



warimpex

## KEY FIGURES OF THE WARIMPEX GROUP

| EUR '000                                                        | 2009             | Change | 2008       |
|-----------------------------------------------------------------|------------------|--------|------------|
| Revenues from Hotels & Resorts segment                          | 79,608           | -8%    | 86,663     |
| Revenues from the Development & Asset Management segment        | 5,650            | -27%   | 7,705      |
| Total revenues                                                  | 85,258           | -10%   | 94,368     |
| Gains from the sale of project companies                        | 2,288            | -84%   | 13,866     |
| EBITDA                                                          | 8,053            | -73%   | 29,353     |
| EBIT                                                            | -71,772          | -      | -3,412     |
| Profit for the year                                             | -92,667          | -      | -29,388    |
| Net cash flow from operating activities                         | 11,151           | -3%    | 11,462     |
| Net assets                                                      | 610,873          | -5%    | 642,190    |
| Equity                                                          | 60,153           | -59%   | 145,506    |
| Issued capital                                                  | 39,600           | 10%    | 36,000     |
| Equity ratio                                                    | 9.8%             | -13 pp | 22.7%      |
| Adapted equity ratio <sup>1</sup>                               | 19.4%            | -18 pp | 37.0%      |
| Average number of shares in the financial year                  | units 36,604,185 | -      | 35,977,771 |
| Earnings/loss per share                                         | in EUR -2.63     | -      | -0.80      |
| Proposed dividend per share                                     | in EUR 0.00      | -      | 0.00       |
| Payout ratio                                                    | -                | -      | -          |
| Number of shares at 31 December                                 | units 39,599,999 | -      | 36,000,000 |
| Number of hotels                                                | 20               | 2      | 18         |
| Number of rooms (adjusted for proportionate share of ownership) | 3,322            | 623    | 2,699      |
| Number of office and commercial properties                      | 5                | -1     | 6          |
| Number of hotel development projects                            | 3                | -4     | 7          |
| Average number of employees in the Group                        | 1,466            | 1%     | 1,457      |

|                                | 31/12/2009               | Change | 31/12/2008 |
|--------------------------------|--------------------------|--------|------------|
| Gross Asset Value (GAV)        | in millions of EUR 571.9 | -14%   | 666.7      |
| Triple net asset value (NNNAV) | in EUR m 148.9           | -51%   | 301.9      |
| NNNNAV per share               | in EUR 3.8               | -55%   | 8.4        |
| End-of-year share price        | in EUR 2.18              | 74%    | 1.25       |

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

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## **WARIMPEX – real estate development and investment**

Warimpex is a real estate development and investment company. Our core business activity is the construction and operation of hotels in Central and Eastern Europe.

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

## WARIMPEX – AN OVERVIEW

Warimpex Finanz- und Beteiligungs AG is a real estate development and investment company. Our core business activity is the construction and operation of hotels in Central and Eastern Europe.

### Evolution of the Warimpex Group

Warimpex was founded in 1959 by Stefan Folian as an import, export 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 date the Warimpex Group has developed real estate involving investments of more than one billion euros, including hotels in the five-, four- and three-star categories with a total of more than 5,000 rooms. In addition, Warimpex also develops office buildings and other real estate.

### Development and asset management

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

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

As of the end of 2009, Warimpex was the owner or co-owner of twenty business and luxury hotels with a total of more than 4,800 rooms (3,200 rooms when adjusted for the proportionate share of ownership), plus five commercial and office buildings with a total floor area of some 32,000 square metres in Poland, the Czech Republic, Hungary, Romania and France. A number of further real estate projects are currently under development. Three-star-plus and four-star hotels – the andel's and angelo hotel brands – will be built in primary and secondary metropolitan areas.

In the one-star and two-star segment, Warimpex's portfolio will be complemented in future by budget hotels developed under a joint venture with Louvre Hotels.

## HIGHLIGHTS IN 2009

### Operational highlights

- 03/2009 Opening of the andel's hotel in Berlin (557 rooms)
- 05/2009 Opening of Erszebet Office B, Budapest, after redevelopment
- 05/2009 Rental of Csalogany Office, Budapest, to city court
- 05/2009 Opening of the andel's hotel in Łódź (278 rooms)
- 06/2009 Topping-out ceremony at angelo hotel in Katowice (197 rooms)
- 06/2009 Sale of Csalogany Office, Budapest
- 09/2009 Sale of the andel's hotel in Krakow (159 rooms)
- 09/2009 Opening of the angelo hotel in Ekaterinburg (211 rooms)
- 10/2009 Kempinski won over as leaseholder and operator of Palais Hansen
- 10/2009 Capital successfully increased by 3,599,999 shares
- 11/2009 Re-opening of the Magic Circus Hotel at Disneyland Paris (396 rooms)

### Financial highlights

- Sales revenues down by 10%
- EBITDA of +EUR 8.1 million
- Non-scheduled depreciation and impairment losses reduce result by EUR 62.5 million (previous year: EUR 19.8 million)
- Loss per share of EUR 2.36
- Valuation of CBRE yielded real estate assets of EUR 571.9 million
- Triple net asset value (NNNAV) per share down by 55% or EUR 3.80 per share compared to 30 June 2009 because of the challenging market conditions but the NNAV per share rose by 15%.

# CORPORATE GOVERNANCE REPORT

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

Detailed explanations are available on the Company's web site at [www.warimpex.com](http://www.warimpex.com).

## **Austrian Code of Corporate Governance, as amended in January 2009**

The Austrian Code of Corporate Governance (as amended in January 2009 and as applied in financial year 2009, [www.corporate-governance.at](http://www.corporate-governance.at)) contains rules that must be followed (L-rules), rules that are not mandatory for the Company but for which justification must be provided in the event of non-compliance (C-rules), and rules that are entirely optional for the Company and for which no justification must be provided in cases of non-compliance (R-rules). Overall, the Company's statutes and the internal terms of reference for the Management Board and the Supervisory Board comply with the L-rules in full, and with all of the C-rules except as explained below:

- The Company has neither outsourced its internal auditing functions nor set up a separate staff unit for internal auditing purposes, which would be required by Rule 18. The Company has no intention of making such changes at this time. The Management Board has judged that such measures would be disproportionately cost intensive. The implementation of Rule 18 is therefore not planned for the foreseeable future for cost reasons.
- The principles for setting compensation for the members of the Management Board and the Supervisory Board are published, as is the total pay rendered to all members of the Management Board and Supervisory Board. Information about the pay of individual members of the Management Board and Supervisory Board as per Rule 31 and Rule 51 is not provided because the disclosure of this information would have marginal value for investors in comparison with the loss of privacy it would mean for these individuals. As regards Rule 30, reference is made to the notes on the consolidated financial statements (Note 7.03)
- An assessment by the balance sheet 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.

All members of the Supervisory Board are deemed independent members as defined in C-Rule 53 of the Austrian Working Group for Corporate Governance. The guidelines for independence are those given in Annex 1 of the Austrian Code of Corporate Governance. The Company has directors' and officers' liability insurance.

## **The Executive Board**

The rules of procedure for the Executive Board govern the composition and working method of the Executive Board, cooperation of the Executive Board and the Supervisory Board, approach to conflicts of interests, information and reporting duties of the Executive Board and decisions requiring approval of the Supervisory Board applying to significant transactions of the major subsidiaries. As a rule, the Executive Board holds meetings for mutual information and decision-making at least every second week.

## **Working method of the Supervisory Board**

In exercising its functions, notably monitoring and strategic support of the Executive Board, the Supervisory Board discusses the situation and targets of the company and takes decisions. The rules of procedure for the Supervisory Board govern in detail the composition, working method and tasks of the Supervisory Board, approach to conflicts of interests and all committees (Audit Committee, Project and Personnel Committee) and their responsibilities. The Supervisory Board held five meetings in the period under review. Moreover, the Supervisory Board held meetings with the Executive Board on management matters. All members of the Supervisory Board personally attended more than half of the meetings of the Supervisory Board in the period under review.



## Committees

The Supervisory Board appoints an Audit Committee and a Project and Personnel Committee from among its members. No separate strategy committee has been set up; such matters are dealt with by the Supervisory Board collectively. The committees are elected for the terms of office of their members. Each committee elects a chairman and deputy-chairman from among its members. For further information see "Bodies Of The Company" on page 9.

At Warimpex, men and women engaged in the same tasks and having the same education and training are paid the same salaries. In addition, the ratio of female to male employees at the Group headquarters is 1:1. No concrete measures are currently being taken to increase the number of woman in managerial positions.

## Poland – Code of Best Practice for WSE Listed Companies

In accordance with the statutes of the Warsaw stock exchange and in connection with the application for admission of the Company's shares for trading at this exchange, the Company is obligated to disclose which Polish corporate governance rules from the Code of Best Practice for WSE Listed Companies it intends to follow, and which it will not follow (with an explanation of the reasons for non-compliance).

The Company has decided to follow the Polish corporate governance rules with the following exceptions, which are due to the nature of the Company and to the provisions of Austrian law, to which the Company is subject. In particular, the Company has decided not to comply with the following rules from the Code of Best Practice for WSE Listed Companies for the indicated reasons:

- Rule I.1: The Company communicates with its shareholders, investors and analysts through traditional means of communication and through modern means of communication such as the Internet. Ad hoc releases, minutes of the annual general meetings and other publications can be found in the Investor Relations area of the Company's web site ([www.warimpex.com](http://www.warimpex.com)). Webcasts of the Company's annual general meeting are currently not offered, but will be offered in future when required by law.
- Rule I.4: Company capital measures that entail the acquisition of shareholder's rights are executed at the same time or during the same periods in Austria and Poland; excepted from this are annual general meetings, which are always held at a venue in Austria.
- Rule II.1 1): The statutes of the Company can be viewed on its web site. Internal documents such as terms of reference for its governing bodies are not published.
- Rule II.1 2): Curricula vitae are only published on the web site for candidates for the Supervisory Board.
- Rule II.1 6): Beginning in financial year 2008, the Company will include a report and an evaluation of the work of the Supervisory Board as well as reports by the Supervisory Board about the internal control system and the risk management system in its annual report and on its web site.
- Rule II.1 7): 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.
- Rule II.5: The Company does not publish any grounds for agenda items and draft resolutions of the annual general meeting because this is not required by Austrian law. Shareholders can pose questions to the Company at the annual general meeting as permitted by law.
- Rule III.1: An assessment of the work of the Supervisory Board and reports by the Supervisory Board on the internal control system and the risk management system will be included in the annual reports and on the Company's web site starting in financial year 2008. Shareholders can pose questions in this connection at the annual general meeting as permitted by law.
- Rule IV.8: Austrian law only requires that the persons responsible for auditing the financial statements be changed regularly, but not the firms conducting the audits. For this reason, the Company has decided not to periodically change the firm conducting the audit of the financial statements.





### Management Board

#### **Franz Jurkowitsch (2<sup>nd</sup> from the right)**

Chairman of the Management Board

Year of birth: 1948

First appointed: 2 September 1986

Appointed until 2 September 2011

*Responsibilities:*

strategy, investor relations,  
corporate communications

Member of the Supervisory Board of S&T System  
Integration & Technology Distribution AG, Vienna

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

#### **Georg Folian (2<sup>nd</sup> from left)**

Deputy Chairman

Year of birth: 1948

First appointed: 2 September 1986

Appointed until 2 September 2011

*Responsibilities:*

finances and accounting, financial management,  
human resources

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

#### **Christian Fojtl (1<sup>st</sup> from right)**

Member of the Management Board

Year of birth: 1964

First appointed: 31 July 2006

Appointed until 31 July 2011

*Responsibilities:*

Information management,  
organisation and legal compliance

#### **Alexander Jurkowitsch (1<sup>st</sup> from left)**

Member of the Management Board

Year of birth: 1973

First appointed: 31 July 2006

Appointed until 31 July 2011

*Responsibilities:*

planning, construction and IT

## BODIES OF THE COMPANY

### Supervisory Board

#### **Heinrich Geyer**

Chairman of the Supervisory Board

Member of the Project Committee

Member of the Audit Committee

Chairman of the Personnel Committee

Year of birth: 1939

First appointed: 13 September 2000

Current period of office ends in 2012

#### **Wolfgang Mitterberger**

Deputy Chairman of the Supervisory Board

Member of the Audit Committee

Year of birth: 1966

First appointed: 31 May 2007

Current period of office ends in 2011

#### **Günter Korp**

Member of the Supervisory Board

Chairman of the Audit Committee/finance expert

Member of the Personnel Committee

Year of birth: 1945

First appointed: 16 October 2009

Current period of office ends in 2011

#### **Victor Igalfy-Igally**

Member of the Supervisory Board

Member of the Project Committee

Member of the Personnel Committee

Year of birth: 1925

First appointed: 9 February 1994

Current period of office ends in 2012

#### **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 2011

Member of the Board of Directors of Gedeon Richter Ltd, Budapest

#### **Harald Wengust**

Member of the Supervisory Board

Chairman of the Project Committee

Year of birth: 1969

First appointed: 16 October 2009

Current period of office ends in 2011

Member of the Board of Directors of Speymill Macau Property Co PLC

### Auditors

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Milestones 2009



**05/2009**  
Opening of Erszebet Office B,  
Budapest, after redevelopment



**06/2009**  
Sale of  
Csalogany Office,  
Budapest

**03/2009**  
Opening of the andel's hotel  
in Berlin (557 rooms)

January

February

March

April

May

June

**05/2009**  
Rental of Csalogany Office,  
Budapest, to city court

**06/2009**  
Topping-out ceremony  
at angelo hotel in Katowice  
(197 rooms)



**05/2009**  
Opening of the andel's hotel  
in Łódź (278 rooms)

**10/2009**

Capital successfully increased  
by 3,599,999 shares



**09/2009**

Sale of the andel's hotel  
in Krakow (159 rooms)



**11/2009**

Re-opening of the  
Magic Circus Hotel at  
Disneyland Paris®  
(396 rooms)

July

August

September

October

November

December

**09/2009**

Opening of the angelo  
hotel in Ekaterinburg  
(211 rooms)



**10/2009**

Kempinski won over  
as leaseholder and operator  
of Palais Hansen



# warimpex

## FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

### Dear Shareholders,

2009 was a highly challenging year for Warimpex, the real estate industry and the entire global economy. Business and leisure tourism declined on almost all markets up to mid-year and the transaction market for real estate nearly ground to a halt because of the restrictive financial sector. Confidence in a global recovery steadily gained momentum in the second half of 2009, generating growth on global equity markets and pushing up the prices of real estate shares.

The difficulties in the first half of 2009 are clearly reflected in our business figures, particularly the profit/loss for the year. Along with sharp drops in operating business for the five-star segment in Prague in particular, this figure is largely attributable to major non-scheduled depreciation. To achieve our objective of 100 percent transparency, we have external international real estate appraiser CB Richard Ellis (CBRE) value our real estate every June 30th and December 31st. The difficult market conditions at the reporting date took their toll on property values as determined on 30 June 2009, especially in terms of transaction volume.

Some of these assumptions turned out to be overly pessimistic by the third quarter at the latest. Several write-downs recognised up to mid-year were reversed on 30 September 2009 in an update on several pieces of real estate and the result for the period changed from a loss to a profit. EBITDA was also far into the black by the third quarter of 2009 and now totals about EUR 8.1 million for the year as a whole. The fourth quarter saw a further recovery and slight growth was recorded for the first time again in sales, albeit due to an overall increase in the number of rooms.

The stabilisation of investment markets in Europe also continued in the fourth quarter of 2009. The months of October through December were the best quarter by far in 2009, with a transaction volume of nearly EUR 26 billion and a sizeable increase of 42 per cent over the third quarter. By way of comparison, the transaction volume in 2009 as a whole equalled EUR 70 billion. Although this value may be far below the EUR 120 billion in 2008 and even further below the figures in the record years 2007 and 2006, the quarter-to-quarter gains in the transaction volume indicate that the Company is moving in the right direction. The dramatic price corrections from mid-2007 to mid-2009 are now encouraging investors to go back into the markets and seize good investment opportunities with attractive returns. Small transactions heavily financed by equity dominated the market in the previous quarters but transactions are now growing by tens of millions of euros, indicating that the improved financial conditions are contributing to a gradual revival of the transaction market.

This easing of tensions on the transaction market was evident at Warimpex as well. At the end of June 2009, the Company managed to sell the Csalogány office building in Budapest and the andel's in Krakow at favourable terms despite the difficult environment.

In summary, one could say that the market bottomed out in mid-2009 and began a slow upward ascent already in the second half of that year. This trend reflects the tendency of the hotel industry in particular to develop ahead of the business cycle. Unlike office real estate, the hotel trade responds quickly to changes in the market, positive or negative. For us today, this means the worst is now behind us and we can begin rebuilding again, assuming of course that current economic forecasts persist. In recent months, occupancy figures have increased and conference business has risen. City tourism in Central and Eastern European countries is also appealing again to many people. It will be some time, however, before prices recover from their now low levels to the record highs achieved in the boom years 2006 and 2007.

What does the future hold in store for us?

Although market conditions are slowly improving, borrowing continues to be expensive and difficult. Yet there is an urgent need to be able to respond quickly and flexibly to market changes and utilise lucrative opportunities especially in times like these. The shareholders therefore passed a resolution in autumn 2009 that allows the Company to increase capital in the next five years. It quickly availed itself of that opportunity for the first time at the end of October by increasing the capital stock by ten per cent. The issue was heavily over-subscribed and brought in proceeds of EUR 8.1 million.

With our eyes to the future, we plan to push the expansion of the budget hotel brands Campanile and Premiere Classe in cooperation with Louvre Hotels. We currently have five plots of land in Central and Eastern Europe for a total of seven hotels with about one thousand two- and three-star rooms in all. Given the urgent need to satisfy pent-up demand for such hotels in CEE, I am confident this strategy will succeed.

Our other development projects are also moving forward on schedule. For instance, the angelo hotel in Katowice welcomed its first guests already in early March and the shell of the Crowne Plaza in St. Petersburg is finished. Construction of Le Palais in Warsaw is about to commence and Kempinski was won over as a renowned operator and leaseholder for the Hansen Palais in Vienna, which is to be converted into a luxury hotel with apartments.

Finally, I would like to introduce you very briefly to our new buildings, all completed on schedule last year as planned and in accordance with our high quality standards. The year 2009 got off to a good start with the opening of the andel's hotel in Berlin, the largest conference hotel in the German capital. Next came the andel's hotel in Łódź, Poland, in June. This project deserves special mention. A 19th century textile factory preserved as an historical site was converted into a modern designer hotel that combines the new with the old in a unique manner. This hotel has won multiple awards and is extremely popular with guests. In September was the opening of the angelo hotel in Ekaterinburg, the first project we have completed in the promising Russian market and in November we celebrated the re-opening of the Magic Circus Hotel at Disneyland Paris after extensive renovation.

As a period of transition from crisis to normality, 2010 will not be an easy year either. Our goal must be to build on the delicate upturn in the last two quarters of 2009 in order to participate actively in a gradual yet sustained recovery. I am confident we will rise to this challenge as well.

As every year, I would like to take a moment at this juncture to thank our employees for their outstanding work in this difficult year 2009 and to express my special appreciation to you, esteemed shareholders, for the trust you have put in our Company.



Franz Jurkowitsch

## INVESTOR RELATIONS

The price of the Warimpex share bottomed out and stabilized in the first quarter of 2009. After listing at EUR 1.25 at the end of 2008, the Warimpex share began a gratifying climb and rose to EUR 3.25 and PLN 13.05 before closing on 31 December 2009 at EUR 2.18 and PLN 9.00.

Since our IPO, we have maintained an open and proactive communication policy with our investors. For instance, this year we conducted three very successful two-day road shows in Warsaw. Warimpex also took part in investor conferences in Kitzbühel, Zürs, Vienna, Paris, Frankfurt, Amsterdam and London.

Authorisation for the Management Board to purchase shares in the Company was renewed at the annual general meeting on 28 May 2009. This replaced the stock buy-back programme that was decided last year and permits the purchase of up to 10 per cent of the Company's capital stock at a share price of no more than EUR 8.40.

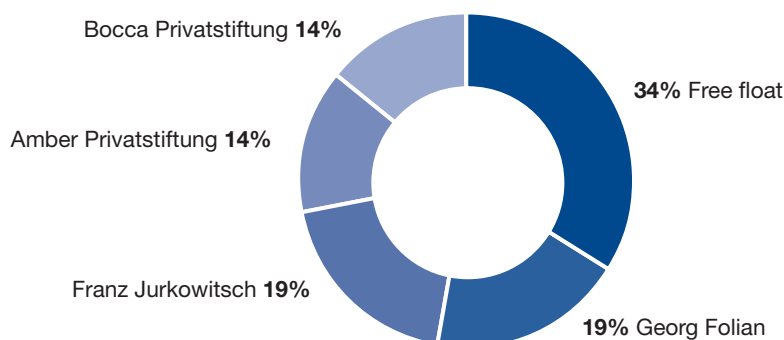
The purposes for which the purchased shares may be used were also specified. In addition to being held as treasury shares, they can be sold or given to employees of the Company or of an associated company. The bought-back shares can also be used in payment for the purchase of real estate, business entities, business operations, or shares in one or more companies in Austria or abroad.

The following resolutions were adopted at the extraordinary general meeting of the Company on 16 October 2009:

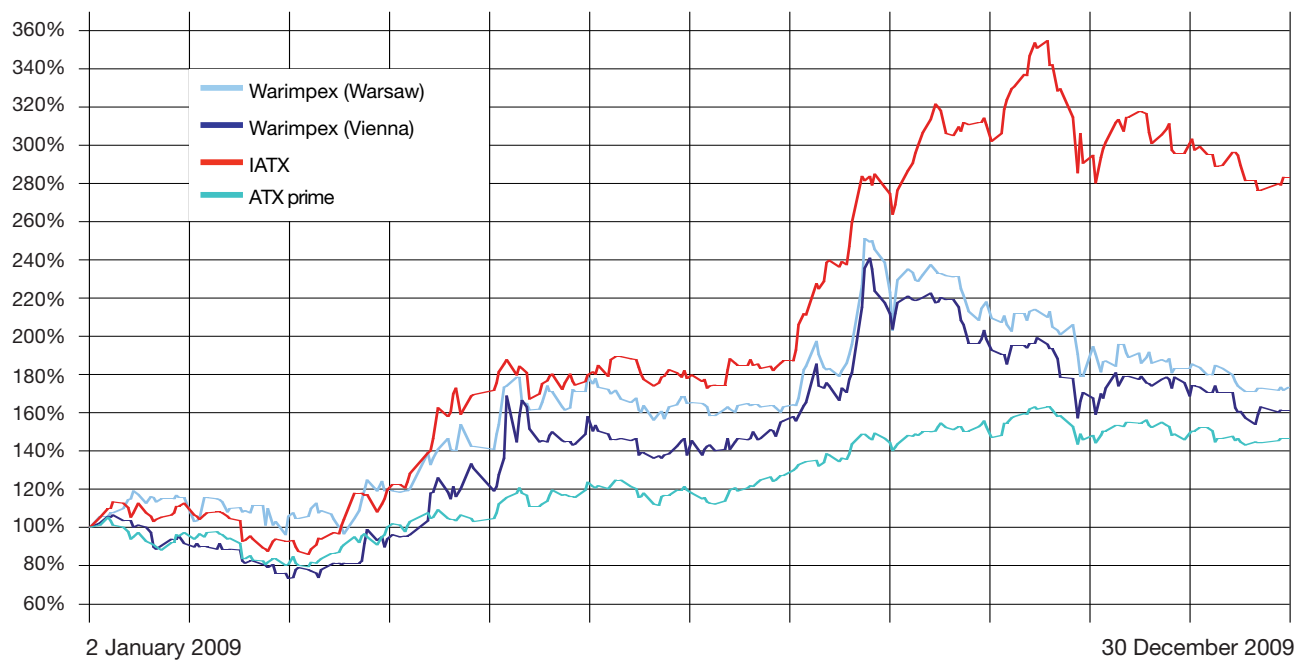
- Revocation of the Management Board authorisation pursuant to § 169 AktG to increase the share capital of the Company by 20 September 2011 with the approval of the Supervisory Board by as much as EUR 9,000,000 in one or more tranches by issue of up to 9,000,000 new bearer shares against cash payment or contributions in kind up to a total share capital of EUR 45,000,000. The object of contributions in kind and the individual from whom the company acquires the object, the shares to be granted in return for these contributions, the issue amount and the issue terms shall be specified in coordination with the Supervisory Board.
- The Management Board is authorised to increase within five years of the entry of the amendment to the articles of association in the register of companies the share capital of the Company by as much as EUR 18,000,000 through the issue of up to 18,000,000 bearer shares against cash payment or contributions in kind, in one or multiple tranches, with or without the exclusion of pre-emptive subscription rights and to set the issue price and the issue terms in coordination with the Supervisory Board.
- Following the unexpected death of the then-serving Chairman of the Supervisory Board Alarich Fenyves in September 2009, changes had to be made in the composition of the Board. Harald Wengust was elected to the Board for the remaining duration of Mr. Fenyves' term. Günter Korp was also appointed as a new member of the Supervisory Board for the same period. Heinrich Geyer was elected Chairman by vote of the Supervisory Board; Wolfgang Mitterberger is his deputy.

On 23 October 2009, a total of 3,599,999 new bearer shares, equivalent to 9.99 per cent of the current share capital, were placed with institutional investors, whereby shareholder subscription rights were excluded. The issue price was EUR 2.25 per share. The issue was significantly oversubscribed at the issue price.

### Shareholder structure As of 24 March 2010



## Share price performance



### Key share data

|                                      |                                        |
|--------------------------------------|----------------------------------------|
| ISIN                                 | AT0000827209                           |
| Number of shares as of November 2009 | 39.599.999                             |
| Ticker symbols                       | Stock Exchanges WXF   Reuters WXF.B.VI |
| High*                                | EUR 3.25   PLN 13.05                   |
| Low*                                 | EUR 0.99   PLN 5.01                    |
| Price at 31 December 2009            | EUR 2.18   PLN 9.00                    |
| *Last 52 weeks                       |                                        |

Warimpex is included in the following indices:

|        |                                  |
|--------|----------------------------------|
| Vienna | ATX Prime, Immobilien-ATX        |
| Warsaw | Market Main 50 Plus, WIG, SWIG80 |

|                         |                                                                                |
|-------------------------|--------------------------------------------------------------------------------|
| 100-day trading average | in Vienna approximately 54,000 shares<br>in Warsaw approximately 22,000 shares |
|-------------------------|--------------------------------------------------------------------------------|



# GROUP MANAGEMENT REPORT

for the financial year from 1 January to 31 December 2009

## ECONOMIC ENVIRONMENT

### **The growth market of hotel real estate in Eastern Europe**

In the early eighties, Warimpex was one of the first international groups to start developing hotels in the Czech Republic, Hungary and Poland. With more than twenty-five years of experience in these markets and local offices in Warsaw, Prague, St. Petersburg and Budapest, Warimpex is today able to identify market opportunities and changes and to respond to them quickly and efficiently.

The International Monetary Fund (IMF) upped its economic growth estimates for 2009, 2010 and 2011 (World Economic Outlook) again in January 2010 in relation to October 2009. Forecasts for 2009 were adjusted upward yet again. The economy in the euro area is now expected to contract by -3.9 per cent in 2009 (October 2009 forecast: -4.2 per cent), and then to expand again slightly in 2010 at a rate of 1.0 per cent (0.3 per cent) and in 2011 by 1.6 per cent. The CEE economy is now expected to slow by -4.3 per cent in 2009 (-5.0 per cent), but the IMF is already expecting the region to bounce back to a much healthier growth rate of 2.0 per cent (1.8 per cent) again in 2010. The economy is expected to grow by 3.7 per cent in 2011 (3.8 per cent). The forecast for Russia calls for a significant contraction of 9 per cent in 2009 and then growth of 3.6 per cent in 2010 and 3.4 per cent in 2011.

## MARKETS

### POLAND

#### Economic environment

In 2009, GDP growth is expected to come in at 1.7 per cent. This respectable growth is attributable to large public-sector investments (co-financed by the EU) and to a revival of exports. Growth of 2.5 per cent<sup>1</sup> is expected in 2010, a figure 0.75 per cent higher than the autumn forecast of the European Union. Along with its large domestic market and stable consumer demand, Poland is also deriving benefits for its economy from public-sector investment.

The real estate market in Warsaw recorded sharp drops in rents and major increases in vacancy rates for office real estate in 2009 (from 3 per cent to 7 per cent)<sup>2</sup>. The hotel industry in the capital recorded only marginal decreases in occupancy rates yet saw the average room price decline due to the weak zloty.

#### Current holdings: six hotels, two office buildings

In Warsaw, Warimpex holds a 50 per cent interest in the five-star Hotel InterContinental and a 25 per cent interest in the four-star Hotel Sobieski.

In Krakow, Warimpex has leased the four-star-plus andel's hotel since 1 September 2009 and also owns the three-star Hotel Chopin. The lobby, conference rooms, restaurant and bar at Hotel Chopin were converted to the new brand design in the first half of 2009.

The andel's in Krakow was sold to DEKA on 1 September 2009. Warimpex was the sole owner of this hotel from February 2008 to the date of the sale, and is leasing it back under a 15-year fixed lease. Vienna International Hotelmanagement AG will continue to manage the hotel.

In Międzyzdroje along the Baltic coast in Poland, Warimpex owns the Amber Baltic Spa Resort Hotel and a 27-hole golf course. The Hansa hotel ship (62 rooms) was shut down in the first quarter of 2009 and sold at the end of the year for EUR 0.1 million.

Occupancy at the Hotel InterContinental was somewhat lower this financial year but remained at a respectable level of 72 per cent (2008: 78 per cent). The Hotel Sobieski also recorded lower occupancy than in the previous year (58 per cent in 2009 versus 67 per cent in 2008). The occupancy rate at the Hotel Chopin fell from 71 per cent to 63 per cent, and the average room rates had to be cut there, too. The andel's in Krakow reported a slightly higher occupancy rate (68 per cent in 2009 versus 65 per cent in 2008); the average room rate was reduced there, too, because of the weaker zloty.

The occupancy rate at the Amber Baltic beachfront resort fell to 40 per cent (2008: 47 per cent). Due to its location on the Baltic coast, occupancy rates at this hotel are subject to strong seasonal fluctuations, in contrast to those of city hotels.

In addition to the hotels listed above, Warimpex owns shares in the Sobieski and Parkur Tower office buildings in Warsaw through joint ventures.

The andel's in Łódź opened officially on 15 June 2009. The hotel has 278 rooms and eight conference rooms for a total area of 1,440 square metres, as well as a 1,330-square-metre ballroom and a rooftop spa facility with a pool and views of the city's roofscape. The andel's is the first four-star hotel in Łódź and achieved an occupancy rate of roughly 52 per cent in its initial months of business. This performance surpassed expectations and got the new hotel off to an excellent start.

#### Under development: one hotel, two office buildings, one shopping centre

Construction of the angelo in Katowice went forward as planned, allowing the hotel to be opened in March 2010.

An office building that is owned by Warimpex in Krakow is to be converted into a modern office complex. Work is underway on the plans for submission to the authorities.

<sup>1</sup> European Commission – Interim Forecast February 2010

<sup>2</sup> CB Richard Ellis Market View Warsaw Office Q4 2009

Warimpex owns one of the few historical buildings in Warsaw. Originally, the plan was to convert the property into a five-star Le Palais luxury hotel. The construction permit for this was issued in September 2008. As rental rates for offices in the central business district have risen considerably in the meantime, however, the property will now be converted into an office building instead of a hotel. The documents for a building permit were submitted at the end of 2009.

In Białystok, Warimpex commenced development of a shopping centre with approximately 19,000 square metres of lettable retail space and 11,000 square metres of lettable office space.

## CZECH REPUBLIC

### Economic environment

GDP growth in the Czech Republic amounted to 0.8 per cent in the third quarter of 2009 and is expected to be at a similar level in the fourth quarter. Following GDP growth of 2.5 per cent in 2008, the Czech economy is expected to contract by 4.8 per cent in 2009. As the export rate rises, contraction will give way in 2010 to a resumption of GDP growth of 0.8 per cent<sup>3</sup>.

Occupancy rates and yields declined significantly in the smaller five-star segment and in the four-star segment in Prague. The reduction in occupancy rates and in room prices throughout the Prague market is attributable to a sharp decline in the number of American, English and Spanish tourists, a significant drop in business travellers, and a decrease in conference business. A number of new hotels were also opened in Prague in 2009.

### Existing portfolio: seven hotels

In Prague, Warimpex owns the three five-star hotels Palace, Le Palais and Savoy. In the four-star hotel segment, the Group owns the Hotel Diplomat and the angelo hotels in Prague and Plzeň. Warimpex also includes the Dvořák spa hotel in Karlovy Vary in its consolidated accounts according to IAS/IFRS.

In the year under review, the occupancy rates at the two four-star hotels in Prague were roughly 66 per cent and 51 per cent (2008: 62 per cent and 64 per cent), while occupancy rates of between 32 per cent and 53 per cent were achieved in the five-star segment (2008: between 40 per cent and 60 per cent). The average room rates declined sharply in both segments.

At the Hotel Dvořák in Karlovy Vary, the occupancy rate was 77 per cent (2008: 87 per cent). However, the average room rate increased slightly.

Another angelo hotel with 144 rooms was opened in Plzeň on 1 October 2008. Its occupancy rate in 2009 was 38 per cent.

## HUNGARY

### Economic environment

After growing by 0.6 per cent in 2008, GDP is projected to contract by 6.5 per cent in 2009. Contraction is anticipated to be more moderate in 2010, at 0.5% per cent.

One of the main reasons for the contraction of economic output is the low domestic demand due in part to conditions imposed by the IMF and in part to tougher credit terms for consumer loans<sup>4</sup>.

Fewer office buildings were completed in Budapest in 2009 than the year before. The vacancy rate increased only slightly to the still very high level of 22 per cent (2008: 17 per cent). Rents fell slightly compared with the previous year<sup>5</sup>.

<sup>3, 4</sup> European Commission – European Economic Forecast Autumn 2009

<sup>5</sup> CB Richard Ellis Market View Budapest Office Q4 2009

**Current holdings: three office buildings**

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

The tenant in the Csalogany office building, which has roughly 2,500 square metres of lettable space, terminated its lease at the end of 2008. The building was rented to the Budapest city government as a courthouse in the first quarter of 2009 and sold to an investor at the end of the second quarter.

The Dioszegi office building has about 800 square meters of lettable space, about 75 per cent of which is rented out. The Sajka office building also has about 800 square meters of lettable space and is currently used by the Group for its own purposes.

**Under development: one office building**

Warimpex is currently modernizing and redeveloping the two towers of the Erzsebet office complex. Tower B was handed over to the tenant at the beginning of May 2009 after the refurbishing work was completed and is now fully let out. Lease negotiations are currently underway for tower A, which is also to be modernized and let out.

**ROMANIA****Economic environment**

Romania's economic recorded vigorous growth of 6.2 per cent in 2008. Capital inflows declined dramatically in 2009 and consumption fell. Against this backdrop, a substantial 8.0 per cent contraction of GDP is anticipated. 2010 is expected to see a turnaround and slight growth of 0.5 per cent.

Occupancy rates and yields declined significantly in the entire Bucharest market because of a noticeable decline in business clients and a decrease in conference business.

**Existing portfolio: one hotel**

After acquiring the angelo airport hotel in Bucharest in 2007, Warimpex expanded it by 69 rooms in 2008 and adapted it to the angelo design. The occupancy rate in 2009 was comparatively low at 34 per cent (2008: 48 per cent). However, the gross operating profit (GOP) of the hotel dipped only slightly in comparison with the prior year thanks to cost cutting measures and the change in exchange rates.

**GERMANY****Economic environment**

The growth of Germany's economy is no longer being driven solely by exports, as investment activity and domestic demand have assumed a more important role. In spite of this, the German economy is still dependent on exports. The automobile, plant and machine building industries all slumped considerably at the end of 2008. Economic growth for 2008 amounted to 1.3 per cent and a contraction of 5.0 per cent is projected for 2009. In 2010, GDP is expected to increase again by 1.2 per cent as exports expand<sup>6</sup>.

**Existing portfolio: two hotels**

Warimpex holds 50 per cent of the angelo in Munich and of the andel's in Berlin.

The Warimpex Group's first hotel in Germany, the 146-room angelo in Munich, was opened at the end of May 2008. The angelo

<sup>6</sup> European Commission – European Economic Forecast Autumn 2009

in Munich was developed in a joint venture with long-time partner UBM. The occupancy rate for 2009 of 72 per cent (60 per cent for May to December 2008) was far above the industry average in Munich.

The largest four-star superior andel's design hotel to date was opened in Berlin at the beginning of March 2009. With a total of 557 rooms spread over ten storeys, the andel's in Berlin is one of the city's most attractive conference and special event locations. The hotel was completed in a construction period of only nineteen months in a joint venture with UBM. It has achieved an occupancy rate of 57 per cent since opening, which is an excellent start for a new hotel.

#### Under development: one hotel, one office building

Plans for the second phase of the andel's Munich project foresee the construction of city archives and an office building, and the expansion of the hotel. An additional property was purchased next to the andel's in Berlin during the reporting period.

## FRANCE

### Economic environment

After achieving GDP growth of 0.4 per cent in 2008, French economic output contracted by 2.2 per cent in 2009. The GDP forecast for 2010 calls for growth of 1.2% per cent<sup>7</sup>.

#### Bestand: 2 Hotels

In Paris, Warimpex and its partner UBM are the joint leaseholders of the two four-star hotels Dream Castle and Magic Circus at Disneyland® Resort Paris, each of which have about 400 rooms. The occupancy rates for the hotels declined in 2009 to 69 per cent and 54 per cent (from 81 per cent and 70 per cent in 2008). The conversion work (expansion of the conference areas and renovation of the swimming pool) at the Hotel Magic Circus, which partially impaired hotel operations, was concluded in November 2009.

## AUSTRIA

### Economic environment

Austria's economy is heavily dependent on the development of the economies in Germany and Eastern Europe. GDP growth in 2008 amounted to 2.0 per cent. The projection for 2009 calls for contraction of 3.7 per cent and for 2010 for a return to growth (1.1 per cent)<sup>8</sup>.

#### Under development: one hotel with apartments

In Vienna, Warimpex is involved in developing the Palais Hansen on the city's Ringstrasse boulevard into a high-end hotel and residential property in collaboration with Wiener Städtische/Vienna Insurance Group and PORR Solutions. The project, which is scheduled to open in 2012, is Warimpex's first in Austria. In late autumn 2009, Warimpex also succeeded in winning a renowned operator and leaseholder for Palais Hansen, the luxury hotel operator Kempinski.

## RUSSIA

### Economic environment

Russia enjoyed very dynamic growth in 2008 of 5.6 per cent. However, the fall in commodities prices and the strong reversal in global capital flows hit the country hard, causing GDP to contract in 2009 by 9 per cent. GDP is expected to grow again in 2010, at a rate of 3.6 per cent<sup>9</sup>.

<sup>7,8</sup> European Commission – European Economic Forecast Autumn 2009

<sup>9</sup> IMF; World Economic Outlook Update January 2010

#### Existing portfolio: two hotels

In Russia, Warimpex holds 60 per cent of the Hotel Liner at Koltsovo Airport in Ekaterinburg. The hotel is fully consolidated in the Group financial statements. Renovation work in the hotel, which is being financed from cash flow, continued in 2009.

Warimpex is also developing another airport project in Ekaterinburg. A new angelo hotel was planned to coincide with the expansion of the airport and boasts a direct link to the new terminals. Construction work began in the second quarter of 2008 and proceeded according to plan, ending with the grand opening in the third quarter of 2009.

#### Under development: one hotel, airport offices

The Airport City development project is currently under construction in St. Petersburg. The first phase comprises a four-star Crowne Plaza hotel (InterContinental Group) plus a 40,000-square-metre office building.

### BUDGET HOTELS

#### Under development: seven hotels

In March 2007, Warimpex entered into a strategic joint venture with Louvre Hotels to develop budget hotels in Central Europe. At the beginning of 2009, Louvre transferred its financial interest in this joint venture to Starwood Capital Group – the owner of Louvre – but is still involved as a development partner and especially as the operator and franchisor (for the brands Premiere Classe and Campanile) of all of the hotels. The objective is to develop the successful Louvre Hotels brands Campanile and Premiere Classe in Warimpex's home markets as well.

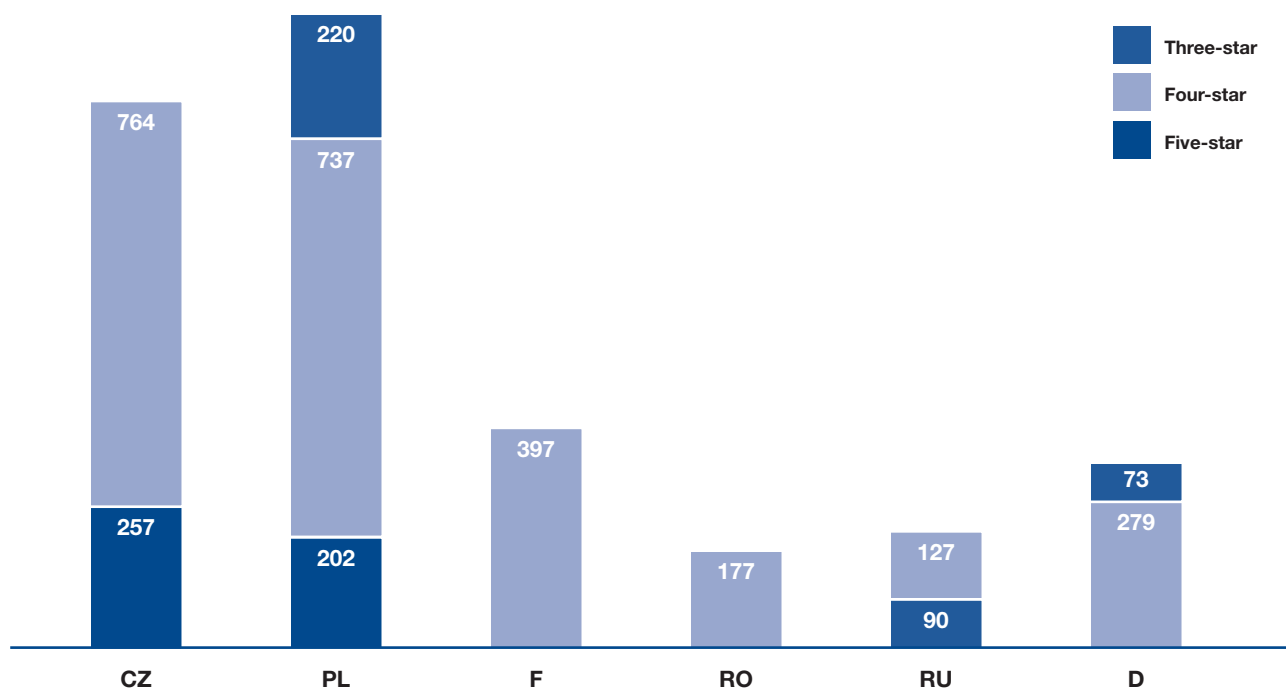
The first joint hotels are to be opened at the end of 2011 and the beginning of 2012 in Zielona Góra followed by Wrocław and Bydgoszcz. The hotels in Budapest and Katowice are to be opened at the end of 2012. Suitable properties were purchased, and the first building permits have already been issued.

Warimpex and Starwood Capital Group are also currently involved in negotiations on the development of further budget hotels in the Hungarian cities of Debrecen and Miskolc. Negotiations for the purchase of additional properties in Krakow and Gdańsk are underway. Further hotel plans focus on Prague, Brno and Ostrava in the Czech Republic and on Bratislava and Košice in Slovakia.

The following projects are currently under development through the joint venture with Louvre Hotels:

- Campanile, Budapest (284 rooms)
- Campanile, Zielona Gora (84 rooms)
- Campanile, Wrocław (152 rooms)
- Campanile, Bydgoszcz (117 rooms)
- Campanile, Katowice (100 rooms)
- Premiere Classe, Wrocław (136 rooms)
- Premiere Classe, Katowice (100 rooms)



**Hotel portfolio** (number of rooms adjusted for proportionate share of ownership) As of 31 December 2009

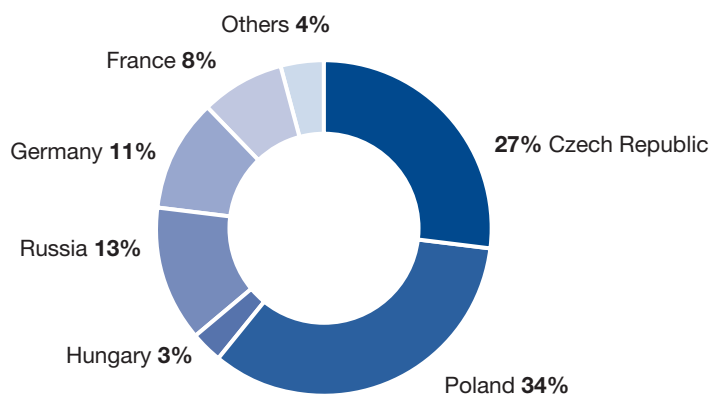
The number of hotel rooms available on December 31 (adjusted for the proportionate share of ownership) rose year-on-year from 2008 to 2009 by 623, from 2,699 to 3,322. This is primarily attributable to the opening of the andel's in Berlin, the opening of the andel's in Łódź, the opening of the angelo in Ekaterinburg and the closing of the Hansa hotel ship.

## BUSINESS DEVELOPMENT

As of the end of December 2009 the Warimpex Group portfolio comprised a total of twenty-five properties, whereby twenty were hotels and five were office properties. The Group also has a large number of properties and development projects in eight countries in Central Europe and especially Eastern Europe. The focus of the portfolio is primarily on Hungary, Germany, the Czech Republic, Poland and Russia.

To enable an efficient, market-oriented response to ongoing developments, the Warimpex Group employs local staff in all the countries in which it operates.

### Real estate assets by country (share of GAV)



Gross asset value (GAV) at 31 December 2009

The greatest share of the Company's real estate assets (gross asset value), 34 per cent, is located in Poland, followed by the Czech Republic with 27 per cent. Real estate assets in Russia and in Berlin rose as a percentage of total GAV to 13 per cent and 11 per cent respectively thanks to progress in the Airport City development project and in the investments at the andel's in Berlin.

In terms of sector breakdown, hotels account for roughly 95 per cent of the Group's real estate assets (excluding development projects), while office properties make up the remaining 5 per cent.

## ASSETS, FINANCIAL POSITION AND EARNINGS SITUATION

### Result for financial year 2009

| Consolidated income statement (EUR '000)                         | 2009           | 2008           | 2007           |
|------------------------------------------------------------------|----------------|----------------|----------------|
| <b>Revenues</b>                                                  |                |                |                |
| Hotels & Resorts                                                 | 79,608         | 86,662         | 71,555         |
| Development & Asset Management                                   | 5,650          | 7,706          | 9,643          |
|                                                                  | <b>85,258</b>  | <b>94,368</b>  | <b>81,198</b>  |
| Gains from the sale of real estate                               | 6,800          | 26,575         | 37,366         |
| Carrying amounts, loans and borrowings assumed by the purchaser  | -4,512         | -12,709        | -5,854         |
| <b>Gains from the sale of disposal groups</b>                    | <b>2,288</b>   | <b>13,866</b>  | <b>31,512</b>  |
| Change in real estate projects under development or construction | 1,264          | -378           | -1,496         |
| Negative goodwill recognised in income                           | –              | 1              | 3,702          |
| Other income                                                     | 2,567          | 5,153          | 4,682          |
|                                                                  | <b>3,832</b>   | <b>4,776</b>   | <b>6,888</b>   |
|                                                                  | <b>91,378</b>  | <b>113,010</b> | <b>119,598</b> |
| <b>Expenses</b>                                                  |                |                |                |
| Expenses for materials and services rendered                     | -40,495        | -43,113        | -32,014        |
| Expenses for project development                                 | -1,592         | -1,598         | -984           |
| Personnel expenses                                               | -27,078        | -27,675        | -22,451        |
| Other expenses                                                   | -14,159        | -11,272        | -7,192         |
| <b>Total expenses</b>                                            | <b>-83,324</b> | <b>-83,658</b> | <b>-62,641</b> |
| <b>EBITDA</b>                                                    | <b>8,054</b>   | <b>29,353</b>  | <b>56,957</b>  |
| Depreciation and amortisation expense                            | -78,396        | -26,014        | -9,768         |
| Impairment of goodwill                                           | -1,430         | -6,751         | –              |
| <b>EBIT</b>                                                      | <b>-71,772</b> | <b>-3,412</b>  | <b>47,188</b>  |
| Financial revenue                                                | 3,937          | 3,668          | 3,277          |
| Finance costs                                                    | -23,698        | -27,324        | -16,889        |
| Result from associated companies                                 | -824           | -2,370         | –              |
| Pre-tax profit                                                   | -92,358        | -29,439        | 33,577         |
| <b>Profit for the year</b>                                       | <b>-92,667</b> | <b>-29,388</b> | <b>33,734</b>  |

## Development of revenues

Operating business, i.e. the operation of hotels, made a much weaker showing in 2009 than in 2008. The core hotel markets of Warimpex reported varying trends, however. Revenues in Munich increased and the andel hotels in Berlin and Łódź both got off to a good start whereas the revenues at the hotels in Poland, France and Bucharest and at Spa Hotel in Kalovy Vary declined by ten to twenty per cent in euro terms (the trend in revenues in certain local currencies was stable). The hotels in Prague saw revenues contract by 35 per cent. In the second half of 2009, the pace of the downturn for the hotel segment slowed considerably and business then stabilised at a low level.

About 90% of revenues came from the operation of hotel properties, even though these contribute considerably less than 90% of the Warimpex Group's EBITDA. This is explained by the fact that proceeds from the sale of real estate projects are not shown in the item "Revenues", because real estate transactions are usually carried out through a sale of shareholdings. Sales proceeds from the sale of properties are shown under "Gains from the sale of real estate". The carrying values of the properties and any loans assumed by the buyer are deducted from these amounts. Gains realised from share deals of this kind are reported in the item "Gains from the sale of disposal groups".

Consolidated sales fell by 10 per cent from EUR 94.4 million to EUR 85.3 million in financial year 2009. Revenues from the hotel segment declined from EUR 86.7 million in 2008 to EUR 79.6 million in 2009 although the average number of rooms increased. This drop in sales was primarily caused by the conditions in Prague, where revenues in the five-star segment were down significantly compared to 2008 in addition to the significant slide in the four-star segment. Revenue decreases, in some cases significant, were also encountered in other markets. Revenues from the letting of offices and the provision of development services decreased by 27 per cent to EUR 5.6 million.

## Earnings situation

Warimpex recognises its tangible non-current assets at cost minus depreciation, and does not annually recognise increases in the value of its real estate assets in the profit and loss account. Any such value increases are not recognised until the asset is actually sold. As a result, earnings are highly dependent on the sale of properties and fluctuate significantly.

The typical strategy of a hybrid real estate company is to develop projects, operate and manage them upon completion and then sell them on, depending on the market situation and degree of maturity, as soon as the highest foreseeable value-added can be realised.

## Gains from the sale of disposal groups

Warimpex sold a 10 per cent share in the Airport City development project in St. Petersburg to UBM in the first quarter the previous year. This transaction contributed EUR 9.2 million of the profit for the period. The plot that Warimpex purchased in Posen, Poland, in 2007 was sold in the second quarter of 2008 at a modest profit.

The Csalogany office building, which has roughly 2,500 square metres of lettable space, was sold to an investor at the end of the second quarter of 2009. The sale price was higher than the most recent fair value as determined by the international real estate appraiser CB Richard Ellis (CBRE) in December 2008. The sale contributed EUR 2.3 million of the profit for the period.

## Other operating income

In the third quarter of 2009, another good transaction was closed under difficult market conditions with the sale of the andel's in Krakow. Warimpex was the sole owner of this hotel from February 2008 to the date of the sale, and will lease it back under a 15-year fixed lease. As the property was sold at its carrying value, the transaction had no effect on the current income statement. However, the lease structure is expected to generate net earnings in the coming years because the lease payments should be lower than the hotel's revenue.

A villa in the Czech town of Karlovy Vary that was used as seminar space by Hotel Dvořák was sold at the end of April last year. The proceeds from the sale of the villa were considerably higher than the fair value calculated by CBRE and the carrying value. This transaction contributed about EUR 4.3 million of the profit for the period. Because the sale took the form of an asset deal, the net proceeds are recognised under "Other operating income".

## EBITDA

Earnings before interest, tax, depreciation and amortization (EBITDA) fell by 73 per cent, from EUR 29.4 million in 2008 to EUR 8.1 million in the year under review. This decrease of EUR 21.3 million is attributable mostly to lower proceeds from the sale of project companies and real estate and lower income in the Hotels & Resorts segment.

The costs also contained one-off expenditures for the opening of hotels in the amount of EUR 0.8 million, for the allocation of a provision for a GOP guarantee in the amount of EUR 5 million, and for costs arising from the termination of the franchise agreement for the Holiday Inn in Paris in the amount of EUR 1.25 million.

## EBIT

Non-scheduled write-downs had to be made on real estate (and on goodwill in properties) in the reporting period. Impairments in the amount of EUR 62.5 million (2008: EUR 19.8 million) were recognised based on an external opinion showing a lower recoverable amount than the carrying value on the reporting date.

Because of these effects and the factors discussed above, EBIT fell from EUR -3.4 million to EUR -71.8 million year-on-year.

## Financial result

The financial result improved from EUR -26.0 million to EUR -20.6 million. Interest on current account loans, long-term project financing and other loans decreased in financial year 2009 compared to 2008 by EUR 0.3 million or two per cent even though the loan and credit portfolio grew. This decrease is attributable to the fact that about 78 per cent of the financial liabilities are subject to variable interest rates and the 3M EURIBOR has fallen since early October 2008 from about 5.4 per cent to its current level of 0.66 per cent.

Write-downs on associated companies in the amount of EUR 0.8 million (2008: EUR 2.4 million) and the discounting of a purchase price claim in the amount of EUR 3.0 million had a negative impact on the financial result for 2009.

## Profit for the year

Warimpex Group's result for the year fell year-on-year from EUR -29.4 million to EUR -92.7 million. This decline is also attributable primarily to the non-scheduled write-downs.

## Analysis of business segments

(For more information, see the detailed comments in [06] Segment information in the notes on the consolidated financial statements.)

The Warimpex Group has defined two segments: Hotels & Resorts and Development & Asset Management. The Hotels & Resorts segment is clearly comparable with the hotels and/or hotel rooms held by the Group as consolidated entities in the reporting year. The Development & Asset Management segment makes a distinction between profits resulting from the letting of investment property and profits from the sale of real estate.

### Hotels & Resorts segment

| EUR '000                                     | 2009   | 2008   | 2007   |
|----------------------------------------------|--------|--------|--------|
| Revenues for the Group                       | 79,608 | 86,662 | 71,555 |
| Average number of hotel rooms for the Group* | 3,089  | 2,583  | 1,924  |
| Group GOP                                    | 23,636 | 29,619 | 29,604 |

\*See Note 6.01, "The business segment Hotels & Resorts"

The trend for revenues from hotels was much weaker in 2009 than in the previous year.

The average number of available rooms increased by 506 (+20 per cent) to 3,089 whereas the revenues from hotel operations declined by 8 per cent from EUR 86.6 million to EUR 79.6 million.

The gross operating profit (GOP, calculated according to the Uniform System of Accounts for the Lodging Industry) decreased by 20 per cent to EUR 23.6 million. The primary reasons for the narrower GOP margin were the lower occupancy rates and room prices as well as the changed exchange rates and the expense of hotel openings.

The changes in capacities in Hotels & Resorts result from the opening of the andel's hotels in Berlin and in Łódź, the opening of the angelo in Ekaterinburg and the closing of the Hansa hotel ship.

### Development & Asset Management segment

| EUR '000               | 2009   | 2008   | 2007   |
|------------------------|--------|--------|--------|
| Revenues for the Group | 5.650  | 7.706  | 9.643  |
| Segment EBITDA         | -4.859 | 12.406 | 36.048 |

Revenues in the Development & Asset Management segment declined by 27 per cent, falling from EUR 7.7 million to EUR 5.7 million. This drop can be traced largely to the small amount of sales revenues from development services billed to others.

The results in this segment always depend on the sale of real estate holdings (share deals) and properties (asset deals) and are subject to significant year-on-year fluctuation. A ten per cent share in the Airport City development project in St. Petersburg was sold in 2008. A villa was sold in Karlovy Vary in the Czech Republic at the end of April 2008 and an office building was sold in Budapest at the beginning of December 2008. Gains from sales totalled EUR 18.2 million. This figure was much lower in 2009, when the Group sold one office property in Budapest and the andel's hotel in Krakow. The balance sheet profit from these sales amounted to EUR 2.3 million.

## Financial position

| Consolidated balance sheet EUR '000 | 2009           | 2008           | 2007           |
|-------------------------------------|----------------|----------------|----------------|
| <b>Assets</b>                       |                |                |                |
| Non-current assets                  | 579,816        | 582,318        | 451,906        |
| Current assets                      | 31,057         | 59,872         | 56,454         |
| <b>Total assets</b>                 | <b>610,873</b> | <b>642,190</b> | <b>508,360</b> |
| <b>Equity and liabilities</b>       |                |                |                |
| Issued capital                      | 39,599         | 36,000         | 36,000         |
| Retained earnings and reserves      | 22,503         | 105,050        | 141,040        |
| Minority interests                  | -1,949         | 4,456          | 26             |
| <b>Total equity</b>                 | <b>60,153</b>  | <b>145,506</b> | <b>177,308</b> |
| Non-current liabilities             | 439,328        | 377,876        | 231,881        |
| Current liabilities                 | 111,392        | 118,808        | 99,170         |
| <b>Total liabilities</b>            | <b>550,486</b> | <b>496,684</b> | <b>331,052</b> |
| <b>Total equity and liabilities</b> | <b>610,873</b> | <b>642,190</b> | <b>508,360</b> |

Being a property developer, Warimpex has a balance sheet with an assets side dominated by property, plant and equipment. The Group's dynamic expansion course had a definite effect on non-current assets. Impairments of non-current assets in an amount of EUR 62.5 million (2008: EUR 19.8 million) were recognised in the year under report, causing a two per cent decline in the value of non-current assets.

As two-thirds of the properties held by Warimpex Group are generally financed with long-term project loans, this also increased the Group's non-current liabilities by 16 per cent from EUR 377.9 million to EUR 439.3 million.

The Group's equity ratio fell from 23 per cent to 10 per cent year-on-year.

In view of the fact that Warimpex carries property, plant and equipment at cost less depreciation and amortisation, 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 real estate assets are recognised at their fair values, the equity ratio would be 19 per cent (2008: 37 per cent) (NNNAV/adjusted balance sheet total).



## Cash flows

| Consolidated cash flow statement EUR '000                                                                                | 2009          | 2008          | 2007          |
|--------------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|
| Cash receipts from operating activities                                                                                  | 88,071        | 96,839        | 77,874        |
| Cash payments from operating activities                                                                                  | -76,919       | -85,377       | -63,036       |
| <b>Net cash flows from operating activities</b>                                                                          | <b>11,151</b> | <b>11,462</b> | <b>14,837</b> |
| Cash flows from investing activities                                                                                     | -75,356       | -120,106      | -93,383       |
| Cash flows from business combinations, other changes in the scope of consolidation and acquisition of minority interests | 2,278         | -4,448        | 10,207        |
| Net cash flows in/from financing activities                                                                              | 40,897        | 122,526       | 74,078        |
| <b>Cash and cash equivalents at end of year</b>                                                                          | <b>11,933</b> | <b>33,112</b> | <b>24,135</b> |

### Cash flows from operating activities

The cash flow from operations declined from EUR 11.5 million in 2008 to EUR 11.1 million in the year under review. Whereas the net cash flows from operating activities in the Hotels & Resorts segment fell due to lower occupancy rates and lower room prices, the cash flow from operating activities in the Development & Asset Management segment increased (see Notes 6.01 and 6.02).

While cash payments for the operation of hotels and the letting of office buildings developed at about the same rate as cash receipts from operating activities, cash payments for project development may be subject to pronounced annual fluctuations.

For more information, see the detailed comments in [06] Segment information in the notes on the consolidated financial statements.

### Cash flows from investing activities

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

| Cash flows from investing activities (EUR '000)                              | 2009   | 2008    | 2007   |
|------------------------------------------------------------------------------|--------|---------|--------|
| Acquisition/renovation of Hotel Magic Circus Paris                           | 1,224  | –       | 11,889 |
| Completion of angelo hotel Prague                                            | –      | –       | 472    |
| Completion of andel's hotel Krakow                                           | –      | –       | 6,183  |
| Completion of UBX 2 office building andel's City Prague                      | –      | –       | 1,995  |
| Conversion of angelo airport hotel Bucharestt                                | –      | 5,105   | –      |
| Construction progress on andel's hotel Lodz                                  | 23,504 | 30,481  | 3,864  |
| Construction progress on andel's hotel Berlin                                | 9,341  | 31,983  | 5,271  |
| Construction progress on angelo hotel Plzen                                  | –      | 7,346   | 2,056  |
| Project development and construction progress on Airport City St. Petersburg | 3,902  | 3,491   | 17,262 |
| Project development and construction progress on angelo hotel Munich         | –      | 4,355   | 1,861  |
| Project development progress on Białystok Shopping Centre                    | –      | 749     | 1,243  |
| reject development progress on angelo Katowice                               | 6,206  | –       | –      |
| Construction progress on angelo hotel Ekaterinburg                           | 26,509 | 13,335  | –      |
| Expansion of Hotel Savoy Prague (purchase of adjacent site)                  | –      | 147     | 2,272  |
| Refurbishment of Hotel Palace Prague                                         | –      | 40      | 1,178  |
| Refurbishment of Hotel Dvořák, Karlovy Vary                                  | 221    | 361     | 1,133  |
| Refurbishment of Hotel Diplomat, Prague                                      | 128    | 820     | 1,525  |
| Other project developments and current investments related to hotels         | 9,677  | 13,895  | 394    |
|                                                                              | 80,712 | 112,108 | 58,598 |

### Cash flows from business combinations, other changes in the scope of consolidation and acquisition of minority interests

(See [04] in the Notes on the consolidated financial statements)

The balance of roughly EUR -2.3 million stems from the sale of the holding company that owns the Csalogany office building Budapest.

The balance of roughly EUR -4.4 million in financial year 2008 includes the purchase of an additional 50 per cent of the holding company that owns the andel's in Krakow, the acquisition of the holding company that owns an airport hotel and a hotel development project at Ekaterinburg airport, the cash received from the sale of the holding company that owns an office building in Budapest and cash received from the sale of the company that holds the development project in Posen.

### Cash flows from interest-bearing debt finance

The change in the cash flows from financing activities can be attributed primarily to lower receipts from long-term project financing. New shares in the amount of EUR 3.6 million were issued in November 2009.

## REAL ESTATE ASSETS

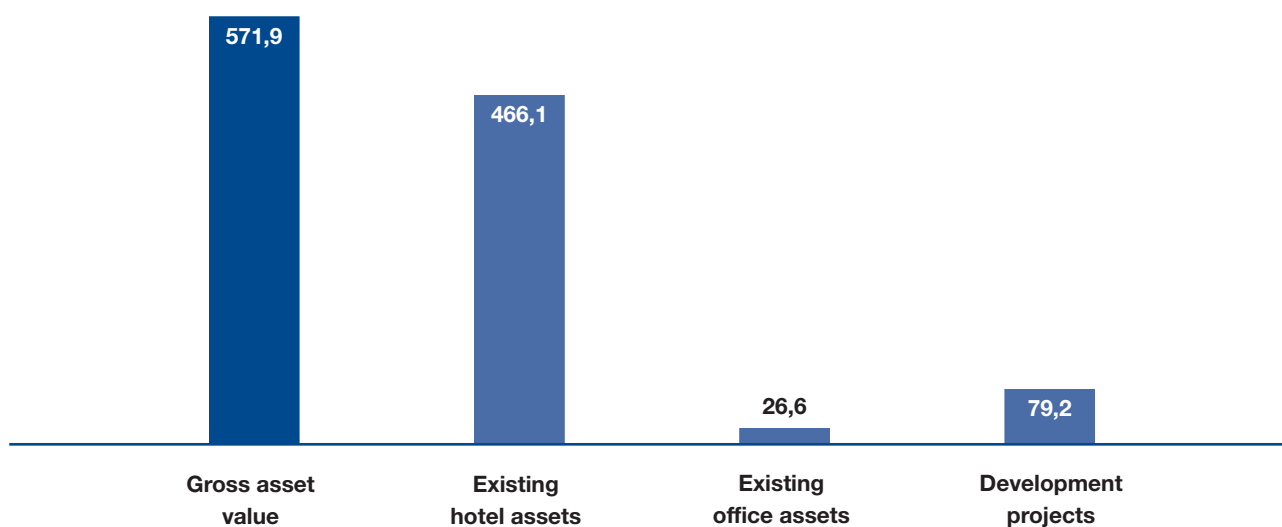
As at 31 December 2009, the real estate portfolio of the Warimpex Group comprised twenty hotels with a total of more than 4,800 rooms (3,322 rooms when adjusted for the proportionate share of ownership), plus five office properties with a total lettable floor area of some 32,000 square metres (23,000 square metres when adjusted for the proportionate share of ownership).

In addition, three hotel development projects and five office development projects were under construction or in advanced stages of development, not including the planned budget hotels.

The andel's in Katowice with 557 rooms (279 adjusted for the proportionate share of ownership) opened after the reporting date.

### Calculation of gross asset value and net asset value

#### Gross asset value



Because of the provisions of IAS 40.12 pertaining to owner-operated hotels, Warimpex recognises its properties at cost less depreciation and amortization. Any increases in the value of other properties are not recognised annually in profit. To allow comparison with other real estate companies that report unrealized profits, Warimpex reports the triple net asset value (NNNAV) in its Group management report.

The value of all existing real estate and development projects is assessed twice annually (at 30 June and 31 December) by the international independent real estate appraiser CB Richard Ellis (CBRE).

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

In calculating the fair values of the properties, the real estate appraiser in each case took the mean of the value determined using the income capitalization approach and the value obtained using the discounted cash flow (DCF) approach.

The capitalization factors (yields) used to calculate the earning capacity of hotel properties in Poland ranged from 6.50 per cent to 9.50 per cent (2008: 6.25 per cent to 9.00 per cent), in the Czech Republic from 7.00 per cent to 9.00 per cent (2008: 7.00 per cent to 7.50 per cent), in Germany from 6.75 per cent to 7.50 per cent (2008: 7.00 per cent to 7.50 per cent), in France from 7.75 per cent to 8.00 per cent (2008: 7.25 per cent to 7.50 per cent) and in Russia from 11.50 per cent to 12.00 per cent (2008: 10 per cent). Office properties in Hungary and Poland were discounted at a rate ranging from 8.00 per cent to 10.50 per cent (2008: 7.50 per cent to 10 per cent).

Warimpex's gross asset value came in at EUR 571.9 million (2008: EUR 666.7 million) at 31 December 2009. This decrease is attributable mainly to losses in value netted against new investments. The triple net asset value (NNNAV) for the Warimpex Group declined by EUR 153.04 million or 51 per cent from EUR 148.9 million in 2008 to EUR 148.5 million on 31 December 2009. The NNNAV increased by 27 per cent compared to 30 June 2009 and the NNNAV per share by 15 per cent owing to the issue of new shares. The estimated values of the associated properties declined because of significantly higher yields and lower estimated free cash flows from hotel operations.

The following table shows the Triple Net Asset Value (NNNAV) calculation:

| in EUR m                                                              | 2009  |              | 2008  |              |
|-----------------------------------------------------------------------|-------|--------------|-------|--------------|
| Equity before minority interests                                      | 62.1  |              | 141.0 |              |
| Goodwill                                                              |       | -0.9         |       | -2.4         |
| Deferred tax assets                                                   | -1.1  |              | -3.8  |              |
| Deferred tax liabilities                                              | 16.2  | 15.1         | 20.7  | 16.9         |
| Book value of existing hotel assets                                   | 411.8 |              | 339.8 |              |
| Fair value of existing hotel assets                                   | 466.1 | 54.3         | 417.7 | 77.9         |
| Book value of existing office property assets (investment properties) | 23.5  |              | 25.1  |              |
| Fair value of existing office property assets (investment properties) | 26.6  | 3.1          | 31.2  | 6.1          |
| Book value of development projects                                    | 54.8  |              | 140.7 |              |
| Fair value of development projects                                    | 69.9  | 15.2         | 203.1 | 62.4         |
| Book value of associated companies                                    | 9.3   |              | 9.2   |              |
| Fair value of associated companies                                    | 9.3   | -            | 9.2   | -            |
| <b>Triple net asset value</b>                                         |       | <b>148.9</b> |       | <b>301.9</b> |
| Number of shares at 31 December                                       |       | 39.599.999   |       | 36.000.000   |
| <b>NNNAV per share in EUR</b>                                         |       | <b>3.8</b>   |       | <b>8.4</b>   |

## MATERIAL RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

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 bodies.

### (b) Operating risks

In the Hotels & Resorts 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 addition, there are interest rate risks and financing risks which might have an impact on the Company's ability to finance or sell properties.

More details on risk management targets and methods in connection with financial instruments as well as information on existing interest rate, currency, default and liquidity risks and derivative instruments used by the Group are provided in Notes 25 and 26 to the consolidated financial statements.

The Development & Asset Management segment 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 have an impact on both the current cash flow and on the intrinsic value of real estate.

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 effect the development of business. Owing to its focus on real estate development and real estate holdings, the Group's performance is heavily dependent on the current situation in the real estate markets. Price slides in the real estate market could therefore affect the Group significantly and also influence real estate financing.

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

### (c) Foreign exchange and financing risks

Aside from derivative forms of financing, the most significant financial instruments used by the Group are current account and bank loans, and cash, cash equivalents and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

The Group also enters into derivatives transactions which are intended to reduce the Group's exposure to interest rate risk. The Group's risk management policies provide for a risk-oriented relationship between fixed-rate and variable-rate financial liabilities.

The risk of fluctuations in market interest rates (usually the EURIBOR) to which the Group is exposed results primarily from its variable-rate long-term financial liabilities. Warimpex uses derivative financial instruments to manage this risk.

The current financial market crisis, and especially the failure of key investment banks and the government acquisition of shares in a large number of other banks that began in the middle of September 2008 has caused a significant degree of uncertainty in the world economy and the real estate market. These events are also causing a high degree of uncertainty with regard to what market participants will do. Under such conditions, prices and value developments can be subject to higher volatility. The risk of insufficient liquidity also means that prevailing conditions could make it difficult to successfully sell properties on the market.

Long-term financing is arranged for every property and every ongoing development project, usually for a period of fifteen years. The property held by the respective project company is usually pledged to the lender as collateral. The Group also uses short-term operating credit. It will be necessary to extend or refinance these operating credit lines or to convert them into long-term financing in 2010.

#### **(d) Reporting on key features of the internal control and risk management systems as relevant for the accounting process**

Thanks to its twenty-five years of experience, Warimpex is intimately familiar with the real estate markets in Central and Eastern Europe and can head off risks effectively. The Company constantly strives to recognise risks on time and to counter these risks with effective management and control systems.

The Management Board bears overall responsibility for risk reporting within the Group, while the management of the various operating units bears local responsibility. Because of this structure, the system for reporting to the Group headquarters is highly important in facilitating the recognition of risks at an early stage and in allowing appropriate mitigating or remedial measures to be taken. This is ensured by means of monthly reports from the operating units to the Management Board containing all relevant and necessary information.

The Group has enacted uniform standards for the documentation and implementation of the internal control system and especially the accounting process at all subsidiaries. This is intended to preclude risks that could lead to incomplete or erroneous financial reports.

The internal reports prepared by all subsidiaries are also assessed at Group headquarters for plausibility and compared with planning calculations to ensure that suitable action can be taken in the event of deviations. To this end, subsidiaries are required to submit annual and medium-term budgets; these must be approved by the Management Board.

The hotel managers (such as Vienna International) and the Group holding company monitor the accounting processes at all subsidiaries to ensure that the accounts are kept correctly. The annual financial statements of all operating hotel companies are also reviewed by external 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 (for annual financial statements only)

The current development of business and identifiable opportunities and risks are discussed at regular meetings between the Management Board and the local management of the Group's various companies and units.

The operating figures for hotel operations are submitted to the Management Board on a weekly basis.

Quarterly financial statements are prepared by the Group accounting department in accordance with IAS 34, Interim Financial Reporting, reviewed by the Chief Financial Officer and then approved for publication by the Management Board.

Annual financial statements are studied and approved by the Supervisory Board and particularly by the Audit Committee before they are published.

## HUMAN CAPITAL

The Warimpex Group's staff 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 and committed project managers also play a key role in Warimpex's success. The excellent Warimpex Group management team is expanded continuously in order to provide the management resources needed to keep pace with and support the company's rapid growth. The fact that the Development & Asset Management 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 initial and continuing education and training.

The Group has especially high requirements for its entire managerial staff in terms of commitment to quality, well founded technical expertise and flexibility.

In 2009, an average of 1,381 (2008: 1,367) employees worked for the Hotels & Resorts segment and 85 (2008: 90) in the Development & Asset Management segment (including Group headquarters).

## SUSTAINABILITY

The Warimpex Group's real estate developments have an impact on social, ecological and economic environments. Because of its many years as a project developer, the Group has a special understanding of the importance of sustainable action and the wise use of resources.

The Group pursues an equally careful approach to the use of resources in the operation of its hotels.

### Disclosures pursuant to § 243a UGB

The share capital of Warimpex Finanz- und Beteiligungs AG amounts to EUR 39,599,999 and is divided into 39,599,999 non-par-value bearer shares.

To the best of the Management Board's knowledge, none of these shares are subject to 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         | 19 per cent |
| Franz Jurkowitsch    | 19 per cent |
| Bocca Privatstiftung | 14 per cent |
| Amber Privatstiftung | 14 per cent |

The following resolutions were adopted at the extraordinary general meeting of the Company on 16 October 2009:

- Revocation of the Management Board authorisation pursuant to § 169 AktG to increase the share capital of the Company by 20 September 2011 with the approval of the Supervisory Board by as much as EUR 9,000,000 in one or more tranches by issue of up to 9,000,000 new bearer shares against cash payment or contributions in kind up to a total share capital of EUR 45,000,000. The object of contributions in kind and the individual from whom the company acquires the object, the shares to be granted in return for these contributions, the issue amount and the issue terms shall be specified in coordination with the Supervisory Board.
- The Management Board is authorised to increase within five years of the entry of the amendment to the articles of association in the register of companies the share capital of the Company by as much as EUR 18,000,000 through the issue of up to 18,000,000 bearer shares against cash payment or contributions in kind, in one or multiple tranches, with or without the exclusion of pre-emptive subscription rights and to set the issue price and the issue terms in coordination with the Supervisory Board.

The annual general meeting on 31 May 2007 also authorised the Management Board to issue convertible 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. The subscription right of the existing shareholders was waived.

On 23 October 2009, a total of 3,599,999 new bearer shares, equivalent to 9.99 per cent of the current share capital, were placed with institutional investors, whereby shareholder subscription rights were excluded. The issue price was EUR 2.25 per share.

At the ordinary annual general meeting on 29 May 2008, 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. Authorisation for the Management Board to purchase shares in the Company was renewed at the annual general meeting on 28 May 2009. This replaced the stock buy-back programme that was decided last year and permits the purchase of up to 10 per cent of the Company's capital stock at a share price of no more than EUR 8.40.

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 bought-back shares can also be used in payment for the purchase of real estate, business entities, business operations, or shares in one or more companies in Austria or abroad.

The buyback programme began on 21 July 2008 and ran until the end of 2008; the acquisition price range was set at EUR 3.00 to EUR 8.00. As of 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.

Apart from the above there are no further particulars that must be disclosed pursuant to §243a UGB.

## EVENTS AFTER THE BALANCE SHEET DATE

Regarding material events after the balance sheet date, reference is made to item 27 in the Notes to the consolidated financial statements.



## OUTLOOK

Seven real estate projects are currently under construction or in advanced stages of development, not including the planned budget hotels.

The following hotel projects are currently under construction:

- Airport City, St. Petersburg, business park with 40,000 square metres of office space and an international hotel with 300 rooms (opening scheduled for 2011–2013)

The following projects are in advanced stages of development:

- Redevelopment of tower A at Erzsebet office complex
- Le Palais office building, Warsaw
- Office building, Krakow
- Hotel/office building, Munich
- Palais Hansen, Vienna
- Shopping centre, Białystok

The following projects are currently under development through the joint venture with Louvre Hotels:

- Campanile, Budapest (284 rooms)
- Campanile, Zielona Gora (84 rooms)
- Campanile, Wroclaw (152 rooms)
- Campanile, Bydgoszcz (117 rooms)
- Campanile, Katowice (100 rooms)
- Premiere Classe, Wroclaw (136 rooms)
- Premiere Classe, Katowice (100 rooms)

Vienna, 22 March 2010



Franz Jurkowitsch  
Chairman of the Management Board



Georg Folian  
Deputy Chairman of the Management Board



Christian Fojtl  
Member of the Management Board



Alexander Jurkowitsch  
Member of the Management Board

## SELECTED WARIMPEX GROUP PROPERTIES



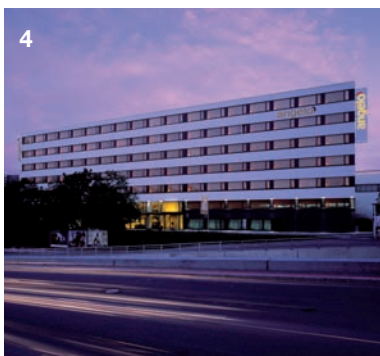
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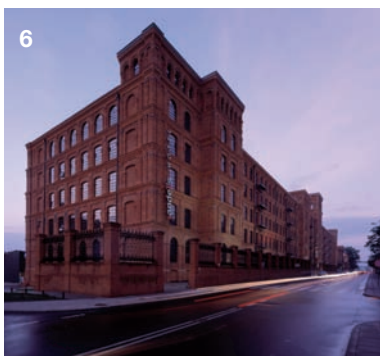
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6



7

### 1) Hotel Le Palais\*\*\*\*\*, Prague

CZ-120 00 Prague 2, U Zvonářky 1  
72 rooms (opened in 2002)

### 2) Hotel InterContinental\*\*\*\*\*, Warsaw

PL-00 125 Warsaw, ul. Emilii Plater 49  
404 rooms (opened in 2003)

### 3) angelo hotel\*\*\*\*, Katowice

PL-40-086 Katowice, ul. Sokolska 24  
203 rooms (opening in March 2010)

### 4) angelo Designhotel, Munich

D-81677, Munich, Leuchtenbergring 20  
146 rooms (opened in May 2008)

### 5) andel's hotel\*\*\*\*\*, Berlin

D-10407 Berlin,  
Landsberger Allee 106  
557 rooms (opened in March 2009)

### 6) andel's hotel\*\*\*\*, Łódź

PL-91 065 Łódź, ol. Ogrodowa 17  
278 rooms (opened in June 2009)

### 7) angelo hotel\*\*\*\*, Katowice

PL-40-127 Katowice, ul Sokolska 24  
203 rooms (opened in September 2009)

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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# CONSOLIDATED INCOME STATEMENT

for the financial year from 1 January to 31 December 2009

| EUR                                                                                                    | Note  | 2009                | 2008                |
|--------------------------------------------------------------------------------------------------------|-------|---------------------|---------------------|
| <b>Revenues</b>                                                                                        |       |                     |                     |
| Revenues – “Hotels & Resorts” segment                                                                  |       | 79,607,960          | 86,662,545          |
| Revenues – “Development & Asset Management” segment                                                    |       | 5,649,884           | 7,705,726           |
|                                                                                                        | 7.01. | <b>85,257,844</b>   | <b>94,368,270</b>   |
| <b>Gains from the sale of disposal groups</b>                                                          |       |                     |                     |
| Gains from the sale of real estate                                                                     |       | 6,800,000           | 26,575,000          |
| Carrying amounts, loans and borrowings assumed by the purchaser                                        |       | (4,512,344)         | (12,708,934)        |
|                                                                                                        | 4.01. | <b>2,287,656</b>    | <b>13,866,066</b>   |
| <b>Other income and expenses</b>                                                                       |       |                     |                     |
| Changes in real estate projects under development or construction                                      | [16]  | 1,264,444           | (377,922)           |
| Other income                                                                                           | 7.01. | 2,567,052           | 5,152,789           |
|                                                                                                        |       | <b>3,831,496</b>    | <b>4,774,867</b>    |
| Expenses for materials and services rendered                                                           | 7.02. | (40,494,771)        | (43,112,586)        |
| Expenses for project development                                                                       | 7.02. | (1,591,607)         | (1,597,662)         |
| Personnel expenses                                                                                     | 7.03. | (27,078,425)        | (27,674,761)        |
| Depreciation and amortization expense                                                                  | 7.04. | (78,396,131)        | (26,014,030)        |
| Other expenses                                                                                         | 7.05. | (14,158,868)        | (11,272,460)        |
| Negative goodwill recognized in income                                                                 |       | –                   | 697                 |
| Impairment of goodwill                                                                                 | [13]  | (1,429,626)         | (6,750,684)         |
|                                                                                                        |       | (163,149,429)       | (116,421,485)       |
| <b>Operating profit</b>                                                                                |       | <b>(71,772,433)</b> | <b>(3,412,282)</b>  |
| Financial revenue                                                                                      | 7.07. | 3,937,050           | 3,667,574           |
| Finance costs                                                                                          | 7.06. | (23,698,197)        | (27,324,497)        |
| Result from associated companies                                                                       | [14]  | (824,292)           | (2,369,951)         |
| <b>Profit before tax</b>                                                                               |       | <b>(92,357,873)</b> | <b>(29,439,156)</b> |
| Income tax paid                                                                                        | [08]  | (1,092,990)         | (1,338,782)         |
| Deferred taxes                                                                                         | [08]  | 783,616             | 1,389,625           |
| <b>Profit for the period</b>                                                                           |       | <b>(92,667,247)</b> | <b>(29,388,313)</b> |
| Foreign currency translation                                                                           |       | (747,702)           | (2,367,892)         |
| Net gains/losses from hedging                                                                          |       | (734,628)           | (44,832)            |
| (Deferred) taxes recognized in equity                                                                  |       | 257,097             | 228,019             |
| <b>Other income/expense</b>                                                                            |       | <b>(1,225,233)</b>  | <b>(2,184,705)</b>  |
| <b>Total income and expenses for the period</b>                                                        |       | <b>(93,892,480)</b> | <b>(31,573,018)</b> |
| Profit for the period attributable to:                                                                 |       |                     |                     |
| - Equity holders of the parent                                                                         |       | (86,519,399)        | (29,170,641)        |
| - Non-controlling interests                                                                            |       | (6,147,847)         | (217,672)           |
|                                                                                                        |       | (92,667,247)        | (29,388,313)        |
| Total income/expenses for the period attributable to:                                                  |       |                     |                     |
| - Equity holders of the parent                                                                         |       | (87,486,974)        | (30,611,260)        |
| - Non-controlling interests                                                                            |       | (6,405,506)         | (961,758)           |
|                                                                                                        |       | <b>(93,892,480)</b> | <b>(31,573,018)</b> |
| Earnings per share:                                                                                    |       |                     |                     |
| Diluted=undiluted, for the profit for the period attributable to ordinary equity holders of the parent | [09]  | (2.36)              | (0.80)              |

# CONSOLIDATED BALANCE SHEET

at 31 December 2009

| EUR                           | Note  | 2009               | 2008               |
|-------------------------------|-------|--------------------|--------------------|
| <b>ASSETS</b>                 |       |                    |                    |
| <b>Non-current assets</b>     |       |                    |                    |
| Property, plant and equipment |       | 376,720,698        | 337,675,134        |
| Property under construction   |       | 81,019,736         | 136,466,751        |
|                               | [10]  | 457,740,434        | 474,141,885        |
| Investment properties         | [11]  | 42,885,519         | 39,255,822         |
| Goodwill                      | [13]  | 921,266            | 2,350,892          |
| Other intangible assets       | [12]  | 397,799            | 3,402,304          |
| Associated companies          | [14]  | 9,337,412          | 9,189,950          |
| Other financial assets        | [15]  | 67,421,539         | 50,140,248         |
| Deferred tax assets           | [08]  | 1,112,352          | 3,836,593          |
|                               |       | <b>579,816,321</b> | <b>582,317,695</b> |
| <b>Current assets</b>         |       |                    |                    |
| Inventories                   | [16]  | 3,013,257          | 1,652,909          |
| Trade and other receivables   | [17]  | 16,025,579         | 23,369,764         |
| Other financial assets        | 26.3. | 84,241             | 1,736,933          |
| Cash and short-term deposits  | [18]  | 11,933,442         | 33,112,348         |
|                               |       | <b>31,056,519</b>  | <b>59,871,954</b>  |
| <b>TOTAL ASSETS</b>           |       | <b>610,872,840</b> | <b>642,189,648</b> |



# CONSOLIDATED BALANCE SHEET

at 31 December 2009

| EUR                                                        | Note  | 2009               | 2008               |
|------------------------------------------------------------|-------|--------------------|--------------------|
| <b>EQUITY AND LIABILITIES</b>                              |       |                    |                    |
| <i>Equity attributable to equity holders of the parent</i> |       |                    |                    |
| Issued capital                                             | [09]  | 39,599,999         | 36,000,000         |
| Capital reserves                                           |       | 59,627,010         | 55,576,939         |
| Retained earnings                                          |       | (40,204,719)       | 41,480,911         |
| Treasury shares                                            | [09]  | (301,387)          | (291,019)          |
| Other reserves                                             | [19]  | 3,380,802          | 8,282,960          |
|                                                            |       | 62,101,705         | 141,049,792        |
| <i>Non-controlling interests</i>                           |       | (1,949,100)        | 4,456,240          |
| <b>Total equity</b>                                        |       | <b>60,152,605</b>  | <b>145,506,031</b> |
| <b>Non-current liabilities</b>                             |       |                    |                    |
| Interest-bearing loans and borrowings                      | [20]  | 418,559,227        | 352,232,532        |
| Provisions                                                 | [21]  | 3,353,547          | 4,083,826          |
| Other payables                                             | [22]  | 1,256,038          | 851,914            |
| Deferred tax liabilities                                   | [08]  | 16,159,365         | 20,707,325         |
|                                                            |       | <b>439,328,176</b> | <b>377,875,597</b> |
| <b>Current liabilities</b>                                 |       |                    |                    |
| Trade and other payables                                   | [22]  | 35,525,278         | 27,027,724         |
| Interest-bearing loans and borrowings                      | [20]  | 70,552,125         | 90,006,995         |
| Derivative financial instruments                           | 26,3, | 467,205            | 5,290              |
| Income tax payable                                         |       | 180,992            | 951,650            |
| Provisions                                                 | [21]  | 4,666,457          | 816,361            |
|                                                            |       | <b>111,392,058</b> | <b>118,808,019</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        |       | <b>610,872,840</b> | <b>642,189,648</b> |

# CONSOLIDATED CASH FLOW STATEMENT

for the financial year from 1 January to 31 December 2009

| EUR                                                     | Note         | 2009                | 2008                 |
|---------------------------------------------------------|--------------|---------------------|----------------------|
| <b>Cash receipts from operating activities</b>          |              |                     |                      |
| From the operation of hotels and rent received          |              | 83,952,487          | 94,612,088           |
| From real estate development projects                   |              | 2,270,124           | 1,472,692            |
| Interest received                                       |              | 1,848,303           | 754,479              |
|                                                         |              | <b>88,070,915</b>   | <b>96,839,259</b>    |
| <b>Cash payments for operating activities</b>           |              |                     |                      |
| For real estate development projects                    |              | (1,920,498)         | (2,525,775)          |
| For materials and services received                     |              | (37,544,832)        | (42,992,469)         |
| For personnel and related expenses                      |              | (28,000,623)        | (29,248,149)         |
| For other expenses                                      |              | (7,540,610)         | (9,227,044)          |
| Income tax paid                                         |              | (1,912,890)         | (1,383,735)          |
|                                                         |              | <b>(76,919,453)</b> | <b>(85,377,172)</b>  |
| <b>Net cash flows from operating activities</b>         | <b>[06]</b>  | <b>11,151,462</b>   | <b>11,462,087</b>    |
| <b>Cash flows from investing activities</b>             |              |                     |                      |
| Relating to property, plant and equipment:              |              |                     |                      |
| Proceeds from the sale of property, plant and equipment |              | 27,912,317          | 4,698,932            |
| Purchase of available-for-sale investments              |              | (80,712,100)        | (112,108,494)        |
|                                                         | <b>[10]</b>  | <b>(52,799,783)</b> | <b>(107,409,561)</b> |
| Relating to investment properties:                      |              |                     |                      |
| Purchase of available-for-sale investments              | <b>[11]</b>  | (12,520,943)        | (10,098,693)         |
| Relating to available-for-sale investments:             |              |                     |                      |
| Proceeds from the sale of property, plant and equipment | <b>7.06.</b> | –                   | 4,206,000            |
| Relating to computer software:                          |              |                     |                      |
| Proceeds from the sale of computer software             |              | 15,808              | –                    |
| Acquisition of software                                 |              | (311,137)           | (174,034)            |
|                                                         |              | <b>(295,329)</b>    | <b>(174,034)</b>     |
| Acquisition of associated companies                     | <b>[14]</b>  | (871,015)           | (3,262,336)          |
| Relating to other financial assets:                     |              |                     |                      |
| Payouts from granted loans                              |              | (7,364,542)         | (3,019,574)          |
| Other                                                   |              | (1,504,859)         | (347,601)            |
|                                                         |              | <b>(8,869,401)</b>  | <b>(3,367,175)</b>   |
|                                                         |              | <b>(75,356,471)</b> | <b>(120,105,799)</b> |

# CONSOLIDATED CASH FLOW STATEMENT

for the financial year from 1 January to 31 December 2009

| EUR                                                                                                                                 | Note  | 2009                | 2008                 |
|-------------------------------------------------------------------------------------------------------------------------------------|-------|---------------------|----------------------|
| <b>Cash flows from business combinations, other changes in the scope of consolidation and the acquisition of minority interests</b> |       |                     |                      |
| Proceeds from the sale of disposal groups                                                                                           |       | 2,600,000           | 14,206,715           |
| Cash and cash equivalents of disposal groups                                                                                        |       | (321,993)           | (825,368)            |
|                                                                                                                                     | 4.01. | 2,278,007           | 13,381,348           |
| Payments made for business combinations                                                                                             |       | –                   | (14,071,261)         |
| Cash acquired from business combinations                                                                                            |       | –                   | 978,965              |
|                                                                                                                                     |       | –                   | (13,092,295)         |
| Payments for business combinations effected in previous periods                                                                     |       | –                   | (4,736,642)          |
|                                                                                                                                     |       | 2,278,007           | (4,447,589)          |
| <b>Net cash flows used in/from investing activities and changes in the scope of consolidation</b>                                   |       | <b>(73,078,464)</b> | <b>(124,553,389)</b> |
| <b>Cash flows from financing activities</b>                                                                                         |       |                     |                      |
| Cash received from capital measures                                                                                                 | [09]  | 7,650,070           | –                    |
| Payments for the purchase of treasury shares                                                                                        | [09]  | (10,368)            | (291,019)            |
| Payments received from and made to minority interests                                                                               |       | 165                 | 269,625              |
| Proceeds from loans and borrowings                                                                                                  | 20.1. | 115,367,594         | 176,042,528          |
| Repayment of loans and borrowings                                                                                                   | 20.1. | (65,261,135)        | (24,594,626)         |
| Repayment of loans according to IFRS 5                                                                                              |       | –                   | 687,271              |
| Interest and other finance costs paid                                                                                               |       | (18,793,592)        | (19,424,155)         |
| Inflows and outflows for derivative financial instruments                                                                           | 26.5. | 1,944,516           | (1,163,810)          |
| Dividends paid                                                                                                                      | [09]  | –                   | (9,000,000)          |
| <b>Net cash flows from/used in financing activities</b>                                                                             |       | <b>40,897,250</b>   | <b>122,525,814</b>   |
| Net change in cash and cash equivalents                                                                                             |       | (21,029,752)        | 9,434,512            |
| Net foreign exchange difference                                                                                                     |       | (149,154)           | (457,364)            |
| Cash and cash equivalents at 1 January                                                                                              |       | 33,112,348          | 24,135,200           |
| <b>Cash and cash equivalents at end of year</b>                                                                                     |       | <b>11,933,441</b>   | <b>33,112,348</b>    |



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year from 1 January to 31 December 2009

| in EUR                                                               | See Note 19       |                    |                      |                    |                   | TOTAL              | Minority<br>interests | Total<br>equity    |
|----------------------------------------------------------------------|-------------------|--------------------|----------------------|--------------------|-------------------|--------------------|-----------------------|--------------------|
|                                                                      | Issued<br>capital | Capital<br>reserve | Retained<br>earnings | Treasury<br>shares | Other<br>reserves |                    |                       |                    |
| <b>At 1 January 2008</b>                                             | <b>36,000,000</b> | <b>55,576,939</b>  | <b>79,655,018</b>    | <b>-</b>           | <b>5,808,226</b>  | <b>177,040,184</b> | <b>267,837</b>        | <b>177,308,021</b> |
| Revaluation of land and buildings                                    |                   |                    | -                    | -                  | 4,833,769         | 4,833,769          | -                     | 4,833,769          |
| (Deferred) tax effects from revaluation                              |                   |                    | -                    | -                  | (918,416)         | (918,416)          | -                     | (918,416)          |
| Changes in the scope of consolidation                                | -                 | -                  | -                    | -                  | -                 | -                  | 5,009,571             | 5,009,571          |
| Other changes in minority interests                                  |                   |                    | -                    | -                  | -                 | -                  | 137,125               | 137,125            |
| Losses of minority interests<br>allocated against majority interests |                   |                    | (3,465)              | -                  | -                 | (3,465)            | 3,465                 | -                  |
| Capital increase                                                     | -                 | -                  |                      |                    |                   |                    |                       |                    |
| Purchase of treasury shares                                          | -                 | -                  | -                    | (291,019)          | -                 | (291,019)          | -                     | (291,019)          |
| Dividends paid                                                       | -                 | -                  | (9,000,000)          | -                  | -                 | (9,000,000)        | -                     | (9,000,000)        |
| Total income and expenses for the period                             | -                 | -                  | (29,170,641)         | -                  | (1,440,619)       | (30,611,260)       | (961,758)             | (31,573,018)       |
| <b>At 31 December 2008/</b>                                          |                   |                    |                      |                    |                   |                    |                       |                    |
| <b>1 January 2009</b>                                                | <b>36,000,000</b> | <b>55,576,939</b>  | <b>41,480,912</b>    | <b>(291,019)</b>   | <b>8,282,960</b>  | <b>141,049,792</b> | <b>4,456,240</b>      | <b>145,506,032</b> |
| Revaluation of land and buildings                                    |                   |                    | 4,833,769            | -                  | (4,833,769)       | -                  | -                     | -                  |
| (Deferred) tax effects from revaluation                              |                   |                    | -                    | -                  | 918,416           | 918,416            | -                     | 918,416            |
| Changes in the scope of consolidation                                | -                 | -                  | -                    | -                  | (19,230)          | (19,230)           | -                     | (19,230)           |
| Other changes in minority interests                                  |                   |                    | -                    | -                  | -                 | -                  | 165                   | 165                |
| Capital increase                                                     | 3,599,999         | 4,499,999          | -                    | -                  | -                 | 8,099,998          | -                     | 8,099,998          |
| Capital procurement costs                                            |                   | (599,904)          | -                    | -                  | -                 | (599,904)          | -                     | (599,904)          |
| (Deferred) taxes related to<br>capital procurement costs             |                   | 149,976            | -                    | -                  | -                 | 149,976            | -                     | 149,976            |
| Purchase of treasury shares                                          | -                 | -                  | -                    | (10,368)           | -                 | (10,368)           | -                     | (10,368)           |
| Total income and expenses for the period                             | -                 | -                  | (86,519,399)         | -                  | (967,575)         | (87,486,974)       | (6,405,506)           | (93,892,480)       |
| <b>At 31 December 2009</b>                                           | <b>39,599,999</b> | <b>59,627,010</b>  | <b>(40,204,718)</b>  | <b>(301,387)</b>   | <b>3,380,802</b>  | <b>62,101,706</b>  | <b>(1,949,101)</b>    | <b>60,152,605</b>  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year from 1 January to 31 December 2009

## [01] Corporate information

Warimpex Finanz- und Beteiligungs AG (the “Company”) is registered with the Commercial Court of Vienna under the registration 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 2009 were authorised for release to the Supervisory Board by the Management Board on 22 March 2010. It is the duty of the Supervisory Board to review the consolidated financial statements and state whether the consolidated financial statements are approved.

The main activities of the Company are described in the Group Management Report.

## [02] Basis for preparation

### 2.01. General

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

Local financial statements were reconciled with IFRS and uniform Group Accounting Guidelines by the Group’s accounting department in Vienna. All companies included in the consolidated financial statements prepare their financial statements as of 31 December.

A list of all subsidiaries and joint ventures included in the consolidated financial statements is given in Note [3].

### 2.02. Changes in accounting policies

**2.02.a** Generally, accounting policies remain unchanged from the previous financial year. However, the Company had to apply new and revised standards which became effective for financial years beginning on or after 1 January 2009:

IAS 1 Presentation of Financial Statements introduced a “statement of comprehensive income”, which presents all income and expenses recognised in profit or loss as well as all income and expenses recognised directly in equity, either in a single statement or in two statements. The Group has decided to prepare a single statement.

The amended version of IFRS 3 Business Combinations (which was applied before it became mandatory) introduced significant changes in the reporting of business combinations taking place after the new standard is applied. These changes have an effect on the valuation of non-controlling interests, the recognition of transaction costs, initial recognition and subsequent measurement of conditional consideration, and successive business acquisitions. These new rules will bring changes in recognised goodwill values, in the profit or loss for the reporting period in which a business combination takes place, and in future earnings. These recognition and measurement policy changes were applied prospectively, and had no effect on the statements for the period under review, as no such transactions took place.

The amended version of IAS 27 Consolidated and Separate Financial Statements (which was applied before it became mandatory) requires that a change in an ownership interest in a subsidiary that does not result in the loss of control must be accounted for as equity transactions (transactions with owners in their capacity as owners). For this reason, such a transaction cannot result in the recognition of goodwill, nor in a profit or loss. Regulations governing the allocation of losses to shareholders of the parent and to non-controlling interests were amended, as were the recognition rules for transactions leading to a loss of control.

The new rules will apply to future acquisitions or losses of control over subsidiaries, and to transactions with non-controlling ownership interests. These recognition and measurement policy changes were applied prospectively, and had no effect on the statements for the period under review, as no such transactions took place.

The amendment to IFRS 7 Financial Instruments: Disclosures requires additional disclosures about the determination of fair values and liquidity risk. The change requires a quantitative analysis of the determination of the fair values using a three-level hierarchy for every class of financial instrument recognised at fair value. Now, a transition between the initial value and value at the reporting date must be shown for level three valuations, and significant asset shifts between levels one and two of the hierarchy must be disclosed. The changes also clarified the requirements for disclosures concerning liquidity risks arising from transactions involving derivatives and for assets used for liquidity management.

Information on the calculation of the fair values is presented in item 25. The new rules resulted in no material changes in the information about liquidity risk; these disclosures are presented in item 25.4.

Improvements to IFRS 2008: In May 2008, the Board issued its first collective standard to amend a number of different IFRS standards with the objective of eliminating inconsistencies and clarifying specific formulations. The collective standard includes transitional treasury provisions for each amended IFRS. The amendments to the following standards had no effects on the recognition and valuation principles or on the presentation of the Group's assets, financial position and earnings situation:

- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 Events after the Reporting Period
- IAS 16 Property, Plant and Equipment
- IAS 19 Employee Benefits
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- IAS 23 Borrowing Costs
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 31 Interests in Joint Ventures
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The first-time application of the following standards and interpretations had no effects on the recognition and valuation principles or on the presentation of the Group's assets, financial position and earnings situation:

- IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – cost of acquisition of shares in subsidiaries, jointly controlled entities and associates
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – puttable financial instruments and obligations applying only in the event of liquidation
- IAS 39 Financial Instruments: Recognition and Measurement – suitable underlying transactions

- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 12 Service Concession Arrangements (early application)
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Arrangements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distribution of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers
- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 2 Share-based Payment

**2.02.b** In September 2007, the IASB published Exposure Draft 9 (ED9 Joint Arrangements), which introduced new rules for the recognition of joint ventures. For the consolidated financial statements of the Warimpex Group, these new rules would require the retrospective application of the equity method of consolidation instead of the proportionate method for all joint ventures.

At the time that these financial statements were prepared, it was assumed that these new rules will be mandatory for the 2011 financial year onward. The effects on the opening balance sheet for 2010 and for the 2009 consolidated financial statements would be as follows:

| <b>ASSETS</b>                                        | <b>31/12/2009</b>  | <b><i>unaudited</i><br/>± Restatement</b> | <b><i>unaudited</i><br/>1/1/2010</b> |
|------------------------------------------------------|--------------------|-------------------------------------------|--------------------------------------|
| <b>Non-current assets</b>                            |                    |                                           |                                      |
| Property, plant, equipment and investment properties | 500,625,953        | (206,607,691)                             | 294,018,261                          |
| Intangible assets                                    | 1,319,066          | 11,736                                    | 1,330,802                            |
| Associated companies                                 | 9,337,412          | 2,807,315 <sup>1)</sup>                   | 12,144,727                           |
| Other financial assets                               | 67,421,539         | 47,911,270 <sup>2)</sup>                  | 115,332,809                          |
| Deferred tax assets                                  | 1,112,352          | (900,497)                                 | 211,855                              |
|                                                      | <b>579,816,321</b> | <b>(156,777,867)</b>                      | <b>423,038,454</b>                   |
| <b>Current assets</b>                                |                    |                                           |                                      |
| Inventories, securities and current receivables      | 19,123,077         | (5,961,062)                               | 13,162,015                           |
| Cash and short-term deposits                         | 11,933,442         | (4,553,197)                               | 7,380,244                            |
| <b>TOTAL ASSETS</b>                                  | <b>610,872,840</b> | <b>(167,292,127)</b>                      | <b>443,580,713</b>                   |
| <b>EQUITY AND LIABILITIES</b>                        |                    |                                           |                                      |
| Attributable to equity holders of the parent         | 62,101,705         | 28,211,662                                | 90,313,368                           |
| Minority interests                                   | (1,949,100)        | (6,235)                                   | (1,955,335)                          |
|                                                      | <b>60,152,605</b>  | <b>28,205,427</b>                         | <b>88,358,033</b>                    |
| <b>Non-current liabilities</b>                       |                    |                                           |                                      |
| Interest-bearing loans and borrowings                | 418,559,227        | (184,857,611)                             | 233,701,617                          |
| Provisions and other liabilities                     | 4,609,584          | (910,425)                                 | 3,699,160                            |
| Deferred tax liabilities                             | 16,159,365         | (1,170,066)                               | 14,989,299                           |
|                                                      | <b>439,328,176</b> | <b>(186,938,101)</b>                      | <b>252,390,075</b>                   |
| <b>Current liabilities</b>                           |                    |                                           |                                      |
| Interest-bearing loans and borrowings                | 70,552,125         | (978,251)                                 | 69,573,875                           |
| Provisions and other liabilities                     | 40,839,933         | (7,581,202)                               | 33,258,731                           |
|                                                      | <b>111,392,058</b> | <b>(8,559,453)</b>                        | <b>102,832,606</b>                   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                  | <b>610,872,840</b> | <b>(167,292,127)</b>                      | <b>443,580,713</b>                   |

If the joint ventures had been recognised in the 2009 financial statements using the equity method instead of the proportionate method of consolidation, the statements would be as follows:

|                                                   | 2009                | <i>unaudited</i><br>± Restatement | <i>unaudited</i><br>2009 |
|---------------------------------------------------|---------------------|-----------------------------------|--------------------------|
| <b>Revenues</b>                                   |                     |                                   |                          |
| Hotels & Resorts segment                          | 79,607,960          | (33,197,714)                      | 46,410,246               |
| Development & Asset Management segment            | 5,649,884           | (1,362,262)                       | 4,287,622                |
|                                                   | <b>85,257,844</b>   | <b>(34,559,976)</b>               | <b>50,697,868</b>        |
| Gains from the sale of disposal groups            | 2,287,656           | –                                 | 2,287,656                |
| Changes in real estate projects under development | 1,264,444           | –                                 | 1,264,444                |
| Other income                                      | 2,108,265           | (328,199)                         | 1,780,066                |
| Expenses for materials and services rendered      | (40,494,771)        | 17,416,259                        | (23,078,512)             |
| Expenses for project development                  | (1,591,607)         | 444,574                           | (1,147,033)              |
| Personnel expenses                                | (27,078,425)        | 9,700,367                         | (17,378,058)             |
| Depreciation and amortisation expense             | (78,396,131)        | 18,560,948                        | (59,835,183)             |
| Other expenses                                    | (13,700,081)        | 2,923,770                         | (10,776,311)             |
| ± Goodwill                                        | (1,429,626)         | –                                 | (1,429,626)              |
| <b>Operating profit</b>                           | <b>(71,772,433)</b> | <b>14,157,743</b>                 | <b>(57,614,690)</b>      |
| Financial revenue                                 | 3,937,050           | 2,176,255 <sup>3)</sup>           | 6,113,305                |
| Finance costs                                     | (23,698,197)        | 6,391,655                         | (17,306,543)             |
| Result from associated companies                  | (824,292)           | (3,791,672) <sup>4)</sup>         | (4,615,964)              |
| <b>Profit before tax</b>                          | <b>(92,357,873)</b> | <b>18,933,981</b>                 | <b>(73,423,892)</b>      |
| Income tax paid                                   | (1,092,990)         | 61,980                            | (1,031,011)              |
| Deferred taxes                                    | 783,616             | (651,505)                         | 132,112                  |
| <b>Profit for the year</b>                        | <b>(92,667,247)</b> | <b>18,344,455 <sup>5)</sup></b>   | <b>(74,322,791)</b>      |
| Attributable to:                                  |                     |                                   |                          |
| - Equity holders of the parent                    | (86,519,399)        | 18,344,455                        | (68,174,944)             |
| - Minority interests                              | (6,147,847)         | –                                 | (6,147,847)              |
|                                                   | <b>(92,667,247)</b> | <b>18,344,455</b>                 | <b>(74,322,791)</b>      |

1) The increase is due to the reclassification of the nominal interests in the joint ventures, less retained losses (up to the amount of the nominal interests) and plus retained profits of the joint ventures.

2) The increase is due to the proportionate elimination of loans extended to joint ventures as required by the proportionate consolidation method.

3) The increase is due to the proportionate elimination of interest received from loans extended to joint ventures as required by the proportionate consolidation method.

4) The result from associated companies corresponds to the allocated losses of all joint ventures, provided that they are covered by the nominal value of the interests in the joint ventures.

5) The loss incurred by the Warimpex Group in 2009 would have been EUR 18,344,455 lower if the joint ventures had been recognised in the consolidated financial statements using the equity method instead of the proportionate method of consolidation.

### 2.03. Basis of consolidation

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

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

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

Business combinations are accounted for according to the purchase method. All subsidiaries that have to be consolidated have been included in the consolidated financial statements. For information on the accounting treatment of joint ventures, please see to Note 2.05.

A minority interests is a share in the equity of a subsidiary that cannot be directly or indirectly attributed to its parent company. These interests are presented separately in the statement of comprehensive income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Losses are also attributed to non-controlling shares when this results in a negative balance. Changes in interests in subsidiaries not leading to a loss of control over the subsidiary are recognised as equity transactions.

### 2.04. Important accounting judgements and estimates

In preparing the consolidated financial statements of the Group it is necessary to estimate certain figures and make assumptions which influence the recording of assets and liabilities, the presentation of other obligations as of the balance sheet date, and the recognition of revenues and expenses during the period. The actual figures which become known at a later date may differ from these estimates. This does not prevent the consolidated financial statements from providing a true and fair view of the Group's economic situation.

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

#### *Write-ups and impairment of property, plant and equipment, plant under construction and investment properties*

The Group performs semi-annual tests for the impairment of property, plant and equipment, plant under construction and investment properties. 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. If the carrying amount of an asset is greater than the recoverable amount, the asset is written down to its recoverable amount. The recoverable amount is estimated on the basis of external valuations. 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. 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 value in use is calculated on the basis of the discounted anticipated future cash flows before taxes, discounted to the present value taking appropriate risk considerations into account. The projected cash flows are based on the approved budgets of the hotels (in the Hotels & Resorts segment) and the projected future cash flows after the completion of projects, less any construction costs that will still be incurred (in the Development & Asset Management segment).

In calculating the fair values of the properties, the mean of the value determined using the income capitalization approach and the value obtained using the discounted cash flow (DCF) approach was used. These values are based on the projected cash flows as indicated in the approved hotel budgets (in the "Hotels & Resorts" segment) or, for projects under development, on the projected cash flows after completion less any remaining production costs. For the assets valued there are no significant differences between the value in use and the fair value less transaction costs.

The recoverable amount depends heavily on the applied yield and the expected future cash inflows, as well as on the growth rate used for extrapolation purposes. All projections are subject to a higher level of uncertainty at present because of the financial and economic crisis. There is especially a high level of uncertainty with regards to the markets in Eastern Europe, and it may be necessary to make significant changes in the carrying amounts of assets in the coming financial years.

The yield reflects current market valuations arising from uncertainties about the amounts and timing of future cash flows. The hotel yields for the calculation were as follows: for Poland between 6.5% and 9.5% (2008: 6.25% to 9.0%), for the Czech Republic between 7.0% and 9% (2008: 7.0% to 7.5%) and for Russia between 11% and 12% (2008: 10%).

A 0.5% lower yield would reduce the impairment charges by EUR 5.7 million, while a 0.5% higher yield would increase the impairment charges by EUR 5.9 million.

The international financial and economic crisis has had an especially detrimental impact on the tourism sector. This caused a reduction in occupancy rates and the average room rate, and therefore has a direct effect on the projected future cash flows.

If the expected cash flows were 10% higher (or lower), the impairment charges would fall by EUR 20.91 million (or rise by EUR 28.54 million).

In the reporting period, primarily in the first half of the financial year, gross impairments on property, plant and equipment under construction and investment properties had to be recognized in the amount of EUR 73,434,076.00 (previous year: EUR 13,020,542.00). Of this, an amount of EUR 12,342,822.00 was written up again as of 31 December due to increased recoverable amounts. See also Note 7.04. The carrying values of these assets are presented in Notes 10 and 11.

#### *Deferred tax assets*

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the loss carry-forwards of unused tax credits can be utilized. 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 balance sheet if tax plans for the individual taxable entity make it appear probable that the deferrals can actually be utilized.

At 31 December 2009, the value of all deferred tax assets amounted to EUR 24,445,839 (2008: EUR 11,802,757), of which EUR 1,112,352 (2008: EUR 3,836,593) were recognized on the balance sheet. See Note 8.

## Summary of significant accounting policies

### 2.05. Interests in joint ventures

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

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

Adjustments are made in the consolidated financial statements to eliminate the Group share of non-realized profits and losses from transactions between the Group and joint ventures. When the Group purchases assets from a joint venture, the Group does not recognize its share of the profits of the joint venture from the transaction until it resells the assets to an independent party.

Joint ventures are recognized in the consolidated financial statements using the proportionate consolidation method until the joint management of the venture by the Group ceases.

Please refer to Note 2.02b with regard to the expected amendment of the regulations governing joint venture accounting in accordance with ED9.

### 2.06. Financial instruments

#### 2.06.1. Financial instruments in general:

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 recognized 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.

#### *Loans and receivables:*

The category of financial assets measured at fair value through profit or loss includes all derivative financial instruments not held for hedging purposes. 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 recognized in the income statement when the liabilities are derecognized, as well as through the amortization 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. Fair value changes are recognized directly in equity. The cumulative gain or loss that was recognized in equity is recognized in profit or loss when available-for-sale financial assets are derecognized.



**2.06.2. Trade and other receivables**

Trade receivables, which generally have ten to 90 days' term, are recognized and carried at original invoice amount less impairment charges for any uncollectible 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.

**2.06.3. Derecognition of financial assets and liabilities**

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

If the Group has transferred its rights to receive cash flows from an asset and has not retained all material risks and rewards of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

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

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

**2.06.4. Impairment loss of financial assets**

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

***Assets carried at amortized cost***

If there is objective evidence that an impairment loss has been incurred on 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 recognized in profit or loss.

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

Impairment losses of trade receivables are partly recognized using value adjustment accounts. The decision of whether a default risk is accounted for by means of a value adjustment account or a direct value adjustment of the receivables item depends on the degree of reliability to which the risk situation can be assessed.

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

*Available-for-sale financial assets*

If an available-for-sale asset is impaired, the cumulative loss is recognized on the income statement under financial expenses and deducted from the reserve for available-for-sale financial investments.

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

*2.06.5. Financial liabilities*

Financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs, and subsequently at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized, as well as through the amortization process.

*2.06.6. 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 a 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 capitalization of the leased asset at its fair value at the inception of the lease or, if lower, at the present value of minimum lease payments.

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

If the Group will obtain ownership at the end of the lease term, capitalized leased assets are fully depreciated 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, capitalized leased assets are fully depreciated over the shorter of the estimated useful life of the asset and the lease term..

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.

The non-cancellable rental income amounts to: EUR 2.8 million for up to one year (2008: 3.1 million), EUR 2.6 million for one to three years (2008: 2.7 million), EUR 1.0 million for three to five years (2008: 1.1 million) and EUR 0.0 million for greater than five years (2008: 0).

**2.06.7. Derivative financial instruments and hedging**

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

*Cash flow hedges*

These are instruments held to protect against the risk of fluctuations in cash flows associated with an asset or liability on the balance sheet, for example loans subject to variable interest, a risk that may materialize in connection with 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 recognized directly in equity, while any ineffective portion is recognized immediately in the income statement.

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

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

**2.06.8. Fair value hierarchy**

The Group uses the following hierarchy for determining and reporting the fair values of financial instruments:

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

Level 2: methods for which all inputs that have a material determining influence on the fair price are directly or indirectly observable

Level 3: methods for which all inputs that have a material determining influence on the fair price are neither directly nor indirectly observable

## 2.07. Foreign currency translation

The financial statements of foreign companies are translated into euro according to the concept of functional currency. The functional currency for each entity within the Group is determined on the basis of the relevant criteria. The 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. The functional currency of each reporting entity within the Group is presented in Note 3.

### *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.

For subsidiaries pertaining to the segment "Hotels & Resorts" and for whom the respective local currency is not the functional currency, all transactions affecting 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*

The assets and liabilities of the foreign subsidiaries are translated into euros at the valid rate on the reporting date. Depending on the item, income and expenses are either translated using the rate on the date of the transaction (interest expense), average rates, or historical rates (write-downs). All exchange differences arising on translation are taken directly to a separate component of equity. Upon disposal of a foreign entity, the deferred cumulative amount relating to the particular subsidiary previously recognized in equity is transferred to the income statement.

The exchange rates at 31 December 2009, which have been applied for all items that are translated at the closing rate as of the reporting date, are as follows:

|                  |            | 31.12.2009 | (prev.year) |
|------------------|------------|------------|-------------|
| Polish zloty     | (PLN/EURO) | 4.1082     | 4.1724      |
| Czech koruna     | (CZK/EURO) | 26.465     | 26.930      |
| Hungarian forint | (HUF/EURO) | 270.84     | 264.78      |
| Swiss franc      | (CHF/EURO) | 1.4836     | 1.4850      |
| US dollar        | (USD/EURO) | 1.4406     | 1.3917      |
| Russian rouble   | (RUB/EURO) | 43.3883    | 41.4411     |
| Romanian leu     | (RON/EURO) | 4.2282     | 3.9860      |

## 2.08. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment charges. Standard depreciation rates are 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 capitalized are amortized over their estimated useful lives.

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

Straight-line depreciation is based on the estimated useful life of the asset. 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.

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

A property, plant and equipment item is derecognized upon its disposal or when no further economic benefit is expected from the continued use or disposal of the asset. Gains or losses resulting from derecognition of the asset are calculated as the difference between the net sales proceeds and the carrying amount of the respective asset and recognized through profit or loss in the period in which the asset is derecognized.

#### **2.09. Investment properties**

Investment properties are measured at historical acquisition or production cost less accumulated depreciation and impairment charges. Depreciation rates are calculated for the estimated useful lives of the assets. Replacements that are capitalized are amortized over their estimated useful lives. The carrying amount does not contain costs of day-to-day servicing of an investment property.

Real estate held as investment property is classified as such when there is no intention to sell it or use it for Group purposes.

Investment properties are derecognized 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 recognized through profit or loss in the period in which the property is sold.

#### **2.10. Business combinations and goodwill**

Business combinations are accounted for using the acquisition accounting method. The acquisition cost of a business entity is measured as the total of consideration made valued at its fair value at the time of the transaction and plus non-controlling interest in the acquired entity. For each business combination, the acquiring entity values the non-controlling interests in the acquired entity either at their fair value or as the proportionate share of the identifiable net assets of the acquired entity. Costs incurred in connection with the business combination are recognised on the income statement.

When the Group acquires a business entity, it determines the proper classification and designation of the financial assets and assumed liabilities in accordance with the provisions of the contract, the economic conditions, and the general conditions prevailing at the time of the transaction. This also includes the separation of embedded derivatives.

For successive share purchases, the share of equity in the entity previously held by the acquiring company is remeasured at its fair value at the time of the transaction and the resulting gain or loss recognised on the income statement.

The agreed consideration is recognised at its fair value at the time of transaction. Subsequent changes in the fair value of conditional consideration representing an asset or liability are recognized either through profit or loss or directly in equity in accordance with IAS 39. Conditional consideration that is classified as equity is not remeasured, but is recognized in equity at the point in time that it is made.

Goodwill acquired in a business combination is initially measured at cost, this being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquired entity's identifiable assets and liabilities. If this consideration is less than the current fair value of the net assets of the acquired subsidiary, the difference is recognized through profit or loss.

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and
- is not larger than an operating segment determined in accordance with IFRS 8.

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

### 2.11. Other intangible assets

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

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

### 2.12. Shares in associated companies

Shares in associated companies are recognized using the equity method of accounting. An associated company is a company in which the Group holds a controlling interest and which is neither a subsidiary nor a joint venture.

In accordance with the equity method of accounting, the shares in associated companies are recognized in the balance sheet at cost plus any changes in the share of net assets of the associated company held by the Group. The goodwill associated with an associated company is included in the carrying value of the respective interest and is not subject to regular amortization or impairment tests. The Group's share in the profit or loss of the associated company is recognized on the income statement.

Changes shown directly in equity of the associated company are recognized in the amount of the Group's pro-rata share and shown in the consolidated statement of changes in equity where applicable. Gains and losses from transactions between the Group and the associated company are eliminated in line with the Group's share in the associated company.

The balance sheet dates and the accounting policies with regard to transactions and events that are similar in nature and occur under comparable circumstances are the same for the associated company and the Group.

After applying the equity method, the Group determines whether or not it is necessary to recognize additional impairment charges for its interests in associated companies. At every reporting date, the Group determines whether or not there are objective reasons to believe that the value of an interest in an 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 associated company and the carrying amount of the interest is recognized as an impairment charge on the income statement.

The changes in the values of associated companies are presented in Note 14.

### 2.13. Impairment of non-financial assets

Twice each year, the Group assesses whether there is any indication that an asset may be impaired. When such an indication exists, the Group estimates the recoverable amount of the asset. The recoverable amount is the higher of the value in use or fair value, less selling expenses. If the carrying amount of an asset is greater than the recoverable amount, the asset is written down to its recoverable amount. The value in use is calculated on the basis of the discounted anticipated future cash flows before taxes, discounted to the present value taking appropriate risk considerations into account. An appropriate valuation model is used to determine the fair value less selling costs (see Note 2.04.)

With the exception of goodwill, a previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. 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. Such a write-up is recognized immediately in the period in which it is identified.

For real estate projects under development, the project's development progress is compared with market values and projected income forecasts. Impairment is recognized when original project development expectations show a negative change and the carrying amount is higher than the recoverable amount.

### 2.14. Other financial assets

Other financial assets contain loans given to joint ventures. They are contrasted with loans received from joint ventures. Both instruments are, in substance, equity instruments and carry the same maturity and interest rate conditions. They are stated at amortized cost.

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

### 2.15. Inventories

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

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

**2.16. Cash and cash equivalents**

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

**2.17. Provisions**

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

**2.18. Pensions and other post-employment benefits**

Provisions for severance payments and long-term service bonuses for employees and members of the Management Board are primarily recognized 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.

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

In 2007 two additional directors were added to the Managing Board, which is now composed of four members. The pension commitments made to the old directors were amended by extending the pension date to age 65 and reducing the pension to be paid. The new directors were granted pension commitments which are in substance equivalent to the modified pension plans of the old directors.

All long-term provisions for pensions and other post-employment benefits are calculated using the projected unit credit method. The pension and salary increase is estimated at 2.125% (previous year: 2.7%) for severance payments and 2.125% (previous year: 2.125%) for pensions. The calculations are based on a discount rate of 5.125% (previous year: 5.125%) and no fluctuation discount. The provision is valued in accordance with the actuarial tables "AVÖ für Angestellte".

Actuarial profits and losses are recognized in profit and loss when they occur. The interest component is taken into account in finance expenses.

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

This reimbursement right is valued at EUR 1,475,012.00 (2007: EUR 1,125,996.00) and reported under (non-current) "Other financial assets".



## 2.19. Revenue recognition

Revenues are recognized in accordance with IAS 18:

- Revenues from the sale of goods or rendering of services and income from rent are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer or when the services have been effectively rendered.
- In the case of a sale of a subsidiary, the difference between the sale price and net assets plus cumulative foreign currency translation differences and the non-impaired goodwill are recognized in income.
- Interest income is recognized as interest accrues.
- Dividend income is recognized when the Group's right to receive the payment is established.

## 2.20. Taxes

### 2.20.1. Current tax assets and liabilities

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

### 2.20.2. Deferred taxes

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

Deferred tax liabilities are recognized 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 an impact on neither the result according to the Austrian Commercial Code nor the taxable result.

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

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

**2.20.3. Value added tax (VAT)**

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

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

**2.21. Treasury shares**

When the Group acquires its own shares, these are recognized at cost and deducted from equity. The purchase, sale, issue or redemption of treasury shares is not recognized on the income statement. Differences between the carrying amount and the consideration are recognized in the capital reserves.

**2.22. Standards and interpretations not yet effective**

The following standards that have already been endorsed by the EU and that have not been applied earlier than prescribed are not expected to have any effect on the recognition and measurement principles or on the presentation of the Group's assets, financial position and earnings situation:

- IAS 32 Classification of Subscription Rights

**[03] Companies included in the consolidated financial statements**

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

| Consolidated entities                            | Domicile        | Shareholding |          | <sup>1)</sup> consolidation method |      | Capital stock | Cur-ency | <sup>2</sup> Seg- <sup>1)</sup> ment | <sup>3)</sup> Av staff | Functional currency |      |
|--------------------------------------------------|-----------------|--------------|----------|------------------------------------|------|---------------|----------|--------------------------------------|------------------------|---------------------|------|
|                                                  |                 | direct       | indirect | 2009                               | 2008 |               |          |                                      |                        | 2009                | 2008 |
| Grassi Hotelbeteiligungs- und Errichtungs GesmbH | A-Vienna        | 100%         | –        | FC                                 | FC   | 2,943,252     | EUR      | D&A                                  | –                      | EUR                 | EUR  |
| Grassi H1 Hotelbeteiligungs GmbH                 | A-Vienna        | –            | 100%     | FC                                 | FC   | 35,000        | EUR      | D&A                                  | –                      | EUR                 | EUR  |
| Palais Hansen Immobilien-entwicklung GmbH        | A-Vienna        | –            | 26.57%   | EC                                 | EC   | 35,000        | EUR      | D&A                                  | –                      | EUR                 | EUR  |
| Leuchtenbergering                                |                 |              |          |                                    |      |               |          |                                      |                        |                     |      |
| HotelbetriebsgesmbH                              | D-Munich        | –            | 50%      | PC                                 | PC   | 25,000        | EUR      | H&R                                  | 17                     | EUR                 | EUR  |
| Recoop Tour a.s.                                 | CZ-Prag         | –            | 100%     | FC                                 | FC   | 24,000,000    | CZK      | H&R                                  | 144                    | EUR                 | EUR  |
| WX-Leuchtenbergering GmbH                        | D-Munich        | 100%         | –        | FC                                 | FC   | 25,000        | EUR      | H&R                                  | –                      | EUR                 | EUR  |
| Bürohaus Leuchtenbergering -                     |                 |              |          |                                    |      |               |          |                                      |                        |                     |      |
| - GmbH & Co. Besitz KG                           | D-Munich        | –            | 49.50%   | PC                                 | PC   | 100,000       | EUR      | H&R                                  | –                      | EUR                 | EUR  |
| - GmbH & Co. KG                                  | D-Munich        | –            | 49.50%   | PC                                 | PC   | 60,000        | EUR      | H&R                                  | 1                      | EUR                 | EUR  |
| - Verwaltungs GmbH                               | D-Munich        | –            | 49.50%   | PC                                 | PC   | 25,565        | EUR      | H&R                                  | –                      | EUR                 | EUR  |
| UBX 1 Objekt Berlin Ges.m.b.H                    | D-Munich        | 50%          | –        | PC                                 | PC   | 25,000        | EUR      | H&R                                  | 80                     | EUR                 | EUR  |
| UBX 2 Objekt Berlin Ges.m.b.H                    | D-Munich        | 50%          | –        | PC                                 | PC   | 25,000        | EUR      | H&R                                  | –                      | EUR                 | EUR  |
| UBX 3 Objekt Berlin Ges.m.b.H.                   | D-Munich        | 50%          | –        | PC                                 | PC   | 25,000        | EUR      | H&R                                  | –                      | EUR                 | EUR  |
| Revital z.R.t. <sup>5)</sup>                     | HU-Budapest     | 100%         | –        | FC                                 | FC   | 220,500,000   | HUF      | D&A                                  | 12                     | HUF                 | HUF  |
| PAX-Invest kft <sup>5)</sup>                     | HU-Budapest     | –            | merged   | FC                                 | FC   | merged        | HUF      | D&A                                  | –                      | HUF                 | HUF  |
| Becsinvestor kft                                 | HU-Budapest     | –            | 100%     | FC                                 | FC   | 35,380,000    | HUF      | D&A                                  | –                      | EUR                 | EUR  |
| Goldmark kft                                     | HU-Budapest     | –            | 100%     | FC                                 | FC   | 34,100,000    | HUF      | D&A                                  | –                      | HUF                 | HUF  |
| Warimpex Investconsult kft                       | HU-Budapest     | 100%         | –        | FC                                 | FC   | 10,000,000    | HUF      | D&A                                  | 2                      | EUR                 | EUR  |
| Bocca kft <sup>4)</sup>                          | HU-Budapest     | sold         | –        | FC                                 | FC   | sold          | HUF      | D&A                                  | –                      | EUR                 | EUR  |
| Elsbet kft                                       | HU-Budapest     | 100%         | –        | FC                                 | FC   | 103,000,000   | HUF      | D&A                                  | –                      | EUR                 | EUR  |
| WX Hotel B1 kft                                  | HU-Budapest     | 100%         | –        | FC                                 | FC   | 3,000,000     | HUF      | H&R                                  | –                      | EUR                 | EUR  |
| Warimpex Leasing GmbH                            | A-Vienna        | 100%         | –        | FC                                 | FC   | 500,000       | EUR      | H&R                                  | –                      | EUR                 | EUR  |
| Amber Baltic Sp.z.o.o.                           | PL-Miedzyzdroje | –            | 100%     | FC                                 | FC   | 38,325,000    | PLN      | H&R                                  | 125                    | EUR                 | EUR  |
| Golf Amber Baltic Sp.z.o.o.                      | PL-Miedzyzdroje | –            | 100%     | FC                                 | FC   | 2,500,000     | PLN      | H&R                                  | 18                     | EUR                 | EUR  |
| Hansa Sp.z.o.o.                                  | PL-Miedzyzdroje | –            | 100%     | FC                                 | FC   | 430,000       | PLN      | H&R                                  | –                      | EUR                 | EUR  |
| Evropský Investicni Holding a.s.                 | CZ-Prague       | –            | 100%     | FC                                 | FC   | 100,000,000   | CZK      | H&R                                  | 43                     | EUR                 | EUR  |
| UBX Praha 1 s.r.o.                               | CZ-Prague       | 100%         | –        | FC                                 | FC   | 33,200,000    | CZK      | H&R                                  | 45                     | EUR                 | EUR  |
| Warimpex CZ s.r.o.                               | CZ-Prague       | 100%         | –        | FC                                 | FC   | 200,000       | CZK      | D&A                                  | –                      | CZK                 | CZK  |
| Balnex 1 a.s. <sup>7)</sup>                      | CZ-Prague       | –            | –        | FC                                 | FC   | 155,000,000   | CZK      | H&R                                  | 107                    | EUR                 | EUR  |
| KHD s.r.o. <sup>7)</sup>                         | CZ-Prague       | –            | –        | FC                                 | FC   | 2,000,000     | CZK      | H&R                                  | –                      | EUR                 | EUR  |
| MEP s.r.o.                                       | CZ-Prague       | 100%         | –        | FC                                 | FC   | 82,800,000    | CZK      | H&R                                  | 1                      | EUR                 | EUR  |
| MEP s.r.o. (vormals Balnex I a.s.)               |                 |              |          |                                    |      |               |          |                                      |                        |                     |      |
| Kommanditgesellschaft                            | PL-Miedzyzdroje | –            | 100%     | FC                                 | FC   | 2,842,840     | PLN      | H&R                                  | –                      | EUR                 | EUR  |
| Hotel Palace Praha s.r.o.                        | CZ-Prague       | 100%         | –        | FC                                 | FC   | 147,000,000   | CZK      | H&R                                  | 79                     | EUR                 | EUR  |

1) FC = full consolidation, PC = proportionate consolidation, EC = equity method of consolidation

2) Primary segment: "A&D": "Asset Management & Development"; "H&R": Hotels & Resorts (see Segment report Note 6).

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

4) Companies that were sold during the reporting period were included in the consolidated financial statements for the periods in which they were still owned by the Group.

5) The company Revital z.R.t. (acquiring company) was merged with Paxinvest kft (transferor company) in the reporting period.

6) The company UBX Katowice Sp.z.o.o. (acquiring company) was merged with Xanti Sp.z.o.o. (transferor company) in the reporting period.

7) These companies are still being consolidated despite their sale because the Group still holds the majority of the risks and rewards of ownership.

8) Because project development and asset management for the project "GATX" is being handled by Warimpex Polska Sp.z.o.o., the Group has a material influence on this entity, and recognizes it as an associated company.

| Consolidated entities                | Domicile          | Shareholding |          | <sup>1)</sup> consolidation method |      | Capital stock | Cur-ency | <sup>2</sup> Seg- <sup>1</sup> ment | <sup>3)</sup> Av staff | Functional currency |      |
|--------------------------------------|-------------------|--------------|----------|------------------------------------|------|---------------|----------|-------------------------------------|------------------------|---------------------|------|
|                                      |                   | direct       | indirect | 2009                               | 2008 |               |          |                                     |                        | 2009                | 2008 |
| Le Palais Praha s.r.o.               | CZ-Prague         | 100%         | –        | FC                                 | FC   | 155,801,500   | CZK      | H&R                                 | 56                     | EUR                 | EUR  |
| Vladinvest Praha s.r.o.              | CZ-Prague         | 100%         | –        | FC                                 | FC   | 3,100,000     | CZK      | D&A                                 | –                      | EUR                 | EUR  |
| UBX 3 s.r.o.                         | CZ-Prague         | 50%          | –        | PC                                 | PC   | 200,000       | CZK      | H&R                                 | –                      | EUR                 | EUR  |
| UBX Plzen s.r.o.                     | CZ-Prague         | 50%          | –        | PC                                 | PC   | 200,000       | CZK      | H&R                                 | 20                     | EUR                 | EUR  |
| Hotelinvestments s.a.r.l.            | LU-Luxembourg     | 50%          | –        | PC                                 | PC   | 20,000        | EUR      | D&A                                 | –                      | EUR                 | EUR  |
| UBX Development (France) s.a.r.l.    | F-Paris           | 50%          | –        | PC                                 | PC   | 50,000        | EUR      | D&A                                 | 1                      | EUR                 | EUR  |
| UBX II (France) s.a.r.l.             | F-Paris           | –            | 50%      | PC                                 | PC   | 50,000        | EUR      | H&R                                 | 58                     | EUR                 | EUR  |
| Hotel Paris II s.a.r.l.              | F-Paris           | 50%          | –        | PC                                 | PC   | 50,000        | EUR      | H&R                                 | 37                     | EUR                 | EUR  |
| Warimpex Polska Sp.z.o.o.            | PL-Warsaw         | 100%         | –        | FC                                 | FC   | 9,095,000     | PLN      | D&A                                 | 13                     | PLN                 | PLN  |
| El Invest Sp.z.o.o.                  | PL-Warsaw         | 71%          | 10%      | FC                                 | FC   | 1,300,000     | PLN      | D&A                                 | –                      | PLN                 | PLN  |
| Thermo Energia Sp.z.o.o.             | PL-Warsaw         | –            | 90%      | FC                                 | FC   | 1,340,000     | PLN      | D&A                                 | 8                      | PLN                 | PLN  |
| Multidevelopment Sp.z.o.o.           | PL-Warsaw         | 100%         | –        | FC                                 | FC   | 50,000        | PLN      | D&A                                 | 7                      | PLN                 | PLN  |
| Prozna Properties Sp.z.o.o.          | PL-Warsaw         | –            | 100%     | FC                                 | FC   | 3,650,000     | PLN      | H&R                                 | 1                      | EUR                 | EUR  |
| Chopin Sp.z.o.o.                     | PL-Krakow         | 100%         | –        | FC                                 | FC   | 11,207,000    | PLN      | H&R                                 | 73                     | EUR                 | EUR  |
| Evita Investments Sp. z o.o.         | PL-Warsaw         | 100%         | –        | FC                                 | FC   | 2,000,000     | PLN      | D&A                                 | –                      | PLN                 | PLN  |
| Synergie Patrimoine S.A.             | LU-Luxembourg     | 100%         | –        | FC                                 | FC   | 31,000        | EUR      | H&R                                 | –                      | EUR                 | EUR  |
| andel's Lodz Sp.z.o.o.               | PL-Warsaw         | –            | 100%     | FC                                 | FC   | 50,000        | PLN      | H&R                                 | 57                     | EUR                 | EUR  |
| Goulds Investments S.A.              | LU-Luxembourg     | 100%         | –        | FC                                 | FC   | 31,000        | EUR      | H&R                                 | –                      | EUR                 | EUR  |
| Sienna Hotel Sp.z.o.o.               | PL-Warsaw         | 33.33%       | 16.67%   | PC                                 | PC   | 81,930,000    | PLN      | H&R                                 | 133                    | EUR                 | EUR  |
| RLX Dvorak s.a.r.l. <sup>7)</sup>    | LU-Luxembourg     | –            | –        | FC                                 | FC   | 31,000        | EUR      | H&R                                 | –                      | EUR                 | EUR  |
| WX Rondo One Holding s.a.r.l.        | LU-Luxembourg     | 70%          | –        | FC                                 | FC   | 400,000       | EUR      | D&A                                 | –                      | EUR                 | EUR  |
| Roundabout s.a.r.l. <sup>8)</sup>    | LU-Luxembourg     | –            | 10%      | EC                                 | EC   | 55,000        | EUR      | D&A                                 | –                      | EUR                 | EUR  |
| Phoesia Sp. z o.o. <sup>8)</sup>     | PL-Warsaw         | –            | 10%      | EC                                 | EC   | 50,000        | PLN      | D&A                                 | –                      | PLN                 | PLN  |
| WX Krakow Holding S.A.               | LU-Luxembourg     | 100%         | –        | FC                                 | FC   | 31,000        | EUR      | H&R                                 | –                      | EUR                 | EUR  |
| UBX Krakow Sp.z.o.o.                 | PL-Warsaw         | –            | 100%     | FC                                 | FC   | 50,000        | PLN      | H&R                                 | 96                     | EUR                 | EUR  |
| angelo Bydgoszcz Sp. z o.o.          | PL-Warsaw         | –            | 100%     | FC                                 | FC   | 50,000        | PLN      | H&R                                 | –                      | EUR                 | EUR  |
| WX Bialystok Holding S.A.            | LU-Luxembourg     | 100%         | –        | FC                                 | FC   | 31,000        | EUR      | D&A                                 | –                      | EUR                 | EUR  |
| Kopernik Development Sp.z.o.o.       | PL-Warsaw         | –            | 100%     | FC                                 | FC   | 25,000        | PLN      | D&A                                 | –                      | PLN                 | PLN  |
| WX Warsaw Holding S.A.               | LU-Luxembourg     | 100%         | –        | FC                                 | FC   | 31,000        | EUR      | H&R                                 | –                      | EUR                 | EUR  |
| GF Ramba Sp.z.o.o.                   | PL-Warsaw         | –            | 50%      | PC                                 | PC   | 138,800       | PLN      | D&A                                 | 1                      | EUR                 | EUR  |
| Europa Hawk s.a.r.l.                 | LU-Luxembourg     | 25%          | –        | PC                                 | PC   | 650,000       | EUR      | H&R                                 | –                      | EUR                 | EUR  |
| Melica Sp.z.o.o.                     | PL-Warsaw         | –            | 25%      | PC                                 | PC   | 13,989,000    | PLN      | H&R                                 | –                      | EUR                 | EUR  |
| Hotel Jan III Sobieski Sp.z.o.o.     | PL-Warsaw         | –            | 25%      | PC                                 | PC   | 156,187,980   | PLN      | H&R                                 | 61                     | EUR                 | EUR  |
| UBX Katowice Sp.z.o.o. <sup>6)</sup> | PL-Warsaw         | 50%          | –        | PC                                 | PC   | 50,000        | PLN      | H&R                                 | –                      | EUR                 | EUR  |
| Xcanti Sp.z.o.o. <sup>6)</sup>       | PL-Warsaw         | –            | merged   | PC                                 | PC   | –             | EUR      | H&R                                 | –                      | EUR                 | EUR  |
| Sugura S.A.                          | LU-Luxembourg     | 100%         | –        | FC                                 | FC   | 31,000        | EUR      | H&R                                 | –                      | EUR                 | EUR  |
| Comtel Focus S.A.                    | RO-Bucharest      | –            | 100%     | FC                                 | FC   | 10,232,402    | RON      | H&R                                 | 72                     | EUR                 | EUR  |
| Reitano Holdings Limited             | Cyprus            | 60%          | –        | FC                                 | FC   | 4,275,187     | EUR      | H&R                                 | –                      | EUR                 | EUR  |
| SAO Horeka Koltsovo                  | RU-Ekaterinenburg | –            | 60%      | FC                                 | FC   | 157,600,000   | RUB      | H&R                                 | 6                      | RUB                 | RUB  |
| OOO RusAvia Horeka                   | RU-Ekaterinenburg | –            | 60%      | FC                                 | FC   | 1,000,000     | RUB      | H&R                                 | 44                     | RUB                 | RUB  |
| OAo Avielen AG                       | RU-St. Petersburg | 50%          | –        | PC                                 | PC   | 370,000,500   | RUB      | H&R                                 | 5                      | EUR                 | EUR  |

| Consolidated<br>entities                 | Domicile      | Shareholding |          | <sup>1)</sup> consolidation<br>method |      | Capital<br>stock | Cur-<br>rency | <sup>2</sup> Seg- <sup>1</sup><br>ment | <sup>3)</sup> Av<br>staff | Functional<br>currency |      |
|------------------------------------------|---------------|--------------|----------|---------------------------------------|------|------------------|---------------|----------------------------------------|---------------------------|------------------------|------|
|                                          |               | direct       | indirect | 2009                                  | 2008 |                  |               |                                        |                           | 2009                   | 2008 |
| LOUVRE sub-group                         |               |              |          |                                       |      |                  |               |                                        |                           |                        |      |
| WX-Budget Hotel Holding S.A.             | LU-Luxembourg | 100%         | –        | FC                                    | FC   | 80,000           | EUR           | H&R                                    | –                         | EUR                    | EUR  |
| SCG-Louvre Warimpex Investment           |               |              |          |                                       |      |                  |               |                                        |                           |                        |      |
| Holding s.a.r.l.                         | LU-Luxembourg | –            | 50%      | PC                                    | PC   | 1,012,500        | EUR           | H&R                                    | –                         | EUR                    | EUR  |
| Louvre Warimpex                          |               |              |          |                                       |      |                  |               |                                        |                           |                        |      |
| Development GesmbH                       | A-Vienna      | –            | 50%      | PC                                    | PC   | 50,000           | EUR           | H&R                                    | 3                         | EUR                    | EUR  |
| Louvre Warimpex                          |               |              |          |                                       |      |                  |               |                                        |                           |                        |      |
| Development Sp.z.o.o.                    | PL-Warsaw     | –            | 50%      | PC                                    | PC   | 200,000          | PLN           | H&R                                    | 2                         | PLN                    | PLN  |
| LWIH Property Holding (Poland) Sp z.o.o. |               |              |          |                                       |      |                  |               |                                        |                           |                        |      |
| Holding Sp.z.o.o.                        | PL-Warsaw     | –            | 50%      | PC                                    | PC   | 50,000           | PLN           | H&R                                    | –                         | PLN                    | PLN  |
| LWHP3 Poland Sp z.o.o.                   | PL-Warsaw     | –            | 50%      | PC                                    | PC   | 50,000           | PLN           | H&R                                    | –                         | PLN                    | PLN  |
| LWHP4 Poland Sp z.o.o.                   | PL-Warsaw     | –            | 50%      | PC                                    | –    | 50,000           | PLN           | H&R                                    | –                         | PLN                    | –    |
| Silesia Hotels Sp z.o.o.                 | PL-Warsaw     | –            | 50%      | PC                                    | –    | 647,550          | PLN           | H&R                                    | –                         | PLN                    | –    |
| Louvre Warimpex Kft.                     | HU-Budapest   | –            | 50%      | PC                                    | PC   | 12,500,000       | HUF           | H&R                                    | –                         | HUF                    | HUF  |
| Full House Kft.                          | HU-Budapest   | –            | 50%      | PC                                    | PC   | 15,000,000       | HUF           | H&R                                    | –                         | HUF                    | HUF  |
| Louvre Warimpex                          |               |              |          |                                       |      |                  |               |                                        |                           |                        |      |
| Property HU2 kft                         | HU-Budapest   | –            | 50%      | PC                                    | PC   | 500,000          | HUF           | H&R                                    | –                         | HUF                    | HUF  |
| Louvre Warimpex                          |               |              |          |                                       |      |                  |               |                                        |                           |                        |      |
| Property HU3 kft                         | HU-Budapest   | –            | 50%      | PC                                    | PC   | 500,000          | HUF           | H&R                                    | –                         | HUF                    | HUF  |

1) FC = full consolidation, PC = proportionate consolidation, EC = equity method of consolidation

2) Primary segment: "A&D": "Asset Management & Development; "H&R": Hotels & Resorts (see Segment report Note 6).

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

4) Companies that were sold during the reporting period were included in the consolidated financial statements for the periods in which they were still owned by the Group.

5) The company Revital z.R.t. (acquiring company) was merged with Paxinvest kft (transferor company) in the reporting period.

6) The company UBX Katowice Sp.z.o.o. (acquiring company) was merged with Xanti Sp.z.o.o. (transferor company) in the reporting period.

7) These companies are still being consolidated despite their sale because the Group still holds the majority of the risks and rewards of ownership.

8) Because project development and asset management for the project "GATX" is being handled by Warimpex Polska Sp.z.o.o., the Group has a material influence on this entity, and recognizes it as an associated company.

## [04] Business combinations and other changes in the scope of consolidation as well as the acquisition of minority interests

### 4.01. Sale of shares

The company "Bocca kft" was sold under an agreement dated 22 June 2009. The sale had the following effect on the financial statements:

EUR

|                                                                    |                    |
|--------------------------------------------------------------------|--------------------|
| Investment properties                                              | (3,992,995)        |
| Cash and cash equivalents                                          | (52,778)           |
|                                                                    | <u>(4,045,773)</u> |
| Other reserves (foreign exchange differences)                      | 19,230             |
| Loan to Warimpex                                                   | (505,348)          |
| Non-current loans                                                  | 4,079,771          |
| Deferred tax liabilities                                           | 57,500             |
| Other current payables                                             | 82,276             |
|                                                                    | <u>3,733,429</u>   |
| Carrying amount of the proportionate net assets of the sold shares | (312,344)          |
| Agreed (net) purchase price for the shares                         | 6,800,000          |
| Directly allocable costs associated with the sale of shares        | (4,200,000)        |
| Net sale price for the shares                                      | <u>2,287,656</u>   |

### Cash flow

Cash receipts and cash outflows from sold shares during the reporting were as follows:

|                                                             |                  |
|-------------------------------------------------------------|------------------|
| Payments agreed for the shares                              | 6,800,000        |
| Directly allocable costs associated with the sale of shares | (4,200,000)      |
| • Payments received for the sale of shares                  | 2,600,000        |
| • Net cash of the companies sold                            | (52,778)         |
|                                                             | <u>2,547,222</u> |

### 4.02. Dilution of Avielen to 50%

In the previous year, a capital increase was decided and effected by all joint venture partners in OAO Avielen AG. However, the joint venture partner "St. Petersburg Airport" had not yet paid its share as of 31 December 2008, which caused Warimpex' share to increase to 58.8235% for the purposes of the previous year-end financial statements. The joint venture partner paid in its outstanding share during the reporting period, and as a result Warimpex' share in the joint venture has fallen back to 50%. The dilution had the following effects on the consolidated financial statements:

EUR

|                                  |                    |
|----------------------------------|--------------------|
| Property, plant and equipment    | (1,211,780)        |
| Investment properties            | (2,423,560)        |
| Proportionate loan from Warimpex | 3,023,437          |
| Other assets                     | (302,630)          |
| Cash and cash equivalents        | (269,216)          |
| Deferred taxes                   | (26,559)           |
|                                  | <u>(1,210,309)</u> |
| Non-current loans                | 1,210,309          |
|                                  | <u>1,210,309</u>   |

**4.03. Companies acquired in the previous year**

A further 50% of the joint venture “UBX-Krakau Sp.z.o.o.” was purchased in the previous year for a price of EUR 4.5 million, increasing Warimpex’ share to 100%. The company “Reitano Holdings Limited” was purchased for USD 12.748 million (EUR 8.4 million), and the 40% share in the joint venture “Thermoenergia Sp.z.o.o.” was increased to 90%.

The fair values of the identifiable assets and liabilities of the companies acquired in the previous year were as follows at the time of purchase:

|                                                           | <i>Total<br/>recognized at purchase</i> | <i>Carrying<br/>amount</i> |
|-----------------------------------------------------------|-----------------------------------------|----------------------------|
| Property, plant and equipment and intangible assets       | 35,847,674                              | 25,023,681                 |
| Non-current receivables                                   | 609,947                                 | 609,947                    |
| Inventories, other current receivables                    | 568,412                                 | 568,412                    |
| Cash and cash equivalents                                 | 978,965                                 | 978,965                    |
|                                                           | <u>38,004,998</u>                       | <u>27,181,005</u>          |
| Minority interests                                        | 5,156,575                               | 5,156,575                  |
| Revaluation reserve (IFRS 3)                              | 3,915,353                               | –                          |
| Third party loans                                         | 10,563,276                              | 10,563,276                 |
| Loans from Warimpex                                       | 2,434,343                               | 2,434,343                  |
| Deferred tax liabilities                                  | 4,001,631                               | –                          |
| Other current payables                                    | 614,315                                 | 614,315                    |
|                                                           | <u>26,685,493</u>                       | <u>18,768,509</u>          |
| Fair value of the net assets                              | 11,319,505                              | 8,412,496                  |
| Goodwill                                                  | 1,671,210                               |                            |
| Negative difference recognized directly in equity         | (697)                                   |                            |
| Total costs and payments<br>for the business combinations | <u>12,990,018</u>                       |                            |
| Thereof purchase price payments                           | 12,983,696                              |                            |
| Thereof costs associated with the purchase prices         | 6,321                                   |                            |
|                                                           | <u>12,990,018</u>                       |                            |

## [05] Interests in joint ventures

The pro-rata values for joint ventures included in the 2009 consolidated financial statements under proportionate consolidation are as follows:

|                           | At<br>1/1/2009 | Changes in the<br>scope of<br>consolidation | Results<br>for<br>reporting period | At<br>31/12/2009 |
|---------------------------|----------------|---------------------------------------------|------------------------------------|------------------|
| Non-current assets        | 196,383,560    | (3,849,874)                                 | 15,567,128                         | 208,100,814      |
| Current assets            | 5,791,265      | –                                           | 169,797                            | 5,961,062        |
| Cash and cash equivalents | 7,600,783      | (269,216)                                   | (2,778,370)                        | 4,553,197        |
|                           | 209,775,608    | (4,119,089)                                 | 12,958,554                         | 218,615,073      |
| Equity                    | (4,519,355)    | –                                           | (20,878,757)                       | (25,398,112)     |
| Loans from Warimpex*)     | 40,099,630     | (3,023,437)                                 | 11,439,438                         | 48,515,631       |
| Non-current liabilities   | 165,041,603    | (2,430,395)                                 | 24,326,893                         | 186,938,101      |
| Current liabilities       | 9,153,730      | 1,334,742                                   | (1,929,019)                        | 8,559,453        |
|                           | 209,775,608    | (4,119,089)                                 | 12,958,554                         | 218,615,073      |
|                           | 2008           |                                             | 2009                               |                  |
| Revenues                  | 33,364,830     |                                             | 34,559,976                         |                  |
| Operating result          | 509,606        |                                             | (14,157,743)                       |                  |
| Financial result          | (6,897,544)    |                                             | (8,567,909)                        |                  |
| Profit/loss before tax    | (6,387,938)    |                                             | (22,725,652)                       |                  |
| Profit/loss after tax     | (7,360,536)    |                                             | (22,136,127)                       |                  |

\*) Relates to joint venture liabilities to Warimpex AG eliminated on a pro-rata basis under proportionate consolidation.

At the end of the reporting period the Group held interests in 23 joint ventures, 21 of which engage in project development and/or own "Assets under construction". The joint venture "Sienna Hotel Sp.z.o.o." owns and operates the Hotel InterContinental in Warsaw, the joint venture "UBX II (France) s.a.r.l." holds the lease for Hotel Dreamcastle Paris (finance lease), "Hotel Paris II s.a.r.l." holds the lease for Hotel Magic Circus in Paris (finance lease), the joint venture "Melica Sp.z.o.o." owns, the joint venture "Hotel Jan III Sobieski Sp.z.o.o." operates Hotel Sobieski Warsaw, the joint venture "Leuchtenbergring GmbH&CoKG" owns, the joint venture "Leuchtenbergring Hotelbetriebs GesmbH" operates the angelo hotel Munich, the joint venture "UBX-Plzen s.r.o." owns and operates the angelo hotel Plzen.

The changes in the scope of consolidation can be attributed to the dilution of the Group's share in OAO Avielen AG, St. Petersburg, as described in Note 4.02.



## [06] Segment information

The Warimpex Group's operations are divided into two business segments: "Hotels & Resorts" and "Asset Management & Development". The business activity and operating region of each company is taken into account when determining the segment for internal management reporting purposes.

Transactions between business segments contain the recharging of intragroup services as well as project development services. The services are charged at cost plus a profit margin. The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2009 and 2008.

### Business segments – overview

|                                                                       | „Hotels & Resorts“ |               | „Development & Assetmanagement“ |               | Group         |               |
|-----------------------------------------------------------------------|--------------------|---------------|---------------------------------|---------------|---------------|---------------|
|                                                                       | 2009               | 2008          | 2009                            | 2008          | 2009          | 2008          |
| External sales                                                        | 79,607,960         | 86,662,545    | 5,649,884                       | 7,705,726     | 85,257,844    | 94,368,271    |
| Inter-segment sales                                                   | (2,893,279)        | (3,751,053)   | 2,893,279                       | 3,751,053     | –             | –             |
| Segment results                                                       | (61,632,481)       | (3,295,800)   | (10,139,952)                    | (116,481)     | (71,772,433)  | (3,412,282)   |
| Investments in property, plant and equipment                          | 83,425,771         | 116,137,031   | 14,692,650                      | 14,782,356    | 98,118,421    | 130,919,387   |
| Investments in financial assets                                       | –                  | –             | 30,746,275                      | 9,370,309     | 30,746,275    | 9,370,309     |
| Business combinations and other changes in the scope of consolidation | (1,211,780)        | 25,090,265    | (6,416,555)                     | (2,093,192)   | (7,628,335)   | 22,997,072    |
|                                                                       | 82,213,992         | 141,227,296   | 39,022,370                      | 22,059,472    | 121,236,361   | 163,286,768   |
| Scheduled write-downs                                                 | (15,824,086)       | (12,037,670)  | (1,480,790)                     | (900,556)     | (17,304,877)  | (12,938,226)  |
| Impairments                                                           | (58,720,847)       | (8,204,725)   | (2,370,407)                     | (4,871,078)   | (61,091,254)  | (13,075,803)  |
| (thereof for other intangible assets)                                 | (3,008,178)        | –             | –                               | –             | (3,008,178)   | –             |
| Net cash flows from operating activities                              | 12,349,628         | 18,141,953    | (1,198,165)                     | (6,679,866)   | 11,151,463    | 11,462,087    |
| Segment assets                                                        | 472,407,129        | 501,958,354   | 138,465,711                     | 140,231,294   | 610,872,840   | 642,189,648   |
| Segment liabilities (gross)                                           | (480,473,024)      | (423,586,493) | (70,247,211)                    | (73,097,123)  | (550,720,235) | (496,683,616) |
| Intragroup financing                                                  | 54,271,681         | 56,052,137    | (54,271,681)                    | (56,271,301)  | –             | (219,164)     |
| Segment liabilities (net)                                             | (426,201,343)      | (367,534,356) | (124,518,892)                   | (129,368,425) | (550,720,235) | (496,902,780) |
| Average payroll                                                       | 1,381              | 1,367         | 85                              | 90            | 1,466         | 1,457         |

#### 6.01. "Hotels & Resorts" segment:

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

Hotels in operation are further classified into the sub-segments "Luxury" (Hotel Palace, Le Palais, Savoy and InterContinental Warsaw) and "Upmarket" (Hotel Diplomat, Dvorak, angelo Prague, Dreamcastle Paris, Magic Circus Paris, airport hotel Bucharest, andel's Krakow, Amber Baltic and Hotel Sobieski, angelo Munich and angelo Plzen; newly opened in the reporting period: andel's Berlin, andel's Lodz and angelo Ekaterinburg). "Others" consists of Hotel Chopin in Krakow, Hotel Liner in Ekaterinburg and the golf course in Miedzydroje, Poland.

### Segment results “Hotels & Resorts”

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

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

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

### Analysis of segment results

| For the year                            | Luxury             |                    | Upmarket            |                   | Others              |                  |
|-----------------------------------------|--------------------|--------------------|---------------------|-------------------|---------------------|------------------|
|                                         | 2009               | 2008               | 2009                | 2008              | 2009                | 2008             |
| Revenues                                | 15,380,005         | 21,632,575         | 58,210,868          | 58,206,600        | 5,892,111           | 6,703,273        |
| Expenses for materials and services     | (7,408,300)        | (9,256,773)        | (24,399,404)        | (23,565,115)      | (1,888,911)         | (2,140,316)      |
| Personnel expenses                      | (4,929,799)        | (6,382,557)        | (15,737,205)        | (14,001,922)      | (1,483,065)         | (1,576,530)      |
| <b>Gross operating profit</b>           | <b>3,041,906</b>   | <b>5,993,246</b>   | <b>18,074,259</b>   | <b>20,639,562</b> | <b>2,520,135</b>    | <b>2,986,427</b> |
| <i>Hotel employees</i>                  | <i>308</i>         | <i>351</i>         | <i>907</i>          | <i>822</i>        | <i>134</i>          | <i>156</i>       |
| <i>Total rooms</i>                      | <i>661</i>         | <i>661</i>         | <i>3,572</i>        | <i>2,531</i>      | <i>370</i>          | <i>432</i>       |
| <i>Joint venture share</i>              | <i>(202)</i>       | <i>(202)</i>       | <i>(1,038)</i>      | <i>(684)</i>      | –                   | –                |
| <i>Total rooms Group</i>                | <i>459</i>         | <i>459</i>         | <i>2,535</i>        | <i>1,848</i>      | <i>370</i>          | <i>432</i>       |
| <b>Thereof rooms available</b>          |                    |                    |                     |                   |                     |                  |
| Total                                   | 660                | 661                | 3,498               | 2,530             | 311                 | 431              |
| Joint venture share                     | (202)              | (202)              | (1,082)             | (763)             | –                   | –                |
| Time allocation                         | –                  | –                  | (96)                | (54)              | –                   | (21)             |
| <b>Rooms available Group</b>            | <b>458</b>         | <b>459</b>         | <b>2,320</b>        | <b>1,713</b>      | <b>311</b>          | <b>411</b>       |
| Rooms sold                              | 265                | 294                | 1,289               | 1,109             | 207                 | 259              |
| <b>Average room occupancy</b>           | <b>58%</b>         | <b>64%</b>         | <b>56%</b>          | <b>65%</b>        | <b>67%</b>          | <b>63%</b>       |
| Management fee                          | (628,130)          | (1,188,973)        | (3,281,618)         | (3,711,521)       | (414,992)           | (377,647)        |
| Franchise fees                          | –                  | –                  | –                   | (163,001)         | –                   | –                |
| Lease/rent                              | –                  | –                  | (920,631)           | (261,840)         | (108,180)           | (161,488)        |
| Exchange adjustments                    | 155,123            | 3,672              | 346,653             | (373,300)         | (100,922)           | 119,441          |
| Property costs                          | (332,013)          | (716,967)          | (1,148,615)         | (1,797,267)       | (150,916)           | (98,117)         |
| <b>Net operating profit</b>             | <b>2,236,886</b>   | <b>4,090,977</b>   | <b>13,070,049</b>   | <b>14,332,632</b> | <b>1,745,125</b>    | <b>2,468,616</b> |
| Other costs after GOP                   | 1,348              | (5,533)            | 3,184               | 54,776            | 120,444             | 70,854           |
| Other costs after GOP                   | (310,909)          | (291,691)          | (2,143,333)         | (1,493,580)       | (113,012)           | (301,398)        |
| Pre-opening costs                       | –                  | –                  | (686,430)           | (363,986)         | –                   | –                |
| Depreciation and impairments            | (9,694,624)        | (5,531,346)        | (46,830,361)        | (12,124,336)      | (15,523,466)        | (919,181)        |
| <b>Contribution to operating profit</b> | <b>(7,767,299)</b> | <b>(1,737,592)</b> | <b>(36,586,891)</b> | <b>405,506</b>    | <b>(13,770,908)</b> | <b>1,318,890</b> |

| For the year                                                     | Luxury      |             | Upmarket     |             | Others              |                    |
|------------------------------------------------------------------|-------------|-------------|--------------|-------------|---------------------|--------------------|
|                                                                  | 2009        | 2008        | 2009         | 2008        | 2009                | 2008               |
| thereof in                                                       |             |             |              |             |                     |                    |
| • Czech Republic                                                 | 7,219,287   | 11,036,993  | 20,374,916   | 24,888,115  | –                   | –                  |
| • Germany                                                        | –           | –           | 7,716,084    | 1,077,029   | –                   | –                  |
| • Poland                                                         | 8,160,718   | 10,595,583  | 13,434,698   | 12,646,020  | 3,753,843           | 4,793,982          |
| • France                                                         | –           | –           | 14,330,933   | 17,052,381  | –                   | –                  |
| • Romania                                                        | –           | –           | 2,168,313    | 2,543,054   | –                   | –                  |
| • Russia                                                         | –           | –           | 185,923      | –           | 2,138,268           | 1,909,291          |
|                                                                  | 15,380,005  | 21,632,575  | 58,210,868   | 58,206,600  | 5,892,111           | 6,703,273          |
| thereof GOP in                                                   |             |             |              |             |                     |                    |
| • Czech Republic                                                 | 81,033      | 2,074,412   | 7,241,960    | 10,099,847  | –                   | –                  |
| • Germany                                                        | –           | –           | 1,395,825    | 366,077     | –                   | –                  |
| • Poland                                                         | 2,960,874   | 3,918,834   | 5,232,940    | 4,532,233   | 1,643,236           | 2,242,325          |
| • France                                                         | –           | –           | 3,609,728    | 5,217,367   | –                   | –                  |
| • Romania                                                        | –           | –           | 378,255      | 424,039     | –                   | –                  |
| • Russia                                                         | –           | –           | 215,551      | –           | 876,899             | 744,102            |
|                                                                  | 3,041,906   | 5,993,246   | 18,074,259   | 20,639,562  | 2,520,135           | 2,986,427          |
| thereof operating result in                                      |             |             |              |             |                     |                    |
| • Czech Republic                                                 | (8,120,763) | (2,363,222) | (11,468,192) | 2,906,425   | –                   | –                  |
| • Germany                                                        | –           | –           | (5,669,494)  | (149,134)   | –                   | –                  |
| • Poland                                                         | 353,463     | 625,630     | (9,867,825)  | 1,414,618   | 420,464             | 664,097            |
| • France                                                         | –           | –           | (969,846)    | 1,167,416   | –                   | –                  |
| • Romania                                                        | –           | –           | (4,851,757)  | (4,933,819) | –                   | –                  |
| • Russia                                                         | –           | –           | (3,759,777)  | –           | (14,191,373)        | 654,793            |
|                                                                  | (7,767,299) | (1,737,592) | (36,586,891) | 405,506     | (13,770,908)        | 1,318,890          |
| <b>Contribution to operating profit from hotels in operation</b> |             |             |              |             | <b>(58,125,098)</b> | <b>(13,196)</b>    |
| Less expenses for                                                |             |             |              |             |                     |                    |
| Project development expenses for hotels under construction       |             |             |              |             | (2,635,396)         | (2,878,704)        |
| Project development expenses for hotels in design phase          |             |             |              |             | (871,986)           | (403,901)          |
| <b>Segment contribution to operating profit</b>                  |             |             |              |             | <b>(61,632,481)</b> | <b>(3,295,800)</b> |

**Segment cash flow "Hotels & Resorts"**

| For the year                                               | Luxury           |                  | Upmarket          |                   | Others            |                   |
|------------------------------------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
|                                                            | 2009             | 2008             | 2009              | 2008              | 2009              | 2008              |
| Cash receipts                                              | 15,461,832       | 22,182,580       | 57,197,007        | 58,213,120        | 5,633,996         | 6,887,896         |
| Interest received                                          | 17,452           | 90,962           | 697,575           | 156,428           | 105,433           | 38,851            |
| Expenses for materials and services                        | (7,958,940)      | (10,472,739)     | (24,868,422)      | (27,252,268)      | (2,579,019)       | (2,372,702)       |
| Personnel expenses                                         | (5,183,662)      | (6,533,776)      | (16,756,489)      | (14,507,869)      | (1,593,007)       | (1,686,250)       |
| Cash paid for other expenses                               | (584,782)        | (878,733)        | (4,329,225)       | (2,075,422)       | (311,091)         | (107,851)         |
| Income tax paid                                            | –                | –                | (1,574,217)       | (783,469)         | –                 | (210,177)         |
|                                                            | <b>1,751,899</b> | <b>4,388,293</b> | <b>10,366,229</b> | <b>13,750,520</b> | <b>1,256,311</b>  | <b>2,549,768</b>  |
| thereof in                                                 |                  |                  |                   |                   |                   |                   |
| • Czech Republic                                           | (602,824)        | 1,263,876        | 3,882,523         | 6,655,520         | –                 | –                 |
| • Germany                                                  | –                | –                | 1,551,370         | (142,578)         | –                 | –                 |
| • Poland                                                   | 2,354,723        | 3,124,417        | 3,676,698         | 4,362,495         | 1,067,949         | 1,943,506         |
| • France                                                   | –                | –                | 1,313,526         | 2,830,451         | –                 | –                 |
| • Romania                                                  | –                | –                | (90,658)          | 44,632            | –                 | –                 |
| • Russia                                                   | –                | –                | 32,769            | –                 | 188,362           | 606,261           |
|                                                            | <b>1,751,899</b> | <b>4,388,293</b> | <b>10,366,229</b> | <b>13,750,520</b> | <b>1,256,311</b>  | <b>2,549,768</b>  |
| <b>Total for hotels in operation</b>                       |                  |                  |                   |                   | <b>13,374,439</b> | <b>20,688,581</b> |
| Less cash payments made for                                |                  |                  |                   |                   |                   |                   |
| Project development expenses for hotels under construction |                  |                  |                   |                   | (413,362)         | (2,276,301)       |
| Project development expenses for hotels in design phase    |                  |                  |                   |                   | (611,449)         | (270,327)         |
| <b>Segment cash flow from operating activities</b>         |                  |                  |                   |                   | <b>12,349,628</b> | <b>18,141,953</b> |

## Segment assets "Hotels &amp; Resorts"

## a) Hotels in operation

| At 31 December                          | Luxury              |                     | Upmarket             |                      | Others              |                     |
|-----------------------------------------|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|
|                                         | 2009                | 2008                | 2009                 | 2008                 | 2009                | 2008                |
| Property                                | 79,526,977          | 88,909,252          | 281,043,269          | 221,622,753          | 51,448,949          | 29,461,186          |
| Other non-current                       | 2,082               | 428,616             | 730,569              | 972,751              | 8,713               | 1,096,935           |
| Other current                           | 1,494,533           | 1,740,249           | 13,685,668           | 5,830,166            | 638,640             | 651,375             |
| Cash and cash equivalents               | 1,340,796           | 1,879,309           | 6,144,488            | 11,103,196           | 449,691             | 890,978             |
| <b>Total assets</b>                     | <b>82,364,388</b>   | <b>92,957,427</b>   | <b>301,603,994</b>   | <b>239,528,867</b>   | <b>52,545,993</b>   | <b>32,100,474</b>   |
| Bank loans                              | (56,664,974)        | (60,188,573)        | (273,690,624)        | (158,689,949)        | (11,388,959)        | (12,033,163)        |
| Other non-current                       | –                   | –                   | (754,405)            | (114,232)            | –                   | –                   |
| Other current                           | (1,250,751)         | (1,676,154)         | (30,052,726)         | (9,429,273)          | (660,525)           | (680,722)           |
| <b>External liabilities</b>             | <b>(57,915,724)</b> | <b>(61,864,727)</b> | <b>(304,497,754)</b> | <b>(168,233,454)</b> | <b>(12,049,484)</b> | <b>(12,713,885)</b> |
| <sup>1)</sup> Deferred taxes            | –                   | (674,911)           | (6,346,642)          | (13,690,996)         | (3,334,309)         | (3,751,482)         |
| <sup>2)</sup> Loans from joint ventures | (10,542,134)        | (10,160,798)        | (13,942,350)         | (5,009,799)          | –                   | –                   |
| <b>Total liabilities</b>                | <b>(68,457,858)</b> | <b>(72,700,436)</b> | <b>(324,786,746)</b> | <b>(186,934,249)</b> | <b>(15,383,792)</b> | <b>(16,465,366)</b> |

## b) Hotels under development

| At 31 December                          | Under construction  |                     | In design phase    |                    | Total                |                      |
|-----------------------------------------|---------------------|---------------------|--------------------|--------------------|----------------------|----------------------|
|                                         | 2009                | 2008                | 2009               | 2008               | 2009                 | 2008                 |
| Property                                | 21,150,009          | 109,280,806         | 11,949,428         | 12,150,628         | 445,118,632          | 461,424,625          |
| Other non-current                       | 265,201             | 3,551,102           | 52,719             | (2,786,241)        | 1,059,285            | 3,263,165            |
| Other current                           | 808,132             | 4,465,674           | 13,762             | 41,335             | 16,640,734           | 12,728,799           |
| Cash and cash equivalents               | 992,656             | 10,159,030          | 660,846            | 509,252            | 9,588,477            | 24,541,765           |
| <b>Total assets</b>                     | <b>23,215,998</b>   | <b>127,456,612</b>  | <b>12,676,755</b>  | <b>9,914,974</b>   | <b>472,407,129</b>   | <b>501,958,354</b>   |
| Bank loans                              | (7,492,402)         | (67,887,513)        | –                  | –                  | (349,236,959)        | (298,799,198)        |
| Other non-current                       | –                   | (610,047)           | (3,096)            | –                  | (757,500)            | (724,279)            |
| Other current                           | (1,758,548)         | (12,723,094)        | (251,723)          | 99,850             | (33,974,272)         | (24,409,393)         |
| <b>External liabilities</b>             | <b>(9,250,950)</b>  | <b>(81,220,654)</b> | <b>(254,819)</b>   | <b>99,850</b>      | <b>(383,968,731)</b> | <b>(323,932,870)</b> |
| <sup>1)</sup> Deferred taxes            | 30,752              | 160,903             | (312,393)          | (148,399)          | (9,962,592)          | (18,104,885)         |
| <sup>2)</sup> Loans from joint ventures | (4,022,073)         | (8,713,463)         | (3,763,462)        | (1,709,015)        | (32,270,019)         | (25,593,076)         |
| <b>Total liabilities</b>                | <b>(13,242,272)</b> | <b>(89,773,215)</b> | <b>(4,330,674)</b> | <b>(1,757,564)</b> | <b>(426,201,343)</b> | <b>(367,630,831)</b> |

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

<sup>2)</sup> Loans from joint venture partners are generally attributed to the segment of the relevant joint venture company. Loans made to joint ventures by Warimpex Finanz- und Beteiligungs AG are presented in the segment "Asset Management & Development". A reconciliation of loans given to joint ventures and loans received from joint venture partners is contained in Note 21.7.

## Analysis of segment property "Hotels &amp; Resorts"

## a) Hotels in operation

| For the year                            | Luxury      |             | Upmarket     |             | Others      |             |
|-----------------------------------------|-------------|-------------|--------------|-------------|-------------|-------------|
|                                         | 2009        | 2008        | 2009         | 2008        | 2009        | 2008        |
| At 1 January                            | 88,909,252  | 93,764,697  | 221,622,753  | 183,175,182 | 29,461,186  | 20,159,085  |
| • Business combinations                 | –           | –           | –            | –           | –           | 7,302,866   |
| • Changes in the scope of consolidation | –           | –           | –            | 21,122,751  | –           | 3,261,094   |
| • Investments                           | 195,923     | 550,867     | 20,096,824   | 13,276,650  | 24,703,014  | 1,089,435   |
| Segment transfers                       | 19,150      | –           | 121,098,836  | 16,274,567  | 151,935     | –           |
| Disposals                               | 45,901      | 58,456      | (27,155,800) | (390,506)   | –           | –           |
| Depreciation                            | (3,717,873) | (3,724,708) | (10,259,579) | (6,792,387) | (1,629,148) | (1,159,177) |
| Impairments                             | (5,925,377) | (1,740,061) | (44,367,946) | (5,043,503) | (703,393)   | (162,554)   |
| Exchange effects                        | –           | –           | 8,181        | –           | (534,646)   | (1,029,564) |
| At 31 December                          | 79,526,977  | 88,909,252  | 281,043,269  | 221,622,753 | 51,448,949  | 29,461,186  |
| thereof in                              |             |             |              |             |             |             |
| • Czech Republic                        | 35,549,479  | 42,907,272  | 88,481,467   | 105,187,032 | –           | –           |
| • Poland                                | 43,977,498  | 46,001,981  | 85,168,022   | 52,425,309  | 19,681,682  | 20,259,169  |
| • Germany                               | –           | –           | 56,346,468   | 11,161,414  | –           | –           |
| • France                                | –           | –           | 34,351,832   | 34,076,878  | –           | –           |
| • Romania                               | –           | –           | 14,039,799   | 18,772,120  | –           | –           |
| • Russia                                | –           | –           | 2,655,681    | –           | 31,767,267  | 9,202,017   |
| At 31 December                          | 79,526,977  | 88,909,252  | 281,043,269  | 221,622,753 | 51,448,949  | 29,461,186  |

## b) Hotels under development

| For the year                            | Under construction |              | In design phase |            | Total        |              |
|-----------------------------------------|--------------------|--------------|-----------------|------------|--------------|--------------|
|                                         | 2009               | 2008         | 2009            | 2008       | 2009         | 2008         |
| At 1 January                            | 109,280,806        | 51,126,507   | 12,150,628      | 5,307,911  | 461,424,626  | 353,533,382  |
| • Business combinations                 | –                  | –            | –               | –          | –            | 7,302,866    |
| • Changes in the scope of consolidation | (1,211,780)        | (11,799,807) | –               | –          | (1,211,780)  | 12,584,038   |
| • Investments                           | 36,146,487         | 96,008,531   | 1,980,899       | 5,075,819  | 83,123,147   | 116,001,302  |
| Segment transfers                       | (120,574,586)      | (24,118,320) | (19,150)        | 2,154,961  | 676,186      | (5,688,792)  |
| Disposals                               | –                  | –            | –               | –          | (27,109,899) | (332,050)    |
| Depreciation                            | –                  | (4,911)      | (5,565)         | (16,688)   | (15,612,164) | (11,697,872) |
| Impairments                             | (2,490,918)        | (1,235,042)  | (2,225,036)     | (23,566)   | (55,712,670) | (8,204,725)  |
| Exchange effects                        | –                  | (696,152)    | 67,652          | (347,808)  | (458,813)    | (2,073,524)  |
| At 31 December                          | 21,150,009         | 109,280,806  | 11,949,428      | 12,150,628 | 445,118,632  | 461,424,625  |
| thereof in                              |                    |              |                 |            |              |              |
| • Czech Republic                        | –                  | –            | 2,409,400       | 2,419,150  | 126,440,347  | 150,513,454  |
| • Poland                                | 9,602,500          | 49,555,470   | 272,184         | 273,029    | 158,701,886  | 168,514,958  |
| • Germany                               | –                  | 38,836,967   | 3,106,373       | 5,331,409  | 59,452,840   | 55,329,790   |
| • France                                | –                  | –            | –               | –          | 34,351,832   | 34,076,878   |
| • Romania                               | –                  | –            | –               | –          | 14,039,799   | 18,772,120   |
| • Russia                                | 11,547,509         | 20,888,369   | –               | –          | 45,970,457   | 30,090,386   |
| • Louvre sub-group                      | –                  | –            | 6,161,471       | 4,127,040  | 6,161,471    | 4,127,040    |
| At 31 December                          | 21,150,009         | 109,280,806  | 11,949,428      | 12,150,628 | 445,118,632  | 461,424,625  |

## Analysis of segment financial liabilities "Hotels &amp; Resorts"

## a) Hotels in operation

| For the year                            | Luxury              |                     | Upmarket             |                      | Others              |                     |
|-----------------------------------------|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|
|                                         | 2009                | 2008                | 2009                 | 2008                 | 2009                | 2008                |
| Loans at 1 January                      | (60,188,573)        | (63,128,224)        | (158,689,949)        | (109,053,170)        | (12,033,163)        | (12,337,312)        |
| • Changes in the scope of consolidation | –                   | –                   | –                    | (9,396,525)          | –                   | –                   |
| • New borrowing                         | –                   | –                   | (78,141,852)         | (27,254,355)         | –                   | –                   |
| • Repayment                             | 3,557,292           | 2,973,343           | 28,524,271           | 4,016,157            | 650,789             | 310,735             |
| • Capitalized interest                  | (33,692)            | (33,692)            | (398,730)            | 125,542              | (6,585)             | (6,585)             |
| • Segment transfers                     | –                   | –                   | (64,768,619)         | (17,018,467)         | –                   | –                   |
| • Exchange effects                      | –                   | –                   | (215,746)            | (109,131)            | –                   | –                   |
| <b>Loans at 31 December</b>             | <b>(56,664,974)</b> | <b>(60,188,573)</b> | <b>(273,690,624)</b> | <b>(158,689,949)</b> | <b>(11,388,959)</b> | <b>(12,033,163)</b> |
| JV loans at 1 January                   | (10,160,798)        | (9,416,223)         | (5,009,799)          | (8,670,042)          | –                   | –                   |
| • Changes in the scope of consolidation | –                   | –                   | –                    | (839,309)            | –                   | –                   |
| • New borrowing                         | (381,336)           | –                   | (2,854,992)          | (1,549,615)          | –                   | –                   |
| • Repayment                             | –                   | –                   | –                    | 9,211,273            | –                   | –                   |
| • Capitalized interest                  | –                   | (744,575)           | –                    | –                    | –                   | –                   |
| • Segment transfers                     | –                   | –                   | (6,077,559)          | (3,162,106)          | –                   | –                   |
| • Exchange effects                      | –                   | –                   | –                    | –                    | –                   | –                   |
| JV loans at 31 December                 | (10,542,134)        | (10,160,798)        | (13,942,350)         | (5,009,799)          | –                   | –                   |

## b) Hotels under development

| For the year                            | Under construction |                     | In design phase |             | Total                |                      |
|-----------------------------------------|--------------------|---------------------|-----------------|-------------|----------------------|----------------------|
|                                         | 2009               | 2008                | 2009            | 2008        | 2009                 | 2008                 |
| Loans at 1 January                      | (67,887,513)       | (14,659,092)        | –               | (232,765)   | (298,799,198)        | (199,410,564)        |
| • Changes in the scope of consolidation | –                  | 27,634              | –               | –           | –                    | (9,368,891)          |
| • New borrowing                         | (4,730,477)        | (67,858,200)        | –               | –           | (82,872,329)         | (95,112,555)         |
| • Repayment                             | –                  | 4,098,125           | –               | 10,022      | 32,732,351           | 11,408,382           |
| • Capitalized interest                  | –                  | –                   | –               | –           | (439,007)            | 85,265               |
| • Segment transfers                     | 65,125,588         | 10,504,019          | –               | 228,821     | 356,969              | (6,285,627)          |
| • Exchange effects                      | –                  | –                   | –               | (6,078)     | (215,746)            | (115,209)            |
| <b>Loans at 31 December</b>             | <b>(7,492,402)</b> | <b>(67,887,513)</b> | <b>–</b>        | <b>–</b>    | <b>(349,236,959)</b> | <b>(298,799,198)</b> |
| JV loans at 1 January                   | (8,713,463)        | (7,224,759)         | (1,709,015)     | (374,084)   | (25,593,076)         | (25,685,108)         |
| • Changes in the scope of consolidation | 403,436            | (165,322)           | –               | –           | 403,436              | (1,004,632)          |
| • New borrowing                         | (2,085,588)        | (4,117,443)         | (1,893,738)     | (1,625,402) | (7,215,654)          | (7,292,460)          |
| • Repayment                             | –                  | –                   | –               | –           | –                    | 9,211,273            |
| • Capitalized interest                  | –                  | –                   | (160,709)       | (77,574)    | (160,709)            | (822,149)            |
| • Segment transfers                     | 6,077,559          | 2,794,061           | –               | 368,045     | –                    | –                    |
| • Exchange effects                      | 295,983            | –                   | –               | –           | 295,983              | –                    |
| JV loans at 31 December                 | (4,022,073)        | (8,713,463)         | (3,763,462)     | (1,709,015) | (32,270,019)         | (25,593,076)         |

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

Segment transfers refer to reclassification into a different segment, while segment restructuring refers to changes within a single segment.

**6.02. “Development & Asset Management” segment:**

For purposes of capital employed and used, this segment is subdivided into “Asset Management” (all office and commercial buildings which are rented to tenants, completed or under development) and “Development” (all management activities of the Group holding company). “Others” relates to the Group’s development activities in a broader sense which do not belong to the Warimpex Group’s core business (primarily energy projects in Poland).

**Segment results “Development & Asset Management”**

| For the year                                      | Asset Management |                  | Development         |                | Others           |                |
|---------------------------------------------------|------------------|------------------|---------------------|----------------|------------------|----------------|
|                                                   | 2009             | 2008             | 2009                | 2008           | 2009             | 2008           |
| Revenues                                          | 3,145,029        | 3,797,159        | 1,365,508           | 2,986,180      | 1,139,347        | 922,387        |
| Sale of subsidiaries                              | (199,624)        | 518,222          | 2,487,280           | 13,023,444     | –                | 313,251        |
| Negative goodwill                                 |                  |                  |                     |                |                  |                |
| ± goodwill                                        | (1,429,626)      | (6,749,986)      | –                   | –              |                  |                |
| Other income                                      | –                | –                | 102,008             | 5,125,042      | –                | –              |
| Changes in real estate projects under development | –                | –                | 1,264,444           | (377,922)      | –                | –              |
| Expenses for materials                            | (981,837)        | (1,366,405)      | (398,390)           | (313,829)      | (1,054,773)      | (897,823)      |
| Project development expenses                      | –                | –                | (1,163,234)         | (908,834)      | –                | –              |
| Personnel expenses                                | (9,201)          | (29,168)         | (3,584,213)         | (4,785,453)    | –                | (24,206)       |
| Depreciation                                      | (924,911)        | (426,712)        | (453,180)           | (409,157)      | (102,699)        | (64,686)       |
| Impairments                                       | (558,772)        | (3,024,945)      | (1,702,234)         | (1,846,134)    | (109,400)        | –              |
| Other operating expenses Expenses                 | (302,474)        | (310,183)        | (6,649,707)         | (5,268,367)    | (19,292)         | 1,644          |
| <b>Segment operating result</b>                   | <b>168,210</b>   | <b>(842,032)</b> | <b>(10,161,343)</b> | <b>474,983</b> | <b>(146,817)</b> | <b>250,567</b> |
| thereof in                                        |                  |                  |                     |                |                  |                |
| • Czech Republic                                  | –                | –                | 225,709             | 68,567         | –                | –              |
| • Poland                                          | 1,305,138        | 1,082,573        | 517,921             | 609,970        | 1,139,347        | 922,387        |
| • Germany                                         | 283,568          | 277,351          | –                   | –              | –                | –              |
| • Austria                                         | –                | –                | 487,985             | 1,887,136      | –                | –              |
| • Hungary                                         | 1,556,324        | 2,437,235        | 160,377             | 477,804        | –                | –              |
| • Others                                          | –                | –                | (26,484)            | (57,297)       | –                | –              |
|                                                   | 3,145,029        | 3,797,159        | 1,365,508           | 2,986,180      | 1,139,347        | 922,387        |
| thereof operating result in                       |                  |                  |                     |                |                  |                |
| • Czech Republic                                  | –                | –                | 178,862             | 3,898,015      | –                | –              |
| • Poland                                          | 292,942          | 170,389          | (2,240,182)         | (2,181,510)    | (146,817)        | (62,685)       |
| • Germany                                         | (70,927)         | (1,143,483)      | (1,961)             | (2,135)        | –                | –              |
| • Austria                                         | –                | –                | (7,765,198)         | 546,719        | –                | –              |
| • Hungary                                         | (53,807)         | 152,643          | (311,596)           | (1,248,955)    | –                | –              |
| • Others                                          | 2                | (21,580)         | (21,269)            | (537,151)      | –                | 313,251        |
|                                                   | 168,210          | (842,032)        | (10,161,343)        | 474,983        | (146,817)        | 250,567        |



**Segment cash flow "Development & Asset Management"**

| For the year                                                   | Asset Management |                  | Development        |                    | Others         |                |
|----------------------------------------------------------------|------------------|------------------|--------------------|--------------------|----------------|----------------|
|                                                                | 2009             | 2008             | 2009               | 2008               | 2009           | 2008           |
| Cash receipts from rent                                        | 3,141,938        | 3,919,261        | 1,462,545          | 2,381,152          | 1,055,169      | 962,643        |
| Cash receipts from development                                 | –                | –                | 2,270,124          | 1,472,692          | –              | –              |
| Interest received                                              | 30,736           | 86,267           | 997,018            | 296,087            | 90             | 209            |
| Cash paid for development                                      | 404              | (34,393)         | (1,315,057)        | (921,541)          | –              | –              |
| Expenses for materials and services                            | (776,521)        | (1,505,277)      | (350,659)          | (559,556)          | (1,011,798)    | (844,690)      |
| Personnel expenses                                             | (9,281)          | (29,213)         | (4,211,161)        | (6,444,992)        | –              | (24,206)       |
| Cash paid for other expenses                                   | (211,752)        | (50,220)         | (1,881,813)        | (5,002,414)        | (49,753)       | 7,192          |
| Income tax paid                                                | (30,553)         | (19,855)         | (307,843)          | (369,010)          | –              | –              |
| <b>Segment cash flow from operating activities</b>             | <b>2,144,971</b> | <b>2,366,569</b> | <b>(3,336,845)</b> | <b>(9,147,584)</b> | <b>(6,291)</b> | <b>101,149</b> |
| Net receipts from the sale of disposal groups                  |                  |                  | 2,600,000          | 14,206,715         | –              | –              |
| Segment cash flow including proceeds from disposals thereof in | 2,144,971        | 2,366,569        | (736,845)          | 5,059,132          | (6,291)        | 101,149        |
| • Czech Republic                                               | –                | –                | (144,881)          | (139,779)          | –              | –              |
| • Poland                                                       | 895,681          | 644,634          | (464,011)          | (384,298)          | (6,291)        | 101,149        |
| • Germany                                                      | 225,247          | 250,397          | (2,013)            | 7,372              | –              | –              |
| • France                                                       | –                | –                | (136,315)          | (147,899)          | –              | –              |
| • Austria                                                      | –                | –                | (2,419,600)        | (7,879,238)        | –              | –              |
| • Hungary                                                      | 1,023,641        | 1,505,931        | (287,574)          | (110,756)          | –              | –              |
| • Russia                                                       | 404              | (34,393)         | 187,074            | (63,125)           | –              | –              |
| • Romania                                                      | –                | –                | –                  | (2,154)            | –              | –              |
| • Louvre sub-group                                             | –                | –                | (33,709)           | (376,735)          | –              | –              |
| • Others                                                       | –                | –                | (35,817)           | (50,972)           | –              | –              |
|                                                                | 2,144,971        | 2,366,569        | (3,336,845)        | (9,147,584)        | (6,291)        | 101,149        |

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

## Analysis of segment assets "Development &amp; Asset Management"

| <b>a) Asset Management</b>              |                     | <b>Rented out</b>   |                    | <b>Under renovation</b> |                     | <b>Subtotal</b>     |             |
|-----------------------------------------|---------------------|---------------------|--------------------|-------------------------|---------------------|---------------------|-------------|
| At 31 December                          |                     | <b>2009</b>         | <b>2008</b>        | <b>2009</b>             | <b>2008</b>         | <b>2009</b>         | <b>2008</b> |
| Property                                | 18,020,320          | 20,026,237          | 24,631,185         | 19,905,771              | 42,651,505          | 39,932,008          |             |
| Financial assets                        | –                   | –                   | 459,793            | 517,388                 | 459,793             | 517,388             |             |
| Other non-current                       | 17,513              | 19,068              | 306,480            | 306,955                 | 323,993             | 326,024             |             |
| Other current                           | 129,018             | 220,252             | –                  | –                       | 129,018             | 220,252             |             |
| Cash and cash equivalents               | 542,801             | 2,752,213           | 523,172            | 276,506                 | 1,065,973           | 3,028,719           |             |
| <b>Total assets</b>                     | <b>18,709,651</b>   | <b>23,017,771</b>   | <b>25,920,631</b>  | <b>21,006,620</b>       | <b>44,630,282</b>   | <b>44,024,391</b>   |             |
| Bank loans                              | (20,297,458)        | (26,345,434)        | –                  | –                       | (20,297,458)        | (26,345,434)        |             |
| Other non-current                       | (435,227)           | (436,204)           | –                  | –                       | (435,227)           | (436,204)           |             |
| Other current                           | (404,797)           | (1,731,418)         | (143,876)          | (6,780)                 | (548,673)           | (1,738,198)         |             |
| <b>External liabilities</b>             | <b>(21,137,482)</b> | <b>(28,513,057)</b> | <b>(143,876)</b>   | <b>(6,780)</b>          | <b>(21,281,358)</b> | <b>(28,519,837)</b> |             |
| <sup>1)</sup> Deferred taxes            | (515,735)           | 312,701             | (456,323)          | (890,180)               | (972,058)           | (577,479)           |             |
| <sup>2)</sup> Loans from joint ventures | (1,309,170)         | (431,391)           | (5,543,556)        | (1,873,663)             | (6,852,726)         | (2,305,053)         |             |
| <b>Total liabilities</b>                | <b>(22,962,387)</b> | <b>(28,631,747)</b> | <b>(6,143,755)</b> | <b>(2,770,623)</b>      | <b>(29,106,142)</b> | <b>(31,402,370)</b> |             |

| <b>b) Development</b>                   |                     | <b>Primär</b>       |                   | <b>Others</b>      |                      | <b>Total</b>         |             |
|-----------------------------------------|---------------------|---------------------|-------------------|--------------------|----------------------|----------------------|-------------|
| At 31 December                          |                     | <b>2009</b>         | <b>2008</b>       | <b>2009</b>        | <b>2008</b>          | <b>2009</b>          | <b>2008</b> |
| Property                                | 12,587,709          | 11,733,501          | 1,538,951         | 1,606,394          | 56,778,165           | 53,271,903           |             |
| Financial assets                        | 76,144,212          | 61,082,747          | –                 | 91,303             | 76,604,005           | 61,691,438           |             |
| Other non-current                       | (9,405,171)         | (6,903,579)         | 9,337,412         | 9,244,118          | 256,234              | 2,666,563            |             |
| Other current                           | 2,109,929           | 13,676,147          | 243,396           | 134,408            | 2,482,343            | 14,030,807           |             |
| Cash and cash equivalents               | 1,257,779           | 5,448,050           | 21,213            | 93,814             | 2,344,964            | 8,570,583            |             |
| <b>Total assets</b>                     | <b>82,694,457</b>   | <b>85,036,865</b>   | <b>11,140,972</b> | <b>11,170,037</b>  | <b>138,465,711</b>   | <b>140,231,294</b>   |             |
| Bank loans                              | (78,579,458)        | (87,052,169)        | (595,684)         | (687,326)          | (99,472,600)         | (114,084,930)        |             |
| Other non-current                       | (3,416,857)         | (3,994,420)         | –                 | –                  | (3,852,084)          | (4,430,624)          |             |
| Other current                           | (6,043,689)         | (2,450,362)         | (273,299)         | (203,072)          | (6,865,661)          | (4,391,632)          |             |
| <b>External liabilities</b>             | <b>(88,040,004)</b> | <b>(93,496,951)</b> | <b>(868,983)</b>  | <b>(890,398)</b>   | <b>(110,190,345)</b> | <b>(122,907,186)</b> |             |
| <sup>1)</sup> Deferred taxes            | (5,224,715)         | (1,979,721)         | –                 | (45,240)           | (6,196,773)          | (2,602,440)          |             |
| <sup>2)</sup> Loans from joint ventures | (1,279,048)         | (1,126,625)         | –                 | (330,645)          | (8,131,774)          | (3,762,324)          |             |
| <b>Total liabilities</b>                | <b>(94,543,767)</b> | <b>(96,603,298)</b> | <b>(868,983)</b>  | <b>(1,266,282)</b> | <b>(124,518,892)</b> | <b>(129,271,950)</b> |             |

## Analysis of segment property, plant and equipment "Development &amp; Asset Management"

| <b>a) Asset Management</b>              |  | <b>Rented out</b> |             | <b>Under renovation</b> |             | <b>Subtotal</b> |             |
|-----------------------------------------|--|-------------------|-------------|-------------------------|-------------|-----------------|-------------|
| For the year                            |  | <b>2009</b>       | <b>2008</b> | <b>2009</b>             | <b>2008</b> | <b>2009</b>     | <b>2008</b> |
| At 1 January                            |  | 20,026,237        | 18,069,195  | 19,905,771              | 13,631,066  | 39,932,008      | 31,700,261  |
| • Changes in the scope of consolidation |  | (3,992,995)       | –           | (2,423,560)             | (2,742,561) | (6,416,555)     | (2,742,561) |
| • Investments                           |  | 360,042           | 850,486     | 10,738,965              | 10,731,217  | 11,099,006      | 11,581,704  |
| Segment transfers                       |  | 2,259,081         | 3,457,946   | (2,935,266)             | –           | (676,186)       | 3,457,946   |
| Depreciation                            |  | (343,332)         | (574,817)   | (654,724)               | (133,268)   | (998,056)       | (708,086)   |
| Impairments                             |  | (289,841)         | (1,779,033) | –                       | (1,580,683) | (289,841)       | (3,359,716) |
| Write-ups                               |  | –                 | –           | –                       | –           | –               | –           |
| Exchange effects                        |  | 1,128             | 2,460       | –                       | –           | 1,128           | 2,460       |
| At 31 December                          |  | 18,020,320        | 20,026,237  | 24,631,185              | 19,905,771  | 42,651,505      | 39,932,008  |
| thereof in                              |  |                   |             |                         |             |                 |             |
| • Poland                                |  | 8,206,410         | 8,136,897   | –                       | –           | 8,206,410       | 8,136,897   |
| • Germany                               |  | 1,767,893         | 2,064,066   | –                       | –           | 1,767,893       | 2,064,066   |
| • Hungary                               |  | 8,046,018         | 9,825,274   | 6,990,559               | 6,908,004   | 15,036,577      | 16,733,278  |
| • Russia                                |  | –                 | –           | 17,640,626              | 12,997,767  | 17,640,626      | 12,997,767  |
| At 31 December                          |  | 18,020,320        | 20,026,237  | 24,631,185              | 19,905,771  | 42,651,505      | 39,932,008  |

| <b>b) Development</b>                   |  | <b>Primär</b> |             | <b>Others</b> |             | <b>Total</b> |              |
|-----------------------------------------|--|---------------|-------------|---------------|-------------|--------------|--------------|
| For the year                            |  | <b>2009</b>   | <b>2008</b> | <b>2009</b>   | <b>2008</b> | <b>2009</b>  | <b>2008</b>  |
| At 1 January                            |  | 11,733,501    | 13,670,750  | 1,606,394     | 1,269,595   | 53,271,903   | 46,640,605   |
| • Changes in the scope of consolidation |  | –             | –           | –             | 649,369     | (6,416,555)  | (2,093,192)  |
| • Investments                           |  | 3,461,724     | 3,169,665   | 131,920       | 30,987      | 14,692,650   | 14,782,356   |
| Segment transfers                       |  | –             | 2,230,846   | –             | –           | (676,186)    | 5,688,792    |
| Disposals                               |  | (163,805)     | (23,308)    | –             | –           | (163,805)    | (23,308)     |
| Depreciation                            |  | (457,579)     | (396,990)   | (102,699)     | (64,686)    | (1,558,334)  | (1,169,762)  |
| Impairments                             |  | (1,971,166)   | (7,639,691) | (129,957)     | –           | (2,390,964)  | (10,999,407) |
| Write-ups                               |  | –             | –           | –             | –           | –            | –            |
| Exchange effects                        |  | (14,966)      | 722,229     | 33,294        | (278,870)   | 19,456       | 445,819      |
| At 31 December                          |  | 12,587,709    | 11,733,501  | 1,538,951     | 1,606,394   | 56,778,165   | 53,271,903   |
| thereof in                              |  |               |             |               |             |              |              |
| • Czech Republic                        |  | 1,226,219     | 1,226,219   | –             | –           | 1,226,219    | 1,226,219    |
| • Poland                                |  | 8,780,338     | 9,526,609   | 1,538,951     | 1,606,394   | 18,525,698   | 19,269,899   |
| • Germany                               |  | 2,158,143     | 318,928     | –             | –           | 3,926,035    | 2,382,994    |
| • Austria                               |  | 394,230       | 6,400,285   | –             | –           | 394,230      | 6,400,285    |
| • Hungary                               |  | 28,780        | 55,018      | –             | –           | 15,065,357   | 16,788,296   |
| • Russia                                |  | –             | (5,793,557) | –             | –           | 17,640,626   | 7,204,210    |
| At 31 December                          |  | 12,587,709    | 11,733,501  | 1,538,951     | 1,606,394   | 56,778,165   | 53,271,903   |

## Analysis of segment financial liabilities "Development &amp; Asset Management"

| <b>a) Asset Management</b>              |                     | <b>Rented out</b>   |             | <b>Under renovation</b> |                     | <b>Subtotal</b>     |             |
|-----------------------------------------|---------------------|---------------------|-------------|-------------------------|---------------------|---------------------|-------------|
| For the year                            |                     | <b>2009</b>         | <b>2008</b> | <b>2009</b>             | <b>2008</b>         | <b>2009</b>         | <b>2008</b> |
| Loans at 1 January                      | (26,345,434)        | (14,900,734)        | –           | (120,092)               | (26,345,434)        | (15,020,825)        |             |
| • Changes in the scope of consolidation | 3,861,766           | –                   | –           | 55,268                  | 3,861,766           | 55,268              |             |
| • New borrowing                         | (2,968,681)         | (6,132,735)         | –           | –                       | (2,968,681)         | (6,132,735)         |             |
| • Repayment                             | 583,220             | 45,851              | –           | 58,733                  | 583,220             | 104,584             |             |
| • Capitalized interest                  | (38,589)            | (53,241)            | –           | –                       | (38,589)            | (53,241)            |             |
| • Segment transfers                     | 4,610,261           | (5,304,576)         | –           | –                       | 4,610,261           | (5,304,576)         |             |
| • Exchange effects                      | –                   | –                   | –           | 6,090                   | –                   | 6,090               |             |
| <b>Loans at 31 December</b>             | <b>(20,297,458)</b> | <b>(26,345,434)</b> | <b>–</b>    | <b>–</b>                | <b>(20,297,458)</b> | <b>(26,345,434)</b> |             |
| JV loans at 1 January                   | (431,391)           | (690,365)           | (1,873,663) | –                       | (2,305,053)         | (690,365)           |             |
| • Changes in the scope of consolidation | –                   | –                   | 806,872     | –                       | 806,872             | –                   |             |
| • New borrowing                         | 91,177              | 265,057             | (4,146,121) | (1,873,663)             | (4,054,943)         | (1,608,606)         |             |
| • Repayment                             | –                   | 1,886,400           | –           | –                       | –                   | 1,886,400           |             |
| • Capitalized interest                  | –                   | –                   | –           | –                       | –                   | –                   |             |
| • Segment transfers                     | (968,957)           | (1,892,481)         | (330,645)   | –                       | (1,299,602)         | (1,892,481)         |             |
| JV loans at 31 December                 | (1,309,170)         | (431,391)           | (5,543,556) | (1,873,663)             | (6,852,726)         | (2,305,053)         |             |

| <b>b) Development</b>                   |                     | <b>Primär</b>       |                  | <b>Others</b>    |                     | <b>Total</b>         |             |
|-----------------------------------------|---------------------|---------------------|------------------|------------------|---------------------|----------------------|-------------|
| For the year                            |                     | <b>2009</b>         | <b>2008</b>      | <b>2009</b>      | <b>2008</b>         | <b>2009</b>          | <b>2008</b> |
| Loans at 1 January                      | (87,052,169)        | (35,361,201)        | (687,326)        | (613,737)        | (114,084,930)       | (50,995,763)         |             |
| • Changes in the scope of consolidation | (287,343)           | (1,375,000)         | –                | (327,442)        | 3,574,423           | (1,647,173)          |             |
| • New borrowing                         | (17,386,562)        | (64,777,449)        | (44,029)         | 7,903            | (20,399,272)        | (70,902,282)         |             |
| • Repayment                             | 31,802,914          | 1,804,783           | 142,650          | 147,894          | 32,528,783          | 2,057,262            |             |
| • Capitalized interest                  | (309,388)           | 304,664             | –                | –                | (347,977)           | 251,423              |             |
| • Segment transfers                     | (4,967,230)         | 11,590,202          | –                | –                | (356,969)           | 6,285,627            |             |
| • Exchange effects                      | (379,680)           | 761,831             | (6,979)          | 98,056           | (386,660)           | 865,977              |             |
| <b>Loans at 31 December</b>             | <b>(78,579,458)</b> | <b>(87,052,169)</b> | <b>(595,684)</b> | <b>(687,326)</b> | <b>(99,472,600)</b> | <b>(114,084,930)</b> |             |
| JV loans at 1 January                   | (1,126,625)         | (2,099,632)         | (330,645)        | (44,273)         | (3,762,324)         | (2,834,271)          |             |
| • Changes in the scope of consolidation | –                   | –                   | –                | (330,645)        | 806,872             | (330,645)            |             |
| • New borrowing                         | (825,397)           | (1,126,625)         | –                | –                | (4,880,340)         | (2,735,232)          |             |
| • Repayment                             | –                   | 207,151             | –                | 31,309           | –                   | 2,124,860            |             |
| • Segment transfers                     | 968,957             | 1,892,481           | 330,645          | –                | –                   | –                    |             |
| • Exchange effects                      | (295,983)           | –                   | –                | 12,964           | (295,983)           | 12,964               |             |
| JV loans at 31 December                 | (1,279,048)         | (1,126,625)         | –                | (330,645)        | (8,131,774)         | (3,762,324)          |             |

**[07] Notes on the statement of comprehensive income****7.01. Sales revenues and other income**

Sales revenues contain revenues received from transactions with joint ventures amounting to EUR 312,089.00 (previous year: EUR 1.149.123.00) and charges to related parties of EUR 0.00 (previous year: EUR 10,000.00). Charges in the amount of EUR 38,400.00 (previous year: EUR 250,000.00) were invoiced to associated companies

The foreign exchange differences in the amount of EUR 458,787.00 (previous year: a loss of EUR 413,392.00) include net exchange effects of EUR 424,971.00.

**7.02. a) Expenses for materials and services received**

This item contains all expenses relating to revenues from the operation of hotels and resorts, insofar as they are attributable to the “Cost of sales” or “Direct expenses” of the hotel operations. Also included in this item are utilities expenses incurred for investment properties which could not be recharged.

Expenses for materials and services received contain management fees from the segment “Hotels & Resorts”. Of these management fees, EUR 4,019,642.00 (previous year: EUR 4,677,881.00) were paid to related parties (Vienna International AG) and EUR 305,099.00 (previous year: EUR 600,261.00) were paid to “Intercont”.

**b) Expenses for project development**

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

**7.03. Personnel expenses break down as follows:**

| Current personnel expenses                             | 2009       | 2008       |
|--------------------------------------------------------|------------|------------|
| Wages and salaries                                     | 20,519,523 | 20,122,100 |
| Social security costs                                  | 4,849,414  | 4,877,964  |
| Other payroll-related taxes and contributions          | 734,218    | 1,042,425  |
| Voluntary employee benefits                            | 26,716     | 42,075     |
| Expenses for posted employees                          | 1,156,821  | 1,110,837  |
| Payments in respect of pensions and severance payments | 52,156     | 114,804    |
| Changes in accrual for compensated absences            | 81,879     | 39,406     |
|                                                        | <hr/>      | <hr/>      |
|                                                        | 27,420,727 | 27,349,611 |
| Changes in payroll-related provisions (Note 21)        | (342,303)  | 325,150    |
|                                                        | <hr/>      | <hr/>      |
|                                                        | 27,078,425 | 27,674,761 |

Directors’ remuneration is included in expenses for wages and salaries at an amount of EUR 1,044.271.00 (previous year: EUR 1,039,326.00). As was the case in the previous year, no bonus was paid to the members of the Management Board in the reporting period.

As regards Company pension schemes, pension plan commitments exist for the directors. Pension reimbursement insurance was taken out for these commitments. The right to pension benefits starts when the eligible person reaches the retirement age of 65 years. .

Eligibility to pension benefits under the Company pension plan lapses if the employment contract is terminated for the grounds stated in Section 27 Employees Act, or if a director resigns or terminates his or her work contract for no material reason.

If the event that a director terminates his or her employment contract prior to reaching the age of 65, he or she will not be entitled to pension benefits but to reimbursement of the surrender value under the pension reimbursement insurance.

Director's fees of EUR 68,779.00 (previous year: EUR 58,571.00) were paid to employees participating in the supervisory boards of subsidiaries. Director's fees of EUR 15,740.00 (previous year: EUR 16,730.00) were paid to directors of Warimpex Finanz- und Beteiligungs AG in their capacity as members of the supervisory boards of subsidiaries.

During the reporting period the Group employed an average of 1,466 (previous year: 1,457) employees.

During the reporting period, gross wage and salary costs for all employees (excluding the directors) increased by approximately 2.02% compared to the previous year. The average number of employees increased by only 0.67% despite the fact that three new hotels opened in the reporting period.

#### 7.04. Write-downs and impairment

Appraisals were obtained for all properties as of the reporting date of 31 December. These valuations are based on assumptions about the future development of earnings that reflect the current market conditions at the reporting date. In accordance with IFRS, all assets revealed to be impaired were written down to their lower fair values minus selling costs on the reporting date. The item breaks down as follows:

| Amounts in EUR '000  | Other intangible assets |      | Property, plant and equip. under constr. |        | Investment properties |       |
|----------------------|-------------------------|------|------------------------------------------|--------|-----------------------|-------|
|                      | 2009                    | 2008 | 2009                                     | 2008   | 2009                  | 2008  |
| Scheduled write-down | 150                     | 137  | 16,391                                   | 12,379 | 764                   | 477   |
| Impairments          | 3,008                   | –    | 70,136                                   | 10,051 | 290                   | 2,970 |
| Write-ups            | –                       | –    | (12,343)                                 | –      | –                     | –     |
|                      | 3,158                   | 137  | 74,184                                   | 22,430 | 1,054                 | 3,447 |

All write-ups in the reporting period were made in the second half of the financial year and pertain entirely to impairments recognized in the first half of the financial year.

#### 7.05. Other operating expenses break down as follows:

|                                                                | 2009       | 2008       |
|----------------------------------------------------------------|------------|------------|
| Pre-opening costs                                              | 805,365    | 658,986    |
| Legal fees                                                     | 1,284,169  | 2,402,862  |
| Administrative costs                                           | 2,131,366  | 2,020,613  |
| Advertisement and marketing                                    | 546,193    | 979,708    |
| Non-recoverable VAT                                            | 375,579    | 463,667    |
| Property costs                                                 | 2,770,340  | 2,542,244  |
| Franchise agreement termination costs Holiday Inn (France)*    | 1,250,000  | –          |
| Costs related to guarantees**                                  | 5,030,377  | 370,072    |
| Foreign exchange differences                                   | –          | 413,392    |
| Impairment charges (reversal of impairment) for current assets | (349,007)  | 378,348    |
| Others                                                         | 314,485    | 1,042,566  |
|                                                                | 14,158,868 | 11,272,460 |

\*) The Company decided in the reporting period to cease operating the Hotel Holiday Inn at Disneyland Resort Paris as a franchise hotel, and exercised its option to terminate the franchise agreement. The costs for the early termination of the agreement were EUR 2.5 million, which was recognized as an expense in accordance with the Group's proportionate share of ownership.

\*\*) A GOP guarantee for the 2008 financial year that is related to a company that was sold in a prior year was settled in the amount of EUR 1.99 million. The payment was made from a depot account that was set up for this purpose (recognized under "Other financial assets"). A provision of EUR 3.04 million was formed for financial year 2009.

Non-recoverable VAT primarily results from the Hotel Dvořák in Karlovy Vary, Czech Republic, as this hotel operates a VAT-exempt medical spa in addition to the hospitality business. Property costs comprise insurance premiums, property taxes and ground-lease payments.

In the 2009 financial year, fees were paid to the Group's financial auditor, Ernst&Young Wirtschaftsprüfungs GmbH Vienna, in the amount of EUR 104,000 for auditing services and in the amount of EUR 88,000 for other consulting services.

#### 7.06. Finance costs

|                                                                                 | 2009              | 2008              |
|---------------------------------------------------------------------------------|-------------------|-------------------|
| Interest on short-term borrowings, project loans and other loans                | 17,691,838        | 18,007,379        |
| Interest on loans from minority shareholders                                    | 58,807            | 199,315           |
| Interest on loans relating to joint ventures                                    | 1,084,691         | 1,196,955         |
| Discount expenses on other loans                                                | 2,960,432         | 3,056             |
|                                                                                 | <u>21,795,768</u> | <u>19,406,705</u> |
| Interest cost for provisions for pensions and other long-term employee benefits | 165,764           | 174,053           |
| Interest cost of derivative financial instruments                               | 217,205           | 59,069            |
| Foreign exchange differences on loans denominated in CHF                        | 358,553           | 1,282,563         |
| Other finance costs                                                             | 1,290,547         | 453,108           |
| Gains/losses on the sale of available-for-sale investments                      | (596,914)         | 5,949,000         |
|                                                                                 | <u>23,698,197</u> | <u>27,324,497</u> |

The company sold a derivative (CMS spread cap) that it purchased in the previous year in the reporting period for a price of EUR 1,603,000.00. After deduction of the fair value as of 31 December 2008, net proceeds of EUR 155,249.00 were realized. This derivative also yielded interest income in the amount of EUR 210,000.00.

For information on the terms and conditions of interest-bearing loans and borrowings, please refer to Note 20.5. Finance costs include lending commitment fees and other loan-related costs distributed over the respective terms using the effective interest rate method.

Foreign exchange differences on loans denominated in CHF relate to unrealized losses from the valuation of a foreign currency loan for which no hedges exist against foreign currency exposure; reference is made to Note 20 and Note 26.2.

#### 7.07. Financial revenue

|                                                       | 2009             | 2008             |
|-------------------------------------------------------|------------------|------------------|
| Interest income from cash management                  | 1,225,852        | 1,175,290        |
| Interest from financial investments                   | 100,740          | 67,729           |
| Interest on loans made to joint ventures              | 2,295,171        | 2,094,197        |
| Interest on loans made to related parties             | 105,286          | –                |
|                                                       | <u>3,727,050</u> | <u>3,337,216</u> |
| Interest income from derivative financial instruments | 210,000          | 161,960          |
| Unrealized gains on derivative financial instruments  | –                | 168,398          |
|                                                       | <u>3,937,050</u> | <u>3,667,574</u> |

For more information on unrealized gains on derivative financial instruments, please refer to Note 26.3.

**[08] Income taxes**

A reconciliation between tax expense and the product of accounting profit multiplied by the Group's domestic tax rate of 25% (the corporate income tax rate that applies to the Group) for the reporting period (previous year: 25%) is as follows:

|                                                                 | 2009                | 2008                |
|-----------------------------------------------------------------|---------------------|---------------------|
| <b>Profit before tax</b>                                        | <b>(92,357,873)</b> | <b>(29,439,156)</b> |
| Accounting profit before income tax *25% (previous year: 25%)   | 23,089,468          | 7,359,789           |
| ± Changes in tax rates                                          | 347,738             | 1,119,483           |
| ± Other foreign tax rates                                       | (5,066,799)         | (2,406,666)         |
| ± Tax free profits from the participation exemption (§ 10 KStG) | (1,550,827)         | 3,857,138           |
| ± Permanent differences                                         | (224,793)           | (948,613)           |
| ± Valuation allowance on deferred tax assets                    | (15,154,945)        | (5,683,404)         |
| ± Income from first-time recognition of deferred tax assets     | 114,093             | 70,289              |
| ± Effect of goodwill                                            | (407,525)           | (1,681,989)         |
| ± Effects of changes in equity                                  | (1,057,995)         | –                   |
| ± Effects of exchange rate fluctuations                         | (397,789)           | (1,635,185)         |
|                                                                 | <b>(309,374)</b>    | <b>50,843</b>       |
| Effective tax rate                                              | -0.33%              | 0.17%               |

Income relating to changes in tax rates relates to the income tax rate reduction in the Czech Republic from 21% to 19% that came into force in 2009.

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

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

**Deferred tax assets and liabilities in detail**

|                                                          | Deferred tax assets |              | Deferred tax liabilities |              |
|----------------------------------------------------------|---------------------|--------------|--------------------------|--------------|
|                                                          | 2009                | 2008         | 2009                     | 2008         |
| Temporary differences from property, plant and equipment | 8,813,723           | 2,160,137    | (21,638,056)             | (28,878,773) |
| Revaluation of property, plant and equipment             | –                   | –            | (1,305,610)              | (1,305,610)  |
| Temporary differences from investments                   |                     |              |                          |              |
| in subsidiaries and joint ventures                       | 670,515             | 1,120,826    | (5,844,349)              | (4,527,654)  |
| Temporary differences in current assets                  | 54,848              | 51,500       | (692,586)                | (336,244)    |
| Temporary differences from pension provisions            |                     |              |                          |              |
| and other long-term employment benefits                  | 259,575             | 301,954      | –                        | –            |
| Temporary differences from liabilities and provisions    | 10,646,385          | 11,377,505   | (869,384)                | (1,776,331)  |
| Tax loss carry-forwards                                  | 18,191,413          | 12,908,123   | –                        | –            |
| Impairment of deferred tax assets*)                      | (23,333,487)        | (7,966,164)  | –                        | –            |
|                                                          | 15,302,972          | 19,953,880   | (30,349,984)             | (36,824,613) |
| Offset within legal tax units and jurisdictions          | (14,190,620)        | (16,117,287) | 14,190,620               | 16,117,287   |
|                                                          | 1,112,352           | 3,836,593    | (16,159,365)             | (20,707,325) |

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



**The deferred tax items changed as follows:**

|                                                     | Deferred tax assets |           | Deferred tax liabilities |             |
|-----------------------------------------------------|---------------------|-----------|--------------------------|-------------|
|                                                     | 2009                | 2008      | 2009                     | 2008        |
| Balance of deferred items on 1 January              | 3,836,593           | 4,208,795 | 20,707,325               | 19,074,381  |
| Additions from business combinations                | (76,515)            | 81,253    | 58,895                   | 2,784,347   |
| <b>Changes recognized in equity</b>                 |                     |           |                          |             |
| in connection with                                  |                     |           |                          |             |
| • Foreign currency translation                      | (47,841)            | (18,295)  | (165,359)                | (237,796)   |
| • Cash flow hedges                                  | –                   | –         | (139,579)                | (8,518)     |
| • Revaluation (IFRS 3)                              | –                   | –         | (918,416)                | 918,416     |
| <b>Change reported in the profit for the period</b> |                     |           |                          |             |
| • For disposal groups classified as held for sale   | –                   | –         | –                        | 1,279       |
| • Other changes                                     | (2,599,885)         | (435,159) | (3,383,501)              | (1,824,784) |
| Balance on 31 December                              | 1,112,352           | 3,836,593 | 16,159,365               | 20,707,325  |

**[09] Share capital, earnings per share**

The Company's share capital is divided into 39,599,999 (previous year 36 million) n-c-par-value shares. On 23 October 2009, the Company increased its capital by 3,599,999 new bearer shares with voting rights. The issue price was EUR 2.25 per share.

On 31 December 2010, the Management Board was authorised to purchase shares in the Company up to the maximum amount permitted by law of 10% of the total capital stock. The purchase price range was set at between EUR 0.5 and EUR 8.40. 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 2009 and 31 December 2009 was 36,604,185 (previous year: 35,977,771).

|                                   | Current year | Previous year |
|-----------------------------------|--------------|---------------|
| Shares 01.01.–23.10.              | 36,000,000   | 36,000,000    |
| Shares 24.10.–31.12.              | 39,599,999   | 36,000,000    |
| Less treasury shares              | -66,500      | -64,500       |
| Weighted average number of shares | 36,604,185   | 35,977,771    |

Since there are no circumstances that could lead to a dilution of shareholders' interests, diluted earnings per share equal basic earnings per share. Earnings per share for the previous year were calculated on the basis of 36 million shares; for the reporting period 2009 the shares issued in the context of the capital increase were included in the calculation on a pro-rata basis.

The following resolutions were adopted at the extraordinary general meeting of shareholders on 16 October 2009:

Revocation of the Management Board authorization pursuant to § 169 AktG to increase the share capital of the company with the approval of the Supervisory Board by as much as EUR 9,000,000 in one or more tranches by issue of up to 9,000,000 new bearer shares against cash payment or contributions in kind up to a total share capital of EUR 45,000,000; the object of contributions in kind, the individuals from which such contributions are accepted, the shares to be granted in return for these contributions, the issue amount and the issue terms shall be specified in coordination with the Supervisory Board. Ausgabebetrag sowie die Ausgabebedingungen im Einvernehmen mit dem Aufsichtsrat festzusetzen.

The Management Board is authorized to increase within five years of the entry of the amendment to the articles of association in the register of companies the share capital of the Company by as much as EUR 18,000,000 through the issue of up to 18,000,000 bearer shares against cash payment or contributions in kind, in one or multiple tranches, with or without the exclusion of pre-emptive subscription rights and to set the issue price and the issue terms in coordination with the Supervisory Board.

According to the Austrian Stock Corporation Act, the separate financial statements as of 31 December 2009 of the parent company Warimpex Finanz- und Beteiligungs AG, which have been prepared under the Austrian Uniform Commercial Code, provide the basis for the declaration of a dividend.

These financial statements show a loss for the period in the amount of EUR -70,154,421.00. Including the profit carried forward from the prior year in the amount of EUR 47,481,168.00, the retained earnings total EUR -22,673,253.00. The managing directors propose to the General Meeting of shareholders to approve the omission of a dividend payment for the 2009 financial year, and to carry forward the entire net loss of EUR -20,689,919.00.

| Earnings per share: (based on the weighted average number of shares) | 2009         | 2008         |
|----------------------------------------------------------------------|--------------|--------------|
| Profit for the year allocable to the shareholders of the Group       | (86.519.399) | (29.170.641) |
| Earnings per share                                                   | (2,36)       | (0,80)       |

| Shareholder structure | on 31 December 2009 |            | on 31 December 2008 |            |
|-----------------------|---------------------|------------|---------------------|------------|
|                       | %                   | Shares     | %                   | Shares     |
| Amber Privatstiftung  | 14.5%               | 5,735,000  | 15.9%               | 5,735,000  |
| Bocca Privatstiftung  | 14.4%               | 5,721,999  | 15.9%               | 5,721,999  |
| Georg Folian          | 19.2%               | 7,612,300  | 21.0%               | 7,563,000  |
| Franz Jurkowitsch     | 19.1%               | 7,570,000  | 21.1%               | 7,611,300  |
| Alexander Jurkowitsch | 0.8%                | 309,000    | 0.7%                | 266,000    |
| Christian Fojtl       | 0.7%                | 265,000    | 0.7%                | 256,000    |
| Treasury shares       | 0.2%                | 66,500     | 0.2%                | 64,500     |
| Free float            | 31.1%               | 12,320,200 | 24.4%               | 8,782,201  |
|                       |                     | 39,599,999 |                     | 36,000,000 |

**[10] Sachanlagen**

| <b>31 December 2008</b><br>in EUR                                       | <i>Land,<br/>and<br/>equivalent<br/>rights</i> | <i>Buildings<br/>incl.buildings<br/>on lease-<br/>hold land</i> | <i>Equipment,<br/>(hotel)<br/>furniture</i> | <i>Finance<br/>lease*</i> | <i>Plant</i> | <i>Total</i>  |
|-------------------------------------------------------------------------|------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------|---------------------------|--------------|---------------|
| Net carrying amount at 1 January 2008                                   | 75,694,446                                     | 260,492,623                                                     | 12,541,987                                  | 25,061,900                | 1,269,118    | 375,060,075   |
| Business combinations (IFRS 3)                                          | –                                              | 7,302,866                                                       | –                                           | –                         | –            | 7,302,866     |
| Additions through the purchase of shares                                | 5,689,745                                      | 6,806,922                                                       | 994,944                                     | –                         | 628,057      | 14,119,667    |
| Additions from investments                                              | 6,037,666                                      | 109,701,883                                                     | 3,070,637                                   | 322,659                   | 30,805       | 119,163,650   |
| Disposals                                                               | (176,370)                                      | (214,406)                                                       | 35,418                                      | –                         | –            | (355,358)     |
| Transfers (Note 11)                                                     | (6,772,799)                                    | (21,377,215)                                                    | 1,397,292                                   | 9,663,709                 | –            | (17,089,012)  |
| Depreciation                                                            | (364,700)                                      | (6,872,889)                                                     | (3,652,738)                                 | (1,427,383)               | (61,483)     | (12,379,193)  |
| Impairment charges                                                      | –                                              | (10,050,859)                                                    | –                                           | –                         | –            | (10,050,859)  |
| Exchange adjustments                                                    | (43,441)                                       | (1,271,665)                                                     | (35,891)                                    | –                         | (278,955)    | (1,629,952)   |
| Net carrying amount at 31 December 2008                                 | 80,064,549                                     | 344,517,260                                                     | 14,351,649                                  | 33,620,886                | 1,587,542    | 474,141,885   |
| Acquisition or production cost                                          | 81,225,745                                     | 391,599,399                                                     | 26,239,713                                  | 36,903,251                | 1,781,061    | 537,749,169   |
| Accumulated depreciation and impairment                                 | (1,161,197)                                    | (47,082,139)                                                    | (11,888,064)                                | (3,282,365)               | (193,519)    | (63,607,284)  |
|                                                                         | 80,064,549                                     | 344,517,260                                                     | 14,351,649                                  | 33,620,886                | 1,587,542    | 474,141,885   |
| Including:                                                              |                                                |                                                                 |                                             |                           |              |               |
| • Property under construction                                           | 15,558,790                                     | 120,965,677                                                     | (57,716)                                    | –                         | –            | 136,466,751   |
| • Advance payment made                                                  | –                                              | 119,835                                                         | –                                           | –                         | –            | 119,835       |
| <b>31 December 2009</b>                                                 |                                                |                                                                 |                                             |                           |              |               |
| Net carrying amount at 1 January 2009                                   | 80,064,549                                     | 344,517,260                                                     | 14,351,649                                  | 33,620,886                | 1,587,542    | 474,141,885   |
| Additions/disposals through other changes in the scope of consolidation | –                                              | (1,211,780)                                                     | –                                           | –                         | –            | (1,211,780)   |
| Additions from investments                                              | 6,466,686                                      | 68,952,004                                                      | 9,732,531                                   | 1,425,910                 | 131,781      | 86,708,912    |
| Disposals                                                               | (6,701,898)                                    | (20,617,020)                                                    | 44,580                                      | –                         | –            | (27,274,339)  |
| Transfers (Note 11)                                                     | –                                              | (15,490,330)                                                    | 15,490,330                                  | –                         | –            | –             |
| Depreciation                                                            | (326,481)                                      | (8,659,441)                                                     | (5,732,217)                                 | (1,570,592)               | (101,808)    | (16,390,538)  |
| Impairment charges                                                      | (3,810,972)                                    | (51,993,745)                                                    | (1,879,119)                                 | –                         | (109,400)    | (57,793,236)  |
| Exchange adjustments                                                    | 69,554                                         | (420,746)                                                       | (122,654)                                   | –                         | 33,377       | (440,470)     |
| Net carrying amount at 31 December 2009                                 | 75,761,437                                     | 315,076,201                                                     | 31,885,099                                  | 33,476,205                | 1,541,491    | 457,740,434   |
| Acquisition or production cost                                          | 80,194,815                                     | 412,584,002                                                     | 49,330,033                                  | 38,329,161                | 1,950,096    | 582,388,106   |
| Accumulated depreciation and impairment                                 | (4,433,377)                                    | (97,507,800)                                                    | (17,444,933)                                | (4,852,957)               | (408,604)    | (124,647,672) |
|                                                                         | 75,761,437                                     | 315,076,201                                                     | 31,885,099                                  | 33,476,205                | 1,541,491    | 457,740,434   |
| Including:                                                              |                                                |                                                                 |                                             |                           |              |               |
| • Property under construction                                           | 24,639,487                                     | 54,992,901                                                      | 1,387,348                                   | –                         | –            | 81,019,736    |

Impairment of “Property, plant and equipment” was recognized in the amount of EUR 57,793,236.00 (previous year: EUR 10,050,859.00) because an external appraisal showed a lower recoverable amount than the carrying value on the reporting date.

Because of the international financial and economic crisis, occupancy rates and average room rates are expected to decline in the tourism industry in the coming years. In addition, the risk premiums on which the valuations are based have increased.

Property, plant and equipment with a carrying value of EUR 444,068,657 (previous year: EUR 457,205,507.00 ) are subject to a first charge to secure the Group's loans (Note 20.1.). Additions contain capitalized interest of EUR 2,828,462.00 (previous year: EUR 1,438,919.00). The related finance interest rate is EURIBOR + 1.5 to 2.5%.

\*) Finance lease includes rights equivalent to land of EUR 6,658,902.00 (previous year: EUR 6.7 million), buildings of EUR 24,757,334.00 (previous year: EUR 24.9 million) and equipment and hotel furniture of EUR 2,059,969.00 (previous year: EUR 2.0 million).

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

|                                         | 2009       | 2008       |
|-----------------------------------------|------------|------------|
| • Buildings (including finance leasing) | Ø 35 Jahre | Ø 35 Jahre |
| • Furniture, fixtures and equipment     | 7-10 Jahre | 7-10 Jahre |
| • Plant                                 | 20 Jahre   | 20 Jahre   |

Hotels are separated into the following components according to IAS 16.43 component approach: building fabric (estimated useful life: 60 years), heating facilities and technical equipment (estimated useful life 15 years) and furnishings, fixtures and equipment (estimated useful life 7 years), each based on the historical acquisition date and the remaining useful life.

**Additions from investments relate to the following projects:**

|                                                                                     | 2009              | 2008               |
|-------------------------------------------------------------------------------------|-------------------|--------------------|
| Completion of "andel's hotel Lodz"                                                  | 28,458,670        | 36,027,594         |
| Completion of "andel's hotel Berlin"                                                | 10,544,049        | 31,249,735         |
| Completion of "angelo hotel Ekaterinburg"                                           | 27,471,758        | 13,685,968         |
| Construction progress "Airport City St. Petersburg" (hotel part)                    | 3,953,919         | 3,494,409          |
| Construction progress "angelo Katowice"                                             | 7,024,152         | 4,123,664          |
| Renovation of "Hotel Magic Circus, Paris"                                           | 1,778,428         | 366,619            |
| Purchase of properties for Louvre joint venture                                     | 1,976,232         | 4,434,602          |
| Renovation of Hotel Diplomat in CZ, Prague                                          | 128,200           | 820,715            |
| Renovation of Hotel Dvorak in CZ, Prague                                            | 221,001           | 361,858            |
| Renovation of "Hotel Dreamcastle" in Paris                                          | 348,599           | 322,980            |
| Renovation of Hotel Palace in CZ, Prague                                            | –                 | 49,484             |
| Completion of "angelo hotel Plzen"                                                  | –                 | 7,286,132          |
| Completion of "angelo hotel Munich"                                                 | –                 | 5,293,003          |
| Expansion of "angelo airport hotel Bucharest"                                       | –                 | 5,299,503          |
| Expansion of "Hotel Savoy Prague"                                                   | –                 | 146,659            |
| Purchase of property adjacent to "Parkur Tower"                                     | –                 | 1,288,932          |
| Purchase of properties in Berlin (previous year PL, Bialystok "Bialystok Shopping") | 1,839,214         | 926,035            |
| Other project developments and current investments related to hotels                | 2,964,691         | 3,985,756          |
|                                                                                     | <b>86,708,912</b> | <b>119,163,650</b> |

**Cash flow**

|                                                                                    | 2009                | 2008                 |
|------------------------------------------------------------------------------------|---------------------|----------------------|
| Cash received from sale of properties                                              | 27,912,317          | 4,698,932            |
| Payments agreed for investments                                                    | (86,708,912)        | (119,163,650)        |
| ± Outflows for the acquisition of investment properties                            | 6,501,719           | 9,195,382            |
| ± Deferred tax liabilities associated with purchased property, plant and equipment | 166,351             | 156,912              |
| ± Tax incurred for the purchase of property, plant and equipment                   | 106,459             | (2,297,138)          |
| ± Change in provisions related to investment properties                            | 934,005             | –                    |
| + Reimbursements from insurance policies                                           | 325,000             | –                    |
| - Penalty interest on construction invoices                                        | (786,722)           | –                    |
| - Fee for franchise contract termination Holiday Inn France                        | (1,250,000)         | –                    |
|                                                                                    | <b>(80,712,100)</b> | <b>(112,108,494)</b> |

Cash receipts from sold property, plant and equipment pertain primarily to the sale of "andel's hotel Krakow" (previous year: "Villa Margareta"). See the additional information in Note 23.5.

**[11] Investment properties**

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

|                                            | 2009        | 2008        |
|--------------------------------------------|-------------|-------------|
| Net carrying amounts at 1 January          | 39,255,822  | 17,679,162  |
| Changes in the scope of consolidation      | (6,416,555) | (3,649,379) |
| Additions                                  | 11,099,006  | 11,581,704  |
| Transfers of property, plant and equipment | –           | 17,089,012  |
| Depreciation                               | (764,042)   | (477,454)   |
| Impairment charges                         | (289,841)   | (2,969,683) |
| Exchange adjustment                        | 1,128       | 2,460       |
| Net carrying amount at 31 December         | 42,885,519  | 39,255,822  |

Impairment of “Investment properties” was recognized in the amount of EUR 289,841.00 (previous year: EUR 2,969,683.00) because an external appraisal showed a lower recoverable amount than the carrying value on the reporting date.

Because of the international financial and economic crisis, rental revenues are expected to decline in the coming years. In addition, the risk premiums on which the valuations are based have increased.

|                                                                                                                  | 2009              | 2008              |
|------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Acquisition or production cost                                                                                   | 46,403,420        | 43,778,462        |
| Accumulated depreciation and impairment                                                                          | (3,517,901)       | (4,522,640)       |
| Net carrying amount at 31 December                                                                               | 42,885,519        | 39,255,822        |
| Thereof under construction                                                                                       | 25,285,909        | 24,490,684        |
| Thereof pledged as for interest-bearing loans                                                                    | 42,159,946        | 38,500,324        |
| Thereof land value                                                                                               | 3,645,131         | 4,672,103         |
| <i>Fair market value as of year end according to appraiser's valuation opinion: in line with the Group share</i> | <i>65,420,000</i> | <i>65,449,173</i> |
| Result from “Investment properties”:                                                                             |                   |                   |
| Rental income and charged expenses                                                                               | 3,175,244         | 3,243,364         |
| Direct expenses                                                                                                  | (981,837)         | (1,130,300)       |
| Expenses for repair and maintenance                                                                              | –                 | (5,512)           |
| Net rental income                                                                                                | 2,193,407         | 2,107,552         |

The office buildings Parkur Tower, Sajka Utca, Dioszegi Utca, Erzsébet Utca tower A, Archive Munich and Sobieski office building were fully rented out.

| Cash flow                                                        | 2009         | 2008         |
|------------------------------------------------------------------|--------------|--------------|
| Payments agreed for investments                                  | (11,099,006) | (11,581,704) |
| ± Tax incurred for the purchase of property, plant and equipment | 46,758       | (42,339)     |
| ± Outflows for the acquisition of investment properties          | (1,468,694)  | 1,525,350    |
|                                                                  | (12,520,943) | (10,098,693) |

**[12] Intangible assets**

| in EUR                                  | Computer<br>software | Other intangible<br>assets | Goodwill    | Total       |
|-----------------------------------------|----------------------|----------------------------|-------------|-------------|
| Net carrying amount at 1 January 2008   | 204,778              | –                          | 7,409,809   | 7,614,587   |
| Business combinations (IFRS 3)          | –                    | 3,521,127                  | –           | 3,521,127   |
| Changes in the scope of consolidation   | 11,024               | –                          | 1,691,767   | 1,702,791   |
| Additions from investments              | 174,034              | –                          | –           | 174,034     |
| Depreciation                            | (136,842)            | –                          | –           | (136,842)   |
| Impairments                             | –                    | –                          | (6,750,684) | (6,750,684) |
| Exchange adjustment                     | (214)                | (371,603)                  | –           | (371,817)   |
| Net carrying amount at 31 December 2008 | 252,781              | 3,149,523                  | 2,350,892   | 5,753,197   |
| Acquisition or production cost          | 923,531              | 3,149,523                  | 2,350,892   | 6,423,947   |
| Accumulated depreciation and impairment | (670,750)            | –                          | –           | (670,750)   |
|                                         | 252,781              | 3,149,523                  | 2,350,892   | 5,753,197   |
| Net carrying amount at 1 January 2009   | 252,781              | 3,149,523                  | 2,350,892   | 5,753,197   |
| Disposals                               | (15,174)             | –                          | –           | (15,174)    |
| Additions from investments              | 310,503              | –                          | –           | 310,503     |
| Depreciation                            | (150,296)            | –                          | –           | (150,296)   |
| Impairment charges                      | –                    | (3,008,178)                | (1,429,626) | (4,437,804) |
| Exchange adjustment                     | (15)                 | (141,346)                  | –           | (141,360)   |
| Net carrying amount at 31 December 2009 | 397,799              | –                          | 921,266     | 1,319,066   |
| Acquisition or production cost          | 1,209,307            | 3,008,178                  | 921,266     | 5,138,751   |
| Accumulated depreciation and impairment | (811,508)            | (3,008,178)                | –           | (3,819,685) |
|                                         | 397,799              | –                          | 921,266     | 1,319,066   |

As part of a business combination effected in the previous year, an option to buy an adjacent piece of land was recognized under “Other intangible assets” in the amount of EUR 3,521,127.00. After an impairment test was conducted on this asset in the reporting period, the value of this asset was written down to EUR 3,008,178.00.

### [13] Impairment of goodwill

Goodwill acquired in business combinations has been allocated to the following cash-generating units for impairment testing:

|                                                                      | 2009    | 2008      |
|----------------------------------------------------------------------|---------|-----------|
| GHB Grassi GmbH (Hotel Diplomat)                                     | –       | 304,952   |
| UBX Praha 1 s.r.o. (angelo hotel Prague)                             | 921,266 | 921,266   |
| Reitano Holdings Ltd, CY-Nicosia (Hotel Liner & angelo Ekaterinburg) | –       | 675,986   |
| UBX Krakau Sp.z.o.o. (andel's hotel Krakow)                          | –       | 428,131   |
| EI Invest Sp.z.o.o. (energy project)                                 | –       | 20,557    |
|                                                                      | 921,266 | 2,350.892 |

Goodwill in the amount of EUR 1,429,626.00 had to be written down in the year under report because the earnings assumptions on which the goodwill was based no longer applied. This was related to goodwill for the interest in GHB Grassi GmbH (Hotel Diplomat) in the amount of EUR 304,952.00, for the hotels “Liner and angelo Ekaterinburg” in the amount of EUR 675,986.00, as well as for the hotel “andel's Krakow” in the amount of EUR 428,131.00.

#### Cash-generating units

The recoverable amount of the cash-generating units is determined on the basis of the respective fair market value less costs of sale in accordance with an external expert opinion.

In calculating the fair values of the properties, the mean of the value determined using the income capitalization approach and the value obtained using the discounted cash flow (DCF) approach was used. The hotel yields for the calculation were as follows: for Poland between 6.5% and 9.5% (2008: 6.25% to 9.0%), for the Czech Republic between 7.0% and 9.0% (2008: 7.0% to 7.5%) and for Russia between 11% and 12% (2008: 10%). The yield reflects current market valuations arising from uncertainties about the amounts and timing of future cash flows. The projected cash flows are based on the approved budgets of the hotels.

### [14] Shares in associated companies

Warimpex recognizes two entities as associated companies, as it has a material influence:

1) The Warimpex Group held a 26.57% interest in “Palais Hansen Immobilienentwicklung GmbH” as of the reporting date.

Warimpex has undertaken to develop this property together with the other owners. The permit under the historical monument protection regulations (a prerequisite for the construction permit) was obtained during the reporting period. According to current plans, investment costs will total EUR 120 million, of which 45% is to be covered by equity.

2) The Company holds a 15% share in the company “Phoesia Sp.z.o.o.” through its 70% subsidiary “WX Rondo One Holding s.a.r.l.”. “Phoesia Sp.z.o.o.” owns and is developing the real estate project “GATX Warsaw”. The Group's net interest in the GATX project is 10.5%.

The fair value less selling costs used during the impairment test to determine the recoverable amount is based on a current market transaction (see Note 27).

|                                       | Palais Hansen 26.57% |             | GATX 10.5% |           | Total       |             |
|---------------------------------------|----------------------|-------------|------------|-----------|-------------|-------------|
|                                       | 2009                 | 2008        | 2008       | 2008      | 2009        | 2008        |
| Capital share                         | 9,300                | 9,300       | 8,250      | 8,250     | 17,550      | 17,550      |
| Total capital contributions, loans    | 9,766,538            | 8,896,871   | 2,747,567  | 2,645,479 | 12,514,106  | 11,542,351  |
| Accumulated impairment                | (3,188,682)          | (2,369,951) | (5,562)    | –         | (3,194,243) | (2,369,951) |
|                                       | 6,587,156            | 6,536,220   | 2,750,256  | 2,653,729 | 9,337,412   | 9,189,950   |
| Revenues                              | –                    | –           | 38,400     | –         | 38,400      | –           |
| Interest charges                      | –                    | –           | 100,740    | 67,729    | 100,740     | 67,729      |
| Profit allocation                     | (818,731)            | (2,369,951) | (5,562)    | –         | (824,292)   | (2,369,951) |
| Total assets in EUR millions          | 60,3                 | 54,9        | 22,90      | 12,6      | 83          | 67          |
| Debt in EUR millions                  | (35,5)               | 30,3        | (20,13)    | –         | (56)        | 30          |
| Income in EUR millions                | 0,0                  | –           | 0,63       | –         | 1           | –           |
| Profit for the period in EUR millions | (1,2)                | (4,1)       | (0,04)     | –         | (1)         | (4)         |

### [15] Other financial assets

|                                           | 2009       | 2008       |
|-------------------------------------------|------------|------------|
| Loans                                     | 10,072,799 | 5,187,352  |
| Advances made for business combinations   | 15,131     | 1,015,131  |
| Loans made to joint ventures              | 49,152,575 | 36,550,216 |
| Deposits with banks pledged as collateral | 6,042,600  | 5,030,377  |
| Loans given to managers                   | –          | 100,661    |
| Pension reimbursement insurance rights    | 1,475,012  | 1,215,996  |
| Other non-current financial assets        | 663,422    | 1,040,514  |
|                                           | 67,421,539 | 50,140,248 |

Loans consist primarily of a loan extended to the company “RL UBX Hotelinvestments Luxembourg S.a.r.l.” and to “Asset Paris II Luxembourg S.a.r.l.”. They also contain a non-current purchase price claim in the amount of EUR 8 million, which was discounted at 12% over a period of 5 years.

The loans to joint ventures are presented in detail in Note 20.6.

Deposits with banks pledged as collateral in the amount of EUR 3,037,170.00 (previous year: EUR 5,030,377.00) relate to the former subsidiary andel’s Praha a.s., which was sold in 2005 (see also Note 23.4.). An amount of EUR 3,005,430.00 (previous year: EUR 0.00) relates to the hotel “andel’s Krakow”, which was sold during the reporting period (see also Note 23.5.). As regards the terms and conditions of related-party loans please refer to Note 24.

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



**[16] Inventories**

|                                                                    | 2009             | 2008             |
|--------------------------------------------------------------------|------------------|------------------|
| Materials and merchandise                                          | 1,698,813        | 1,602,909        |
| Real estate development projects under development or construction | 1,314,444        | 50,000           |
|                                                                    | <u>3,013,257</u> | <u>1,652,909</u> |

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

**Real estate development projects under development or construction**  
**in the reporting period as follows:**

|                                          | 2009             | 2008          |
|------------------------------------------|------------------|---------------|
| Net carrying amount at 1 January         | 50,000           | 768,650       |
| Inventory increase                       | 1,314,444        | –             |
| Inventory reduction (sale of apartments) | (50,000)         | (377,922)     |
| Changes in impairments                   | –                | (301,331)     |
| Exchange effects                         | –                | (39,396)      |
| Net carrying amount at 31 December       | <u>1,314,444</u> | <u>50,000</u> |

**[17] Trade and other receivables (current)**

|                                                  | 2009              | 2008              |
|--------------------------------------------------|-------------------|-------------------|
| Trade receivables                                | 5,237,907         | 6,005,584         |
| Receivables for taxes                            | 7,054,041         | 6,723,074         |
| Receivables relating to the sale of subsidiaries | 488,500           | 8,000,000         |
| Advance payments made                            | 396,928           | 477,590           |
| Other current receivables and assets             | 1,395,351         | 1,212,508         |
| Receivables due from associated companies        | 122,379           | –                 |
| Receivables due from joint ventures              | 195,835           | 435,779           |
| Receivables due from related parties             | 712               | 606               |
| Deferred expenses                                | 1,133,925         | 514,624           |
|                                                  | <u>16,025,579</u> | <u>23,369,764</u> |

Receivables relating to the sale of subsidiaries pertain to the contractually agreed retention of a portion of the purchase price for the hotel "andel's Krakow", which was sold in 2009.

**The maturity structure of trade receivables is as follows:**

|                                                 | 2009             | 2008             |
|-------------------------------------------------|------------------|------------------|
| • neither overdue, nor bad debt provision made  | 3,147,255        | 4,772,785        |
| • 30 days overdue, no bad debt provision made   | 1,112,234        | 558,055          |
| • 60 days overdue, no bad debt provision made   | 360,955          | 264,767          |
| • 90 days overdue, no bad debt provision made   | 328,472          | 124,160          |
| • 120 days overdue, no bad debt provision made  | 226,118          | 17,725           |
| • >120 days overdue, no bad debt provision made | 62,874           | 268,092          |
| • Impaired receivables                          | 253,702          | 451,904          |
|                                                 | <u>5,491,609</u> | <u>6,457,488</u> |

**Specific provisions for trade receivables developed as follows:**

|                            | <b>2009</b>      | <b>2008</b>      |
|----------------------------|------------------|------------------|
| • At 1 January             | (451,904)        | (444,006)        |
| • Use of provisions        | 207,318          | 56,748           |
| • Write-back of provisions | (5,839)          | (11,249)         |
| • Allocation of provisions | 4,741            | (77,956)         |
| • Exchange effects         | (8,018)          | 24,559           |
|                            | <u>(253,702)</u> | <u>(451,904)</u> |

Trade receivables are non-interest-bearing and are generally on ten to 90-day terms. For details on receivables due from related parties and joint ventures, please refer to Note 24.

**[18] Cash and short-term deposits**

|                                      | <b>2009</b>       | <b>2008</b>       |
|--------------------------------------|-------------------|-------------------|
| Cash in hand                         | 402,804           | 255,156           |
| Cash at banks                        | 10,836,677        | 26,661,458        |
| Short-term deposits                  | 133,960           | 498,634           |
| Deposits for short-term bridge loans | 560,000           | 5,027,099         |
| Accounts set up for project loans    | –                 | 670,000           |
|                                      | <u>11,933,442</u> | <u>33,112,348</u> |

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

The fair value of cash and cash equivalents amounts to EUR 11,933,442.00 (previous year: EUR 33,112,348.00).

At 31 December 2009 the Group had access to unused short-term borrowing facilities amounting to EUR 2,708,017.00 (previous year: EUR 3,726,288.00), for which it fulfilled all terms and conditions.

**[19] Other reserves**

| in EUR                                         | Revaluation<br>reserve | Net unrealized<br>gains/losses<br>reserve | Foreign cur-<br>rency trans-<br>lation reserve | Total       |
|------------------------------------------------|------------------------|-------------------------------------------|------------------------------------------------|-------------|
| At 1 January 2008                              | 5,358,755              | 251,567                                   | 197,905                                        | 5,808,226   |
| Revaluation of land and buildings              | 4,833,769              | –                                         | –                                              | 4,833,769   |
| (Deferred) tax effects from revaluation        | (918,416)              | –                                         | –                                              | (918,416)   |
| Foreign currency translation                   | –                      | –                                         | (1,533,706)                                    | (1,533,706) |
| (Deferred) tax effects of currency translation | –                      | –                                         | 129,400                                        | 129,400     |
| Net gains/losses from hedging                  | –                      | (44,832)                                  | –                                              | (44,832)    |
| (Deferred) tax effects from hedging            | –                      | 8,518                                     | –                                              | 8,518       |
| At 31 December 2008                            | 9,274,108              | 215,253                                   | (1,206,401)                                    | 8,282,960   |
| At 1 January 2009                              | 9,274,108              | 215,253                                   | (1,206,401)                                    | 8,282,960   |
| Changes in the scope of consolidation          | –                      | –                                         | (19,230)                                       | (19,230)    |
| Revaluation of land and buildings              | (4,833,769)            | –                                         | –                                              | (4,833,769) |
| (Deferred) tax effects from revaluation        | 918,416                | –                                         | –                                              | 918,416     |
| Foreign currency translation                   | –                      | –                                         | (472,722)                                      | (472,722)   |
| (Deferred) tax effects of currency translation | –                      | –                                         | 100,196                                        | 100,196     |
| Net gains/losses from hedging                  | –                      | (734,628)                                 | –                                              | (734,628)   |
| (Deferred) tax effects from hedging            | –                      | 139,579                                   | –                                              | 139,579     |
| At 31 December 2009                            | 5,358,755              | (379,796)                                 | (1,598,156)                                    | 3,380,802   |

**[20] Financial liabilities**

|                                                                      | 2009        | 2008        |
|----------------------------------------------------------------------|-------------|-------------|
| <b>Current</b>                                                       |             |             |
| Overdrafts                                                           | 49,863,817  | 56,273,713  |
| Bridge loans                                                         | –           | 18,487,683  |
| Project loans                                                        | 12,774,259  | 7,954,481   |
| Project loans with breaches of loan agreements on the reporting date | 6,762,229   | 7,261,804   |
| Other loans                                                          | 819,641     | 29,313      |
|                                                                      | 70,552,125  | 90,006,995  |
| <b>Non-current</b>                                                   |             |             |
| Project loans                                                        | 337,318,404 | 284,311,609 |
| Obligations under finance leases                                     |             |             |
| • Interest-bearing bank loans                                        | 27,829,871  | 26,531,826  |
| • Non-interest-bearing purchase option and loans                     | 8,888,737   | 8,355,962   |
| Loans from joint ventures                                            |             |             |
| • Interest-bearing (see Note 20,6,)                                  | 40,401,793  | 29,355,399  |
| • Non-interest-bearing                                               | 2,450,995   | 650,995     |
| Loans from minority interests                                        | 1,669,429   | 3,026,742   |
|                                                                      | 418,559,227 | 352,232,532 |
| <b>Total financial liabilities</b>                                   | 489,111,353 | 442,239,527 |

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

Financial liabilities in a total amount of EUR 357,466,829.00 (previous year: EUR 344,547,404.00) are secured by mortgages on land and buildings and changed as follows during the reporting period:

|                                                                                        | At<br>01.01.2009 | Changes in<br>the scope of<br>consolidation | New<br>borrowings | Repayment<br>of loans | Other<br>changes | At<br>31.12.2009 |
|----------------------------------------------------------------------------------------|------------------|---------------------------------------------|-------------------|-----------------------|------------------|------------------|
| <b>a) Project-related loans secured by mortgages Subsidiaries (full consolidation)</b> |                  |                                             |                   |                       |                  |                  |
| for andel's hotel Lodz                                                                 | 33,833,284       | –                                           | 16,166,716        | –                     | –                | 50,000,000       |
| for Hotel Diplomat                                                                     | 34,406,569       | –                                           | –                 | (2,513,506)           | 18,757           | 31,911,820       |
| for Ekaterinburg                                                                       | 21,569,807       | –                                           | 16,758,975        | –                     | 365,597          | 38,694,379       |
| for angelo airport hotel                                                               | 18,487,683       | –                                           | 12,000,000        | (18,487,683)          | –                | 12,000,000       |
| for andel's hotel Krakow                                                               | 15,470,715       | –                                           | 29,250            | (15,499,965)          | –                | –                |
| for Hotel Palace                                                                       | 14,876,500       | –                                           | –                 | (1,352,000)           | –                | 13,524,500       |
| for Hotel Chopin                                                                       | 12,033,163       | –                                           | –                 | (650,789)             | 6,585            | 11,388,959       |
| for angelo hotel Prague                                                                | 10,327,898       | –                                           | 2,139,502         | (613,658)             | –                | 11,853,742       |
| for Erszebet office buildingt                                                          | 9,052,834        | –                                           | 2,779,340         | –                     | –                | 11,832,175       |
| for Hotel Amber Baltic                                                                 | 8,462,627        | –                                           | –                 | (1,139,341)           | (21,131)         | 7,302,156        |
| for Hotel Savoy                                                                        | 7,454,637        | –                                           | –                 | (789,975)             | –                | 6,664,662        |
| for Hotel Le Palais                                                                    | 6,876,973        | –                                           | –                 | (415,317)             | –                | 6,461,657        |
| for Cetelem office building                                                            | 4,214,899        | (4,200,000)                                 | –                 | (14,899)              | –                | –                |
| for Warsaw gas heating plant                                                           | 384,831          | –                                           | –                 | (84,818)              | 559              | 300,572          |
| for Warsaw gas pipeline                                                                | 241,270          | –                                           | –                 | (57,831)              | 38               | 183,477          |
| for Sajka office building                                                              | 82,207           | –                                           | –                 | (82,207)              | –                | –                |
| for Hotel Dvorak                                                                       | 21,135,056       | –                                           | –                 | (1,399,041)           | 11,042           | 19,747,057       |
|                                                                                        | 218,910,954      | (4,200,000)                                 | 49,873,783        | (43,101,030)          | 381,448          | 221,865,155      |
| <b>Joint ventures (proportionate consolidation)</b>                                    |                  |                                             |                   |                       |                  |                  |
| for Hotel InterContinental 50%                                                         | 30,980,463       | –                                           | –                 | (1,000,000)           | 33,692           | 30,014,155       |
| for Hotel Dream Castle 50%                                                             | 18,529,951       | –                                           | –                 | (222,275)             | –                | 18,307,675       |
| for Hotel andel's Berlin 50%                                                           | 29,020,161       | –                                           | 5,229,839         | –                     | –                | 34,250,000       |
| for Hotel Magic Circus Paris 50%                                                       | 8,001,875        | –                                           | 1,850,000         | –                     | 2,500            | 9,854,375        |
| for Leuchtenbergring project 49,5%                                                     | 15,680,994       | –                                           | 436               | –                     | –                | 15,681,430       |
| for Sobieski hotel and office building 25%                                             | 8,380,836        | –                                           | –                 | (272,462)             | 38,589           | 8,146,963        |
| for Parkur Tower office building 50%                                                   | 5,607,559        | –                                           | –                 | (213,653)             | –                | 5,393,906        |
| for angelo hotel Katowice 50%                                                          | 2,732,612        | –                                           | 4,759,791         | –                     | –                | 7,492,402        |
| for angelo hotel Plzen 50%                                                             | 6,702,000        | –                                           | –                 | (250,832)             | 9,600            | 6,460,768        |
|                                                                                        | 344,547,404      | (4,200,000)                                 | 61,713,848        | (45,060,252)          | 465,829          | 357,466,829      |
| <b>b) Other loans and facilities</b>                                                   |                  |                                             |                   |                       |                  |                  |
| Short-term borrowing facilities                                                        | 56,273,713       | –                                           | 11,947,929        | (18,737,505)          | 379,680          | 49,863,817       |
| Long-term borrowing facilities                                                         | –                | –                                           | 27,550,113        | –                     | –                | 27,550,113       |
| Current loans                                                                          | 29,313           | 625,577                                     | 160,027           | –                     | 4,724            | 819,641          |
| Non-current loans from joint ventures                                                  | 29,355,399       | (1,210,309)                                 | 12,095,994        | –                     | 160,709          | 40,401,793       |
| Lease purchase options and loans                                                       | 8,355,962        | –                                           | –                 | –                     | 532,774          | 8,888,737        |
| Non-interest-bearing loans                                                             | 650,995          | –                                           | 1,800,000         | –                     | –                | 2,450,995        |
| Non-current loans from minority interests                                              | 3,026,742        | –                                           | 99,683            | (1,463,378)           | 6,382            | 1,669,429        |
|                                                                                        | 97,692,124       | (584,731)                                   | 53,653,745        | (20,200,883)          | 1,084,270        | 131,644,524      |
| Total financial liabilities                                                            | 442,239,528      | (4,784,731)                                 | 115,367,594       | (65,261,135)          | 1,550,098        | 489,111,353      |

**20.2. Unused project loans**

The Group had unused project credit lines in the amount of EUR 3,640,437.00 (previous year: EUR 41,108,472.00) at 31 December 2009.

**20.3. Obligations under finance leases**

This item contains two finance leases which also include loans subject to interest. Since the lease agreements do not provide for minimum annual lease payments, the whole item is classified as non-current debt.

The contingent lease payments for the reporting period amounted to EUR 1.174 million (previous year: EUR 1.118 million).

**20.4. Project loans with breaches of loan agreements on the reporting date**

This position relates to two long-term project loans which were always serviced by the Group on schedule. However, since certain conditions of the loan agreements had not been adhered to as of the reporting date, these loans must be presented as current liabilities according to IFRS. Since debt service on the loans has always been on schedule, the financing banks have no intention of demanding immediate repayment in full.

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

|           | 2010 | 2011 | 2012 | 2013 | 2014 | >5 years | Total   |
|-----------|------|------|------|------|------|----------|---------|
| EUR 1.000 | 538  | 561  | 585  | 521  | 539  | 4,017    | (6,762) |

**20.5. Interest conditions for current and non-current financial liabilities**

| Total financial liabilities          | 2009        | 2008        |
|--------------------------------------|-------------|-------------|
| • Thereof non-interest-bearing       | 11,339,731  | 9,006,957   |
| Thereof from finance leases          | 8,888,737   | 8,355,962   |
| • Thereof carrying fixed interest    | 175,935,560 | 103,873,295 |
| • Thereof carrying variable interest | 301,836,062 | 329,359,275 |
|                                      | 489,111,353 | 442,239,527 |

| Interest range                                                                                        | 2009                                       | 2008       |
|-------------------------------------------------------------------------------------------------------|--------------------------------------------|------------|
| • Bank overdrafts                                                                                     | EURIBOR + 1.5% - 2.25%                     | 1.5%-2.25% |
| • Project loans (including loans where there is a breach of the loan agreement on the reporting date) | WIBOR / CHF-LIBOR / EURIBOR + 0.5% - 2.25% | 0.5%-2.25% |
| • Bridge loans                                                                                        | EURIBOR + 3%                               | + 3%       |
| • Loans from joint ventures                                                                           | EURIBOR + 1.5% - 2.5%                      | 1.5%-2.5%  |
| • Loans from minority interests                                                                       | EURIBOR + 1.5% - 2.5%                      | 1.5%-2.5%  |
| • Other loans                                                                                         | EURIBOR + 1.0% - 1.5%                      | 1.0%-1.5%  |

For information on the fair values of fixed-interest-bearing financial liabilities, please refer to Note 26.

## 20.6. Loans from joint ventures

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

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

|                                                | (Loans given to joint ventures – see Note 15) |              |                  | Loans received from joint venture partners |            |                  |
|------------------------------------------------|-----------------------------------------------|--------------|------------------|--------------------------------------------|------------|------------------|
|                                                | At<br>1/1/2009                                | Change for   | At<br>31/12/2009 | At<br>1/1/2009                             | Change for | At<br>31/12/2009 |
| Sienna Hotel Sp.z.o.o.                         | (10,125,281)                                  | (367,456)    | (10,492,737)     | 10,160,798                                 | 381,336    | 10,542,134       |
| Bürohaus Leuchtenbergring GmbH & Co, Besitz KG | (2,215,812)                                   | (196,950)    | (2,412,762)      | 2,171,934                                  | 193,050    | 2,364,984        |
| Joint-Venture LOUVRE                           | (2,839,674)                                   | (911,932)    | (3,751,606)      | 1,702,574                                  | 2,054,186  | 3,756,759        |
| GF Ramba Sp.z.o.o.                             | (980,963)                                     | 128,144      | (852,819)        | 978,907                                    | (109,671)  | 869,236          |
| Hotelinvestments s.a.r.l.                      | (1,660)                                       | (1,601)      | (3,261)          | 1,608                                      | 1,657      | 3,265            |
| Melica Sp.z.o.o.                               | (830,719)                                     | (49,150)     | (879,869)        | 836,801                                    | 43,068     | 879,869          |
| Hotel Paris II S.a.r.l.                        | (127,021)                                     | (49,446)     | (176,467)        | 133,026                                    | 250,000    | 383,026          |
| UBX II France S.a.r.l.                         | –                                             | (52,587)     | (52,587)         | –                                          | 50,000     | 50,000           |
| UBX Katowice Sp.z.o.o.                         | (1,534,401)                                   | (462,074)    | (1,996,475)      | 1,533,750                                  | 461,160    | 1,994,910        |
| Avielen                                        | (9,676,630)                                   | (7,196,298)  | (16,872,929)     | 3,306,462                                  | 4,560,241  | 7,866,702        |
| UBX Plzen s.r.o.                               | (2,271,164)                                   | (138,162)    | (2,409,326)      | 2,287,872                                  | 184,341    | 2,472,213        |
| UBX 1 Objekt Berlin GmbH                       | (5,782,930)                                   | (2,477,393)  | (8,260,323)      | 6,077,559                                  | 2,151,368  | 8,228,927        |
| UBX 2 Objekt Berlin GmbH                       | (61,655)                                      | (552,851)    | (614,506)        | 61,565                                     | 551,781    | 613,346          |
| UBX 3 Objekt Berlin GmbH                       | (96,191)                                      | (274,230)    | (370,421)        | 96,104                                     | 273,615    | 369,719          |
| UBX 3 s.r.o.                                   | (6,116)                                       | (372)        | (6,488)          | 6,441                                      | 262        | 6,703            |
|                                                | (36,550,216)                                  | (12,602,359) | (49,152,575)     | 29,355,399                                 | 11,046,394 | 40,401,793       |

## 20.7. Loans from minority interests

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

**[21] Provisions****21.1. Pensions and other long-term employee benefit plans (Note 2.18.)**

| in EUR                                   | Contractual<br>pension<br>benefits | obligations for<br>long-term<br>service<br>bonuses | Legal obligation for<br>severance<br>payments | Legal obligation for<br>long-term<br>service<br>bonus | Total     |
|------------------------------------------|------------------------------------|----------------------------------------------------|-----------------------------------------------|-------------------------------------------------------|-----------|
| At 1 January 2008                        | 1,816,883                          | 93,894                                             | 1,105,834                                     | 31,225                                                | 3,047,836 |
| Benefits paid                            | (69,550)                           | –                                                  | –                                             | –                                                     | (69,550)  |
| Service costs                            | 48,180                             | 14,526                                             | 368,983                                       | 15,591                                                | 447,280   |
| Actuarial losses                         | (52,580)                           | –                                                  | –                                             | –                                                     | (52,580)  |
| Changes recognized in personnel expenses | (73,950)                           | 14,526                                             | 368,983                                       | 15,591                                                | 325,150   |
| Interest costs                           | 91,857                             | –                                                  | 79,667                                        | 2,529                                                 | 174,053   |
| Exchange effects PLN/EUR                 | (3,474)                            | (15,265)                                           | –                                             | –                                                     | (18,739)  |
| At 31 December 2008                      | 1,831,316                          | 93,155                                             | 1,554,484                                     | 49,345                                                | 3,528,300 |
| At 1 January 2009                        | 1,831,316                          | 93,155                                             | 1,554,484                                     | 49,345                                                | 3,528,300 |
| Service costs                            | 48,150                             | –                                                  | (323,869)                                     | (12,277)                                              | (287,996) |
| Actuarial gains                          | (54,307)                           | –                                                  | –                                             | –                                                     | (54,307)  |
| Changes recognized in personnel expenses | (6,157)                            | –                                                  | (323,869)                                     | (12,277)                                              | (342,303) |
| Interest costs                           | 97,453                             | –                                                  | 66,476                                        | 1,835                                                 | 165,764   |
| Exchange effects PLN/EUR                 | 329                                | 1,456                                              | –                                             | –                                                     | 1,785     |
| At 31 December 2009                      | 1,922,941                          | 94,611                                             | 1,297,091                                     | 38,904                                                | 3,353,547 |

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

|                               | 2009      | 2008      | 2007      | 2006      | 2005      |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|
| • Defined benefit obligations | 3,353,547 | 3,528,300 | 3,047,836 | 3,112,611 | 3,850,618 |
| • Actuarial (gains)/losses    | (54,307)  | (52,580)  | (496,664) | 53,609    | (17,143)  |

**21.2, Other provisions**

| EUR                                   | Current   | Non-current | Total     |
|---------------------------------------|-----------|-------------|-----------|
| At 1 January 2008                     | 1,033,507 | 322,193     | 1,355,700 |
| Changes in the scope of consolidation | (36,773)  | –           | (36,773)  |
| Utilized                              | (334,770) | (136,739)   | (471,509) |
| Additions                             | 154,239   | 370,072     | 524,312   |
| Exchange adjustments                  | 157       | –           | 157       |
| At 31 December 2008                   | 816,361   | 555,526     | 1,371,887 |
| At 1 January 2009                     | 816,361   | 555,526     | 1,371,887 |
| Changes in the scope of consolidation | (22,745)  | –           | (22,745)  |
| Utilized                              | (283,327) | (201,614)   | (484,941) |
| Additions                             | 4,157,775 | –           | 4,157,775 |
| Auflösung                             | –         | (353,913)   | (353,913) |
| Exchange adjustments                  | (1,606)   | –           | (1,606)   |
| At 31 December 2009                   | 4,666,457 | –           | 4,666,457 |

The non-current provision was set up for onerous contracts and relates to a lease obligation of the subsidiary “Vladinvest s.r.o.” which has existed since 2005. Due to the current status of sublease contracts at the end of the reporting period, the provision could be partially released up to the amount of the discounted present value of the expected future losses from the lease obligation. The discounting rate amounts to 6.5% (previous year: 6.5%). See also Note 23.7. “Other obligations”.

Current provisions contain a EUR 3.04 million cash flow guarantee for the andel’s hotel Prague and costs related to the project “Le Palais Warsaw” in the amount of EUR 1 million.

It is anticipated that these liabilities will lead to cash outflows within the next twelve months.

## [22] Trade payables and other current liabilities

|                                                                                  | 2009              | 2008              |
|----------------------------------------------------------------------------------|-------------------|-------------------|
| Trade payables                                                                   | 14,940,602        | 19,177,956        |
| Interest-bearing construction invoices from the completion of the “andel’s Lodz” | 12,453,281        | –                 |
| Trade payables due to joint ventures                                             | 642,459           | 519,739           |
| Trade payables due to related parties                                            | 966,239           | 947,098           |
| Purchase price obligations for investments                                       | 1,966,590         | 2,500,000         |
| Other payables                                                                   | 3,654,211         | 2,958,730         |
| Advance payments received                                                        | 901,896           | 924,202           |
|                                                                                  | <u>35,525,278</u> | <u>27,027,724</u> |

Other payables contain tax liabilities of EUR 139,553.00 (previous year: EUR 315,422.00), liabilities for social security contributions of EUR 478,807.00 (previous year: EUR 606,798.00) and accruals for compensated absences of EUR 412,635.00 (previous year: EUR 431,072.00).

For terms and conditions concerning related parties, please refer to Note 24.

Trade payables are non-interest-bearing and are normally settled within ten to 60 days. Current tax liabilities and liabilities for social security contributions are non-interest-bearing, except for late payment. These liabilities are generally due within 30 days. Other liabilities are non-interest-bearing and also contain liabilities owed to employees for wages and salaries for December 2009.

Invoices from the general contractor for the construction of the andel’s hotel Lodz totalling EUR 12.45 million are still outstanding. An interest rate of 5% was agreed for these claims.



## [23] Other commitments, litigation and contingencies

### 23.1. Litigation

#### 23.1.1. Airport City construction project in St. Petersburg

The company "GlavPromStroy" (GPS) was commissioned as general contractor by the joint venture "OAO Avielen AG" for the "Airport City St. Petersburg" project in 2007. GPS was not able to meet the agreed schedule in the previous reporting period. As a result, the contract was terminated and a different company selected as general contractor.

It was not possible to reach an agreement with GPS regarding the final invoice. As a result, the project company "OAO Avielen AG" drew the down-payment guarantee in the amount of RUB 119 million, and the issue was taken to court.

The court ruled that the down-payment guarantee was invalid in the first instance, and all legal recourse was taken to contest this decision. As far as the company is concerned, GPS's final invoice is roughly EUR 2–3 million higher than is justified by the services rendered. It was not clear when this dispute will be settled as of the reporting date.

#### 23.1.2. Completion of the hotel project "andel's Berlin"

The Group was subject to obligations to the city of Warsaw in connection with the start of construction for the project "Le Palais Warsaw". As construction did not start during the reporting period (the construction permit for a hotel was replaced by an application for a permit for the construction of an office building), these obligations came due and are included in the other current provisions in the amount of EUR 934,005.00 as explained in Note 21.2.

### 23.2. Contingent liabilities

Warschau“ bestanden hinsichtlich Zeitpunkt des Baubeginnes Verpflichtungen gegenüber der Stadt Warschau. Da im Berichtsjahr mit dem Bau nicht begonnen wurde (die Baugenehmigung für ein Hotel wurde ersetzt durch Antrag auf Baugenehmigung für ein Bürohaus), wurden diese Verpflichtungen schlagend und sind im Berichtsjahr mit Euro 934.005,- in den „sonstigen kurzfristigen Rückstellungen“ gem. Erläuterung Punkt 21.2. berücksichtigt.

### 23.3. Contractual bonds and guarantees

|                                                              |                |
|--------------------------------------------------------------|----------------|
| Contingent liability as explained in Note 23.4.              | 1,000,000 EUR  |
| Relating to the sale of andel's hotel Krakow                 |                |
| Guarantee as explained in Note 23.5.                         | 3,005,430 EUR  |
| Obligation in connection with the hotel "Euro Disney" Paris  |                |
| Guarantee as explained in Note 23.8.                         | 26,412,219 EUR |
| Obligation in connection with the hotel "Magic Circus" Paris |                |
| Guarantee as explained in Note 23.9.                         | 10,635,875 EUR |

### 23.4. Guarantees related to andel's hotel Prague (sold in 2005)

A GOP guarantee in the amount of EUR 5 million and secured by a pledged account was granted to the purchaser of the shares sold in 2005. Up to 31 December 2009, EUR 3,037,169.51 of this guarantee had been utilized; a provision was formed in the amount of the remaining credit in the pledged account for the 2009 monitoring period. See also Note [15]. 21.2. and 7.05.

In connection with the companies "Andel Investment s.r.o." and "Hotel Andel Praha a.s.", which were sold, grounds for the early termination of the management agreement with Vienna International AG applied in the year of sale and were covered by a payment of EUR 1 million as part of the sale..

If the new owner terminates the management agreement before 2014, an additional payment of EUR 1 million will come due.

**23.5. 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 and leased the hotel back for a period of 15 years. The annual lease fee is EUR 2 million, and is index-linked. An account in the amount of EUR 3 million was pledged as security.

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.

**23.6. Lease obligation of Vladinvest s.r.o.**

The wholly owned subsidiary "Vladinvest s.r.o." has concluded a master lease agreement with the former subsidiary that was sold as explained in Note 23.4 for 4,356.1 square metres of commercial real estate for a net rent of EUR 0.4 million p.a. (indexed). This rent is reduced by any rental income that the sold former subsidiary will be able to generate from renting out the property.

The master lease agreement was originally concluded for a term of 12 years and ends on 30 September 2017. A provision for onerous contracts that was formed in this connection was released in the reporting period because no shortfalls will arise from vacancies in future.

**23.7. OAO Avielen AG**

The project company "OAO Avielen" purchased the property on which "Airport City St. Petersburg" is being built from the city of St. Petersburg during the reporting period. A condition of the purchase agreement was that the investor group undertake to purchase the 15% share in the project held by St. Petersburg Airport.

Warimpex intends to purchase 5% of this interest in the first half of 2010, at which point it will hold a 55% stake in the company.

Roughly 70% of the planned construction was completed as of the end of the reporting period.

Please refer to Note 23.1. for additional information concerning the project "Airport City St. Petersburg".

**23.8. Hotel "Euro Disney Paris"**

In connection with the finance lease, the lessor has sell-out rights to Warimpex and the joint venture partner UBM Realitätenentwicklung AG. Warimpex is jointly liable for the 50% share in the joint venture partner.

The obligations arising from this joint liability above and beyond the financial liabilities recognized on the balance sheet totalled EUR 26.4 million on the reporting date (previous year: EUR 26.1 million).

**23.9. Hotel "Magic Circus Paris"**

In connection with the finance lease, the lessor has sell-out rights to Warimpex and the joint venture partner UBM Realitätenentwicklung AG. Warimpex is jointly liable for the 50% share in the joint venture partner.

The obligations arising from this joint liability above and beyond the financial liabilities recognized on the balance sheet totalled EUR 10.6 million on the reporting date (previous year: EUR 8.8 million).

## [24] Related party disclosures

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 178109 a, Commercial Court Vienna), as of the reporting date holds 14.5% of the shares in Warimpex Finanz- und Beteiligungs AG and 30.4% of the shares in Vienna International AG. Amber Privatstiftung is a related party due to Georg Folian being a member of its board of trustees.

### Bocca Privatstiftung

A-1210 Vienna, Floridsdorfer Hauptstrasse 1 (FN 178104 v, Commercial Court Vienna), as of the reporting date holds 14.4% of the shares in Warimpex Finanz- und Beteiligungs AG and 30.4% of the shares in Vienna International AG. Bocca Privatstiftung is a related party due to Franz Jurkowitsch being a member of its board of trustees.

### Dr. Franz Jurkowitsch

is a director of the Company and owns 19.1% of its shares as of the reporting date.

### Dkfm. Georg Folian

is a director of the Company and owns 19.2% of its shares as of the reporting date.

### Dr. Alexander Jurkowitsch

is a director of the Company and owns 0.8% of its shares as of the reporting date.

### Mag. Christian Fojtl

is a director of the Company and owns 0.7% of its shares as of the reporting date.

Additionally, Christian Fojtl is the economic beneficiary of "Homeinvestments Sp.zo.o.", which is a joint venture partner or minority shareholder of certain Group subsidiaries/joint ventures.

### Vienna International AG

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

All subsidiaries, joint ventures and associated companies (See Note 3)

**24.1. Transactions with Amber/Bocca Privatstiftung**

No transactions were effected in the reporting period.

**24.2. Transactions with other directors**

No transactions were effected in the reporting period.

**24.3. Transactions with Vienna International AG**

|                                    | 2009        | 2008        |
|------------------------------------|-------------|-------------|
| Balances at 1 January              | (937,285)   | (922,314)   |
| Charged management fees            | (4,019,642) | (4,677,881) |
| Charged administrative allocations | –           | 10,000      |
| ± Payments received and made       | 3,994,209   | 4,652,909   |
| Balances at 31 December            | (962,718)   | (937,285)   |

**24.4. Transactions with senior managers**

A bullet loan extended in a prior period was repaid in the amount of EUR 100,661.00 including interest.

**24.5. Joint ventures**

|                                                                            | 2009         | 2008         |
|----------------------------------------------------------------------------|--------------|--------------|
| Revenues from transactions with joint ventures – Note 7.01.                | 312,089      | 1,149,123    |
| Loans given to joint ventures – Note 20.6.                                 | 49,152,575   | 36,550,216   |
| Interest income on loans given to joint ventures – Note 7.07.              | 2,295,171    | 2,094,197    |
| Loans received from joint ventures and joint venture partners – Note 20.6. | (40,401,793) | (29,355,399) |
| Interest expense on loans received from joint ventures – Note 7.06.        | (1,084,691)  | (1,196,955)  |

**24.6. Other disclosures**

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

- Alarich Fenyves, Chairman of the Supervisory Board until 11.09.2009
- Heinrich Geyer, Deputy Chairman of the Supervisory Board  
Chairman of the Supervisory Board from 16.10.2009
- Wolfgang Mitterberger, Deputy Chairman of the Supervisory Board from 16.10.2009
- Viktor Igalfy-Igaly, Member
- William Henry Marie de Gelsey, Member
- Günter Korp, Member from 16.10.2009
- Harald Wengust, Member from 16.10.2009

Fees paid to members of the Supervisory Board of Warimpex Finanz- und Beteiligungs AG amounted to EUR 72,000.00 (previous year: EUR 101,000.00).

The total amount of compensation due to the directors for the reporting year amounted to EUR 1,060,011.00 (previous year: EUR 1,056,056.00). See the additional information in Note 7.03..

**[25] Financial risk management objectives and policies**

Aside from derivative forms of financing, the most significant financial instruments used by the Group are current account and bank loans, and cash, cash equivalents and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

The Group also enters into derivatives transactions which are intended to reduce the Group's exposure to interest rate risk.

All significant financial transactions are subject to approval by the Management Board and, when required, also approval by the Supervisory Board.

| <b>Net result by classification categories 2009</b> |        | <b>From interest</b> |             | <b>From revaluation</b> |               |
|-----------------------------------------------------|--------|----------------------|-------------|-------------------------|---------------|
|                                                     |        | At                   | Currency    | Impairment              | <b>Net</b>    |
| EUR millions                                        |        | fair value           | translation | write-downs             | <b>result</b> |
|                                                     |        |                      |             |                         | <b>2009</b>   |
| Loans and receivables (LaR)                         | (1.7)  | –                    | –           | –                       | (1.7)         |
| Available for sale assets (AfS)                     | 0.2    | –                    | –           | 0.6                     | 0.8           |
| Financial liabilities at amortized cost (FL)        | (17.7) | –                    | –           | –                       | (17.7)        |

| <b>Net result by classification categories 2008</b> |        | <b>From interest</b> |             | <b>From revaluation</b> |               |
|-----------------------------------------------------|--------|----------------------|-------------|-------------------------|---------------|
|                                                     |        | At                   | Currency    | Impairment              | <b>Net</b>    |
| EUR millions                                        |        | fair value           | translation | write-downs             | <b>result</b> |
|                                                     |        |                      |             |                         | <b>2008</b>   |
| Loans and receivables (LaR)                         | 1.0    | –                    | –           | –                       | 0.6           |
| Available for sale assets (AfS)                     | 0.2    | –                    | –           | (5.9)                   | (5.8)         |
| Financial liabilities at amortized cost (FL)        | (18.0) | –                    | –           | –                       | (18.0)        |

**Financial instruments by categories and classes**

| EUR millions                       |                                                             | Carrying     | At           | Fair       | Fair       | Recognition | Fair         |
|------------------------------------|-------------------------------------------------------------|--------------|--------------|------------|------------|-------------|--------------|
| Classification category            |                                                             | value        | amortized    | value      | value      | acc. to     | value        |
| acc. to IAS 39                     |                                                             | 31/12/2009   | cost         | in equity  | inP & L    | IAS 17      | 31/12/2009   |
| LaR                                | Cash and cash equivalents                                   | 11.9         | 11.9         |            |            |             | 11.9         |
| LaR                                | Trade and other receivables*)                               | 7.8          | 7.8          |            |            |             | 7.8          |
| LaR                                | Other financial assets                                      | 67.4         | 67.4         |            |            |             | 67.4         |
| AfS                                | Available-for-sale financial assets                         | –            |              | –          |            |             | –            |
| HfT                                | Derivative financial instruments                            | 0.1          |              | –          | 0.1        |             | 0.1          |
|                                    | Derivative financial instruments<br>in hedging transactions | –            |              | –          |            |             | –            |
| <b>Total financial assets</b>      |                                                             | <b>87.3</b>  | <b>87.2</b>  | <b>–</b>   | <b>0.1</b> | <b>–</b>    | <b>87.3</b>  |
| FL                                 | Trade and other payables **)                                | 33.6         | 33.6         |            |            |             | 33.6         |
|                                    | Derivative financial instruments<br>in hedging transactions | 0.5          |              | 0.5        |            |             | 0.5          |
| FL                                 | Interest-bearing loans and borrowings                       | 406.7        | 406.7        |            |            |             | 403.3        |
|                                    | Liabilities from finance leases                             | 37.1         |              |            |            | 37.1        | 37.1         |
| <b>Total financial liabilities</b> |                                                             | <b>477.8</b> | <b>440.3</b> | <b>0.5</b> | <b>–</b>   | <b>37.1</b> | <b>474.4</b> |

**Financial instruments by categories and classes – prior year**

| EUR millions                       |                                                             | Carrying     | At           | Fair       | Fair       | Recognition | Fair         |
|------------------------------------|-------------------------------------------------------------|--------------|--------------|------------|------------|-------------|--------------|
| Classification category            |                                                             | value        | amortized    | value      | value      | acc. to     | value        |
| acc. to IAS 39                     |                                                             | 31/12/2008   | cost         | in equity  | inP & L    | IAS 17      | 31/12/2008   |
| LaR                                | Cash and cash equivalents                                   | 33.1         | 33.1         |            |            |             | 33.1         |
| LaR                                | Trade and other receivables*)                               | 16.1         | 16.1         |            |            |             | 16.1         |
| LaR                                | Other financial assets                                      | 50.1         | 50.1         |            |            |             | 50.1         |
| AfS                                | Available-for-sale financial assets                         | –            |              | –          |            |             | –            |
| HfT                                | Derivative financial instruments                            | 1.4          |              | –          | 1.4        |             | 1.4          |
|                                    | Derivative financial instruments<br>in hedging transactions | 0.3          |              | 0.3        |            |             | 0.3          |
| <b>Total financial assets</b>      |                                                             | <b>101.1</b> | <b>99.4</b>  | <b>0.3</b> | <b>1.4</b> | <b>–</b>    | <b>101.1</b> |
| FL                                 | Trade and other payables **)                                | 24.8         | 24.8         |            |            |             | 24.8         |
| FL                                 | Interest-bearing loans and borrowings                       | 415.4        | 415.4        |            |            |             | 367.0        |
|                                    | Liabilities from finance leases                             | 26.9         |              |            |            | 26.9        | 26.9         |
| <b>Total financial liabilities</b> |                                                             | <b>467.0</b> | <b>440.1</b> | <b>–</b>   | <b>–</b>   | <b>26.9</b> | <b>418.6</b> |

\*) The trade and other receivables (see Note 17) contain non-financial assets in the amount of EUR 8.2 million (previous year: EUR 7.2 million).

\*\*) The trade and other payables (see Note 22) contain non-financial assets in the amount of EUR 1.9 million (previous year: EUR 2.3 million).

**Fair value hierarchy**

The financial assets measured at fair value were assigned to level 2 of the hierarchy.

**25.1. Interest rate risk**

The risk of fluctuations in market interest rates to which the Group is exposed results primarily from its variable-rate long-term financial liabilities. The Group uses a combination of fixed- and floating-rate loans to manage its interest expenses. The Group's risk management policies provide for a risk-oriented relationship between fixed-rate and variable-rate financial liabilities.

With a view to meeting this objective, the Group enters into interest rate swaps in which the Group and the respective contract partner exchange the difference between amounts bearing interest at fixed rates and floating rates calculated for pre-determined intervals based on a pre-specified principal amount. These interest rate swaps serve the purpose of hedging the underlying obligation.

Taking into account existing interest rate swaps, about 39.4% (previous year: 25.3%) of the Company's debt obligations were fixed-rate obligations as at 31 December 2009.

The following table shows the sensitivity of Group profit before tax to certain changes in interest rates which, based upon reasonable judgement, may in principle occur (owing to the impact of such changes on variable-rate loans). All other variables remain constant. The effects on Group equity amount to EUR 0.7 million (previous year: EUR 0.04 million).

|             | Increase/reduction<br>in basis points | Impact on<br>pre-tax profit/loss |
|-------------|---------------------------------------|----------------------------------|
| <b>2009</b> |                                       |                                  |
| Euribor     | +50                                   | (2,091,605)                      |
| CHF-Vibor   | +50                                   | (40,600)                         |
| WIBOR       | +50                                   | (2,775)                          |
| Euribor     | – 50                                  | 2,091,605                        |
| CHF-Vibor   | – 50                                  | 40,600                           |
| WIBOR       | – 50                                  | 2,775                            |
| <b>2008</b> |                                       |                                  |
| Euribor     | +50                                   | (1,529,581)                      |
| CHF-Vibor   | +50                                   | (41,675)                         |
| Bubor       | +50                                   | (3,787)                          |
| Euribor     | – 50                                  | 1,529,581                        |
| CHF-Vibor   | – 50                                  | 41,675                           |
| Bubor       | – 50                                  | 3,787                            |

## 25.2. Foreign currency risk

Foreign currency risk results primarily from loans and other interest-bearing liabilities denominated in foreign currencies (primarily CHF). There are no natural hedges, nor does the Group systematically use derivative financial instruments to hedge its exposure to foreign currency risk.

As a result, losses of EUR 358,553.00 (previous year: EUR 1,282,563.00) from the effect of foreign exchange rate fluctuations on loans and other interest-bearing liabilities were incurred and recognized for the reporting period.

Debt finance denominated in PLN and HUF does not expose the Group to foreign currency risk since the relevant subsidiaries' functional currency is the same as the currency in which the respective loans are denominated.

The currency denominations of financial liabilities break down as follows:

|     | 2009       | 2008       |        | 2009        | 2008        |
|-----|------------|------------|--------|-------------|-------------|
| CHF | 33,036,062 | 12,567,001 | in EUR | 22,267,499  | 8,462,627   |
| PLN | 1,988,571  | 2,612,345  | in EUR | 484,049     | 626,101     |
|     |            |            | in EUR | 466,359,805 | 433,150,799 |
|     |            |            |        | 489,111,353 | 442,239,527 |

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

Approximately 55.6% of personnel expenses; 58.7% of expenses for material and services received, 13.7% of development costs and 17.2% of other expenses accrue in currencies other than the functional currency of the cost-generating operating unit; whereas about 95% of revenues are generated in the functional currency of the respective operating unit.

The following table shows the sensitivity of the Group's profit before tax to certain changes in exchange rates which, based upon reasonable judgement, may in principle occur. All other variables remain constant. There are no impacts on Group equity.

|                  | CHF ±5%     | CZK ±5%     | PLN ±5%     | RON ±5%   | HUF ± 5% | RUB ± 10% | Total       |
|------------------|-------------|-------------|-------------|-----------|----------|-----------|-------------|
| Sensitivity 2009 | + (365,108) | (1,089,771) | (877,453)   | (97,650)  | (35,979) | 13,870    | (2,452,091) |
|                  | - 365,108   | 1,068,053   | 859,906     | 95,589    | 35,371   | (13,922)  | 2,410,105   |
| Sensitivity 2008 | + (423,131) | (1,311,840) | (1,062,420) | (127,917) | (44,037) | (15,748)  | (2,985,093) |
|                  | - 423,131   | 1,286,272   | 1,042,006   | 125,312   | 43,026   | 15,548    | 2,935,296   |

The following table shows the sensitivity of the Group's profit before tax from financial assets and liabilities to certain changes in exchange rates:

|                  |   | CZK ±5%  | PLN ±5%   | RON ±5% | HUF ± 5% | RUB ± 10% | Total     |
|------------------|---|----------|-----------|---------|----------|-----------|-----------|
| Sensitivity 2009 | + | (78,468) | 588,131   | (165)   | 16,095   | (86,591)  | 439,002   |
|                  | - | 78,468   | (588,131) | 165     | (16,095) | 86,591    | (439,002) |
| Sensitivity 2008 | + | (99,823) | (89,805)  | 8,095   | 78,347   | (423,780) | (526,966) |
|                  | - | 99,823   | 89,805    | (8,095) | (78,347) | 423,780   | 526,966   |



### 25.3. Default risk

The amounts stated as assets on the face of the consolidated balance sheet 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 immediately settled, especially in the segment “Hotels & Resorts”; generally, longer payment terms are only accepted with regard to receivables from travel agencies. The default risk associated with cash and short-term deposits can be considered moderate since the Group only works with financial institutions which can demonstrate sound creditworthiness.

### 25.4. 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.

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

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

Uniform Group accounting guidelines require that the share of debt capital falling due within 12 months should not exceed 35% of total interest-bearing loans and borrowings. At 31 December 2009 the share falling due within one year amounted to 20.7% (previous year: 24.8%).

The consolidated financial statements show current financial liabilities in the amount of EUR 96 million as of the reporting date. It will be necessary to extend or refinance these operating credit lines or to convert them into long-term financing in 2010.

At 31 December 2009 the maturity structure of the Group’s debt obligations was as shown below. The figures are stated on the basis of contractual non-discounted payments.

**Financial year ended 31 December 2009**

| In EUR '000                           | Within<br>1 year | 1 to 3<br>years | 3 to 5<br>years | 5 to 10<br>years | Over 10<br>years | Total   |
|---------------------------------------|------------------|-----------------|-----------------|------------------|------------------|---------|
| Interest-bearing loans and borrowings | 81,627           | 85,991          | 128,024         | 157,108          | 77,029           | 529,778 |
| Other liabilities (non-current)       | –                | –               | 980             | 791              | –                | 1,771   |
| Trade and other payables              | 35,525           | –               | –               | –                | –                | 35,525  |
| Derivative financial instruments      | –                | –               | –               | –                | –                | –       |
| Income tax payable                    | 181              | –               | –               | –                | –                | 181     |
|                                       | 117,333          | 85,991          | 129,004         | 157,899          | 77,029           | 567,256 |

**Financial year ended 31 December 2008**

| In EUR '000                           | Immediately<br>callable | Up to 3<br>months | 3 to 12<br>months | 1 to 5<br>years | Over 5<br>years | Total   |
|---------------------------------------|-------------------------|-------------------|-------------------|-----------------|-----------------|---------|
| Interest-bearing loans and borrowings | 101,592                 | 53,767            | 91,848            | 184,549         | 61,133          | 492,891 |
| Other liabilities (non-current)       | 11                      | 50                | 980               | 746             | –               | 1,787   |
| Trade and other payables              | 27,028                  | –                 | –                 | –               | –               | 27,028  |
| Derivative financial instruments      | –                       | –                 | –                 | –               | –               | –       |
| Income tax payable                    | 952                     | –                 | –                 | –               | –               | 952     |
|                                       | 129,583                 | 53,817            | 92,828            | 185,295         | 61,133          | 522,657 |

**25.5. Capital management:**

The primary objective of the Group's capital management policy is to ensure that the Group preserves the high credit rating and favourable equity ratio required to support its business activities and in order to maximize shareholder value.

The Group is not subject to capital requirements, either under its articles of association or under external regulations.

The Group philosophy is geared towards consistently enhancing the intrinsic value of the Company and generating distributable profits for dividend payments.

The Group monitors its capital on the basis of its equity ratio, which should be between 20% and 40%. The equity ratio is calculated by comparing the Company's equity with total assets; at 31 December 2009 the equity ratio was 9.8% (previous year: 22.7%).

## [26] Financial instruments

Primary financial instruments of the Group comprise “Financial instruments available for sale”, “Trade receivables” and “Cash and short-term deposits” on the asset side. As regards liabilities, “Interest-bearing loans and borrowings” and “Trade and other payables” are classified as financial instruments.

### 26.1. Fair value

The table below shows the carrying values and fair values of all financial instruments contained in the consolidated financial statements, including the financial instruments of disposal groups classified as held for sale.

|                                  | Carrying value       |                      | Fair value           |                      |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                  | 2009                 | 2008                 | 2009                 | 2008                 |
| <b>Financial assets</b>          |                      |                      |                      |                      |
| Cash and short-term deposits     | 11,933,442           | 33,112,348           | 11,933,442           | 33,112,348           |
| Other financial assets           | 67,421,539           | 50,140,248           | 67,421,539           | 50,140,248           |
| Derivative financial instruments | 84,241               | 1,736,933            | 84,241               | 1,736,933            |
|                                  | <u>79,439,222</u>    | <u>84,989,528</u>    | <u>79,439,222</u>    | <u>84,989,528</u>    |
| <b>Financial liabilities</b>     |                      |                      |                      |                      |
| Current loans                    | (819,641)            | (29,313)             | (819,641)            | (29,313)             |
| Derivative financial instruments | (467,205)            | (5,290)              | (467,205)            | (5,290)              |
| Variable-rate loans              | (359,278,471)        | (346,323,633)        | (351,913,889)        | (327,966,665)        |
| Fixed-rate loans                 | (84,250,000)         | (62,853,445)         | (88,463,772)         | (65,902,892)         |
|                                  | <u>(444,815,318)</u> | <u>(409,211,681)</u> | <u>(441,664,508)</u> | <u>(393,904,160)</u> |

The fair value of loans was determined by comparing the future cash flows on the basis of the existing terms at 31 December 2009 with the standard market terms for new finance agreements.

The fair value of available-for-sale investments was assessed on the basis of the respective market rates. The fair value of derivative financial instruments and loans was calculated by discounting the expected future cash flows at market rates. The fair value of other financial assets was assessed on the basis of the respective market rates..

## 26.2. Interest rate risk of primary financial instrumentse

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

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

Amounts in EUR '000

| for the financial year<br>ended 31 Dec. 2009                                           | Within<br>1 year | 2011            | 2012            | 2013            | 2014            | Over five<br>> 5 years | Total            |
|----------------------------------------------------------------------------------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------------|------------------|
| Cash and short-term deposits                                                           | 11,933           | –               | –               | –               | –               | –                      | 11,933           |
| Bridge loans                                                                           | –                | –               | –               | –               | –               | –                      | –                |
| Finance leases                                                                         | (1,502)          | (1,536)         | (1,570)         | (1,606)         | (1,642)         | (29,195)               | (37,051)         |
| Loans where there is a breach<br>of the loan agreement as of<br>the balance sheet date | (6,762)          | –               | –               | –               | –               | –                      | (6,762)          |
| Overdrafts                                                                             | (49,864)         | –               | –               | –               | –               | –                      | (49,864)         |
|                                                                                        | <b>(46,195)</b>  | <b>(1,536)</b>  | <b>(1,570)</b>  | <b>(1,606)</b>  | <b>(1,642)</b>  | <b>(29,195)</b>        | <b>(81,743)</b>  |
| Diplomat (until 2017)                                                                  | (2,850)          | (2,929)         | (3,010)         | (3,094)         | (3,180)         | (16,849)               | (31,912)         |
| Palace (until 2017)                                                                    | (1,372)          | (1,382)         | (1,392)         | (1,402)         | (1,442)         | (6,535)                | (13,525)         |
| Chopin (until 2016)                                                                    | (674)            | (717)           | (762)           | (810)           | (860)           | (7,566)                | (11,389)         |
| angelo Prague (until 2016)                                                             | (602)            | (628)           | (651)           | (680)           | (708)           | (8,584)                | (11,854)         |
| Amber Baltic (until 2016)                                                              | (1,168)          | (1,168)         | (1,168)         | (1,168)         | (1,168)         | (1,460)                | (7,302)          |
| Savoy (until 2016)                                                                     | (858)            | (881)           | (906)           | (931)           | (957)           | (2,132)                | (6,665)          |
| Dvorak (until 2016)                                                                    | (1,167)          | (1,167)         | (1,167)         | (1,167)         | (1,167)         | (13,914)               | (19,747)         |
| Elsbet (until 2016)                                                                    | (4,196)          | (314)           | (334)           | (335)           | (377)           | (6,276)                | (11,832)         |
| angelo Munich (until 2013)                                                             | –                | –               | (15,681)        | –               | –               | (15,681)               | –                |
| angelo Plzen (until 2014)                                                              | (140)            | (190)           | (290)           | (340)           | (5,494)         | (5)                    | (6,461)          |
| angelo Ekaterinburg (until 2013)                                                       | (1,038)          | (1,600)         | (2,125)         | (33,932)        | –               | –                      | (38,694)         |
| Sobieski (until 2021)                                                                  | (188)            | (188)           | (7,772)         | –               | –               | –                      | (8,147)          |
| Parkur Tower (until 2016)                                                              | (2,058)          | (208)           | (219)           | (234)           | (248)           | (2,428)                | (5,394)          |
| Gas pipeline (2012)                                                                    | (55)             | (55)            | (74)            | –               | –               | –                      | (183)            |
| angelo Airport Bucharest (until 2013)                                                  | –                | (635)           | (1,271)         | (10,094)        | –               | –                      | (12,000)         |
| Sienna (until 2016)                                                                    | (1,188)          | (1,250)         | (1,250)         | (1,250)         | (1,438)         | (23,639)               | (30,014)         |
| angelo Katowice (2024)                                                                 | 2,661            | (195)           | (390)           | (480)           | (540)           | (8,548)                | (7,492)          |
| andel's Lodz (2023)                                                                    | –                | (1,100)         | (1,225)         | (1,425)         | (1,550)         | (44,700)               | (50,000)         |
| andel's Berlin (2023)                                                                  | (500)            | (500)           | (750)           | (1,150)         | (1,200)         | (30,150)               | (34,250)         |
|                                                                                        | <b>(15,393)</b>  | <b>(15,108)</b> | <b>(24,756)</b> | <b>(74,173)</b> | <b>(20,329)</b> | <b>(172,784)</b>       | <b>(322,543)</b> |
|                                                                                        | <b>(61,587)</b>  | <b>(16,644)</b> | <b>(26,326)</b> | <b>(75,779)</b> | <b>(21,971)</b> | <b>(201,979)</b>       | <b>(404,286)</b> |

**26.2. Interest rate risk of primary financial instruments – continued**

Amounts in EUR '000

| for the financial year<br>ended 31 Dec. 2008                                           | Within<br>1 year | 2010            | 2011            | 2012            | 2013            | Over five<br>> 5 years | Total            |
|----------------------------------------------------------------------------------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------------|------------------|
| Cash and short-term deposits                                                           | 33,112           | –               | –               | –               | –               | –                      | 33,112           |
| Bridge loans                                                                           | (18,488)         | –               | –               | –               | –               | –                      | (18,488)         |
| Finance leases                                                                         | (1,170)          | (1,305)         | (1,347)         | (1,390)         | (1,435)         | (28,241)               | (34,888)         |
| Loans where there is a breach<br>of the loan agreement as of<br>the balance sheet date | (7,262)          | –               | –               | –               | –               | –                      | (7,262)          |
| Overdrafts                                                                             | (56,274)         | –               | –               | –               | –               | –                      | (56,274)         |
|                                                                                        | (50,081)         | (1,305)         | (1,347)         | (1,390)         | (1,435)         | (28,241)               | (83,799)         |
| Diplomat (until 2017)                                                                  | (2,272)          | (2,371)         | (2,473)         | (2,580)         | (2,691)         | (22,020)               | (34,407)         |
| Palace (until 2017)                                                                    | (1,352)          | (1,372)         | (1,382)         | (1,392)         | (1,402)         | (7,977)                | (14,877)         |
| Chopin (until 2016)                                                                    | (644)            | (685)           | (728)           | (773)           | (822)           | (8,382)                | (12,033)         |
| angelo Prague (until 2016)                                                             | (625)            | (652)           | (681)           | (707)           | (739)           | (6,924)                | (10,328)         |
| Amber Baltic (until 2016)                                                              | (872)            | (872)           | (872)           | (872)           | (872)           | (4,102)                | (8,463)          |
| Savoy (until 2016)                                                                     | (727)            | (758)           | (791)           | (825)           | (861)           | (3,494)                | (7,455)          |
| Dvorak (until 2016)                                                                    | (1,167)          | (1,167)         | (1,167)         | (1,167)         | (1,167)         | (15,302)               | (21,135)         |
| Elsbet (until 2016)                                                                    | (279)            | (296)           | (314)           | (334)           | (335)           | (7,495)                | (9,053)          |
| angelo Munich (until 2012)                                                             | –                | –               | –               | (15,681)        | –               | (15,681)               |                  |
| angelo Pilzen (until 2012)                                                             | (65)             | (165)           | (240)           | (315)           | (5,915)         | –                      | (6,702)          |
| angelo Ekaterinburg (until 2012)                                                       | (286)            | (1,086)         | (1,686)         | (2,186)         | (16,326)        | –                      | (21,570)         |
| Sobieski (until 2021)                                                                  | (188)            | (188)           | (188)           | (188)           | (188)           | (7,443)                | (8,381)          |
| Parkur Tower (until 2016)                                                              | (184)            | (195)           | (208)           | (219)           | (234)           | (4,568)                | (5,608)          |
| Cetelem (until 2018)                                                                   | (120)            | (124)           | (128)           | (133)           | (138)           | (3,572)                | (4,215)          |
| Gas pipeline (2012)                                                                    | (54)             | (54)            | (54)            | (79)            | –               | –                      | (241)            |
| Sajka Utca (until 2011)                                                                | (46)             | (36)            | –               | –               | –               | –                      | (82)             |
| Sienna (until 2016)                                                                    | (1,000)          | (1,250)         | (1,250)         | (1,250)         | (1,250)         | (24,980)               | (30,980)         |
| angelo Katowice (2024)                                                                 | –                | –               | (195)           | (390)           | (480)           | (1,668)                | (2,733)          |
| andel's Krakow (2017)                                                                  | (500)            | (600)           | (600)           | (700)           | (700)           | (12,371)               | (15,471)         |
| andel's Lodz (2023)                                                                    | –                | (550)           | (1,100)         | (1,350)         | (1,500)         | (29,333)               | (33,833)         |
| andel's Berlin (2023)                                                                  | –                | –               | (750)           | (625)           | (950)           | (26,695)               | (29,020)         |
|                                                                                        | (10,380)         | (12,420)        | (14,806)        | (16,084)        | (52,249)        | (186,326)              | (292,266)        |
|                                                                                        | <b>(60,461)</b>  | <b>(13,725)</b> | <b>(16,152)</b> | <b>(17,475)</b> | <b>(53,685)</b> | <b>(214,567)</b>       | <b>(376,065)</b> |

**26.3. Interest rate collars in connection with finance loans**

As of 31 December 2009, there are derivative financial instruments (interest rate collars) relating to the Group's financial liabilities. The main terms and parameters of these collars are as follows:

|                                                                      | 2009       | 2008       |
|----------------------------------------------------------------------|------------|------------|
| <i>Project loan Hotel Le Palais, Prague (until 31.12.2010)</i>       |            |            |
| Underlying: 3-month EURIBOR 5.75%                                    |            |            |
| Notional amount at 31 December                                       | 6,461,657  | 6,876,973  |
| Fair value at 31 December                                            | –          | (5,248)    |
| <i>Project loan Hotel Chopin, Krakow (until 30.09.2016)</i>          |            |            |
| Underlying: 3-month EURIBOR 3.91%                                    |            |            |
| Notional amount at 31 December                                       | 11,388,959 | 12,033,163 |
| Fair value at 31 December                                            | (467,205)  | 267,423    |
| <i>Project loan angelo hotel, Prague (until 31.12.2014)</i>          |            |            |
| Underlying: 3-month EURIBOR 4%                                       |            |            |
| Notional amount at 31 December                                       | 11,853,742 | –          |
| Fair value at 31 December                                            | 84,241     | –          |
| <i>Project loan Hotel Sobieski, Warsaw (expired in January 2010)</i> |            |            |
| (adjusted for the Group's share)                                     |            |            |
| Underlying: 3-month EURIBOR (3.866%/4.5%)                            |            |            |
| Notional amount at 31 December                                       | 8,146,963  | 8,380,836  |
| Fair value at 31 December                                            | –          | 16,824     |

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

## [27] Events after the balance sheet date

On 2 February 2010, a 16.69% stake in the associated company “Palais Hansen Immobilienentwicklung GmbH” was sold to a co-investor for EUR 7.25 million. After this sale, Warimpex retains a 9.88% stake in the project.

After the balance sheet date, short-term debt totalling EUR 30.5 million was renegotiated. The term of these debts was extended to 20 June 2011.

Vienna, 22 March 2010



Franz Jurkowitsch  
Chairman of the Management Board



Georg Folian  
Deputy Chairman of the Management Board



Christian Fojtl  
Member of the Management Board



Alexander Jurkowitsch  
Member of the Management Board





## INDEPENDENT AUDITOR'S REPORT\*

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Warimpex Finanz- und Beteiligungs Aktiengesellschaft, Vienna**, for the financial year from January 1, 2009 to December 31, 2009. These consolidated financial statements comprise the balance sheet as at December 31, 2009, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended December 31, 2009, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Consolidated Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

\*) On disclosure or reproduction of the financial statements in a form differing from the audited original German version (e.g. shortened version and/or version translated into another language), the auditor's report may neither be quoted nor referred to without our approval.

### Opinion

Our audit did not give rise to any objections.

Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of December 31, 2009, and of its financial performance and its cash flows for the financial year from January 1, 2009 to December 31, 2009 in accordance with International Financial Reporting Standards as adopted by the EU.

### Report on Other Legal and Regulatory Requirements

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group and whether the disclosures according to § 243a UGB are appropriate.

In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements. The disclosures according to § 243a UGB are appropriate.

Vienna, 22 March 2010



WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH

ALEXANDER WLASTO M.P.  
Certified Public Accountant

MARTIN OHDE, PPA M.P.  
Certified Public Accountant

## 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, 22 March 2010



Franz Jurkowitsch  
Chairman of the Management Board



Georg Folian  
Deputy Chairman of the Management Board



Christian Fojtl  
Member of the Management Board



Alexander Jurkowitsch  
Member of the Management Board

## REPORT BY THE SUPERVISORY BOARD

The Management Board informed the Supervisory Board of Warimpex Finanz- und Beteiligungs AG of all significant business activities, the development of business and the Company's situation at regular meetings during the 2009 financial year and fulfilled all of the duties required of it by law, the articles of association of the Company and the terms of reference of the Supervisory Board. The Chairman of the Supervisory Board also maintained regular contact with the Chairman of the Management Board, in particular to discuss strategy, the development of business and risk management. One of the key topics discussed in the Supervisory Board meetings was the economic and structural changes in Eastern Europe and the opportunities and risks arising from the slowdown in these markets. The development of sales and earnings, liquidity forecasts and the Company's financial position were also regularly discussed at these meetings.

Warimpex has undertaken to comply with the Austrian and Polish codes of corporate governance. The Supervisory Board faithfully fulfilled the duties and responsibilities laid down in these codes and also monitored the Company's compliance with these codes. The articles of association and the terms of reference of the Management Board and Supervisory Board are regularly amended to account for changes in these codes. In line with the provisions of the Issuer Compliance Ordinance (ECV), the Compliance Officer's annual report was submitted to the Supervisory Board and discussed.

Six Supervisory Board meetings were held in financial year 2009. All members of the Supervisory Board fulfilled the legally required minimum attendance requirements. Some decisions were made by way of circular resolution.

The annual financial statements and consolidated financial statements for the year ended 31 December 2009 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., the auditor chosen in accordance with § 270 HGB. The final result of this audit revealed no grounds for objection and the legal provisions were fully complied with, so that an unqualified auditors' opinion was issued.

By resolution of 24 March 2010, the Supervisory Board approved the financial statements for the year ended 31 December 2009 and the management report for the financial year 2009, which are thereby adopted. The Supervisory Board declares its acceptance of the consolidated financial statements and the Group management report as submitted. The Supervisory Board reviewed and approved the Management Board's proposal to not pay out a dividend for financial year 2009.

Following the unexpected death of the then-serving Chairman of the Supervisory Board Alarich Fenyves in September 2009, changes had to be made in the composition of the Board. Harald Wengust was elected to the Board for the remaining duration of Mr. Fenyves' term. Günter Korp was also appointed as a new member of the Supervisory Board for the same period. Heinrich Geyer was elected Chairman by vote of the Supervisory Board; Wolfgang Mitterberger is his deputy.

The Supervisory Board thanks the Management Board, the Company's managers and all employees of the Warimpex Group for their extraordinary commitment and efforts in financial year 2009 in the face of the worsening economic conditions in what was certainly a challenge for everyone and wishes the Company continued success in the future.

Vienna, 22 March 2010

Heinrich Geyer  
Chairman of the Supervisory Board



# Award Winning andel's Hotel Łódź

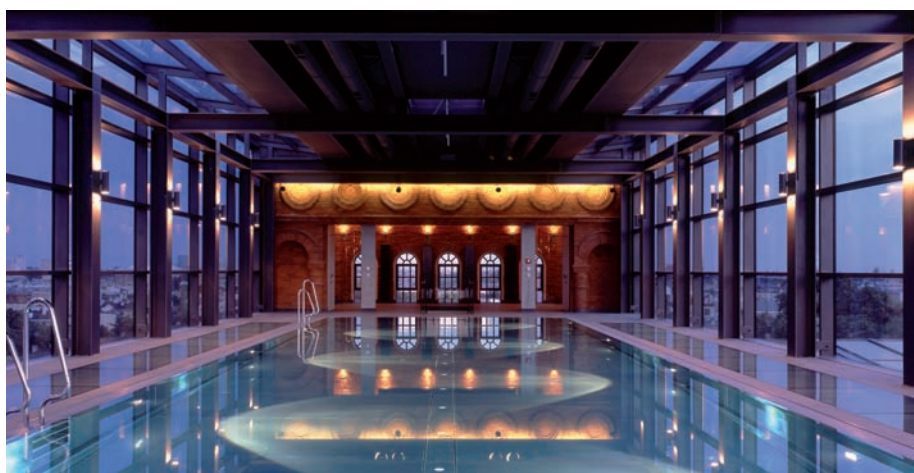
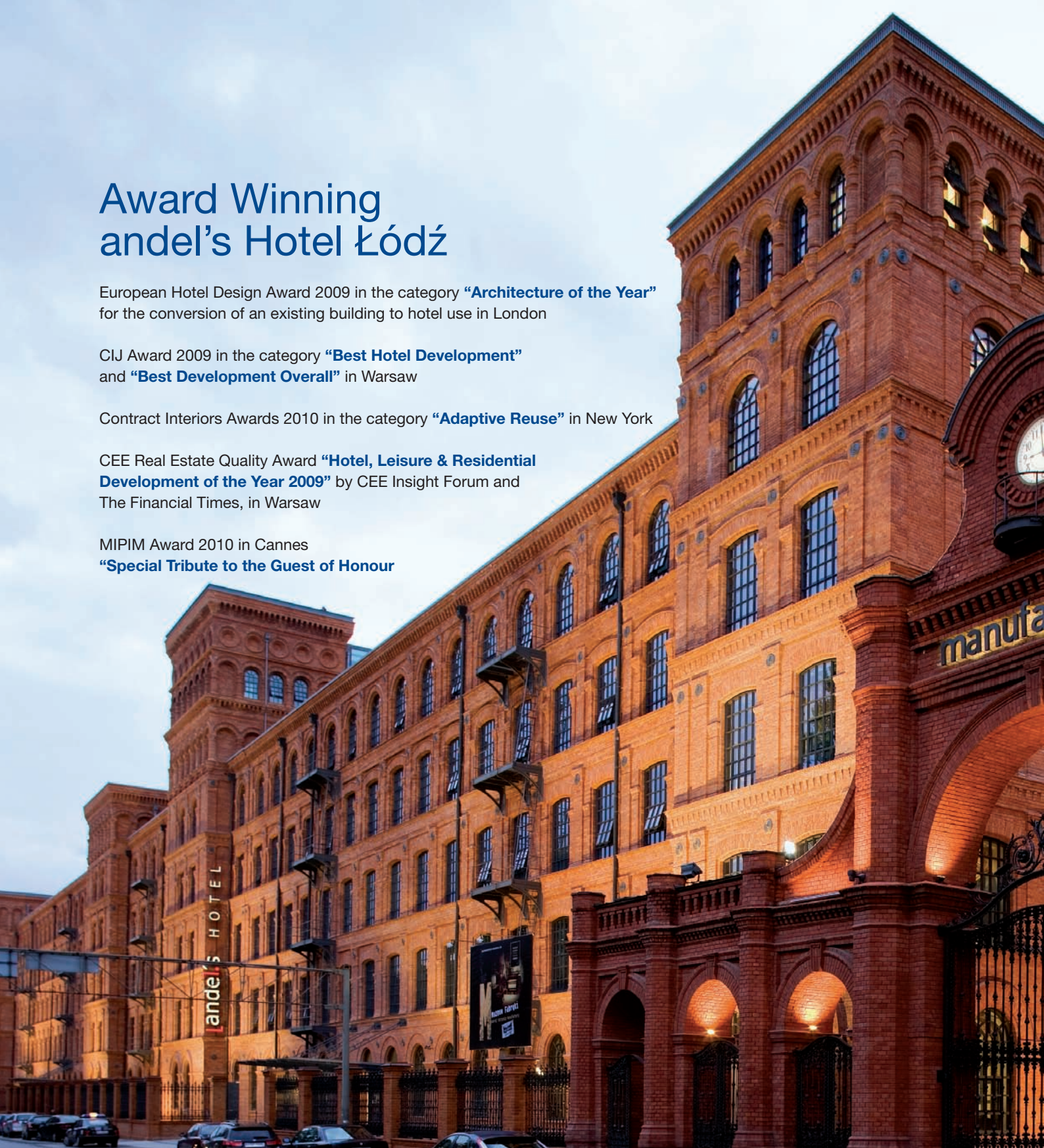
European Hotel Design Award 2009 in the category **"Architecture of the Year"**  
for the conversion of an existing building to hotel use in London

CIJ Award 2009 in the category **"Best Hotel Development"**  
and **"Best Development Overall"** in Warsaw

Contract Interiors Awards 2010 in the category **"Adaptive Reuse"** in New York

CEE Real Estate Quality Award **"Hotel, Leisure & Residential  
Development of the Year 2009"** by CEE Insight Forum and  
The Financial Times, in Warsaw

MIPIM Award 2010 in Cannes  
**"Special Tribute to the Guest of Honour"**







**Financial calendar**

|                  |                                                                        |
|------------------|------------------------------------------------------------------------|
| 24 March 2010    | Publication of the Annual Report for 2009                              |
| 27 May 2010      | Publication of results for the first quarter of 2010                   |
| 2 June 2010      | Annual General Meeting                                                 |
| 31 August 2010   | Publication of results for the first half of 2010                      |
| 30 November 2010 | Publication of results for the first through the third quarter of 2010 |