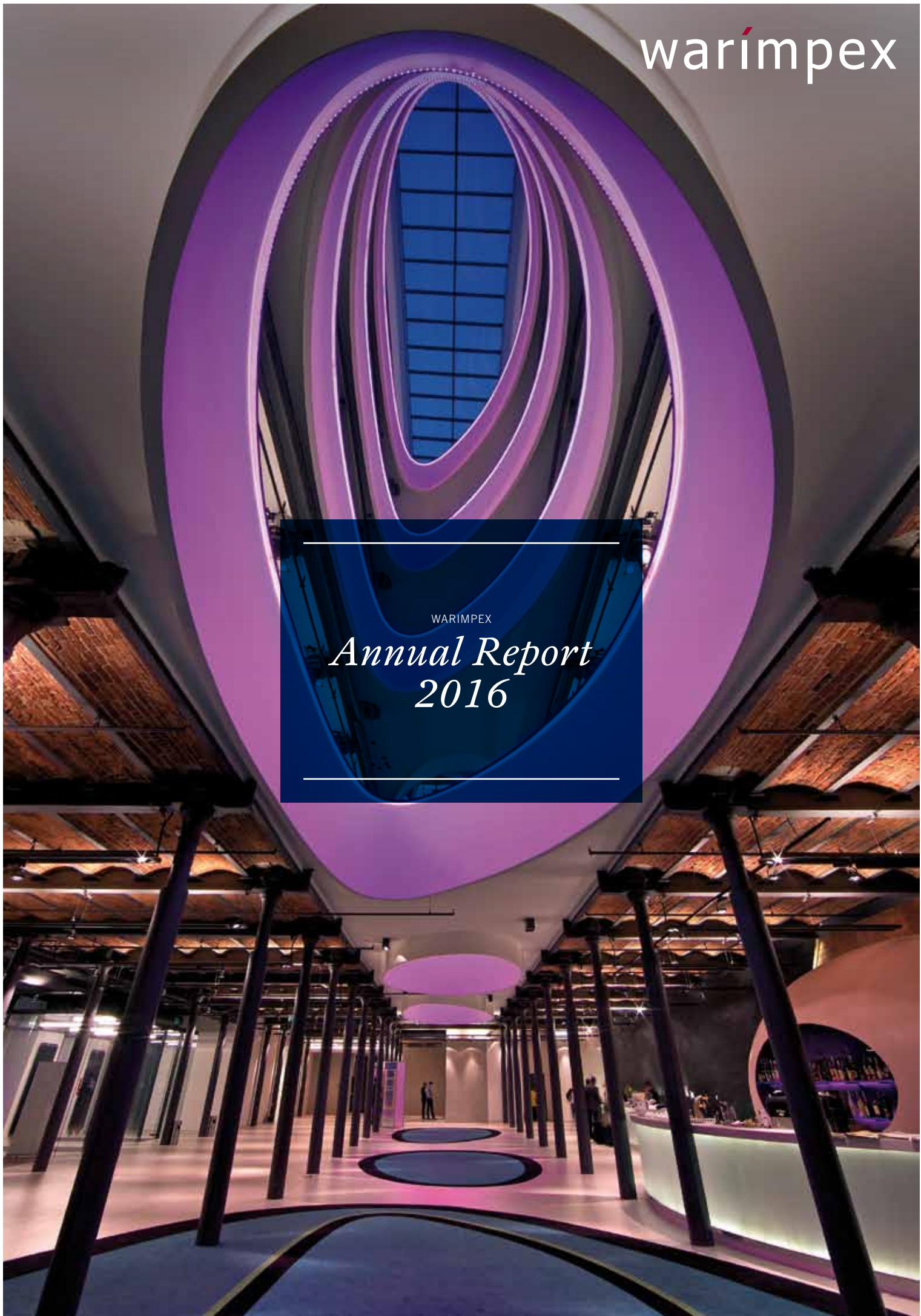


warimpex

WARIMPEX

*Annual Report*  
2016



## WARIMPEX GROUP

*Key Figures*

in EUR '000	2016	Change	2015
Hotels revenues	51,864	-5%	54,462
Investment Properties revenues	8,580	96%	4,384
Development and Services revenues	1,757	-42%	3,053
<i>Total revenues</i>	<i>62,201</i>	<i>–</i>	<i>61,898</i>
Expenses directly attributable to revenues	-35,967	-7%	-38,539
<i>Gross income from revenues</i>	<i>26,235</i>	<i>12%</i>	<i>23,359</i>
Gains or losses from the disposal of properties	8,674	-39%	14,220
EBITDA	21,450	-27%	29,280
Depreciation, amortisation, and remeasurement	4,285	–	-39,185
EBIT	25,735	–	-9,905
Earnings from joint ventures	-1,156	–	9,647
Profit for the period (annual result)	22,862	–	-42,330
Profit or loss for the period (shareholders of the parent)	17,423	–	-17,838
Net cash flow from operating activities	12,958	1%	12,853
Equity and liabilities	357,886	2%	350,235
Equity	43,058	98%	21,728
Share capital	54,000	–	54,000
Equity ratio	12%	6 pp	6%
Adjusted equity ratio <sup>1</sup>	18%	3 pp	15%
Average number of shares in the financial year	54,000,000	–	54,000,000
Earnings per share in EUR	0.32	–	-0.33
Number of shares on 31 December	54,000,000	–	54,000,000
Number of hotels	14	-1	15
Number of rooms (adjusted for proportionate share of ownership)	2,504	-168	2,672
Number of office and commercial properties	4	-1	5
<b>Segment information (including joint ventures on a proportionate basis):</b>			
Hotels revenues	81,773	-15%	96,573
Net operating profit (NOP)	25,134	-11%	28,124
NOP per available room	9,109	4%	8,752
Investment Properties revenues	9,614	88%	5,121
Investment Properties EBITDA	6,987	120%	3,170
Development and Services revenues	2,321	-34%	3,514
Gains or losses from the disposal of properties	9,050	-63%	24,270
Development and Services EBITDA	1,589	–	23,375
Average number of employees in the Group	933	-10%	1,040
	<b>31/12/2016</b>	<b>Change</b>	<b>31/12/2015</b>
Gross asset value (GAV) in EUR millions	343.3	1%	340.8
Triple net asset value (NNNAV) in EUR millions	104.7	6%	98.4
NNNAV per share in EUR	1.9	6%	1.8
End-of-period share price in EUR	0.77	16%	0.665

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



WARIMPEX ANNUAL REPORT 2016

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andel's hotel\*\*\*\*  
Łódź, PL

# Warimpex

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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.

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WARIMPEX

# An Overview

## Evolution of the Warimpex Group

Warimpex was founded in 1959 by Stefan Folian as an import/export and transit trading company. From 1982 onwards, under the management of Georg Folian and Franz Jurkowitsch, the Company started to specialise in real estate projects in Central and Eastern Europe. Since that time, the Warimpex Group has developed real estate with investments amounting to more than one billion euros, including hotels in the five-, four-, and three-star categories. In addition, Warimpex also develops office buildings and other real estate.

## Development and asset management

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

As at the end of 2016, Warimpex was the owner, co-owner, or leaseholder of 14 hotels with a total of 3,500 rooms (roughly 2,500 rooms when adjusted for the proportionate share of ownership), plus four commercial and office buildings with a total floor area of some 48,000 square metres (roughly 28,000 square metres when adjusted for the proportionate share of ownership) in Poland, the Czech Republic, Russia, Hungary, Romania, France, and Austria.



# Highlights

2016

## Operational highlights

### 4/2016

Warimpex receives construction permit for Ogródowa office building (roughly 26,000 square metres) in Łódź

### 5/2016

Pre-lease signed for the multi-use building currently under construction at AIRPORTCITY, St. Petersburg

### 6/2016

Warimpex sells 50 per cent share in office property Parkur Tower, Warsaw, to joint venture partner

### 7/2016

Warimpex receives construction permit for Mogilska office building (roughly 12,000 square metres) in Krakow

### 10/2016

Warimpex sells Dioszegi office building (800 square metres) in Budapest

### 10/2016

Warimpex sells angelo hotel (168 rooms) in Prague

### 11/2016

Warimpex redeems bond maturing in 03/17 in amount of PLN 15 million (roughly EUR 3.4 million) early

### 12/2016

Start of construction on Ogródowa office building (roughly 26,000 square metres) in Łódź

### 02/2017

Warimpex sells eight hotels

## Financial highlights

- Revenue of EUR 62.2 million
- Gross income from revenues increased by 12 per cent
- EBITDA decreased from EUR 29.3 million to EUR 21.5 million due to lower proceeds from sales
- Depreciation, amortisation, and remeasurement went from negative EUR 39.2 million to positive EUR 4.3 million
- EBIT of EUR 25.7 million
- Profit for the financial year of EUR 22.9 million
- Property assets of EUR 343 million
- Triple net asset value (NNNAV) per share of EUR 1.9

WARIMPEX

# Corporate Governance Report

## Commitment to the Code of Corporate Governance

Warimpex is committed to compliance with the Austrian Code of Corporate Governance as well as the Polish Best Practice for GPW Listed Companies 2016. The Management Board declares that it complies with both sets of guidelines to the best of its ability and published its corporate governance report at [www.warimpex.com](http://www.warimpex.com) (About us/Corporate Governance). Deviations from individual corporate governance rules relate to the Company's structure and/or to Polish rules that are not complied with due to the Company's primary orientation towards the relevant Austrian regulations.

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

The Austrian Code of Corporate Governance (as amended in January 2015 and which was applied for financial year 2016, [www.corporate-governance.at](http://www.corporate-governance.at)) contains rules that must be followed (L-Rules), rules that are not mandatory for the Company but for which justification must be provided in the event of non-compliance (C-Rules), and rules that are entirely optional for the Company. 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.
- According to Rule 62, an external evaluation of compliance with the C-Rules must take place regularly, in any case at least every three years. The results of this evaluation must be presented in the corporate governance report. An internal evaluation is completed on the basis of the External Evaluation of Compliance with the Austrian Code of Corporate Governance questionnaire, which is also used for external evaluations. No external evaluation is conducted for cost reasons.
- An assessment by the financial auditor of the effectiveness of the Company's risk management system in accordance with Rule 83 did not take place because the operational risk management system is installed at the level of the Group's subsidiaries, and because equity-investment-specific risk management is an integral part of equity investment management in the Company's function as a holding company.



## Poland – Best Practice for GPW Listed Companies 2016

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

### Rule I.Z.1:

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

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

### Rule II.Z.10.:

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

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

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

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

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

### Rule IV.R.3.:

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

SUMMARY OF THE BOARDS AND THEIR REMUNERATION

*Management Board*

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**Franz Jurkowitsch**

Chairman of the Management Board

Year of birth: 1948

First appointed: 2 September 1986

Appointed until 30 September 2019

Responsibilities:

Strategy, investor relations,  
and corporate communications

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

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**Georg Folian**

Deputy Chairman of the Management Board

Year of birth: 1948

First appointed: 2 September 1986

Appointed until 30 September 2019

Responsibilities:

Finance and accounting, financial management,  
and human resources

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

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**Florian Petrowsky**

Member of the Management Board

Year of birth: 1967

First appointed: 1 May 2014

Appointed until 1 May 2021

Responsibilities:

Transaction management,  
organisation, and legal issues

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**Alexander Jurkowitsch**

Member of the Management Board

Year of birth: 1973

First appointed: 31 July 2006

Appointed until 30 September 2019

Responsibilities:

Planning, construction,  
IT, and information management

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## SUMMARY OF THE BOARDS AND THEIR REMUNERATION

*Supervisory Board***Günter Korp**

Chairman of the Supervisory Board  
Chairman of the Audit Committee/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 2016 (31st 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 2016 (31st AGM)

**Hannes Palfinger**

(until June 2016)  
Member of the Supervisory Board  
Member of the Project Committee  
Member of the Audit Committee

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

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

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

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

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

**Working principles of the Supervisory Board**

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



### William Henry Marie de Gelsey

Member of the Supervisory Board

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



### Harald Wengust

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

Year of birth: 1969  
 First appointed: 16 October 2009  
 Current period of office ends in 2016 (31st AGM)  
 Chairman of the Supervisory Board of Informica Real Estate AG



### Hubert Staszewski

(from June 2016)  
 Member of the Supervisory Board

Year of birth: 1972  
 First appointed: 8 June 2016  
 Current period of office ends in 2017 (32nd AGM)  
 Member of the Supervisory Board of iAlbatros Group S.A.

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 "Boards and Officers of the Company" for more information.

#### Measures for promoting women

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

## Sustainability

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

At the beginning of 2013, Warimpex completed the BREEAM – Good-certified Le Palais Office building in Warsaw. The Ogrodowa office building that is currently under construction in Łódź will be certified BREEAM – Very Good.

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

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

## andelsart

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

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

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





andel's hotel\*\*\*\*  
Łódź, PL

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

*Franz  
Furkowitz*

CHAIRMAN OF THE MANAGEMENT BOARD

FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

*Dear Shareholders,*

The financial year 2016 was another eventful period in the history of Warimpex, and it is already apparent now that 2017 will be no less exciting. We signed a framework agreement on the sale of part of our hotel portfolio to the Thai investor U City after the reporting date. The transaction covers eight hotel holdings that account for around 50 per cent of the total real estate assets of Warimpex and represent a property value of roughly EUR 180 million. Provided that this transaction closes successfully, which we expect by the Totalr of 2017, the sale should make a positive profit contribution that we intend to use to improve our capital structure and for new development projects. It will also increase the equity ratio to around 25 per cent.

Aside from this, the past year was very successful for Warimpex. After a turbulent time in Russia, the rouble and the Russian economy are now slowly recovering. This is of course very pleasing and affirms our decision to stick with our Russian projects. Our operations also developed well and enabled us to generate a positive result for the year of EUR 22.9 million.

The transaction markets in Central and Eastern Europe have become more attractive in general again since 2015. We used this positive momentum to sell multiple properties during the reporting period. In June, we sold our 50 per cent stake in the Parkur Tower office building in Warsaw to our joint venture partner, and we sold the Dioszegi office building in Budapest in October. We also sold the angelo hotel in Prague in October.

**Operational performance in 2017**

A look at the operational metrics shows that the performance of our hotels was very satisfactory throughout the portfolio last year. The NOP per available room increased by 4 per cent despite a significant deterioration in the market conditions for Parisian hotels. The Dvořák hotel in Karlovy Vary, which was hit hard by the Russian crisis due to a lack of Russian guests in particular, saw a slight rebound in occupancy. The reduced number of rooms as a result of the hotel sale in Prague and the sale of the hotels in Ekaterinburg in the previous year resulted in a slight decline in hotel revenue from EUR 54.5 million to EUR 51.9 million. Revenue from the rental of office properties advanced from EUR 4.4 million to EUR 8.6 million due to the completion and rental of the Zeppelin office tower at AIRPORTCITY St. Petersburg and the Erzsébet office building in Budapest. Consolidated revenue remained unchanged at around EUR 62 million.

EBITDA declined by 27 per cent from EUR 29.3 million in 2015 to EUR 21.5 million. This was due above all to the lower gains from the disposal of properties. EBIT went from negative EUR -9.9 million to positive EUR 25.7 million thanks to a positive remeasurement result from our office properties, especially the office building that is under development in Łódź and the Zeppelin office tower in St. Petersburg. The financial result including joint ventures improved as a result of positive exchange rate changes and a better financing structure, going from EUR -31.9 million to EUR -1.9 million.

In total, this resulted in a positive result for the year of EUR 22.9 million (2015: EUR -42.3 million). The profit for the equity holders of the parent improved in annual comparison from EUR -17.8 million to EUR 17.4 million.

**Current development projects in Poland, Russia, and Hungary proceeding apace**

In terms of development projects, we are currently focusing heavily on Poland, and a construction permit was issued in April for the Ogrodowa office building with roughly 26,000 square metres of space in Łódź. The ground-breaking ceremony was held in December. Lease negotiations are currently under way. We received a second construction permit in July for the Mogilska office building in Krakow with roughly 12,000 square metres of space. We are currently conducting negotiations with an anchor tenant, and construction is expected to begin shortly. Planning is also continuing for a further office building project in Krakow. An office building with around 21,000 square metres of space is to be built next to the Chopin Hotel.

Construction of a multi-use building with parking spaces for around 450 vehicles and around 6,000 square metres of office and archive space is nearing its end at AIRPORTCITY St. Petersburg and should be concluded in the middle of 2017. The entire building is already completely let out.

In Budapest, Warimpex owns a property on which a hotel with adjacent apartments is to be built. The planning is under way, and the building permit was issued in January 2017.



**Outlook for 2017**

Our objective for the coming months is to move ahead with our current development projects as well as to successfully conclude the sale of part of our hotel portfolio to U City. The sale will significantly expand our room for manoeuvre and will position us ideally for new projects, including in collaboration with U City as a future partner that is entering the Central European market for the first time.

We still see our future in the development of hotels and office buildings in CEE, focusing on the established markets in Poland, the Czech Republic, Hungary, Romania, Russia, Germany, and France.

In closing, I would like to sincerely thank everyone who supported and accompanied us in 2016, especially our investors and employees, and look forward to continuing our shared path in 2017.

**Franz Jurkowitsch**





angelo\*\*\*\*  
Katowice, PL

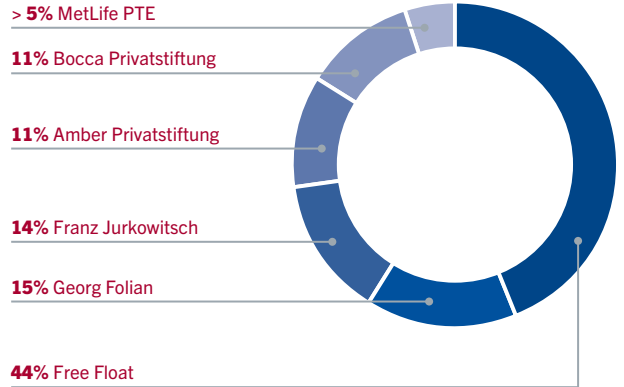
# Investor Relations

The share price at the end of 2015 was EUR 0.665 and PLN 2.66; the price rose to around EUR 0.75 after the publication of the semi-annual results with a high volume. The share moved sideways from the beginning of September to the beginning of December. The rising rouble supported the share in December. The closing price at 30 December 2016 was EUR 0.77 and PLN 3.44.

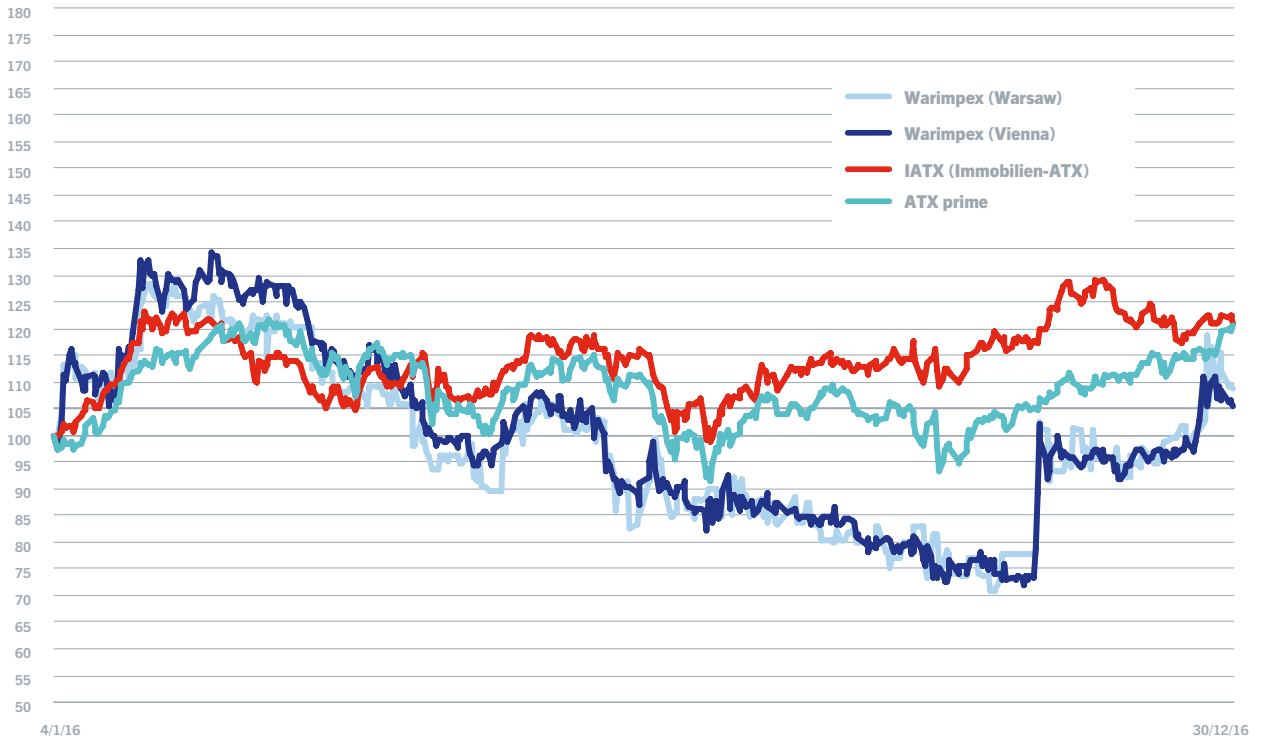
Since our IPO, we have maintained an open and proactive communication policy with our investors. Warimpex participated in investor conferences in Geneva, Zürs, Warsaw, Frankfurt, Paris, and London in 2016.

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

## SHAREHOLDER STRUCTURE AS AT 10 APRIL 2017



## SHARE PRICE PERFORMANCE



**KEY SHARE DATA**

<b>ISIN</b>	AT0000827209
<b>Number of shares on 31/12/16</b>	54,000,000
<b>Ticker symbols</b>	Stock Exchanges WXF Reuters WXFB.VI
<b>High*</b>	EUR 0.809   PLN 3.70
<b>Low*</b>	EUR 0.525   PLN 2.21
<b>Price at 30 December 2016</b>	EUR 0.77   PLN 3.44
* Last 52 weeks	

**Warimpex is included in the following indices:**

<b>Vienna</b>	ATX Prime, Immobilien-ATX
<b>Warsaw</b>	Main 50 Plus, WIG, Real Estate Developers
<b>100-day trading average</b>	in Vienna roughly 49,100 shares in Warsaw around 3,600 shares





angelo\*\*\*\*  
Plzeň, CZ

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# *Group Management Report*

FOR THE FINANCIAL YEAR  
FROM 1 JANUARY TO 31 DECEMBER 2016

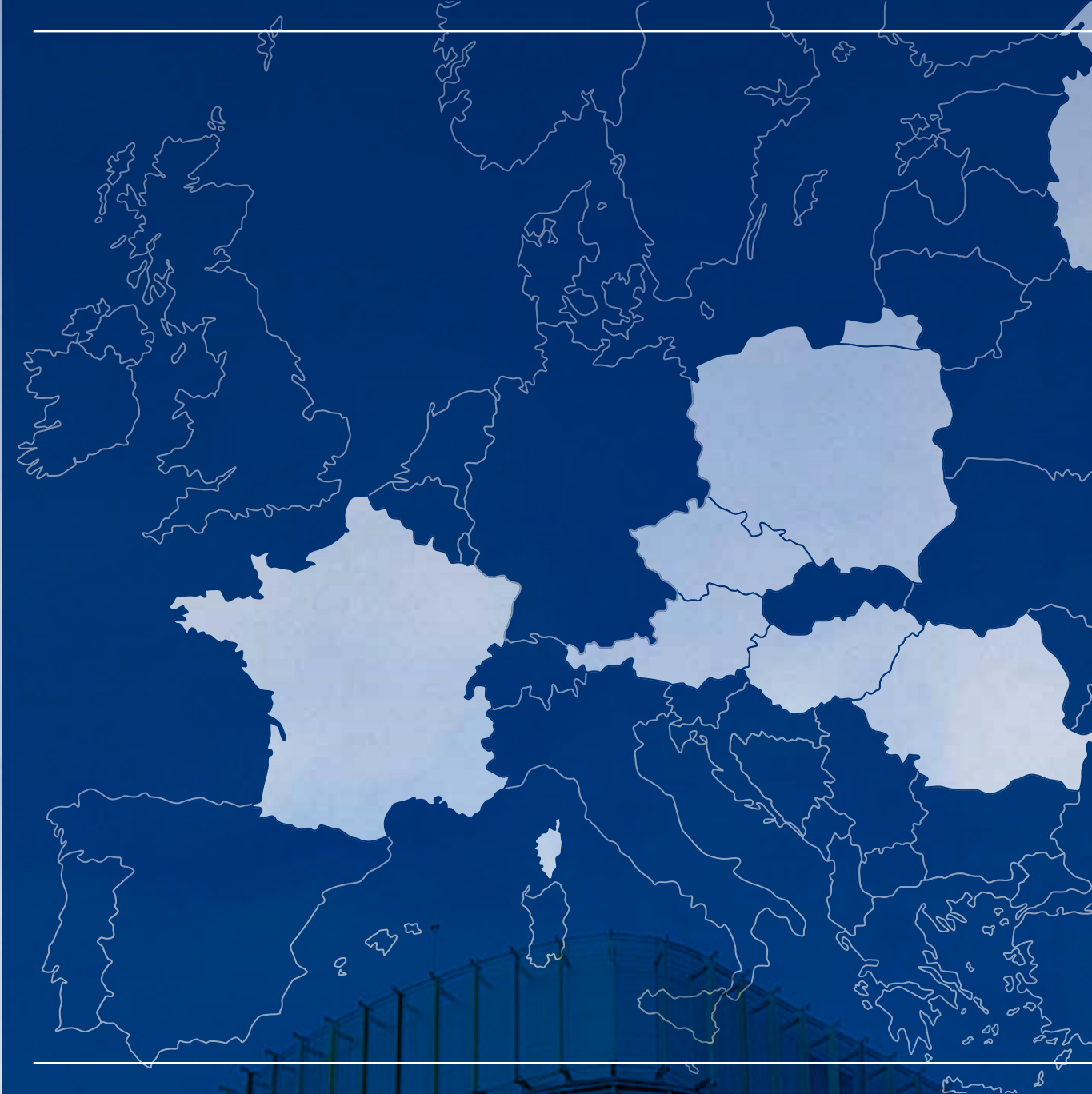
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OTEVRENO



GROUP MANAGEMENT REPORT

# Markets





7  
COUNTRIES

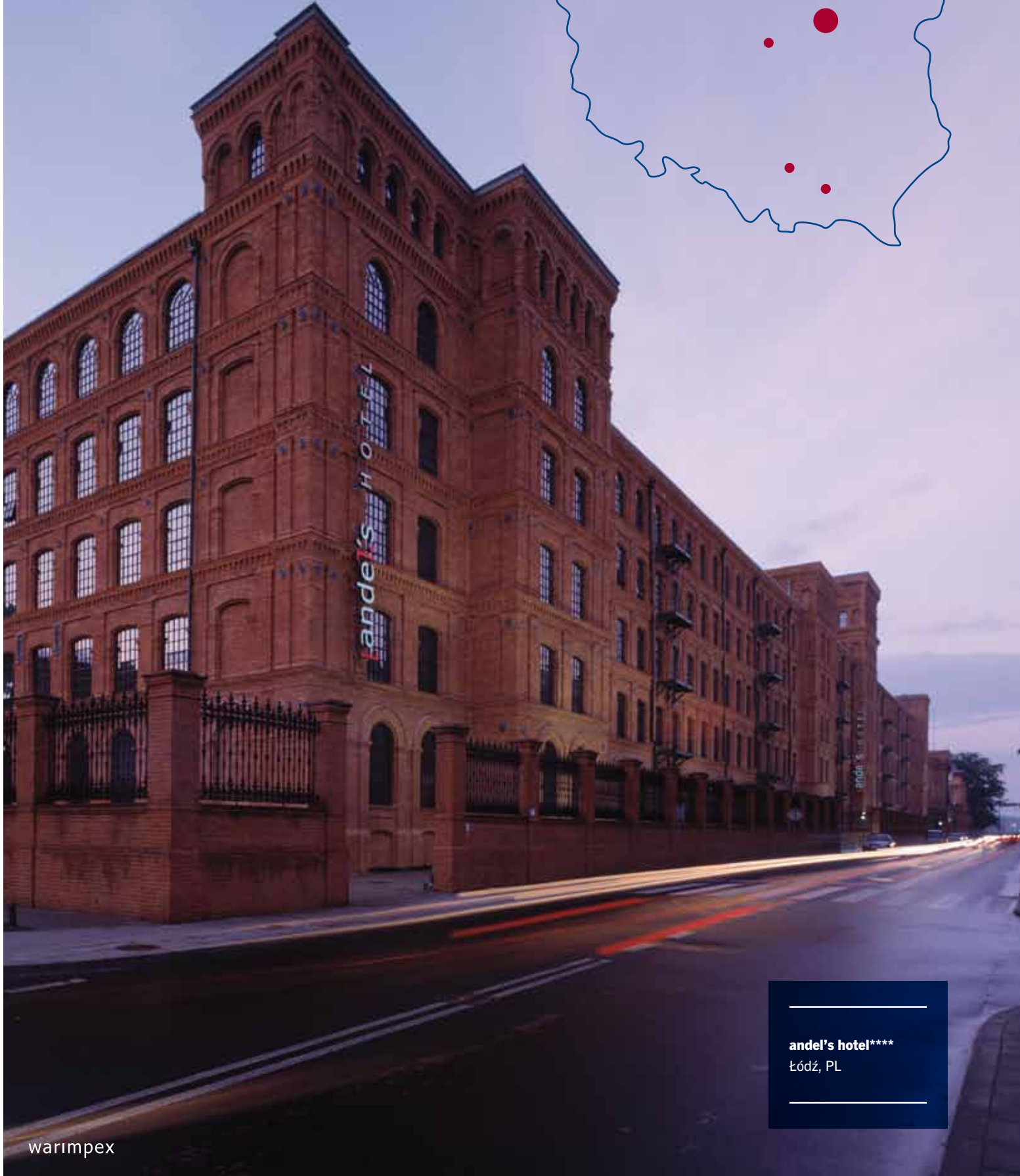
14  
HOTELS

4  
OFFICE BUILDINGS

6  
PROJECTS  
IN DEVELOPMENT

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





andel's hotel\*\*\*\*  
Łódź, PL

## MARKETS

*Poland***Economic environment**

Real GDP growth proved to be strong in Poland in 2016 despite massive headwinds. Economic growth for 2016 as a whole is estimated at 2.8 per cent, which is a decline compared with the previous year (2015: 3.9 per cent). The reason for the lower growth is a contraction in investments. Growth is expected to improve to 3.2 per cent in 2017 and come in at 3.1 per cent in 2018. The projected growth increases are based on solid private consumption.<sup>1</sup>

The volume of real estate transactions increased by 18 per cent to around EUR 4.5 billion in 2016.<sup>2</sup> Prime yields for office properties in Poland were 5.35 per cent<sup>3</sup> in 2016, and prime headline rents came to EUR 23.0 in Warsaw, EUR 14.0 in Krakow, and EUR 13.5 in Łódź<sup>4</sup>. In the hotel industry, average occupancy in Warsaw fell by 1 percentage point to 78.5 per cent while the average room rate in euros increased by 11 per cent to EUR 95.<sup>5</sup>

**Existing portfolio: 6 hotels**

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

Occupancy at the InterContinental hotel increased from 80 per cent to 84 per cent, and the average room rate in euros rose by about 4 per cent. The andel's hotel in Łódź achieved occupancy of 64 per cent (2015: 61 per cent) while the average room rate in euros fell slightly. Occupancy at the Chopin Hotel in Krakow fell from 73 per cent to 71 per cent, but the average room rate in euros rose by 9 per cent. At the andel's hotel in Krakow, occupancy came in at 80 per cent (2015: 81 per cent), and the average room rate improved by around 10 per cent. Room occupancy at the Amber Baltic beachfront resort amounted to 54 per cent (2015: 54 per cent), and the average room rate increased by roughly 10 per cent. Due to its location on the Baltic coast, occupancy rates at this hotel are subject to stronger seasonal fluctuations, and cannot be compared with those of

city hotels.

In June 2016, the 50 per cent stake in the owner of the Parkur office tower, Warsaw, was sold to the joint venture partner.

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

In Łódź, Warimpex owns a property near the andel's hotel. The Company plans to build a new office building with roughly 26,000 square metres of space. The construction permit was issued in April 2016, and construction began in December of the same year.

In addition, an office building owned by Warimpex in Krakow is to be demolished and replaced by a new office building with around 12,000 square metres of space. The building permit was issued in July 2016.

Warimpex is also the owner of a development property next to the Chopin Hotel, 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 holds a development property in Białystok.

<sup>1</sup> European Commission – European Economic Forecast, Winter 2017

<sup>2</sup> CB Richard Ellis, CEE Property Investment Market View, Q4 2016

<sup>3</sup> CB Richard Ellis, Poland Investment, H2 2016

<sup>4</sup> CB Richard Ellis, Warsaw Offices, Q4 2016 and Poland Regional Cities Offices, Q4 2016

<sup>5</sup> HotStats European Chain Hotels – Performance Report for Warimpex

## MARKETS

*Czech Republic***Economic environment**

Economic growth in the Czech Republic is estimated to have come in at 2.4 per cent for the year 2016 after private consumption was hampered by weaker investment activity. GDP growth is projected at 2.6% for 2017 and 2.7% for 2018.<sup>6</sup>

In 2016, average occupancy in Prague rose by 1 percentage point to 77.5 per cent and the average room rate in euros improved by 4 per cent to EUR 99.<sup>7</sup>

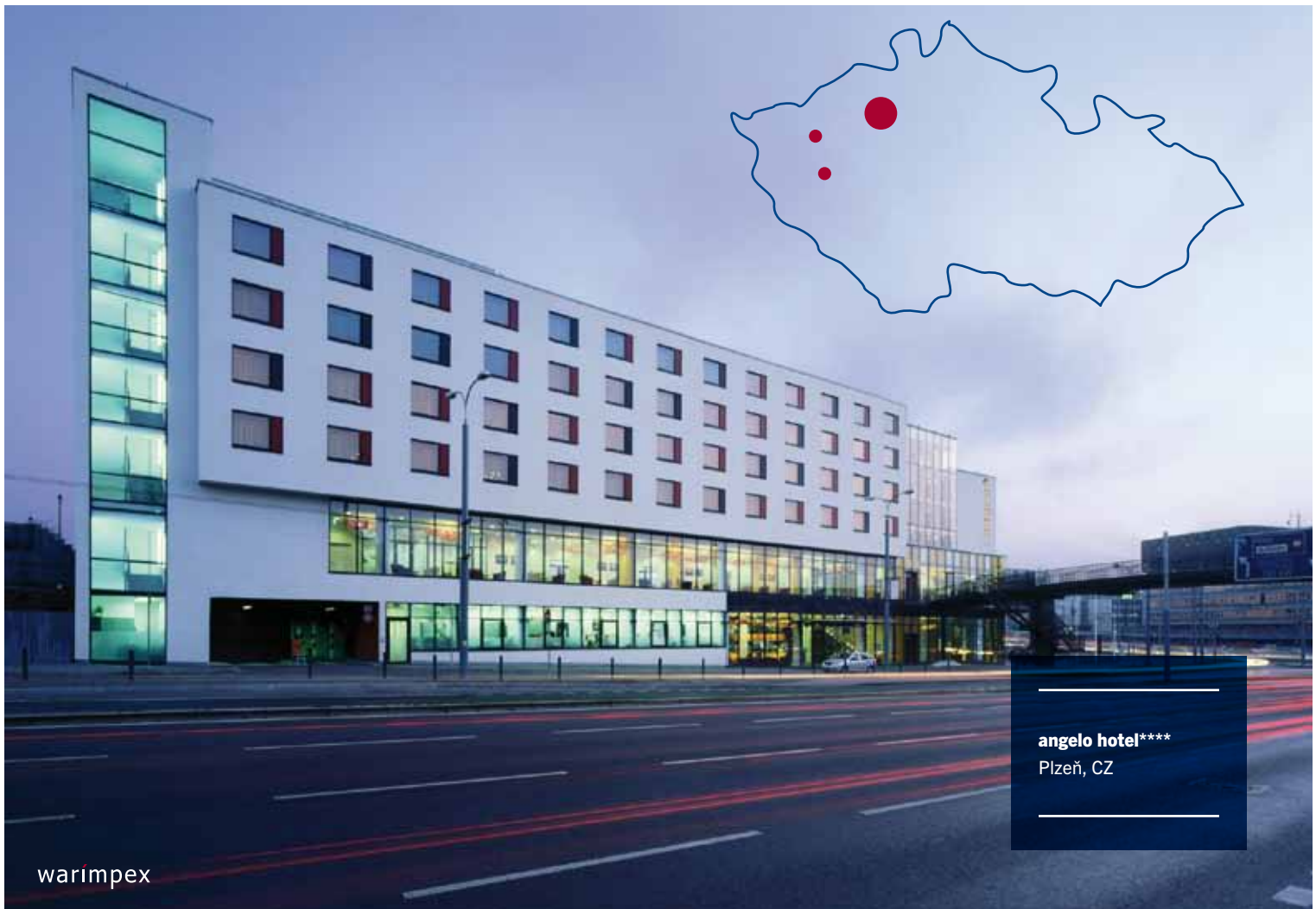
**Existing portfolio: 3 hotels**

In the Czech Republic, Warimpex owns the Hotel Vienna House Diplomat in Prague and the angelo hotels in Prague and Plzeň (50 per cent). Warimpex also operates the Vienna House Dvorak Karlovy Vary in Karlovy Vary under a lease. The lease was extended until 31 December 2026 after the reporting date.

In the reporting period, the Diplomat Hotel and the angelo hotel in Prague achieved occupancy rates of 75 and 79 per cent (2015: 73 and 76 per cent), respectively; the average room rate at the Diplomat Hotel remained stable and rose by around 5 per cent at the angelo. Occupancy at the angelo hotel in Plzeň fell from 69 to 67 per cent, but the average room rate remained stable. Occupancy at the Dvořák hotel rose from 53 to 55 per cent, and the average room rate in euros fell by roughly 13 per cent.

<sup>6</sup> European Commission – European Economic Forecast, Winter 2017

<sup>7</sup> HotStats European Chain Hotels – Performance Report for Warimpex



**angelo hotel\*\*\*\***  
Plzeň, CZ



## MARKETS

*Hungary***Economic environment**

After growth of an estimated 3.1 per cent in 2015, the pace of economic expansion in Hungary slowed to 1.9 per cent in 2016. GDP growth is projected to come in at 3.5 per cent in 2017 and 3.2 per cent in 2018.<sup>8</sup>

Top rents remained constant in year-on-year terms at EUR 21/month in Budapest, while prime yields fell from 7.25 per cent to 6.75 per cent and the vacancy rate declined from 27 per cent to 10.9 per cent.<sup>9</sup>

<sup>8</sup> European Commission – European Economic Forecast, Winter 2017

<sup>9</sup> Cushman & Wakefield, Office Market Overview – Budapest, December 2016

**Existing portfolio: 2 office properties**

In Budapest, Warimpex owns the Erzsébet and Sajka office buildings, which together have a total net floor space of around 15,600 square metres.

The Dioszegi office building with around 800 square metres of space was sold in October 2016.

At Erzsébet Office in Budapest, 12,700 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 – under a long-term lease. Tenants are being sought for the remaining space.

**Under development: 1 hotel and apartments**

In Budapest, Warimpex owns a property on Üllői ut., and the planning of a hotel with adjacent apartments was begun. The associated construction permit was issued in January 2017.



**Vienna House Easy**  
Budapest, HU



## MARKETS

*Romania***Economic environment**

Economic growth in Romania is expected to come to 4.9 per cent in 2016, a new post-crisis record. This is due to stronger private consumption that is being supported by wage increases. Growth is projected to come in at 4.4 per cent in 2017 and 3.7 per cent in 2018.<sup>10</sup>

In the hotel industry, average occupancy in Bucharest fell by 1 percentage point to 79 per cent while the average room rate in euros increased by 13 per cent to EUR 105.<sup>11</sup>

**Existing portfolio: 1 hotel**

The angelo Airporthotel in Bucharest, which Warimpex acquired in 2007 and expanded by 69 rooms in 2008 along with adapting it into an angelo hotel, saw a change in occupancy from 65 to 62 per cent. The average room rate in euros rose by around 5 per cent.

<sup>10</sup> European Commission – European Economic Forecast, Winter 2017

<sup>11</sup> HotStats European Chain Hotels – Performance Report for Warimpex



## MARKETS

*France***Economic environment**

Economic growth retreated slightly from 1.3 per cent to 1.2 per cent in 2016. The French economy is expected to slowly gain momentum and stabilise in 2017. This trend will be driven primarily by household spending. Growth is expected to amount to 1.4 per cent in 2017 and 1.7 per cent in 2018.<sup>12</sup>

**Existing portfolio: 2 hotels**

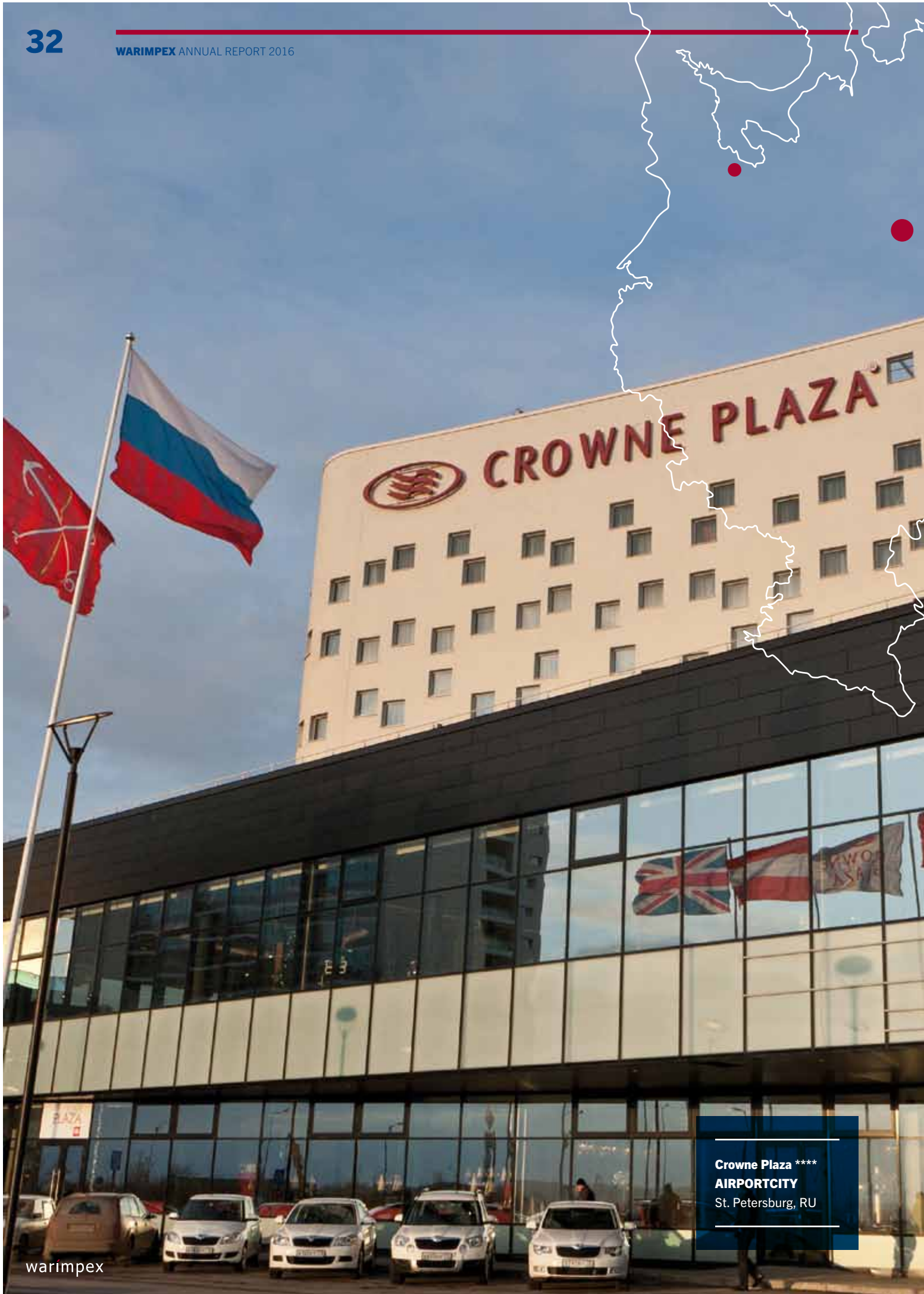
In Paris, Warimpex and its partner UBM are the joint leaseholders (finance leasing) of the four-star Dream Castle Hotel and the four-star Magic Circus at Disneyland® Resort Paris, each of which have about 400 rooms. The occupancy rates at the hotels were 71 and 62 per cent (2015: 75 and 67 per cent), respectively. The average room rate fell by around 20 per cent at both establishments. The cause of the poorer performance is above all fear of terrorist attacks in France.

<sup>12</sup> European Commission – European Economic Forecast, Winter 2017



**Dream Castle  
Hotel\*\*\*\***  
at Disneyland® Paris, F





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

## MARKETS

*Russia***Economic environment**

The prospects for the Russian economy have improved in recent months, especially thanks to the stabilisation of the oil price and the rouble exchange rate. After a recession (2015: -3.7 per cent, 2016: -0.6 per cent), the Russian economy will grow again in 2017 (+0.8 per cent) and 2018 (+1.1 per cent).<sup>14</sup>

The volume of real estate transactions in Russia increased by 19 per cent to around EUR 3.8 billion in 2016.<sup>15</sup> The peak yields for office properties in St. Petersburg ranged from 11.5 per cent to 12.5 per cent, while prime rents totalled RUB 1,670 (roughly EUR 28) per month and square metre.<sup>16</sup>

In St. Petersburg, occupancy rates rose by an average of 1 percentage point to 68 per cent, and the average room rate improved by 19 per cent to EUR 73.<sup>17</sup>

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

In St. Petersburg, Warimpex holds 55 per cent of AIRPORTCITY St. Petersburg. In the first phase of the project, a four-star Crowne Plaza hotel (InterContinental Hotel Group) and office buildings (Jupiter 1 and 2) with 16,800 square metres of lettable space were opened at the end of December 2011. AIRPORTCITY St. Petersburg is being developed by OAO AVIELEN A.G. together with CA Immo and UBM and is directly next to Pulkovo 2 international airport in St. Petersburg. AIRPORTCITY is the first premium-class business centre in the region and is a key infrastructure project in the growing economic centre of St. Petersburg.

The contract for the sale of the Jupiter 1 and Jupiter 2 office towers at AIRPORTCITY St. Petersburg was signed in November 2014, and the deal closed in the first quarter of 2015. Warimpex indirectly acquired 24 per cent of the two office towers in November 2016 (see section 7.4.2. of the notes to the consolidated financial statements)

The Zeppelin office building 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 achieved occupancy of 74 per cent (2015: 73 per cent) while the average room rate in euros rose by about 10 per cent.

**Under development:****1 multi-use building, 2 development properties**

Construction of a multi-use building with parking spaces for around 450 vehicles and around 6,000 square metres of office and archive space was begun at AIRPORTCITY St. Petersburg at the beginning of 2016. The entire building is already completely let out and is to be finished in the middle of 2017.

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

<sup>15</sup> CB Richard Ellis, CEE Property Investment Market View, Q4 2016

<sup>16</sup> CB Richard Ellis, Valuation Report for AIRPORTCITY, CJSC Avielen AG

<sup>17</sup> HotStats European Chain Hotels – Performance Report for Warimpex



## MARKETS

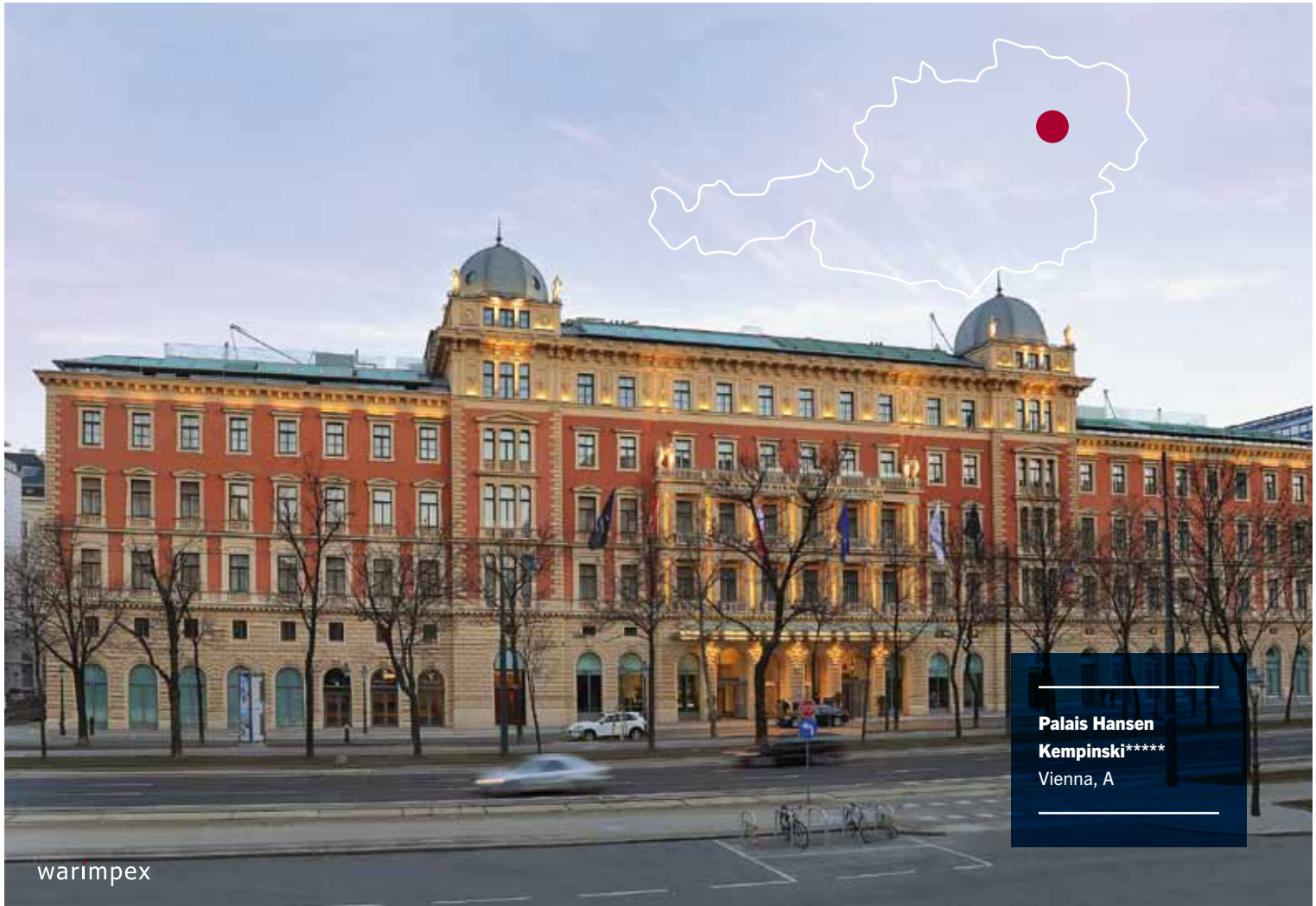
*Austria***Economic environment**

GDP growth in Austria climbed to 1.5 per cent in 2016 and is expected to remain at this level in 2017 and 2018. Investments and private consumption are benefiting from the income tax reform and have become the most important drivers of growth.<sup>13</sup>

**Existing portfolio: 1 hotel**

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

<sup>13</sup> European Commission – European Economic Forecast, Winter 2017

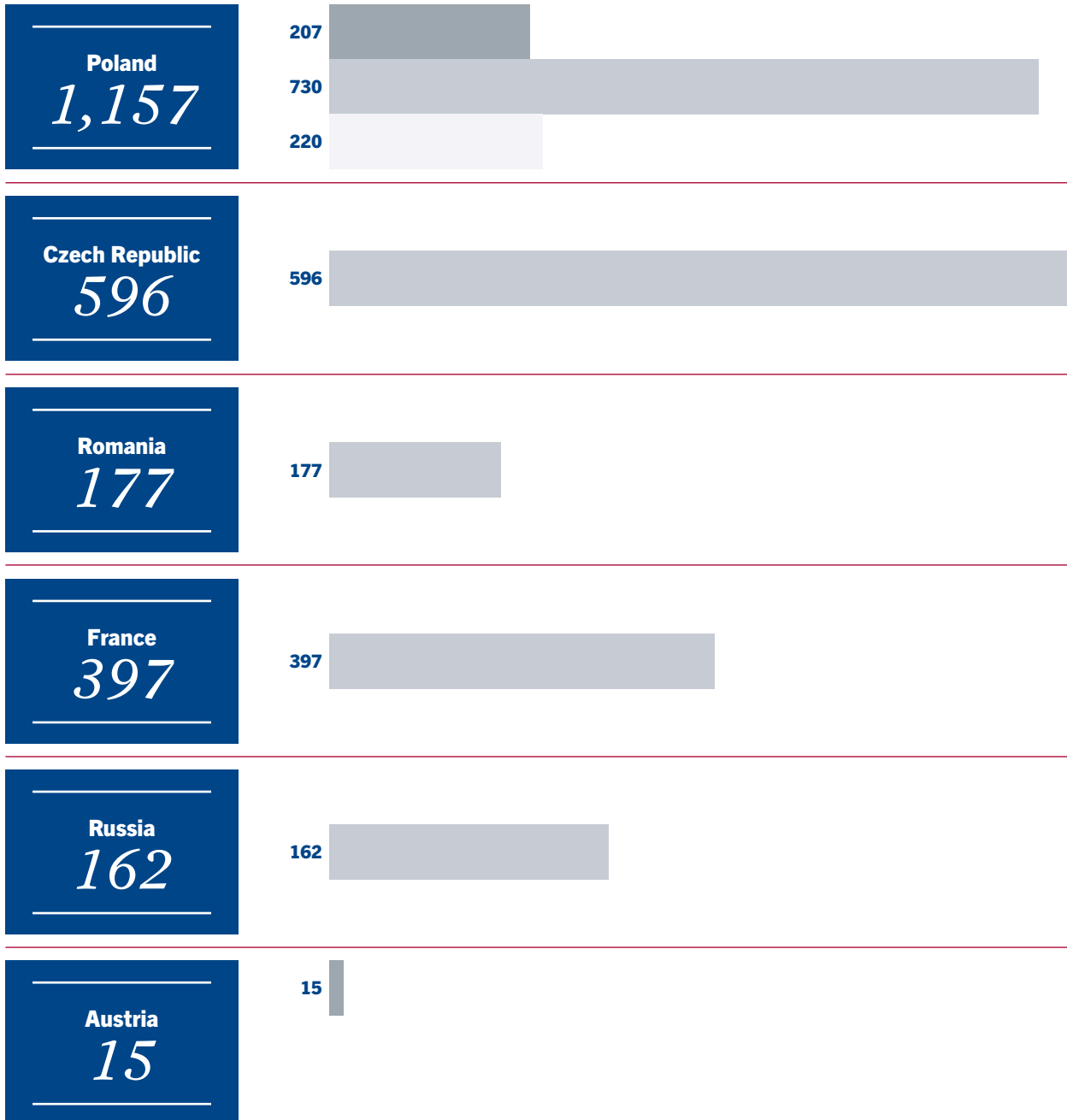


MARKETS

# Hotel Portfolio

**HOTEL PORTFOLIO** (NUMBER OF ROOMS ADJUSTED FOR PROPORTIONATE SHARE OF OWNERSHIP) AS OF 31 DECEMBER 2016

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



The reduction in the proportionate number of rooms by 168 in annual comparison to 2,504 can be attributed to the sale of the angelo hotel in Prague.

## BUSINESS DEVELOPMENT

# *Assets, Financial Position, and Earnings Situation*

## Development of revenues

The EUR 54.5 million decline in revenue in the Hotels segment to EUR 51.9 million can be attributed to the sale of hotels in Ekaterinburg (angelo Ekaterinburg with 211 rooms, Liner Ekaterinburg with 155 rooms, both in September 2015) in the previous year and the sale of a hotel in Prague in the reporting period (angelo Prague in October 2016).

Revenues from the rental of office properties (Investment Properties revenues) increased from EUR 4.4 million to EUR 8.6 million as a result of the completion and letting of the Zeppelin office tower in St. Petersburg and of an office tower in Budapest. Rental revenue was generated by these properties for the entire year for the first time in the reporting period.

Total revenues remained unchanged at around EUR 62 million. Roughly 83 per cent of the revenues were generated by hotel operations, some 14 per cent by the letting of office properties, and roughly 3 per cent by the Development and Services segment.

Expenses directly attributable to revenues fell from EUR 38.5 million to EUR 36.0 million.

## Earnings situation

### Gains or losses from the disposal of properties

In June 2016, the 50 per cent stake in the owner of the Parkur office tower, Warsaw, was sold to the joint venture partner.

The Dioszegi office building in Budapest and the 100 per cent stake in the angelo hotel in Prague were sold in October 2016.

The deal for the sale of both Jupiter office towers in St. Petersburg was closed and the two fully consolidated hotels in Ekaterinburg were sold during the comparison reporting period.

### EBITDA

Earnings before interest, taxes, depreciation, and amortisation and gains/losses on remeasurement (EBITDA) decreased by 27 per cent from EUR 29.3 million in 2015 to EUR 21.5 million. This decline can primarily be attributed to a decrease in gains from the disposal of properties.

### EBIT

Impairment charges of EUR 0.5 million had to be made in the reporting period (2015: EUR 12.2 million) while scheduled depreciation and amortisation came to EUR 6.4 million (2015: EUR 8.9 million).

The remeasurement result from the office assets (investment properties) came to EUR 7.6 million (2015: EUR -20.2 million). The measurement gains on the investment properties pertain largely to the office building that is under development in Łódź, for which a construction permit has already been issued, and to the Zeppelin office tower in St. Petersburg thanks to improved economic parameters in Russia.

The impairment charges and remeasurement losses in the prior year primarily involved Russian properties.

Overall, EBIT improved from EUR -9.9 million to EUR 25.7 million.

### Financial result

Finance income (including earnings from joint ventures) went from EUR -31.9 million to EUR -1.9 million due to positive changes in foreign exchange rates in the amount of EUR 20.3 million (2015: exchange rate losses of EUR 19.5 million). Interest on current account loans, long-term project financing and other loans, and interest on convertible and other bonds decreased from EUR 15.0 million to EUR 10.9 million in annual comparison.

Earnings from joint ventures went from EUR 9.6 million to EUR -1.2 million due to the sales proceeds from the andel's in Berlin in the previous year.

### Profit or loss for the period

The result for the period went from EUR -42.3 million in 2015 to EUR 22.9 million in 2016. The profit for the equity holders of the parent improved in annual comparison from EUR -17.8 million to EUR 17.4 million.

## 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 and associated companies 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	2016	2015
Revenues for the Group	81,773	96,573
Average number of hotel rooms for the Group**	2,759	3,213
GOP for the Group	32,414	37,062
NOP for the Group	25,134	28,124
NOP/available room in EUR	9,109	8,752

\* Including all joint ventures and associated companies on a proportionate basis

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

The average number of available rooms fell by 14 per cent to 2,759 during the reporting period due to the sale of hotels, while revenues from hotel operations declined by 15 per cent to EUR 81.8 million.

Key figures that are typical for the sector are used to manage the hotels. These include GOP (gross operating profit, calculated according to the Uniform System of Accounts for the Lodging Industry) and NOP (net operating profit, which corresponds to the GOP less specific costs of ownership after GOP such as management fees, insurance, land tax, etc.). The NOP fell by 11 per cent to EUR 25.1 million; the NOP per available room rose by 4 per cent to EUR 9,109.

### Investment Properties segment\*

in EUR '000	2016	2015
Revenues for the Group	9,614	5,121
Segment EBITDA	6,987	3,170

\* Including all joint ventures on a proportionate basis

Revenue and segment EBITDA improved as a result of the completion and rental of the office development projects Zeppelin (15,600 square metres) at AIRPORTCITY St. Petersburg and Erzsébet (14,500 square metres) in Budapest.

### Development and Services segment\*

in EUR '000	2016	2015
Revenues for the Group	2,321	3,514
Gains or losses from the disposal of properties	9,050	24,270
Segment EBITDA	1,589	23,375

\* Including all joint ventures on a proportionate basis

The results in this segment depend heavily on the sale of real estate holdings (share deals) and properties (asset deals) and are subject to significant year-on-year fluctuation. The result from the disposal of properties includes the final purchase price adjustment from the sale of the InterContinental hotel in Warsaw, which was sold in 2012, and the sale of the angelo hotel in Prague.

The segment EBITDA in the prior year resulted from the proceeds from the sale of the andel's hotel in Berlin (roughly EUR 10.1 million) and the effect of the deconsolidation of the two hotels in Ekaterinburg (around EUR 3.9 million), offset by the loss on the disposal of the two Jupiter office towers (roughly EUR -0.3 million) resulting from the posting of the transaction costs.



## Assets

Consolidated Statement of Financial Position in EUR '000	31/12/2016	31/12/2015	31/12/2014
<b>ASSETS</b>			
Non-current assets	174,185	322,960	389,247
Current assets	183,701	27,274	104,157
<b>Total assets</b>	<b>357,886</b>	<b>350,235</b>	<b>493,404</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	54,000	54,000	54,000
Retained earnings and reserves	16,188	-235	18,143
<b>Equity attributable to the parent</b>	<b>70,188</b>	<b>53,765</b>	<b>72,143</b>
Non-controlling interests	-27,130	-32,037	-14,467
<b>Total equity</b>	<b>43,058</b>	<b>21,728</b>	<b>57,676</b>
Non-current liabilities	169,371	286,722	352,447
Current liabilities	145,457	41,785	83,280
<b>Total liabilities</b>	<b>314,828</b>	<b>328,507</b>	<b>435,727</b>
<b>Total equity and liabilities</b>	<b>357,886</b>	<b>350,235</b>	<b>493,404</b>

On 23 February 2017, Warimpex concluded a framework agreement for the sale of hotel holdings. The assets and liabilities of the companies to be sold and the joint venture shares were classified as held for sale according to IFRS 5 (see section 5.1. in the notes to the consolidated financial statements).

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

In view of the fact that Warimpex carries property, plant, and equipment at cost less depreciation, a comparison of the Group's equity ratio with that of other real estate companies is possible only to a limited extent. Assuming that the property, plant, and equipment items (hotels) are recognised at their fair values, the equity ratio would be 18 per cent (2015: 15 per cent) (NAV/adjusted balance sheet total).

## Financial Position

Consolidated Statement of Cash Flows in EUR '000	2016	2015
Cash receipts from operating activities	64,370	63,044
Cash payments for operating activities	-51,412	-50,191
<b>Net cash flows from operating activities</b>	<b>12,958</b>	<b>12,853</b>
Net cash flows from investing activities	10,121	38,759
Net cash flows for financing activities	-26,751	-54,406
<b>Cash and cash equivalents at 31 December</b>	<b>4,723</b>	<b>7,394</b>

### Cash flow from operations

The cash flow from operating activities improved by 1 per cent. For more information, see the detailed comments in item 2. Segment information in the notes.

### Net cash flows from investing activities

The cash receipts from investing activities pertain primarily to the sale of the angelo hotel in Prague (2015: sale of the Jupiter office towers and repayments from joint ventures from the sale of the andel's Berlin). The cash payments for investments pertain to construction work for the multi-use building at AIRPORTCITY St. Petersburg (2015: construction work for investment properties: Erzsébet Offices in Budapest and Zeppelin office tower in St. Petersburg).

### Cash flows from financing activities

The change in the cash flows from financing activities can primarily be attributed to the low repayment of loans. The cash flows for paid interest fell from EUR 16.4 million in the previous year to EUR 9.5 million. Overall, the net cash flow from investing activities came to EUR -26.8 million (2015: EUR -54.4 million).

## Real Estate Assets

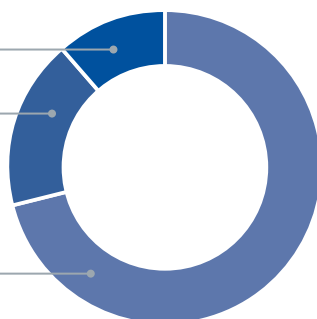
On 31 December 2016, the real estate portfolio of the Warimpex Group comprised 14 hotels with roughly 3,500 rooms (2,500 rooms when adjusted for the proportionate share of ownership) plus four office properties with a total lettable floor area of roughly 48,000 square metres (28,000 square metres when adjusted for the proportionate share of ownership).

### PROPERTY ASSETS IN EUR MILLION

39.7 Development projects

60.3 Existing office assets

243.3 Existing hotel assets



### GAV BY COUNTRY IN %

40% Poland

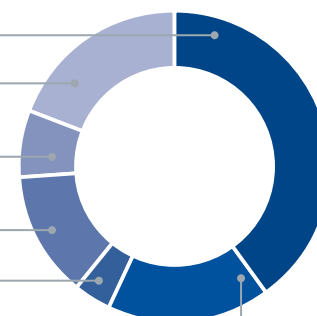
19% Russia

7% Hungary

13% France

4% Romania

17% Czech Republic



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

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. At 31 December 2016, seven hotel properties were classified as held for sale according to IFRS 5, for which reason there were no differences in measurement. 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 valued twice annually (on 30 June and 31 December) by independent real estate appraisers.

On 31 December 2016, the following experts appraised Warimpex's portfolio:

Appraiser	Fair value as of 31/12/2016	in %
	in EUR millions	
CB Richard Ellis	118	34%
Knight Frank	25	7%
PricewaterhouseCoopers	11	3%
Others or not appraised	6	2%
	<b>160</b>	<b>46%</b>
Hotels measured at their preliminary selling prices	183	53%
	<b>343</b>	<b>100%</b>

The fair values are determined in accordance with the valuation standards of the Royal Institute of Chartered Surveyors. The fair value is the price that would be paid for the transfer of an asset or a liability in a transaction at arm's length terms on the reporting date. The real estate appraiser uses the discounted cash flow (DCF) approach to calculate the fair values of developed properties, and the comparative method for other properties. Development projects are 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 343.3 million on 31 December 2016 (31 December 2015: EUR 340.8 million), of which EUR 75.5 million (31 December 2015: EUR 74.9 million) can be attributed to joint ventures. This increase can be attributed primarily to progress in development projects in Poland and Russia offset by the sale of Parkur tower in Warsaw and the angelo hotel in Prague. The Group's triple net asset value (NNNAV) rose from EUR 98.4 million as at 31 December 2015 to EUR 104.7 million as at 31 December 2016.

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

in EUR millions	12/2016		12/2015	
Equity before non-controlling interests		70.2		53.8
Goodwill		–		-0.9
Deferred tax assets	- 1.9		-0.1	
Deferred tax liabilities including deferred tax liabilities in disposal groups	11.5	9.6	10.1	10.0
Carrying amount of existing hotel assets	- 24.2		-188.8	
Fair value of existing hotel assets	24.6	0.4	204.4	15.6
Carrying amount of development projects	- 49.2		- 33.1	
Fair value of development projects	49.2	–	33.1	–
Carrying amount of joint ventures	-14.5		-24.1	
Fair value of joint ventures	28.9	14.4	44.0	19.9
Carrying amount of disposal groups	169.2		–	
Fair value of disposal groups	179.3	10.1	–	–
<b>Triple net asset value</b>		<b>104.7</b>		<b>98.4</b>
Number of shares on 31 December		54.0		54.0
<b>NNNAV per share in EUR</b>		<b>1.9</b>		<b>1.8</b>

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

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

### **a) General**

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

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

### **b) Operating risks**

In the Hotels segment, Warimpex is exposed to the general risks inherent to the tourism industry such as economic fluctuations, political risks, and increasing fear of terrorist attacks. There is the risk that competitors may enter the Group's target markets, thereby increasing the number of beds available.

In the Investment Properties and Development and Services segments, the Group is exposed to finance and currency risks, interest rate risks, market entry risks, and the risk of delays in the completion of construction work on real estate projects. In addition, there are risks of rent default which may impact both on the current cash flow and on property values.

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

Real estate maintenance is a key aspect in the sustainable economic development of the Warimpex Group. Asset manage-

ment 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 2016 in section 8.2.

### 1. Interest rate risk

The risk of fluctuations in market interest rates (usually the three-month EURIBOR for bank loans and the six-month EURIBOR or six-month WIBOR for bonds) to which the Group is exposed results primarily from its variable-rate long-term financial liabilities.

Interest rate hikes can impact the Group's result by causing higher interest expenses for existing variable-rate financing. In the case of variable-rate financing, a change in the interest rate has an immediate effect on the Company's financial result.

Warimpex limits the risk of rising interest rates that would lead to higher interest expenses and a worsening of the financial result in part through the arrangement of fixed-rate financing and in part through the use of derivative financial instruments (especially interest rate swaps).

### 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 PLN), or for foreign Group companies with the local currency as their functional currency, financial liabilities in a foreign currency (EUR).

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

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

### 3. Default risk

The amounts stated as assets on the face of the consolidated statement of financial position represent the maximum credit risk and default risk, since there are no general settlement agreements. The default risk associated with trade receivables can be considered moderate because receivables are generally

paid either in advance or immediately on site, especially in the Hotels segment. Longer payment terms are generally only accepted for receivables from travel agencies.

The Group is in a position to influence the default risk on loans to joint ventures or associated companies 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 hotel managers (such as Vienna International, InterContinental Hotel Group) as well as by the Group holding company. The annual financial statements of all operating property companies are also reviewed by external financial auditors.

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

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

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

Quarterly financial statements are prepared by the Group accounting department in 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

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

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

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

In 2016 (including the joint ventures), an average of 906 (2015: 1,009) employees worked in the Hotels segment, 1 (2015: 1) in the Investment Properties segment, and 47 (2015: 30) in the Development and Services segment.

## Sustainability

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

At the beginning of 2013, Warimpex completed the BREEAM – Good-certified Le Palais Office building in Warsaw. The Ogródowa office building that is currently under construction in Łódź will be certified BREEAM – Very Good.

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

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

## Disclosures pursuant to § 243a Austrian Commercial Code

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

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

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

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

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

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

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

At the end of March 2013, convertible bonds with a total nominal value of PLN 26.5 million (roughly EUR 6.4 million) and a denomination of PLN 250,000 were successfully placed with a term of three years and a coupon of 4.875 per cent p.a., payable semi-annually. The conversion price was set at PLN 7.06 (roughly EUR 1.7). This bond grants the right of exchange or subscription for up to 3,753,541 bearer shares in the Company (contingent capital 1).

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

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

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

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

In June 2014, convertible bonds with a total nominal value of EUR 5 million and a denomination of EUR 10,000 were successfully placed with a term of three years and a coupon of 4.0 per cent p.a., payable semi-annually. The conversion price was set at EUR 1.80. This bond grants the right of exchange or subscription for up to 2,777,778 shares in the Company (contingent capital 2). In 2015 and 2016, Warimpex purchased convertible bonds with a nominal value of EUR 0.5 million and EUR 0.6 million, respectively.

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

In January 2016, bonds with the following characteristics were privately placed:

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

In March 2016, bonds with the following characteristics were privately placed and then redeemed early in November 2016:

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

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

At the Annual General Meeting on 11 June 2012, the Management Board was authorised to purchase shares in the



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

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

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#### THE BONDS OF WARIMPEX FINANZ- UND BETEILIGUNGS AG AS AT 31 DECEMBER 2016

	ISIN	Conversion price	Outstanding amount
Convertible bond 06/17	AT0000A18Q78	EUR 1.80	EUR 3,900,000
Bond 10/17	AT0000A139F7	–	PLN 1,500,000
Bond 02/18	PLWRMFB00024	–	PLN 3,000,000
Convertible bond 11/18	AT0000A100Y0	PLN 5.94	PLN 19,500,000
Bond 12/18	PLWRMFB00032	–	EUR 25,885,000
Bond 01/19	PLWRMFB00040	–	PLN 9,700,000

## Events after the Reporting Date

Warimpex announced the sale of part of its hotel portfolio to the Thai investor U City Public Company Limited (U City) on 23 February 2017. The transaction covers eight hotel holdings (two of which are partially [50 per cent] owned by UBM Development AG), which account for around 50 per cent of the total real estate assets of Warimpex and represent a property value of roughly EUR 180 million (excluding the holdings of UBM in this portfolio). This amount also corresponds to the total financial consideration (excluding the purchase price for the UBM portion of the portfolio), which consists of the purchase price for the shares in the respective property companies and the assumption of shareholder loans and liabilities from the bank financing taken out by the property companies.

The closing of the transaction is still subject to the standard prerequisites for real estate transactions of this type and a variety of necessary permits and approval from different business partners. Warimpex expects the transaction to close by the summer of 2017.

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

## Outlook

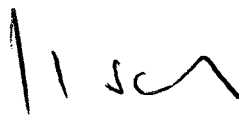
The following development projects are currently under construction or development:

- **AIRPORTCITY, St. Petersburg**, multi-use building (under construction)
- **Ogrodowa office building** with roughly 26,000 square metres of space, Łódź (under construction)
- **Mogilska office building** with roughly 12,000 square metres of space, Krakow
- **Chopin office building** with roughly 21,000 square metres of space, Krakow
- **Hotel** with roughly 170 rooms and around 60 apartments, Budapest

Our objective for the coming months is to move ahead with our current development projects as well as to successfully conclude the sale of part of our hotel portfolio to U City. The sale will significantly expand our room for manoeuvre and will position us ideally for new projects, including in collaboration with U City as a future partner that is entering the CEE market for the first time.

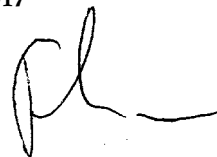
We still see our future in the development of hotels and office buildings in CEE, focusing on the established markets in Poland, the Czech Republic, Hungary, Romania, Russia, Germany, and France.

Vienna, 24 April 2017



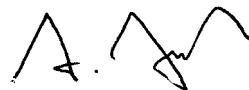
**Franz Jurkowitsch**

Chairman of the Management Board



**Georg Folian**

Deputy Chairman of the Management Board



**Alexander Jurkowitsch**

Member of the Management Board



**Florian Petrowsky**

Member of the Management Board



InterContinental  
hotel\*\*\*\*\*  
Warsaw, PL



# Consolidated Financial Statements

AS OF 31 DECEMBER 2016

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**Mogilska Office**  
Krakow, PL

# Consolidated Income Statement

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2016

in EUR '000	Note	2016	2015
Hotels revenues		51,864	54,462
Investment Properties revenues		8,580	4,384
Development and Services revenues		1,757	3,053
<b>Revenues</b>	6.1.	<b>62,201</b>	<b>61,898</b>
Expenses from the operation of hotels		(33,094)	(36,374)
Expenses from the operation of investment properties		(1,842)	(1,267)
Expenses directly attributable to development and services		(1,030)	(898)
<b>Expenses directly attributable to revenues</b>	6.2.	<b>(35,967)</b>	<b>(38,539)</b>
<b>Gross income from revenues</b>		<b>26,235</b>	<b>23,359</b>
Income from the sale of properties		14,061	68,853
Disposal of carrying amounts and expenses related to sales		(5,388)	(54,633)
<b>Gains or losses from the disposal of properties</b>	5.2	<b>8,674</b>	<b>14,220</b>
<b>Other operating income</b>	6.3.	<b>1,792</b>	<b>3,740</b>
<b>Administrative expenses</b>	6.4.	<b>(11,514)</b>	<b>(9,391)</b>
<b>Other expenses</b>	6.5.	<b>(3,736)</b>	<b>(2,649)</b>
<b>Results of operating activities before finance income, taxes, depreciation, and amortisation (EBITDA)</b>		<b>21,450</b>	<b>29,280</b>
Scheduled depreciation and amortisation on property, plant, and equipment and intangible assets		(6,415)	(8,905)
Impairments		(491)	(12,189)
Reversals of impairment		3,638	2,149
Gains/losses on remeasurement of investment property		7,553	(20,240)
<b>Depreciation, amortisation, and remeasurement</b>	6.6.	<b>4,285</b>	<b>(39,185)</b>
<b>Earnings before interest and taxes (EBIT)</b>		<b>25,735</b>	<b>(9,905)</b>
Finance income	6.7.	1,928	2,416
Finance expenses	6.8.	(23,004)	(24,410)
Changes in foreign exchange rates	6.9.	20,343	(19,506)
Earnings from joint ventures and associated companies (equity method) after taxes	7.4.3.	(1,156)	9,647
<i>thereof from the sale of andel's Berlin</i>		-	10,050
<b>Financial result</b>		<b>(1,889)</b>	<b>(31,854)</b>
<b>Earnings before taxes</b>		<b>23,845</b>	<b>(41,759)</b>
Income taxes	6.10.	(937)	(194)
Deferred income taxes	7.6.	(46)	(377)
<b>Taxes</b>		<b>(983)</b>	<b>(571)</b>
<b>Profit or loss for the period</b>		<b>22,862</b>	<b>(42,330)</b>
thereof profit or loss of non-controlling interests		5,440	(24,492)
<b>thereof profit or loss of shareholders of the parent</b>		<b>17,423</b>	<b>(17,838)</b>
Undiluted earnings per share in EUR	7.10.1.	0.32	-0.33
Diluted earnings per share in EUR	7.10.1.	0.32	-0.33

# Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2016

in EUR '000	Note	2016	2015
<b>Profit or loss for the period</b>		<b>22,862</b>	<b>(42,330)</b>
Foreign exchange differences		(891)	(2,100)
<i>thereof reclassified to the income statement</i>		–	(2,146)
Valuation of cash flow hedges		(735)	(788)
Other comprehensive income from joint ventures (equity method)		(9)	–
Gains/losses from available-for-sale financial assets	7.8.	(75)	(1,930)
(Deferred) taxes in other comprehensive income		164	592
<b>Other comprehensive income (reclassified to profit or loss in subsequent periods)</b>	7.10.3.	<b>(1,546)</b>	<b>(4,226)</b>
Result of remeasurement result in accordance with IAS 19		18	16
(Deferred) taxes in other comprehensive income		(5)	(4)
<b>Other comprehensive income (not reclassified to profit or loss in subsequent periods)</b>	7.10.3.	<b>14</b>	<b>12</b>
<b>Other comprehensive income</b>		<b>(1,532)</b>	<b>(4,214)</b>
<b>Total comprehensive income for the period</b>		<b>21,330</b>	<b>(46,544)</b>
thereof profit or loss of non-controlling interests		4,906	(26,020)
<b>thereof profit or loss of shareholders of the parent</b>		<b>16,424</b>	<b>(20,524)</b>

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2016

in EUR '000	Note	31/12/2016	31/12/2015
<b>ASSETS</b>			
Property, plant, and equipment	7.1.	31,316	195,731
Investment property	7.2.	111,739	84,595
Goodwill	7.3.	–	921
Other intangible assets		18	34
Joint ventures and associated companies (equity method)	7.4.3.	14,479	24,083
Financial assets, available for sale	7.8.	583	2
Other financial assets	7.5.	14,118	17,493
Deferred tax assets	7.6.	1,931	102
<b>Non-current assets</b>		<b>174,185</b>	<b>322,960</b>
Inventories		312	583
Trade and other receivables	7.7.	5,203	8,686
Financial assets, available for sale	7.8.	6,233	10,610
Cash and cash equivalents	7.9.	2,769	7,394
Disposal groups, held for sale	5.1.	169,185	–
<b>Current assets</b>		<b>183,701</b>	<b>27,274</b>
<b>TOTAL ASSETS</b>		<b>357,886</b>	<b>350,235</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	7.10.1.	54,000	54,000
Retained earnings	7.10.3.	13,218	(4,204)
Treasury shares	7.10.3.	(301)	(301)
Other reserves	7.10.3.	3,271	4,270
<i>thereof cumulated other comprehensive income from disposal groups</i>		4,201	–
<b>Equity attributable to equity holders of the parent</b>		<b>70,188</b>	<b>53,765</b>
Non-controlling interests		(27,130)	(32,037)
<b>Equity</b>		<b>43,058</b>	<b>21,728</b>
Convertible bonds	7.11.1.	3,971	8,265
Other bonds	7.11.2.	42,988	41,270
Other financial liabilities	7.11.3.	105,335	208,925
Derivative financial instruments	7.12.	401	2,142
Other liabilities	7.13.	7,220	6,542
Provisions	7.14.	2,499	2,353
Deferred tax liabilities	7.6.	3,295	10,064
Deferred income	7.15.	3,662	7,162
<b>Non-current liabilities</b>		<b>169,371</b>	<b>286,722</b>
Convertible bonds	7.11.1.	3,931	61
Bonds	7.11.2.	552	9,800
Other financial liabilities	7.11.3.	13,256	18,363
Trade and other payables	7.16.	11,152	11,519
Provisions	7.14.	252	613
Income tax liabilities	6.10.	615	134
Deferred income	7.15.	229	1,296
Liabilities directly related to the disposal groups classified as held for sale	5.1.	115,470	–
<b>Current liabilities</b>		<b>145,457</b>	<b>41,785</b>
<b>Liabilities</b>		<b>314,828</b>	<b>328,507</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>357,886</b>	<b>350,235</b>



# Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2016

in EUR '000	Note	2016	2015
<b>Cash receipts</b>			
from hotel operations and rent received		62,055	61,213
from real estate development projects and other		572	760
from interest income		1,742	1,070
<b>Cash receipts from operating activities</b>		<b>64,370</b>	<b>63,044</b>
<b>Cash payments</b>			
for real estate development projects		(1,022)	(1,274)
for materials and services received		(24,250)	(23,326)
for related personnel expenses		(17,866)	(17,317)
for other administrative expenses		(7,922)	(8,150)
for income taxes		(352)	(124)
<b>Cash payments for operating activities</b>		<b>(51,412)</b>	<b>(50,191)</b>
<b>Net cash flows from operating activities</b>		<b>12,958</b>	<b>12,853</b>
<b>Cash receipts from</b>			
the sale of disposal groups and property	5.2.	10,658	49,111
less outflow of cash and cash equivalents from disposal groups sold	5.2.	(401)	(181)
Proceeds from purchase price receivables related to prior periods	5.4.	308	535
Financial assets, available for sale		300	–
other financial assets		1,788	1,687
returns on joint ventures		4,784	15,981
<b>Cash receipts from investing activities</b>		<b>17,438</b>	<b>67,133</b>
<b>Cash payments for</b>			
investments in property, plant, and equipment		(2,132)	(2,003)
investments in investment property		(4,655)	(25,885)
the purchase of data processing programs		(9)	(7)
other financial assets		(521)	(479)
<b>Payments made for investments</b>		<b>(7,317)</b>	<b>(28,374)</b>
<b>Net cash flows from investing activities</b>		<b>10,121</b>	<b>38,759</b>
Cash receipts from the issue of (convertible) bonds		45	11,451
Payments for the redemption of (convertible) bonds		(7,519)	(12,050)
Payments received from loans and borrowing		14,072	78,681
Payments made for the repayment of loans and borrowing		(22,919)	(114,273)
Paid interest (for loans and borrowing)		(6,607)	(13,468)
Paid interest (for bonds and convertible bonds)		(2,895)	(2,969)
Paid financing costs		(928)	(1,777)
<b>Net cash flows from/used in financing activities</b>		<b>(26,751)</b>	<b>(54,406)</b>
<b>Net change in cash and cash equivalents</b>		<b>(3,673)</b>	<b>(2,794)</b>
Foreign exchange rate changes in cash and cash equivalents		148	69
Foreign exchange rate changes from other comprehensive income		853	354
Cash and cash equivalents as at 1 January		7,394	9,765
<b>Cash and cash equivalents as at 31 December</b>		<b>4,723</b>	<b>7,394</b>
<b>Cash and cash equivalents at the end of the period consist of:</b>			
Cash and cash equivalents of the Group		<b>2,769</b>	7,394
Cash and cash equivalents of a disposal group classified as held for sale		1,954	–
		<b>4,723</b>	7,394

# Consolidated Statement of Changes In Equity

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2016

in EUR '000	Equity attributable to shareholders of the parent						TOTAL	Non-controlling interests	Total equity
	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves				
<b>As at 1 January 2015</b>	<b>54,000</b>	<b>4,661</b>	<b>8,742</b>	<b>(301)</b>	<b>5,041</b>	<b>72,143</b>	<b>(14,467)</b>	<b>57,676</b>	
Changes in the scope of consolidation	–	–	–	–	2,146	<b>2,146</b>	8,450	<b>10,596</b>	
Reclassification of reserves in accordance with IAS 16	–	–	231	–	(231)	–	–	–	
Total comprehensive income for the period	–	–	(17,838)	–	(2,686)	<b>(20,524)</b>	(26,020)	<b>(46,544)</b>	
<i>thereof profit for the period</i>	–	–	(17,838)	–	–	<b>(17,838)</b>	(24,492)	<b>(42,330)</b>	
<i>thereof other comprehensive income</i>	–	–	–	–	(2,686)	<b>(2,686)</b>	(1,528)	<b>(4,214)</b>	
Reversal of capital reserves	–	(4,661)	4,661	–	–	–	–	–	
<b>As at 31 December 2015 =</b>									
<b>As at 1 January 2016</b>	<b>54,000</b>	–	<b>(4,204)</b>	<b>(301)</b>	<b>4,270</b>	<b>53,765</b>	<b>(32,037)</b>	<b>21,728</b>	
Total comprehensive income for the period	–	–	17,423	–	(999)	<b>16,424</b>	4,906	<b>21,330</b>	
<i>thereof profit for the period</i>	–	–	17,423	–	–	<b>17,423</b>	5,440	<b>22,862</b>	
<i>thereof other comprehensive income</i>	–	–	–	–	(999)	<b>(999)</b>	(533)	<b>(1,532)</b>	
<b>As at 31 December 2016</b>	<b>54,000</b>	–	<b>13,218</b>	<b>(301)</b>	<b>3,271</b>	<b>70,188</b>	<b>(27,130)</b>	<b>43,058</b>	

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

in EUR '000	Hotels		Investment Properties	
	2016	2015	2016	2015
<b>SEGMENT OVERVIEW – PROFIT OR LOSS FOR THE PERIOD</b>				
External revenues	81,773	96,573	9,614	5,121
Intragroup services	–	–	–	–
Expenses directly attributable to revenues	(56,639)	(68,450)	(2,485)	(1,680)
<b>Gross income from revenues</b>	<b>25,134</b>	<b>28,124</b>	<b>7,129</b>	<b>3,442</b>
Gains or losses from the disposal of properties	–	–	–	–
Other operating income	537	289	–	–
Expenses for development projects	–	–	–	–
Personnel expenses	(1,263)	(1,171)	–	–
Other/miscellaneous expenses	(7,018)	(7,375)	(76)	(92)
Intragroup services	(1,099)	(889)	(65)	(180)
<b>Segment EBITDA</b>	<b>16,292</b>	<b>18,978</b>	<b>6,987</b>	<b>3,170</b>
Scheduled depreciation and amortisation	(9,401)	(12,303)	–	–
Impairments	(712)	(11,747)	–	–
Reversals of impairment	3,638	2,576	–	–
Measurement gains	–	–	1,157	10
Measurement losses	–	–	(7)	(20,875)
<b>Segment EBIT</b>	<b>9,817</b>	<b>(2,495)</b>	<b>8,137</b>	<b>(17,695)</b>
Finance income	189	103	2	3
Financing expenses	(5,670)	(11,615)	(3,856)	(2,756)
Changes in foreign exchange rates	6,950	(9,538)	15,253	(9,339)
Earnings from joint ventures	–	–	–	–
Income taxes	(482)	(1,041)	(62)	–
Deferred income taxes	(176)	(831)	(440)	611
<b>Segment overview – profit or loss for the period</b>	<b>10,628</b>	<b>(25,418)</b>	<b>19,033</b>	<b>(29,176)</b>

	Development & Services		Segment total as at 31 December		Reconciliation		Group total	
	2016	2015	2016	2015	2016	2015	2016	2015
	2,321	3,514	<b>93,708</b>	105,208	<b>(31,507)</b>	(43,310)	<b>62,201</b>	61,898
	1,164	1,069	<b>1,164</b>	1,069	<b>(1,164)</b>	(1,069)	–	–
	(1,465)	(1,063)	<b>(60,589)</b>	(71,192)	<b>24,622</b>	32,653	<b>(35,967)</b>	(38,539)
	<b>2,020</b>	<b>3,520</b>	<b>34,283</b>	<b>35,085</b>	<b>(8,048)</b>	<b>(11,726)</b>	<b>26,235</b>	<b>23,359</b>
	9,050	24,270	<b>9,050</b>	24,270	<b>(376)</b>	(10,050)	<b>8,674</b>	14,220
	1,100	3,436	<b>1,637</b>	3,725	<b>(176)</b>	(202)	<b>1,461</b>	3,523
	(341)	(194)	<b>(341)</b>	(194)	<b>1</b>	1	<b>(340)</b>	(193)
	(6,295)	(4,360)	<b>(7,558)</b>	(5,531)	<b>23</b>	318	<b>(7,535)</b>	(5,213)
	(3,944)	(3,296)	<b>(11,039)</b>	(10,763)	<b>3,994</b>	4,347	<b>(7,044)</b>	(6,416)
	–	–	<b>(1,164)</b>	(1,069)	<b>1,164</b>	1,069	–	–
	<b>1,589</b>	<b>23,375</b>	<b>24,868</b>	<b>45,523</b>	<b>(3,418)</b>	<b>(16,243)</b>	<b>21,450</b>	<b>29,280</b>
	(75)	(72)	<b>(9,476)</b>	(12,375)	<b>3,060</b>	3,470	<b>(6,415)</b>	(8,905)
	(73)	(443)	<b>(785)</b>	(12,189)	<b>294</b>	–	<b>(491)</b>	(12,189)
	–	25	<b>3,638</b>	2,601	–	(452)	<b>3,638</b>	2,149
	10,668	826	<b>11,824</b>	836	<b>1,785</b>	(826)	<b>13,609</b>	10
	(6,050)	(1,428)	<b>(6,057)</b>	(22,304)	<b>1</b>	2,054	<b>(6,056)</b>	(20,250)
	<b>6,059</b>	<b>22,283</b>	<b>24,013</b>	<b>2,093</b>	<b>1,722</b>	<b>(11,998)</b>	<b>25,735</b>	<b>(9,905)</b>
	1,986	2,314	<b>2,176</b>	2,420	<b>(248)</b>	(5)	<b>1,928</b>	2,416
	(14,292)	(12,231)	<b>(23,818)</b>	(26,602)	<b>815</b>	2,192	<b>(23,004)</b>	(24,410)
	(512)	(629)	<b>21,691</b>	(19,506)	<b>(1,348)</b>	–	<b>20,343</b>	(19,506)
	176	297	<b>176</b>	297	<b>(1,332)</b>	9,350	<b>(1,156)</b>	9,647
	(645)	(17)	<b>(1,190)</b>	(1,058)	<b>253</b>	864	<b>(937)</b>	(194)
	430	247	<b>(186)</b>	27	<b>140</b>	(404)	<b>(46)</b>	(377)
	<b>(6,799)</b>	<b>12,264</b>	<b>22,862</b>	<b>(42,330)</b>	–	–	<b>22,862</b>	<b>(42,330)</b>



in EUR '000	Segment total		Reconciliation		Group subtotal	
	2016	2015	2016	2015	2016	2015
<b>SEGMENT OVERVIEW – STATEMENT OF FINANCIAL POSITION</b>						
Revenues from hotels	81,501	96,232	(29,879)	(42,112)	<b>51,622</b>	54,121
Cost of materials	(27,854)	(35,558)	11,437	16,969	<b>(16,417)</b>	(18,589)
Personnel expenses	(21,232)	(23,612)	9,260	11,018	<b>(11,973)</b>	(12,594)
<b>Gross operating profit (GOP)</b>	<b>32,414</b>	<b>37,062</b>	<b>(9,182)</b>	<b>(14,124)</b>	<b>23,232</b>	<b>22,937</b>
Income after GOP	809	630	(566)	(289)	<b>243</b>	341
Management fees	(4,584)	(5,980)	1,631	2,608	<b>(2,953)</b>	(3,373)
Exchange rate differences	6	259	(24)	(257)	<b>(18)</b>	2
Property costs	(3,511)	(3,847)	1,777	2,027	<b>(1,733)</b>	(1,820)
<b>Net operating profit (NOP)</b>	<b>25,134</b>	<b>28,124</b>	<b>(6,364)</b>	<b>(10,036)</b>	<b>18,770</b>	<b>18,088</b>
Other costs after NOP	(1,747)	(3,041)	617	1,062	<b>(1,130)</b>	(1,979)
Leases/rent	(5,997)	(5,215)	3,167	3,133	<b>(2,830)</b>	(2,082)
Scheduled depreciation and amortisation on fixed assets	(9,401)	(12,303)	3,057	3,465	<b>(6,344)</b>	(8,838)
Impairment of fixed assets	(712)	(11,747)	294	–	<b>(418)</b>	(11,747)
Reversals of impairment	3,638	2,576	–	(452)	<b>3,638</b>	2,124
<b>Contribution to the operating profit for the Hotels segment</b>	<b>10,916</b>	<b>(1,606)</b>	<b>770</b>	<b>(2,829)</b>	<b>11,686</b>	<b>(4,435)</b>
Less intragroup services	(1,099)	(889)	1,099	889	–	–
<b>Segment EBIT</b>	<b>9,817</b>	<b>(2,495)</b>	<b>1,869</b>	<b>(1,940)</b>	<b>11,686</b>	<b>(4,435)</b>
<b>Key operating figures in the Hotels segment</b>						
Employees – Hotels	1,164	1,358	-287	-377	<b>878</b>	981
Rooms (absolute)	2,761	3,368	-778	-994	<b>1,983</b>	2,374
Rooms available	2,759	3,213	-777	-993	<b>1,982</b>	2,221
Rooms sold	1,931	2,257	-538	-727	<b>1,392</b>	1,530
Occupancy	70%	70%	0%	-1%	<b>70%</b>	69%
REVPAR (in EUR)	53	55	-10	-16	<b>43</b>	39
<b>Composition of NOP (geographic):</b>						
• Czech Republic	6,004	5,810	(327)	(372)	<b>5,678</b>	5,439
• Poland	14,961	13,722	(4,953)	(4,590)	<b>10,008</b>	9,131
• Romania	897	888	–	–	<b>897</b>	888
• Russia	2,187	2,630	–	–	<b>2,187</b>	2,630
• Germany	–	1,130	–	(1,130)	–	–
• France	1,085	3,944	(1,085)	(3,944)	–	–

## SEGMENT DISCLOSURES AT GROUP LEVEL(GEOGRAPHIC)

	Hotels		Investment Properties		Development & Services		Group total	
	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
Composition of non-current assets in accordance with IFRS 8.33 (geographic):								
• Austria	–	–	–	–	43	50	<b>43</b>	50
• Czech Republic	56,100	66,945	–	–	–	–	<b>56,100</b>	66,945
• Poland	95,109	90,779	–	–	25,821	19,464	<b>120,929</b>	110,244
• Romania	12,577	12,677	–	–	–	–	<b>12,577</b>	12,677
• Russia	24,217	19,374	47,246	35,717	20,958	11,399	<b>92,421</b>	66,489
• Hungary	–	–	21,330	21,527	3,459	3,349	<b>24,789</b>	24,876
<b>Total</b>	<b>188,003</b>	<b>189,774</b>	<b>68,576</b>	<b>57,244</b>	<b>50,281</b>	<b>34,263</b>	<b>306,859</b>	<b>281,281</b>

	2016	2015	2016	2015	2016	2015	2016	2015
Composition of revenues (geographic):								
• Austria	–	–	–	–	714	894	<b>714</b>	894
• Czech Republic	18,070	18,361	332	336	–	–	<b>18,401</b>	18,697
• Poland	23,793	22,693	–	–	922	1,467	<b>24,714</b>	24,160
• Romania	3,178	3,050	–	–	–	–	<b>3,178</b>	3,050
• Russia	6,824	10,357	6,452	2,827	81	654	<b>13,357</b>	13,838
• Hungary	–	–	1,796	1,221	40	38	<b>1,836</b>	1,260
<b>Total</b>	<b>51,864</b>	<b>54,462</b>	<b>8,580</b>	<b>4,384</b>	<b>1,757</b>	<b>3,053</b>	<b>62,201</b>	<b>61,898</b>
Average number of employees	<b>906</b>	1,009	<b>1</b>	1	<b>27</b>	30	<b>933</b>	1,040

# Notes on the Consolidated Financial Statements

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2016

## [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 2016 were authorised for release to the Supervisory Board by the Management Board on 24 April 2017. It is the duty of the Supervisory Board to review the consolidated financial statements and state whether the consolidated financial statements are approved.

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

Information about the Group structure is presented in section 4.1.

## [02] Segment information

### 2.1. General

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

- Hotels
- Investment Properties
- Development and Services

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

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

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

### 2.2 Information about the individual business segments:

#### 2.2.1. Hotels segment

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

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

by the Group through joint ventures, or are leased. Nearly all of the hotels are four-star establishments. The following hotels are fully or proportionately included in the segment information:

Czech Republic:	Diplomat, angelo Plzeň, Dvořák spa hotel, angelo Prague (until October 2016)
Poland:	InterContinental hotel, andel's Krakow, Chopin, andel's Łódź, angelo Katowice, Amber Baltic
Romania:	angelo Bucharest
Russia:	Crowne Plaza St. Petersburg, Liner and angelo hotels in Ekaterinburg (until September 2015)
Germany:	andel's Berlin (until July 2015)
France:	Magic Circus, Dream Castle

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

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

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

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

### 2.2.2. Investment Properties

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/associated companies. The Investment Properties segment contains the following buildings for the reporting period:

Czech Republic:	office and retail space, Prague (leased)
Poland:	Multi-development, Krakow; Parkur Tower, Warsaw (until June 2016)
Russia:	Zeppelin office tower, St. Petersburg (from July 2015); Jupiter 1 and 2 office towers (from November 2016)
Hungary:	Erzsébet office building (in part from the end of September 2015), Dioszegi (until October 2016), Sajka – all in Budapest

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

### 2.2.3. Development and Services segment

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

During the reporting period, the segment assets included development properties and properties under construction in Poland, Hungary, 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] Accounting Policies

### 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 (Uniform Commercial Code) were also met.

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

The consolidated financial statements are based on the going concern principle. Once the deal closes, the contract for the sale of certain hotel operating companies that was concluded in February 2017 (see section 5.1.) will enable Warimpex to significantly reduce its consolidated debt and will provide liquidity for the financing of further projects.

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

Financial statements of the Group member companies prepared in accordance with local accounting regulations were reconciled with IFRS and uniform Group accounting guidelines by the Group's accounting department in Vienna. All companies included in the consolidated financial statements prepare their financial statements as at 31 December.

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

## 3.2. Changes in accounting policies and regulations

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

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

#### Amendments to IAS 1: Disclosure Initiative

These amendments to IAS 1 provide guidelines for the application of the materiality principle and clarification on the statement of financial position and statement of comprehensive income. Applying the amendments to IAS 1, the Group has streamlined its disclosures on the measurement and recognition methods and the disclosures on new or amended IAS/IFRS that do not (materially) affect the Group.

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

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

#### IFRS 9: Financial Instruments

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

- IFRS 9 introduces a new classification model for financial assets.
- The subsequent measurement of financial assets is based on three categories with different measures of value and a different method of recognising value changes. The categorisation is made based on the contractual payment flows of the instrument and the business model under which the instrument is held. These categories are generally mandatory. Choices can be made in certain cases.
- The provisions of IAS 39 were largely adopted for financial liabilities. The most important change pertains to financial liabilities under the fair value option. For these assets, changes in value stemming from changes in the default risk must be recognised in other comprehensive income.
- IFRS 9 specifies three stages that determine the amount of the losses and interest revenue to be recognised. It specifies that expected losses in the amount of the present value of an expected 12-month loss must be measured upon initial recognition (stage 1). If there is a significant increase in the default risk, the risk provision must be increased to the amount of the expected full lifetime losses for the entire remaining term (stage 2). When there is objective evidence

of impairment, interest revenue must be recognised on the basis of the net book value (book value less risk provisions) (stage 3).

IFRS 9 must be applied for financial years beginning on or after 1 January 2018. Warimpex expects that IFRS 9 will result in changes in the classification of the financial assets and changes and further disclosures in the notes. Based on the Group's business model, significant effects on the income statement are not expected.

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

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

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

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

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

In addition to the general revenue recognition principles, the standard contains detailed implementation guidelines on specific issues such as sale with the right of return, customer options for additional goods or services, principal-agent

relationships, and bill-and-hold agreements. It also deals with the costs for the fulfilment and winning of a contract and the recognition of such costs. Costs that do not meet the specified criteria must be recognised as expenses when incurred.

The standard must be applied for financial years beginning on or after 1 January 2018. Earlier application is permitted but not planned. Warimpex especially expects individual effects on the consolidated financial statements in the case of future development services for third parties and property sales. These contracts are concluded on an individual basis and must be assessed individually according to the criteria of IFRS 15. The Group does not expect that the identification of the individual services, the transaction price, or the period in which hotel revenues and rental income are recognised will result in significant changes to the revenue recognised according to IAS 18. The disclosures in the notes will be considerably more extensive. Warimpex plans to apply the standard according to the modified retroactive approach according to IFRS 15.C3 (b) under which the cumulated effect from the first-time application for contracts that have not yet been fulfilled will be recognised in the retained earnings as at 1 January 2018.

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

#### IFRS 16: Leases

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

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

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

Sale and lease-back transactions are only recognised according

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

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

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

#### Amendments to IAS 40: Transfer of investment properties

The amendments create rules for the transfer of properties into or out of the portfolio of investment properties. In particular, the list of examples for transfers is no longer exhaustive. Should the criteria apply at a future time, these amendments can have an effect on the consolidated financial statements.

#### Annual improvements to the IFRS (cycle 2014–2016)

The annual improvements to the IFRS (cycle 2014–2016) cover amendments to IFRS 1, IFRS 12, and IAS 28. Of the adopted amendments, the only one that is relevant for Warimpex is the expected new provision in IFRS 12 according to which disclosures specified in IFRS 12 must also be made for shareholdings that are classified as held for sale according to IFRS 5, with few exceptions. This could lead to additional disclosures in the notes in future.

#### Amendments to IAS 7: Disclosure Initiative

Due to these amendments, the Group is required to make additional disclosures to separately report cash and non-cash changes in the liabilities arising from financing activities. The amendments must be applied for financial years beginning on or after 1 January 2017; adoption by the EU is not expected by this point in time.

#### IFRIC 22:

##### Foreign Currency Transactions and Advance Consideration

IFRIC 22 contains application information for determining the exchange rate when advance payments are made in connection with foreign currency transactions. The time of the transaction for the purposes of currency translation must be determined separately for each instance of consideration paid or received in advance. In future, this interpretation can have an effect on the consolidated financial statements when transactions of this type are conducted.

#### Amendments to IAS 12:

##### Recognition of deferred tax assets for unrealised losses

This amendment pertains to clarifications on

- unrealised losses for assets recognised at fair value when the tax value corresponds to the cost of acquisition;
- limitations in the recognition of tax losses; and
- the estimation of future taxable gains.

No material impact on the consolidated financial statements is expected. The amendments must be applied for financial years beginning on or after 1 January 2017; adoption by the EU is not expected by this point in time.

Amendments to IFRS 2 (Share-based Payment) and IFRS 4 (Insurance Contracts) are not expected to apply to the Group.

### 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 under section 3.5. for details about the recognition of joint ventures and associated companies.

### 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 assets and liabilities will have to be made in the subsequent financial year are explained in detail below:

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

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

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

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

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

Level 3: Measurement methods employing inputs other than quoted prices included within level 1 that are not observable for the asset or liability

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



**3.4.1.1. Measurement of financial instruments**

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

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

**3.4.1.2. Valuation of property**

Because of the importance of properties for the Group, the value of properties is generally determined by independent external experts with appropriate professional qualifications and current experience with the location and type of the property in question using recognised appraisal methods. In the cases where there is a binding offer to buy a property or a purchase contract for a property, this is used for the valuation. At 31 December 2016, this applies to the hotel properties classified as held for sale that are part of the disposal group (see section 5.1.).

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

The discounted cash flow method is generally used to determine the fair value of developed properties. For this, the expected cash flows are discounted on the valuation date. This corresponds to level 3 of the fair value hierarchy. The discount rate reflects current market valuations arising from uncertainties about the amounts and timing of future cash flows. The planning period is generally 10 years plus the terminal value (residual value in year 10), which is determined using the exit yield. The valuation includes a country-specific inflation rate.

The residual value method is generally used for properties under development. For this, the fair value is first

determined on the basis of the expected cash flows. The outstanding investment costs and an appropriate project profit for the developer are deducted from this. The project profit is calculated as a percentage of the outstanding investment costs, and covers the development risk, among other things.

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

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

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

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

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

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

**Remeasurement results for investment properties:**

Warimpex recognises its investment properties using the fair value model 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 6.6.

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

Two structured companies in which no direct or indirect

interest is held were previously included in the consolidated annual financial statements. According to the Group's assessment, the criteria in IFRS 10.7 applied regarding control, risk exposure from and the entitlement to variable yields, and the ability to exert control to influence these yields. This was based especially on contractual pre-emption and drag-along rights that conferred the Group control and variable yields. Because of the drag-along right, Warimpex was entitled to demand the sale of the structured companies to a third party specified by Warimpex when certain preconditions were met.

Warimpex reassessed the situation at 31 December 2015 and came to the conclusion that the specified rights are so limited as at 31 December 2015 due to the economic conditions that they can no longer be considered to be material. For this reason, these companies were deconsolidated on this date (see also section 5.4.). This assessment was still valid at 31 December 2016.

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

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

#### **3.4.4. Recognition of deferred tax assets**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the loss carryforwards of unused tax credits can be utilised. The amount of deferred tax assets is determined at the discretion of the management based on the expected time of occurrence and the amount of future taxable income as well as future tax planning strategies.

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

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

#### **3.4.5. Classification as held for sale**

At 31 December 2016, the Group made the decision to recognise the majority of its hotel operations as held for sale according to IFRS 5. Please see sections 5.1. and 3.7. for further information.

#### **3.5. Recognition of joint ventures and associated companies**

An associated company 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 associated companies.

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 associated companies using the equity method.

In accordance with the equity method of accounting, the equity interests are recognised in the statement of financial position at cost plus any changes in the share of net assets of the equity interest held by the Group. In addition to the cost of acquisition, the net investments include extended loans that are not planned or expected to be repaid in the foreseeable future. The goodwill associated with a joint venture or associated company is included in the carrying amount of the respective interest and is not subject to scheduled amortisation. The Group's share in the profit or loss of the entity is recognised on the income statement.

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

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

Adjustments are made in the consolidated financial statements to eliminate the Group share of non-realised profits and losses from transactions between the Group and joint ventures. When the Group purchases assets from a joint venture or associated company, the Group does not recognise its share of

the profits of the joint venture from the transaction until it resells the assets to an independent party.

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

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

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

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

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

## 3.6. Financial instruments

### 3.6.1. Financial assets

Financial assets within the meaning of IAS 39 are classified either as financial assets to be measured at fair value through profit or loss, as loans and receivables, or as available-for-sale financial assets. On initial recognition, financial assets are measured at fair value. In the case of financial assets other than those classified as recognised at fair value through profit or loss, transaction costs directly attributable to the acquisition of the respective asset are additionally taken into account. Classification of financial assets into one of the stated categories is effected upon initial recognition.

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

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

#### Loans and receivables:

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

#### Available-for-sale financial assets:

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

### 3.6.2. Impairment of financial assets

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

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

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

Trade receivables, which generally have a term of 10 to 90 days, are recognised and carried at original invoice amount less impairment charges for any uncollectable amounts. An impairment charge is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

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

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

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

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

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

**3.6.3. Financial liabilities**

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

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

**Financial liabilities measured at amortised cost:**

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

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

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

**Derivative financial instruments with hedging relationships**

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

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

Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged financial income or financial expense is recognised or when an expected sale occurs. When a hedging relationship results in the recognition of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income become part of the acquisition cost upon recognition of the non-financial asset or liability.

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



#### 3.6.4. Convertible bonds

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

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

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

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

The Group uses derivative financial instruments. These are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments that are used for hedging purposes and that meet the requirements for hedge accounting according to IAS 39 are designated as part of the hedging relationship and recognised according to the hedge accounting rules (cash flow hedges). Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (see also section 3.6.3.).

#### 3.6.6. Leases

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

##### The Group as lessee

Finance leases, which essentially transfer to the Group all the risks and benefits incidental to ownership of the leased item, lead to the capitalisation of the leased asset at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. If the

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

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

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

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

##### The Group as lessor

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

Please see section 9.2. for information about the leases.

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

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

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

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

### 3.8. Foreign currency transactions and balances

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

Where the transactions that are relevant in determining an entity's functional currency change, this will lead to a change in the functional currency of the respective entity. An overview of the functional currencies is presented in section 4.1.1.

#### Foreign currency transactions and balances

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

When the respective local currency is not the functional currency for foreign businesses, current income and expenses are translated on the basis of monthly interim financial statements at the weighted average exchange rate for the respective month. Significant transactions are translated at the spot rate that is valid for the date of the transaction. All translation differences are recognised in profit or loss.

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

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

The assets and liabilities of the foreign subsidiaries are translated into euros at the valid rate on the reporting date. The income and expenses are translated at the spot rate on the date of the transaction, or at average rates for the purposes of simplification. All exchange differences that arise are recognised in other comprehensive income. Upon disposal of a foreign entity, the deferred cumulated amount 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 2016, which have been applied for all items that are translated at the closing rate as of the reporting date, are as follows:

		31/12/2016	31/12/2015
Polish zloty	(PLN/EUR)	4.4240	4.2615
Czech koruna	(CZK/EUR)	27.0200	27.0250
Hungarian forint	(HUF/EUR)	311.02	313.12
Swiss franc	(CHF/EUR)	n/a	1.0835
Russian rouble	(RUB/EUR)	63.8111	79.6972
Romanian leu	(RON/EUR)	4.5411	4.5285

### 3.9. Property, plant, and equipment

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

For accounting purposes, hotels are separated into their most significant components (land and rights equivalent to land, building fabric, heating facilities and other technical equipment, and fixtures) and depreciated individually. Please see section 7.1. in the notes for information about the useful lives.

Production costs of property, plant, and equipment developed by the Group contain direct expenses plus allocated material and production overheads. Borrowing costs are capitalised according to IAS 23 where they can be directly attributed to the project under development through specific project financing or loans from joint venture partners, 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.

### 3.10. Investment properties

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

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

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

### 3.11. Cash and cash equivalents

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

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

### 3.12. Pensions and other employee benefits

Provisions for severance payments and long-term service bonuses for employees and members of the Management Board are primarily recognised for employees of Austrian Group companies, since employees in Poland, the Czech Republic, and Hungary are not entitled to similar benefits and local laws only provide for a very limited range of employee benefits.

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

Valuation changes are recognised in other comprehensive income in the period in which they are incurred according to IAS 19. The interest component is taken into account in finance

expenses. Provisions for pensions and other long-term employee benefits pertain solely to the Development and Services segment.

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

Reimbursement rights from this pension reimbursement insurance in the amount of EUR 464 thousand (2015: EUR 370 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.

### 3.13. Revenue recognition

**Income recognition in accordance with IAS 18:**

Revenues from the sale of goods or rendering of services and income from rent are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer or when the services have been effectively rendered.

Interest income is recognised when interest entitlements accrue.

Dividend income is recognised when the Group's right to receive the payment is established.

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

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

### 3.14. Deferred taxes

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

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of deferred tax liabilities from initial recognition of goodwill, an asset, or a liability under a transaction other than a business combination which at the time of the transaction had no impact on the pre-tax result or the taxable result.

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

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

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

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

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



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

### 4.1. Information about consolidated subsidiaries

#### 4.1.1. Overview of subsidiaries

The following entities are fully consolidated:

Included equity holdings	Domicile/country	Voting rights share and equity interest		Share capital in thousands	Currency of capital	Functional currency <sup>5</sup>	Activity/segment
		direct	indirect				
<b>100% interests:</b>							
Grassi Hotelbeteiligungs- und Errichtungs GesmbH	A-Vienna	100%	–	2,943	EUR	EUR	H
→ Grassi H1 Hotel-beteiligungs GmbH	A-Vienna	–	100%	35	EUR	EUR	H
→ Recoop Tour a.s.	CZ-Prague	–	100%	24,000	CZK	EUR	H
Warimpex Leasing GmbH	A-Vienna	100%	–	500	EUR	EUR	H
→ Amber Baltic Sp. z o.o.	PL-Miedzyzdroje	–	100%	38,325	PLN	EUR	H
WX Leuchtenbergring GmbH	D-Munich	100%	–	25	EUR	EUR	DS
REVITÁL ZRT.	HU-Budapest	100%	–	220,500	HUF	HUF	DS
BÉCSINVESTOR Kft.	HU-Budapest	100%	–	35,380	HUF	EUR	IP
WARIMPEX-INVESTCONSULT Kft.	HU-Budapest	100%	–	10,000	HUF	EUR	IP
ELSBET Kft.	HU-Budapest	100%	–	103,000	HUF	EUR	IP
Hamza-Office Kft.	HU-Budapest	100%	–	15	EUR	HUF	DS
UBX Praha 1 s.r.o. <sup>3</sup>	CZ-Prague	100%	–	33,200	CZK	EUR	H
Warimpex CZ s.r.o.	CZ-Prague	100%	–	200	CZK	CZK	DS
Balnex 1 a.s.	CZ-Prague	100%	–	4,557	CZK	EUR	H
WX Praha 1 s.r.o.	CZ-Prague	100%	–	147,000	CZK	EUR	H
Vladinvest Praha s.r.o.	CZ-Prague	100%	–	3,100	CZK	EUR	IP
WX Office Development p. z o.o.	PL-Warsaw	100%	–	100	PLN	PLN	DS
Multi Development sp. z o.o.	PL-Warsaw	100%	–	50	PLN	PLN	IP
→ WX Office Innovation sp. z o.o. <sup>4</sup>	PL-Warsaw	3%	97%	5	PLN	PLN	IP
WX Krakow sp. z o.o.	PL-Krakow	100%	–	5	PLN	EUR	H
Hotel Rondo Krakow sp. z o.o.	PL-Krakow	100%	–	5	PLN	EUR	H
→ WX Krakow sp. z o.o. SKA	PL-Krakow	–	100%	11,207	PLN	EUR	H
Mogilska Office Development sp. z o.o.	PL-Krakow	100%	–	7,045	PLN	PLN	DS
→ Limonite sp. z o.o.	PL-Krakow	–	100%	8,035	PLN	PLN	DS
WX Office Development 2 sp. z o.o.	PL-Warsaw	100%	–	150	PLN	PLN	DS
Warimpex Polska sp. z o.o.	PL-Warsaw	100%	–	2,000	PLN	PLN	DS
Andel's Łódź sp. z o.o.	PL-Warsaw	100%	–	50	PLN	EUR	H
WX Budget Hotel Holding S.A.	LU-Luxembourg	100%	–	80	EUR	EUR	DS
→ Warimpex Property HU 2 Kft.	HU-Budapest	–	100%	600	HUF	HUF	DS
WX Krakow Holding S.A.	LU-Luxembourg	100%	–	31	EUR	EUR	DS
→ UBX Krakow sp. z o.o.	PL-Warsaw	–	100%	50	PLN	EUR	H
WX Management Services sp. z o.o. Prozna Development SKA	PL-Warsaw	–	100%	50	PLN	EUR	DS
→ Le Palais Holding s. a r.l.	LU-Luxembourg	–	100%	13	EUR	EUR	DS
→ Prozna Investments sp. z o.o.	PL-Warsaw	–	100%	23,550	PLN	EUR	DS
Kopernik Development sp. z o.o.	PL-Warsaw	100%	–	25	PLN	PLN	DS
WX Warsaw Holding S.A. <sup>5</sup>	LU-Luxembourg	100%	–	31	EUR	EUR	IP
Sugura S.A.	LU-Luxembourg	100%	–	31	EUR	EUR	H
→ Comtel Focus S.A.	RO-Bucharest	–	100%	10,232	RON	EUR	H
<b>Non-controlling interests:</b>							
El Invest Sp. z o.o.	PL-Warsaw	81%	–	1,300	PLN	PLN	DS
Reitano Holdings Limited <sup>6</sup>	CY-Nikosia	–	–	–	–	–	–
→ ZAO Horeca Koltsovo <sup>6</sup>	RU-Ekaterinburg	–	–	–	–	–	–
→ OOO RusAvia Horeca <sup>6</sup>	RU-Ekaterinburg	–	–	–	–	–	–
ZAO Avielen A.G.	RU-St.Petersburg	55%	–	370,001	RUB	RUB	H/IP/DS
→ ZAO Avielen Parking <sup>2</sup>	RU-St.Petersburg	–	55%	30	RUB	RUB	DS
<b>Interests with no capital shares (until 31.12.2015):<sup>7</sup></b>							
KHD s.r.o.	CZ-Prague	–	–	2,000	CZK	EUR	H
RLX Dvorak SARL	LU-Luxembourg	–	–	31	EUR	EUR	H

Note:

H = Hotels segment

IP = Investment Properties segment

DS = Development and Services segment

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

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

<sup>2</sup> The companies were newly established or acquired in 2016.

<sup>3</sup> The shares were sold in 2016 (see section 5.2.).

<sup>4</sup> Warimpex Finanz- und Beteiligungs AG transferred 97% of the company to Multidevelopment Sp. z o.o. during the financial year.

<sup>5</sup> The company was liquidated in October 2016.

<sup>6</sup> The company was sold and deconsolidated at the end of September 2015.

<sup>7</sup> The companies were liquidated at the end of December 2015.

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

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

Overview of non-controlling interests:

Company	Domicile/country	Voting rights and capital share non-controlling interests		Profit/loss attributable to non-controlling interests		Total non-controlling interests	
		31/12/16	31/12/15	2016	2015	31/12/16	31/12/15
Reitano Holdings Limited <sup>1</sup>	CY-Nikosia	–	–	–	(143)	–	–
→ ZAO Horeca Koltsovo <sup>1</sup>	RU-Ekaterinburg	–	–	–	(1,886)	–	–
→ OOO RusAvia Horeca <sup>1</sup>	RU-Ekaterinburg						
ZAO Avielen A.G.	RU-St.Petersburg	45%	45%	5,432	(22,463)	(27,225)	(32,129)
El Invest Sp. z o.o.	PL-Warsaw	19%	19%	7	–	94	92
<b>Total non-controlling interests</b>						<b>(27,130)</b>	<b>(32,037)</b>

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

## Summary financial information:

	ZAO Avielen A. G.		ZAO Horeca Koltsovo and OOO RusAvia Horeca *)		Reitano Holdings Limited	
	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
<b>Summary balance sheet:</b>						
Non-current assets	104,963	80,008	–	–	–	–
Current assets	2,795	8,847	–	–	–	–
<b>Total assets</b>	<b>107,758</b>	<b>88,855</b>	–	–	–	–
Equity – Group share	(32,275)	(39,269)	–	–	–	–
Equity – non-controlling interests	(27,225)	(32,129)	–	–	–	–
Non-current liabilities	161,369	156,948	–	–	–	–
Current liabilities	6,889	3,304	–	–	–	–
<b>Total equity and liabilities</b>	<b>107,758</b>	<b>88,855</b>	–	–	–	–

	2016	2015	2016	2015	2016	2015
<b>Summary profit or loss statement:</b>						
Income	14,502	13,607	–	4,070	–	–
Expenses	(2,430)	(63,524)	–	(8,786)	–	(108)
<b>Profit or loss for the period</b>	<b>12,072</b>	<b>(49,917)</b>	–	<b>(4,715)</b>	–	<b>(108)</b>
<i>thereof attributable to the owner of the parent</i>	6,640	(27,454)	–	(2,829)	–	35
<i>thereof attributable to non-controlling interests</i>	5,432	(22,463)	–	(1,886)	–	(143)
<b>Other income/expenses</b>	<b>(1,174)</b>	<b>(3,950)</b>	–	<b>10,096</b>	–	<b>1,124</b>
<i>thereof attributable to the owner of the parent</i>	(646)	(2,173)	–	2,521	–	–
<i>thereof attributable to non-controlling interests</i>	(528)	(1,778)	–	7,575	–	1,124
<b>Profit/loss for the period</b>	<b>10,898</b>	<b>(53,867)</b>	–	<b>5,381</b>	–	<b>1,016</b>
<i>thereof attributable to the owner of the parent</i>	5,994	(29,627)	–	(309)	–	35
<i>thereof attributable to non-controlling interests</i>	4,904	(24,240)	–	5,689	–	981

	2016	2015	2016	2015	2016	2015
<b>Summary cash flow statement:</b>						
Net cash flows from operating activities	5,605	3,259	–	1,841	–	(14)
Net cash flows from investing activities	(2,281)	28,330	–	(156)	–	(4)
Net cash flows from/used in financing activities	(4,702)	(32,751)	–	(1,786)	–	5
<b>Net change in cash and cash equivalents</b>	<b>(1,378)</b>	<b>(1,162)</b>	–	<b>(101)</b>	–	<b>(13)</b>

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

#### 4.1.3. Other disclosures

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

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

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

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

### 5.1. Non-current assets (disposal groups) classified as held for sale

The decision was made in 2016 to sell certain assets in the hotel portfolio. The Group was involved in negotiations with a concrete investor since the middle of 2016. These negotiations were at such an advanced stage on 31 December that it could be assumed that the transaction will likely be completed. On 23 February 2017, Warimpex Finanz- und Beteiligungs AG concluded a framework agreement for the sale of the following hotel holdings to U City Public Company Ltd.:

- Recoop Tour a.s. (Diplomat Hotel, Prague)
- UBX Plzen Real Estate s.r.o. (owner of angelo hotel, Plzeň), 50 per cent share
- UBX Plzen s.r.o. (leaseholder of angelo hotel in Plzeň), 50 per cent share
- Andel's Lodz Sp. z o.o. (andel's hotel in Łódź)
- UBX Krakow Sp. z o.o. (leaseholder of andel's hotel in Krakow)
- WX Krakow Sp. z o.o. SKA (Chopin Hotel, Krakow)
- Hotel Management Angelo Katowice Sp. z o.o. (angelo hotel in Katowice), 50 per cent share
- UBX Katowice Sp. z o.o. (angelo hotel in Katowice), 50 per cent share
- Amber Baltic Sp. z o.o. (Amber Baltic hotel, Miedzyzdroje)
- Comtel Focus S.A. (angelo hotel in Bucharest)

The closing of the transaction is still subject to the standard prerequisites for real estate transactions of this type and a variety of necessary permits and approval from different business partners. Warimpex expects the transaction to close by the summer of 2017.

The assets and liabilities of the companies and joint venture interests to be sold were classified as held for sale in the consolidated financial statements because the criteria specified in IFRS 5 were met. The assets held for sale and disposal groups and the associated liabilities changed as follows during the financial year:

	As at 01.01.	Change during year UBX Praha 1 s.r.o. *)		Addition	As at 31.12.
<b>Assets according to IFRS 5:</b>					
Real estate	–	12,465	(12,465)	157,724	157,724
Goodwill	–	921	(921)	–	–
Net investments in joint ventures	–	–	–	5,399	5,399
Other current receivables	–	453	(453)	4,107	4,107
Cash and cash equivalents	–	243	(243)	1,954	1,954
<b>Net assets according to IFRS 5</b>	<b>–</b>	<b>14,082</b>	<b>(14,082)</b>	<b>169,185</b>	<b>169,185</b>
<b>Liabilities according to IFRS 5:</b>					
Project loans	–	(9,420)	9,420	(91,977)	(91,977)
Other liabilities	–	(556)	556	(8,714)	(8,714)
Deferred income	–	–	–	(6,548)	(6,548)
Deferred taxes	–	–	–	(8,231)	(8,231)
	<b>–</b>	<b>(9,976)</b>	<b>9,976</b>	<b>(115,470)</b>	<b>(115,470)</b>

\*) The assets and liabilities of UBX Praha 1 s.r.o. were also classified as held for sale according to IFRS 5 until the sale of the company in October 2016. Details on the sale of the shares in UBX Praha 1 s.r.o. can be found in section 5.2..

The contractually agreed preliminary sale price was used for the impairment testing of the hotel properties held for sale as at 31 December 2016. After deduction of the expected transaction costs, this resulted in impairment charges in the amount of EUR 712 thousand (including the proportionate shares in joint ventures) and impairment reversal of EUR 1,961 in the 2016 financial year. The properties also included undisclosed reserves of EUR 8,250 thousand and the non-cash deferred income of EUR 14,779 at the reporting date, which will be recognised through profit or loss when the transaction closes.



## 5.2. Disposals of properties and shares

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

### Sale of Parkur Tower:

In June 2016, the 50 per cent stake in GF Ramba sp. z o.o., which is the owner of the Parkur office tower in Warsaw, was sold to the joint venture partner. The purchase price for the shares was roughly EUR 16 thousand; the transaction resulted in a positive profit contribution of around EUR 147 thousand. Shareholder's loans in the amount of EUR 2,223 thousand were repaid to Warimpex in this context (see section 6.3.).

### Sale of angelo hotel Prague:

All of the shares in UBX 1 Praha s.r.o., Prague, were sold to an investor in October 2016. The company owns and operates the angelo hotel in Prague. The purchase price was EUR

13,145 thousand, and the transaction made a positive profit contribution of EUR 8,439 thousand and a net liquidity inflow of EUR 9,341 thousand. The deferral of part of the purchase price in the amount of EUR 3,000 thousand until October 2017 was agreed with the buyer. The buyer has submitted a bank guarantee for this amount to Warimpex.

This purchase price claim is subject to 5.1 per cent interest.

### Sale of Dioszégi office building, Budapest:

The Dioszégi office building in Budapest was sold in October 2016. The purchase price was slightly higher than the last appraisal at EUR 900 thousand. The profit was EUR 88 thousand and cash of EUR 900 thousand was received by the Group.

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

Consolidated statement of financial position:	Assets	Equity and liabilities
Real estate	(13,277)	
Goodwill	(921)	
Net investments in joint ventures	131	
Current assets and liabilities	(453)	355
Cash and cash equivalents	(243)	
Assets and liabilities of a disposal group classified as held for sale (IFRS 5)	(2,053)	1,856
Project loans		9,420
Deferred taxes		201
	<b>(16,816)</b>	<b>11,831</b>

Consolidated income statement:	2016
Agreed (net) purchase price for the properties/shares	14,061
Carrying amount of the proportionate net assets of the sold properties/companies	(4,985)
Directly allocable expenses in connection with the sale of interests and properties	(403)
<b>Net result</b>	<b>8,674</b>

Cash flow:	2016
Agreed consideration	14,061
Less/plus:	
Directly allocable cash paid	(403)
Net purchase price claim at the reporting date (UBX Praha 1 s.r.o)	(3,000)
Payments received from the sale of properties and interests in the reporting period	10,658
less outflow of cash and cash equivalents	(401)
<b>Cash flow</b>	<b>10,258</b>

## 5.3. Other changes in the scope of consolidation

Aside from the transactions disclosed in section 5.2., there were no other material changes in the scope of consolidation during the reporting period. Details on the scope of consolidation can be found in section 4.1.1.

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

The following sale transactions were conducted in the Group in 2015:

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

On 1 January 2015, the Jupiter 1 and Jupiter 2 office towers in

St. Petersburg in the Investment Properties segment were categorised as held for sale pursuant to IFRS 5. The sale closed in the first quarter of 2015.

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

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

The office towers were sold by the 55 per cent subsidiary ZAO Avielen AG, which holds 19 per cent of the purchaser, ZAO Micos. The sale of these shares to the 81 per cent majority shareholder in May 2016 was contractually agreed.

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

Deviating agreements were concluded with the majority owner in 2016 so that ZAO Micos is now recognised as an associated company. Further information can be found in section 7.4.2.

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

The Group sold its 60 per cent interest in Reitano Holdings Limited on September 2015. The transaction included the two subsidiaries of Reitano Holdings Limited, ZAO Horeca Koltsovo

and OOO RusAvia. ZAO Horeca Koltsovo is the owner of the two hotels Liner and angelo in Ekaterinburg, Russia.

The purchase price for the shares was EUR 1,200. The deconsolidation of the companies resulted in total earnings in the amount of EUR 3,675 thousand.

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

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

The purchase price for the shares was EUR 2,326 thousand; the result from the sale was EUR -296 thousand because the development property was already measured at its fair value. The purchase price and the repayment of the shareholder loan resulted in a total inflow of cash and cash equivalents of EUR 4,092 thousand.

An existing buy option of the joint venture partner was cancelled in 2016, which meant that the share held by the Group had to be remeasured (see section 7.8.).

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

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

A reassessment of the drag-along and pre-emptive rights of the Group at 31 December 2015 revealed that there are no longer any material rights to the holding companies or to the hotel property due to the development of the value of the property. For this reason, the structured companies were deconsolidated. The sale that took place in 2008 was also recognised on the balance sheet according to the IFRS regulations in 2015 and reported under the result from the sale of properties on the income statement. The result from the deconsolidation came to EUR 11,142 thousand and breaks down as follows:

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

#### Sales by joint ventures:

The andel's hotel in Berlin was sold by the joint venture UBX 1 Berlin GmbH in 2015. The gain from this transaction is reported in the result from joint ventures in the financial result.

The sales by the Group had the following overall effects on the consolidated financial statements in 2015:

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

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

Cash flow:	2015
The disposal transactions above led to the following inflows of cash during the reporting period:	
Agreed consideration	68,853
Less/plus:	
Directly allocable cash paid	(1,344)
Net purchase price claims at the reporting date (Jupiter)	(11,075)
Non-cash offsetting of rental revenue against purchase price claim (Jupiter)	(1,043)
Payments received for the sale of properties, advance payment in prior year	(8,226)
Discharged group loans	180
Repayment of joint venture loans	1,766
Payments received from the sale of properties and interests in the reporting period	49,111
less outflow of cash and cash equivalents	(181)
<b>Cash flow</b>	<b>48,930</b>

## [06] Notes to the consolidated income statement

### 6.1. Revenues

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

After adjustment for disposals, hotel revenue rose compared with the previous year. The overall decline can be attributed to the sale of the hotels in Ekaterinburg in September 2015 and of the angelo in Prague in October 2016. The increase in rental revenue from investment properties resulted primarily from the rental of the Zeppelin office tower in St. Petersburg, which was completed in the previous year, and from Erzsébet Tower A in Budapest, which was also completed in 2015. The decline in revenue in the Development and Services segment can be attributed in part to the lack of tenant finishing services.

The revenue in the Development and Services segment includes revenue with joint ventures in the amount of EUR 418 thousand (2015: EUR 767 thousand).

### 6.2. Expenses directly attributable to revenues

	2016	2015
Composition of direct Hotels expenses:		
Expenses for materials and services rendered	(20,123)	(22,618)
Personnel expenses	(11,257)	(11,957)
Other expenses	(1,715)	(1,799)
	<b>(33,094)</b>	<b>(36,374)</b>

Expenses for materials and services rendered include management fees from the Hotels segment to a related party (Vienna International Hotelmanagement AG) in the amount of EUR 2,783 thousand (2015: EUR 2,856 thousand).

	2016	2015
Composition of direct Investment Properties expenses:		
Expenses for materials and services rendered	(1,511)	(751)
Personnel expenses	(43)	(37)
Other expenses	(289)	(479)
	<b>(1,842)</b>	<b>(1,267)</b>

	2016	2015
Composition of direct Development and Services expenses:		
Expenses for materials and services rendered	(542)	(528)
Other services	(488)	(369)
	<b>(1,030)</b>	<b>(898)</b>

### 6.3. Other operating income

	2016	2015
Composition:		
Income from the release of deferred items (see section 7.15.)	1,328	866
Foreign currency translation differences	331	2,649
Other	133	225
	<b>1,792</b>	<b>3,740</b>

### 6.4. Administrative expenses

	2016	2015
Composition:		
Other personnel expenses	(7,535)	(5,213)
Other administrative expenses	(3,979)	(4,178)
	<b>(11,514)</b>	<b>(9,391)</b>

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

#### 6.4.1. Other personnel expenses

	2016	2015
Composition:		
Wages and salaries	(14,506)	(13,438)
Ancillary wage and salary costs	(2,845)	(2,698)
Expenses for posted employees	(1,244)	(1,113)
Expenses for holiday, severance, pension, and anniversary bonus benefits	(240)	41
	<b>(18,834)</b>	<b>(17,208)</b>
Less personnel expenses directly attributable to revenues	11,299	11,995
<b>Other personnel expenses</b>	<b>(7,535)</b>	<b>(5,213)</b>

During the reporting period, the Group had an average of 933 (2015: 1,040) employees.

Please see section 9.3.2.2. for information about directors remuneration.



**6.4.2. Other administrative expenses**

	2016	2015
<b>Composition:</b>		
Administrative costs	(1,335)	(2,031)
Legal and consulting costs	(1,100)	(888)
Sundry administrative expenses	(1,544)	(1,259)
	<b>(3,979)</b>	<b>(4,178)</b>

During the financial year, fees were paid to the Group financial auditor, Ernst & Young Wirtschaftsprüfungs GmbH, Vienna, as follows: EEUR 105 thousand (2015: EUR 114 thousand) for auditing services, while, as in the prior year, no fees were paid for other services.

**6.5. Other expenses**

	2016	2015
<b>Composition:</b>		
Lease expenses	(2,830)	(2,082)
Property costs	(1,492)	(2,113)
Advertising	(404)	(349)
Non-deductible input taxes	(274)	(288)
Operational foreign currency translation differences	(98)	–
Sundry other expenses	(642)	(94)
	<b>(5,740)</b>	<b>(4,927)</b>
Less administrative expenses directly attributable to revenues	2,004	2,278
<b>Other expenses</b>	<b>(3,736)</b>	<b>(2,649)</b>

Property costs consist of owner expenses such as maintenance, insurance premiums, and property taxes. The real estate lease expenses pertain primarily to the andel's hotel in Krakow and, starting in 2016, to the Dvořák spa hotel in Karlovy Vary. Non-recoverable VAT results from the Dvořák spa hotel, as this hotel differentiates between its hotel operations and (VAT-exempt) medical spa operations, and from non-deductible input taxes of the group parent company.

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

	2016	2015
<b>Composition:</b>		
Scheduled amortisation and depreciation	(6,415)	(8,905)
Impairments	(491)	(12,189)
Reversals of impairment	3,638	2,149
Measurement gains (from investment properties)	13,609	10
Measurement losses (from investment properties)	(6,056)	(20,250)
	<b>4,285</b>	<b>(39,185)</b>

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

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

Five hotels that were previously recognised under property, plant, and equipment were reclassified as held for sale according to IFRS 5 at 31 December 2016. The scheduled depreciation and impairment charges and reversals in 2016 are recognised on the income statement under depreciation, amortisation, and remeasurement. The recoverable amount was determined on the basis of the contractually agreed preliminary purchase prices (see section 5.1.).

**Impairments:**

The impairment charges during the reporting period pertain to the Hotels segment in the amount of EUR 418 thousand (2015: EUR 11,747 thousand) and development properties in the Development and Services segment in the amount of EUR 73 thousand (2015: EUR 443 thousand). The impairments result largely from the measurement of the hotel properties held for sale.

The recoverable amount for the hotels for which impairment charges were recognised during the reporting period is EUR 43,463 thousand (2015: EUR 19,363 thousand) and EUR 3,411 thousand (2014: EUR 3,310 thousand) for properties in the Development and Services segment.

**Reversals of impairment:**

Impairments in the Hotels segment were reversed in the amount of EUR 3,638 thousand (2015: EUR 2,124 thousand) during the reporting period. Of this, EUR 1,961 thousand can be attributed to the measurement of a hotel property that is held for sale. The recoverable amount of the hotels for which an impairment reversal was recognised in the reporting period comes to EUR 79,029 thousand (2015: EUR 74,307 thousand); this amount in the Development and Services segment was 2,452 thousand in 2015.

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

The measurement gains on the investment properties pertain largely to the office building that is under development in Łódź, for which a construction permit has already been issued, and to the Zeppelin office tower in St. Petersburg thanks to improved economic parameters in Russia. The measurement losses are primarily the result of a development project in Krakow following the reduction in the planned office space.

**6.7. Financial revenue**

	2016	2015
<b>Composition:</b>		
Interest received from extended loans	1,088	1,049
Dividend income	–	998
Joint venture guarantee fees	461	–
Other interest received	226	117
Unrealised gains on derivative financial instruments	153	251
	<b>1,928</b>	<b>2,416</b>

The interest received from extended loans pertains mostly to shareholder loans to the associated company ZAO Micos (see section 7.4.2.).

**6.8. Finance expenses**

	2016	2015
<b>Composition:</b>		
Loan interest	(7,548)	(11,612)
Impairment charges/discount expenses on other loans	–	(3,619)
Impairment of loans to associated companies	(9,249)	–
Interest on loans from minority shareholders	(1,871)	(2,782)
Interest on bonds	(2,836)	(1,838)
Interest on convertible bonds	(549)	(1,586)
Other financing expenses	(824)	(2,158)
Expenses from early redemption of convertible bonds	(13)	(660)
Interest paid to related parties	(70)	(106)
Interest cost for provisions for pensions and other long-term employee benefits	(42)	(48)
Not yet realised losses from derivative financial instruments	–	(1)
	<b>(23,004)</b>	<b>(24,410)</b>

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

The impairment on loans to associated companies is explained in section 7.4.2.

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

	2016	2015
<b>Composition:</b>		
From EUR financing (deviating functional currency)	20,856	(18,054)
From loans in CHF	–	(2,645)
From EUR claims (deviating functional currency)	(998)	1,505
From (convertible) bonds in PLN	486	(102)
Other financing-related foreign exchange rate changes	(2)	(210)
	<b>20,343</b>	<b>(19,506)</b>

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

The translation differences of foreign currencies according to IAS 21 totalled EUR 20,575 thousand (2015: EUR -16,530 thousand) in the reporting period. This amount consists of operating translation differences in the amount of EUR -98 thousand (contained in other expenses), income from foreign currency translation in the amount of EUR 331 thousand (included in the 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:

	2016	2015
<b>Reconciliation of tax expenses:</b>		
<b>Consolidated income statement</b>		
Earnings before taxes	23,845	(41,759)
Accounting profit before income tax x 25% tax rate	(5,961)	10,440
± Changes in tax rates	(1)	–
± Other foreign tax rates	1,216	(2,724)
± Effects of tax-exempt results	472	8,377
± Permanent differences	(1,335)	(1,733)
± Expired loss carryforwards	(5)	(111)
± Effects of changes in the previous year	–	54
± Impairment of deferred tax assets	(118)	216
± Use of previously unrecognised tax assets	4,853	10
± Unused temporary differences	(109)	(14,812)
± Foreign withholding taxes and minimum corporate income taxes	(8)	(8)
± Effects of changes in equity	–	(150)
± Effects of exchange rate fluctuations	12	(129)
<b>Taxes according to the income statement</b>	<b>(983)</b>	<b>(571)</b>
Effective tax rate	4.12%	-1.37%
<b>Consolidated statement of comprehensive income</b>		
± Cash flow hedges	140	150
± Remeasurement of available-for-sale securities	(64)	246
± Remeasurement according to IAS 19	(5)	(4)
± OCI result allocation from joint ventures	2	–
± Non-controlling interests	48	146
± Effects of exchange rate fluctuations	38	50
	<b>160</b>	<b>588</b>

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

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

The Group has loss carryforwards of EUR 145,770 thousand (2015: EUR 168,795 thousand) at its disposal. Of these tax loss carryforwards, EUR 46,112 thousand (2015: EUR 35,061 thousand) are offset against deferred tax liabilities; deferred taxes were recognised for tax loss carryforwards in the amount of EUR 23 thousand (2015: EUR 48 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%)	994
in Poland (can be carried forward for 5 years, tax rate 19%)	3,288
in Hungary (can be carried forward indefinitely, tax rate 10%)	2,499
in Luxembourg (can be carried forward indefinitely, tax rate 30%)	1,961
in Russia (can be carried forward indefinitely starting in 2017, tax rate 20%)	82,119
in Austria (can be carried forward indefinitely, tax rate 25%)	54,909
	<b>145,770</b>

Loss carryforwards related to disposal groups according to IFRS 5 (see section 5.1.) are no longer contained in the figures above because they retire upon closing of the contract.

Applied loss carryforwards in the amount of EUR 90 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 17 thousand in the coming financial year.

No deferred tax claims were recognised for tax loss carryforwards in the amount of EUR 90,021 thousand (2015: EUR 133,686 thousand) because they may not be used against the taxable profits of other companies in the Group and arose in subsidiaries that have been generating losses for some time already.

If the Group had capitalised all deferred tax claims on loss carryforwards that were not taken into account in the previous years, the profit for the period would have been EUR 8,144 thousand (2015: EUR 12,388 thousand) lower. The equity would have been EUR 20,601 thousand (2015: EUR 28,745 thousand) higher.

No deferred taxes were recognised for deferred tax assets according to IAS 12.44 (outside basis differences) in the amount of EUR 77,279 thousand (2015: EUR 99,083 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 16,232 thousand (2015: EUR 32,299 thousand) because the temporary differences are not expected to reverse in the foreseeable future.

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

### 7.1. Property, plant, and equipment

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

	Hotels	Reserve properties	Other property, plant, and equipment	Total
<b>Changes in 2015:</b>				
Carrying amounts at 1 January	241,704	6,148	1,266	249,118
Additions	3,089	–	24	3,113
Disposals	3,932	(20)	(89)	3,822
Eliminations from the scope of consolidation	(35,036)	–	–	(35,036)
Scheduled depreciation and amortisation	(8,829)	–	(65)	(8,894)
Impairment charges	(11,747)	(443)	–	(12,189)
Reversals of impairment	2,124	25	–	2,149
Exchange adjustments	(6,406)	53	–	(6,352)
<b>Carrying amounts at 31 December</b>	<b>188,831</b>	<b>5,763</b>	<b>1,137</b>	<b>195,731</b>

#### Composition at 31.12.2015:

Acquisition or production cost	264,050	10,990	1,889	276,930
Cumulated write-downs	(75,219)	(5,228)	(752)	(81,199)
	<b>188,831</b>	<b>5,763</b>	<b>1,137</b>	<b>195,731</b>

thereof pledged as senior collateral for interest-bearing loans (see section 7.11.4.)

194,104

#### Changes in 2016:

Carrying amounts at 1 January	188,831	5,763	1,137	195,731
Additions	3,840	405	76	4,322
Reclassification to held for sale	(170,176)	–	–	(170,176)
Scheduled depreciation and amortisation	(6,333)	–	(67)	(6,401)
Impairment charges	(418)	(73)	–	(491)
Reversals of impairment	3,638	–	–	3,638
Exchange adjustments	4,826	(94)	(38)	4,693
<b>Carrying amounts at 31 December</b>	<b>24,209</b>	<b>6,000</b>	<b>1,108</b>	<b>31,316</b>

#### Composition at 31.12.2016:

Acquisition or production cost	52,945	11,186	1,798	65,929
Cumulated write-downs	(28,736)	(5,186)	(691)	(34,613)
	<b>24,209</b>	<b>6,000</b>	<b>1,107</b>	<b>31,316</b>

thereof pledged as senior collateral for interest-bearing loans (see section 7.11.4.)

30,209

The hotels are recognised at the amortised cost of acquisition or production in accordance with the IFRS provisions. The recoverable amount of the remaining hotels on the reporting date was EUR 24,209 thousand. The reserve properties in the property, plant, and equipment are intended for later hotel development projects.

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

	2016	2015
Buildings (including finance leasing)	60 years	60 years
Hotel technical facilities	15 years	15 years
Hotel fixtures	7 years	7 years
Furniture and office equipment	7 years	7 years
Plant	20 years	20 years

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

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



**7.1.2. Material inputs and sensitivity information**

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

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

**Hotels:**

Material inputs	2016		2015	
	Range	Weighted average	Range	Weighted average
Exit yield	11,75%	11,75%	6.3–11.8%	8.6%
Discount rate	13,75%	13,75%	8.8–13.8%	10.8%
Expected cash flows (year one) in EUR '000/room	6.3	6.3	0–11.1	5.9

Sensitivity analysis	Change of assumption	Change in the result before taxes	
		2016	2015
Exit yield	+ 50 basis points	-714	-4,707
Exit yield	- 50 basis points	847	2,820
Discount rate	+ 50 basis points	-1,437	-7,098
Discount rate	- 50 basis points	1,560	3,703
Expected cash flows (year one)	+ 10%	1,183	5,764
Expected cash flows (year one)	- 10%	-1,242	-12,693

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

Material inputs	2016		2015	
	Range	Weighted average	Range	Weighted average
Market price/m <sup>2</sup> area in EUR	232–1,117	422	216–1,083	399

Sensitivity analysis	Change of assumption	Change in the result before taxes	
		2016	2015
Market price/m <sup>2</sup> area	+ 10%	603	576
Market price/m <sup>2</sup> area	- 10%	-603	-576

## 7.2. Investment properties

The Group measures investment properties at their fair value.

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

	Developed properties	Development properties	Reserve properties	Total
<b>Changes in 2015:</b>				
Carrying amounts at 1 January	10,637	63,480	13,633	87,751
Additions/investments	55	22,624	2,453	25,132
Capitalised borrowing costs	–	1,986	33	2,018
Reclassification after completion	62,391	(62,391)	–	–
Disposals	(143)	–	–	(143)
Net measurement result	(18,832)	(1,733)	325	(20,240)
Exchange adjustment	3,135	(11,220)	(1,839)	(9,924)
<b>Carrying amounts at 31 December</b>	<b>57,244</b>	<b>12,745</b>	<b>14,606</b>	<b>84,595</b>
<b>Changes in 2016:</b>				
Carrying amounts at 1 January	57,244	12,745	14,606	84,595
Reclassification due to start of construction	–	3,762	(3,762)	–
Additions/investments	25	7,850	76	7,950
Disposals	(812)	–	–	(812)
Net measurement result	2,935	6,795	(2,177)	7,553
Exchange adjustment	9,184	876	2,394	12,453
<b>Carrying amounts at 31 December</b>	<b>68,576</b>	<b>32,027</b>	<b>11,137</b>	<b>111,739</b>

The additions to the investment properties pertain largely to the multi-use building in St. Petersburg and the office building in Łódź (both under construction). The additions include no subsequent purchase costs.

The Zeppelin office tower in St. Petersburg and Erzsébet, Tower A, in Budapest were completed and handed over to the tenants in 2015. This resulted in a reclassification from the development properties to developed properties.

**7.2.2. Result from investment properties:**

	2016	2015
Rental income and charged expenses	8,248	4,048
Direct operating expenses	(1,483)	(934)
<b>Net rental income</b>	<b>6,765</b>	<b>3,114</b>

During the reporting period, no material operating expenses that can be directly attributed to the investment properties and for which no rental revenue was generated were incurred.

**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 DCF method.

Material inputs	2016		2015	
	Range	Weighted average	Range	Weighted average
Exit yield	7–10.5%	8.7%	7.8–10.5%	9%
Discount yield	7–17.7%	12.3%	8–19.1%	13.8%
Estimated rent value (ERV)/m <sup>2</sup> /month in EUR	6.8–26.9	18.3	7.3–21.5	15.9

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

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

Sensitivity analysis 2016:						
Change in the exit yield by basis points	Change in the estimated rent value					
	-10%	-5%	0%	+5%	+10%	
-100 bp	-3%	4%	9%	15%	20%	
-50 bp	-7%	-1%	5%	11%	17%	
0 bp	-11%	-6%	0%	6%	11%	
50 bp	-14%	-9%	-3%	2%	8%	
100 bp	-17%	-12%	-6%	-1%	4%	

**Development properties:**

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

Material inputs	2016		2015	
	Range	Weighted average	Range	Weighted average
Exit yield	6,5 –15.4%	9%	6.75%	6.75%
Estimated rent value (ERV)/m <sup>2</sup> /month in EUR	13–16	14	14	14
Outstanding construction and development costs/m <sup>2</sup> in EUR	768–1,738	1,407	1,513–1,662	1,598
Developer's profit	0–20%	14%	20%	20%

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

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

Sensitivity analysis 2016:					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	28%	50%	73%	96%	119%
-50 bp	-8%	13%	34%	55%	75%
0 bp	-39%	-19%	0%	19%	39%
50 bp	-65%	-47%	-29%	-11%	7%
100 bp	-88%	-71%	-54%	-38%	-21%

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

Sensitivity analysis 2016:					
Change in the developer's profit in percentage points	Change in the outstanding construction and development costs				
	-10%	-5%	0%	+5%	+10%
-10%	50%	38%	26%	14%	2%
-5%	38%	25%	13%	0%	-12%
0%	26%	13%	0%	-13%	-26%
5%	13%	0%	-13%	-26%	-40%
10%	1%	-12%	-26%	-40%	-54%

**Reserve properties:**

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

Material inputs	2016		2015	
	Range	Weighted average	Range	Weighted average
Market price/m <sup>2</sup> area in EUR	282–307	293	70–455	242

Sensitivity analysis	Change of assumption	Change in the result before taxes	
		2016	2015
Market price/m <sup>2</sup> area	+10%	1,117	1,460
Market price/m <sup>2</sup> area	+5%	559	730
Market price/m <sup>2</sup> area	-5%	-559	-730
Market price/m <sup>2</sup> area	-10%	-1,117	-1,460

**7.3. Goodwill**

The goodwill reported at 31 December 2015 pertained to the angelo hotel in Prague, which was sold during the financial year as part of a share deal (see section 5.2.).

**7.4. Joint ventures and associated companies (equity method)****7.4.1. Overview of joint ventures and associated companies**

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	D-Berlin	50%	25	EUR	EUR	DS
UBX Plzen s.r.o.	CZ-Prague	50%	200	CZK	EUR	H
UBX Plzen Real Estate s.r.o. <sup>4</sup>	CZ-Prague	50%	200	CZK	EUR	H
Hotelinvestments (Luxembourg) SARL	LU-Luxembourg	50%	20	EUR	EUR	H
UBX Development (France) SARL	F-Paris	50%	50	EUR	EUR	H
→ UBX II (France) SARL <sup>1</sup>	F-Paris	50%	50	EUR	EUR	H
Hotel Paris II SARL	F-Paris	50%	650	EUR	EUR	H
Warimpex Management Services Sp. z o.o.	PL-Warsaw	50%	9,095	PLN	PLN	DS
→ WX MS Investment Sp. z o.o. <sup>1</sup>	PL-Warsaw	25%	60	PLN	PLN	DS
IPOPEMA 66 Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych <sup>2</sup>	PL-Warsaw	50%	200	PLN	EUR	H
→ Lanzarota Investments Sp. z o.o. Sienna Hotel S.K.A.	PL-Warsaw	50%	81,930	PLN	EUR	H
Lanzarota Investments Sp. z o.o.	PL-Warsaw	50%	5	PLN	EUR	H
UBX Katowice Sp. z o.o.	PL-Warsaw	50%	50	PLN	EUR	H
GF Ramba Sp. z o.o. <sup>13</sup>	PL-Warsaw	50%	139	PLN	EUR	IP
ZAO Micos <sup>15</sup>	RU-Moscow	44%	43	RUB	RUB	IP

Note:

<sup>1</sup> These companies are joint ventures in which the parent company is indirectly invested. The shareholding refers to the indirect interest.

<sup>2</sup> The fund was liquidated during the financial year.

<sup>3</sup> The company was sold during the financial year.

<sup>4</sup> The company was acquired during the financial year.

<sup>5</sup> The stake in ZAO Micos was increased from 19 per cent to 44.02 per cent in November 2016.



**7.4.2. Information about material joint ventures and associated companies**

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

	UBX II (France) SARL and UBX Development (France) SARL		Hotel Paris II SARL	
	31/12/16	31/12/15	31/12/16	31/12/15
<b>Summary balance sheet:</b>				
Non-current assets	41,775	43,313	20,036	21,080
Current assets	3,813	3,355	3,262	3,593
<b>Total assets</b>	<b>45,588</b>	<b>46,668</b>	<b>23,298</b>	<b>24,674</b>
<i>thereof cash and cash equivalents</i>	1,329	821	829	1,352
Equity	1,470	2,837	(367)	1,174
Non-current liabilities	39,210	39,215	19,809	20,639
Current liabilities	4,908	4,616	3,856	2,861
<b>Total equity and liabilities</b>	<b>45,588</b>	<b>46,668</b>	<b>23,298</b>	<b>24,674</b>
<i>thereof non-current financial liabilities pursuant to IFRS 12</i>	32,118	32,123	14,197	15,043
<i>thereof current financial liabilities pursuant to IFRS 12</i>	2,055	2,312	845	795
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Summary profit or loss statement:</b>				
Income	16,540	22,208	12,857	17,400
Expenses including remeasurement result	(17,907)	(20,997)	(14,398)	(17,125)
Profit or loss for the period	(1,367)	1,211	(1,541)	276
Other income/expenses	–	–	–	–
<b>Net profit or loss for the period</b>	<b>(1,367)</b>	<b>1,211</b>	<b>(1,541)</b>	<b>276</b>
<b>Included in the profit or loss for the period:</b>				
Scheduled depreciation and amortisation	(2,145)	(2,245)	(1,096)	(1,630)
Interest received	–	–	–	–
Interest paid	(546)	(648)	(308)	(326)
Income tax expenses(or income)	3	9	–	(157)
	<b>31/12/16</b>	<b>31/12/15</b>	<b>31/12/16</b>	<b>31/12/15</b>
<b>Reconciliation to carrying amount of the interest:</b>				
Net assets	1,470	2,837	(367)	1,174
Group interest	50%	50%	50%	50%
Proportionate net assets	735	1,418	(183)	587
Shareholder loan as net investment	3,560	3,559	2,806	2,799
<b>Net investment (carrying amount)</b>	<b>4,295</b>	<b>4,977</b>	<b>2,623</b>	<b>3,386</b>

	Lanzarota Investments sp. z o.o. Sienna Hotel S.K.A., Lanzarota Sp. z o.o., and IPOPEMA 66 Fundusz (Fundusz until March 2016)		GF Ramba sp. z o.o. (until June 2016)		ZAO Micos (from November 2016)
	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16
	13,568	12,430	–	10,029	48,921
	3,373	3,543	–	34	6,018
	<b>16,940</b>	<b>15,973</b>	–	<b>10,063</b>	<b>54,939</b>
	2,662	1,761	–	8	1,837
	14,139	13,833	–	(119)	(5,689)
	127	–	–	5,056	60,396
	2,675	2,140	–	5,127	232
	<b>16,940</b>	<b>15,973</b>	–	<b>10,063</b>	<b>54,939</b>
	–	–	–	–	35,916
	–	–	–	4,721	–
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	23,477	22,057	736	2,283	1,517
	(23,171)	(21,970)	(878)	(5,134)	(2,554)
	306	87	(142)	(2,851)	(1,037)
	–	–	–	–	(458)
	<b>306</b>	<b>87</b>	<b>(142)</b>	<b>(2,851)</b>	<b>(1,495)</b>
	(1,009)	(873)	–	–	–
	25	–	1	–	3
	(211)	–	(168)	(244)	(719)
	(397)	–	(160)	809	(182)
	<b>31/12/16</b>	<b>31/12/15</b>	<b>31/12/16</b>	<b>31/12/15</b>	<b>31/12/16</b>
	14,139	13,833	–	(119)	(5,689)
	50%	50%	–	50%	44.02%
	7,069	6,917	–	(60)	(2,504)
	–	–	–	2,214	–
	<b>7,069</b>	<b>6,917</b>	–	<b>2,155</b>	–

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

#### ZAO Micos:

ZAO Micos (Micos in short) purchased the two Jupiter office towers in St. Petersburg from the 55 per cent Group subsidiary ZAO Avielen A.G. (Avielen in short) in 2015. In the course of the sale of the office towers, Avielen acquired a 19 per cent stake in Micos and deferred a nominal EUR 14,948 thousand of the purchase price claim in the form of a long-term loan. In May 2016, the contract stipulated that the 19 per cent stake was to be sold to the majority shareholder of Micos in accordance with an earn-out agreement (see the information in section 5.4.). In 2016, the sale of the stake was first postponed by six months and then replaced by a new agreement between the majority shareholder, Micos, and Avielen in October 2016.

In implementation of this agreement, the open loan amount from the purchase price claim (EUR 14,417 thousand) was first translated into roubles at a rate of 75 RUB/EUR. A portion of the former purchase price claim (EUR 5,887 thousand) and part of another shareholder loan (roughly EUR 2,351 thousand) from Avielen to Micos were used to increase the stake to 44.02 per cent and to increase the equity of Micos by allocating a capital reserve. Due to the elimination of the senior status of the former purchase price claim over the other shareholder loans, impairment of EUR 9,249 thousand had to be recognised (see section 6.8.). At the same time, the majority shareholder chose to forgo guarantees from the shareholders of Avielen (see section 9.1.3.4.).

After the increase in the stake in Micos by 25.02 per cent to 44.02 per cent, the interest in Micos was recognised as an associated company using the equity method according to IAS 28; before this, the shares were recognised as an available for sale financial instrument.

#### 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.

#### Hotel Paris II SARL:

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

#### Lanzarota Investments Sp. z o.o. Sienna Hotel S.K.A., Lanzarota Sp. z o.o. and IPOPEMA 66 Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych:

Lanzarota Investments sp. z o.o. Sienna Hotel S.K.A. is a Polish corporation. It leases the InterContinental hotel under an operating lease and runs the establishment. The Polish fund IPOPEMA 66 Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych was liquidated in 2016. Now, the Group parent holds a direct 50 per cent stake while Lanzarota Investments sp. z o.o. holds a small share as a general partner. The general partner engages in no material business activities. As these companies are viewed together in the Group, they are depicted together here.

#### GF Ramba Sp. z o.o.:

The shares in this company were sold during the financial year (see section 5.2.).

#### 7.4.3. Composition and development of joint ventures and associated companies

	Capital shares	Loans to	Total
<b>Composition at 31.12.2015:</b>			
Net investments	14,727	14,340	29,067
Cumulated earnings allocations (profit or loss for the period)	(4,353)	(631)	(4,984)
	<b>10,374</b>	<b>13,709</b>	<b>24,083</b>
<b>Composition at 31.12.2016:</b>			
Net investments	12,210	6,366	18,576
Cumulated earnings allocations (profit or loss for the period)	(4,638)	550	(4,088)
Cumulated allocated results from the other comprehensive income	(9)	–	(9)
	<b>7,563</b>	<b>6,916</b>	<b>14,479</b>

The net investments include shares in the joint ventures and loans extended to joint ventures and associated companies 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.

	2016	2015
<b>Development:</b>		
Carrying amounts at 1 January	24,083	36,222
Additions	2	–
IFRS 5 reclassification	(5,399)	–
Disposals and dividend payments	(478)	(19,440)
Extension (+) / repayment (-) of loans	(2,563)	(2,346)
Interest income from loans granted	176	297
Earnings allocation from profit/loss for the period	(1,332)	9,350
Earnings allocation from other comprehensive income	(9)	–
<b>Carrying amounts at 31 December</b>	<b>14,479</b>	<b>24,083</b>

#### 7.4.4. Other information about joint ventures and associated companies

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

	31/12/16	31/12/15
<b>Share of the assets and liabilities:</b>		
Non-current assets	74,429	59,776
Current assets	9,516	8,534
<b>Assets</b>	<b>83,945</b>	<b>68,310</b>
Proportionate equity	4,040	9,743
Proportionate Group shareholder's loans	11,391	7,541
Proportionate joint venture partner shareholder's loans	12,801	7,170
Non-current liabilities	47,622	34,066
Current liabilities	8,090	9,790
<b>Equity and liabilities</b>	<b>83,945</b>	<b>68,310</b>

	31/12/16	31/12/15
<b>Reconciliation to carrying amount:</b>		
Share of net assets (50%)	4,040	9,743
Group shareholder loan	24,065	14,340
Reclassification to held for sale	(5,397)	–
Loan to associated companies	(8,230)	–
<b>Net investment in joint ventures (carrying amount)</b>	<b>14,479</b>	<b>24,083</b>

	31/12/16	31/12/15
<b>Aggregated disclosures about joint ventures that are individually immaterial:</b>		
Net investment in joint ventures (carrying amount)	291	208
Group share of the profit or loss for the period (going operations)	92	37
Group share of other comprehensive income	(9)	–
<b>Group share of net result for the period</b>	<b>83</b>	<b>37</b>

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

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

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

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

### 7.5. Other financial assets

	31/12/16	31/12/15
Composition non-current:		
Loans to associated companies	8,230	–
Purchase price claim from sale of Jupiter towers	–	13,187
Deposits with banks pledged as collateral	2,840	3,247
Advance payments made	1,701	332
Other non-current financial assets	689	189
Pension reimbursement insurance rights	464	370
Loans and other non-current receivables	195	168
	<b>14,118</b>	<b>17,493</b>

Both the purchase price claim from the Jupiter towers as at 31 December 2015 and the loans to associated companies at 31 December 2016 are held against ZAO Micos, which has been recognised as an associated company since October 2016. Please also see section 7.4.2.

The restricted accounts pledged as collateral for guarantees amount to EUR 2,840 thousand. The terms correspond to the standard terms for each contract partner. The restricted accounts relate to the hotel andel's Krakow, which was sold in 2009 (see section 9.1.3.1.), and the InterContinental hotel in Warsaw, which was sold in 2012 (see section 9.1.3.). They also include a security account in connection with the project loan for the Erzsébet office towers in Budapest.

The advance payments made pertain entirely to projects in St. Petersburg.

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

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



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

The deferred taxes break down and changed as follows:

	Available deferred tax claims		Thereof applied deferred tax claims	
	31/12/16	31/12/15	31/12/16	31/12/15
<b>Composition:</b>				
Differences in property, plant, and equipment and investment properties	1,412	1,379	4	4
Temporary differences in connection with shares in joint ventures	4	2,399	2	–
Measurement differences in the current assets	3,048	373	3,028	352
Differences in the tax treatment of pensions and other long-term employee benefits	354	329	354	329
Measurement differences in borrowings and provisions	39	2,828	25	2,776
Capitalisation of tax loss carryforwards	31,778	36,243	11,177	7,497
Impairment of deferred tax assets	–	–	(1,112)	(1,139)
	<b>36,634</b>	<b>43,552</b>	<b>13,478</b>	<b>9,820</b>
Offsetting with the same tax authority			(11,547)	(9,718)
			<b>1,931</b>	<b>102</b>

	Deferred tax liabilities	
	31/12/16	31/12/15
<b>Composition:</b>		
Differences in property, plant, and equipment and investment properties	(12,521)	(16,944)
Temporary differences in connection with shares in joint ventures	(1,130)	(1,484)
Measurement differences in borrowings and provisions	(1,191)	(1,354)
	<b>(14,842)</b>	<b>(19,782)</b>
Offsetting with the same tax authority	11,547	9,718
	<b>(3,295)</b>	<b>(10,064)</b>

	Deferred tax claims		Deferred tax liabilities	
	2016	2015	2016	2015
<b>Development:</b>				
As at 1 January	102	22	(10,064)	(10,649)
Changes in the scope of consolidation	–	–	–	454
<i>Change recognised in other comprehensive income in connection with:</i>	33	(1,358)	8,559	1,946
Foreign currency translation	(202)	(1,601)	240	1,684
Other comprehensive income from joint ventures	2	–	–	–
Revaluation of available-for-sale securities	97	97	(113)	262
Remeasurement pursuant to IAS 19	(5)	(4)	–	–
IFRS 5 reclassification	–	–	8,432	–
Cash flow hedges	140	150	–	–
<i>Change recognised in profit or loss for the period</i>	1,796	1,438	(1,790)	(1,816)
<b>As at 31 December</b>	<b>1,931</b>	<b>102</b>	<b>(3,295)</b>	<b>(10,064)</b>

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

	31/12/16	31/12/15
<b>Composition:</b>		
Claims related to property and share sales	3,000	271
Trade receivables	1,068	2,753
Deferred expenses	277	1,218
Receivables due from joint ventures	422	1,696
Advance payments made	175	860
Other current receivables and assets	235	488
Receivables from tax authorities	7	1,140
Other current receivables (restricted)	–	254
Receivables due from related parties	20	5
	<b>5,203</b>	<b>8,686</b>

The claim related to property and share arises from the disposal of the shares in UBX Praha 1 s.r.o. (see section 5.2.). The claim is subject to interest and is due in October 2017. The buyer has submitted a bank guarantee as collateral for the claim.

The maturity structure of trade receivables is as follows:

	31/12/16	31/12/15
<b>Composition:</b>		
Neither overdue nor bad debt provision made	619	1,835
30 days overdue, no bad debt provision made	27	422
60 days overdue, no bad debt provision made	11	197
90 days overdue, no bad debt provision made	84	76
120 days overdue, no bad debt provision made	83	94
>120 days overdue, no bad debt provision made	244	130
Impaired receivables	272	228
	<b>1,340</b>	<b>2,982</b>

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

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

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

	31/12/16	31/12/15
<b>Development:</b>		
Carrying amount on 1 January	10,612	13,520
Additions	–	2
Disposals	–	(397)
Reclassification to associated companies (equity method)	(3,989)	–
Advance payments received	(300)	–
Remeasurement	493	(1,628)
Exchange adjustments	–	(885)
<b>Carrying amount on 31 December</b>	<b>6,816</b>	<b>10,612</b>
<b>Composition:</b>		
Shares in Palais Hansen Immobilienentwicklung GmbH, Vienna	6,233	6,621
Shares in UBX 2 Objekt Berlin GmbH, Vienna	583	2
Shares in ZAO Micos, Moscow	–	3,989
	<b>6,816</b>	<b>10,612</b>

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

The reclassification of the shares in ZAO Micos is the result of the increase in the stake and is explained in section 7.4.2.

The sale of 44 per cent of the stake in UBX 2 Objekt Berlin GmbH was concluded in 2015 (see section 5.4.); the sale and buy options for the remaining 6 per cent at the carrying amount are still in force. In November 2016, Warimpex and the majority shareholder of UBX 2 Objekt Berlin GmbH concluded a purchase agreement for the sale of the shares to a third party. The existing options thus became void. The sale is expected to close at the end of 2017. The purchase price for the Group's 6 per cent stake according to the purchase agreement is around EUR 883 thousand. The Group already received advance consideration of EUR 300 thousand in the financial year.

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

**7.9. Cash and cash equivalents**

	31/12/16	31/12/15
<b>Composition:</b>		
Cash on hand	15	113
Bank balances	2,753	7,281
	<b>2,769</b>	<b>7,394</b>

This item consists of cash and cash equivalents.

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

## 7.10. Equity

### 7.10.1. Share capital, earnings per share

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

price of EUR 4.53 per share. The weighted average number of shares in free float between 1 January and 31 December 2016 was 53,933,500.

	2016	2015
	Shares	Shares
<b>Breakdown of shares and potential shares:</b>		
Shares 1 January to 31 December	54,000,000	54,000,000
Less treasury shares	-66,500	-66,500
<b>Weighted average number of shares</b>	<b>53,933,500</b>	<b>53,933,500</b>
<b>Dilution effect of potential shares:</b>		
Approved shares convertible bond 04/2013–11/2018 weighted	3,282,828	3,678,743
Approved shares convertible bond 10/2013–10/2016 weighted	–	1,814,128
Approved shares convertible bond 06/2014–06/2017 weighted	2,198,630	2,761,796
Weighted approved shares from convertible bonds	5,481,458	8,254,667
<b>Weighted average number of shares adjusted for the dilution effect</b>	<b>59,414,958</b>	<b>62,188,167</b>

	2016	2015
	IN EUR '000	IN EUR '000
<b>Earnings per share (based on the weighted average number of shares):</b>		
Profit or loss for the period allocable to the shareholders of the Group:		
Undiluted	17,423	(17,838)
Adjustment related to potential conversion of convertible bonds	549	1,586
Diluted	17,972	(16,252)
<b>Earnings per share undiluted = diluted (in EUR)</b>	<b>0,32</b>	<b>(0,33)</b>

A total of 5,449,495 (2015: 5,782,828) potential approved shares from convertible bonds were 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.

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

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

According to the Austrian Stock Corporation Act, the separate financial statements as of 31 December 2016 of the parent company Warimpex Finanz- und Beteiligungs AG, which have been prepared under the Austrian Uniform Commercial Code, provide the basis for the distribution of a dividend.

These annual financial statements report a profit for the financial year of EUR 30,804 thousand. As a result, the negative retained earnings as at 31 December 2016 declined to EUR -1,762 thousand. This retained earnings will be carried forward to new account.

### 7.10.2. Capital management

The equity reported in the consolidated financial statements is used for the purposes of capital management at the Group level. The primary objective of the Group's capital management policy is to ensure that the Group preserves a favourable equity ratio to support its business activities and maximise shareholder value. The Group is not subject to capital requirements, either under its articles of association or under external regulations. Legal requirements only apply to the share capital and legal reserves, and are complied with in full. The Group monitors its capital on the basis of its equity ratio, which should be between 20 per cent and 40 per cent.

The consolidated equity ratio was 12.0 per cent on the reporting date (2015: 6.2 per cent), and was below the target range. The Group expects the equity ratio to improve further and reach the target range with the closing of the sale of the hotel companies in 2017 (see section 5.1.).

	31/12/16	31/12/15
Determining the consolidated equity ratio:		
Equity	43,058	21,728
Borrowings	314,828	328,507
Total equity and liabilities	357,886	350,235
<b>Equity ratio in %</b>	<b>12.0%</b>	<b>6.2%</b>

### 7.10.3 Reserves

The equity includes the following Group reserves:

#### Capital reserve:

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

#### Revaluation reserve:

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

#### Reserve for currency translation:

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

#### Available-for-sale reserve:

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

#### Cash flow hedge reserve:

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

#### IAS 19 reserve:

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



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

	Revaluation reserve	Reserve for currency translation	Available-for-sale reserve	Cash flow hedge reserve	IAS 19 reserve	Total
<b>Changes in 2015:</b>						
As at 1 January	6,905	(2,861)	1,833	–	(835)	5,041
Reclassification of equity	(231)	–	–	–	–	(231)
Changes in the scope of consolidation	–	2,146	–	–	–	2,146
<i>thereof reclassification to profit or loss</i>	–	2,146	–	–	–	2,146
Other income/expenses	–	(1,100)	(1,255)	(788)	16	(3,127)
(Deferred) taxes	–	50	246	150	(4)	441
Total other comprehensive income	–	(1,050)	(1,010)	(638)	12	(2,686)
<b>As at 31 December</b>	<b>6,674</b>	<b>(1,765)</b>	<b>823</b>	<b>(638)</b>	<b>(823)</b>	<b>4,270</b>
<b>Changes in 2016:</b>						
As at 1 January	6,674	(1,765)	823	(638)	(823)	4,270
Other income/expenses	–	(592)	208	(735)	18	(1,101)
Other comprehensive income from joint ventures	–	(9)	–	–	–	(9)
(Deferred) taxes	–	40	(64)	140	(5)	111
Total other comprehensive income	–	(561)	144	(596)	14	(999)
<b>As at 31 December</b>	<b>6,674</b>	<b>(2,326)</b>	<b>967</b>	<b>(1,234)</b>	<b>(809)</b>	<b>3,271</b>

The other comprehensive income allocable to non-controlling interests in the amount of EUR -533 thousand (2015: EUR -1,528 thousand) pertains to currency translation to which deferred taxes of EUR 48 thousand (2015: EUR 146 thousand) apply.

### 7.11. Financial liabilities

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

#### 7.11.1. Convertible bonds

	31/12/16	31/12/15
<b>Composition:</b>		
Convertible bond 06/2014–06/2017	3,820	4,238
Convertible bond 11/2015–11/2018	4,081	4,088
	<b>7,902</b>	<b>8,326</b>
<i>thereof non-current</i>	3,971	8,265
<i>thereof current</i>	3,931	61

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

The convertible bond 06/2014–06/2017 was redeemed partially in November 2016

Proportionate transaction costs are taken into account using the effective interest rate method when recognising the convertible bonds. Therefore, the current portion also includes deferred interest and financing costs.

**7.11.2. Other bonds**

	31/12/16	31/12/15
<i>Composition:</i>		
Bond 03/2013–03/2016	–	9,541
Bond 03/2015–03/2017, extended until 09/2019	6,251	6,485
Bond 10/2013–10/2017	344	357
Bond 02/2014–02/2018	696	722
Bond 03/2015–03/2018	5,721	5,652
Bond 10/2015–10/2018	2,500	2,533
Bond 12/2015–12/2018	25,832	25,780
Bond 01/2016–01/2019	2,196	–
	<b>43,540</b>	<b>51,070</b>
<i>thereof non-current</i>	42,988	41,270
<i>thereof current</i>	552	9,800

Bonds with an outstanding volume of PLN 39.9 million (roughly EUR 9.4 million) as at the reporting date came due at the end of March 2016. Part of the bonds was swapped out for new bonds. One tranche with a nominal value of PLN 9.7 million (roughly EUR 2.3 million) was issued in January 2016 at a lower interest rate and a term of three years (Bond 01/2016–01/2019). The second tranche with a nominal value of PLN 15 million (roughly EUR 3.5 million) was issued in March 2016 with a term of one year and was also redeemed at the end of 2016. The remaining amount of PLN 15.2 million (roughly EUR 3.6 million) was repaid as agreed in March 2016.

The Bond 03/2015–03/2018 is recognised under the current liabilities because there was a non-financial covenant violation at the reporting date and the bond could therefore be called due early. The corresponding contractual provisions were amended during the preparation of the annual financial statements so that there is no longer a covenant violation.

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

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

	31/12/16	31/12/15
<i>Breakdown of non-current loans:</i>		
Project loans	51,888	151,376
Loans from non-controlling interests	50,767	48,753
Other loans	838	–
Overdraft and borrowing facilities	1,842	8,796
	<b>105,335</b>	<b>208,925</b>
<i>Breakdown of current loans:</i>		
Overdraft and borrowing facilities	6,327	7,034
Project loans	5,897	10,517
Other loans	1,032	811
	<b>13,256</b>	<b>18,363</b>
<b>Total loans</b>	<b>118,591</b>	<b>227,287</b>

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

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

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

	Project loans	Loans and borrowing	Bonds, convertible bonds	Loans from minorities and others	Total
<b>Changes in 2015:</b>					
As at 1 January	243,251	20,849	37,219	76,033	377,352
Borrowing/accumulated interest	78,853	–	11,451	–	90,304
Repayment	(104,346)	(5,019)	(12,050)	(4,908)	(126,323)
Changes in the scope of consolidation	(55,721)	–	–	–	(55,721)
Refinancing	–	–	21,300	(21,300)	–
Exchange rate and other changes	(145)	–	1,477	(261)	1,071
<b>As at 31 December</b>	<b>161,893</b>	<b>15,830</b>	<b>59,396</b>	<b>49,564</b>	<b>286,683</b>
<i>thereof current (due &lt; 1 year)</i>	<i>10,517</i>	<i>7,034</i>	<i>9,861</i>	<i>811</i>	<i>28,223</i>
<i>thereof non-current (due &gt; 1 year)</i>	<i>151,376</i>	<i>8,796</i>	<i>49,535</i>	<i>48,753</i>	<i>258,460</i>
<b>Changes in 2016:</b>					
As at 1 January	161,893	15,830	59,396	49,564	286,683
Reclassification according to IFRS 5	(91,977)	–	–	–	(91,977)
Borrowing/accumulated interest	11,575	2,497	45	–	14,117
Repayment	(12,674)	(10,159)	(7,519)	(86)	(30,438)
Changes in the scope of consolidation	(11,120)	–	–	–	(11,120)
Exchange rate and other changes	89	–	(480)	3,159	2,767
<b>As at 31 December</b>	<b>57,785</b>	<b>8,169</b>	<b>51,442</b>	<b>52,637</b>	<b>170,032</b>
<i>thereof current (due &lt; 1 year)</i>	<i>5,897</i>	<i>6,327</i>	<i>4,483</i>	<i>1,032</i>	<i>17,739</i>
<i>thereof non-current (due &gt; 1 year)</i>	<i>51,888</i>	<i>1,842</i>	<i>46,959</i>	<i>51,605</i>	<i>152,293</i>

The reclassification according to IFRS 5 pertains to financial liabilities (project loans) that are related to disposal groups held for sale (see section 5.1.). The changes in the scope of consolidation during the financial year relate to the disposals of the project loan of UBX Praha 1 s.r.o. (see section 5.2.). The loans taken out during the year pertain largely to project loans that were reclassified according to IFRS 5.

Financial liabilities in a total amount of EUR 68,903 thousand (2015: EUR 177,061 thousand) are secured by mortgages on land and buildings. Of this, EUR 21,761 thousand (2015: EUR 127,840 thousand) pertain to property, plant, and equipment and EUR 46,644 thousand (2015: EUR 49,220 thousand) to investment properties.

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

	31/12/16	31/12/15
<b>Interest on financial liabilities:</b>		
thereof fixed rate	118,263	148,297
thereof variable rate	51,770	138,386
	<b>170,032</b>	<b>286,683</b>
<b>Per cent share:</b>		
thereof fixed rate	70%	52%
thereof variable rate	30%	48%

		2016	2015
<b>Range of the variable interest for:</b>	<b>Base rate</b>	<b>Premium</b>	<b>Premium</b>
• Bonds	6M-WIBOR	5–6.4%	5–7%
	6M-EURIBOR	3.75%	3.75%
	3M-WIBOR	–	4.50%
• Overdraft/borrowing facilities	3M-EURIBOR	2.1–3.75%	1.5–3%
• Project loans	3M-EURIBOR	1.85–2.7%	1.85–3.5%
	3M-WIBOR	3.50%	3.50%
	1M-EURIBOR	–	3.10%
	5Y CMS swap rate	–	4%
	3M-PRIBOR	–	2.85%
	3M-SFR-LIBOR	–	0.5–2.25%

The ranges for the financial liabilities with fixed interest rates are between 2.5 per cent and 13.5 per cent.

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

**7.12. Derivative financial instruments**

	31/12/16	31/12/15
<b>Composition non-current:</b>		
Interest rate swaps related to project financing	–	1,704
Conversion rights related to convertible bonds	401	438
	<b>401</b>	<b>2,142</b>

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

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

**7.13. Other non-current liabilities**

	31/12/16	31/12/15
<b>Composition:</b>		
Security deposits received	2,550	990
Security deposits	479	279
Payables due to joint ventures	4,191	4,394
Payables due to affiliated companies	–	878
	<b>7,220</b>	<b>6,542</b>

The liabilities to affiliated companies were reclassified to liabilities related to disposal groups according to IFRS 5.



**7.14. Provisions**

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

**7.14.1. Provisions for pensions and other long-term employee benefits (section 3.12.)**

	Voluntary pension benefit commitments	Legal entitlement to Severance benefits	Anniversary bonuses	Total
<b>Changes in 2015:</b>				
As at 1 January	483	1,660	76	2,220
Service costs	60	23	18	101
<b>Change recognised in personnel expenses</b>	<b>60</b>	<b>23</b>	<b>18</b>	<b>101</b>
Actuarial losses				
from changed financial assumptions	52	28	–	80
Other (restatements based on experience)	6	(102)	–	(96)
<b>Remeasurement recognised in other comprehensive income</b>	<b>58</b>	<b>(75)</b>	<b>–</b>	<b>(16)</b>
Interest costs	11	35	2	48
<b>As at 31 December</b>	<b>612</b>	<b>1,644</b>	<b>97</b>	<b>2,353</b>
<b>Changes in 2016:</b>				
As at 1 January	612	1,644	97	2,353
Severance payments	–	(33)	–	(33)
Service costs	120	23	13	156
<b>Change recognised in personnel expenses</b>	<b>120</b>	<b>(10)</b>	<b>13</b>	<b>123</b>
Actuarial losses				
from changed financial assumptions	141	51	–	192
Other (restatements based on experience)	–	(210)	–	(210)
<b>Remeasurement recognised in other comprehensive income</b>	<b>141</b>	<b>(159)</b>	<b>–</b>	<b>(18)</b>
Interest costs	12	28	2	42
<b>As at 31 December</b>	<b>885</b>	<b>1,503</b>	<b>111</b>	<b>2,499</b>

The provisions are determined using the projected unit credit method. The salary increase is estimated at 2.75 per cent (2015: 2.75 per cent) for severance payments and for anniversary bonuses. The annual increase for pension entitlements is 2 per cent–2.125 per cent. The calculations are based on a discount rate of 1.5 per cent (2015: 2 per cent). Fluctuation discounts were not applied. The calculation is based on the current version of AVÖ 2008-P für Angestellte. The average term of the obligations for pension benefits is 35.5 years (2015: 36.6 years) and for severance payments 7.2 years (2015: 7.1 years).

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

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

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

Actuarial assumption	Possible change	Change in the net cash value for:	
		Pensions	Severance payments

**Sensitivity analysis 2015:**

Discount rate	+ 1 percentage point	(182)	(105)
Discount rate	- 1 percentage point	269	123
Salary increase	+ 0.5 percentage point	64	58
Salary increase	- 0.5 percentage point	(58)	(53)

**Sensitivity analysis 2016:**

Discount rate	+ 1 percentage point	(257)	(98)
Discount rate	- 1 percentage point	377	114
Salary increase	+ 0.5 percentage point	86	53
Salary increase	- 0.5 percentage point	(78)	50

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

	2016	2015
• Defined benefit obligations	2,499	2,353
• Remeasurement (actuarial gains/losses)	192	80

**7.14.2. Other provisions**

	Short-term	Long-term	Total
<b>Changes in 2015:</b>			
As at 1 January	431	–	431
Changes in the scope of consolidation	(5)	–	(5)
Utilised	(156)	–	(156)
Additions	343	–	343
<b>As at 31 December</b>	<b>613</b>	<b>–</b>	<b>613</b>
<b>Changes in 2016:</b>			
As at 1 January	613	–	613
Utilised	(59)	–	(59)
Additions	3	–	3
Reclassifications according to IFRS 5	(303)	–	(303)
Exchange adjustments	(2)	–	(2)
<b>As at 31 December</b>	<b>252</b>	<b>–</b>	<b>252</b>

**7.15. Deferred liabilities**

	31/12/16	31/12/15
<b>Composition non-current:</b>		
Advanced rent received St. Petersburg	3,482	2,974
Other	180	203
Gains on disposal of andel's Łódź (sale and lease-back)	–	3,042
Gains on disposal of Chopin Hotel (sale and lease-back)	–	943
	<b>3,662</b>	<b>7,162</b>

	31/12/16	31/12/15
<b>Composition current:</b>		
Advanced rent received St. Petersburg	206	172
Other	23	23
Gains on sale and lease-back of andel's hotel Łódź	–	562
Gains on disposal of Chopin Hotel (sale and lease-back)	–	539
	<b>229</b>	<b>1,296</b>

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

The remaining sale proceeds from sale and lease-back agreements were reclassified to liabilities related to disposal groups held for sale at the reporting date (see section 5.1.).

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

	31/12/16	31/12/15
<b>Composition:</b>		
Trade liabilities	5,447	3,741
Liabilities to related parties	2,513	3,640
Advance payments received	968	613
Payables due to joint ventures	906	790
Other liabilities	809	2,300
Security deposits received	376	336
Security deposits	134	98
	<b>11,152</b>	<b>11,519</b>

The trade liabilities include liabilities from construction activities in the amount of EUR 2,978 thousand (2015: EUR 98 thousand) that are to be paid by August 2017.

Other liabilities contain tax liabilities of EUR 264 thousand (2015: EUR 332 thousand), liabilities for social security contributions of EUR 109 thousand (2015: EUR 276 thousand), and accruals for unconsumed compensated absences of EUR 180 thousand (2015: EUR 266 thousand).

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

Trade receivables are non-interest-bearing and generally have terms of 10 to 60 days. Current tax liabilities and liabilities for social security contributions are non-interest-bearing, except for late payment. These liabilities are generally due within 30 days. Other liabilities are non-interest-bearing.

**[08] 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 IAS 39 or other IFRS		IFRS 13 Level	Carrying amount 31/12/16	Fair value 31/12/16	Carrying amount 31/12/15	Fair value 31/12/15
<b>Assets – categories</b>						
IAS 40	Investment properties (developed)	3	68,576	68,576	57,244	57,244
IAS 40	Investment properties (in development)	3	43,163	43,163	27,351	27,351
IAS 19	Refund claims (other financial assets)		464	464	370	370
LaR	Financial assets – fixed rate		8,230	8,230	13,187	10,706
LaR	Other financial assets		3,035	3,035	3,604	3,604
AfS	Financial assets, available for sale	3	583	583	2	2
	Non-current non-financial assets and non-current assets not measured at fair value		50,134		221,203	
	<b>Total non-current assets</b>		<b>174,185</b>		<b>322,960</b>	
LaR	Receivables		4,744	4,744	5,197	5,197
LaR	Cash and cash equivalents		2,769	2,769	7,394	7,394
AfS	Financial assets, available for sale	3	6,233	6,233	10,610	10,610
IFRS 5	Financial assets in disposal groups	3	4,875	4,875	–	–
LaR	Financial assets – fixed rate		–	–	271	238
	Non-financial current assets and current assets not measured at fair value		165,081		3,802	
	<b>Total current assets (including IFRS 5)</b>		<b>183,701</b>		<b>27,274</b>	
	<b>Total assets</b>		<b>357,886</b>		<b>350,235</b>	
<b>Liabilities – classes</b>						
FL	Fixed-rate convertible bonds	3	3,971	3,896	8,265	8,511
FL	Variable-rate bonds	3	28,587	27,959	33,254	33,281
FL	Fixed-rate bonds	3	14,401	14,668	8,016	8,061
FL	Fixed-rate loans	3	91,291	100,375	127,772	117,955
FL	Variable-rate loans	3	14,044	14,027	81,152	71,280
FL	Other non-current liabilities		7,220	7,220	6,542	6,542
FVTPL	Derivative financial instruments – conversion rights	3	401	401	438	438
FVTPL	Derivative financial instruments – interest rate swaps	3	–	–	200	200
Hedge	Derivative financial instruments with hedging relationships	3	–	–	1,504	1,504
IAS 19	Provisions for pensions		885	885	612	612
	Non-financial non-current liabilities and non-current liabilities not measured at fair value		8,572		18,967	
	<b>Total non-current liabilities</b>		<b>169,371</b>		<b>286,722</b>	
FL	Fixed-rate convertible bonds	3	3,931	3,931	61	61
FL	Variable-rate bonds	3	481	483	9,631	9,624
FL	Fixed-rate bonds	3	71	71	169	1,448
FL	Fixed-rate loans	3	4,598	4,793	4,014	4,030
FL	Variable-rate loans	3	8,658	8,658	14,349	14,740
FL	Other liabilities	3	9,631	9,631	10,023	10,023
IFRS 5	Financial liabilities related to disposal groups	3	99,540	99,540	–	–
	Non-financial current liabilities and current liabilities not measured at fair value		18,548		3,538	
	<b>Total current liabilities (including IFRS 5)</b>		<b>145,457</b>		<b>41,785</b>	
	<b>Total liabilities</b>		<b>314,828</b>		<b>328,507</b>	

		31/12/16	31/12/15
<b>Summary of carrying amounts by category for financial assets and liabilities:</b>			
LaR	Loans and receivables	18,777	29,653
AfS	Available for sale	6,816	10,612
FL	Financial liabilities at amortised cost	(186,883)	(303,249)
FVTPL	At fair value through profit or loss	(401)	(638)
Hedge	Derivative financial instruments with hedging relationships	–	(1,504)
IFRS 5	Financial instruments related to disposal groups	(94,665)	–

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

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

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

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

The measurement of the disposal groups and associated liabilities that are recognised according to IFRS 5 is explained in section 5.1.

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

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

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

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

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

	2016	2015
<b>Change in assets:</b>		
Carrying amounts at 1 January	95,207	101,271
Additions	8,541	27,934
Disposals	(4,951)	(397)
Gains/losses on remeasurement in profit or loss	7,916	(21,154)
Other income/expenses	11,842	(12,447)
<b>Carrying amounts at 31 December</b>	<b>118,555</b>	<b>95,207</b>

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

The classification of the shares in ZAO Micos was changed from available for sale to associated company in November 2016 (see section 7.4.2.). For this reason, these shares are no longer measured at fair value and are shown as a disposal in the table above.



	2016	2015
<b>Changes in liabilities:</b>		
Carrying amounts at 1 January	2,142	402
Additions	95	716
Disposals	–	–
Reclassification according to IFRS 5 (related to disposal groups)	(2,369)	–
Gains/losses on remeasurement in profit or loss	(202)	236
Gains/losses on remeasurement in other comprehensive income	735	788
<b>Carrying amounts at 31 December</b>	<b>401</b>	<b>2,142</b>

The remeasurement result in the income statement involves unrealised measurement gains from the conversion rights, which are recognised under the financial result, and to a lesser extent the measurement of interest rate swaps (recognised under financing expenses). The measurement in other comprehensive income pertains to a cash flow hedge. For information about the reclassification according to IFRS 5, please refer to section 5.1. and section 7.12.

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

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

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

No changes were made to the measurement methods in the reporting period.

The following is quantitative information about material, unobservable inputs that were used in the measurement of fair value.

Level	Classes	Material inputs	Range	Weighted average
<b>2015</b>				
3	Assets, available for sale	Exit yield	3.25%–10%	5.35%
3	Assets, available for sale	Cash flow (year one) in EUR '000	3,492–5,646	4,162
3	Non-current derivative financial instruments – conversion rights	Volatility	50%	
3	Non-current derivative financial instruments – interest rate swaps	Yield curve	n/a	
3	Derivative financial instruments with hedging relationships	Yield curve	n/a	
<b>2016</b>				
3	Assets, available for sale	Exit yield	3.25%	3.25%
3	Assets, available for sale	Cash flow (year one) in EUR '000	3,667	3,667
3	Non-current derivative financial instruments – conversion rights	Volatility	59%	
3	Non-current derivative financial instruments – interest rate swaps	Yield curve	n/a	
3	Derivative financial instruments with hedging relationships	Yield curve	n/a	

#### 8.1.4. Sensitivity analysis for changes in unobservable material inputs (recurring measurement)

The following is quantitative information about material, unobservable inputs that were used in the measurement of the fair value of financial instruments.

Level	Input factor	Change of assumption	Change in total comprehensive income before taxes	
			2016	2015
3	<b>Assets, available for sale</b>			
	Exit yield	+ 50 bp	-1,222	-3,992
	Exit yield	- 50 bp	1,640	2,968
	Cash flow (year one)	+ 5%	503	3,436
	Cash flow (year one)	- 5%	-691	-2,827
3	<b>Non-current derivative financial instruments – conversion right:</b>			
	Volatility of Warimpex share price in PLN	+ 5 percentage points	-138	-56
	Volatility of Warimpex share price in PLN	- 5 percentage points	129	12
3	<b>Non-current derivative financial instruments – interest rate swaps</b>			
	Yield curve	+ 50 basis points	n/a	82
	Yield curve	- 50 basis points	n/a	-52

### 8.1.5. Net results from financial instruments

The following information pertains to the income and expense items and the gains and losses per measurement category as related to the financial instruments:

	Measurement categories according to IAS 39					Total
	FVTPL	LaR	AfS	FL	Hedge	
<b>Financial year 2015:</b>						
Allocation/release of impairments		(3,619)				(3,619)
Interest and other financial revenue		1,166				1,166
Dividend income			998			998
Interest costs				(20,130)		(20,130)
Unrealised remeasurement result				(660)		(660)
Realised remeasurement result	251					251
Result from exchange rate changes				(19,506)		(19,506)
<b>Profit or loss for the period</b>	<b>251</b>	<b>(2,453)</b>	<b>998</b>	<b>(40,296)</b>	<b>–</b>	<b>(41,500)</b>
Unrealised remeasurement result OCI			(1,930)		(788)	(2,718)
<b>Net result from consolidated statement of comprehensive income</b>	<b>251</b>	<b>(2,453)</b>	<b>(932)</b>	<b>(40,296)</b>	<b>(788)</b>	<b>(44,218)</b>
<b>Financial year 2016:</b>						
Allocation/release of impairments		(43)				(43)
Interest and other financial revenue		1,314				1,314
Dividend income				(22,991)		(22,991)
Interest costs				(13)		(13)
Expenses from early redemption	153					153
Unrealised remeasurement result				20,343		20,343
<b>Profit or loss for the period</b>	<b>153</b>	<b>1,270</b>	<b>–</b>	<b>(2,661)</b>	<b>–</b>	<b>(1,238)</b>
Unrealised remeasurement result OCI			(75)		(735)	(810)
<b>Net result from consolidated statement of comprehensive income</b>	<b>153</b>	<b>1,270</b>	<b>(75)</b>	<b>(2,661)</b>	<b>(735)</b>	<b>(2,048)</b>

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

Changes in the value of available-for-sale assets and the cash flow hedge affect the other comprehensive income.

The allocation of the net results to the financial instruments is based on the financial instruments before reclassification according to IFRS 5 because the results generated during the year were allocable to the measurement categories according to IAS 39.

### 8.2. Financial risk management

In terms of financial risk management, the goal of the Group is to minimise risks to the greatest extent possible, taking the associated costs into account. A detailed description of the material financial risks to which the Group is exposed and the associated financial risk management (qualitative information on financial risks) can be found in the risk reporting section of the consolidated management report (Material risks and uncertainties to which the Group is exposed).

The following information is about the quantitative risks that relate to financial instruments.

#### 8.2.1. Interest rate risk

The Group strives to maintain a risk-oriented relationship between fixed- and variable-rate financial liabilities.

Taking into account existing interest rate swaps, about 70 per cent (2015: 52 per cent) of the Group's debt obligations were fixed-rate obligations on the reporting date and are not subject to interest rate risk. Details about the interest rate terms for the variable-rate financial liabilities can be found in section 7.11.5.

**Sensitivity of interest rate changes:**

The following table shows the sensitivity of Group earnings before taxes to certain changes in material market interest

rates that, based upon reasonable judgement, may in principle occur (owing to the impact of such changes on variable-rate loans). All other variables remain constant.

	Increase in basis points	Effect on the earnings before taxes	Reduction in basis points	Effect on the earnings before taxes
<b>2015</b>				
1M-EURIBOR	+50	(116)	-50	116
3M-EURIBOR	+50	(622)	-50	622
6M-WIBOR	+50	(79)	-50	79
<b>2016</b>				
3M-EURIBOR	+50	(246)	-50	246
6M-WIBOR	+50	(17)	-50	17

**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:

	2016	2017	2018	2019	2020	more than five years	Total
<b>31/12/2015:</b>							
Project loans	7,444	6,060	13,104	6,461	6,405	45,891	85,366
Borrowing/overdraft facilities	6,034	3,027	96	–	–	–	9,157
Bonds	9,365	6,852	26,589	–	–	–	42,806
Other	919	–	–	–	–	–	919
	<b>23,762</b>	<b>15,939</b>	<b>39,789</b>	<b>6,461</b>	<b>6,405</b>	<b>45,891</b>	<b>138,247</b>

	2017	2018	2019	2020	2021	more than five years	Total
<b>31/12/2016:</b>							
Project loans	3,456	762	634	651	669	11,219	17,392
Borrowing/overdraft facilities	4,477	–	–	–	–	–	4,477
Bonds	339	26,563	2,193	–	–	–	29,095
Other	833	–	–	–	–	–	833
	<b>9,105</b>	<b>27,325</b>	<b>2,827</b>	<b>651</b>	<b>669</b>	<b>11,219</b>	<b>51,797</b>

**8.2.2. Currency risk**

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

	CHF	PLN	EUR	Total
<b>31/12/2015:</b>				
In foreign currencies		5,133	36,786	
in EUR	4,737	9,422	272,524	<b>286,683</b>
<b>31/12/2016:</b>				
In foreign currencies	–	77,024		
in EUR	–	17,411	152,622	<b>170,032</b>

The following table shows the sensitivity of the Group's earnings before taxes to certain changes in exchange rates that, based upon reasonable judgement, may occur for the respective currency versus the euro. All other variables remain constant.

	CHF	CZK	PLN	RON	RUB	Total
<b>Sensitivity 2015:</b>						
Increase by 10%	(474)	(1,293)	(3,081)	(199)	(7,209)	(12,256)
Decrease by 10%	474	1,293	3,081	199	7,209	12,256
Increase by 20%	(947)				(14,418)	(15,365)
Decrease by 20%	947				14,418	15,365
Increase by 50%					(36,045)	(36,045)
Decrease by 50%					36,045	36,045
<b>Sensitivity 2016:</b>						
Increase by 10%		(336)	(739)		(9,168)	(10,243)
Decrease by 10%		336	739		9,168	10,243
Increase by 20%					(18,335)	(18,335)
Decrease by 20%					18,335	18,335
Increase by 50%					(45,838)	(45,838)
Decrease by 50%					45,838	45,838

The following table shows the sensitivity of the Group's equity to certain changes in exchange rates that, based upon reasonable judgement, may occur for the respective currency versus the euro. All other variables remain constant.

	CHF	CZK	PLN	RON	RUB	Total
<b>Sensitivity 2015:</b>						
Increase by 10%	(474)	(417)	(1,385)	23	(517)	(2,770)
Decrease by 10%	474	417	1,385	(23)	517	2,770
Increase by 20%	(947)				(1,035)	(1,982)
Decrease by 20%	947				1,035	1,982
Increase by 50%					(2,587)	(2,587)
Decrease by 50%					2,587	2,587
<b>Sensitivity 2016:</b>						
Increase by 10%		(5)	(506)		(444)	(955)
Decrease by 10%		5	506		444	955
Increase by 20%					(888)	(888)
Decrease by 20%					888	888
Increase by 50%					(2,220)	(2,220)
Decrease by 50%					2,220	2,220



**8.2.3. Default risk**

Please refer to section 7.7. for quantitative information about default risk. This shows the impairments that were recognised and the maturity structure of the current receivables. Information about a loan extended to ZAO Micos can be found in section 7.4.2. The maximum default risk is limited to the carrying amount of the financial receivables. There is no evidence of impairment for the financial assets that are neither past due nor impaired.

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

**8.2.4. Liquidity risk**

The Group had current financial liabilities in the amount of EUR 126,910 thousand (2015: EUR 38,247 thousand) as at the reporting date. Of this, EUR 99,540 thousand were classified as related to disposal groups according to IFRS 5, meaning that the Group has current financial liabilities in the amount of EUR 27,369 thousand. Of this, EUR 17,739 thousand (2015: EUR 28,223 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, 17.1 per cent (2015: 12.7 per cent) of the liabilities were current (excluding the current liabilities reported according to IFRS 5).

The Group serviced, refinanced, or extended short-term liabilities during the reporting period.

The Group concluded a framework agreement on the sale of eight hotel companies in February 2017 (see section 5.1.); the closing is expected by the summer of 2017. The management expects the sale of the hotel companies to generate a liquidity inflow of around EUR 75 million. This will provide the Group with sufficient liquidity to service its liabilities and to finance its projects.

The maturity structure of the Group's non-derivative financial liabilities (excluding the liabilities related to disposal groups) was as shown below on the reporting date. The figures are stated on the basis of contractual, non-discounted payment obligations including interest payments.

Non-derivative financial liabilities:	Due within 1 year	1 to 5 years	over 5 years	Total
Fixed-rate convertible bonds	4,168	4,528	–	8,697
Variable-rate bonds	8,223	30,361	–	38,584
Fixed-rate bonds	650	9,105	–	9,755
Fixed-rate project loans	4,986	20,807	27,901	53,694
Variable-rate project loans	3,792	3,948	13,686	21,427
Fixed-rate borrowing/overdraft facilities	2,004	1,889	–	3,893
Variable-rate borrowing/overdraft facilities	4,522	–	–	4,522
Other loans and borrowings	1,060	645	73,628	75,333
Trade and other payables	9,631	7,220	–	16,851
<b>Total</b>	<b>39,037</b>	<b>78,503</b>	<b>115,215</b>	<b>232,755</b>

Information about the maturity analysis of the derivative liabilities can be found in section 7.12. No derivative financial liabilities have a remaining maturity of more than five years.

## [09] Other 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 obligations

There were no contractual obligations at the reporting date.

#### 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
<b>Guarantees and bonds in the Group:</b>		
Guarantee related to the sale of andel's hotel Krakow	9.1.3.1.	3,969
Lease obligation of Vladinvest	9.1.3.2.	752
Guarantee related to the sale of Le Palais Offices, Warsaw	9.1.3.3.	31,701
Guarantee related to the sale of the Jupiter office towers, St. Petersburg – loan	9.1.3.4.	11,252
Guarantee related to the sale of the angelo Prague	9.1.3.5.	9,000

	Explanation	Maximum outstanding amount
<b>Guarantees and bonds related to joint ventures:</b>		
Contractual guarantee related to the sale of andel's hotel, Berlin	9.1.3.6.	17,520
Obligations related to Dream Castle Hotel, Paris	9.1.3.7.	17,087
Obligations related to the Magic Circus hotel, Paris	9.1.3.8.	7,521
Business guarantee related to the leasing of the InterContinental hotel, Warsaw	9.1.3.9.	3,147

#### 9.1.3.1. Guarantees in connection with andel's hotel Krakow (sold in 2009)

The subsidiary UBX Krakau Sp.z.o.o. sold its property, the andel's hotel Krakow, to an international fund in 2009 and leased the hotel back for a period of 15 years. This lease was extended to September 2029 in 2016. The annual lease fee was

originally around EUR 2 million, and is index-linked. The guarantee is equivalent to 1.5 gross annual lease payments. A bank guarantee for one gross annual rent payment was submitted. A restricted account in the amount of EUR 958 million was pledged as collateral.

Also as part of the sale, Warimpex issued a guarantee to the manager of the hotel, Vienna International AG, stipulating a payment in the amount of the average management fees I and II for the past three years times two in the event that the new owner of the hotel terminates the management agreement early. Settlement payments made by the owner will be deducted from this.

The specified guarantees will also transfer to the buyer upon the sale of UBX Krakow sp. z o.o (see section 5.1.).

#### 9.1.3.2. Lease obligation of Vladinvest s.r.o., Prague

The Group company Vladinvest s.r.o. concluded a master lease for other commercial space covering an area of 4,356 square metres with the company owning andel's hotel in Prague for a net rent of roughly EUR 0.4 million p.a. (indexed). This fixed rent is reduced by any rental income that the sold former subsidiary will be able to generate from renting out the property.

The lease agreement was concluded for a term of 12 years and ends on 30 September 2017.

#### 9.1.3.3. Guarantees related to the sale of Le Palais Offices, Warsaw

In connection with the sale of the Le Palais Offices property in 2013, Warimpex issued various guarantees for the new owner up to a maximum amount of the total purchase price. These guarantees primarily cover the standard warranty obligations of a seller with regards to the characteristics of the property and the legal title to the property.

#### 9.1.3.4. Guarantees related to the sale of the Jupiter office towers, St. Petersburg

The company ZAO Avielen AG, of which the Group holds 55 per cent, sold the Jupiter 1 and 2 office towers in St. Petersburg in 2015 (see section 5.4.). The purchaser is ZAO Micos, in which ZAO Avielen AG has had a stake of 44.02 per cent since October 2016 (see also section 7.4.2.). ZAO Micos took out a bank loan to finance the office towers for which ZAO Avielen AG issued a guarantee in accordance with its original stake of 19 per cent. The guaranteed amount was EUR 11,252 thousand as at the reporting date.

Liabilities from rent guarantees that the shareholders of ZAO Avielen issued to ZAO Micos were cancelled at the end of 2016.

**9.1.3.5. Guarantees related to the sale of the angelo hotel Prague**

The angelo hotel in Prague was sold to an investor during the financial year under a share deal (see section 5.2.). 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.

**9.1.3.6. Guarantees related to the sale of the andel's hotel Berlin**

The joint venture UBX 1 Objekt Berlin Ges.m.b.H. entered into the typical liabilities and guarantee obligations for real estate transactions in connection with the sale of the andel's hotel in Berlin. The liability is limited to an amount of 15 per cent of the purchase price and, with the exception of the guarantee that the property remain unencumbered, to a period of three years. The joint venture partners are jointly liable, and the liability is limited to 50 per cent internally.

In addition, the buyer and the leaseholder agreed on lease collateral in the lease agreement, of which EUR 1,770 thousand apply to Warimpex. This amount is subject to a counter-guarantee from the leaseholder. This guarantee is to be transferred to a company of the buyer in connection with the hotel sales (see section 5.1.) upon closing.

**9.1.3.7. Dream Castle Hotel, Paris**

In connection with the finance lease, the lessor has sell-out rights to Warimpex and the joint venture partner UBM Development AG. These sell-out rights can be exercised starting in 2024 or in the event that the lessee is late in making its contractual payments. Warimpex is jointly liable for the 50 per cent share in the joint venture partner.

The obligations arising from this joint liability above and beyond the financial liabilities recognised in the statement of financial position totalled EUR 17.1 million on the reporting date (2015: EUR 17.2 million).

**9.1.3.8. Magic Circus hotel, Paris**

In connection with the finance lease, the lessor has sell-out rights to Warimpex and the joint venture partner UBM Development AG. These sell-out rights can be exercised starting in 2027 or in the event that the lessee is late in making its contractual payments. Warimpex is jointly liable for the 50 per cent share in the joint venture partner.

The obligations arising from this joint liability above and beyond the financial liabilities recognised in the statement of financial position totalled EUR 7.5 million on the reporting date (2015: EUR 7.9 million).

**9.1.3.9. Contract bonds related to joint ventures**

Warimpex has entered into contractual bonds related to various joint ventures; these obligations are listed above (section 9.1.3.). In general, the liability for each joint venture is limited to the value of the equity interest. Please see sections 9.1.3.7. and 9.1.3.8. for information about joint and several liability.

**9.2. Information about leasing arrangements****9.2.1. Finance leases as lessee**

At the reporting date the Group leased the following hotels under finance leases: Chopin Hotel, Krakow; andel's hotel Łódź, and the Amber Baltic Hotel, Miedzzyzdroje. These hotels are part of the disposal groups recognised according to IFRS 5 (see section 5.1.).

**9.2.2. Operating leasing as lessee**

The Group is party to the following material operating leasing arrangements:

- *Lease for andel's hotel Krakow (see section 9.1.3.1.)*

The operating company of the andel's hotel Krakow is part of the current disposal groups recognised according to IFRS 5, which means that disclosures on future minimum lease payments are irrelevant.

- *Lease for Dvořák spa hotel, Karlovy Vary*

The lease for the Dvořák spa hotel ended on 31 December 2016. An interim three-month extension of the existing lease until 31 March 2017 had been agreed with the lessor before this date. Please see section 9.4. for information on the new lease that was concluded in 2017. Due to the contractual situation at 31 December 2016, no information is provided on minimum lease payments because these are purely performance-based for the first three months of 2017.

- *Office leases*

Individual subsidiaries are party to leases for office space as well as leases and easement agreements in connection with development projects in Poland.

	2016	2015
Expenses from minimum lease payments (including andel's Krakow and Dvořák)	3,371	2,082

	Total	Thereof up to 1 year	Thereof 1 to 5 years	More than 5 years
Future minimum lease payments, non-cancellable as at 31.12.2015	18,742	2,082	8,330	8,330
Future minimum lease payments, non-cancellable as at 31 December 2016	2,339	815	1,300	224

### 9.2.3. Operating leasing as lessor

The Group is party to operating leasing agreements as lessor in relation to its let investment properties. During the reporting period, this pertained to the following properties and subsidiaries:

- Erzsébet office towers, Budapest
- Zeppelin office towers, St. Petersburg
- Multi-development office building, Krakow
- Vladinvest Prague (see section 9.1.3.2.)
- Smaller properties in Budapest
- Sajka office building, Budapest

	Total	Thereof up to 1 year	Thereof 1 to 5 years	More than 5 years
Future minimum lease payments, non-cancellable as at 31.12.2015	54,746	6,062	22,968	25,716
Future minimum lease payments, non-cancellable as at 31 December 2016	68,802	8,218	31,397	29,187

## 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 per cent of the shares in Warimpex Finanz- und Beteiligungs AG and 49.01 per cent of the shares in Vienna International Hotelmanagement AG. The entity is a related party due to Franz Jurkowitsch being a beneficiary.

#### Bocca Privatstiftung:

A-1210 Vienna, Floridsdorfer Hauptstrasse 1 (FN 178104v, Commercial Court Vienna), as of the reporting date holds 10.6 per cent of the shares in Warimpex Finanz- und Beteiligungs AG and 49.01 per cent of the shares in Vienna International Hotelmanagement AG. The entity is a related party due to Georg Folian being a beneficiary.

#### Management Board:

##### Franz Jurkowitsch

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

##### Georg Folian

Is Deputy Chairman of the Management Board of the Company and held 14.6 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 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

##### Hannes Palfinger

Member of the Supervisory Board (until June 2016)

##### Hubert Staszewski

Member of the Supervisory Board (from June 2016)

##### Tomasz Mazurczak

Member of the Supervisory Board (until August 2015)

#### Vienna International Hotelmanagement AG:

A-1200 Vienna, Dresdnerstrasse 87, manages all hotels of the Group with the exception of the InterContinental hotel in Warsaw and the Crowne Plaza in St. Petersburg.

Amber Privatstiftung and Bocca Privatstiftung hold shares in Warimpex Finanz- und Beteiligungs AG and in Vienna International Hotelmanagement AG (VI).

On 23 February 2017, the private trusts above concluded a framework agreement on the sale of their shares in Vienna International Hotelmanagement AG. After the closing of the contract, VI is no longer an affiliated company.

#### All subsidiaries and joint ventures:

Please refer to the information about subsidiaries in section 4. and to the information about joint ventures in section 7.4.

### 9.3.2. Transactions with related parties

#### 9.3.2.1. Transactions with Amber Privatstiftung and Bocca Privatstiftung

There were no transactions with Amber Privatstiftung or Bocca Privatstiftung in the reporting period.

#### 9.3.2.2. Transactions with Management Board members

	2016	2015
Directors' remuneration 1 January to 31 December	2,183	1,114
Liabilities due to Management Board members as at 31 December	2,360	1,494
<i>The directors' remuneration breaks down among the Management Board members as follows:</i>		
Franz Jurkowitsch	540	271
Georg Folian	540	271
Alexander Jurkowitsch	634	342
Florian Petrowsky	468	231
	<b>2,183</b>	<b>1,114</b>
<i>The directors' remuneration breaks down as follows:</i>		
Current benefits	2,041	1,063
<i>thereof variable (bonus)</i>	861	–
Release/allocation to provision for severance payments	(150)	(67)
Allocation to provision for pension benefits	292	118
	<b>2,183</b>	<b>1,114</b>

The variable remuneration (bonus) for the Management Board amounts to 55 per cent (2015: 5 per cent) of the annual profit attributable to the shareholders of the parent.

Pension plans were in force for the Management Board members Alexander Jurkowitsch and Florian Petrowsky (fixed, indexed amount) on the reporting date. Pension reimbursement insurance has been taken out for these commitments. The right to pension benefits starts when the beneficiary reaches the legal retirement age of 65 years.

Eligibility for pension benefits under the Company pension plan lapses if the employment contract is terminated for the grounds stated in § 27 Employees Act, or if a director resigns or terminates his or her work contract for no material reason. With regards to the pension reimbursement insurance, in the event that a director's employment contract is terminated prior to reaching the age of 65, he or she will be entitled to the payment of the surrender value of the policy instead of pension benefits.

Other termination entitlements are governed by the Austrian Salaried Employee Act (AngG).

#### 9.3.2.3. Transactions with Supervisory Board members

	2016	2015
Supervisory Board fees	129	135
Fees paid to Supervisory Board members as at 31 December	–	–
<i>The Supervisory Board members' fees break down among the Supervisory Board members as follows:</i>		
Günter Korp	35.0	35.0
Thomas Aistleitner	30.0	30.0
Harald Wengust	17.5	17.5
William de Gelsey	17.5	17.5
Hannes Palfinger	17.5	17.5
Tomasz Mazurczak (until August 2015)	11.7	17.5
	<b>129</b>	<b>135</b>

All SSupervisory Board members' fees are current liabilities.

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



**9.3.2.4. Transactions with Vienna International****Hotelmanagement AG (VI)**

Remuneration for hotel management is provided on a variable basis and depends on the revenue and gross operating profit (GOP) of the respective hotel. The contracts with Vienna International AG contain standard industry periods of notice for termination.

	2016	2015
<b>Transactions between Group companies (fully consolidated) and Vienna International AG:</b>		
Charged management fee	(2,783)	(2,856)
Other services rendered in hotel operations	(2,030)	(1,856)
Fees charged by VI as at 31 December	(3,495)	(2,146)
<b>Transactions between joint ventures (equity method) and Vienna International AG</b>		
Charged management fee	(940)	(1,914)
Other services rendered in hotel operations	(617)	(710)
Fees charged by VI as at 31 December	(661)	(339)

**9.3.2.5. Transactions with joint ventures and associated companies**

	2016	2015
Income from transactions with joint ventures	594	1,064
Receivables from joint ventures and associated companies	8,651	1,696
Liabilities to joint ventures and associated companies as at 31 December	(6,242)	(5,184)

Earnings from joint ventures pertain primarily to interest income from loans to joint ventures, which are predominantly recognised as net investments in joint ventures (see section 7.4.3.). The increase in the receivables is due to the classification of the shares in ZAO Micos as an associated company (see section 7.4.2.). 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**

A framework agreement for the sale of eight hotel companies was concluded on 23 February 2017; two of these companies are joint ventures. The assets and liabilities of the companies to be sold and the joint venture shares are recognised in the financial statements as held for sale according to IFRS 5. Further information can be found in section 5.1.

Based on the preliminary purchase price determined for the transaction, the Management Board expects a profit in the area of EUR 25 million. The inflow of cash and cash equivalents is expected to be around EUR 75 million.

At the end of March 2017, the lease for the Dvořák spa hotel in Karlovy Vary that was temporarily extended until 31 March 2017 was extended until the end of 2026. A minimum lease payment of roughly EUR 50 thousand p.a. and a performance-based lease of at least EUR 557 thousand p.a. plus operating costs were agreed.

**Vienna, 24 April 2017**


**Franz Jurkowitzsch**  
Chairman  
of the Management Board



**Georg Folian**  
Deputy Chairman  
of the Management Board



**Alexander Jurkowitzsch**  
Member of the Management Board



**Florian Petrowsky**  
Member of the Management Board

# Auditor's Report\*

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 2016, 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 2016 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 Austrian Commercial Code (UGB).

### Basis for opinion

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing. 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 General 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 judgement, 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:

- Measurement of the investment properties
- Measurement of the properties held as non-current assets
- Recognition of the non-current assets held for sale (disposal group)

#### *Title*

#### **Measurement of the investment properties**

#### *Risk*

Warimpex Finanz- und Beteiligungs AG reports investment properties in the amount of EUR 111,739 thousand and a remeasurement result from investment properties in the amount of EUR 7,553 thousand in its consolidated financial statements as at 31 December 2016.

The investment properties are measured at fair value on the basis of appraisals from external, independent experts.

The measurement of investment properties is subject to material assumptions and estimates. The material risk for each property lies in making these assumptions and estimates such as discount rates, exit yields, and achievable rental revenue, and for development properties the outstanding construction and development costs and the developer's profit. A slight change in these assumptions can have a substantial impact on the measurement of the respective investment property.

The disclosures pertaining to the investment properties and the associated discretionary decisions and estimation uncertainties are shown in notes section 3.4.1.2. and in section 7.2. of the consolidated financial statements.

#### *Consideration in the audit*

To address this risk, we critically examined the assumptions and estimates made by the management and the external, independent expert and performed the following audit steps, among others, in conjunction with our property appraisal experts:

- Understanding and documentation of the underlying property valuation business process
- Assessment of the competence and independence of the external, independent expert commissioned by the management
- Assessment of the applied methods and the mathematical correctness of selected appraisals as well as assessment of the plausibility of the underlying assumptions such as discount

\* 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 Commercial Code) applies to alternate versions.

rates, exit yields, and achievable rental revenue as well as outstanding construction and development costs and the developer's profit (for development properties)

- Evaluation of the assumptions made in the external appraisals by means of comparisons with market data

#### *Title*

#### **Measurement of the properties held as non-current assets**

#### *Risk*

Warimpex Finanz- und Beteiligungs AG reports property, plant, and equipment in the amount of EUR 31,316 thousand and impairment reversals on property, plant, and equipment in the amount of EUR 3,638 thousand as at 31 December 2016. The primary asset in this item is a property with a building (hotel property) used by the Company for its own operations.

For non-current assets with a specified service life, it is necessary on each reporting date to determine whether there is any evidence that an asset is impaired or whether impairment charges applied in previous periods must be reversed in full or in part due to changed circumstances. If either of these apply, the Company must estimate the recoverable amount of the asset.

The recoverable amount is determined on the basis of opinions from external, independent experts and is subject to material assumptions and estimates. The material risk for each property lies in making assumptions and estimates such as the exit yield and the expected future cash flows from hotel operations. A slight change in these assumptions can have a substantial impact on the measurement of the respective property held as a non-current asset.

The disclosures pertaining to the properties held as non-current assets and the associated discretionary decisions and estimation uncertainties are shown in notes section 3.4.1.2. and in section 7.1. of the consolidated financial statements.

#### *Consideration in the audit*

To address this risk, we critically examined the assumptions and estimates made by the management and the external, independent expert and performed the following audit steps, among others, in conjunction with our property appraisal experts:

- Understanding and documentation of the underlying property valuation business process
- Assessment of the competence and independence of the external, independent expert commissioned by the management
- Assessment of the applied methods and the mathematical correctness of selected appraisals as well as assessment of the plausibility of the underlying assumptions such as exit yields

and expected future cash flows from hotel operations

- Evaluation of the assumptions made in the external appraisals by means of comparisons with market data

#### *Title*

#### **Recognition of the non-current assets held for sale (disposal group)**

#### *Risk*

The carrying amount of the assets held for sale at 31 December 2016 was EUR 169,185 thousand.

Warimpex Finanz- und Beteiligungs AG negotiated the sale of part of its hotel portfolio in 2016 and signed an agreement to this effect on 23 February 2017; the transaction is expected to close in the second quarter of 2017.

We saw the recognition of this transaction, which is shown in the consolidated statement of financial position as assets held for sale (disposal group) at the end of the year, as a key audit matter due to its scope and complexity.

The disclosures on the planned sales can be found in sections 5.1. and 9.4. of the notes.

#### *Consideration in the audit*

Our audit steps included the following activities, among others:

- Assessment of the management's assumptions in terms of the criteria that were used to reclassify certain assets as held for sale
- Assessment of the measurement

## 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 Commercial 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 detects a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 judgement 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 in response 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.
- draw conclusions 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.

#### 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 Commercial 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, but does not include the consolidated financial statements, the management report for the Group, or the auditor's report thereon. The annual report 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.

#### Responsible Austrian certified public accountant

The engagement partner on the audit resulting in this independent auditor's report is Alexander Wlasto, Certified Public Accountant.

Vienna, 24 April 2017

ERNST & YOUNG

WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT M.B.H.

**Mag. Alexander Wlasto mp** **Mag. (FH) Isabelle Vollmer mp**  
Certified Public Accountant      Certified Public Accountant





**Dvořák Hotel\*\*\*\***  
Karlovy Vary, CZ

# Supervisory Board Report

## Fundamental aspects

The Management Board informed the Supervisory Board of Warimpex Finanz- und Beteiligungs Aktiengesellschaft verbally and in writing of all significant business activities, the development of business, and the Company's economic situation at regular meetings during the 2016 financial year and fulfilled all of the duties and control functions required of it by law, the articles of association of the Company, and the terms of reference of the Supervisory Board. In particular, we supervised the Management Board in the direction of the Company and convinced ourselves that the operations of the Company were managed properly. The Chairman of the Supervisory Board also maintained regular contact with the Chairman of the Management Board and his deputy, in particular to discuss strategy issues, the development of business, and risk management. One of the key topics at the Supervisory Board meetings was comprehensive, timely reports on the economic and structural changes in Russia and Central and Eastern Europe and the associated opportunities and risks. The development of sales and earnings, liquidity forecasts, and the Company's financial position were also regularly discussed at these meetings.

The Company is committed to compliance with the Austrian Code of Corporate Governance as well as the Polish Best Practice for GPW Listed Companies 2016. The Supervisory Board faithfully fulfilled the duties and responsibilities laid down in these codes and also monitored the Company's compliance with these rules. The articles of association and the terms of reference of the Management Board and Supervisory Board are amended as needed to account for changes. Deviations from individual corporate governance rules relate to the Company's structure and/or to Polish rules that are not complied with due to the Company's primary orientation towards the relevant Austrian regulations. In line with the provisions of the 2007 Issuer Compliance Ordinance as amended, the Compliance Officer's annual report was submitted to the Supervisory Board and discussed. After the Market Abuse Regulation came into force in 2016, the confidentiality and insider trading declaration had to be revised.

Five Supervisory Board meetings were held in financial year 2016. All members of the Supervisory Board fulfilled the minimum attendance requirements. Four resolutions were also adopted by way of circular motion and related to the repurchase and issue of bonds in January 2016, the sale of the 50 per cent stake in the Parkur Tower office building in Warsaw in March 2016, and the sale of the angelo hotel in Prague in September and October 2016. The circular resolutions that were adopted were again discussed in detail at subsequent Supervisory Board meetings.

## Committees

The Supervisory Board has set up three permanent committees: the Audit Committee, the Project Committee, and the 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.

Four Audit Committee meetings were held in financial year 2016.

### Audit Committee

In accordance with the law and the rules of procedure of the Supervisory Board, the Supervisory Board has set up a permanent committee for reviewing and accepting the annual financial statements, the proposal for the appropriation of profits, and the management report for the Company and the Group (Audit Committee). The Audit Committee reviewed the consolidated annual financial statements and issued a proposal on the selection of the financial auditor, and reported to the Supervisory Board on this. The chairman of the Supervisory Board, Günter Korp, is a member of the Audit Committee and applies his special knowledge and practical experience in finance and accounting and in financial reporting (financial expert). Two other members of the Supervisory Board who are independent according to the rules of procedure of the Supervisory Board also sit on the Audit Committee.

### Project Committee

The Supervisory Board has set up a permanent committee to monitor and approve transactions that are subject to approval according to law and the rules of procedure of the Management Board, provided that the total transaction costs do not exceed EUR 50,000,000 (Project Committee). When the total costs of an intended transaction exceed this limit, the transaction in question must be reviewed and approved by the Supervisory Board as a whole. The Project Committee is chaired by Supervisory Board member Harald Wengust. Two other members of the Supervisory Board who are independent according to the rules of procedure of the Supervisory Board also sit on the Project Committee.



### Personnel Committee

The Supervisory Board has formed a permanent committee that is responsible for personnel matters between the Company and the Management Board (remuneration, issue of proposals for the filling of vacant posts on the Management Board, and succession planning). The Personnel Committee is authorised to conclude service agreements with the members of the Management Board. The Personnel Committee is chaired by Supervisory Board chairman Günter Korp. Two other members of the Supervisory Board who are independent according to the rules of procedure of the Supervisory Board also sit on the Personnel Committee. The chairman of the Personnel Committee conducted extensive discussions with the individual members of the Management Board, including about the extension of the Management Board mandate of Florian Petrowsky. A detailed discussion was also held with Florian Petrowsky on the extension of his Management Board contract. The Management Board mandate of Florian Petrowsky was extended early until 1 May 2021, with no changes in his responsibilities.

### Sale of the 50 per cent stake in Parkur Tower, Warsaw

In June 2016, Warimpex sold its 50 per cent stake in the company holding the Parkur Tower office building in Warsaw to the joint venture partner. The Supervisory Board discussed this transaction as proposed by the Management Board and adopted the corresponding approval resolution.

### Sale of the angelo hotel, Prague

Warimpex sold the angelo hotel in Prague at the end of October 2016. The Supervisory Board discussed this transaction as proposed by the Management Board and adopted the corresponding approval resolution.

### Sale of eight hotel interests

Warimpex announced the sale of part of its hotel portfolio to the Thai investor U City Public Company Limited (U City) on 23 February 2017. The transaction covers eight hotel holdings (two of which are partially [50 per cent] owned by UBM Development AG), which account for around 50 per cent of the total real estate assets of Warimpex and represent a property value of roughly EUR 180 million (excluding the holdings of UBM in this portfolio). This amount also corresponds to the total financial consideration (excluding the purchase price for the UBM portion of the portfolio), which consists of the purchase price for the shares in the respective property companies and the assumption of shareholder loans and liabilities from the bank financing taken out by the property companies.

The closing of the transaction is still subject to the standard prerequisites for real estate transactions of this type and a

variety of necessary permits and approval from different business partners. Warimpex expects the transaction to close by the Totalr of 2017.

The Supervisory Board was informed regularly about the current status of the negotiations during the 2016 financial year, and a resolution was adopted in the 2017 financial year.

### Approval of the annual financial statements for 2016

The annual financial statements, the management report, and the consolidated financial statements for the year ended 31 December 2016 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. The final result of this audit revealed no grounds for objection and the legal provisions were fully complied with, so that unqualified auditor's reports were issued.

The annual financial statements, the management report, the consolidated financial statements including the Group management report, and the corporate governance report were reviewed by the Audit Committee at its meeting on 19 April 2017 in the presence of and after an oral report by the auditor, and their acceptance was proposed to the Supervisory Board. The Supervisory Board reviewed the annual financial statements including the management report, the consolidated financial statements including the Group management report, and the corporate governance report prepared by the Management Board and approved the annual financial statements. The Audit Committee also proposed to the Supervisory Board that Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. be appointed as the financial auditor for the Company and the Group for the financial year ending on 31 December 2017.

The Supervisory Board thanks the Management Board, the Company's managers, and all employees of Warimpex Group for their commitment during the financial year and wishes the Company continued success in the future. The Supervisory Board wishes to express its particular thanks to Hannes Palfinger, who was a member of the Supervisory Board until June 2016 and who turned to new professional challenges.

Vienna, April 2017

**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, April 24, 2017



**Franz Jurkowitsch**  
*Chairman of the Management Board*

Responsibilities:  
Strategy, investor relations, and  
corporate communications



**Georg Folian**  
*Deputy Chairman of the Management Board*

Responsibilities:  
Finance and accounting,  
financial management, and human resources



**Alexander Jurkowitsch**  
*Member of the Management Board*

Responsibilities:  
Planning, construction,  
information management, and IT



**Florian Petrowsky**  
*Member of the Management Board*

Responsibilities:  
Transaction management,  
organisation, and legal issues

# Financial Calendar

2017

**26 April 2017***Publication of the Annual Report for 2016***30 May 2017***Publication of the results  
for the first quarter of 2017***4 June 2017***Verification deadline***14 June 2017***Annual General Meeting***30 August 2017***Publication of the results  
for the first half of 2017***30 November 2017***Publication of the results  
for the first three quarters of 2017***PUBLICATION DETAILS:**

**Warimpex Finanz- und Beteiligungs AG**  
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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.



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