



warimpex

Key figures of the Warimpex Group

EUR '000	2008	Change	2007
Revenues from			
Hotels & Resorts segment	86,663	21%	71,555
Revenues from the Development & Asset Management segment	7,705	- 20%	9,643
Total revenues	94,368	16%	81,198
Gains from the sale of project companies	13,866	- 56%	31,512
EBITDA	29,353	- 48%	56,957
EBIT	-3,412	–	47,188
Profit/Loss for the year	-29,388	–	33,734
Net cash flow from operating activities	11,462	- 23%	14,837
Equity and liabilities	642,190	26%	508,360
Equity	145,506	- 18%	177,308
Issued capital	36,000	–	36,000
Equity ratio	22.7%	- 12%	34.9%
Adjusted equity ratio ¹	47.0%	- 7%	53.9%
Average number of shares in the financial year	units 36,000,000	–	35,500,000
Earnings/loss per share	in EUR - 0.81	–	0.95
Proposed dividend per share	in EUR 0.00	–	0.25
Payout ratio	–	–	26.3%
Number of shares at 31 December	units 36,000,000	–	36,000,000
Number of hotels	18	3	15
Number of rooms (adjusted for proportionate share of ownership)	2,699	382	2,317
Number of office and commercial properties	6	- 1	7
Number of hotel development projects	7	- 5	12
Average number of employees in the Group	1,457	22%	1,198
	31/12/2008	Change	31/12/2007
Gross asset value (GAV)	in EUR m 666.7	8%	614.8
Triple net asset value (NNNAV)	in EUR m 301.9	- 22%	387.4
NNNAV per share	in EUR 8.4	- 22%	10.8
End-of-year share price	in EUR 1.25	- 81%	6.64

¹ Assuming that the real estate assets are recognized 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 development 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 trading company. From 1982 onwards, under the management of Georg Folian and Franz Jurkowitsch, the Company started to specialize in real estate projects in Central and Eastern Europe. Since that date the Warimpex Group has developed real estate with investments amounting to more than one billion euros, including hotels in the five-, four- and three-star categories with a total of more than 5,500 rooms. In addition, Warimpex also develops office buildings and other real estate.

Development and asset management

Warimpex views itself as a “hybrid” real estate company. As a developer, it develops real estate projects; as an asset manager it then operates and manages these properties before selling them on at the point where the highest foreseeable value-added can be realized depending 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 realizing 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 2008, Warimpex was the owner or co-owner of eighteen luxury and business hotels with a total of more than 3,800 rooms (2,699 when adjusted for the proportionate share of ownership), plus six commercial and office buildings with a total floor area of some 31,000 square metres in Poland, the Czech Republic, Hungary, Romania and France. A number of further hotel projects are currently under development. In the five-star hotel segment, Warimpex will expand in the capital cities of new markets. Three-star-plus and four-star hotels – the angelo and andel’s 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 2008

Operational highlights

- 01/2008 Acquisition of a further 50 per cent of andel's in Krakow
- 03/2008 Acquisition of an airport hotel and hotel development project at the airport in Ekaterinburg
- 03/2008 Sale of 10 per cent of the Airport City St. Petersburg development project
- 04/2008 Sale of Villa Margareta in Karlovy Vary
- 05/2008 Start of construction for the angelo in Ekaterinburg
- 05/2008 Opening of the angelo in Munich
- 06/2008 Start of construction for the angelo in Katowice
- 10/2008 Opening of the angelo in Plzen
- 10/2008 Opening of an additional 69 rooms at the angelo in Bucharest
- 01–12/2008 Acquisition of first properties under the joint venture with Louvre Hotels
- 12/2008 Sale of an office building in Budapest
- 12/2008 Refinancing of the Hotel Dvorak in Karlovy Vary

Financial highlights

- Revenues increased by 16 per cent
- EBITDA of EUR 29.4 million
- Non-scheduled depreciation and impairment losses reduce result by EUR 19.8 million
- Loss per share of EUR 0.81
- Appraisal by CBRE values real estate assets at EUR 666.7 million, an increase of EUR 51.9 million over 2007
- Triple net asset value (NNNAV) per share down by 22 per cent or EUR 2.4 to EUR 8.4 per share because of the challenging market conditions

Corporate governance

Warimpex is committed to compliance with the Austrian Code of Corporate Governance as well as the Polish best practices for listed 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.

Austrian Code of Corporate Governance, as amended in June 2007

The Austrian Code of Corporate Governance (as amended in June 2007 and which was applied for financial year 2008) contains rules that must be followed (L-rules), rules that are not mandatory for the Company but for which justification must be provided in the event of non-compliance (C-rules), and rules that are entirely optional for the Company and for which no justification must be provided in cases of non-compliance (R-rules). Overall, the Company's statutes and the internal terms of reference for the Management Board and the Supervisory Board comply with the L-rules in full, and with all of the C-rules except as explained below:

- The Company has neither outsourced its internal auditing functions nor set up a separate staff unit for internal auditing purposes, which would be required by Rule 18. The Company has no intention to make such changes at this time. The Management Board has judged that such measures would be disproportionately cost intensive, and the implementation of Rule 18 is not planned for the foreseeable future for cost reasons.
- Neither the Company's statutes nor the terms of reference for the Management Board or the Supervisory Board stipulate an age limit for the members of the Supervisory Board, which would be required by Rule 57. Such an age limit would result in no substantial additional benefits for the Company. For this reason, the Company does not feel that it would be sensible to impose an age limit for the members of the Supervisory Board at this time.
- An assessment by the balance sheet auditor of the effectiveness of the Company's risk management system in accordance with Rule 80 did not take place because the operational risk management system is installed at the level of the Group's subsidiaries, and because equity-investment-specific risk management is an integral part of equity investment management in the Company's function as a holding company.

Poland – 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 these Polish corporate governance rules with the following exceptions, which are due to the structure 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). Webcasts of the Company's annual general meetings 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 report 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.

Bodies of the Company

Management Board

Franz Jurkowitsch (2nd from 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

Georg Folian (2nd 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

Christian Fojtl (1st from right)

Member of the Management Board

Year of birth: 1964

First appointed: 31 July 2006

Appointed until: 31 July 2011

Responsibilities: information management,
organization, legal

Alexander Jurkowitsch (1st from left)

Member of the Management Board

Year of birth: 1973

First appointed: 31 July 2006

Appointed until: 31 July 2011

Responsibilities: planning, construction,
information technology



Supervisory Board

Alarich Fenyves

Chairman of the Supervisory Board

Chairman of the Project Committee

Chairman of the Audit Committee/finance expert

Chairman of the Personnel Committee

First appointed: 31 May 2007

Current period of office ends in 2011

Member of the Supervisory Board of CA Immo International AG, Vienna

Heinrich Geyer

Deputy Chairman of the Supervisory Board

Member of the Project Committee

Member of the Audit Committee

Member of the Personnel Committee

First appointed: 13 September 2000

Current period of office ends in 2012

Victor Igalfy-Igally

Member of the Supervisory Board

Member of the Project Committee

First appointed: 9 February 1994

Current period of office ends in 2012

William Henry Marie de Gelsey

Member of the Supervisory Board

First appointed: 31 May 2007

Current period of office ends in 2011

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

Wolfgang Mitterberger

Member of the Supervisory Board

Member of the Audit Committee

First appointed: 31 May 2007

Current period of office ends in 2011

Auditors

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Milestones 2008



03/2008
Acquisition of an airport hotel and hotel development project at the airport in Ekaterinburg



05/2008
Start of construction for the angelo in Ekaterinburg

January

February

March

April

May

June

01/2008
Acquisition of a further 50 per cent of andel's in Krakow



03/2008
Sale of 10 per cent of the Airport City St. Petersburg development project

04/2008
Sale of Villa Margareta in Karlovy Vary

05/2008
Opening of the angelo in Munich



06/2008
Start of construction for the angelo in Katowice



10/2008
Opening of
the angelo
in Plzen

01-12/2008
Acquisition of first
properties under the
joint venture with
Louvre Hotels



12/2008
Sale of an
office building
in Budapest

July

August

September

October

November

December

10/2008
Opening of an
additional 69 rooms
at the angelo
in Bucharest



12/2008
Refinancing of the
Hotel Dvorak
in Karlovy Vary



warimpex

Foreword by the chairman of the Management Board

Dear Shareholders,

The global financial system was hit by a far-reaching confidence crisis in 2008. No one knows whether or not another bank will find itself on the brink of bankruptcy, will have to close or will have to be taken over by the government tomorrow. This uncertainty has made banks very cautious in lending to each other. Financing for companies, projects and transactions is no longer flowing freely, and the crisis in the financial market has spilled over into the real economy and triggered a worldwide recession.

What does this mean for real estate developers like Warimpex?

The changed market conditions had a major impact in the past year, but it would be unwarranted to slip into paralysis because of all the bad news. People are still travelling and staying in hotels – unlike after the terrorist attacks in 2001, for example, when travel became the exception rather than the rule and the market in Prague collapsed. I have seen a number of crises in Eastern Europe over the last twenty-five years – including the crisis in Russia in 1998 and various high-interest phases for the zloty and the resulting economic slowdown in the 1990s – and know that we will also come through this crisis at some point.

However, it is difficult to make general statements about coming developments, and a number of different factors have to be considered to come up with any credible assessment of the situation. In general, the more restrictive lending policies will cause delays in hotel projects that are not yet fully financed, and will significantly hamper the growth in the number of beds in CEE. At the same time, there is still high demand for good hotels. This is good news for our existing hotels and the four hotels that we have under construction. The andel's in Berlin opened at the beginning of March already. The andel's in Lodz and the angelo in Ekaterinburg will follow in the middle of the year, and the Crowne Plaza in St. Petersburg will open at the end of 2010. What's more, some of our hotels posted higher occupancy rates in the first three months of 2009 than in the same period in 2008.

A closer look at the hotel categories and the individual regions reveals marked differences. The financial crisis is already having a major effect on the five-star segment in Prague, for example. Stays by investment bankers, lawyers, financial auditors and American and Spanish tourists fell noticeably in the reporting period, and such effects cannot be easily compensated for by new target groups. In contrast, the decline in business in Prague's four-star segment was not as drastic. Occupancy and earnings figures were constant in Poland and in Paris, and 2008 brought no noticeable declines.

Overall, we achieved stable growth in the Hotel & Resorts segment (the operation of hotels) in 2008. Revenues increased from EUR 71.6 million to EUR 86.7 million. The gross operating profit remained unchanged at EUR 29.6 million, however, primarily because the lower occupancy rates and changed exchange rates cut the GOP margin.

The Development & Asset Management segment, which is responsible for property development and sale, is subject to greater variations because its results are dependent on the sale of properties. In spite of the generally difficult conditions for real estate transactions in the reporting period, we were able to sell three properties at very good terms: a 10 per cent share in the Airport City development project in St. Petersburg, Villa Margareta in Karlovy Vary, and the Pauler office building in Budapest. All in all, sales proceeds were lower than in 2007, and the segment's EBITDA fell from EUR 36 million to EUR 12.4 million.

Our conservative valuation policy received much criticism from investors and the media during our IPO in January 2007, but this strategy is now proving its worth. We do not use estimated fair values for our properties in our balance sheet when the estimated

fair value of a property is higher than its carrying value, and we have not reported these differences as profits in prior years. We recognize and value our properties at cost minus depreciation and amortization. However, non-scheduled write-downs were made on properties for the first time in the fourth quarter. Impairments on goodwill in the amount of EUR 19.8 million were recognized after an external opinion showed a lower recoverable amount than the carrying value on the reporting date. The values of the associated properties had fallen considerably because of significantly higher yields and lower estimated free cash flows from hotel operations. These non-cash effects had a marked effect on the operating result, and the profit for the period fell to -EUR 29.4 million.

The NNNAV, which we determine on the basis of valuations and publish twice per year, shows the net value of the Company. The semi-annual valuation of our properties by CB Richard Ellis shows a considerable 22 per cent year-on-year decrease in the NNNAV per share, but this figure is only a snapshot of the current situation and serves as information for our shareholders. At EUR 8.4 per share, it is still well above the current trading price of our share. It can also be assumed that the market for real estate transactions will thaw again at the end of 2009, and that our valuations will normalize again.

While some real estate companies and especially developers employed short-term financing during the boom years, Warimpex has always set up long-term financing for its projects. Even though Warimpex pursues the strategy of selling properties that it has developed itself, it has always been clear to us that there are market phases where it is very difficult to sell real estate. For this reason, full long-term financing is arranged for every property and every ongoing development project, usually for a period of fifteen years. In short, we act as if we were developing every property to hold it and operate it ourselves. This long-term and very conservative financing structure is now proving its worth in these times of crisis, in which refinancing is not only very expensive, but also very difficult to come by.

We expect to see an increase in the operating cash flow in the Hotels & Resorts segment as a result of the opening of the angelo in Plzen and the expansion of the angelo in Bucharest at the end of the third quarter in 2008, as well as from the opening of the andel's in Berlin in the first quarter of 2009 and the opening of the andel's in Lodz and the angelo in Ekaterinburg. The number of rooms owned by the Group should increase by roughly 683 rooms to roughly 3,400 in the 2009 financial year as a result of new openings.

The fact that Warimpex has achieved these positive developments even under the current difficult conditions shows how optimally positioned the Company is for a successful future, and I am confident that we will come through these difficult times well.

Last but not least, I would like to take this opportunity to thank all of the Company's employees for their commitment and efforts, especially in times like these, and also you, esteemed shareholders, for your trust in Warimpex.



Franz Jurkowitsch

Investor relations

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

Since going public the Company's share capital has been divided into 36 million non-par-value shares.

Starting in the middle of 2007, the price of the Warimpex share began to decline in line with all other real estate stocks and the Austrian benchmark index IATX due to the turbulence triggered on the financial markets by the mortgage crisis in the USA. This decline continued in the reporting period.

The gross asset value of a company's real estate portfolio should theoretically dictate a lower price limit for its share price. However, more and more investors are calling property values into question.

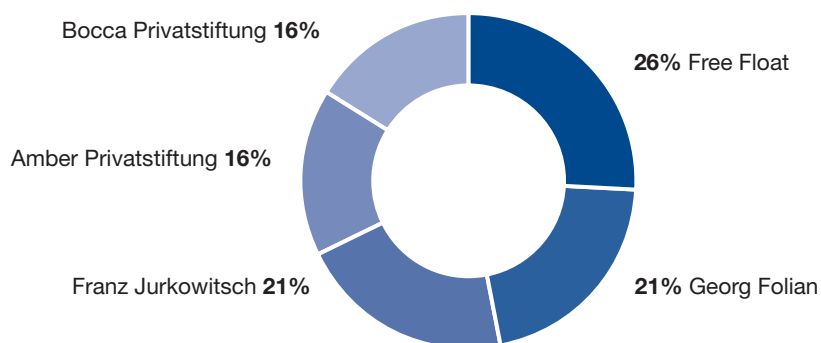
This scepticism can be seen in the difference between the market capitalization and net asset value of a listed real estate company. High administrative and other costs do justify a discount on the net asset value. However, there is also the immaterial value of a company that results from the synergies between its properties, especially for hotel properties, and the knowledge and expertise of its management. The Warimpex share is currently trading at a roughly 85 per cent discount on its net asset value.

According to a report by the real estate broker Cushman & Wakefield, the worldwide investment volume fell by 59 per cent to USD 435 billion in 2008, roughly the same investment volume as recorded in 2004. The greatest decline was seen in North America at -73 per cent. Investments in Europe fell by 52 per cent to USD 178 billion. The decline in Great Britain was 68 per cent, 22 per cent in Japan, 65 per cent in Germany, and 56 per cent in France in the reporting period.

This makes it very difficult for an expert to find comparable real estate transactions on which to base an estimation of a property's fair value on a given date.

Of course even an international real estate appraiser cannot determine the exact saleable value of a property at the end of every reporting period. But the estimated value of a property would have to be based on fundamentally flawed assumptions to justify an 85 per cent difference.

At the end of April 2008, for example, a villa from our portfolio in the Czech town of Karlovy Vary was sold at a price well over its calculated fair value, and an office building was also sold for well more than its most recently calculated fair value in the middle of December 2008.



Stock buyback programme

At the ordinary annual general meeting on 29 May 2008, the Management Board was authorized to purchase shares in the Company up to the maximum amount permitted by law of 10 per cent of the total capital stock within a period of 30 months after the passing of the motion.

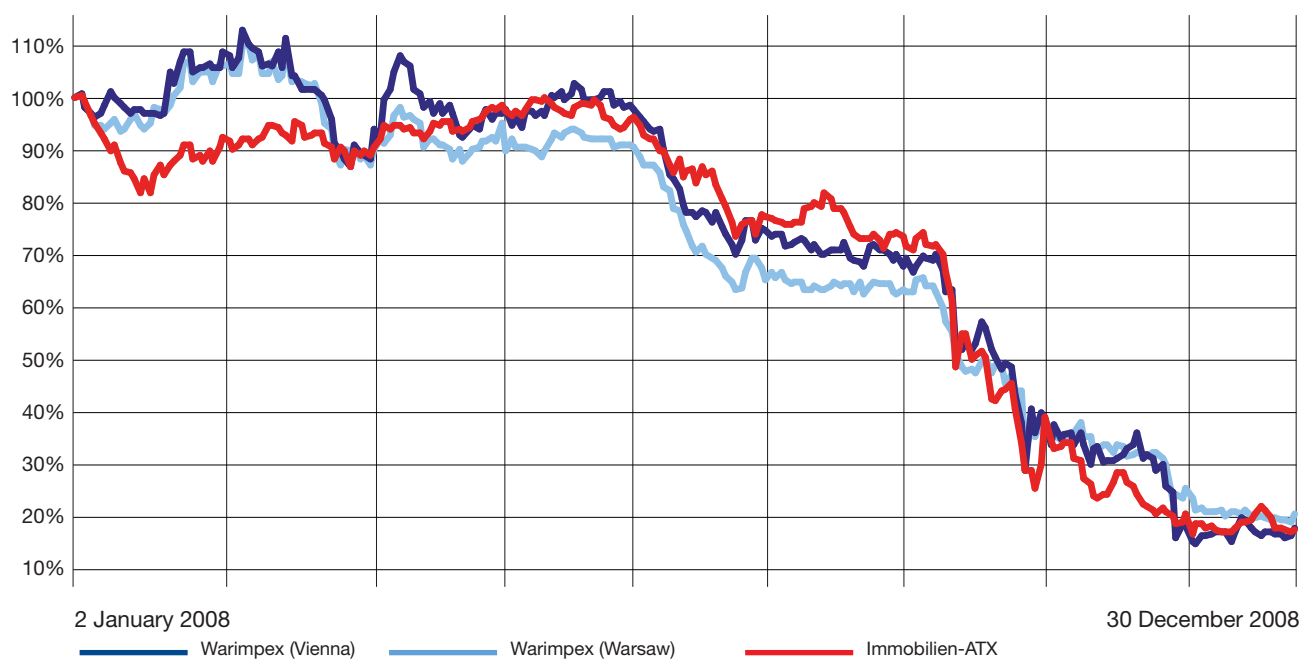
The buyback programme began on 21 July 2008 and ran until the end of 2008, the acquisition price range was set at EUR 3.00 to EUR 8.00. As at 31 December 2008, a total of 60,500 shares had been purchased at an average price of EUR 4.64. This corresponds to 0.17 per cent of the capital stock.

The Management Board decided to take this measure because the current share price is roughly 70 per cent below the NNNAV as of 30 June 2008, making this a good time to buy back outstanding shares either to be used for payment purposes in acquisitions or as bonuses for our employees.

A resolution on the further use of the acquired shares is to be adopted at the annual general meeting for the 2008 financial year.

Notices of any changes (§ 6 Publication Ordinance 2002) and the transactions that have been completed (§ 7 Publication Ordinance 2002) will be published solely at the web site of Warimpex Finanz- und Beteiligungs Aktiengesellschaft: www.warimpex.com.

Share price performance (Chart)



Key share data

ISIN	AT0000827209
Number of shares	36,000,000
Ticker symbols	Stock exchanges WXF Reuters WXFB.VI
High*	EUR 7.80 PLN 27.87
Low*	EUR 1.03 PLN 4.85
Price at 30 December 2008	EUR 1.25 PLN 5.20
* Last 52 weeks	

Warimpex is included in the following indices:

Vienna	ATX Prime, Immobilien-ATX
Warsaw	Market Main 250, Real estate developers

Research reports:

UniCredit CA-IB, 19/1/2009	Hold, target price EUR 1.80
Sal Oppenheim, 23/3/2009	Hold, target price EUR 2.30
RCB, 31/3/2009	Hold, under review

100-day trading average	in Vienna approximately 16,300 shares in Warsaw approximately 2,100 shares
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GROUP MANAGEMENT REPORT

for the financial year from 1 January to 31 December 2008

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 quickly and efficiently.

The European Commission drastically reduced its projections in its Interim Forecast January 2009 and is now expecting the EU's economic output to contract. According to these estimates, economic output in the EU will decline by 1.8 per cent in 2009 (2008: growth of 1.0 per cent), followed a slight recovery and growth of 0.5 per cent in 2010. The financial crisis, which is in reality more of a confidence crisis, will have significant effects on the real economy and also on global trade in 2009.

The International Monetary Fund (IMF) also reduced its economic growth estimates for the euro area to 1.0 per cent for 2008 and -2.0 per cent for 2009 in its World Economic Outlook Update in January 2009. Growth in the CEE region is now expected to total 3.2 per cent in 2008 and -0.4 per cent in 2009, whereby the European Commission expects that individual countries such as Romania (2009: 1.8 per cent) and Poland (2009: 2.0 per cent) will still achieve positive growth. It is clear that the CEE and SEE regions will continue to grow at a considerably faster rate than the euro area.

Warimpex sees great potential in the tourist and business traveller segments especially in the secondary cities in CEE, SEE and Russia, and expects constant hotel occupancy levels.

Over the last few years, investors expectations with regard to returns in the European property markets were on the decline, particularly in Central and Eastern Europe. These declining yield expectations were likely attributable on the one hand to falling risk premiums and rising investor risk appetite, and on the other to falling yields for long-term low-risk investments. Falling yields because of declining returns on long-term low-risk investments or lower risk premiums, or a combination of both, caused the fair values of properties to rise considerably over past years. Since the middle of 2007, however, real estate investors have been expecting yields in Central and Eastern Europe to rise considerably, and this has caused the estimated fair values of properties to fall.

Markets

Poland

Economic environment

In 2008, GDP growth is expected to come in at 5.0 per cent. This high growth rate can be attributed to robust domestic demand and to a high level of exports. Growth is projected to decline to 2.0 per cent in 2009. Poland has a large domestic market and stable consumer demand. The central bank's monetary measures also improve the Polish economy's prospects for recovery through to the end of 2009.

The real estate market in Warsaw showed stable rents and stable vacancy rates for office properties in 2008. Occupancy rates were also stable in the hotel segment, and the average room rate increased.

Existing portfolio: 6 hotels, 2 office properties

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 Warsaw.

In Krakow, Warimpex owns a four-star-plus andel's hotel and the three-star Hotel Chopin. Renovation work on 83 rooms, the lobby and all conference rooms at the Hotel Chopin was completed at the beginning of 2008, and the remaining two floors with 137 rooms are to be converted to the new design by the end of 2009. In Międzyzdroje on the Baltic coast, Warimpex owns the Amber Baltic Spa Resort Hotel, a hotel ship and a twenty-seven-hole golf course. State-of-the-art flat-screen monitors were installed in all rooms in the Hotel Amber Baltic in the reporting period.

The occupancy rate at the well-established Hotel InterContinental in Warsaw remained good at 76 per cent in the reporting period (previous year: 80 per cent), and the average room rate was increased by approximately EUR 10. The occupancy rate at the Hotel Sobieski was somewhat lower (2008: 67 per cent, 2007: 70 per cent), though here too the average room rate was increased by around 10 per cent. The occupancy rate at the Hotel Chopin fell slightly from 73 per cent to 71 per cent, but with slightly higher average room rates. The andel's hotel in Krakow was able to establish itself in the market since its opening in June last year and achieved a constant occupancy rate (2008: 65 per cent, 6–12/2007: 65 per cent) with stable average room rates.

The occupancy rate at the Amber Baltic beachfront resort fell slightly to 47 per cent (2007: 50 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 Parkur Tower office building near Warsaw Airport, which was jointly developed by Warimpex and UBM and offers roughly 8,500 square metres of lettable floor space, was fully let in the period under report. In the second quarter, an adjacent plot was purchased and is to be the site of two further office buildings with 30,000 square metres of lettable space after the completion of the next development phase.

Under development: 2 hotels, 3 office buildings, 1 shopping centre

Two hotels of the design brands andel's and angelo are under construction in Łódź and in Katowice.

The andel's in Łódź is scheduled to open in May 2009. The hotel will have 278 rooms and 8 conference rooms with a total space of 1,440 square metres, as well as a 1,330-square-metre ballroom and a rooftop spa area with a pool offering a view of the city's roofscape.

Construction of the angelo in Katowice is proceeding according to plan, and the hotel is scheduled to open in the first quarter of 2010.

It was originally planned to convert a fully occupied office building that is owned by Warimpex in Krakow into a Campanile budget hotel and to transfer this property into the joint venture in the second half of 2008. However, because of the robust demand for

office space in Krakow, Warimpex has decided that it will not transfer the property into the joint venture. Instead, it will convert the building into a modern office building. Planning for this project began in the third quarter of 2008.

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. As rental rates for offices in the central business district have risen considerably in the meantime, however, the property will now be developed into an office building. The planning for this work began at the end of 2008.

The plot that Warimpex purchased in Posen in 2007 was sold in the period under report at a modest profit.

In Białystok, Warimpex has 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. Building permission is expected to be granted in the middle of 2009.

Occupancy rates and yields were stable in Poland in the reporting period and are also expected to remain stable in 2009. The reason for this is domestic tourism, which traditionally accounts for more business than foreign tourism.

Czech Republic

Economic environment

GDP growth in the Czech Republic fell rapidly in the fourth quarter of 2008 and is expected to total 4.2 per cent for the year. GDP growth is projected to fall further to 1.7 per cent for 2009 because of lower foreign demand and contracting investment activity.

Rents were stable in Prague, where Warimpex currently owns no office properties, but vacancy rates rose because of the completion of projects.

Occupancy rates and yields declined significantly in the smaller five-star segment and in the four-star segment in Prague. The reasons for the lower occupancy rates across the entire market in Prague are above all the relative strength of the Czech koruna, which is making trips to the Czech Republic more expensive, and an excessive supply of hotels. A decline was especially seen in the number of visitors from America and Spain, and a marked decrease in the number of business customers and in conference business was recorded at the end of the year.

Existing portfolio: 7 hotels

In Prague, the Warimpex Group owns the three five-star hotels Palace, Le Palais and Savoy, all of which are members of the "Leading Hotels of the World". Warimpex acquired the building adjacent to the Hotel Savoy in 2007 and plans to expand the hotel by approximately twenty-five additional rooms as well as enlarging the conference facilities.

In the four-star hotel segment the Group owns the Hotel Diplomat and the angelo hotels in Prague and Plzen.

Refinancing was arranged for the Dvořák health resort in Karlovy Vary at the end of 2008. As part of this, the hotel company was formally sold to a new owner. This transaction had no influence on the Company's IFRS financial statements because Warimpex still holds the majority of the risks and rewards of ownership. Warimpex will lease and continue to operate the hotel with 126 rooms after the sale. It will also continue to be managed by Vienna International Hotelmanagement AG.

The sale price was almost 7 per cent higher than the most recent fair value as determined by the international real estate appraiser CB Richard Ellis (CBRE) in June 2008.

In the period under review, the occupancy rates at the two four-star hotels in Prague were roughly 62 per cent and 64 per cent (2007: 70 per cent and 72 per cent), while occupancy rates of between 47 per cent and 60 per cent were achieved in the five-star segment (2007: between 53 per cent and 66 per cent). Average room rates declined by roughly 3–5 per cent in both segments.

At the Hotel Dvořák in Karlovy Vary, the occupancy rate in the first three months of the year was 87 per cent (2007: 88 per cent). However, the average room rate was raised by roughly 10 per cent.

Another angelo hotel with 144 rooms was opened in Plzen on 1 October. The designer hotel was developed under a joint venture with UBM at a total cost of EUR 19.5 million and is located at the entrance to the old city, near the famous Pilsner Urquell brewery. The occupancy rate in the first two months of operation was within budget at 25 per cent.

Hungary

Economic environment

After achieving 0.9 per cent GDP growth in 2008, GDP is projected to contract by 1.6 per cent in 2009. Domestic demand is expected to slow considerably. Because of the high level of foreign debt in the private sector, the government has few means at its disposal to counteract the downturn. A positive factor, however, is the fact that the IMF and the EU are providing significant support for the country's balance of payments.

Several office buildings were completed in Budapest in 2008. The market absorbed the increased capacity well, and vacancies increased only slightly to the still very high level of 17 per cent. Rent levels remained constant.

Existing portfolio: 4 office properties

In Budapest Warimpex owns the Csalogany, Erzsebet, Dioszegi and Sajka office buildings, which together have a total net floor space of around 17,000 square metres. The Pauler office building, which has roughly 3,000 square metres of lettable space, was rented out in full after being completely renovated and then sold at the beginning of December.

The tenant in the Csalogany office building, which has roughly 2,500 square metres of lettable space, terminated its lease. Negotiations are currently underway with potential tenants.

Under development: 1 office building

Warimpex is currently modernizing and redeveloping the two towers of the Erzsebet office complex. One of the towers is currently let out in full, the second is being completely renovated and will be completed in April 2009. After the renovation work is finished, the tenant in tower A is to move to tower B. The rental contract for all of tower B was signed during the reporting period. Tower A is to be rented out in the middle of 2009.

Romania

Economic environment

Romania's economic output grew very strongly at 7.8 per cent in 2007. As capital inflows slow massively, GDP is expected to decline considerably to 1.8 per cent in 2009.

Existing portfolio: 1 hotel

At the angelo airport hotel Bucharest, which Warimpex acquired last year, the lobby and conference rooms were adapted to the angelo design and full thermal insulation installed on the façade during the reporting period. Office spaces on two floors were converted over the course of the year to create an additional 69 hotel rooms. This increased the hotel's capacity to a total of 177 rooms. All renovation and conversion work was finished on schedule at the end of September 2008.

The occupancy rate during the year was influenced heavily by the renovation work and came in at 48 per cent.

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 is currently estimated at 1.3 per cent, and a contraction of 2.3 per cent is projected for 2009.

Existing portfolio: 1 hotel

The Warimpex Group's first hotel in Germany, the 146-room angelo in Munich, was opened at the end of May 2008. The angelo in Munich has 146 rooms and was developed over a period of roughly twelve months in a joint venture with UBM by converting an existing office building. The hotel has achieved an occupancy rate of 60 per cent since it opened, which is very good for a new establishment.

Under development: 2 hotels, 1 office building

Plans for the second phase of the angelo Munich project foresee the construction of city archives, an office building and a second hotel on the site.

The largest four-star superior andel's design hotel to date was opened in Berlin at the beginning of March 2009 (after the reporting date). With a total of 557 rooms on ten storeys, a flexible conference area of 3,800 square metres, a 570-square-metre ballroom and a sky bar on the fourteenth storey of the 60-metre tower, andel's Berlin is one of the most attractive conference and event locations in the city. Guests can also use a 550-square-metre wellness area. As was the case for the andel's hotels in Prague and Krakow, the interior was designed by the interior design firm Jestico & Whiles, London.

The hotel was developed over nineteen months through a joint venture with UBM, at a total investment of roughly EUR 102 million.

France

Economic environment

After achieving GDP growth of 0.7 per cent in 2007, French economic output is expected to contract by 1.8 per cent in 2009.

Existing portfolio: 2 hotels

In Paris, Warimpex and its long-term partner UBM are the joint leaseholders of the four-star Hotel Dream Castle and the four-star Magic Circus at Disneyland® Resort Paris, each of which have 400 rooms. At 83 per cent and 71 per cent (2007: 77 per cent and 75 per cent), the occupancy rates for the hotels showed an extremely gratifying trend in the reporting period. The average room price also increased significantly at both hotels.

Rooms were combined at Hotel Dream Castle at the end of 2008 to create family suites in response to strong demand for suites from guests from the Middle East.

The management contract with Holiday Inn for Hotel Magic Circus (formerly Holiday Inn at Disneyland® Resort Paris) was terminated at the beginning of 2009. The hotel's conference areas and pool are currently being renovated.

Austria

Economic environment

Austria's economy is strongly dependent on the development of the economies in Germany and Eastern Europe. GDP growth for 2008 is expected to come in at 1.7 per cent, and at 0.8 per cent in 2009.

Under development: 1 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 2011, is Warimpex's first in Austria.

The property development plan was prepared in collaboration with an architect and the collection of tenders from suitable hotel management companies commissioned in the reporting period. Numerous tours were held with hotel management companies in the third and fourth quarters. The decision on which management company should lease and operate the hotel will be made in the first half of 2009.

Russia

Economic environment

Russia enjoyed very rapid growth in 2007 and 2008, and the economy is estimated to have grown by 6.2 per cent in 2008 (2007: 8.1 per cent). However, the fall in commodities prices and the strong reversal in global capital flows hit the country hard. Russia's GDP is expected to contract by 0.7 per cent in 2009.

Existing portfolio: 1 hotel

A 60 per cent interest in an existing hotel at Koltsovo airport in Ekaterinburg was purchased in the period under review. The Hotel Liner, which has been in operation for over twenty years, is to be renovated and developed into an international three-star hotel. The financing for this work will come from the hotel's own cash flow.

Vienna International already took over the management of the Hotel Liner. The hotel is fully consolidated in the financial statements, and business developed nicely in the reporting period with an average occupancy rate of 70 per cent.

Under development: 2 hotels, airport office park

Warimpex is also developing another airport project in Ekaterinburg. A new angelo hotel is planned to coincide with the expansion of the airport and will boast a direct link to the new terminals. Construction work began in the second quarter of 2008 and is proceeding according to plan. The hotel is expected to open on schedule in the third quarter of 2009.

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. As of the reporting date, Warimpex owns 58.8 per cent of the project, CA Immo New Europe Fund 29.4 per cent, and UBM 11.8 per cent. The 15 per cent share held by St. Petersburg Airport was fully diluted at the end of the year under report. Construction is proceeding according to schedule, and the building shell for the hotel and the three office buildings was completed at the beginning of April. Airport City in St. Petersburg is slated to open at the end of 2010.

Budget hotels

Under development: 4 hotels

In March 2007, Warimpex entered into a strategic joint venture with Louvre Hotels to develop budget hotels in Central Europe. The objective is to develop the successful Louvre Hotels brands Campanile and Première Classe in Warimpex's home markets.

It is planned to develop a chain with roughly 5,000 rooms in Hungary, the Czech Republic, Slovakia and Poland in the next five years.

The first joint hotels are to be opened in Budapest, Wrocław and in Zielona Góra at the end of 2010. Suitable properties for these hotels were purchased at central locations during the reporting period.

Warimpex and Louvre are also currently involved in negotiations on the development of further budget hotels in the Hungarian cities of Debrecen, Szeged, Miskolc and Nyíregyháza. In Poland, two- to three-star hotels are to be built in Katowice, Kraków, Bydgoszcz, Gdansk and Warsaw. In the Czech Republic the joint venture partners are currently focusing on Prague, Brno and Ostrava, and on Bratislava and Košice in Slovakia.

From autumn 2007 onwards, there was a general decline in the price of land as a result of the financial crisis. The price of land is a decisive factor in the development of budget hotels.

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

- Campanile, Budapest
- Campanile, Zielona Góra
- Campanile, Wrocław
- Première Classe, Wrocław

Main business activities in the financial year 2008

• Acquisition of a further 50 per cent of andel's in Krakow

At the beginning of January 2008 the purchase of a further 50 per cent interest in the parent company of andel's hotel in Krakow was concluded. Warimpex is now the sole owner of the four-star-plus hotel, which was developed jointly with UBM and opened in May of last year.

• Acquisition of an airport hotel and hotel development project at the airport in Ekaterinburg

At the beginning of March 2008, Warimpex acquired a 60 per cent stake in an existing airport hotel and a hotel development project, both of which are located on the premises of Koltsovo Airport in Ekaterinburg. The Hotel Liner, which has been in operation for over twenty years, is to be renovated and developed into an international three-star hotel. As part of the airport expansion project, Warimpex will also build an additional 210-room hotel under its angelo brand, which will boast a direct link to the new terminals. Construction work started in the second quarter of 2008, with the opening due to follow in 2009.

• Sale of 10 per cent of the Airport City St. Petersburg development project

At the end of the first quarter of 2008, UBM AG was brought on board as a further co-investor in the Airport City development at Pulkovo Airport in St. Petersburg, with Warimpex selling 10 per cent of its shares for EUR 12 million. UBM, which was previously responsible for the technical planning, has thus become a new equity partner in the project.

• Start of construction for the angelo in Katowice

Construction work began for a new angelo hotel in Katowice at the end of the first quarter of 2008. The hotel will have 203 rooms and is scheduled to open in the first quarter of 2010.

• Acquisition of first properties under the joint venture with Louvre Hotels

After evaluating first joint projects and making investment decisions in financial year 2007, the joint venture acquired plots of land in Budapest, Zielona Gora (Poland) and Wroclaw (Poland). The site in Budapest is earmarked for a three-star Campanile brand hotel with around 280 rooms, which is due to open in 2010. Another Campanile hotel with roughly 80 rooms is planned in Zielona Gora and is to open in 2010. A Campanile hotel and a Premiere Classe hotel are scheduled to open in Wroclaw in 2010.

• Sale of Villa Margareta in Karlovy Vary

A villa in the Czech spa town of Karlovy Vary was sold to a private investor at the end of April 2008. The sales proceeds of approximately EUR 4.5 million were more than double the fair value of the property as determined by CBRE at 31 December 2007.

• Opening of the angelo hotel in Munich and the angelo hotel in Plzen

A new angelo hotel with 146 rooms was opened in Munich at the end of May 2008. An angelo with 144 rooms was also opened in Plzen on 1 October 2008. Both hotels were developed jointly by Warimpex and UBM.

• Opening of an additional 69 rooms at the angelo in Bucharest

At the angelo airport hotel in Bucharest, which Warimpex acquired last year, the lobby and conference rooms were adapted to the angelo design and full thermal insulation installed on the façade during the reporting period. Office spaces on two full floors were converted into new hotel rooms, increasing the hotel's capacity by 69 rooms to 177 rooms.

• Sale of a real estate company in Budapest

A fully occupied office building (Pauer) was sold at the beginning of December 2008. The holding company that was owned by Warimpex up until the time of the transaction was sold to an investor.

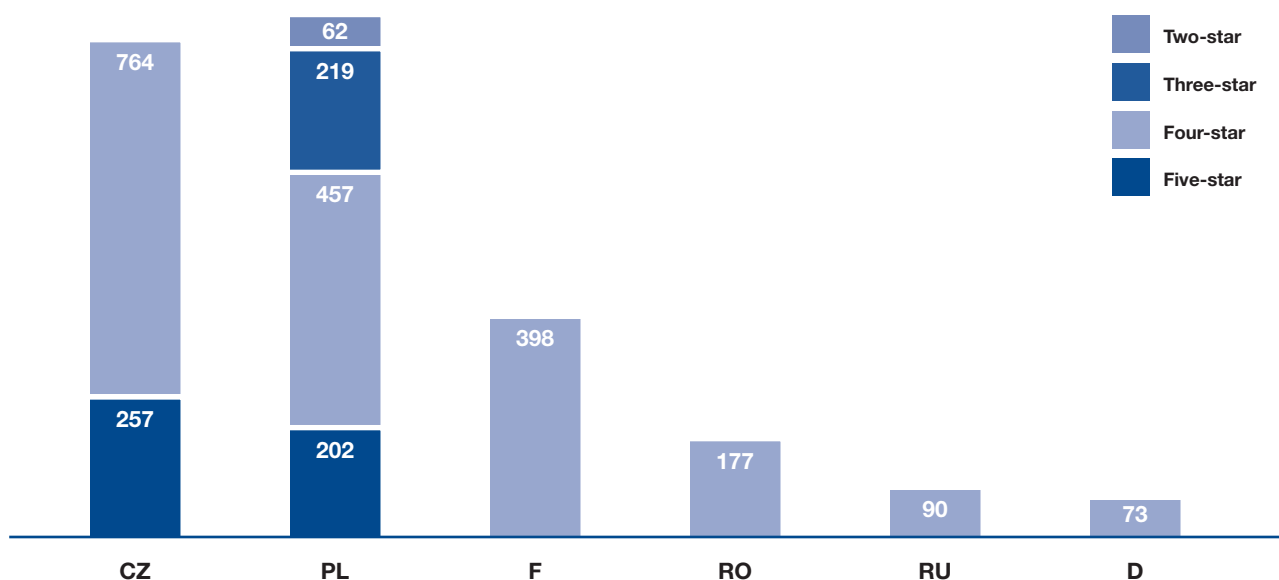
• Refinancing of Hotel Dvořák in Karlovy Vary

Refinancing was arranged for the Dvořák health resort in Karlovy Vary at the end of 2008. As part of this, the hotel company was formally sold to a new owner. This transaction had no influence on the Company's IFRS financial statements because Warimpex still holds the majority of the risks and rewards of ownership. Warimpex will lease and continue to operate the hotel with 126 rooms after the sale. It will also continue to be managed by Vienna International Hotelmanagement AG.

The sale price was almost 7 per cent higher than the most recent fair value as determined by the international real estate appraiser CB Richard Ellis (CBRE) in June 2008.

Hotel portfolio

Hotel portfolio (number of rooms adjusted for proportionate share of ownership) at 31 December 2008



In the financial year, the number of available hotel rooms (adjusted for the proportionate share of ownership) rose by 382, from 2,317 to 2,699, as of 31 December 2008. This is attributable to the acquisition of the additional shares in the andel's hotel in Krakow, the acquisition of the Hotel Liner in Ekaterinburg, the opening of the angelo hotel in Munich, the 69 additional rooms at angelo airport hotel in Bucharest, and the opening of the angelo in Plzen.

The angelo in Berlin with 557 rooms (279 when adjusted for the proportionate share of ownership) opened after the reporting date.

As of 24 April 2009, Warimpex has roughly 4,350 rooms (roughly 3,000 when adjusted for the proportionate share of ownership).

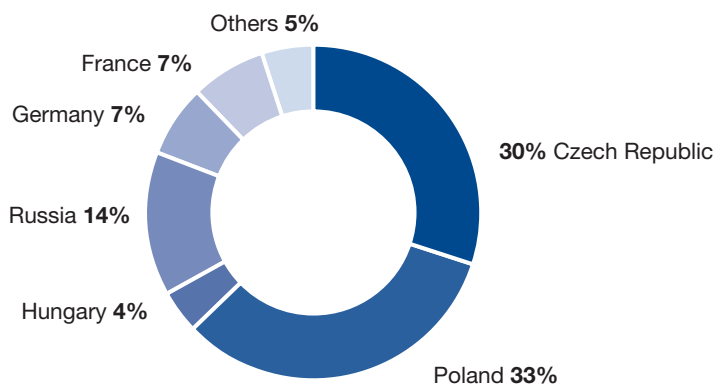
Aside from the budget hotels under the joint venture with Louvre Hotels, a total of thirteen development projects are currently under implementation. Five properties are currently under construction, of which two further hotels with a total of 488 rooms (404 when adjusted for the proportionate share of ownership) are due to open in 2009.

Business development

As of the end of December 2008, the Warimpex Group portfolio comprised a total of twenty-four properties, eighteen of which were hotels and six office properties, plus numerous pieces of land and development projects in eight countries in Central 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 2008

The greatest share of the Company's gross asset value, 33 per cent, is located in Poland, followed by the Czech Republic with 30 per cent. The share of GAV in Russia increased to 14 per cent as a result of the progress made in the Airport City development project.

In terms of sector breakdown, roughly 90 per cent of the Group's real estate assets (excluding development projects) are hotels, while 10 per cent are office properties.

Assets, financial position and earnings situation

Result for the financial year 2008

Consolidated income statement (EUR '000)	2008	2007	2006
Revenues			
Hotels & Resorts	86,662	71,555	52,408
Development & Asset Management	7,706	9,643	6,391
	94,368	81,198	58,799
Gains from the sale of real estate	26,575	37,366	18,563
Carrying amounts, loans and borrowings assumed by the purchaser	(12,709)	(5,854)	(12,244)
Gains from the sale of Group subsidiaries	13,866	31,512	6,319
Change in real estate projects under development or construction	(378)	(1,496)	601
Negative goodwill recognized in income	1	3,702	4,181
Other income	5,153	4,682	5,281
	4,776	6,888	10,063
	113,010	119,598	75,181
Expenses			
Expenses for materials and services rendered	(43,113)	(32,014)	(22,741)
Expenses for project development	(1,598)	(984)	(2,025)
Personnel expenses	(27,675)	(22,451)	(15,284)
Other expenses	(11,272)	(7,192)	(4,329)
Total expenses	(83,658)	(62,641)	(44,379)
EBITDA	29,353	56,957	30,802
Depreciation and amortization expense	(26,014)	(9,768)	(8,000)
Impairment of goodwill	(6,751)	–	–
EBIT	(3,412)	47,188	22,801
Financial revenue	3,668	3,277	6,952
Finance costs	(27,324)	(16,889)	(8,201)
Result from associated companies	(2,370)	–	–
Pre-tax profit/loss	(29,439)	33,577	21,552
Profit/loss for the year	(29,388)	33,734	21,210

Development of revenues

Business with the operation of hotels did not develop as well during the reporting period as in 2007, but was satisfactory nonetheless. Business was very different in Warimpex's two core hotel markets, however. While occupancy rates and average room prices were stable and even increased in some cases at the hotels in Poland and France and at the spa hotel in Karlovy Vary, average room prices and occupancy rates fell in Prague. A key factor in the higher level of revenues was the increased number of rooms.

About 90 per cent of revenues came from the operation of hotel properties, even though these only account for less than 90 per cent 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 the sale of shareholdings and sales proceeds from the transfer 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 realized from share deals of this kind are reported in the item Gains from the sale of disposal groups.

Earnings situation

As Warimpex carries property, plant and equipment at cost less depreciation and amortization, and increases in the value of real estate assets are not realized annually and recognized in income, the profit indicators are strongly dependent on real estate sales and are therefore subject to fluctuations. This is because Warimpex can only determine the "true" market value and report the proceeds accordingly when a property is sold.

A distinction is also made between the different forms of project disposal transaction. In accordance with IAS/IFRS, therefore, profit on construction contracts (IAS 11) and increases in the inventory value of capitalized real estate assets such as residential premises (IAS 2) are recognized in Revenues. Profits from the sale of property, plant and equipment as part of an asset deal are recognized in Other income. Gains realized from share deals of this kind are reported in the item Gains from the sale of disposal groups.

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

In the first quarter of 2008 Warimpex sold a 10 per cent stake in the Airport City development project in St. Petersburg to UBM, booking a profit of EUR 9.2 million from the transaction. In the same period in 2007, the Company realized proceeds of EUR 2.2 million through the sale of a 50 per cent share in a fully rented office building.

A villa in the Czech town of Karlovy Vary that was used as a seminar room by Hotel Dvořák was sold at the end of April 2008. The price paid for the villa was considerably higher than the fair value calculated by CBRE and the book value. This transaction made a contribution of roughly EUR 4.3 million to the profit for the period. Because the sale took the form of an asset deal, the net proceeds are recognized under Other income.

The angelo airport hotel in Bucharest was also purchased in the third quarter of 2007. The price paid for the establishment was less than the fair values of the assumed assets, which resulted in a non-cash profit contribution of EUR 3.7 million in accordance with IFRS 3 (Business Combinations). This capitalized amount was written down again through profit and loss in financial year 2008 because of a lower appraisal value.

A fully rented office building in Budapest (Pauler) was sold at the beginning of December 2008 and resulted in a contribution to the consolidated profit of EUR 3.9 million.

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) fell by 48 per cent from EUR 57.0 million in 2007 to EUR 29.4 million in 2008. This EUR 27.6 million decline can primarily be attributed to the lower revenues from the sale of project companies, decreased revenues in the five-star segment (luxury segment, see also Note 6.01), the lack of releases of negative goodwill and increased costs in the Development & Asset Management segment (see Note 6.02).

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 19.8 million were recognized because an external opinion showed 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 47.2 million to -EUR 3.4 million year-on-year.

Financial result

The financial result worsened from -EUR 13.6 million to -EUR 26.0 million. Interest on current account loans, long-term project financing and other loans increased by EUR 7.6 million or 64 per cent in 2007 compared to 2008. Of this, roughly 44 per cent or EUR 3.4 million can be attributed to interest expenses for loans not yet held in the same period of the prior year, roughly 45 per cent or EUR 3.4 million to loans recognized on a pro rata basis in the same period of the prior year, and roughly 11 per cent or EUR 0.8 million to higher interest rates as a result of the increases in the EURIBOR. As roughly 84 per cent of the Company's financial liabilities are variable rate loans and the 3M EURIBOR has fallen from roughly 5.4 per cent at the beginning of October to roughly 1.5 per cent at the time this report was prepared, expenses for project loans can be expected to fall in financial year 2009 (see also Note 25.1). Impairments were recognized on current financial investments in the amount of EUR 5.9 million in the first quarter of 2008 (2007: EUR 4.6 million). Non-cash losses in connection with CHF loans in the amount of EUR 1.2 million and impairments recognized for associated companies in the amount of EUR 2.4 million also reduced the financial result.

Profit for the year

Warimpex Group's profit for the year fell from EUR 33.7 million to -EUR 29.4 million in annual comparison. This decline can be attributed primarily to the non-scheduled write-downs and the negative financial result.

Segment reporting

(For more information, see the detailed comments in [06] Segment information in the Notes.)

The Warimpex Group has defined the segments Hotels & Resorts and Asset Management & Development. 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 contains both profits resulting from the letting of investment property and profits from the sale of real estate.

Hotels & Resorts segment

EUR '000	2008	2007	2006
Revenues for the Group	86,662	71,555	52,408
Average number of hotel rooms for the Group*	2,583	1,924	1,460
Group GOP	29,619	29,604	22,325

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

Revenues from the operation of hotels increased by 21 per cent from EUR 71.6 million to EUR 86.7 million due to the higher average weighted number of hotel rooms. The average number of available rooms increased by from 659 (+34 per cent) to 2,583.

The gross operating profit (GOP, calculated according to the Uniform System of Accounts for the Lodging Industry) remained unchanged at EUR 29.6 million, however. The primary reasons for the narrower GOP margin were the lower occupancy rates and changed exchange rates. The Polish zloty gained more than 20 per cent against the euro in the reporting year, for example. All costs are incurred in local currencies, while the room rates are usually set in euros.

The capacity changes in the Hotels & Resorts segment can be attributed to the purchase of shares in andel's in Krakow, the purchase of the Hotel Liner in Ekaterinburg, the opening of the angelo in Munich, the 69 additional rooms at angelo airport hotel in Bucharest and the opening of the angelo in Plzen.

Development & Asset Management segment

EUR '000	2008	2007	2006
Revenues for the Group	7,706	9,643	6,391
Segment EBITDA	12,406	36,048	14,345

Revenues in the Development & Asset Management segment (development, rental and sale of hotels and offices) fell by 20 per cent from EUR 9.6 million to EUR 7.7 million. This decline can be attributed primarily to one-off effects in the prior period.

The results in this segment depend heavily on the sale of real estate holdings (share deals) and properties (asset deals) and are subject to significant year-on-year fluctuation. A 25 per cent share in the Airport City development project in St. Petersburg was sold in 2007. Another 10 per cent share in this project was sold in 2008. A villa was sold in Karlovy Vary in the Czech Republic in April 2008, and an office building was sold in Budapest at the beginning of December.

Financial position

Consolidated balance sheet (EUR '000)	2008	2007	2006
Assets			
Non-current assets	582,318	451,906	350,936
Current assets	59,872	56,454	34,066
Total assets	642,190	508,360	385,001
Equity and liabilities			
Issued capital	36,000	36,000	30,000
Retained earnings and reserves	105,050	141,040	56,747
Minority interests	4,456	268	281
Total equity	145,506	177,308	87,028
Non-current liabilities	377,876	231,881	191,440
Current liabilities	118,808	99,170	106,533
Total liabilities	496,684	331,052	297,973
Total equity and liabilities	642,190	508,360	385,001

Warimpex being a property developer, the assets side of the balance sheet is dominated by property, plant and equipment. The Group's dynamic expansion course has a significant effect on its non-current assets, which grew from EUR 451.9 million in 2007 to EUR 582.3 million in 2008, an increase of EUR 130.4 million or 29 per cent. As two-thirds of the properties held by the Warimpex Group are generally financed via long-term project loans, this also increased the Group's non-current liabilities by EUR 146.1 million or 63 per cent from EUR 231.8 million to EUR 377.9 million.

The Group's equity ratio fell from 35 per cent to 23 per cent year-on-year.

In view of the fact that Warimpex carries property, plant and equipment at cost less depreciation and amortization, 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 recognized at their fair values, the equity ratio (NNNAV/balance sheet total) would be 47 per cent (2007: 54 per cent).

Cash flows

Consolidated cash flow statement EUR '000	2008	2007	2006
Cash receipts from operating activities	96,839	77,874	58,889
Cash payments from operating activities	(85,377)	(63,036)	(47,161)
Net cash flows from operating activities	11,462	14,837	11,728
Cash flows from investing activities	(120,106)	(93,383)	(31,441)
Cash flows from business combinations, other changes in the scope of consolidation and acquisition of minority interests	(4,448)	10,207	(12,419)
Net cash flows in/from financing activities	122,526	74,078	29,788
Cash and cash equivalents at end of year	33,112	24,135	17,650

Cash flows from operating activities

The net cash flows from operating activities declined from EUR 14.8 million in 2007 to EUR 11.5 million in 2008, due primarily to lower cash flows in the five-star segment (luxury segment, see Note 6.01) and lower cash flows in the Development & Asset Management segment (see Note 6.02).

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

For more information, see the detailed comments in [06] Segment information in the Notes.

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)	2008	2007	2006
Acquisition of Hotel Holiday Inn Paris	–	11,889	–
Completion of angelo hotel Prague	–	472	5,309
Completion of andel's hotel Krakow	–	6,183	5,211
Completion of UBX 2 office building andel's City Prague	–	1,995	1,987
Conversion of angelo airport hotel Bucharest	5,105	–	–
Construction progress on andel's hotel Lodz	30,481	3,864	2,727
Construction progress on andel's hotel Berlin	31,983	5,271	2,155
Construction progress on angelo hotel Plzen	7,346	2,056	185
Project development and construction progress on Airport City St. Petersburg	3,491	17,262	–
Project development and construction progress on angelo hotel Munich	4,355	1,861	86
Project development progress on Białystok shopping centre	749	1,243	1,732
Construction progress on angelo hotel Ekaterinburg	13,335	–	–
Expansion of Hotel Savoy Prague (purchase of adjacent site)	147	2,272	–
Refurbishment of Hotel Palace, Prague	40	1,178	1,081
Refurbishment of Hotel Dvořák, Karlovy Vary	361	1,133	2,569
Refurbishment of Hotel Diplomat, Prague	820	1,525	233
Other project developments and investments related to hotels	13,895	394	5,271
	112,108	58,598	28,546

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

(See [04] in the Notes)

The balance of roughly -EUR 4.4 million 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, 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.

The balance of roughly EUR 10.2 million in financial year 2007 included payments for the acquisition of the companies that held the angelo airport hotel in Bucharest and cash received for the sale of the 50 per cent share in an office building in Prague and the sale of a 25 per cent share of the Airport City real estate development project in St. Petersburg.

Cash flows from interest-bearing debt finance

The change in the cash flows from financing activities can primarily be attributed to significantly higher receipts from long-term project financing. New shares in the amount of EUR 6 million were issued in January 2007.

Real estate assets

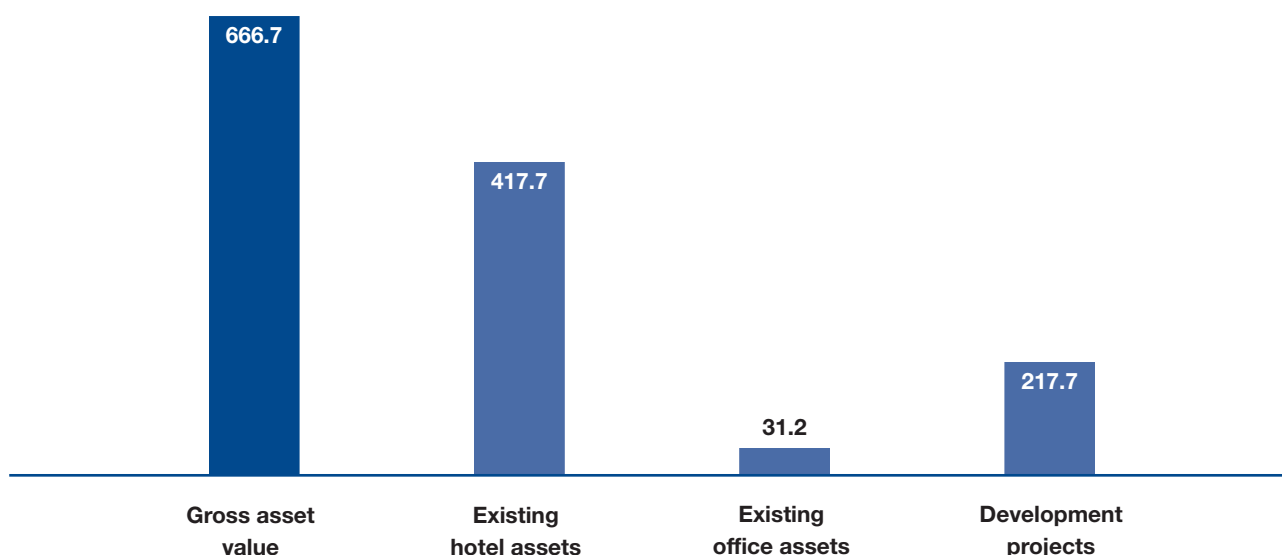
As at 31 December 2008, the real estate portfolio of the Warimpex Group comprised eighteen hotels with a total of 3,800 rooms (2,699 rooms when adjusted for the proportionate share of ownership), plus six office properties with a total lettable floor area of some 32,000 square metres (23,000 square metres when adjusted for the proportionate share of ownership).

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

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

Calculation of the gross asset value and net asset value

Gross asset value



Because of the provisions of IAS 40.12 pertaining to owner-operated hotels, Warimpex recognizes its properties at cost less depreciation and amortization. Any increases in the value of other properties are not recognized in profit in the respective reporting period. 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.

All existing real estate and development projects are valued twice annually (at 30 June and 31 December) by the international independent real estate appraiser CB Richard Ellis (CBRE).

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

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 discounted cash flow (DCF) approach.

The capitalization factors (yields) used to calculate the earning capacity of hotel properties in Poland ranged from 6.25 to 9.00 per cent (2007: 6.00 to 7.75 per cent), in the Czech Republic from 7.00 to 8.00 per cent (2007: 6.50 to 7.50 per cent), in Germany from 7.00 to 7.50 per cent (2007: 6.50 to 6.75 per cent), and in France from 7.25 to 7.50 per cent (2007: 6.50 per cent). Office properties in Hungary and Poland were discounted at a rate ranging from 7.50 to 10 per cent (2007: 6.50 to 9.0 per cent).

Warimpex's gross asset value came in at EUR 666.7 million (2007: EUR 614.8 million) at 31 December 2008. This increase is primarily attributable to property acquisitions. The Group's triple net asset value (NNNAV) fell by EUR 85.5 million or 22 per cent compared to the prior year from EUR 387.4 million to EUR 301.9 million as at 31 December 2008. The NNNAV fell by 12 per cent compared to 30 June 2008. The estimated values of the associated properties had fallen considerably because of significantly higher yields and lower estimated free cash flows from hotel operations.

The following table shows the triple net asset value (NNNAV) as calculated according to the Best Practice Policy Recommendations published by the European Public Real Estate Association (EPRA) in May 2008:

in EUR m	2008		2007	
Equity before minority interests	141.0		177.0	
Goodwill		(2.4)		(7.4)
Deferred tax assets	(3.8)		(4.2)	
Deferred tax liabilities	20.7	16.9	19.1	14.9
Book value of existing hotel assets	339.8		287.9	
Fair value of existing hotel assets	417.7	77.9	422.0	134.1
Book value of existing office property assets (investment properties)	25.1		22.4	
Fair value of existing office property assets (investment properties)	31.2	6.1	37.7	15.3
Book value of development projects	140.7		87.2	
Fair value of development projects	203.1	62.4	140.7	53.5
Book value of associated companies	9.2		8	
Fair value of associated companies	9.2	–	8	–
Triple net asset value/EPRA		301.9		387.4
Number of shares at 31 December		36,000,000		36,000,000
NNNAV per share in EUR		8.4		10.8

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 organization within Warimpex and especially within the Management Board that governs responsibilities and authorizations 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 Asset Management & Development 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 impact on both the current cash flow and on real estate valuation.

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 could 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, on the one hand, to reduce the Group's exposure to interest rate risk and, on the other hand, to provide a general risk reduction and to utilize opportunities in the market. 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 large degree of uncertainty in the world economy and the real estate market. These events are also causing a high degree of uncertainty with regards 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 it may be difficult to successfully sell properties on the market depending on the prevailing conditions.

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 lines. It will be necessary to extend or refinance these credit lines or to convert them into long-term financing in 2009.

(d) Financial reporting

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 recognize risks as early as possible and to counter these risks with effective management and control systems.

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

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

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 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 continuing education and training.

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

In 2008, an average of 1,367 (2007: 1,139) employees worked for the Hotels & Resorts segment and 90 (2007: 59) for the Asset Management & Development segment (including the Group headquarters).

Sustainability

The Warimpex Group's real estate developments have an impact on the 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 Austrian Uniform Commercial Code

The share capital of Warimpex Finanz- und Beteiligungs AG amounts to EUR 36,000,000 and is divided into 36,000,000 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 transfer.

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

Georg Folian	21.1%
Franz Jurkowitsch	21.0%
Bocca Privatstiftung	15.9%
Amber Privatstiftung	15.9%

The Management Board was authorized on 31 July 2006 to increase the share capital by up to EUR 15 million (of which EUR 6 million has been used) in one or more tranches within a period of five years, subject to the approval of the Supervisory Board. In addition, the Management Board was empowered, with the Supervisory Board's approval, to fully or partly waive the shareholders' subscription right in the event of a capital increase against contributions made in kind. The annual general meeting on 31 May 2007 also authorized 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.

At the ordinary annual general meeting on 29 May 2008, the Management Board was authorized to purchase shares in the Company up to the maximum amount permitted by law of 10 per cent of the total capital stock within a period of 30 months after the passing of the motion.

The 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 60,500 shares had been purchased at an average price of EUR 4.64. This corresponds to 0.17 per cent of the capital stock.

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

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 Group financial statements.

Outlook

Warimpex is currently involved in thirteen development projects, not including the planned budget hotels.

The following hotel projects are currently under construction:

- | | |
|-----------------------------------|---|
| • andel's, Łódź, 278 rooms | (opening scheduled for 15 June 2009) |
| • angelo, Ekaterinburg, 210 rooms | (opening scheduled for the third quarter of 2009) |
| • angelo, Katowice, 203 rooms | (opening scheduled for the first quarter of 2010) |

The following hotels and development projects are also 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 the fourth quarter of 2010) |
| • Redevelopment of the Erzsebet office complex | (opening of tower B scheduled for the second quarter of 2009) |

The following projects are in advanced stages of development:

- Le Palais office building, Warsaw
- Office building, Krakow
- Hotel, Munich
- Palais Hansen, Vienna
- Shopping centre, Białystok

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

- Campanile, Budapest
- Campanile, Zielona Gora
- Campanile, Wroclaw
- Premiere Classe, Wroclaw

Vienna, 24 April 2009



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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

in EUR	Note	2008	2007
Revenues			
Revenues – “Hotels & Resorts” segment		86,662,545	71,555,006
Revenues – “Development & Asset Management” segment		7,705,726	9,642,685
	7.01.	94,368,270	81,197,691
Gains from the sale of Group subsidiaries			
Revenues from the sale of real estate		26,575,000	37,366,489
Carrying amounts, loans and borrowings assumed by the purchaser		(12,708,934)	(5,853,953)
	4.01.	13,866,066	31,512,536
Other income and expenses			
Changes in real estate projects under development or construction	[16]	(377,922)	(1,495,924)
Other income	7.01.	5,152,789	4,682,470
		4,774,867	3,186,546
Expenses for materials and services received	7.02.	(43,112,586)	(32,014,008)
Expenses for project development	7.02.	(1,597,662)	(984,267)
Personnel expenses	7.03.	(27,674,761)	(22,451,015)
Depreciation and amortization expense		(26,014,030)	(9,768,309)
Other expenses	7.04.	(11,272,460)	(7,192,462)
Negative goodwill recognized in income	4.02.	697	3,701,622
Impairment of goodwill	[13]	(6,750,684)	–
		(116,421,485)	(68,708,438)
Operating profit/loss		(3,412,282)	47,188,335
Financial revenue	7.06.	3,667,574	3,277,103
Finance costs	7.05.	(27,324,497)	(16,888,776)
Result from associated companies	[14]	(2,369,951)	–
Profit/loss before tax		(29,439,156)	33,576,662
Income tax paid	[08]	(1,338,782)	(842,492)
Deferred taxes	[08]	1,389,625	1,000,020
Profit/loss for the year		(29,388,313)	33,734,190
Attributable to:			
- Equity holders of the parent		(29,170,641)	33,873,477
- Minority interests		(217,672)	(139,288)
		(29,388,313)	33,734,190
Earnings per share:			
Diluted = basic, for the profit for the year attributable to ordinary equity holders of the parent	[09]	(0.81)	0.95

CONSOLIDATED BALANCE SHEET

for the year ended 31 December 2008

in EUR	Note	2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment		337,675,134	287,869,763
Property under construction		136,466,751	87,190,312
	[10]	474,141,885	375,060,075
Investment properties	[11]	39,255,822	17,679,162
Goodwill	[13]	2,350,892	7,409,809
Other intangible assets	[12]	3,402,304	204,778
Associated companies	[14]	9,189,950	8,229,836
Other financial assets	[15]	50,140,248	39,113,292
Deferred tax assets	[08]	3,836,593	4,208,795
		582,317,695	451,905,747
Current assets			
Inventories	[16]	1,652,909	2,200,984
Trade and other receivables	[17]	23,369,764	14,856,584
Financial instruments available for sale	7.05.	–	10,155,000
Other financial assets	26.3.	1,736,933	557,436
Cash and short-term deposits	[18]	33,112,348	23,993,377
		59,871,954	51,763,381
Assets of a disposal group classified as held for sale	4.01.	–	4,690,604
		59,871,954	56,453,984
TOTAL ASSETS		642,189,648	508,359,731

CONSOLIDATED BALANCE SHEET

for the year ended 31 December 2008

in EUR	Note	2008	2007
EQUITY AND LIABILITIES			
<i>Equity attributable to equity holders of the parent</i>			
Issued capital	[09]	36,000,000	36,000,000
Capital reserves		55,576,939	55,576,939
Retained earnings		41,480,912	79,655,019
Treasury shares	[09]	(291,019)	–
Other reserves	[19]	8,282,960	5,808,226
		141,049,792	177,040,184
<i>Minority interests</i>		4,456,240	267,837
Total equity		145,506,032	177,308,021
Non-current liabilities			
Interest-bearing loans and borrowings	[20]	352,232,532	208,623,172
Provisions	[21]	4,083,826	3,370,029
Other payables	[22]	851,914	813,691
Deferred tax liabilities	[08]	20,707,325	19,074,381
		377,875,597	231,881,273
Current liabilities			
Trade and other payables	[22]	27,027,724	22,947,844
Interest-bearing loans and borrowings	[20]	90,006,995	70,302,533
Derivative financial instruments	26.3.	5,290	–
Income tax payable		951,650	719,425
Provisions	[21]	816,361	1,033,507
		118,808,019	95,003,310
Liabilities directly associated with the assets classified as held for sale	4.01.	–	4,167,127
		118,808,019	99,170,436
TOTAL EQUITY AND LIABILITIES		642,189,648	508,359,731

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

in EUR	Note	2008	2007
Cash receipts from operating activities			
From the operation of hotels and rent received		94,612,088	73,824,389
From real estate development projects		1,472,692	2,742,277
Interest received		754,479	1,307,035
		96,839,259	77,873,701
Cash payments for operating activities			
For real estate development projects		(2,525,775)	(1,093,278)
For materials and services received		(42,992,469)	(31,626,567)
For personnel and related expenses		(29,248,149)	(21,934,175)
For other expenses		(9,227,044)	(8,083,287)
Income tax paid		(1,383,735)	(298,904)
		(85,377,172)	(63,036,211)
Net cash flows from operating activities	[06]	11,462,087	14,837,490
Cash flows from investing activities			
Relating to property, plant and equipment:			
Proceeds from the sale of property, plant and equipment		4,698,932	327,596
Purchase of available-for-sale investments		(112,108,494)	(58,598,413)
	[10]	(107,409,561)	(58,270,817)
Relating to investment properties:			
Proceeds from the sale of property, plant and equipment		–	–
Purchase of available-for-sale investments		(10,098,693)	(1,276,611)
	[11]	(10,098,693)	(1,276,611)
Relating to available-for-sale investments:			
Proceeds from the sale of property, plant and equipment		4,206,000	618,044
Purchase of available-for-sale investments		–	(14,737,500)
	7.05.	4,206,000	(14,119,456)
Acquisition of software		(174,034)	(41,004)
Acquisition of associated companies	[14]	(3,262,336)	(8,229,836)
Relating to other financial assets:			
Loans granted		(3,019,574)	(11,971,044)
Other cash flows relating to financial assets		(347,601)	525,983
		(3,367,175)	(11,445,061)
		(120,105,799)	(93,382,784)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

in EUR	Note	2008	2007
Cash flows from business combinations, other changes in the scope of consolidation and the acquisition of minority interests			
Proceeds from the sale of disposal groups		14,206,715	32,118,758
Net cash of the companies sold		(825,368)	(80,459)
	4.01.	13,381,348	32,038,299
Payments made for business combinations		(14,071,261)	(12,222,167)
Cash acquired from business combinations		978,965	593,220
	4.02.	(13,092,295)	(11,628,947)
Payments for business combinations effected in previous periods		(4,736,642)	(10,202,000)
		(4,447,589)	10,207,353
Net cash flows used in/from investing activities and changes in the scope of consolidation		(124,553,389)	(83,175,431)
Cash flows from financing activities			
Inflows from capital measures	[09]	–	60,906,240
Acquisition of treasury shares	[09]	(291,019)	–
Cash receipts from/payments to minority interests		269,625	(6,947)
Proceeds from loans and borrowings	20.1.	176,042,528	52,806,606
Repayment of loans and borrowings	20.1.	(24,594,626)	(21,292,064)
Redemption of loans according to IFRS 5		687,271	–
Interest and other finance costs paid		(19,424,155)	(12,936,288)
Acquisition of derivative financial instruments	26.4.	(1,163,810)	–
Dividends paid	[09]	(9,000,000)	(5,400,000)
Net cash flows from/used in financing activities		122,525,814	74,077,547
Net change in cash and cash equivalents		9,434,512	5,739,606
Net foreign exchange difference		(457,364)	746,031
Cash and cash equivalents at 1 January		24,135,200	17,649,563
Cash and cash equivalents at 31 December		33,112,348	24,135,200
Cash and cash equivalents at year end break down as follows:			
Cash and cash equivalents of the Group	[18]	33,112,348	23,993,377
Cash and cash equivalents of a disposal group classified as held for sale		–	141,822
		33,112,348	24,135,199

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

in EUR	Ref. to Note 19					TOTAL	Minority interests	Total equity
	Issued capital	Capital reserve	Retained earnings	Treasury shares	Other reserves			
At 1 January 2007	30,000,000	–	51,181,540	–	5,565,543	86,747,084	280,651	87,027,735
Foreign currency translation	–	–	–	–	(3,425)	(3,425)	42,877	39,452
(Deferred) tax effects of currency translation	–	–	–	–	(4,196)	(4,196)	162	(4,034)
Fair value gains of available-for-sale investments	–	–	–	–	83,571	83,571	–	83,571
(Deferred) tax effects of available-for-sale investments	–	–	–	–	(28,314)	(28,314)	–	(28,314)
Net gains/losses from hedging	–	–	–	–	240,800	240,800	1,302	242,101
(Deferred) tax effects from hedging	–	–	–	–	(45,752)	(45,752)	(247)	(45,999)
Total income and expenses for the year								
recognized directly in equity	–	–	–	–	242,683	242,683	44,093	286,776
Profit/Loss for the year	–	–	33,873,477	–	–	33,873,477	(139,288)	33,734,190
Total income and expenses for the year	–	–	33,873,477	–	242,683	34,116,161	(95,195)	34,020,966
Other changes								
in minority interests	–	–	–	–	–	–	125,553	125,553
Changes in the scope of consolidation	–	–	–	–	–	–	(43,172)	(43,172)
Capital increase	6,000,000	60,000,000	–	–	–	66,000,000	–	66,000,000
Costs of funds	–	(5,897,415)	–	–	–	(5,897,415)	–	(5,897,415)
(Deferred) tax effects of costs of funds	–	1,474,354	–	–	–	1,474,354	–	1,474,354
Dividends paid to shareholders of the parent	–	–	(5,400,000)	–	–	(5,400,000)	–	(5,400,000)
At 31 December 2007/								
1 January 2008	36,000,000	55,576,939	79,655,018	–	5,808,226	177,040,184	267,837	177,308,021
Foreign currency translation	–	–	–	–	(1,533,706)	(1,533,706)	(834,186)	(2,367,892)
(Deferred) tax effects of currency translation	–	–	–	–	129,400	129,400	90,100	219,500
Net gains/losses from hedging	–	–	–	–	(44,832)	(44,832)	–	(44,832)
(Deferred) tax effects from hedging	–	–	–	–	8,518	8,518	–	8,518
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)
Total income and expenses for the year								
recognized directly in equity	–	–	–	–	2,474,734	2,474,734	(744,086)	1,730,648
Profit/Loss for the year	–	–	(29,170,641)	–	–	(29,170,641)	(217,672)	(29,388,313)
Total income and expenses for the year	–	–	(29,170,641)	–	2,474,734	(26,695,907)	(961,758)	(27,657,665)
Other changes								
in minority interests	–	–	–	–	–	–	137,125	137,125
Changes in the scope of consolidation	–	–	–	–	–	–	5,009,571	5,009,571
Losses of minority interests allocated against majority interests	–	–	(3,465)	–	–	(3,465)	3,465	–
Acquisition of treasury shares	–	–	–	(291,019)	–	(291,019)	–	(291,019)
Dividends paid to shareholders of the parent	–	–	(9,000,000)	–	–	(9,000,000)	–	(9,000,000)
At 31 December 2008	36,000,000	55,576,939	41,480,912	(291,019)	8,282,960	141,049,794	4,456,240	145,506,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2008

[01] Corporate information

Warimpex Finanz- und Beteiligungs AG (the "Company") is registered with the Commercial Court of Vienna under the registration number FN 78485 w. 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 2008 were authorized for release to the Supervisory Board by the Management Board on 24 April 2009. 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 2008:

Amendments to IAS 39 and IFRS 7 (Reclassification of Financial Instruments) govern the recognition and measurement of financial instruments, and especially the reallocation of financial assets. Application of these amendments will have no impact on the Group's consolidated financial statements.

IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) provides guidance on determining the maximum amount of a surplus in a pension fund that can be recognized as an asset according to IAS 19. Application of this interpretation will have no impact on the Group's consolidated financial statements.

IFRIC 11 (IFRS 2: Group and Treasury Share Transactions) clarifies how IFRS 2 is to be applied to share-based pay agreements including equity instruments of a company or equity instruments of another company in the same group. Application of this interpretation will have no impact on the Group's consolidated financial statements.

2.02.b In September 2007 the IFRS Board issued Exposure Draft 9 (ED9 Joint Arrangements), which regulates the accounting treatment of joint ventures. If this new regulation actually enters into force, the Group will be required to retroactively adjust accounting treatment of all joint ventures from proportionate consolidation to the equity method of consolidation.

As of the balance sheet date it was not yet clear whether the amendments proposed in ED9 will actually enter into force, nor was there any information about the possible impacts of the transitional regulations on the consolidated financial statements. Consensus opinion suggests that proportionate consolidation of joint ventures will no longer be permitted in future. The effects on the opening balance sheet 2009 and hence the consolidated financial statements for 2008 would be as follows:

ASSETS	31.12.2008	<i>unaudited</i> ± restatement	<i>unaudited</i> 01.01.2009
Non-current assets			
Property, plant and equipment and investment property	513,397,707	(194,495,909)	318,901,798
Intangible assets	5,753,197	(31,786)	5,721,411
Associated companies	9,189,950	2,610,410 ¹⁾	11,800,360
Other financial assets	50,140,248	39,186,593 ²⁾	89,326,841
Deferred tax assets	3,836,593	(942,828)	2,893,765
	582,317,695	(153,673,519)	428,644,175
Current assets			
Inventories, investments and current receivables	26,759,606	(5,791,265)	20,968,341
Cash and short-term deposits	33,112,348	(7,600,783)	25,511,564
TOTAL ASSETS	642,189,648	(167,065,568)	475,124,081
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	141,049,792	7,135,835	148,185,628
Minority interests	4,456,240	(6,070)	4,450,170
	145,506,032	7,129,765	152,635,797
Non-current liabilities			
Interest-bearing loans and borrowings	352,232,532	(162,513,692)	189,718,840
Provisions & other liabilities	4,935,740	(860,314)	4,075,425
Deferred tax liabilities	20,707,325	(1,667,597)	19,039,728
	377,875,597	(165,041,603)	212,833,994
Current liabilities			
Interest-bearing loans and borrowings	90,006,995	(1,514,427)	88,492,568
Provisions and other liabilities	28,801,024	(7,639,303)	21,161,721
	118,808,019	(9,153,730)	109,654,289
TOTAL EQUITY AND LIABILITIES	642,189,648	(167,065,568)	475,124,081

If joint ventures were not recognized by proportionate consolidation in the financial year 2008, but shown in accordance with the equity method of consolidation in the consolidated financial statements, the consolidated income statement would be as follows:

	31.12.2008	<i>unaudited</i> ± restatement	<i>unaudited</i> 01.01.2009
Sales revenues			
Segment "Hotels & Resorts"	86,662,545	(32,357,403)	54,305,142
Segment "Development & Asset Management"	7,705,726	(1,007,427)	6,698,299
	94,368,270	(33,364,830)	61,003,441
Gains from the sale of Group subsidiaries	13,866,066	(446,149)	13,419,917
Changes in real estate projects under development	(377,922)	–	(377,922)
Other income	5,152,789	(18,859)	5,133,930
Expenses for materials and services received	(43,112,586)	16,583,628	(26,528,958)
Expenses for project development	(1,597,662)	270,789	(1,326,873)
Personnel expenses	(27,674,761)	8,284,099	(19,390,662)
Depreciation and amortization expense	(26,014,030)	5,637,352	(20,376,678)
Other expenses	(11,272,460)	2,544,364	(8,728,096)
± Goodwill	(6,749,986)	(697)	(6,750,684)
Operating profit/loss	(3,412,282)	(510,304)	(3,922,586)
Financial revenue	3,667,574	1,911,009 ³⁾	5,578,583
Finance costs	(27,324,497)	4,986,536	(22,337,961)
Share of profits/losses of associates	(2,369,951)	(737,427) ⁴⁾	(3,107,378)
Profit/Loss before tax	(29,439,156)	5,649,814	(23,789,342)
Income tax paid	(1,338,782)	87,073	(1,251,709)
Deferred taxes	1,389,625	885,524	2,275,149
Profit/Loss for the year	(29,388,313)	6,622,411⁵⁾	(22,765,902)
Attributable to:			
Equity holders of the parent	(29,170,641)	6,622,411	(22,548,230)
Minority interests	(217,672)	–	(217,672)
	(29,388,313)	6,622,411	(22,765,902)

1) The increase relates to transfers of nominal shares in the joint ventures, less accumulated losses (up to the nominal amount of the shares), plus accumulated profits of the joint ventures.

2) The increase relates to the loans to joint ventures, which, using the proportionate consolidation method, are eliminated on a pro-rata basis.

3) The increase is due to interest on loans made to joint ventures, which, using the proportionate consolidation method, is eliminated on a pro-rata basis.

4) The result from associated companies corresponds to the losses assigned to all joint ventures, provided these losses are covered by the nominal value of all shares in joint ventures.

5) In total, the 2008 profit for the year of the Warimpex Group would be EUR 6,622,411.00 higher if the joint ventures were recognized in the consolidated financial statements on the basis of the equity method of consolidation rather than proportionate consolidation.

2.03. Basis of consolidation

The consolidated financial statements comprise the financial statements of Warimpex Finanz- und Beteiligungs AG and its subsidiaries as at 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. Unrealized 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 respective company ceases.

Business combinations are accounted for according to the purchase method. All subsidiaries that have to be consolidated have been included in the consolidated financial statements. As regards the accounting treatment of joint ventures, reference is made to Note 2.05. Minority interests represent that portion of profit or loss and net assets not held by the Group in accordance with IAS 27 and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Acquisitions of minority interests are accounted for using the "parent entity extension method", whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as goodwill.

The minority share in "El Invest Sp.z.o.o." was purchased during the reporting period and included the acquisition of goodwill in the amount of EUR 20,557.00 (see Note 4.02).

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 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 large degree of uncertainty in the world economy and the real estate market. These events are also causing a high degree of uncertainty with regards 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 it may be difficult to successfully sell properties on the market depending on the prevailing conditions.

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:

Impairment of goodwill

The Group performs semi-annual tests for impairment of goodwill. This requires an estimation of the values in use of the cash-generating units to which such goodwill is assigned. For estimating the value in use the management has to estimate the anticipated future cash flows of the cash-generating units and, in addition, determine an appropriate discounting rate to determine the present value of these cash flows. Moreover, valuation opinions according to international standards are obtained twice annually.

Impairments in the amount of EUR 6,750,684.00 (2007: EUR 0.00) were recognized in the reporting period. Reference is made to Note 13. At 31 December 2008 the book value of goodwill amounted to EUR 2,350,892.00 (2007: EUR 7,409,809.00). Reference is made to Note 13.

Impairment of property, plant and equipment, properties under construction and investment properties

The Group performs semi-annual tests for the impairment of property, plant and equipment, property under construction and investment properties. This requires the estimation of the recoverable amount, which is completed on the basis of external valuation opinions. The recoverable amount depends strongly on the applied capitalization rate and the expected future cash flows, and the growth rate used for extrapolation. The basic premises applied for determining the recoverable amount are explained in Note 13. See Notes 10 and 11 for information on the carrying amounts of these assets.

Deferred tax assets

Equally, other deferred tax assets are shown in the balance sheet only if tax plans for the individual taxable entity make it appear probable that the deferrals can actually be utilized.

At 31 December 2008 the value of deferred tax assets amounted to EUR 3,836,593.00 (2007: EUR 4,933,616.00), of which EUR 3,836,593.00 (2007: EUR 4,208,795.00) were recognized in the balance sheet. Reference is made to 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.

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.

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.

Reference is made 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 in general

Financial assets within the meaning of IAS 39 are classified either as financial assets to be measured at fair value through profit and 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 and loss, transaction costs directly attributable to the acquisition of the respective asset are additionally taken into account. Classification of financial assets into one of the stated categories is effected upon initial recognition.

Financial assets at fair value through profit and loss:

The category of financial assets measured at fair value through profit and loss includes all derivative financial instruments not held for hedging purposes.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following initial recognition, loans and receivables are measured at amortized 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 in available-for-sale assets are recognized directly in equity. The cumulative gain or loss that was recognized in equity is recognized through profit and loss when available-for-sale financial assets are derecognized.

2.07. Non-current assets classified as held for sale

If individual disposal groups are classified as "held for sale", all assets and liabilities included in the disposal group are transferred in accordance with IFRS 5.

The subsidiary "Palminvest kft" was recognized according to IFRS 5 in the prior year and sold during the reporting period. Reference is made to Note 4.01.

2.08. Foreign currency translation

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

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

The subsidiary's income statement is translated at the actual exchange rate (interest expenses), average exchange rate or historical exchange rate (depreciation and amortization) depending on the individual item. For subsidiaries pertaining to the segment "Hotels & Resorts", all transactions affecting the balance sheet and 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 using the actual exchange rate. As a result, financial statements of such companies are translated as if the transactions of these companies had occurred in the Group's reporting currency.

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

Where the local currency is the company's functional currency, all exchange differences arising on translation are taken directly to a separate component of equity. Upon disposal of a foreign entity, the deferred cumulative amount relating to the particular subsidiary previously recognized in equity is transferred to the income statement. By contrast, where the entity's functional currency is the euro, all exchange differences are immediately recognized in income. The exchange rates at 31 December 2007, which have been applied for all items that are translated at the closing rate as of the reporting date, are as follows:

		31.12.2008	(prev. year)
Polish zloty	(PLN/EURO)	4.1724	3.5820
Czech koruna	(CZK/EURO)	26.930	26.620
Hungarian forint	(HUF/EURO)	264.78	253.35
Swiss franc	(CHF/EURO)	1.4850	1.6547
US dollar	(USD/EURO)	1.3917	1.4721
Russian rouble	(RUB/EURO)	41.4411	35.9410
Romanian leu	(RON/EURO)	3.9860	3.6102

2.09. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Where significant components of an item of property, plant and equipment have different useful lives, depreciation is based on the useful lives of these components. Replacements 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. Reference is made to Note 10.

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

Impairments in the amount of EUR 10,050,859.00 (2007: EUR 0.00) were recognized in the reporting period. Reference is made to Note 10.

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 depreciated 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 booked through the income statement in the period in which the asset is derecognized.

2.10. Investment properties

Investment properties are measured at historical acquisition or production cost less accumulated depreciation, which is calculated on a straight-line basis, and accumulated impairment in value. Depreciation is calculated over the useful lives of the assets. Replacements that are 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 its own purposes. Investment properties that are under construction are recognized as such in the reporting period, while they were recognized under property, plant and equipment in the prior year and were not reclassified as investment properties until they were completed.

Impairments in the amount of EUR 2,969,683.00 (2007: EUR 0.00) were recognized in the reporting period. Reference is made to Note 11.

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 a real estate property held as investment property are booked through the income statement in the period in which the property is sold.

2.11. Business combinations and goodwill

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

Where the Group acquires a group of assets other than one constituting a business, acquisition costs are distributed among the individual identifiable assets and liabilities of such group on the basis of their relative fair value at the time of acquisition.

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, liabilities and contingent liabilities.

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and
- is not larger 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.

2.12. Other intangible assets

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

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

However, a purchase option for the property adjoining that on which angelo hotel Ekaterinburg is being built was recognized under Other intangible assets in the amount of EUR 3,521,127.00 as part of the business combination described under Note 4.02 Hotel Liner Ekaterinburg. The property can be purchased after angelo hotel Ekaterinburg is completed.

2.13. 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 significant 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 held by the Group in net assets of the associated company. The goodwill associated with an associated company is included in the carrying value of the respective share and is not subject to regular amortization. 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 – where applicable – shown in the consolidated statement of changes in equity. 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.

In the year under report the Warimpex Group acquired an interest amounting to EUR 2,653,729.00 in a project in Warsaw. Capital contributions for the Palais Hansen project in which an interest was acquired in the prior year amounted to EUR -1,693,615.00 in the reporting period. Reference is made to Note 14.

2.14. Impairment of non-financial assets

At each reporting date 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 an asset's value in use and its net realizable value. The carrying amount of an asset that exceeds the recoverable amount is reduced to the lower recoverable amount. The value in use is determined by discounting expected future cash flows to their present value using a pre-tax interest rate and an appropriate adjustment for risk. In determining an asset's net realizable value (fair value less cost to sell), an appropriate valuation model is used (see Note 2.04).

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. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

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

2.15. Other financial assets

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

2.16. 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. This valuation is based on the FIFO method.

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

2.17. Trade and other receivables

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

2.18. 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.

2.19. 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 but has substantially retained all the 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 through profit and loss.

2.20. Impairment loss of financial assets

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

2.20.1. Assets carried at amortized cost

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortized 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 through profit and 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 fair 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.

2.20.2. Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized through profit and loss, is transferred from equity to the income statement.

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

2.21. 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 contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

2.22. 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. In the previous year the Group acquired a 25% share in the joint venture "Hotel Jan III Sobieski, PL-Warsaw" in a business combination. This joint venture company has granted voluntary pension and long-term service bonus commitments to some employees. The resulting obligations were recognized in line with the Group's share in the joint venture. The provision is valued according to uniform methods within the Group and reflects the trends of salary increases and inflation in Poland.

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

In the previous year two additional directors were added to the Management Board, which is now composed of four members. The pension commitments made to the old directors were amended by extending the pension date to age 65 (2005: age 60) and 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 2.7% (previous year: 2.215%) for severance payments and 2.125% (previous year: 1%) 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". 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.

Actuarial profits and losses are recognized through profit and loss when they occur. The interest component is taken into account in finance expenses. The interest cost is recognized as finance costs. 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 1,215,996.00 (2007: EUR 917,657.00) and reported under (non-current) "Other financial assets".

2.23. 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.

2.24. 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.

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 or the lease term.

In the year under report, the company "Asset Paris II Luxembourg S.a.r.l." and its subsidiary "Asset Paris II France S.a.r.l." were sold as explained in Note 4.01. The hotel Holiday Inn Paris, which is owned by "Asset Paris II France", was leased by "Hotel Paris II S.a.r.l.". This is a finance lease. See Note 10 and Note 20.

The Group concluded leases for the commercial use of its "Investment properties". These are classified as operating leases. The non-cancellable rental income amounts to EUR 2.7 million for up to one year, EUR 2.7 million for up to three years, EUR 1.1 million for three to five years, and EUR 0.0 million for more than five years.

2.25. 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 the 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.

2.26. Taxes

2.26.1. 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.

2.26.2. 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 financial accounting 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 realized 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.

2.26.3. Value added tax (VAT)

Revenues, expenses and assets are recognized 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;
- 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.

2.27. 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

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

The effective portion of the gain or loss on the hedging instrument is 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.

2.28. 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 in the income statement. Differences between the carrying amount and the consideration are recognized in the capital reserves.

2.29. Standards and interpretations not yet effective

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

Amendments to IAS 1 (Presentation of Financial Statements) become obligatory for financial years beginning on or after 1 January 2009. Application of these amendments will have no impact on the Group's consolidated financial statements. Changes will occur in the presentation of changes in consolidated equity and of the consolidated income statement in financial year 2009.

Amendments to IFRS 2 (Share-based Payment) become obligatory for financial years beginning on or after 1 January 2009. Application of these amendments will have no impact on the Group's consolidated financial statements.

IFRIC 13 (Customer Loyalty Programmes) governs the accounting treatment of obligations arising from customer loyalty programmes and becomes obligatory for financial years beginning on or after 1 July 2008. Application of this interpretation will have no impact on the Group's consolidated financial statements.

Amendments to IAS 32 and IAS 1 (Puttable Financial Instruments and Obligations Arising on Liquidation) become obligatory for financial years beginning on or after 1 January 2009 and govern the recognition of certain financial instruments in equity. Application of this interpretation will have no impact on the Group's consolidated financial statements.

Improvements to IFRS 2008: The board issued its first collective standard for the amendment of various IFRS standards in May 2008, with the primary objective of eliminating inconsistencies and clarifying different formulations. There are separate transitional regulations for each standard. The Group has not applied any of these changes early, with one exception. The changes that were applied early pertain to a change in IAS 40 (Investment Properties), which clarifies that investment properties that are under construction are no longer to be recognized under "Property, plant and equipment" (or "Properties under construction"). This resulted in corresponding reclassifications in the reporting period (see Note 2.10). The application of all other changes has no impact on the Group's consolidated financial statements.

[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:

Investments in	Registered office/country	direct	Holding indirect	¹⁾ Method of consolidation		Share capital	Cur- rency	²⁾ Seg- ment	³⁾ Av. staff	Functional currency	
				2008	2007					2008	2007
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	–	35,000	EUR	D&A	–	EUR	–
Palais Hansen Immobilienentwicklung GmbH	A-Vienna	–	26.57%	EC	EC	35,000	EUR	D&A	–	EUR	EUR
Leuchtenbergering HotelbetriebsgesmbH	D-Munich	–	50%	PC	–	25,000	EUR	H&R	12	EUR	–
Recoop Tour a.s.	CZ-Prague	–	100%	FC	FC	24,000,000	CZK	H&R	182	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	–	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. (formerly UBX Objekt Ingoldstadt Ges.m.b.H.)	D-Munich	50%	–	PC	PC	25,000	EUR	H&R	–	EUR	EUR
Revital Rt.	HU-Budapest	100%	–	FC	FC	220,500,000	HUF	D&A	12	HUF	HUF
PAX-Invest kft	HU-Budapest	–	100%	FC	FC	3,000,000	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	HU-Budapest	100%	–	FC	FC	3,000,000	HUF	D&A	–	EUR	EUR
Palminvest kft ⁴⁾	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-Międzyzdroje	–	100%	FC	FC	38,325,000	PLN	H&R	125	EUR	EUR
Golf Amber Baltic Sp.z.o.o.	PL-Międzyzdroje	–	100%	FC	FC	2,500,000	PLN	H&R	18	EUR	EUR
Hansa Sp.z.o.o.	PL-Międzyzdroje	–	100%	FC	FC	430,000	PLN	H&R	10	EUR	EUR
Evropský Investicni Holding a.s.	CZ-Prague	–	100%	FC	FC	100,000,000	CZK	H&R	54	EUR	EUR
UBX Praha 1 s.r.o.	CZ-Prague	100%	–	FC	FC	33,200,000	CZK	H&R	50	EUR	EUR
Warimpex CZ s.r.o.	CZ-Prague	100%	–	FC	–	200,000	CZK	D&A	–	CZK	–
Balnex 1 a.s. ⁶⁾	CZ-Prague	84.13%	15.87%	FC	FC	155,000,000	CZK	H&R	110	EUR	EUR
Vega Holding s.r.o. ⁵⁾	CZ-Prague	merged	–	FC	FC	merged	CZK	H&R	–	EUR	EUR
MEP s.r.o. ⁵⁾	CZ-Prague	100%	–	FC	FC	82,800,000	CZK	H&R	2	EUR	EUR
Balnex 1 a.s. Kommanditgesellschaft	PL-Międzyzdroje	–	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	93	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 also 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 still participated in the Group.

5) The company MEP s.r.o. (acquiring company) was merged with Vega Holding s.r.o. (transferor company) during the reporting period.

6) The company Comtel Focus S.A. (acquiring company) was merged with WX RomCo S.A. (transferor company) during the reporting period.

7) A 10% share in the company "Aviolen OOO St. Petersburg" was sold in the year under report (reducing the Group's interest from 60% to 50%); the consolidation method was changed from full consolidation to proportionate consolidation. The capital increase that was made in December 2008 diluted the share to 58.8235%, the other joint venture partners have the right to participate in the capital increase in financial year 2009. This reduced the Group's share to 50% again. Proportionate consolidation is being maintained for the joint venture.

8) These companies are being consolidated because the Group still bears the majority of the risks and rewards of ownership.

Investments in	Registered office/country	direct	Holding indirect	¹⁾ Method of consolidation		Share capital	Cur-rency	²⁾ Seg-ment	³⁾ Av. staff	Functional currency	
				2008	2007					2008	2007
Le Palais Praha s.r.o.	CZ-Prague	100%	–	FC	FC	155,801,500	CZK	H&R	63	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	7	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	61	EUR	EUR
Asset Paris II s.a.r.l. ⁽⁴⁾	LU-Luxembourg	sold	–	PC	PC	sold	EUR	H&R	–	EUR	EUR
Asset Paris II s.a.r.l. ⁽⁴⁾	F-Paris	–	sold	PC	PC	sold	EUR	H&R	–	EUR	EUR
Hotel Paris II s.a.r.l.	F-Paris	–	50%	PC	PC	50,000	EUR	H&R	42	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	2	PLN	PLN
Thermo Energia Sp.z.o.o.	PL-Warsaw		90%	FC	PC	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	3	EUR	EUR
Millenium Plaza Sp.z.o.o. ⁽⁴⁾	PL-Warsaw	sold	–	FC	FC	sold	PLN	H&R	–	EUR	EUR
Chopin Sp.z.o.o.	PL-Krakow	100%	–	FC	FC	11,207,000	PLN	H&R	72	EUR	EUR
Evita Investments Sp. z o.o.	PL-Warsaw	100%	–	FC	–	2,000,000	PLN	D&A	–	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	3	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	–	50%	PC	PC	81,930,000	PLN	H&R	146	EUR	EUR
WX Rumänien Holding S.A. ⁽⁶⁾	LU-Luxembourg	100%	–	FC	FC	31,000	EUR	H&R	–	EUR	EUR
WX Rondo One Holding s.a.r.l.	LU-Luxembourg	70%	–	FC	–	400,000	EUR	D&A	–	EUR	–
Roundabout s.a.r.l.	LU-Luxembourg	–	15%	EC	–	55,000	EUR	D&A	–	EUR	–
Phoesia Sp. z o.o.	PL-Warsaw	–	15%	EC	–	50,000	PLN	D&A	–	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	PC	50,000	PLN	H&R	97	EUR	EUR
angelo Bydgoszcz Sp. z o.o.	PL-Warsaw	–	100%	FC	–	50,000	PLN	H&R	–	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	70	EUR	EUR
UBX Katowice Sp.z.o.o.	PL-Warsaw	50%	–	PC	PC	50,000	PLN	H&R	–	EUR	PLN
Xcanti Sp.z.o.o.	PL-Warsaw	–	50%	PC	PC	364,000	EUR	H&R	–	EUR	EUR
Sugura S.A.	LU-Luxembourg	100%	–	FC	FC	31,000	EUR	H&R	–	EUR	EUR
WX RomCo S.A. ⁽⁶⁾	RO-Bucharest	–	merged	FC	FC	merged	RON	H&R	–	EUR	EUR
Comtel Focus S.A. ⁽⁶⁾	RO-Bucharest	–	100%	FC	FC	10,232,402	RON	H&R	84	EUR	EUR
Reitano Holdings Limited	Cyprus	60%	–	FC	–	4,275,187	EUR	H&R	–	EUR	–
SAO Horeka Koltsovo	RU-Ekaterinburg	–	60%	FC	–	157,600,000	RUB	H&R	6	RUB	–
OOO RusAvia Horeka	RU-Ekaterinburg	–	60%	FC	–	1,000,000	RUB	H&R	57	RUB	–
Avielen OAO ⁽⁷⁾	RU-St. Petersburg	58.8235%	60%	PC	FC	370,000,500	RUB	H&R	–	EUR	EUR

	Registered		Holding	¹⁾ Method of consolidation		Share	Cur-	²⁾ Seg-	³⁾ Av.	Functional	
Investments in	office/country	direct	indirect	2008	2007	capital	rency	ment	staff	2008	2007
LOUVRE sub-group											
Budget Hotel Holding S.A.	LU-Luxembourg	100%	–	FC	FC	80,000	EUR	H&R	–	EUR	EUR
Louvre Warimpex Investment Holding s.a.r.l.	LU-Luxembourg	–	50%	PC	–	1,012,500	EUR	H&R	–	EUR	–
Louvre Warimpex Development GesmbH	A-Vienna	–	50%	PC	–	50,000	EUR	H&R	2	EUR	–
Louvre Warimpex Development Sp.z.o.o.	PL-Warsaw	–	50%	PC	–	200,000	PLN	H&R	2	PLN	–
LWIH Property Holding (Poland) Sp z.o.o.											
Holding Sp.z.o.o.	PL-Warsaw	–	50%	PC	–	50,000	PLN	H&R	–	PLN	–
LWHP3 Poland Sp z.o.o.	PL-Warsaw	–	50%	PC	–	50,000	PLN	H&R	–	PLN	–
Louvre Warimpex Kft.	HU-Budapest	–	50%	PC	–	12,500,000	HUF	H&R	–	HUF	–
Full House Kft.	HU-Budapest	–	50%	PC	–	15,000,000	HUF	H&R	–	HUF	–
Louvre Warimpex Property HU2 kft	HU-Budapest	–	50%	PC	–	500,000	HUF	H&R	–	HUF	–
Louvre Warimpex Property HU3 kft	HU-Budapest	–	50%	PC	–	500,000	HUF	H&R	–	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 also 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 still participated in the Group.

5) The company MEP s.r.o. (acquiring company) was merged with Vega Holding s.r.o. (transferor company) during the reporting period.

6) The company Comtel Focus S.A. (acquiring company) was merged with WX RomCo S.A. (transferor company) during the reporting period.

7) A 10% share in the company "Avielen OOO St. Petersburg" was sold in the year under report (reducing the Group's interest from 60% to 50%); the consolidation method was changed from full consolidation to proportionate consolidation. The capital increase that was made in December 2008 diluted the share to 58.8235%, the other joint venture partners have the right to participate in the capital increase in financial year 2009. This reduced the Group's share to 50% again. Proportionate consolidation is being maintained for the joint venture.

8) These companies are being consolidated because the Group still bears the majority of the risks and rewards of ownership.

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

4.01. Sale of shares

The following companies or shares in the following companies were sold during the year under report:

	Agreed price	Assumed loans and loans	Net proceeds
10% of Avielen OAO St. Petersburg, 31/3/2008 (change from full to proportionate consolidation)	12,000,000	–	12,000,000
100% of Millenium Plaza Sp.z.o.o., 19/6/2008	6,250,000	–	6,250,000
the full 50% share in Asset Paris II Luxembourg S.a.r.l., 4/4/2008	25,000	–	25,000
100% of Palminvest kft, 5/12/2008	8,300,000	(4,366,255)	3,933,745
	<u>26,575,000</u>	<u>(4,366,255)</u>	<u>22,208,745</u>

The (partial) sales and the switch from full to proportionate consolidation have the following effect on the consolidated financial statements:

	EURO
Property plant and equipment, properties under construction, software	(14,542,368)
Other non-current assets	1,557,273
Other current assets	(128,469)
Assets according to IFRS 5 (thereof cash and cash equivalents EUR 13,912.00)	(4,785,634)
Cash and cash equivalents	(811,455)
	<u>(18,710,654)</u>
Minority interests	86,318
Third party loans	(1,788,065)
Loans extended by Warimpex	6,765,163
Deferred tax liabilities	455,779
Other current liabilities and provisions	48,014
Liabilities according to IFRS 5	4,802,795
	<u>10,370,004</u>
Carrying amount of the proportionate net assets of the sold shares	(8,340,650)
Agreed (net) purchase price for the shares	22,208,745
Costs directly related to the sale of the Group's share	(2,030)
Net sale price for the shares	<u>13,866,066</u>

Cash flow

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

Payments agreed for the shares	22,208,745
Costs directly related to the sale of the Group's share	(2,030)
Reported as other receivables in the reporting period	(8,000,000)
• Gross proceeds from the sale of disposal groups	14,206,715
• Net cash of the companies sold	(825,368)
	<u>13,381,347</u>

4.02. Business combinations according to IFRS 3 and other acquisitions**a) Business combinations according to IFRS 3**

A further 50% of the company "UBX Krakow Sp.z.o.o." was purchased under a contract dated 10 January 2008, making the Company the 100% owner of "andel's Krakow". The purchase price for the shares was EUR 4.5 million, and equity holder's loans amounting to EUR 4.4 million were assumed. On 6 March 2008, the Company also acquired a 60% stake in "Reitano Holdings Limited", which owns 100% of the existing "Hotel Liner" and a hotel development project at Ekaterinburg airport in Russia. The purchase price for the shares was USD 12,748,000.00 or EUR 8,410,298.00.

On 20 March 2008, another 50% of the company "Thermoenergia Sp.z.o.o." was purchased, increasing the Company's stake from 40% to 90%. The consolidation method was changed from proportionate to full consolidation.

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

	<i>Total at acquisition</i>	<i>Carrying value</i>
Tangible and intangible non-current 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 extended by 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 net assets	11,319,505	8,412,496
Goodwill	1,671,210	
Negative goodwill directly recognized in income	(697)	
Total costs and payments 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>	

If the business combinations had taken place at the beginning of the reporting period, the Group's revenues would have increased by EUR 359,229.00 and the additional profit would have amounted to EUR 35,192.00. The contribution to gross operating profit would have increased to EUR 225,655.00.

Since acquisition, the subsidiaries contributed an amount of EUR 7,525,587.00 to the Group's revenues and an amount of EUR 2,839,550.00 to the Group's gross operating profit. The contribution to the Group result was -EUR 447,307.00.

b) Buyout of minority interests

Minority shares totalling 30% of "EI Invest Sp.z.o.o." were purchased for a price of EUR 81,243.99. The acquisition of these shares resulted in goodwill of EUR 20,557.00. Warimpex Group now holds 81% of this company.

4.03. Business combinations from the previous reporting period

In 2007 the Company effected the following business combinations:

4.03.a Business combination IFRS 3 "Comtel Focus S.A."

4.03.b Other acquisitions (16.67% Intercont Sp.z.o.o., 50% Xanti Sp.z.o.o., 100% Millenium Plaza Sp.z.o.o.)

4.03.c Buyout of minority shareholders (Revital R.t., Chopin Sp.z.o.o.)

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

	Euro 4.03a	Euro 4.03b	Euro 4.03c	Euro Total
Acquired properties, plant and equipment	18,400,000	23,121,543	–	41,521,543
Other financial investments	4,037	15,131	–	19,168
Consolidation loans given to joint ventures	–	(3,062,227)	–	(3,062,227)
Trade and other receivables	207,143	217,404	–	424,547
Cash and cash equivalents acquired	166,525	426,695	–	593,220
	18,777,705	20,718,546	–	39,496,251
Minority interests	2,750	–	(225,454)	(222,704)
Interest-bearing loans and borrowings	2,887,249	17,814,504	–	20,701,753
Deferred tax liabilities	1,757,298	690,610	–	2,447,908
Trade and other payables	381,374	252,730	–	634,104
	5,028,671	18,757,844	(225,454)	23,561,060
Fair value of net assets	13,749,033	1,960,702	225,454	15,935,189
Goodwill	–	–	9,044	9,044
Negative goodwill directly recognized in income	(3,679,985)	–	(21,638)	(3,701,623)
Total cost of business combinations	10,069,049	1,960,702	212,860	12,242,611

[05] Interests in joint ventures

The pro-rata values for joint ventures included in the 2008 consolidated financial statements under proportionate consolidation are as follows:

	At 31.12.2007	Changes in the scope of consolidation	Results for 2008	At 31.12.2008
Non-current assets	139,317,976	(695,590)	57,761,174	196,383,560
Current assets	6,458,227	(292,289)	(374,673)	5,791,265
Cash and cash equivalents	5,773,643	151,666	1,675,474	7,600,783
	151,549,846	(836,213)	59,061,975	209,775,608
Equity	(406,786)	816,662	(4,929,232)	(4,519,355)
Warimpex loans*)	26,707,713	7,198,476	6,193,441	40,099,630
Non-current liabilities	105,648,882	(8,087,003)	67,479,724	165,041,603
Current liabilities	19,600,036	(764,348)	(9,681,958)	9,153,730
	151,549,846	(836,213)	59,061,975	209,775,608
	2007	2008		
Sales revenues	23,012,202	33,364,830		
Operating result	1,839,542	509,606		
Financial result	(4,941,967)	(6,897,544)		
Pre-tax profit/loss	(3,102,426)	(6,387,938)		
Profit/Loss after income tax	(2,796,045)	(7,360,536)		

*) 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 30 joint ventures, 17 of which engage in project development and/or own "Properties under construction". The joint venture "Sienna Hotel Sp.z.o.o." owns and operates the Hotel Intercont in Warsaw, the joint venture "UBX II (France) s.a.r.l." holds the lease for the Hotel Dreamcastle Paris (finance lease), "Hotel Paris II s.a.r.l." holds the lease for the Hotel Holiday Inn in Paris (finance lease), the joint venture "Melica Sp.z.o.o." is the owner, the joint venture "Hotel Jan III Sobieski Sp.z.o.o." is the operator of the Hotel Sobieski Warsaw. The angelo hotel in Munich, which is owned by "Leuchtenbergring GmbH&CoKG", was opened in the reporting period. The hotel is operated by "Leuchtenbergring HotelbetriebsgesmbH". The angelo hotel in Plzen was opened by "UBX-Plzen s.r.o." in the 2008 financial year.

Changes in the scope of consolidation can be attributed to the change from proportionate to full consolidation for the interest in "Thermoenergia Sp.z.o.o." and "UBX-Krakau Sp.z.o.o.", the change from full to proportionate consolidation for the interest in "Avielen OOO", and the sale of the 50% stake in "Asset Paris II Luxembourg s.a.r.l." and in "Asset Paris II France s.a.r.l." See Note [04] for more information.

[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 2008 and 2007.

Business segments – overview

	"Hotels & Resorts"		"Development & Asset Management"		Group	
	2008	2006	2008	2007	2008	2007
External sales	86,662,545	71,555,006	7,705,726	9,642,685	94,368,271	81,197,691
Inter-segment sales	(3,751,053)	(2,246,006)	3,751,053	2,246,006	–	–
Segment results	(3,295,800)	12,138,625	(116,481)	35,049,710	(3,412,282)	47,188,335
Investments in property, plant and equipment	116,137,031	44,375,279	14,782,356	12,140,514	130,919,387	56,515,794
Investments in financial assets	–	(201,191)	9,370,309	30,909,504	9,370,309	30,708,313
Business combinations and other changes in the scope of consolidation	25,090,265	41,521,543	(2,093,192)	3,159,937	22,997,072	44,681,480
	141,227,296	85,695,632	22,059,472	46,209,955	163,286,768	131,905,587
Ordinary depreciation	(12,037,670)	(8,770,611)	(900,556)	(997,698)	(12,938,226)	(9,768,309)
Impairment	(8,204,725)	–	(4,871,078)	–	(13,075,803)	–
Net cash flows from operating activities	18,141,953	18,242,786	(6,679,866)	(3,405,295)	11,462,087	14,837,490
Segment assets	501,958,354	381,913,436	140,231,294	126,446,295	642,189,648	508,359,731
Segment liabilities (gross)	(423,586,493)	(290,016,380)	(73,097,123)	(41,035,330)	(496,683,616)	(331,051,710)
Intragroup financing	56,052,137	33,517,664	(56,271,301)	(33,517,664)	(219,164)	–
Segment liabilities (net)	(367,534,356)	(256,498,716)	(129,368,425)	(74,552,994)	(496,902,780)	(331,051,710)
Average payroll	1,367	1,139	90	59	1,457	1,198

6.01. The business segment "Hotels & Resorts":

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

"Hotels in operation" are further classified into the sub-segments "Luxury" (Hotel Palace, Le Palais, Savoy and InterContinental Warsaw) and "Upmarket" (Hotel Diplomat, Dvořák, angelo Prague, Dream Castle Paris, Holiday Inn Paris, Bucharest airport hotel, andel's Krakow, Amber Baltic, Hotel Sobieski, angelo Munich and angelo Plzen). "Others" comprises Hotel Chopin in Krakow, the hotel ship and golf course in Miedzyzdroje, Poland, and the Hotel Liner in Ekaterinburg, which was purchased in the reporting period.

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.

Segment results		Luxury		Upmarket		Others	
For the year		2008	2007	2008	2007	2008	2007
Sales revenues		21,632,575	20,874,268	58,206,600	45,824,199	6,703,273	4,435,938
Cash paid for materials and services		(9,256,773)	(7,897,448)	(23,565,115)	(16,100,596)	(2,140,316)	(1,231,078)
Personnel expenses		(6,382,557)	(5,339,176)	(14,001,922)	(10,116,779)	(1,576,530)	(845,336)
Gross operating profit/loss		5,993,246	7,637,644	20,639,562	19,606,824	2,986,427	2,359,523
<i>Hotel employees</i>		<i>351</i>	<i>328</i>	<i>822</i>	<i>677</i>	<i>156</i>	<i>91</i>
Total rooms		661	661	2,531	2,373	432	282
Joint venture share		(202)	(202)	(684)	(799)	–	–
Total rooms Group		459	459	1,848	1,574	432	282
Thereof rooms available							
Total		661	651	2,530	2,371	431	214
<i>Joint venture share</i>		<i>(202)</i>	<i>(238)</i>	<i>(763)</i>	<i>(616)</i>	<i>–</i>	<i>–</i>
Time allocation		–	–	(54)	(457)	(21)	–
Rooms available Group		459	412	1,713	1,298	411	214
Rooms sold		294	281	1,109	912	259	168
Average room occupancy		64%	68%	65%	70%	63%	79%
Management fee		(1,188,973)	(1,011,800)	(3,711,521)	(3,135,310)	(377,647)	(368,489)
Franchise fees		–	–	(163,001)	(34,245)	–	–
Lease/rent		–	(17,019)	(261,840)	(185,614)	(161,488)	(148,726)
Exchange adjustments		3,672	(1,578)	(373,300)	97,502	119,441	(27,632)
Property costs		(716,967)	(554,264)	(1,797,267)	(1,319,446)	(98,117)	(123,028)
Net operating profit/loss		4,090,977	6,052,984	14,332,632	15,029,710	2,468,616	1,691,648
Other costs after GOP (net)		(297,224)	(377,255)	(1,438,804)	(939,259)	(230,544)	(121,844)
Pre-opening costs		–	–	(363,986)	(104,486)	–	–
Depreciation		(5,531,346)	(3,439,923)	(12,124,336)	(4,696,039)	(919,181)	(626,842)
Contribution to operating profit/loss		(1,737,592)	2,235,806	405,506	9,289,926	1,318,890	942,962
thereof in							
• Czech Republic		(2,363,222)	1,762,058	2,906,425	7,157,705	–	–
• Germany		–	–	(149,134)	–	–	–
• Poland		625,630	473,748	1,414,618	1,487,044	664,097	942,962
• France		–	–	1,167,416	744,661	–	–
• Romania		–	–	(4,933,819)	(99,484)	–	–
• Russia		–	–	–	–	654,793	–
		(1,737,592)	2,235,806	405,506	9,289,926	1,318,890	942,962
Total for hotels in operation						(13,196)	12,468,694
Less expenses for							
Project development expenses for hotels under construction						(2,878,704)	(192,387)
Project development expenses for hotels in design phase						(403,901)	(137,682)
Segment contribution to operating profit/loss						(3,295,800)	12,138,625

Segment cash flow “Hotels & Resorts”

	Luxury		Upmarket		Others	
	2008	2007	2008	2007	2008	2007
Cash receipts	22,182,580	20,673,403	58,213,120	43,490,015	6,887,896	4,446,269
Interest received	90,962	71,914	156,428	105,505	38,851	4,428
Cash paid for materials and services	(10,472,739)	(8,643,839)	(27,252,268)	(19,622,555)	(2,372,702)	(1,580,577)
Personnel expenses	(6,533,776)	(5,447,821)	(14,507,869)	(10,242,763)	(1,686,250)	(913,956)
Cash paid for other expenses	(878,733)	(857,761)	(2,075,422)	(2,146,461)	(107,851)	(417,108)
Income tax paid	–	–	(783,469)	(163,727)	(210,177)	–
	4,388,293	5,795,895	13,750,520	11,420,014	2,549,768	1,539,056
thereof in						
• Czech Republic	1,263,876	3,643,675	6,655,520	9,526,210	–	–
• Germany	–	–	(142,578)	–	–	–
• Poland	3,124,417	2,152,221	4,362,495	135,825	1,943,506	1,539,056
• France	–	–	2,830,451	1,682,003	–	–
• Romania	–	–	44,632	75,976	–	–
• Russia	–	–	–	–	606,261	–
	4,388,293	5,795,895	13,750,520	11,420,014	2,549,768	1,539,056
Total for hotels in operation					20,688,581	18,754,965
Less cash payments made for						
Project development expenses for hotels under construction					(2,276,301)	(273,688)
Project development expenses for hotels in design phase					(270,327)	(238,492)
Segment cash flow from operating activities					18,141,953	18,242,786

Analysis of segment assets "Hotels & Resorts"

a) Hotels in operation

At 31 December	Luxury		Upmarket		Others	
	2008	2007	2008	2007	2008	2007
Properties	88,909,252	93,764,697	221,622,753	183,175,182	29,461,186	20,159,085
Other non-current assets	428,616	1,588,874	972,751	569,925	1,096,935	196,075
Other current assets	1,740,249	2,553,830	5,830,166	7,291,078	651,375	620,587
Cash and cash equivalents	1,879,309	2,629,249	11,103,196	8,224,151	890,978	1,317,975
Total assets	92,957,427	100,536,650	239,528,867	199,260,336	32,100,474	22,293,723
Bank loans	(60,188,573)	(63,128,224)	(158,689,949)	(109,053,170)	(12,033,163)	(12,337,312)
Other non-current assets	–	–	(114,232)	(118,445)	–	–
Other current assets	(1,676,154)	(2,003,865)	(9,429,273)	(6,930,313)	(680,722)	(316,106)
Total (external) liabilities	(61,864,727)	(65,132,090)	(168,233,454)	(116,101,928)	(12,713,885)	(12,653,418)
¹⁾ Deferred tax liabilities	(674,911)	(333,678)	(13,690,996)	(13,378,346)	(3,751,482)	(1,559,940)
²⁾ Loans from joint ventures	(10,160,798)	(9,416,223)	(5,009,799)	(8,670,042)	–	–
Total liabilities	(72,700,436)	(74,881,992)	(186,934,249)	(138,150,316)	(16,465,366)	(14,213,359)

b) Hotels under development

At 31 December	Under construction		In design phase		TOTAL	
	2008	2007	2008	2007	2008	2007
Properties	109,280,806	51,126,507	12,150,628	5,307,911	461,424,625	353,533,382
Other non-current assets	3,551,102	131,582	(2,786,241)	(1,103,341)	3,263,165	1,383,115
Other current assets	4,465,674	1,530,199	41,335	149,266	12,728,799	12,144,961
Cash and cash equivalents	10,159,030	2,399,602	509,252	281,001	24,541,765	14,851,978
Total assets	127,456,612	55,187,889	9,914,974	4,634,837	501,958,354	381,913,436
Bank loans	(67,887,513)	(14,659,092)	–	(232,765)	(298,799,198)	(199,410,564)
Other non-current assets	(610,047)	(573,519)	–	–	(724,279)	(691,964)
Other current assets	(12,723,094)	(5,281,951)	99,850	(65,802)	(24,409,393)	(14,598,037)
Total (external) liabilities	(81,220,654)	(20,514,561)	99,850	(298,567)	(323,932,870)	(214,700,564)
¹⁾ Deferred tax liabilities	160,903	(718,107)	(148,399)	(122,971)	(18,104,885)	(16,113,043)
²⁾ Loans from joint ventures	(8,713,463)	(7,224,759)	(1,709,015)	(374,084)	(25,593,076)	(25,685,108)
Total liabilities	(89,773,215)	(28,457,428)	(1,757,564)	(795,621)	(367,630,831)	(256,498,716)

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

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

Analysis of segment property, plant and equipment – “Hotels & Resorts”

a) Hotels in operation

For the year	Luxury		Upmarket		Others	
	2008	2007	2008	2007	2008	2007
At 1 January	93,764,697	78,973,210	183,175,182	145,777,402	20,159,085	20,514,273
Additions from						
• Business combinations	–	–	–	18,398,442	7,302,866	–
• Changes in the scope of consolidation	–	16,628,707	21,122,751	–	3,261,094	–
• Investment	550,867	1,616,250	13,276,650	16,350,286	1,089,435	271,108
• Finance lease	–	–	–	–	–	–
Segment transfers	–	–	16,274,567	7,473,508	–	–
Disposals	58,456	(811)	(390,506)	–	–	–
Depreciation	(3,724,708)	(3,452,658)	(6,792,387)	(4,824,457)	(1,159,177)	(626,296)
Impairments	(1,740,061)	–	(5,043,503)	–	(162,554)	–
Exchange adjustment	–	–	–	–	(1,029,564)	–
At 31 December	88,909,252	93,764,697	221,622,753	183,175,182	29,461,186	20,159,085
thereof in						
• Czech Republic	42,907,272	45,884,571	105,187,032	97,926,169	–	–
• Poland	46,001,981	47,880,127	52,425,309	31,890,779	20,259,169	20,159,085
• Germany	–	–	11,161,414	–	–	–
• France	–	–	34,076,878	35,124,147	–	–
• Romania	–	–	18,772,120	18,234,086	–	–
• Russia	–	–	–	–	9,202,017	–
At 31 December	88,909,252	93,764,697	221,622,753	183,175,182	29,461,186	20,159,085

b) Hotels under development

For the year	Under construction		In design phase		TOTAL	
	2008	2007	2008	2007	2008	2007
At 1 January	51,126,507	7,291,078	5,307,911	11,916,411	353,533,382	264,472,374
Additions from						
• Business combinations	–	–	–	–	7,302,866	18,398,442
• Changes in the scope of consolidation	(11,799,807)	6,091,276	–	374,082	12,584,038	23,094,065
• Investment	96,008,531	23,175,442	5,075,819	2,942,166	116,001,302	44,355,253
• Finance lease	–	–	–	–	–	–
Segment transfers	(24,118,320)	14,568,710	2,154,961	(9,921,085)	(5,688,792)	12,121,133
Disposals	–	–	–	–	(332,050)	(811)
Depreciation	(4,911)	–	(16,688)	(7,805)	(11,697,872)	(8,911,216)
Impairments	(1,235,042)	–	(23,566)	–	(8,204,725)	–
Exchange adjustment	(696,152)	–	(347,808)	4,141	(2,073,524)	4,141
At 31 December	109,280,806	51,126,507	12,150,628	5,307,911	461,424,625	353,533,382
thereof in						
• Czech Republic	–	2,872,495	2,419,150	2,288,365	150,513,454	148,971,600
• Poland	49,555,470	15,861,029	273,029	3,019,546	168,514,958	118,810,566
• Germany	38,836,967	22,497,437	5,331,409	–	55,329,790	22,497,437
• France	–	–	–	–	34,076,878	35,124,147
• Romania	–	–	–	–	18,772,120	18,234,086
• Russia	20,888,369	9,895,546	–	–	30,090,386	9,895,546
• LOUVRE sub-group	–	–	4,127,040	–	4,127,040	–
At 31 December	109,280,806	51,126,507	12,150,628	5,307,911	461,424,625	353,533,382

Analysis of segment financial liabilities – “Hotels & Resorts”

a) Hotels in operation

For the year	Luxury		Upmarket		Others	
	2008	2007	2008	2007	2008	2007
Loans at 1 January	(63,128,224)	(53,934,541)	(109,053,170)	(93,086,416)	(12,337,312)	(12,975,511)
• Changes in the scope of consolidation	–	(10,732,981)	(9,396,525)	(2,887,249)	–	–
• New borrowing	–	(911,108)	(27,254,355)	(16,480,908)	–	–
• Repayment of loans	2,973,343	2,249,698	4,016,157	4,946,357	310,735	580,576
• Capitalized interest	(33,692)	200,709	125,542	61,080	(6,585)	57,622
• Segment transfers	–	–	(17,018,467)	(2,101,005)	–	–
• Exchange adjustment	–	–	(109,131)	494,971	–	–
Loans at 31 December	(60,188,573)	(63,128,224)	(158,689,949)	(109,053,170)	(12,033,163)	(12,337,312)
JV loans at 1 January	(9,416,223)	(9,059,192)	(8,670,042)	–	–	–
• Changes in the scope of consolidation	–	(3,062,225)	(839,309)	–	–	–
• New borrowing	–	–	(1,549,615)	(6,496,956)	–	–
• Repayment of loans	–	2,705,194	9,211,273	(291,600)	–	–
• Capitalized interest	(744,575)	–	–	–	–	–
• Segment transfers	–	–	(3,162,106)	(1,881,486)	–	–
• Exchange adjustment	–	–	–	–	–	–
JV loans at 31 December	(10,160,798)	(9,416,223)	(5,009,799)	(8,670,042)	–	–

b) Hotels under development

For the year	Under construction		In design phase		TOTAL	
	2008	2007	2008	2007	2008	2007
Loans at 1 January	(14,659,092)	(1,775,507)	(232,765)	(191,335)	(199,410,564)	(161,963,310)
• Changes in the scope of consolidation	27,634	(3,796,555)	–	(222,743)	(9,368,891)	(17,639,528)
• New borrowing	(67,858,200)	(72,775)	–	–	(95,112,555)	(17,464,792)
• Repayment of loans	4,098,125	75,528	10,022	1,175	11,408,382	7,853,334
• Capitalized interest	–	–	–	–	85,265	319,410
• Segment transfers	10,504,019	(9,089,783)	228,821	180,138	(6,285,627)	(11,010,649)
• Exchange adjustment	–	–	(6,078)	–	(115,209)	494,971
Loans at 31 December	(67,887,513)	(14,659,092)	–	(232,765)	(298,799,198)	(199,410,564)
JV loans at 1 January	(7,224,759)	(2,066,185)	(374,084)	(1,350,420)	(25,685,108)	(12,475,798)
• Changes in the scope of consolidation	(165,322)	–	–	–	(1,004,632)	(3,062,225)
• New borrowing	(4,117,443)	(5,134,489)	(1,625,402)	(293,350)	(7,292,460)	(11,924,795)
• Repayment of loans	–	–	–	–	9,211,273	2,413,594
• Capitalized interest	–	–	(77,574)	–	(822,149)	–
• Segment transfers	2,794,061	(24,085)	368,045	1,269,686	–	(635,885)
• Exchange adjustment	–	–	–	–	–	–
JV loans at 31 December	(8,713,463)	(7,224,759)	(1,709,015)	(374,084)	(25,593,076)	(25,685,108)

Additions to property, plant and equipment for the segment and financial liabilities for the segment resulting from business combinations and other changes in the scope of consolidation are disclosed in detail under Note 4.

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. The business segment “Development & Asset Management”

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 and primarily include energy projects in Poland which cannot at present be assessed as to their future significance for the Warimpex Group.

Analysis of the segment “Development & Asset Management”

	Asset Management		Development		Others	
	2008	2007	2008	2007	2008	2007
Sales revenues	3,797,159	2,293,778	2,986,180	6,731,089	922,387	617,819
Sale of subsidiaries	518,222	–	13,023,444	31,512,536	313,251	–
Negative goodwill						
± Goodwill	–	–	(6,749,986)	3,701,622	–	–
Other income	–	–	5,125,042	4,650,430	–	1,264
Changes in real estate projects under development	–	–	(377,922)	(1,495,924)	–	–
Expenses for materials	(1,366,405)	(1,089,221)	(313,829)	(279,550)	(897,823)	(537,956)
Project development expenses	–	(9,018)	(908,834)	(642,473)	–	–
Personnel expenses	(29,168)	(100,994)	(4,785,453)	(5,510,981)	(24,206)	–
Depreciation	(426,712)	(678,770)	(409,157)	(249,455)	(64,686)	(69,472)
Impairment	(3,024,945)	–	(1,846,134)	–	–	–
Other operating expenses	(310,183)	(105,656)	(5,268,367)	(3,691,896)	1,644	2,541
Segment operating result	(842,032)	310,119	474,983	34,725,397	250,567	14,194
thereof in						
• Czech Republic	–	(29,347)	3,898,015	(158,861)	–	–
• Poland	170,389	(154,179)	(1,614,417)	(303,533)	(62,685)	2,110
• Germany	(1,143,483)	(239)	(2,135)	–	–	–
• Austria	–	(332,559)	6,340,276	35,051,263	–	–
• Hungary	152,643	607,872	(858,922)	156,636	–	–
• Others	6,921,438	10,020	(7,287,835)	(20,106)	313,251	–
	(842,032)	310,119	474,983	34,725,397	250,567	14,194

Segment cash flow “Development & Asset Management”

	Asset Management		Development		Others	
	2008	2007	2008	2007	2008	2007
Cash receipts from rent	3,919,261	2,127,061	2,381,152	2,371,793	962,643	585,307
Cash receipts from development	–	–	1,472,692	2,737,225	–	–
Interest received	86,267	4,054	296,087	1,109,323	209	77
Cash paid for development	(34,393)	(104,753)	(921,541)	(538,443)	–	8,104
Cash paid for materials and services	(1,505,277)	(639,607)	(559,556)	(449,238)	(844,690)	(524,864)
Personnel expenses	(29,213)	(120,142)	(6,444,992)	(5,161,033)	(24,206)	(12,084)
Cash paid for other expenses	(50,220)	(611,899)	(5,002,414)	(4,049,168)	7,192	(2,447)
Income tax paid	(19,855)	(1,305)	(369,010)	(133,255)	–	–
Segment cash flow from operating activities	2,366,569	653,408	(9,147,584)	(4,112,798)	101,149	54,094
Net cash receipts from the sale of disposal groups			14,206,715	32,118,758	–	–
Segment cash flow including proceeds from disposals thereof in	2,366,569	653,408	5,059,132	28,005,961	101,149	54,094
• Czech Republic	–	264,987	(139,779)	(199,642)	–	–
• Poland	644,634	44,139	(384,298)	(143,242)	101,149	45,990
• Germany	250,397	–	7,372	(9,614)	–	–
• France	–	–	(147,899)	(150,818)	–	–
• Austria	–	–	(7,879,238)	(4,834,709)	–	–
• Hungary	1,505,931	423,137	(110,756)	1,234,149	–	–
• Russia	(34,393)	–	(63,125)	–	–	–
• Romania	–	–	(2,154)	–	–	–
• LOUVRE sub-group	–	–	(376,735)	–	–	–
• Others	–	(78,853)	(50,972)	(8,922)	–	8,104
	2,366,569	653,408	(9,147,584)	(4,112,798)	101,149	54,094

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 & Asset Management”

a) Asset management	Rented out		Under renovation		Subtotal	
	At 31 December		At 31 December		At 31 December	
	2008	2007	2008	2007	2008	2007
Properties	20,026,237	18,069,195	19,905,771	13,631,066	39,932,008	31,700,261
Financial assets	–	–	517,388	439,942	517,388	439,942
Other non-current assets	19,068	22,632	306,955	–	326,024	22,632
Other current assets	220,252	5,077,268	–	–	220,252	5,077,268
Cash and cash equivalents	2,752,213	800,572	276,506	8,226	3,028,719	808,798
Total assets	23,017,771	23,969,666	21,006,620	14,079,234	44,024,391	38,048,900
Bank loans	(26,345,434)	(14,900,734)	–	(120,091)	(26,345,434)	(15,020,825)
Other non-current assets	(436,204)	(204,546)	–	–	(436,204)	(204,546)
Other current assets	(1,731,418)	(6,301,736)	(6,780)	(58,616)	(1,738,198)	(6,360,352)
Total (external) liabilities	(28,513,057)	(21,407,016)	(6,780)	(178,707)	(28,519,837)	(21,585,723)
¹⁾ Deferred tax liabilities	312,701	(697,288)	(890,180)	(78,882)	(577,479)	(776,170)
²⁾ Loans from joint ventures	(431,391)	(690,365)	(1,873,663)	–	(2,305,053)	(690,365)
Total liabilities	(28,631,747)	(22,794,670)	(2,770,623)	(257,589)	(31,402,370)	(23,052,259)

b) Development	Primary		Others		TOTAL	
	At 31 December		At 31 December		At 31 December	
	2008	2007	2008	2007	2008	2007
Properties	11,733,501	13,670,750	1,606,394	1,269,595	53,271,903	46,640,605
Financial assets	61,082,747	48,247,852	91,303	(390,527)	61,691,438	48,297,266
Other non-current assets	(6,903,579)	(6,201,089)	9,244,118	8,229,836	2,666,563	2,051,379
Other current assets	13,676,147	14,975,533	134,408	262,846	14,030,807	20,315,646
Cash and cash equivalents	5,448,050	7,128,102	93,814	1,204,499	8,570,583	9,141,399
Total assets	85,036,865	77,821,147	11,170,037	10,576,247	140,231,294	126,446,295
Bank loans	(87,052,169)	(35,361,201)	(687,326)	(613,737)	(114,084,930)	(50,995,762)
Other non-current assets	(3,994,420)	(3,287,210)	–	–	(4,430,624)	(3,491,757)
Other current assets	(2,450,362)	(7,807,933)	(203,072)	(101,581)	(4,391,632)	(14,269,866)
Total (external) liabilities	(93,496,951)	(46,456,344)	(890,398)	(715,318)	(122,907,186)	(68,757,385)
¹⁾ Deferred tax liabilities	(1,979,721)	(2,187,140)	(45,240)	1,972	(2,602,440)	(2,961,338)
²⁾ Loans from joint ventures	(1,126,625)	(2,099,632)	(330,645)	(44,273)	(3,762,324)	(2,834,271)
Total liabilities	(96,603,298)	(50,743,116)	(1,266,282)	(757,619)	(129,271,950)	(74,552,994)

Analysis of segment property, plant and equipment – “Development & Asset Management”

a) Asset management	Rented out		Under renovation		Subtotal	
	For the year		For the year		For the year	
	2008	2007	2008	2007	2008	2007
At 1 January	18,069,195	11,620,401	13,631,066	18,640,779	31,700,261	30,261,181
• Changes in the scope of consolidation	–	–	(2,742,561)	(5,078,943)	(2,742,561)	(5,078,943)
• Investment	850,486	1,288,331	10,731,217	8,920,020	11,581,704	10,208,351
• Transfers according to IFRS 5	–	(4,047,543)	–	–	–	(4,047,543)
Segment transfers	3,457,946	9,652,738	–	(8,850,792)	3,457,946	801,946
Disposals	–	–	–	–	–	–
Depreciation	(574,817)	(444,863)	(133,268)	–	(708,086)	(444,863)
Impairment	(1,779,033)	–	(1,580,683)	–	(3,359,716)	–
Exchange adjustment	2,460	131	–	–	2,460	131
At 31 December	20,026,237	18,069,195	19,905,771	13,631,066	39,932,008	13,631,066
thereof in						
• Czech Republic	–	–	–	–	–	–
• Poland	8,136,897	7,804,727	–	–	8,136,897	7,804,727
• Germany	2,064,066	–	–	–	2,064,066	–
• Austria	–	–	–	–	–	–
• Hungary	9,825,274	10,264,468	6,908,004	4,879,555	16,733,278	15,144,023
• Russia	–	–	12,997,767	8,751,511	12,997,767	8,751,511
• Other	–	–	–	–	–	–
At 31 December	20,026,237	18,069,195	19,905,771	13,631,066	39,932,008	13,631,066

b) Development	Primary		Others		TOTAL	
	For the year		For the year		For the year	
	2008	2007	2008	2007	2008	2007
At 1 January	13,670,750	25,113,693	1,269,595	1,245,167	46,640,605	56,620,041
• Changes in the scope of consolidation	–	9,044	649,369	–	(2,093,192)	(5,069,899)
• Investment	3,169,665	1,925,064	30,987	7,099	14,782,356	12,140,514
• Transfers according to IFRS 5	–	–	–	–	–	(4,047,543)
Segment transfers	2,230,846	(12,923,079)	–	–	5,688,792	(12,121,133)
Disposals	(23,308)	(223,345)	–	–	(23,308)	(223,345)
Depreciation	(396,990)	(251,773)	(64,686)	(69,472)	(1,169,762)	(766,109)
Impairment	(7,639,691)	–	–	–	(10,999,407)	–
Exchange adjustment	722,229	21,147	(278,870)	86,801	445,819	108,079
At 31 December	11,733,501	13,670,750	1,606,394	1,269,595	53,271,903	46,640,604
thereof in						
• Czech Republic	1,226,219	1,226,219	–	–	1,226,219	1,226,219
• Poland	9,526,609	6,055,853	1,606,394	1,269,595	19,269,899	15,130,175
• Germany	318,928	8,547	–	–	2,382,994	8,547
• Austria	6,400,285	6,318,844	–	–	6,400,285	6,318,844
• Hungary	55,018	61,286	–	–	16,788,296	15,205,308
• Russia	(5,793,557)	–	–	–	7,204,210	8,751,511
• Others	–	–	–	–	–	–
At 31 December	11,733,501	13,670,750	1,606,394	1,269,595	53,271,903	46,640,605

Analysis of financial liabilities of the segment “Development & Asset Management”

a) Asset management	Rented out		Under renovation		Subtotal	
	2008	2007	2008	2007	2008	2007
For the year						
Loans at 1 January	(14,900,734)	(6,476,598)	(120,092)	(13,484,288)	(15,020,826)	(19,960,886)
• Changes in the scope of consolidation	–	–	55,268	4,033,556	55,268	4,033,556
• New borrowing	(6,132,735)	(774,678)	–	(1,789,870)	(6,132,735)	(2,564,548)
• Repayment of loans	45,851	200,856	58,733	–	104,584	200,856
• Capitalized interest	(53,241)	–	–	–	(53,241)	–
• Segment transfers	(5,304,576)	(11,566,100)	–	11,120,510	(5,304,576)	(445,589)
• Exchange adjustment	–	3,715,787	6,090	–	6,090	3,715,787
Loans at 31 December	(26,345,434)	(14,900,734)	–	(120,092)	(26,345,434)	(15,020,826)
JV loans at 1 January	(690,365)	–	–	(965,587)	(690,365)	(965,587)
• Changes in the scope of consolidation	–	–	–	477,020	–	477,020
• New borrowing	265,057	(94,898)	(1,873,663)	–	(1,608,606)	(94,898)
• Repayment of loans	1,886,400	(291,600)	–	–	1,886,400	(291,600)
• Capitalized interest	–	–	–	–	–	–
• Segment transfers	(1,892,481)	(303,868)	–	488,567	(1,892,481)	184,699
• Exchange adjustment	–	–	–	–	–	–
JV loans at 31 December	(431,391)	(690,365)	(1,873,663)	–	(2,305,053)	(690,365)

b) Development	Primary		Others		TOTAL	
	2008	2007	2008	2007	2008	2007
For the year						
Loans at 1 January	(35,361,201)	(36,444,555)	(613,737)	(682,391)	(50,995,763)	(57,087,833)
• Changes in the scope of consolidation	(1,375,000)	–	(327,442)	–	(1,647,173)	4,033,556
• New borrowing	(64,777,449)	(20,752,841)	7,903	(1,551)	(70,902,282)	(23,318,940)
• Repayment of loans	1,804,783	10,255,590	147,894	115,299	2,057,262	10,571,745
• Capitalized interest	304,664	194,415	–	–	251,423	194,415
• Segment transfers	11,590,202	11,456,239	–	–	6,285,627	11,010,649
• Exchange adjustment	761,831	(70,049)	98,056	(45,094)	865,977	3,600,644
Loans at 31 December	(87,052,169)	(35,361,201)	(687,326)	(613,737)	(114,084,930)	(50,995,763)
JV loans at 1 January	(2,099,632)	(3,295,809)	(44,273)	(38,338)	(2,834,271)	(4,299,734)
• Changes in the scope of consolidation	–	–	(330,645)	–	(330,645)	477,020
• New borrowing	(1,126,625)	–	–	(3,182)	(2,735,232)	(98,079)
• Repayment of loans	207,151	744,991	31,309	–	2,124,860	453,391
• Capitalized interest	–	–	–	–	–	–
• Segment transfers	1,892,481	451,186	–	–	–	635,885
• Exchange adjustment	–	–	12,964	(2,753)	12,964	(2,753)
JV loans at 31 December	(1,126,625)	(2,099,632)	(330,645)	(44,273)	(3,762,324)	(2,834,271)

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

Sales revenues contain revenues received from transactions with joint ventures amounting to EUR 1,149,123.00 (2007: EUR 969,654.00) and charges to related parties of EUR 10,000.00 (2007: EUR 10,000.00). Charges in the amount of EUR 250,000.00 (2007: EUR 0.00) were invoiced to associated companies.

The “Other income” includes the net proceeds from the sale of the “Villa Margareta” in Karlovy Vary, Czech Republic, in the amount of EUR 4.3 million. The sale price was roughly three times the fair value estimated for the property at the end of 2007.

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 4,677,881.00 (2007: EUR 4,279,160.00) were paid to related parties (Vienna International AG) and EUR 600,261.00 (2007: EUR 236,440.00) 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	2008	2007
Wages and salaries	20,122,100	16,429,571
Social security costs	4,877,964	4,006,161
Other payroll-related taxes and contributions	1,042,425	870,082
Voluntary employee benefits	42,075	26,775
Expenses for posted employees	1,110,837	940,406
Payments in respect of pensions and severance payments	114,804	340,454
Changes in accrual for compensated absences	39,406	62,495
	27,349,611	22,675,944
Changes in payroll-related provisions (Note 21)	325,150	(224,929)
	27,674,761	22,451,015

Directors' remuneration is included in expenses for wages and salaries at an amount of EUR 1,039,326.00 (2007: EUR 995,591.00). Additionally, these expenses contain an amount of EUR 0 (2007: EUR 1,694,000.00) for a bonus that is linked to the Group's profit and which is payable in 2009.

The directors' bonus amounts to 5% of the annual profit attributable to the shareholders of the parent. The share of profit-related directors' remunerations in relation to total directors' remunerations was 0.0% (2007: 63.0%).

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 turning 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 58,571.00 (2007: EUR 49,156.00) were paid to employees participating in the supervisory boards of subsidiaries. Director's fees of EUR 16,730.00 (2007: EUR 12,567.00) 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 1,457 (2007: 1,198) employees.

During the reporting period, average wages and salaries per employee (excluding the directors) have increased by approximately 11% over the previous year. This is largely due to the fact that salaries and wages in foreign subsidiaries have to be paid in local currencies. In the reporting period, the Polish zloty in particular appreciated by over 20% against the euro. Employees of companies included at their proportionate share are reflected in this calculation in relation to the Group's holdings in these companies. Employees of companies consolidated for the first or last time in the reporting period are included on a pro-rata basis.

7.04. Other operating expenses break down as follows:

	2008	2007
Pre-opening costs	658,986	226,125
Legal fees	2,402,862	1,285,948
Administrative costs	2,020,613	1,256,170
Advertisement and marketing	979,708	865,886
Non-recoverable VAT	463,667	369,808
Property costs	2,542,244	1,789,361
Reversal of unused short-term provisions	–	(350,102)
Allocation to non-current provisions	370,072	–
Foreign exchange differences	413,392	56,997
Impairment charges (reversal of impairment) for current assets	378,348	125,895
Pro-rata costs of capital measures	–	589,710
Others	1,042,566	976,663
	<u>11,272,460</u>	<u>7,192,462</u>

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, land taxes and ground-lease payments.

The foreign exchange differences include net translation differences of EUR 311,424.00 (2007: EUR 71,148.00).

7.05. Finance costs

	2008	2007
Interest on short-term borrowings, project loans and other loans	18,007,379	11,150,687
Interest on loans from minority shareholders	199,315	7,438
Interest on loans relating to joint ventures	1,196,955	658,025
Interest on loans from related parties	3,056	13,926
	<u>19,406,705</u>	<u>11,830,076</u>
Interest cost for provisions for pensions and other long-term employee benefits	174,053	152,450
Interest cost of derivative financial instruments	59,069	–
Foreign exchange differences on loans denominated in CHF	1,282,563	–
Other finance costs	453,108	255,079
Losses on the sale of available-for-sale investments	5,949,000	68,672
Impairment of securities	–	4,582,500
	<u>27,324,497</u>	<u>16,888,7760</u>

The credit spreads associated with the investment made in a credit spread index booster note last year widened further in the reporting period, representing a potential threat to the recoverability of the investment.

In order to avoid further losses, the Company decided to close out the position in the first quarter of 2008. Interest paid out on a pro-rata basis for 63 days amounting to EUR 158,182.50 was credited to account on 18 February; sales proceeds amounted to EUR 4,206,000.00. The loss realized in the reporting period amounted to EUR 5,790,817.00.

For information on the terms and conditions of interest-bearing loans and borrowings reference is made to Note 20.6. Other finance costs contain lending commitment fees as well as 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.

7.06. Financial revenue

	2008	2007
Interest income from cash management	1,175,290	1,398,408
Interest income from other financial assets	67,729	–
Interest on loans made to joint ventures	2,094,197	1,090,098
Interest on loans made to related parties	–	–
	<u>3,337,216</u>	<u>2,488,506</u>
Foreign currency gains on loans denominated in CHF	–	419,322
	<u>3,337,216</u>	<u>2,907,828</u>
Interest income from derivative financial instruments	161,960	214,256
Unrealized gains on derivative financial instruments	168,398	155,019
	<u>3,667,574</u>	<u>3,277,103</u>

As regards “Unrealized gains on derivative financial instruments” reference is made to Note 27.3.

[08] Income taxes

A reconciliation between tax expense and the product of accounting profit multiplied by the Group's domestic tax rate of 25% for the year 2008 (2007: 25%) is as follows:

	2008	2007
Profit/Loss before tax	(29,439,156)	33,576,662
Accounting profit/loss before income tax *25% (2006: 25%)	7,359,789	(8,394,165)
± Changes in tax rates	1,119,483	1,504,059
± Other foreign tax rates	(2,406,666)	(68,080)
± Tax free profits/losses from the participation exemption (Sec. 10 Austrian CIT Act)	3,857,138	5,115,610
± Permanent differences	(948,613)	598,432
± Valuation allowance on deferred tax assets	(5,683,404)	(214,342)
± Income from first-time recognition of deferred tax assets	70,289	2,261,252
± Permanent differences relating to goodwill	(1,681,989)	573,169
± Effects of exchange rate fluctuations	(1,635,185)	(1,218,405)
	<u>50,843</u>	<u>157,528</u>
Effective tax rate	0.17%	-0.47%

Income relating to changes in tax rates relates to the corporate income tax rate reduction in the Czech Republic from 21% to 19% anticipated for 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	
	2008	2007	2008	2007
Temporary differences from property, plant and equipment	2,160,137	1,925,460	(28,878,773)	(26,128,094)
Revaluation of property, plant and equipment	–	–	(1,305,610)	(1,306,324)
Temporary differences from investments in subsidiaries and joint ventures	1,120,826	916,671	(4,527,654)	(4,259,329)
Temporary differences in current assets	51,500	109,468	(336,244)	(207,412)
Temporary differences from pension provisions and other long-term employment benefits	301,954	332,045	–	–
Temporary differences from liabilities and provisions	11,377,505	9,416,745	(1,776,331)	(2,100,029)
Tax loss carry-forwards	12,908,123	7,160,034	–	–
Impairment of deferred tax assets*)	(7,966,164)	(724,821)	–	–
	<u>19,953,880</u>	<u>19,860,423</u>	<u>(36,824,613)</u>	<u>(34,001,187)</u>
Offset within legal tax units and jurisdictions	(16,117,287)	(14,926,806)	16,117,287	14,926,806
	<u>3,836,593</u>	<u>4,208,795</u>	<u>(20,707,325)</u>	<u>(19,074,381)</u>

*) 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 development of deferred tax assets and liabilities breaks down as follows:

	Deferred tax assets		Deferred tax liabilities	
	2008	2007	2008	2007
Balances at 1 January	4,208,795	2,529,622	19,074,381	17,348,669
Changes in the scope of consolidation	81,253	(72,285)	2,784,347	2,348,242
Transfers (IFRS 5)	–	(25,941)	–	–
Changes directly recognized in equity				
relating to:				
• gains and losses on available-for-sale investments	–	–	–	28,314
• foreign currency translation	(18,295)	1,795	(237,796)	5,829
• cash flow hedges	–	–	(8,518)	45,999
Revaluation (IAS 3)	–	–	918,416	–
Deferred tax income/expense:				
• for disposal groups classified as held for sale	–	352,244	1,279	–
• other	(435,159)	1,423,360	(1,824,784)	(702,672)
thereof not contained in the balance	–	1,126,012	–	–
Balances at 31 December	3,836,593	4,208,795	20,707,325	19,074,381

[09] Share capital, earnings per share

The Company's share capital is divided into 36 million non-par-value shares. At the ordinary annual general meeting on 29 May 2008, the Management Board was authorized to purchase shares in the Company up to the maximum amount permitted by law of 10% of the total capital stock within a period of 30 months after the passing of the motion. This stock buyback programme began on 21 July 2008; the acquisition price range was set at EUR 3.00 to EUR 8.00.

The Company purchased a total of 64,500 shares at an average price of EUR 4.51/share during the year under report. The weighted average number of ordinary shares in free float from 1 January 2008 to 31 December 2008 was 35,977,771.

Additionally, the shareholders' meeting convened on 29 May 2008 to deliberate on the results of the reporting period 2007 approved a dividend of EUR 9 million, which was paid to the shareholders on 10 June 2008.

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 2007 the shares issued in the context of the capital increase were included in the calculation on a pro-rata basis.

According to the Austrian Stock Corporation Act, the separate financial statements as at 31 December 2007 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 profit for the year of EUR 10,718,738.00. Including the profit carried forward in the prior year in the amount of EUR 36,762,142.00, the retained earnings total EUR 47,480,881.00. The managing directors propose to the General Meeting of shareholders that no dividend be paid for the 2008 financial year and that the entire retained earnings of EUR 47,480,881.00 be carried forward.

Earnings per share:	2008	2007
Profit/Loss for the year allocable to the shareholders of the Group	(29,170,641)	33,873,477
Weighted average number of shares	35,977,771	35,500,000
Earnings per share	(0.81)	0.95

Shareholders	At 31 December 2008		At 31 December 2007	
	%	Shares	%	Shares
Amber Privatstiftung	15.9%	5,735,000	15.9%	5,721,999
Bocca Privatstiftung	15.9%	5,721,999	15.9%	5,721,999
Georg Folian	21.0%	7,563,000	18.3%	6,594,800
Franz Jurkowitsch	21.1%	7,611,300	18.1%	6,529,002
Friedrich Grassi		freefloat	0.8%	299,999
Alexander Jurkowitsch	0.7%	266,000	0.7%	266,000
Christian Fojtl	0.7%	256,000	0.7%	256,000
Free float	24.6%	8,846,701	29.5%	10,610,201
		36,000,000		36,000,000

[10] Property, plant and equipment

31 December 2007	<i>Land, rights equivalent to land</i>	<i>Buildings incl.buildings on lease- hold land</i>	<i>Equipment, (hotel) furniture</i>	<i>Finance lease</i>	<i>Plant</i>	<i>Total</i>
in EUR						
Net carrying amount at 1 Jan. 2007	65,933,186	185,684,193	9,364,949	26,100,693	1,244,032	288,327,053
Business combinations (IFRS 3)	2,334,116	15,882,694	181,631	–	–	18,398,442
Additions through the purchase of shares	3,119,144	13,889,787	1,006,191	–	–	18,015,122
Additions from investments	3,950,965	46,588,635	4,639,221	–	7,637	55,186,459
Disposals	–	(196,318)	(27,839)	–	–	(224,157)
Transfers (Note 11)	639,049	3,815,514	810	–	–	4,455,372
Depreciation	(317,987)	(5,157,363)	(2,625,965)	(1,038,793)	(69,340)	(9,209,447)
Exchange adjustments	35,972	(14,518)	2,988	–	86,788	111,230
Net carrying amount at 31 Dec. 2007	75,694,446	260,492,623	12,541,987	25,061,900	1,269,118	375,060,075
Acquisition or production cost	76,401,640	291,931,092	20,617,888	26,680,848	1,341,601	416,973,069
Accumulated depreciation and impairment	(707,194)	(31,438,468)	(8,075,901)	(1,618,947)	(72,484)	(41,912,994)
	75,694,446	260,492,623	12,541,987	25,061,900	1,269,118	375,060,075
Including payments for:						
• Properties under construction	18,419,140	67,726,015	1,045,157	–	–	87,190,312
31 December 2008						
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						
Additions from investments	5,689,745	6,806,922	994,944	–	628,057	14,119,667
Zugänge aus Investitionen	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 losses	–	(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 Dec. 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 payments for:						
• Properties under construction	15,558,790	120,965,677	(57,716)	–	–	136,466,751
• Advance payments made	–	119,835	–	–	–	119,835

Impairment of “Property, plant and equipment” was recognized in the amount of 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 457,205,507.00 (2007: EUR 340,643,802.00) are subject to a first charge to secure the Group’s loans (Note 20.1). Additions contain capitalized interest of EUR 1,438,919.00 (2007: EUR 618,506.00). The related finance interest rate is EURIBOR + 1.5 to 2.5%.

^{*)} Finance lease includes rights equivalent to land of EUR 6.7 million (2007: EUR 3.9 million), buildings of EUR 24.9 million (2007: EUR 20.2 million) and equipment and hotel furniture of EUR 2 million (2007: EUR 1 million).

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

	2008	2007
• Buildings (including finance lease for Hotel Dreamcastle Paris)	Av. 35 years	Av. 35 years
• Furniture, fixtures, equipment	7-10 years	7-10 years
• Plant	20 years	20 years

Hotels are separated into the following components according to the IAS 16.43 component approach: building fabric (estimated useful life: 60 years), heating facilities and technical equipment (estimated useful life 15 years) and furnishings (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:

	2008	2007
Construction progress andel's hotel Lodz	36,027,594	4,459,575
Construction progress on andel's hotel Berlin, opening March 2009	31,249,735	4,894,441
Construction progress angelo hotel Ekaterinburg	13,685,968	–
Construction progress Airport City St. Petersburg (hotel part)	3,494,409	17,262,439
Completion of angelo hotel Plzen	7,286,132	2,267,807
Expansion of angelo airport hotel Bucharest	5,299,503	–
Completion of angelo hotel Munich	5,293,003	1,861,082
Purchase of properties for Louvre joint venture	4,434,602	–
Project development progress angelo Katowice	4,123,664	–
Purchase of property adjoining Parkur Tower	1,288,932	–
Land purchase PL, Bialystok Bialystok Shopping	926,035	1,144,167
Refurbishment of Hotel Diplomat in CZ, Prague	820,715	1,524,520
Refurbishment of Hotel Dvorak in CZ, Prague	361,858	436,940
Renovation of Hotel Dreamcastle	322,980	–
Expansion of Hotel Savoy Prague	146,659	2,272,491
Refurbishment of Hotel Palace in CZ, Prague	49,484	1,178,110
Renovation of Hotel Holiday Inn Paris (acquired in prior year)	366,619	9,911,385
Completion of andel's hotel Krakow	–	4,112,163
Other developments and current investments related to hotels	3,985,756	3,861,337
	<u>119,163,650</u>	<u>55,186,459</u>

Cash flow

	2008	2007
Cash received from sale of properties	4,698,932	327,596
Payments agreed for additions	(119,163,650)	(55,186,459)
± Outflows for the acquisition of investment properties	9,195,382	(3,082,218)
± Deferred tax liabilities associated with purchased property, plant and equipment	156,912	–
± Tax incurred for the purchase of property, plant and equipment	(2,297,138)	(329,736)
	<u>(112,108,494)</u>	<u>(58,598,413)</u>

Cash receipts from sold property, plant and equipment pertain primarily to the sale of "Villa Margareta". Reference is made to Note 7.01.

[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, this item developed as follows:

	2008	2007
Net carrying amounts at 1 January	17,679,162	25,338,478
Changes in the scope of consolidation	(3,649,379)	–
Additions	11,581,704	1,288,331
Transfers to assets of a disposal group classified as held for sale (IFRS 5)	–	(4,047,543)
Transfers of property, plant and equipment	17,089,012	(4,455,372)
Depreciation	(477,454)	(444,863)
Impairment losses	(2,969,683)	–
Exchange adjustment	2,460	131
Net carrying amount at 31 December	39,255,822	17,679,162

Impairment of “Investment properties” was recognized in the amount of 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.

	2008	2007
Acquisition or production cost	43,778,462	18,869,742
Accumulated depreciation and impairment	(4,522,640)	(1,190,580)
Net carrying amount at 31 December	39,255,822	17,679,162
thereof under construction	24,490,684	–
<i>Fair market value as of year end according to appraiser's valuation opinion: in line with the Group share</i>	65,449,173	27,849,500

Transfers pertain to properties under construction (see Note 2.10) and part of a building that was not rented out last year. The properties under construction are:

	Value 31.12.2008	Value 31.12.2007
Avielen St. Petersburg, Russia	12,090,950	8,751,511
	(PC 58.82%)	(FC 100%)
Erszebet Utca, HU-Budapest	8,621,955	4,879,555
Csalogany Utca, HU-Budapest	3,777,780	Rented out
• Thereof pledged as security for loans and borrowings	38,500,324	17,679,162
• Thereof land value	4,672,103	2,091,452

Result from "Investment properties":

Rental income and charged expenses	3,243,364	2,422,363
Direct expenses	(1,130,300)	(900,325)
Expenses for repair and maintenance	(5,512)	(6,401)
Net rental income	2,107,552	1,515,636

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

Cash Flow**2008****2007**

Payments agreed for additions	(11,581,704)	–
± Tax incurred for the purchase of property, plant and equipment	(42,339)	–
± Outflows for the acquisition of investment properties	1,525,350	(1,276,611)
	(10,098,693)	(1,276,611)

[12] Intangible assets

in EUR	Computer software	Other intangible assets	Goodwill	Total
Net carrying amount at 1 Jan. 2007	244,577	–	7,400,765	7,645,342
Changes in the scope of consolidation	29,037	–	9,044	38,081
Additions from investments	41,004	–	–	41,004
Depreciation	(110,698)	–	–	(110,698)
Exchange adjustment	859	–	–	859
Net carrying amount at 31 Dec. 2007	204,778	–	7,409,809	7,614,587
Acquisition or production cost	685,514	–	7,409,809	8,095,323
Accumulated depreciation and impairment	(480,736)	–	–	(480,736)
	204,778	–	7,409,809	7,614,587
Net carrying amount at 1 January 2008	204,778	–	7,409,809	7,614,587
Business combinations according to IFRS3	–	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)
Impairment losses	–	–	(6,750,684)	(6,750,684)
Exchange adjustment	(214)	(371,603)	–	(371,817)
Net carrying amount at 31 Dec. 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

[13] Impairment of goodwill

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

		2008	2007
Warimpex Leasing GmbH (Hotel Savoy)	1)	–	5,784,513
GHB Grassi GmbH (Hotel Diplomat)	1)	304,952	304,952
UBX Praha 1 s.r.o. (angelo hotel Prague)	1)	921,266	921,266
Reitano Holdings Ltd, CY-Nicosia (Hotel Liner and angelo Ekaterinburg)	1)	675,986	–
UBX Krakau Sp.z.o.o. (andel's hotel Krakow)	1)	428,131	–
EI Invest Sp.z.o.o. (energy project)	2)	20,557	–
Elsbet kft (Erzsebet Utca office building and hotel project development)	2)	–	390,033
Revital Group	2)	–	9,044
		2,350,892	7,409,809

Goodwill in the amount of EUR 6,750,684.00 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 assigned to Warimpex Leasing GmbH in the amount of EUR 5,784,513.00 relating to Hotel Savoy, EUR 390,033.00 in goodwill assigned to Erszebet Utca office building, and goodwill assigned to Revital Group in the amount of EUR 9,044.00.

The EUR 995,224.00 in goodwill acquired for andel's hotel Krakow in the reporting period is the result of deferred taxes from revaluation according to IFRS 3, and was adjusted to EUR 567,093.00 at the end of the reporting period in accordance with an appraisal of the property.

1) Cash-generating unit "Operating Hotels"

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 capitalization factor (yield) used to calculate the capitalized value ranged between 6.25% and 10.0% for the hotel properties in Poland (previous year: 6.15% to 7.75%), between 7.0% and 7.5% for those in the Czech Republic (previous year: 6.50% to 6.75%), and 10% for Russia. The yields reflect the current market values as determined by uncertainties about the amounts and time of occurrence of future cash flows. The cash flow projections are based on the approved budgets for each of the hotels.

2) Cash-generating units "Project development"

The projected future cash flows after project completion were assumed. The outstanding construction costs were deducted. The yield amounts to 8% (2007: 8%).

[14] Shares in associated companies

The Company assumed a 15% share in the company “Phoesia Sp.z.o.o.” through its 70% subsidiary “WX Rondo One Holding s.a.r.l.” in the reporting period. “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%.

With the acquisition of the interest in “Palais Hansen Immobilienentwicklung GmbH” in the prior year, the Warimpex Group together with the other owners entered into an obligation to redevelop the property. The total investment costs have been estimated at EUR 110 million on the basis of the current plans, 45% of which is to be financed through equity.

	Palais Hansen 26.57%		GATX 10.5%		Total	
	2008	2007	2008	2007	2008	2007
Capital share	9,300	9,300	8,250	–	17,550	9,300
Capital contributions, loans	8,896,871	8,220,536	2,577,750	–	11,474,621	8,220,536
Interest charges	–	–	67,729	–	67,729	–
Impairment	(2,369,951)	–	–	–	(2,369,951)	–
	6,536,220	8,229,836	2,653,729	–	9,189,950	8,229,836
Total assets in EUR millions	54.9	55.0	12.6	–	67	55
Debt in EUR millions	30.3	30.3	–	–	30	30
Income in EUR millions	–	–	–	–	–	–
Profit/Loss for the period in EUR millions	(4.1)	(0.1)	–	–	(4)	–

[15] Other financial assets

	2008	2007
Loans	5,187,352	4,041,507
Advances made for business combinations	1,015,131	15,131
Loans made to joint ventures	36,550,216	28,739,072
Deposits with banks pledged as collateral	5,030,377	5,145,012
Loans given to managers	100,661	117,253
Pension reimbursement insurance rights	1,215,996	917,657
Other non-current financial assets	1,040,514	137,660
	50,140,248	39,113,292

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.”. For advances made to business combinations reference is made to Note 23.9.

The item “Loans to joint ventures” is described in detail in Note 20.7.

Deposits with banks pledged as collateral relate to the former subsidiary “andel’s Praha a.s.”, which was sold in 2005; for further details see Note 23.5. As regards the terms and conditions of related-party loans reference is made to Note 24.

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

[16] Inventories

	2008	2007
Materials and merchandise	1,602,909	1,432,334
Real estate projects under development or construction	50,000	768,650
	<u>1,652,909</u>	<u>2,200,984</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 projects under development or construction relate to the apartments in the residential real estate project "Örs Utca", which have not been sold as of the reporting date. Developments in the reporting period were as follows:

	2008	2007
Net carrying amount at 1 January	768,650	1,929,291
Inventory increase	–	–
Inventory reduction (sale of apartments)	(377,922)	(1,495,924)
Change in advance payments received	–	319,367
Change due to valuation adjustments	(301,331)	–
Exchange adjustment	(39,396)	15,917
Net carrying amount at 31 December	<u>50,000</u>	<u>768,650</u>

[17] Trade and other receivables (current)

	2008	2007
Trade receivables	6,005,584	7,221,902
Receivables for taxes	6,723,074	4,649,558
Receivables relating to the sale of subsidiaries	8,000,000	–
Advance payments made	477,590	372,838
Other current receivables and other current assets	1,212,508	977,754
Receivables due from joint ventures	435,779	636,291
Receivables due from related parties	606	22,187
Deferred expenses	514,624	976,056
	<u>23,369,764</u>	<u>14,856,584</u>

Receivables relating to the sale of subsidiaries pertain to the sale of shares in "Avielen OOO".

The maturity structure of trade receivables is as follows:

	2008	2007
• Neither overdue, nor bad debt provision made	4,772,785	5,328,484
• 30 days overdue, no bad debt provision made	558,055	1,108,320
• 60 days overdue, no bad debt provision made	264,767	244,609
• 90 days overdue, no bad debt provision made	124,160	308,164
• 120 days overdue, no bad debt provision made	17,725	48,431
• >120 days overdue, no bad debt provision made	268,092	183,894
• Impaired receivables	451,904	444,006
	<u>6,457,488</u>	<u>7,665,908</u>

Specific provisions for trade receivables developed as follows:

	2008	2007
• At 1 January	(444,006)	(345,845)
• Use of provisions	56,748	42,762
• Write-back of provisions	(11,249)	16,738
• Allocations to provisions	(77,956)	(143,865)
• Exchange adjustment	24,559	(13,796)
	<u>(451,904)</u>	<u>(444,006)</u>

Trade receivables are non-interest-bearing and are generally on 10- to 90-day terms. For details on receivables due from related parties and joint ventures, reference is made to Note 24.

Receivables for taxes contain an amount of recoverable input VAT of EUR 1,789,421.00 from the construction of andel's hotel Berlin, EUR 2,198,006.00 from the construction of andel's hotel Lodz and EUR 795,773.00 from the conversion of angelo airport hotel Bucharest.

Other tax receivables primarily relate to VAT refunds from investments made close to year end and will be recovered after the balance sheet date.

[18] Cash and short-term deposits

	2008	2007
Cash in hand	255,156	686,616
Cash at banks	26,661,458	17,364,504
Short-term deposits	498,634	2,488,548
Deposits pledged as security for a payment guarantee	5,027,099	2,603,709
Deposits relating to project loans	670,000	850,000
	<u>33,112,348</u>	<u>23,993,377</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 33,112,348.00 (2007: EUR 23,993,377.00). Deposits relating to project loans relate to the loan for the "Le Palais" hotel.

At 31 December 2008 the Group had access to unused short-term borrowing facilities amounting to EUR 3,726,288.00 (2007: EUR 31,696,002.00), for which it fulfilled all terms and conditions.

[19] Other reserves

in EUR	Revaluation reserve	Net unrealized gains/losses reserve	Foreign cur- rency trans- lation reserve	Total
At 1 January 2007	5,358,755	1,262	205,527	5,565,543
Foreign currency translation	–	–	(3,425)	(3,425)
(Deferred) tax effects of currency translation	–	–	(4,196)	(4,196)
Fair value gains of available-for-sale investments	–	83,571	–	83,571
(Deferred) tax effects of available-for-sale investments	–	(28,314)	–	(28,314)
Net gains/losses from hedging	–	240,800	–	240,800
(Deferred) tax effects from hedging	–	(45,752)	–	(45,752)
At 31 December 2007	5,358,755	251,567	197,905	5,808,226
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

[20] Interest-bearing loans and borrowings

	2008	2007
Current		
Overdrafts	56,273,713	22,732,149
Bridge loans	18,487,683	31,309,831
Project loans	7,954,481	8,353,725
Project loans with breaches of loan agreements on the reporting date	7,261,804	7,495,215
Other loans	29,313	411,613
	90,006,995	70,302,533
Non-current		
Project loans	284,311,609	150,688,044
Bridge loans	–	2,232,609
Obligations under finance leases		
• Interest-bearing bank loans	26,531,826	18,947,669
• Non-interest-bearing purchase option and loans	8,355,962	7,517,948
Loans from joint ventures		
• Interest-bearing (see Note 20.7)	29,355,399	28,519,379
• Non-interest-bearing	650,995	650,995
Loans from minority interests	3,026,742	66,528
	352,232,532	208,623,172
Total interest-bearing loans and borrowings	442,239,527	278,925,706

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

Interest-bearing loans and borrowings with a total amount of EUR 344,547,404.00 (2007: EUR 219,027,093.00) are secured by mortgages on land and buildings and developed as follows during the reporting period:

	At 01.01.2008	Changes in the scope of consolidation	New borrowings	Repayment of loans	Other changes	At 31.12.2008
a) Project-related loans secured by mortgages						
for andel's hotel Lodz	–	–	33,833,284	–	–	33,833,284
for Hotel Diplomat	35,827,170	–	–	(1,439,358)	18,757	34,406,569
for Ekaterinburg	–	–	21,874,471	–	(304,664)	21,569,807
for angelo airport hotel	12,942,116	–	5,545,567	–	–	18,487,683
for andel's hotel Krakow	–	16,043,049	3,250	(575,585)	–	15,470,715
for Hotel Palace	16,198,500	–	–	(1,322,000)	–	14,876,500
for Hotel Chopin	12,337,312	–	–	(310,735)	6,585	12,033,163
for angelo hotel Prague	10,926,598	–	–	(598,700)	–	10,327,898
for Erszebet office building	8,000,000	–	1,052,834	–	–	9,052,834
for Hotel Amber Baltic	8,377,442	–	–	(983,029)	1,068,213	8,462,627
for Hotel Savoy	7,961,259	–	–	(506,622)	–	7,454,637
for Hotel Le Palais	7,271,690	–	–	(394,716)	–	6,876,973
for Cetelem office building	2,463,767	–	1,751,132	–	–	4,214,899
Gas heating plant Warsaw	–	530,463	–	(77,200)	(68,432)	384,831
for Warsaw gas pipeline	329,774	–	–	(50,649)	(37,855)	241,270
for Sajka office building	128,058	–	–	(45,851)	–	82,207
for Poznan project development	3,869,251	–	–	(3,869,251)	–	–
for Hotel Dvorak	6,167,204	–	15,016,026	–	(48,174)	21,135,056
	132,800,141	16,573,513	79,076,564	(10,173,695)	634,431	218,910,954
Joint ventures (proportionate consolidation)						
for Hotel InterContinental 50%	31,696,776	–	–	(750,005)	33,692	30,980,463
for Hotel Dream Castle 50%	18,947,669	–	–	(417,718)	–	18,529,951
for andel's hotel Berlin 50%	–	–	29,020,161	–	–	29,020,161
for Hotel Holiday Inn Paris 50%	6,000,000	–	2,050,000	–	(48,125)	8,001,875
for Leuchtenbergring project 49.5%	10,731,073	–	4,949,921	–	–	15,680,994
for Sobieski hotel & office building 25%	6,622,973	–	1,704,622	–	53,241	8,380,836
for Parkur Tower office building 50%	3,983,411	–	1,624,148	–	–	5,607,559
for angelo hotel Katowice 50%	–	–	2,732,612	–	–	2,732,612
for angelo hotel Plzen 50%	–	–	6,750,000	–	(48,000)	6,702,000
for andel's hotel Krakow 50%	8,021,525	(8,021,525)	–	–	–	–
for Warsaw gas-heating plant 40%	223,525	(223,525)	–	–	–	–
	219,027,093	8,328,463	127,908,027	(11,341,418)	625,239	344,547,404
b) Other loans and facilities						
Short-term borrowing facilities	22,732,149	–	35,139,195	(1,597,632)	–	56,273,713
Current loans	411,613	(70,875)	–	(319,443)	8,018	29,313
Non-current loans from joint ventures	28,519,379	1,335,277	10,027,691	(11,336,133)	809,185	29,355,399
Lease purchase option and loan	7,517,948	2,750,000	10,000	–	(1,921,986)	8,355,962
Non-interest bearing loans	650,995	–	–	–	–	650,995
Non-current loans from minority interests	66,528	8,477	2,957,614	–	(5,877)	3,026,742
	59,898,612	4,022,878	48,134,501	(13,253,208)	(1,110,660)	97,692,124
Total loans and borrowings	278,925,706	12,351,341	176,042,528	(24,594,626)	(485,421)	442,239,527

20.2. Unused project loans

The Group had an unused project credit line in the amount of EUR 41,108,472.00 (2007: EUR 0.00) at 31 December 2008.

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 1,118.00 million (2007: EUR 1,597.00 million).

20.4. Bridge loans

Bridge loans pertain to a loan for angelo airport hotel Bucharest, which was most recently extended in February 2009 until May 2009.

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

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

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

	2009	2010	2011	2012	2013	> 5 years	Total
EUR 1,000	(515)	(537)	(560)	(584)	(514)	(4,552)	(7,262)

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

Total financial liabilities	2008	2007
• Thereof non-interest-bearing	9,006,957	8,168,943
Thereof from finance lease	8,355,962	7,517,948
• Thereof carrying fixed interest	112,033,080	223,525
• Thereof carrying variable interest	321,199,490	270,533,237
	442,239,527	278,925,706

Range of interest conditions	2008	2007
• 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%	0.75%-1.2%
• Loans from joint ventures	EURIBOR + 1.5% - 2.5%	1.0%-1.5%
• Loans from minority interests	EURIBOR + 1.5% - 2.5%	1.0%-1.5%
• Other loans	EURIBOR + 1.0% - 1.5%	1.0%-1.5%

As regards the fair values of fixed-interest-bearing financial liabilities reference is made to Note 26.

20.7. 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 16). 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 dates.

	(Loans given to joint ventures – see Note 15)			Loans received from joint venture partners		
	At 01.01.2008	Change for	At 31.12.2008	At 01.01.2008	Change for	At 31.12.2008
Sienna Hotel Sp.z.o.o.	(9,466,589)	(658,692)	(10,125,281)	9,416,223	744,575	10,160,798
Bürohaus Leuchtenbergring GmbH & Co. Besitz KG	(1,837,062)	(378,750)	(2,215,812)	1,800,684	371,250	2,171,934
LOUVRE joint venture	–	(2,839,674)	(2,839,674)	–	1,702,574	1,702,574
GF Ramba Sp.z.o.o.	(519,683)	(461,279)	(980,963)	519,509	459,397	978,907
Thermo Energia Sp.z.o.o.	(184,017)	184,017	–	44,273	(44,273)	–
Hotelinvestments s.a.r.l.	(1,558)	(102)	(1,660)	1,555	52	1,608
Melica Sp.z.o.o.	(2,279,627)	1,448,908	(830,719)	2,234,194	(1,397,393)	836,801
Hotel Paris II S.a.r.l.	(125,687)	(1,334)	(127,021)	125,666	7,359	133,026
Asset Paris II S.a.r.l.	(6,158,644)	6,158,644	–	6,157,654	(6,157,654)	–
UBX Krakow Sp.z.o.o.	(2,216,113)	2,216,113	–	2,214,309	(2,214,309)	–
UBX Katowice Sp.z.o.o.	(368,486)	(1,165,915)	(1,534,401)	368,045	1,165,705	1,533,750
Avielen	–	(9,676,630)	(9,676,630)	–	3,306,462	3,306,462
UBX Plzen s.r.o.	(1,339,046)	(932,118)	(2,271,164)	1,361,422	926,450	2,287,872
UBX Development s.a.r.l.	(206,946)	206,946	–	207,151	(207,151)	–
UBX 1 Objekt Berlin GmbH	(4,029,850)	(1,753,080)	(5,782,930)	4,062,653	2,014,906	6,077,559
UBX 2 Objekt Berlin GmbH	–	(61,655)	(61,655)	–	61,565	61,565
UBX 3 Objekt Berlin GmbH	–	(96,191)	(96,191)	–	96,104	96,104
UBX 3 s.r.o.	(5,764)	(352)	(6,116)	6,039	402	6,441
	(28,739,072)	(7,811,143)	(36,550,216)	28,519,379	836,020	29,355,399

20.8. 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 2.22)**

in EUR	Contractual pension commitments	Long-term service bonuses	Legal obligation to pay severance payments	long-term service bonus	Total
At 1 January 2007	2,238,852	87,787	675,434	110,538	3,112,611
Benefits paid	(74,900)	–	(35,737)	–	(110,637)
Service costs	53,822	–	409,463	(80,913)	382,372
Actuarial losses	(496,664)	–	–	–	(496,664)
Recognized in personnel expenses	(517,742)	–	373,726	(80,913)	(224,929)
Interest costs	94,176	–	56,674	1,600	152,450
Exchange adjustments PLN/EUR	1,597	6,107	–	–	7,704
At 31 December 2007	1,816,883	93,894	1,105,834	31,225	3,047,836
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 gains	(52,580)	–	–	–	(52,580)
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 adjustments 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

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

	2008	2007	2006	2005	2004
• Defined benefit obligation	3,528,300	3,047,836	3,112,611	3,850,618	3,686,568
• Actuarial (gains) and losses	(52,580)	(496,664)	53,609	(17,143)	(41,379)

21.2. Other provisions

in EUR	Current provisions	Non-current provisions	Total
At 1 January 2007	1,606,312	365,679	1,971,991
Changes in the scope of consolidation	52,714	–	52,714
Utilized	(289,815)	(43,486)	(333,301)
Arising during the year	30,722	–	30,722
Unused amounts reversed	(360,020)	–	(360,020)
Exchange adjustment	54	–	54
Transfers according to IFRS 5	(6,460)	–	(6,460)
At 31 December 2007	1,033,507	322,193	1,355,700
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)
Arising during the year	154,239	370,072	524,312
Exchange adjustment	157	–	157
At 31 December 2008	816,361	555,526	1,371,887

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% (2007: 6.5%). Reference is made to Note 23.7. “Other obligations”.

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

[22] Trade and other payables (current)

	2008	2007
Trade payables	19,177,956	7,910,444
Trade payables due to joint ventures	519,739	758,150
Trade payables from business combinations	–	736,642
Trade payables due to related parties	947,098	2,649,715
Purchase price obligations for investments	2,500,000	6,670,445
Other payables	2,958,730	3,342,782
Advance payments received	924,202	879,667
	27,027,724	22,947,844

Other payables contain tax liabilities of EUR 315,422.00 (2007: EUR 919,697.00), liabilities for social security contributions of EUR 606,798.00 (2007: EUR 611,988.00) and accruals for compensated absences of EUR 431,072.00 (2007: EUR 430,737.00). For terms and conditions concerning related parties reference is made to Note 24.

Trade payables are non-interest-bearing and are normally settled within 10 to 60 days. Current tax liabilities and liabilities for social security contributions are non-interest-bearing, except for late payment. These liabilities are generally due within 30 days. Other (current) liabilities are non-interest-bearing and also contain liabilities owed to employees for wages and salaries for December 2008.

Purchase price obligations for investments primarily consist of the unpaid purchase price for a property in Łódź in an amount of EUR 2.5 million. The purchase price may come due at short notice, but there is an agreement with the seller making payment contingent on prior performance of certain services related to the land. These services had not yet been rendered by the seller at the balance sheet date.

[23] Other commitments, litigation and contingencies

23.1. Litigation

The company "GlavPromStroy" (GPS) was commissioned as general contractor for the "Airport City St. Petersburg" project in September 2007. GPS was not able to meet the agreed schedule in the 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 "Avielen OOO" 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 actually rendered. It was not clear when this dispute will be settled as of the reporting date.

23.2. Contingent liabilities

The subsidiary "Prózna Properties Sp. z o.o." has given a guarantee to the municipality of Warsaw to renovate a property which is subject to landmark protection. Furthermore, it promised the municipality of Warsaw that it would start renovation work by 31 December 2005 and complete it by 31 December 2008 at the latest. In the event of non-compliance with these bonds and guarantees, an amount of USD 560,000.00 would have to be paid to the municipality of Warsaw.

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

23.3. Call option relating to the subsidiary "UBX Praha 1" (angelo hotel)

In 2005 the Company granted a call option on its interest in the subsidiary to an Austrian insurance company. "UBX Praha 1" opened the angelo hotel on 10 June 2006. The call option may be exercised from 2007 up to three years after the opening of the hotel. No indications of an impairment of "UBX Praha 1's" assets can be inferred from the call option, nor does it constitute a liability to be recognized. The call option was not exercised in the reporting year.

23.4. Contractual bonds and guarantees

- Relating to the sale of andel's hotel Prague
Guarantee – see Note 23.5.
Contingent liability – see Note 23.6.

5,030,377 EURO
1,000,000 EURO

23.5. GOP guarantee for andel's hotel Prague (sold in 2005)

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

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

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

At the end of the free cash flow guarantee period of January to December 2007, the Group's share in the cash flow shortfall was determined to be -EUR 114,635.00. This amount reduces the guarantee and was transferred to the buyer to the deposit account pledged as collateral which is presented within “Other financial assets” in the balance sheet – see Note 15.

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

23.6. Contingent liabilities relating to the transaction described in Note 23.5

The sale of the former subsidiaries “Andel Investment s.r.o.” and “Hotel Andel Praha a.s.” caused preliminary termination of a management agreement with Vienna International AG which resulted in a compensation payment in the amount of EUR 1 million as part of the sale. Reference is made to Note 23.4.

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

23.7. 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 23.5 for 4,356.1 sqm of commercial real estate for a net rent of EUR 0.4 million p.a. (indexed). This rent is reduced by any rental income that the sold former subsidiary will be able to generate from renting out the property.

The master lease agreement was originally concluded for a term of 12 years and ends on 30 September 2017. A provision for onerous contracts was recognized in accordance with Note 21.2 based on the projected cash outflows from shortfalls of rent received over rent payable over the term of the lease and based on a discount rate of 6.5% (2007: 6.5%).

23.8. Avielen OOO

The project company “Avielen OOO” concluded an investment lease with the city of St. Petersburg for the property on which the project “Airport City St. Petersburg” is being developed. The most important provision of this lease is that the project be completed within the term of the lease (which expires on 7 November 2010).

After construction is completed properly and the facility put into operation and once the facility is registered, the property can either be purchased or leased for a further 49 years. If the project is not completed on time, the lease terminates automatically. However, a decision was made by the city of St. Petersburg in the autumn of 2008 that the lease can be extended by a further 15 months if at least 10% of the project is completed at the end of the current lease term.

Roughly 10% of the planned construction work was completed at the end of the reporting period.

Reference is also made to Note 23.1 in connection with the project “Airport City St. Petersburg”.

23.9. Obligation to purchase land

The joint ventures “UBX 2 Objekt Berlin GesmbH” and “UBX 3 Objekt Berlin GesmbH” entered into an obligation in the year under report to purchase two properties adjoining andel’s hotel Berlin. The risks and rewards of the ownership of the property had not yet been transferred at the reporting date. The purchase price for both properties is EUR 3.8 million and must be paid within one year. The Company must provide EUR 1.9 million in the 2009 financial year in connection with this obligation based on the share that it holds in the two joint ventures.

[24] Related party disclosures

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

Amber Privatstiftung

A-1090 Vienna, Floridsdorfer Hauptstrasse 1 (FN 178109 a, Commercial Court Vienna), as of the reporting date holds 15.9% 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-1090 Vienna, Floridsdorfer Hauptstrasse 1 (FN 178104 v, Commercial Court Vienna), as of the reporting date holds 15.9% 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.

Franz Jurkowitsch

Is a director of the Company and owns 21.1% of its shares as of the reporting date.

Georg Folian

Is a director of the Company and owns 21.0% of its shares as of the reporting date.

Alexander Jurkowitsch

Has been a director since 31 July 2006 and owns 0.7% of the shares of Warimpex Finanz- und Beteiligungs AG as of the reporting date.

Christian Fojtl

Has been a director since 31 July 2006 and owns 0.7% of the shares of Warimpex Finanz- und Beteiligungs AG as of the reporting date. Additionally, Christian Fojtl is the economic beneficiary of "Homeinvestments Sp. z o.o.", which is a joint venture partner or minority shareholder of certain Group subsidiaries/joint ventures.

Vienna International AG

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

Other senior managers

A loan that carries interest and that is due in one lump sum at maturity has been extended to other senior managers.

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

24.1. Transactions with Amber/Bocca Privatstiftung	2008	2007
Balances at 1 January	–	(755,081)
Dividends	(2,861,000)	(2,215,804)
Interest on current accounts	–	(10,675)
± Payments received and made	2,861,000	2,981,560
Balances at 31 December	–	–

24.2. Transactions with directors who hold substantial shareholdings in the Company	2008	2007
Balances at 1 January	(1,027,341)	(681,153)
Dividends	(2,669,625)	(1,871,546)
Bonus	–	(1,016,400)
± Payments received and made	3,688,321	2,541,758
Balances at 31 December	(8,645)	(1,027,341)

24.3. Transactions with other directors	2008	2007
Balances at 1 January	(677,874)	(3,592,792)
Bonus	–	(677,600)
± Payments received and made	677,312	3,592,518
Balances at 31 December	(562)	(677,874)

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

24.4. Transactions with Vienna International (including KDAG Data GesmbH)	2008	2007
Balances at 1 January	(922,314)	(1,072,729)
Management fees charged by Vienna International	(4,677,881)	(4,279,160)
Administration cost sharing for KDAG Data	10,000	10,000
± Payments received and made	4,652,909	4,419,575
Balances at 31 December	(937,285)	(922,314)

24.5. Transactions with senior managers	2008	2007
Balances at 1 January	117,253	(1,657,507)
± Exchange adjustments PLN/EURO	16,591	(7,627)
± Payments received and made	(33,183)	1,782,386
Balances at 31 December	100,661	117,253

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

	2008	2007
Other financial assets – Note 15	100,661	117,253
Trade and other receivables (current) – Note 17	606	22,187
Trade and other payables (current) – Note 22	(947,098)	(6,649,715)
	(845,831)	(6,510,275)

24.7. Joint ventures

	2008	2007
Revenues from transactions with joint ventures – Note 7.01.	1,149,123	969,654
Loans given to joint ventures – Note 20.7.	36,550,216	28,739,072
Interest income on loans given to joint ventures – Note 7.06.	2,094,197	1,090,098
Loans received from joint ventures and joint venture partners – Note 20.7.	(29,355,399)	(28,519,379)
Interest expense on loans received from joint ventures – Note 7.05.	(1,196,955)	(658,025)

24.8. Other information

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

- Alarich Fenyves, Chairman of the Supervisory Board
- Heinrich Geyer, Deputy Chairman of the Supervisory Board
- Wolfgang Mitterberger, Member
- Franz Burkert, Member (until 29/05/2008)
- KR Friedrich Grassi, Member (until 29/05/2008)
- Viktor Igalfy-Igaly, member
- William Henry Marie de Gelsey, member
- Alicja Kornasiewicz (until 26/08/2008)

Fees paid to members of the Supervisory Board of Warimpex Finanz- und Beteiligungs AG amounted to EUR 101,000.00 (2007: EUR 22,000.00).

The total amount of compensation due to the directors for the reporting year (including entitlement to bonuses for the year 2008) amounted to EUR 1,056,056.00 (2007: EUR 2,702,158.00). Reference is made to Note 7.03.

[25] Financial risk management objectives and policies

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

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

All material financial transactions are subject to approval by the Management Board (and by the Supervisory Board if required).

Net result by classification categories 2008		From interest		From revaluation	
		At	Currency		Net
EUR millions		fair value	translation	Impairment	result
					2008
Loans and receivables (LaR)	1.0	–	–	–	(1.0)
Available for sale (AfS)	0.2	–	–	(5.9)	(5.9)
Financial liabilities at amortized cost (FL)	(18.0)	–	–	–	(18.0)

Net result by classification categories 2007		From interest		From revaluation	
		At	Currency		Net
EUR millions		fair value	translation	Impairment	result
					2007
Loans and receivables (LaR)	0.7	–	–	(0.1)	0.6
Available for sale (AfS)	0.7	–	–	(4.6)	(3.9)
Financial liabilities at amortized cost (FL)	(11.2)	–	–	–	(11.2)

Financial instruments by categories and classes

EUR millions		Carrying	At	At	At fair value	Recognition	fair value
Classification category		value	amortized	fair value	through	acc. to	31/12/2008
acc. to IAS 39		31/12/2008	cost	in equity	profit and loss	IAS 17	
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 in hedging transactions	0.3		0.3			0.3
Total financial assets		101.1	99.4	0.3	1.4	–	101.1
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
Total financial liabilities		467.0	440.1	–	–	26.9	418.6

Financial instruments by categories and classes – prior year

EUR millions		Carrying	At	At	At fair value	Recognition	fair value
Classification category		value	amortized	fair value	through	acc. to	31/12/2007
acc. to IAS 39		31/12/2007	cost	in equity	profit and loss	IAS 17	
LaR	Cash and cash equivalents	24.0	24.0				24.0
LaR	Trade and other receivables *)	9.2	9.2				9.2
LaR	Other financial assets	39.1	39.1				39.1
AfS	Available-for-sale financial assets	10.2		10.2			10.2
HfT	Derivative financial instruments	0.3			0.3		0.3
	Derivative financial instruments in hedging transactions	0.3		0.3			0.3
Total financial assets		83.1	72.3	10.5	0.3	–	83.1
FL	Trade and other payables **)	20.1	20.1				20.1
FL	Interest-bearing loans and borrowings	252.5	252.5				222.8
FL	Liabilities from finance leases	26.5				26.5	26.5
Total financial liabilities		299.0	272.6	–	–	26.5	271.5

*) The trade and other receivables (see Note 17) contain non-financial assets in the amount of EUR 7.2 million (2007: EUR 5.6 million).

**) The trade and other payables (see Note 22) contain non-financial assets in the amount of EUR 2.3 million (2007: EUR 2.8 million).

25.1. Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group uses derivative financial instruments to control its interest rates and interest rate risk. 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 27.3% (2007: 16.3%) of the Company's debt obligations were fixed-rate obligations as at 31 December 2008.

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. There are no impacts on Group equity.

	Increase/reduction in basis points	Impact on pre-tax profit/loss
2008		
Euribor	+50	(1,529,581)
CHF Vibor	+50	(41,675)
WIBOR	+50	(3,787)
Euribor	– 50	1,529,581
CHF Vibor	– 50	41,675
WIBOR	– 50	3,787
2007		
Euribor	+50	(1,037,555)
CHF Vibor	+50	(67,245)
Bubor	+50	(7,589)
Euribor	– 50	1,038,271
CHF Vibor	– 50	44,830
Bubor	– 50	5,059

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 1,282,563.00 (2007: gains of EUR 419,322.00) 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 subsidiary's functional currency is the same as the currency in which the loan is denominated.

The currency denominations of financial liabilities break down as follows:

	2008		2007		2008		2007	
CHF	12,567,001	13,862,154	EURO	8,462,627	8,377,442			
PLN	2,612,345	1,181,250	EURO	626,101	329,774			
			EURO	433,150,799	270,218,490			
				442,239,527	278,925,706			

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 63.3% of personnel expenses, 64.0% of expenses for material and services received, 47.1% of development costs and 41.8% 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 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
Sensitivity 2007	+	(418,872)	(2,306,036)	(1,287,929)	(61,452)	(9,270)	–	(4,083,559)
	–	418.872	2.260.227	1.166.893	56.077	9.176	–	3.911.246

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

		CHF ±5%	CZK ±5%	PLN ±5%	RON ±5%	HUF ± 5%	RUB ± 10%	Total
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
Sensitivity 2007	+	–	(379,580)	(286,950)	(11,993)	(6,997)	–	(685,520)
	–	–	379,580	286,950	11,993	6,997	–	685,520

25.3. Credit risk

The amounts stated as assets on the face of the consolidated balance sheet represent the maximum credit risk and risk of loss, since there are no general settlement agreements. Credit risk associated with 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. Credit 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 2008 the share falling due within one year amounted to 24.8% (2007: 27.5%).

At 31 December 2008 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.

The Group had short-term financial liabilities of EUR 90 million at the reporting date. In 2009, it will be necessary to extend or refinance operating credit facilities or convert them into long-term financing facilities.

As of the completion of the annual report in April 2009, roughly EUR 18 million of these liabilities had already been refinanced or converted into finance agreements with a term of greater than twelve months.

Financial year ended 31 December 2008

In EUR 1,000	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 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 taxes payable	952	–	–	–	–	952
	129,583	53,817	92,828	185,295	61,133	522,657

Financial year ended 31 December 2007

In EUR 1,000	Immediately callable	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing loans and borrowings	22,787	10,991	38,859	80,617	168,110	321,362
Other liabilities (non-current)	–	3	31	206	980	1,220
Trade and other payables	11,540	9,148	2,094	147	–	22,929
Derivative financial instruments	–	–	–	–	–	–
Income taxes payable	–	–	719	–	–	719
Liabilities according to IFRS 5	66	85	–	918	2,523	3,592
	34,392	20,226	41,704	81,888	171,613	349,823

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 the value of the Company's shares.

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 2008 the equity ratio was 22.7% (2006: 34.9%).

[26] Financial instruments

Financial instruments of the Group primarily comprise “Financial instruments available for sale”, “Trade receivables” and “Cash and short-term deposits” on the assets 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.

The fair value of loans was assessed by comparing the future cash flows generated on the basis of existing terms and conditions with market terms for new loans as of 31 December 2008.

	Carrying value		Fair value	
	2008	2007	2008	2007
Financial assets				
Cash and short-term deposits	33,112,348	23,993,377	33,112,348	23,993,377
Financial instruments available for sale	–	10,155,000	–	10,155,000
Other financial assets	50,140,248	39,113,292	50,140,248	39,113,292
Derivative financial instruments	1,736,933	557,436	1,736,933	557,436
	<u>84,989,528</u>	<u>73,819,105</u>	<u>84,989,528</u>	<u>73,819,105</u>
Financial liabilities				
Current loans	(29,313)	(411,613)	(29,313)	(411,613)
Derivative financial instruments	(5,290)	–	(5,290)	–
Variable-rate loans	(346,323,633)	(281,300,943)	(327,966,665)	(277,607,735)
Fixed-rate loans	(62,853,445)	(223,525)	(65,902,892)	(223,525)
	<u>(409,211,681)</u>	<u>(281,936,081)</u>	<u>(393,904,159)</u>	<u>(278,242,873)</u>

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

26.2. Interest rate risk of primary financial instruments

The following table presents the carrying amounts and fair values of variable-rate debt instruments of the Group which are subject to interest rate risk. The table 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 1,000

for the financial year ended 31 Dec. 2008	Within 1 year	2010	2011	2012	2013	> 5 years	Total
Cash and short-term deposits	33,112	–	–	–	–	–	33,112
Bridgeloans	(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 of the loan agreement as of 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 Plzen (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)
	(177,843)	(131,107)	(133,535)	(134,857)	(171,067)	372,345	(376,065)

26.2. Interest rate risk of primary financial instruments – continued

Amounts in EUR 1,000

for the financial year ended 31 Dec. 2007	Within 1 year	2010	2011	2012	2013	> 5 years	Total
Cash and short-term deposits	23,993	–	–	–	–	–	23,993
Available-for-sale-investments	10,155	–	–	–	–	–	10,155
Bridge loans	(31,310)	(2,233)	–	–	–	–	(33,542)
Finance leases	–	–	–	–	–	(18,948)	(18,948)
Loans where there is a breach of the loan agreement as of the balance sheet date	(7,495)	–	–	–	–	–	(7,495)
Overdrafts	(22,732)	–	–	–	–	–	(22,732)
	(27,389)	(2,233)	–	–	–	(18,948)	(48,569)
Diplomat (until 2017)	(1,464)	(1,559)	(1,659)	(1,767)	(1,881)	(27,498)	(35,827)
Palace (until 2017)	(1,322)	(1,352)	(1,372)	(1,382)	(1,392)	(9,379)	(16,199)
Chopin (until 2016)	(606)	(644)	(685)	(728)	(773)	(8,902)	(12,337)
angelo Prague (until 2016)	(599)	(625)	(652)	(681)	(707)	(7,663)	(10,927)
Amber Baltic (until 2016)	(869)	(895)	(922)	(949)	(978)	(3,765)	(8,377)
Savoy (until 2016)	(547)	(582)	(619)	(659)	(701)	(4,853)	(7,961)
Erzsebet (until 2016)	–	(332)	(352)	(374)	(398)	(6,544)	(8,000)
Dvořák (until 2012)	(1,111)	(1,163)	(1,163)	(1,163)	(1,567)	–	(6,167)
Sobieski (until 2021)	(250)	(250)	(250)	(250)	(250)	(5,373)	(6,623)
Parkur Tower (until 2016)	(172)	(184)	(195)	(208)	(219)	(3,006)	(3,983)
Cetelem (until 2018)	(121)	(128)	(136)	(144)	(153)	(1,783)	(2,464)
Gas pipeline (2012)	(63)	(63)	(63)	(63)	(63)	(16)	(330)
Sajka Utca (until 2011)	(46)	(47)	(35)	–	–	–	(128)
Intercont Sienna (until 2016)	(716)	(966)	(1,216)	(1,216)	(1,216)	(26,365)	(31,697)
andel's Krakow (2017)	(248)	(248)	(298)	(298)	(348)	(6,580)	(8,022)
	(8,134)	(9,037)	(9,618)	(9,882)	(10,646)	(111,724)	(159,042)
	(35,523)	(11,270)	(9,618)	(9,882)	(10,646)	(130,672)	(207,611)

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

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

	2008	2007
<i>Project loan Hotel Le Palais, Prague</i>		
Underlying: 3-month EURIBOR		
Notional amount at 31 December	6,876,973	7,271,690
Fair value at 31 December	(5,248)	–
<i>Project loan Hotel Chopin, Krakow</i>		
Underlying: 3-month EURIBOR 3.91%		
Notional amount at 31 December	12,033,163	12,337,312
Fair value at 31 December	267,423	312,255
<i>Project loan Hotel Sobieski, Warsaw</i>		
(adjusted for the Group's share)		
Underlying: 3-month EURIBOR (3.866%/4.5%)		
Notional amount at 31 December	8,380,836	6,622,973
Fair value at 31 December	16,824	63,308

26.3. Hedging activities relating to interest-bearing loans and borrowings – continued

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 at the reporting date. Actual cash flows from the derivative financial instruments are only a small fraction of the notional value. Fair values presented were obtained from the financing banks. The valuation of derivative financial instruments requires a certain degree of subjective judgement; as a result the figures presented in this report may deviate from the values subsequently 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".

26.4. Other derivative financial instruments

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

			Fair value 2008	2007
Knock Out CAP	Maturity Date			
	30/06/2009 buy Cap	15,000,000 3-M-EURIBOR 4%	(42)	110,232

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

			Fair value 2008	2007
CMS:	Maturity Date			
	05/06/2018 buy Cap	4,200,000 10Y/2Y EUR CMS 0.75%	66,272	–
	05/06/2018 buy Cap	54,600,000 10Y/2Y EUR CMS 1%	1,017,349	–
	05/06/2018 buy Cap	4,200,000 10Y/2Y EUR CMS 1.1%	113,787	–
	05/06/2018 buy Cap	21,000,000 10Y/2Y EUR CMS 1.25%	255,277	–

The Company bought the indicated caps on the interest difference between the 10-year EUR CMS and the 2-year EUR CMS during the reporting period. If the difference between the 10-year EUR CMS and the 2-year EUR CMS is greater than or equal to the indicated percentage rate on the respective maturity dates (the 5th of March, June, September and December), the Company receives the excess payment. There is no obligation to put up further capital.

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

There were no material events after the reporting date.

Vienna, 24 April 2009



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 1 January, 2008 to 31 December, 2008. These consolidated financial statements comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended 31 December, 2008, 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.

*) A publication or dissemination of the annual statements in a version deviating from the audited (non-abbreviated German) version (e.g. an abridged version or translation) may not quote our Auditor's Report nor include any other reference to our audit without our authorization.

Opinion

Our audit did not give rise to any objections.

Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2008,, and of its financial performance and its cash flows for the financial year from 1 January 2008 to 31 December 2008 in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

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

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

Vienna, 24 April 2009



WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH

ALEXANDER WLASTO M.P.
Certified Public Accountant

MARTIN OHDE 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, 24 April 2009



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 and events, the development of business and the Company's situation at regular meetings during the 2008 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, the Compliance Officer's annual report was submitted to the Supervisory Board and discussed.

Five Supervisory Board meetings were held in financial year 2008. All members of the Supervisory Board fulfilled the legal 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 2008 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., the auditor chosen in accordance with § 270 of the Uniform Commercial Code. The final result of this audit revealed no grounds for objection and the legal provisions were fully complied with, so that an unqualified auditors' report was issued.

By resolution of 24 April 2009, the Supervisory Board approved the financial statements for the year ended 31 December 2008 and the management report for the financial year 2008, 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 2008.

At the annual general meeting on 29 May 2008, the terms of office of Victor Igalfy-Igally and Heinrich Geyer were extended until the end of the annual general meeting deciding on the discharge of the Management Board and Supervisory Board for the financial year ended 31 December 2012. The terms of office of Friedrich Grassi and Franz Burkert expired as of the end of the annual general meeting deciding on financial year 2007. The Supervisory Board thanks these gentlemen for their contributions to the work of the Board.

Alicja Kornasiewicz, member of the Supervisory Board since 2007, stepped down from the Board at the end of August to assume new duties at UniCredit Group. The Supervisory Board thanks her for her contributions to the work of the Board.

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 the face of the worsening economic conditions in financial year 2008, and wishes the Company continued success in the future.

Vienna, 24 April 2009

Alarich Fenyves
Chairman of the Supervisory Board

Selected Warimpex Group properties

1) Hotel Le Palais****, Prague

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



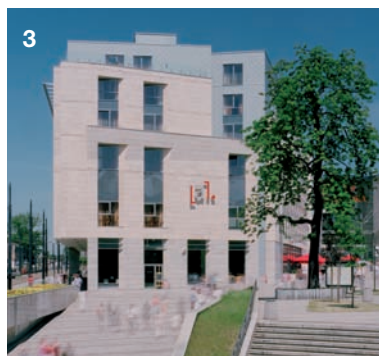
2) Hotel InterContinental****, Warsaw

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



3) andel's hotel****, Cracow

PL-31 547 Cracow, ul. Pawia 3
159 rooms (opened in June 2007)



4) angelo hotel***, Munich

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



5) angelo hotel****, Pilsen

CZ-305 00 Pilsen, U Prazdoj
144 rooms (opened in October 2008)



6) Angelo Airporthotel****, Bucharest

RO-075100, Bucharest-Otopeni,
283 Calea Bucurestilor
177 rooms
(renovation completed in October 2008)



7) andel's hotel****, Berlin

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



8) andel's hotel****, Łódź

PL-91 065 Łódź, Ogrodowa 17
278 rooms
(opening scheduled for 1st quarter 2009)



9) angelo Airport Hotel****, Ekaterinburg-Koltsovo

RU-Airport Ekaterinburg-Koltsovo
210 rooms
(opening scheduled for 3rd quarter 2009)



Financial calendar

27 April 2009	Publication of the Annual Report for 2008
25 May 2009	Publication of results for the 1st quarter of 2009
28 May 2009	Annual General Meeting
28 August 2009	Publication of results for the 1st half of 2009
26 November 2009	Publication of results for the 1st–3rd quarter of 2009