EUR 6 thousand).

7.10. Financial liabilities

Financial liabilities contain interest-bearing liabilities – primarily 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.

7.10.1. Bonds

	31/12/19	31/12/18
Composition:		
Bond 05/2017–05/2020	5,726	5,560
Bond 09/2018–09/2025	9,019	9,009
	14,745	**14,569**
thereof non-current	*8,943*	*14,493*
thereof current	*5,802*	*76*

In September 2018, a bond with a nominal value of EUR 9,000 thousand (bond 09/2018–09/2025) was issued. The bond will be redeemed annually starting in September 2021 with an amount of EUR 1,800 per year; the coupon is 2.79 per cent and is payable in arrears on an annual basis.

The bond 05/2017–05/2020 originally had a term of two years. During the reporting period, this term was extended by a year until 05/2020. The associated coupon is due upon maturity.

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

7.10.2. Other financial liabilities (loans)

	31/12/19	31/12/18
Breakdown of non-current loans:		
Project loans	123,246	93,731
Loans from non-controlling interests	12,212	40,178
Other loans	359	1,110
	135,817	**135,019**
Breakdown of current loans:		
Project loans	6,680	5,430
Overdraft and borrowing facilities	2,725	3,194
Other loans	507	1,137
	9,912	**9,761**
Total loans	**145,729**	**144,780**

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

7.10.3. Summary of liabilities arising from financing activities

The change in and composition of liabilities arising from financing activities (interest-bearing financial liabilities), consisting of bonds (section 7.10.1.) and other financial liabilities (section 7.10.2.) as well as financial liabilities in connection with disposal groups classified as available for sale that are reported according to IFRS 5 (section 5.4.), can be broken down as follows:

	Project loans	Working capital loans	Bonds	Loans from minorities and others	**Total**
Changes in 2018:					
As at 1 January	72,898	501	11,503	54,945	139,847
Borrowing (cash flow)	37,687	2,691	9,000	332	49,711
Repayment (cash flow)	(8,991)	–	(6,123)	(301)	(15,415)
Change in accumulated interest	167	2	201	(1,717)	(1,348)
Changes in foreign exchange rates	(2,746)	–	(33)	(27)	(2,806)
Other changes	145	–	22	(10,807)	(10,640)
As at 31 December	**99,161**	**3,194**	**14,569**	**42,425**	**159,349**
thereof current (due < 1 year)	*5,430*	*3,194*	*76*	*1,137*	*9,837*
thereof non-current (due > 1 year)	*93,731*	–	*14,493*	*41,288*	*149,512*

	Project loans	Working capital loans	Bonds	Loans from minorities and others	Lease liabilities	IFRS 5	**Total**
Changes in 2019:							
As at 31 December 2018	99,161	3,194	14,569	42,425	–	–	159,349
Initial recognition of lease liabilities					1.654	4.295	5.949
As at 1 January 2019	99,161	3,194	14,569	42,425	1,654	4,295	165,299
Borrowing (cash flow)	33,508	2,133	7,000	–			42,642
Repayment (cash flow)	(4,971)	(2,603)	(7,000)	(6,000)	(465)	(101)	(21,140)
Change in accumulated interest	990	–	138	(493)	–		635
Changes in foreign exchange rates	1,409	–	–	45	–		1,454
Other changes	(171)	–	38	(22,899)	436	(4,194)	(26,789)
As at 31 December	**129,926**	**2,725**	**14,745**	**13,078**	**1,626**	–	**162,100**
thereof current (due < 1 year)	*6,680*	*2,725*	*5,802*	*507*	*367*	–	*16,082*
thereof non-current (due > 1 year)	*123,246*	–	*8,943*	*12,571*	*1,259*	–	*146,018*

Financial liabilities in a total amount of EUR 132,231 thousand (2018: EUR 99,576 thousand) are secured by mortgages on land and buildings. Of this, EUR 26,330 thousand (2018: EUR 12,279 thousand) pertain to property, plant, and equipment and EUR 105,900 thousand (2018: EUR 87,297 thousand) to investment properties.

The borrowing under project loans pertains to the financing of construction and renovation activities as well as tenant adaptations for office properties in Łódź and Krakow and the purchase of a hotel including property reserves in Darmstadt (see sections 7.1.1. and 7.2.1.). In the prior year, the additions to project loans were related to the financing of construction activities for office properties in Łódź and Krakow and the purchase of office properties in Krakow and Budapest.

An amount of EUR 1,200 thousand of the loans from minority shareholders of a subsidiary (non-controlling interests) was reclassified to equity in the financial year.

The Group increased its stake in the subsidiary AO Avielen A.G. from 55 per cent to 90 per cent during the reporting period. At the same time, the Group purchased remaining loans of the minority shareholder at a price below the outstanding nominal value. Due to this transaction, the loans from minority shareholders within the Group declined by EUR 20,308, which resulted in an accounting gain recognised in other finance income (see section 6.7.).

7.10.4. Interest rate terms on financial liabilities

For the prior year, the financial liabilities in connection with disposal groups classified as available for sale that are reported according to IFRS 5 are not taken into account in the presentation of the interest rate terms.

	31/12/19	31/12/18
Interest on financial liabilities:		
thereof fixed rate	65,710	98,162
thereof variable rate	96,390	61,187
	162,100	159,349
Per cent share:		
thereof fixed rate	41%	62%
thereof variable rate	59%	38%

		2019	2018
Range of the variable interest for:	Base rate	Premium	Premium
• Overdraft/borrowing facilities	3M EURIBOR	2.25%	2.25%
• Project loans	3M EURIBOR	1.3–2.95%	2.4–2.95%
	3M WIBOR	3.50%	3.50%

The ranges for the financial liabilities with fixed interest rates held at the reporting date are between 2.5 per cent and 9.3 per cent (2018: 2.5 per cent and 10.5 per cent).

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

7.11. Other non-current liabilities

	31/12/19	31/12/18
Composition:		
Payables due to joint ventures	4,069	4,110
Security deposits received	2,672	2,020
Security deposits	1,044	2,933
Operating lease	–	8
	7,785	**9,071**

7.12. 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.

7.12.1. Provisions for pensions and other long-term employee benefits (section 3.13.)

	Voluntary pension benefit commitments	Severance benefits	Anniversary bonuses	Total
Changes in 2018:				
As at 1 January	955	1,292	109	2,357
Service costs	173	135	26	334
Change recognised in personnel expenses	**173**	**135**	**26**	**334**
Actuarial gains or losses from changed financial assumptions	38	25	–	63
Other (restatements based on experience)	–	364	–	364
Remeasurement recognised in other comprehensive income	**37**	**389**	–	**427**
Interest costs	17	20	2	39
As at 31 December	**1,183**	**1,836**	**138**	**3,156**
Changes in 2019:				
As at 1 January	1,183	1,836	138	3,156
Service costs	179	45	3	226
Change recognised in personnel expenses	**179**	**45**	**3**	**226**
Actuarial gains or losses from changed financial assumptions	440	232	–	672
Other (restatements based on experience)	–	618	–	618
Remeasurement recognised in other comprehensive income	**440**	**850**	–	**1,290**
Interest costs	21	26	2	50
As at 31 December	**1,822**	**2,757**	**143**	**4,722**

The provisions are determined using the projected unit credit method. The salary increase is estimated at 2.75 per cent (2018: 2.75 per cent) for severance payments and for anniversary bonuses. As in the prior year, the annual increase for pension entitlements is 2 per cent–2.125 per cent. The calculations are based on a discount rate of 0.9 per cent (2018: 1.75 per cent). Fluctuation discounts were not applied. The calculation is based on the current version of AVÖ 2018-P für Angestellte (2018: AVÖ-2018-P). The average term of the obligations for pension benefits is 33.4 years (2018: 33.6 years) and for severance payments 10.8 years (2018: 9 years).

Three members of the Management Board had been awarded binding pension plans on the reporting date. These are reported in the transactions with Management Board members in section 9.3.2.5.

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.

		Change in the net cash value for:	
Actuarial assumption	Possible change	Pensions	Severance payments
Sensitivity analysis 2018:			
Discount rate	+1 percentage point	(328)	(147)
Discount rate	-1 percentage point	472	178
Salary increase	+0.5 percentage point	111	83
Salary increase	-0.5 percentage point	(102)	(77)
Sensitivity analysis 2019:			
Discount rate	+1 percentage point	(505)	(270)
Discount rate	-1 percentage point	731	325
Salary increase	+0.5 percentage point	164	152
Salary increase	-0.5 percentage point	(149)	(138)

7.12.2. Other provisions

	Short-term	Long-term	**Total**
Changes in 2018:			
As at 1 January	1,884	–	1,884
Utilised	(54)	–	(54)
Additions	90	–	90
Releases	(967)	–	(967)
Exchange adjustments	(2)	–	(2)
As at 31 December	**950**	–	**950**
Changes in 2019:			
As at 1 January	950	–	950
Utilised	(250)	–	(250)
Additions	15	–	15
Exchange adjustments	43	–	43
As at 31 December	**758**	–	**758**

7.13. Trade and other payables and other current liabilities

	31/12/19	31/12/18
Composition:		
Trade liabilities	3,782	12,748
Other liabilities	2,143	3,242
Advance payments received – hotels	84	98
Advance payments received – other	–	277
Security deposits received	448	432
Security deposits	476	296
Liabilities to related parties	2,765	261
Payables due to joint ventures	480	463
	10,178	**17,815**

Other liabilities contain tax liabilities of EUR 688 thousand (2018: EUR 1,799 thousand), liabilities for social security contributions of EUR 132 thousand (2018: EUR 124 thousand), accruals for unconsumed compensated absences of EUR 234 thousand (2018: EUR 208 thousand), and liabilities from contractual penalties in the amount of EUR 468 thousand, as in the prior year.

The advance payments received in the Hotels segment are classified as contract liabilities according to IFRS 15 and represent future performance obligations. At the beginning of the financial year, the Company had performance obligations pursuant to IFRS 15 in the amount of EUR 98 thousand, which were satisfied during the reporting period. The resulting revenues are included in the hotel revenues (see section 6.1.). At the end of the financial year, the Company still had performance obligations in the amount of EUR 84 thousand that must be satisfied within one year.

The decline in trade liabilities is the result of the completion of construction projects in the reporting period and in the prior year.

For information on 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.

7.14. Deferred income

	31/12/19	31/12/18
Composition non-current:		
Advanced rent received St. Petersburg	2,635	2,465
Other	110	157
	2,746	**2,622**

	31/12/19	31/12/18
Composition current:		
Advanced rent received St. Petersburg	190	166
Other	23	–
	213	**166**

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.

[08] Disclosures on financial instruments, fair value, and financial risk management

8.1. Financial instruments and fair value (IFRS 7 and IFRS 13)

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 IFRS 9 or other IFRS		IFRS 13 level	Carrying amount **31/12/19**	Fair value **31/12/19**	Carrying amount 31/12/18	Fair value 31/12/18
Assets – categories						
IAS 40	Investment properties (developed)	3	232,738	232,738	173,392	173,392
IAS 40	Investment properties (in development)	3	39,717	39,717	38,355	38,355
IAS 19	Refund claims (other assets)		820	820	693	693
FAAC	Financial assets – fixed rate		6,501	6,763	7,522	6,277
FAAC	Other financial assets		4,095	4,095	969	969
FVOCI	Financial assets measured at fair value through other comprehensive income	3	6,242	6,242	6,255	6,255
	Other non-current assets		54,940		38,319	
	Total non-current assets		**345,053**		**265,505**	
FAAC	Receivables		1,643	1,643	2,100	2,100
FAAC	Cash and cash equivalents		7,519	7,519	8,456	8,456
IFRS 5	Financial assets in disposal groups		–	–	516	516
IAS 40	Investment property (IFRS 5)	3	–	–	900	900
FAAC	Financial assets – fixed-rate		25	25	–	–
	Other current assets		2,319		14,535	
	Total current assets (including IFRS 5)		**11,506**		**26,506**	
	Total assets		**356,559**		**292,012**	
Liabilities – categories						
FLAC	Fixed-rate bonds	3	8,943	9,902	14,493	14,408
FLAC	Fixed-rate loans	3	45,216	49,778	77,208	79,351
FLAC	Variable-rate loans	3	90,601	98,731	57,811	54,656
FLAC	Lease liabilities		1,259	n/a	–	–
FLAC	Other non-current liabilities		5,597	5,597	7,162	7,162
IAS 19	Provisions for pensions		1,822	1,822	1,183	1,183
	Other non-current liabilities		18,772		14,404	
	Total non-current liabilities		**172,210**		**172,261**	
FLAC	Fixed-rate bonds	3	5,802	5,943	76	76
FLAC	Fixed-rate loans	3	4,123	4,539	6,385	6,469
FLAC	Variable-rate loans	3	5,789	5,848	3,376	3,364
FLAC	Lease liabilities		367	n/a	–	–
FLAC	Other liabilities	3	9,010	9,010	15,285	15,285
IFRS 5	Financial liabilities related to disposal groups	3	–	–	345	345
	Other current liabilities		2,190		4,136	
	Total current liabilities (including IFRS 5)		**27,282**		**29,603**	
	Total liabilities		**199,491**		**201,865**	

		31/12/19	31/12/18
Summary of carrying amounts by category for financial assets and liabilities:			
FAAC	Financial assets at amortised cost	19,783	19,047
FVOCI	At fair value through other comprehensive income	6,242	6,255
FLAC	Financial liabilities at amortised cost	(176,707)	(181,797)
IFRS 5	Financial instruments related to disposal groups	–	171

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 investment/DCF 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 7.7. and 8.1.3. for information about the measurement of the fair value of the financial assets measured at fair value through other comprehensive income.

The fair value for 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.

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:

	2019	2018
Changes in assets:		
Carrying amounts at 31 December in prior year	218,902	160,909
Addition of right-of-use asset according to IFRS 16	506	–
Carrying amounts at 1 January	219,408	160,909
Additions (including transfer of property, plant, and equipment)	37,731	52,898
Disposals	(900)	–
Gains/losses on remeasurement in profit or loss	11,926	15,967
Other income/expenses	10,532	(10,873)
Carrying amounts at 31 December	**278,697**	**218,902**

The remeasurement result in the income statement pertains to investment properties, as in the prior year, and is included in the position Depreciation, amortisation, and remeasurement. As in the prior year, the remeasurement result in the other comprehensive income primarily pertains to the gains/losses on currency translation and, to a limited extent, changes in the value of financial assets measured at fair value through other comprehensive income. These are unrealised value changes in each case.

	2019	2018
Changes in liabilities:		
Carrying amounts at 1 January	–	929
Gains/losses on remeasurement in profit or loss	–	(929)
Carrying amounts at 31 December	–	–

In the prior year, the remeasurement result in the income statement involves value changes from conversion rights, which are recognised under the finance expenses. There were no financial liabilities measured at fair value as of the reporting date.

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	Financial assets measured at fair value through other comprehensive income	Income-based	Cash flows, exit yield

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
2018				
3	Available-for-sale financial assets	Exit yield	3.25%	3.25%
3	Available-for-sale financial assets	Cash flow (year one) in EUR '000	3,608	3,608
2019				
3	Financial assets measured at fair value through other comprehensive income	Exit yield	3.30%	3.30%
3	Financial assets measured at fair value through other comprehensive income	Cash flow (year one) in EUR '000	3,563	3,563

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 **2019**	2018
3	Financial assets measured at fair value through other comprehensive income:			
	Exit yield	+ 50 bp	-1,257	-1,256
	Exit yield	- 50 bp	1,688	1,687
	Cash flow (year one)	+ 5%	636	636
	Cash flow (year one)	- 5%	-565	-565

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 IFRS 9				
	FVTPL	FAAC	FVOCI	FLAC	Total
Financial year 2018:					
Allocation/release of impairments		133			133
Interest and other financial revenue		1,037			1,037
Modification gain				1,287	1,287
Interest expenses				(7,408)	(7,408)
Realised remeasurement result	900				900
Result from exchange rate changes				(11,528)	(11,528)
Profit or loss for the period	**900**	**1,170**	–	**(17,649)**	**(15,579)**
Unrealised remeasurement result – equity			109		109
Net result from consolidated statement of comprehensive income	**900**	**1,170**	**109**	**(17,649)**	**(15,470)**

	FVTPL	FAAC	FVOCI	FLAC	Total
Financial year 2019:					
Allocation/release of impairments		(42)			(42)
Interest and other financial revenue		653			653
Gains on the derecognition of liabilities				20,308	20,308
Modification gain				456	456
Interest expenses				(7,733)	(7,733)
Result from exchange rate changes				8,330	8,330
Profit or loss for the period	–	**611**	–	**21,361**	**21,973**
Unrealised remeasurement result – equity			(13)		(13)
Net result from consolidated statement of comprehensive income	–	**611**	**(13)**	**21,361**	**21,960**

All financial instruments that are measured at fair value through profit or loss are classified upon initial recognition.

Changes in the value of financial instruments measured at fair value through other comprehensive income (FVOCI) are reported in other comprehensive income without future reclassification to the income statement. The changes that occurred in the value of financial instruments measured at fair value through other comprehensive income (FVOCI) in the prior year also pertained to 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.

On the reporting date, about 41 per cent (2018: 62 per cent) of the Group's debt obligations were fixed-rate obligations 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 7.10.4.

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
2018				
3M EURIBOR	+50	(719)	-50	719
2019				
3M EURIBOR	+50	(782)	-50	782

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:

	2019	2020	2021	2022	2023	More than five years	**Total**
31/12/2018:							
Project loans	1,776	2,652	2,831	2,897	2,964	46,333	59,452
Borrowing/overdraft facilities	1,094	–	–	–	–	–	1,094
Other	641	–	–	–	–	–	641
	3,511	**2,652**	**2,831**	**2,897**	**2,964**	**46,333**	**61,187**

	2020	2021	2022	2023	2024	More than five years	**Total**
31/12/2019:							
Project loans	2,524	3,388	3,544	3,702	31,370	48,456	92,984
Borrowing/overdraft facilities	2,725	–	–	–	–	–	2,725
Other	648	–	–	–	–	–	648
	5,897	**3,388**	**3,544**	**3,702**	**31,370**	**48,456**	**96,357**

8.2.2. Currency risk

The currency structure of financial liabilities in the Group breaks down as follows:

	RUB	PLN	EUR	Total
31/12/2018:				
In foreign currencies	779,115	960		
In EUR	9,805	223	149,321	**159,349**
31/12/2019:				
In foreign currencies	717,879	742		
In EUR	10,353	174	151,573	**162,100**

Sensitivity of consolidated earnings:

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.

	PLN	RUB	Total
Sensitivity 2018:			
Increase by 10%	(3,836)	(6,979)	(10,815)
Decrease by 10%	3,836	6,979	10,815
Increase by 20%		(13,957)	(13,957)
Decrease by 20%		13,957	13,957
Increase by 30%		(20,936)	(20,936)
Decrease by 30%		20,936	20,936
Sensitivity 2019:			
Increase by 10%	(809)	(4,013)	(4,822)
Decrease by 10%	809	4,013	4,822
Increase by 20%		(8,026)	(8,026)
Decrease by 20%		8,026	8,026
Increase by 30%		(12,039)	(12,039)
Decrease by 30%		12,039	12,039

Sensitivity of equity:

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.

	CZK	PLN	RUB	Total
Sensitivity 2018:				
Increase by 10%	(13)	(962)	(382)	(1,357)
Decrease by 10%	13	962	382	1,357
Increase by 20%			(765)	(765)
Decrease by 20%			765	765
Increase by 30%			(1,147)	(1,147)
Decrease by 30%			1,147	1,147
Sensitivity 2019:				
Increase by 10%		(152)	–	(152)
Decrease by 10%		152	–	152

8.2.3. Default risk

Please refer to section 7.6. for quantitative information about default risk. This shows the impairments that were recognised and the maturity structure of the current receivables. Information about a loan extended to AO Micos can be found in section 7.4. 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.

In 2018, the Group began letting out smaller office spaces. This can lead to higher default risk for Warimpex if the creditworthiness of individual tenants fluctuates. So far, no defaults have occurred in relation to the letting business. The Group continuously monitors this risk.

Overall, default risk is not seen as a core risk because of the business activities of the Group; impairment charges are recognised to the extent necessary.

8.2.4. Liquidity risk

The Group had current financial liabilities in the amount of EUR 25,120 thousand (2018: EUR 25,467 thousand) as at the reporting date. Of this, EUR 16,082 thousand (2018: EUR 9,837 thousand) pertain to current financial liabilities serving Group financing purposes.

The share of debt falling due within 12 months should not exceed 35 per cent of liabilities. On the reporting date, 13.7 per cent (2018: 14.7 per cent) of the liabilities were current.

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 bonds	6,026	7,904	1,850	15,781
Fixed-rate project loans	6,695	34,216	6,551	47,462
Variable-rate project loans	3,884	49,264	52,466	105,614
Variable-rate borrowing/overdraft facilities	2,756	–	–	2,756
Lease liabilities	376	576	54	1,006
Other loans and borrowings	507	448	61,292	62,247
Trade and other payables	9,010	5,597	–	14,607
Total	**29,253**	**98,006**	**122,213**	**249,473**

[09] Other disclosures

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 performance obligations (Investment Properties)

Before the reporting date, the Group committed to handing over rental spaces to tenants in Poland. In this context, Warimpex agreed to provide fit-out contributions for the future tenants in a total amount of EUR 595 thousand (2018: EUR 3,589 thousand).

9.1.3. Contractual bonds and guarantees

The Group was subject to the following contractual bonds and guarantees on the reporting date:

	Explanation	Maximum outstanding amount
Guarantees and bonds in the Group:		
Guarantees related to the sale of the Jupiter office towers, St. Petersburg – loan	9.1.3.1.	7,618
Guarantees related to the sale of the angelo Prague	9.1.3.2.	3,600

	Explanation	Maximum outstanding amount
Guarantees and bonds related to joint ventures:		
Business guarantee, and bank guarantee related to the leasing of the InterContinental hotel, Warsaw	9.1.3.3.	6,491

9.1.3.1. Guarantees related to the Jupiter office towers, St. Petersburg

The owner of the Jupiter 1 and 2 office towers is AO Micos, in which AO Avielen AG owns a stake of 44.02 per cent (see also section 7.3.3.). Micos took out a bank loan to finance the office towers for which Avielen issued a guarantee in accordance with its original stake of 19 per cent. The guaranteed amount was EUR 7,618 thousand as at the reporting date.

9.1.3.2. Guarantees related to the sale of the angelo hotel Prague

The angelo hotel in Prague was sold to an investor under a share deal in 2016. The purchase price was based on a usual GOP I (gross operating profit less management fees of the hotel manager) in the amount of EUR 1,800 thousand. Should the annual GOP I be less than EUR 1,800 thousand within the first five years after the conclusion of the purchase contract, Warimpex is required to repay this amount to the buyer as a purchase price reduction. Should the GOP I exceed EUR 1,800 thousand, the purchase price for Warimpex increases. No repayment amount was incurred for the settlement period that ended in 2019. Because the hotel has been closed since March 2020 due to the COVID-19 pandemic, however, it is very unlikely that the agreed GOP I will be reached. The Group is currently evaluating the economic and legal situation.

9.1.3.3. Guarantee related to the InterContinental hotel, Warsaw

Warimpex issued a business guarantee to the lessor of the InterContinental hotel in Warsaw, which is operated by a joint venture. The guarantee amounts to EUR 3,246 thousand as at the reporting date and has a term lasting until 31 March 2035. There is also a bank guarantee in the same amount with a term until October 2020. This hotel was also closed in March 2020 due to the COVID-19 pandemic and is unable to generate the agreed rent at the moment. The lessor has assured the Group that it will not exercise the guarantee at this time. The Group is evaluating the economic and legal situation on an ongoing basis.

9.1.3.4. Contingencies

At one subsidiary, there is a risk that the tax authority will assess certain circumstances differently than the Company in the course of a tax audit. This could potentially lead to an additional tax payment of up to EUR 917 thousand.

9.2. Information about leases

9.2.1. Leases as the lessee

The new lease standard, IFRS 16, came into force on 1 January 2019. As a result, the scope of the disclosures required for lease arrangements has increased, and these disclosures are either contained in the associated financial statement items or included in the notes and organised by topic. Below is an overview of the cross references in accordance with IFRS 16.52:

Disclosure in the notes:	Cross reference:
General description and information regarding first-time application	3.2.1.
Depreciation on right-of-use assets	7.1.1.
Interest expenses for lease liabilities	6.9.
Expenses for short-term leases	6.5.
Expenses for low-value leases	6.5.
Cash outflow for leases	7.10.3.
Additions and carrying amounts of right-of-use assets	7.1.1., 7.2.1
Maturity analysis for lease liabilities	8.2.4.
Variable lease payments, subleases, and sale and lease-back agreements	n/a

9.2.2. Operating leases as lessor

For lessors, IFRS 16 does not result in any changes to the previous approach according to IAS 17. The Group is party to operating leasing agreements as lessor in relation to its let investment properties.

As at the reporting date, this pertained to the following properties:

- Erzsébet office towers, Budapest
- B52 office building, Budapest
- Zeppelin office tower, St. Petersburg
- Bykovskaya multi-use building, St. Petersburg
- Mogilska 41 Office, Krakow
- Ogrodowa Office, Łódź
- Mogilska 43 Office, Krakow

The existing lease arrangements result in the following maturity analysis for the minimum lease payments:

	Total	Thereof up to 1 year	Thereof 1 to 5 years	More than 5 years
Future minimum lease payments, non-cancellable as at 31 December 2018	97,110	13,614	55,484	28,012
Future minimum lease payments, non-cancellable as at 31 December 2019	107,277	17,517	71,821	17,939

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. Franz Jurkowitsch is the 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. Georg Folian is the beneficiary.

Ambo GmbH
A-1210 Vienna, Floridsdorfer Hauptstrasse 1 (FN 328097x, Commercial Court Vienna). Amber Privatstiftung and Bocca Privatstiftung each hold a 50 per cent stake in this company. Warimpex provides services to Ambo GmbH to a minor extent.

Georg Folian
Was Deputy Chairman of the Management Board of Warimpex Finanz- und Beteiligungs AG until 31 December 2017 and held 14.6 per cent of the shares in the Company on the reporting date.

Management Board:
Franz Jurkowitsch
Is Chairman of the Management Board of the Company and held 14.1 per cent of the shares of Warimpex Finanz- und Beteiligungs AG on the reporting date.

Daniel Folian
Is Deputy Chairman of the Management Board of the Company and held less than 0.1 per cent 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 per cent 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 less than 0.1 per cent 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
Hubert Staszewski
Member of the Supervisory Board

All subsidiaries and joint ventures:
Please refer to the information about subsidiaries in section 4. and to the information about joint ventures in section 7.3.

9.3.2. Related party transactions

9.3.2.1. Transactions with Amber Privatstiftung

	2019	2018
Dividend disbursement	(346)	(346)
Charged interest	–	2
	(346)	**(344)**

9.3.2.2. Transactions with Bocca Privatstiftung

	2019	2018
Dividend disbursement	(343)	(343)
Charged interest	–	2
	(343)	**(341)**

9.3.2.3. Transactions with Ambo GmbH

	2019	2018
Income from performance management	19	18
Receivable from Ambo GmbH as at 31 December	34	11

9.3.2.4. Transactions with Georg Folian

	2019	2018
Consulting fee	(3)	(3)
Clerical activities for Mr Folian	17	15
	14	**12**
Receivables from Mr Folian as at 31 December	10	12

As a shareholder of Warimpex, Georg Folian received dividend disbursements in the amount of 6 cents per share (see section 7.9.1. below).

9.3.2.5. Transactions with Management Board members

	2019	2018
Directors' remuneration 1 January to 31 December	3,993	1,497
Liabilities due to Management Board members as at 31 December	2,775	265
The directors' remuneration breaks down among the Management Board members as follows:		
Franz Jurkowitsch	1,272	405
Daniel Folian	864	395
Alexander Jurkowitsch	974	377
Florian Petrowsky	883	320
	3,993	**1,497**
The directors' remuneration breaks down as follows:		
Current benefits	3,772	1,190
thereof variable (bonus)	*2,775*	*265*
Allocation to/Use of provision for severance payments	43	133
Allocation to provision for pension benefits	179	174
	3,993	**1,497**

As in the prior year, the variable remuneration (bonus) for the Management Board amounts to 4.5 per cent of the annual profit attributable to the shareholders of the parent.

Pension plans were in force for the Management Board members Daniel Folian, 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 § 27 Employees Act, or if a director resigns or terminates his or her work contract for no material reason. With regard 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).

As shareholders of Warimpex, the Management Board members received dividend disbursements in the amount of 6 cents per share (see section 7.9.1. below).

9.3.2.6. Transactions with Supervisory Board members

	2019	2018
Supervisory Board fees	135	203
Fees paid to Supervisory Board members as at 31 December	–	–
The Supervisory Board members' fees break down among the Supervisory Board members as follows:		
Günter Korp	43.0	70.0
Thomas Aistleitner	34.0	54.5
Harald Wengust	22.0	33.0
William de Gelsey	18.0	24.2
Hubert Staszewski	18.0	21.3
	135	**203**

All Supervisory board members' fees are current liabilities.

Transactions with the members of the Supervisory Board all pertain solely to the parent company.

9.3.2.7. Transactions with joint ventures

	2019	2018
Income from transactions with joint ventures	621	984
Expenses for joint ventures	(166)	(176)
Receivables due from joint ventures as at 31 December	6,526	7,557
Liabilities to joint ventures as at 31 December	(4,878)	(6,305)

The income from transactions with joint ventures primarily pertains to the allocation of costs to joint ventures and interest

received from joint ventures. The expenses are interest expenses. 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

Due to the depreciation of the rouble after the reporting date, a non-cash foreign currency loss in the amount of roughly EUR 7,500 thousand from the measurement as at 31 March 2020 is expected for the first quarter. The rouble exchange rate saw a slight recovery in April 2020.

Following the reporting date, a global COVID-19 pandemic began after originating in China. Due to the massive spread of the coronavirus in Europe, Austria and other European countries implemented measures such as lockdowns, travel bans, and the closure of airports and businesses. Growth forecasts have been revised downward recently because of this pandemic and its negative impact on the economy, the extent of which cannot be foreseen at this time. We expect this to result in challenging conditions for the time being; the concrete effects of the pandemic cannot be conclusively assessed due to the dynamic development of the situation, but are being evaluated on an ongoing basis.

In the Investment Properties segment, there is a risk that rent payments will not be made in accordance with the contractual arrangements. Commercial spaces make up only a very small percentage of the office properties, so no material effects are expected in this context. In the Hotels segment, the hotel in Darmstadt was closed at the beginning of April, presumably until September 2020. Because the hotel was scheduled to be renovated while remaining open for business, the renovation will now be completed more quickly with the hotel being closed. The Crowne Plaza hotel at AIRPORTCITY St. Petersburg will remain open, but occupancy declined significantly starting in March 2020. The InterContinental hotel in Warsaw, which is operated under a 50/50 joint venture, has been closed since March 2020, and no reopening date has been determined at this time. The hotel in Darmstadt and the InterContinental hotel in Warsaw have applied for short-time work for their employees. In the Development and Services segment, there is a risk that construction activities will be delayed. Only one property is in the shell construction phase at the moment (Avior Tower, St. Petersburg). Warimpex has the option of halting the construction after the building shell is completed because there is no specific obligation regarding the completion of the building.

The financial effects resulting from this situation are not yet quantifiable. In general, there is a risk of negative effects on the real estate transaction market and on financing arrangements. Please also refer to the information regarding the outlook in the consolidated management report.

In the first quarter, it will likely be necessary to form a provision for the contractual bonds in connection with hotel operations described in section 9.1.3. Because the legal conditions in this unprecedented situation still have to be conclusively assessed, however, the amount cannot yet be quantified.

Vienna, 23 April 2020

Franz Jurkowitsch
Chairman of the
Management Board

Daniel Folian
Deputy Chairman
of the Management Board

Alexander Jurkowitsch
Member of the
Management Board

Florian Petrowsky
Member of the
Management Board

*Auditor's Report**

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of **Warimpex Finanz- und Beteiligungs Aktiengesellschaft, Vienna,**

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of 31 December 2019 and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian Generally Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the key audit matters that we identified:

- Valuation of investment property
- Valuation of property, plant and equipment
- Sale of property assets (share deals and asset deals)
- Acquisition of non-controlling interest and shareholder loans

Title

Valuation of investment property

Risk

Warimpex Finanz- und Beteiligungs AG reports investment properties in the amount of TEUR 272,455 and a result from revaluation amounting to TEUR 15,255 in the consolidated financial statements as of 31 December 2019.

Investment properties are measured at fair value based on valuation reports from external valuation experts.

The valuation of investment properties is subject to material assumptions and estimates. The material risk for every individual property exists when determining assumptions and estimates such as the discount/capitalisation rate and rental income and for investment properties under development the construction and development costs to completion and the developer's profit. A minor change in these assumptions and estimates can have a material impact on the valuation of investment properties.

The respective disclosures relating to significant judgements, assumptions and estimates are shown in Section 3.4.1.2. and 7.2. in the consolidated financial statements.

* This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

Consideration in the audit

To address this risk, we have critically assessed the assumptions and estimates made by management and the external valuation experts and performed, among others, the following audit procedures with involvement of our internal property valuation experts:

- Assessment of concept and design of the underlying property valuation process
- Assessment of the competence, capability and objectivity of the external valuation experts engaged by management
- Assessment of the applied methods and the mathematical accuracy of selected valuation reports as well as assessment of the plausibility of the underlying assumptions (e.g. rental income, discount/capitalisation rate, vacancy rate), if available by means of comparison with market data

Title

Valuation of property, plant and equipment

Risk

Warimpex Finanz- und Beteiligungs AG reports property, plant and equipment in the amount of TEUR 38,876 and a result from reversal of impairment amounting to TEUR 1,170 in the consolidated financial statements as of 31 December 2019. Property, plant and equipment mainly consists of two hotel properties.

For property, plant and equipment with a certain useful life it is necessary to assess at the end of each reporting period whether there is any indication that an asset may be impaired or whether impairments of prior periods have to be reversed. If such an indication exists, the entity shall estimate the recoverable amount of the asset.

The recoverable amount is determined using valuation reports by external valuation experts and is subject to material assumptions and estimates. The material risk exists when determining assumptions and estimates such as the discount/capitalisation rate rate and future cash flows from hotel operation. A minor change in these assumptions and estimates can have a material impact on the valuation of property, plant and equipment.

The respective disclosures relating to property, plant and equipment and relating judgements, assumptions and estimates are shown in Section 3.4.1.2. and 7.1. in the consolidated financial statements.

Consideration in the audit

To address this risk, we have critically assessed the assumptions and estimates made by management and the external valuation experts and performed, among others, the following audit procedures with involvement of our internal property valuation experts:

- Assessment of concept and design of the underlying property valuation process
- Assessment of the competence, capability and objectivity of the external valuation experts engaged by management
- Assessment of the applied methods and the mathematical accuracy as well as assessment of the plausibility of the underlying assumptions if available by means of comparison with market data

Title

Sale of property assets (share deals and asset deals)

Risk

In financial year 2019, Warimpex Finanz- und Beteiligungs AG sold the 100% stake in Balnex 1 a.s., Karlovy Vary (operating company of hotel Dvořák), together with the shares in RLX Dvorak S.A., Luxembourg, that were acquired in 2019 (indirect property company of hotel Dvořák) and the 50% stake in "Disneycompanies", Paris.

The profit out of these transactions amounts to TEUR 28,621 and is included in the result of sale of properties of TEUR 28,934 in the consolidated financial statements.

We have assessed the effects of these transactions on the consolidated financial statements as a key audit matter as a result of their size and complexity.

The disclosures regarding the sale are included in Section 5.1. in the notes to the consolidated financial statements.

Consideration in the audit

Our audit procedures included – among others – the following:

- Review of signed contracts regarding the sale of investments and properties
- Analysis of the contracts regarding the elements of the transactions and their presentation in the consolidated financial statements

- Proof of payments
- Analysis of the presentation and disclosures of the sales in the consolidated financial statements

Title
Acquisition of non-controlling interest and shareholders' loans

Risk
In the 2019 financial year Warimpex Finanz- und Beteiligungs AG acquired a 35% stake in its subsidiary AO Avielen A.G. from a minority shareholder and now holds 90% of the subsidiary. In addition, Warimpex Finanz- und Beteiligungs AG also acquired from this minority shareholder the shareholders' loans granted to the subsidiary.

Due to the fact that the shareholders' loans were acquired below the carrying amount, a profit in the amount of TEUR 20,308 has been generated, which is included in line item "other financial income" in the consolidated financial statements amounting to TEUR 20,921.

We have assessed the effects of this transaction on the consolidated financial statements as a key audit matter as a result of its size and complexity.

The disclosures regarding the sale are included in Section 6.7 and 7.10.3 in the notes to the consolidated financial statements.

Consideration in the audit
Our audit procedures included – among others – the following:

- Review of the signed share purchase agreement and signed closing memorandum regarding the acquisition of the non-controlling interest and shareholders' loans
- Analysis of the contract regarding the elements of the transaction and their presentation in the consolidated financial statements
- Analysis of the presentation and disclosures of the transaction in the consolidated financial statements

Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion
In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB and is consistent with the consolidated financial statements.

Statement
Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report and the annual financial report (but does not include the consolidated financial statements, the management report for the Group and the auditor's report thereon). From the other information we received the "Consolidated Corporate Governance Report" and the "Consolidated non-financial report" prior to the date of this auditor's report. The annual report and the annual financial report including the remaining other information therein is estimated to be provided to us after the date of the auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether – based on our knowledge obtained in the audit – the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional Information in accordance with Article 10 EU Regulation

We were elected as auditor by the ordinary general meeting at 3 June 2019. We were appointed by the Supervisory Board on 13 December 2019. We are auditors without cease since 2007.

We confirm that the audit opinion in the Section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner is Alexander Wlasto, Certified Public Accountant.

Vienna, 23 April 2020

ERNST & YOUNG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT M.B.H.

Mag. Alexander Wlasto m.p.
Certified Public Accountant

Mag. (FH) Isabelle Vollmer m.p.
Certified Public Accountant

Supervisory Board Report

Fundamental aspects

The Supervisory Board of Warimpex Finanz- und Beteiligungs Aktiengesellschaft was regularly informed by the Management Board of all significant transactions, the development of business, and the business and financial situation of the Group and its equity interests in detailed verbal and written reports as well as at regular meetings during the 2019 financial year and properly 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, the Supervisory Board supervised the Management Board in the direction of the Company and ensured 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 evaluate, discuss, and coordinate the Company's strategic orientation, the future development of business, and the Company's risk management. One of the key topics at the Supervisory Board meetings was the economic and structural changes in Russia and Central and Eastern Europe including the provision of comprehensive, timely reports as required and the associated discussion of the resulting 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 in the interest of continuing and further developing the Company's responsible and sustainable corporate governance. The articles of association of the Company 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.

A total of five Supervisory Board meetings were held in financial year 2019, at which the necessary resolutions were adopted in each case. All members of the Supervisory Board fulfilled the minimum attendance requirements. In addition, one motion relating to the sale of the Dvořák hotel was adopted by way of circular resolution in the form of a written vote. The circular resolution that was adopted by the Supervisory Board was again discussed at the subsequent Supervisory Board meeting. The necessary approvals were obtained for all transactions that are subject to approval pursuant to § 95 (5) Austrian Stock Corporation Act (Aktiengesetz, AktG).

Committees

The Supervisory Board has set up three permanent committees: the Audit Committee, the Project Committee, and the Personnel 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. An ad hoc committee can be formed if necessary. The resolutions that were adopted at the committee meetings were again discussed in detail at subsequent Supervisory Board meetings.

Audit Committee

In accordance with the law and the terms of reference of the Supervisory Board, the Supervisory Board has set up a permanent committee for reviewing and accepting the annual financial statements (consolidated financial statements), the proposal for the appropriation of profits, and the management report for the Company and the Group (Audit Committee). In addition to performing the other duties it is responsible for pursuant to the Austrian Stock Corporation Act, the Audit Committee reviewed the consolidated financial statements in cooperation with the auditor responsible for auditing the financial statements, 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 terms of reference of the Supervisory Board also sit on the Audit Committee.

Two Audit Committee meetings were held in financial year 2019.

Project Committee

In accordance with its terms of reference, the Supervisory Board has set up a permanent committee to monitor and approve transactions that are subject to approval pursuant to § 95 (5) AktG and the terms of reference 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 terms of reference of the Supervisory Board also sit on the Project Committee.

One motion related to the financing of the car park project at AIRPORTCITY St. Petersburg was adopted by way of circular resolution by the Project Committee during the 2019 financial year.

Personnel Committee

In accordance with its terms of reference, 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 chaired by Supervisory Board Chairman Günter Korp. Two other members of the Supervisory Board who are independent according to the terms of reference of the Supervisory Board also sit on the Personnel Committee.

One Personnel Committee meeting was held during the 2019 financial year in relation to the reappointment of the Management Board members Franz Jurkowitsch and Alexander Jurkowitsch.

New bond issue

The ad hoc committee that was formed in connection with a new bond issue approved the issue of a bond in the amount of EUR 7.0 million.

Purchase of own shares

The Management Board of the Company passed a motion to make use of its authorisation to acquire shares in the Company in the form of the repurchase of own shares without a specified purpose pursuant to § 65 (1) 8 AktG (buyback programme), subject to the approval of the Supervisory Board. The Supervisory Board discussed the buyback programme in detail at its meeting on 23 September 2019 and granted its approval by way of a separate resolution on the same day. The buyback programme began on 1 October 2019 and is tentatively scheduled to run until 31 August 2020. The maximum volume for the repurchase of shares in the Company is up to 1,000,000 shares. The acquisition price range was set at a maximum of 30% below and 10% above the average unweighted closing share price on the Vienna Stock Exchange for the 10 trading days preceding the buyback. As at 31 December 2019, a total of 594,977 shares had been purchased at an average price of EUR 1.59.

Annual financial statements for 2019

The annual financial statements, the management report, the consolidated financial statements, and the group management report for the year ended 31 December 2019 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, the corporate governance report, and the consolidated non-financial report were reviewed by the Audit Committee at its meeting on 20 April 2020 after a comprehensive 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, the corporate governance report, and the non-financial 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 2020.

The Supervisory Board thanks the Management Board, the Company's managers, and all employees of Warimpex Group for their commitment during the financial year. Due to its experienced Management Board and proven team, the Supervisory Board believes the Company is well equipped for the extensive global economic turbulence caused by the COVID-19 pandemic, whose impact cannot be definitively predicted at this time, and wishes the Company continued success in the future.

Vienna, April 2020

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 give a true and fair view of the financial position, financial performance, and cash flows of the Group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Vienna, 23 April 2020

Franz Jurkowitsch
Chairman of the Management Board
Responsibilities:
Strategy and corporate communication

Daniel Folian
Deputy Chairman of the Management Board
Responsibilities:
Finances and accounting,
financial management, and investor relations

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,
human resources, and legal issues

Mogilska Office 41
Krakow, PL

Financial Calendar

2020

24 April 2020
Publication of the Annual Report for 2019

Postponed*
Record date for the Annual General Meeting

Postponed*
Annual General Meeting

Postponed*
Ex-dividend date

Postponed*
Dividend record date

Postponed*
Dividend payment date

28 May 2020
Publication of the results for the first quarter of 2020

28 August 2020
Publication of the results for the first half of 2020

27 November 2020
Publication of the results for the first three quarters of 2020

*** These dates will be determined at a later time.**

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.

warimpex