



warimpex

## KEY FIGURES OF THE WARIMPEX GROUP

in EUR '000		1-6/2014	Change	1-6/2013 adjusted
Hotels revenues		30,977	-9%	34,162
Investment Properties revenues		4,926	19%	4,140
Development & Services revenues		802	-33%	1,193
<i>Total revenues</i>		<i>36,705</i>	<i>-7%</i>	<i>39,495</i>
Expenses directly attributable to the revenues		-24,192	-14%	-27,998
<i>Gross income from revenues</i>		<i>12,513</i>	<i>9%</i>	<i>11,497</i>
Gains on property disposals		36	-98%	1,586
EBITDA		7,672	-5%	8,090
EBIT		-1,397	-	5,238
Earnings from joint ventures		-197	82%	-108
Profit or loss for the period		-10,820	31%	-8,240
Cash flow from operating activities		6,675	70%	3,916
Total assets		485,209	-6%	515,880
Equity		78,695	7%	73,487
Average number of shares in the financial year	(in units)	54,000,000	-	54,000,000
Earnings per share	in EUR	-0.15	36%	-0.11
Number of hotels		18	-3	21
Number of rooms (adjusted for proportionate share of ownership)		3,166	-257	3,423
Number of office and commercial properties		5	-	5
<b>Segment information (including joint ventures on a proportionate basis):</b>				
Total revenues		58,605	-3%	60,397
Hotels revenues		52,335	-4%	54,689
Net operating profit (NOP) – Hotels		15,643	2%	15,410
Investment Properties revenues		5,289	17%	4,513
EBITDA of Investment Properties		2,400	29%	1,862
Revenues – Development & Services		981	-18%	1,195
Gains or losses from the disposal of properties		36	- 98%	1,635
EBITDA of Development & Services		-2,457	138%	-1,034
		<b>30/6/2014</b>	<b>Change</b>	<b>31/12/2013</b>
Gross asset value (GAV)	in EUR million	496.1	-2%	508.0
Triple net asset value (NNNAV)	in EUR million	163.5	-3%	169.4
NNNAV per share	in EUR	3.0	-3%	3.1
End-of-period share price	in EUR	1.43	-24%	1.88

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## FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

### Dear Shareholders,

The first half of 2014 was dominated by three key factors for us: the stable development of our assets, the successful exit from the luxury hotel industry in Prague, resulting in an improvement in our hotel portfolio, and finally the political developments in Ukraine and Russia.

Taking account of the 7 per cent decrease in the number of fully consolidated rooms as a result of hotel sales, operating business developed steadily in the first half of the year, with revenues from fully consolidated hotels declining by 9 per cent year-on-year to EUR 31 million – and by 4 per cent including all joint ventures. The strong performance of our existing hotels is reflected particularly in the net operating profit per available room in the segment report, which increased by 7 per cent. EBITDA fell by 5 per cent to EUR 7.7 million and EBIT dropped from EUR 5.2 million to EUR -1.4 million. These decreases are mainly due to decreased earnings from the sale of properties and a loss on remeasurement of AIRPORTCITY St. Petersburg. With a slight improvement in the financial result compared to the first half of 2013 to EUR -10.7 million, there was a loss for the period of EUR -10.8 million.

### Focus on Russia

The lower growth of the Russian economy has not had any negative impact to date on bookings at our hotels in Ekaterinburg and St. Petersburg. However, the room rates in euros decreased as a result of the weak rouble. For example, occupancy at the angelo hotel in Ekaterinburg rose by 12 percentage points, whereas the average room rate in euros fell by 20 per cent. In St. Petersburg, exchange rate effects on the room rate were much less significant.

At AIRPORTCITY St. Petersburg, a term sheet for the sale of the two office towers Jupiter 1 and Jupiter 2 was agreed with a Russian pension fund in February 2014. So far, the sales negotiations have not been affected by the political developments. Owing to the major overall complexity of a sale of this magnitude, we currently expect to close the transaction around the end of the year. One comparable project was the sale of the InterContinental hotel in Warsaw in 2012 – for which the sales negotiations also took almost a year. In addition to the current sale, the third office tower Zeppelin was rented out on a long-term basis in May 2014. This tower, for which the shell has already been completed, will soon be completed as a top-class office building in line with international standards. We are also in the planning phase for the further expansion of AIRPORTCITY.

All in all, business in St. Petersburg is largely developing in line with planning. However, the Ukraine crisis has had negative effects on the valuation of the property, which was written down by approximately EUR 3 million. This should be seen in light of the fact that we have measured our office properties at market value since the 2013 annual financial statements. This ultimately also has a negative impact on our earnings for the first half of the year, but does not affect the purchase price in the current negotiations for the two office towers.

Finally, the Ukraine conflict also has an impact on our hotels in other European countries. For example, there has been a significant decline at locations such as the Dvorak hotel in Karlovy Vary, Czech Republic, which traditionally has a high proportion of guests from Russia and Ukraine. Revenues here recently fell by around 15 per cent.

If the situation in Ukraine stabilises, this will quickly be reflected in positive effects on our Company, both in terms of exchange rates and in valuations.

### Developments in Prague, Budapest and Krakow

The strategic exit from the luxury hotel industry in Prague was successfully completed in the first half of 2014. In addition to the sales of the Palace Hotel and Le Palais Hotel in 2013, we also sold the last of our five-star hotels in Prague, the Hotel Savoy, in June. However, we are staying true to the market with our two strong four-star hotels, angelo and Diplomat, and expect to see a positive development here. In the Development segment, we are currently working on the further expansion of AIRPORTCITY St. Petersburg and on the revitalisation of the Erzsébet office complex in Budapest. In Krakow, we plan to develop an office property on a building site adjacent to the Chopin Hotel.

Overall, there are a number of positive developments, particularly the continuous improvement in our portfolio that can be seen in the NOP. We intend to continue consistently pursuing this path and to advance our development projects in line with the general conditions.



Franz Jurkowitsch

## BUSINESS HIGHLIGHTS

- Feb. 2014 AIRPORTCITY St. Petersburg: term sheet signed for the sale of two office towers
- March 2014 New tenant for Erzsébet Office in Budapest
- Feb. 2014 PLN 9.0 million (roughly EUR 2.15 million) in bonds placed in Poland
- April 2014 EUR 2.0 million in bonds placed
- May 2014 Florian Petrowsky appointed as new member of the Warimpex Management Board
- May 2014 AIRPORTCITY St. Petersburg: full leasing of Zeppelin Tower
- June 2014 Warimpex sells Hotel Savoy in Prague
- June 2014 EUR 5.0 million in convertible bonds placed

## INVESTOR RELATIONS

The crisis in Ukraine is also casting a shadow over the share price performance. After closing 2013 at EUR 1.88 or PLN 7.99, the share price declined considerably in the first half of 2014. The closing price as at 30 June 2014 was EUR 1.43 or PLN 5.98.

Since our IPO, we have maintained an open and proactive communication policy with our investors. Warimpex participated in investor conferences in Zürich and Warsaw in 2014.

	ISIN	Conversion price	Amount outstanding
Bond 3/16	PLWRMFB00016	–	PLN 63,065,000
Convertible bond 3/16	AT0000A100Y0	PLN 7.06	PLN 26,500,000
Convertible bond 10/16	AT0000A139E0	PLN 7.65	PLN 16,500,000
Bond 10/17	AT0000A139F7	–	PLN 8,500,000
Bond 2/18	PLWRMFB00024	–	PLN 9,000,000
Bond 10/15	–	–	EUR 2,000,000
Convertible bond 6/17	AT0000A139E0	EUR 1.80	EUR 5,000,000

## INTERIM MANAGEMENT REPORT OF THE GROUP

for the period from 1 January to 30 June 2014

### ECONOMIC ENVIRONMENT

In July 2014 (World Economic Outlook Update), the International Monetary Fund (IMF) updated its economic forecast for 2014 as follows compared with April 2014. The Eurozone economy is expected to grow by 1.1 per cent in 2014 (forecast from April 2014: 1.1 per cent) and by 1.5 per cent in 2015 (1.4 per cent). The forecast for Russia has been lowered significantly from 1.3 per cent to 0.2 per cent for 2014 and from 2.3 per cent to 1.0 per cent for 2015. The economy in emerging and developing Europe<sup>1</sup> is now expected to expand by 2.8 per cent in 2014 (2.4 per cent). The IMF growth projection for 2015 is unchanged at 2.9 per cent.

### MARKETS

#### POLAND

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

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

The occupancy rate at the InterContinental Hotel rose from 76 per cent to 78 per cent in the first half of the year, and the average room rate in euros rose slightly. The andel's hotel in Łódź achieved an occupancy rate of 61 per cent (1–6/2013: 57 per cent), and the average room rate in euros fell by around 4 per cent. The occupancy rate at the Chopin Hotel in Krakow declined from 60 per cent to 58 per cent, while the average room rate in euros decreased slightly. Occupancy at the andel's hotel in Krakow was 72 per cent (1–6/2013: 72 per cent), and the average room rate was down slightly. The occupancy rate at the Amber Baltic beachfront resort came in at 42 per cent (1–6/2013: 38 per cent), and the average room rate went up slightly. Due to its location on the Baltic coast, occupancy rates at this hotel are subject to stronger seasonal fluctuations, and cannot be compared with those of city hotels.

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

##### Under development: 2 office buildings

Warimpex is the owner of a development property next to the Chopin Hotel, which is to be the location of an office building. Planning for this project is underway.

An office building that is owned by Warimpex in Krakow is also to be modernized. Warimpex owns a development property in Białystok. The sale of this development project is planned when the market conditions are right.

<sup>1</sup> Emerging and developing Europe

Composed of 13 countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Kosovo, Lithuania, FYR Macedonia, Montenegro, Poland, Romania, Serbia, and Turkey

## CZECH REPUBLIC

### Existing portfolio: 4 hotels

In the Czech Republic, Warimpex owns the Diplomat Hotel (Prague) and the angelo hotels in Prague and Plzeň (50 per cent). Warimpex also consolidates the Dvorak spa hotel in Karlovy Vary according to the rules defined by IFRS. The five-star Palace Hotel (124 rooms) and Le Palais Hotel (72 rooms) in Prague were sold in July and in December 2013. The Hotel Savoy in Prague was sold at the end of June 2014.

In the reporting period, the two four-star hotels in Prague, Diplomat and angelo, both achieved occupancy rates of 64 per cent (1–6/2013: 69 per cent and 60 per cent respectively). The average room rate at both hotels remained unchanged. At the Dvorak spa hotel in Karlovy Vary, the occupancy rate was 65 per cent (1–3 2013: 78 per cent). The average room rate increased. Occupancy at the angelo hotel in Plzeň improved from 56 per cent to 63 per cent, and the average room rate also rose.

## HUNGARY

### Existing portfolio: 3 office properties

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

The Dioszegi office building has roughly 800 square metres of lettable space, 100 per cent of which is occupied. The Sajka office building with its approximately 600 square metres of lettable space is partially rented out. In March, Warimpex gained the leading Hungarian insurance company Groupama Garancia Insurance Private Co. Ltd. – a Hungarian subsidiary of the international Groupama Group – as a new long-term tenant for 12,250 square metres of space in the Erzsébet office building in Budapest. The successful conclusion of the contract by Warimpex represents one of the largest rental agreements on the Hungarian office market in recent years.

## ROMANIA

### Existing portfolio: 1 hotel

The angelo Airporthotel in Bucharest, which Warimpex acquired in 2007 and expanded by 69 rooms in 2008 along with adapting it to the angelo design, saw an occupancy rate of 52 per cent (1–6/2013: 49 per cent). The average room rate in euros was down by around 10 per cent.

## GERMANY

### Existing portfolio: 1 hotel

In Germany, Warimpex held 50 per cent of the andel's hotel in Berlin during the reporting period. Occupancy at the andel's hotel in Berlin was 67 per cent (1–6/2013: 67 per cent). The average room rate improved slightly.

### Development: commercial space and conference centre

A piece of land adjacent to the andel's hotel in Berlin was purchased in 2009 for the development of a conference centre and commercial space. Planning for this project is underway.

## FRANCE

### Existing portfolio: 2 hotels

In Paris, Warimpex and its partner UBM are the joint leaseholders (finance lease) of the four-star hotels Dream Castle and Magic Circus at Disneyland® Resort Paris, each of which have around 400 rooms. The occupancy rates at the hotels were 72 per cent and 66 per cent respectively (1–6/2013: 71 per cent and 65 per cent). The average room rate was increased slightly at both hotels.

## AUSTRIA

### Existing portfolio: 1 hotel

In Vienna, Warimpex holds around 10 per cent in the project company behind Palais Hansen, a high-end hotel property on the city's Ring boulevard, together with Wiener Städtische Versicherung/Vienna Insurance Group and Strauss & Partner. The Palais Hansen Kempinski hotel in Vienna, Warimpex's first project in Austria, was opened in March 2013.

## RUSSIA

### Existing portfolio: 3 hotels, 1 office building

In Russia, Warimpex holds 60 per cent of the Liner Hotel and of the angelo hotel at Koltsovo airport in Ekaterinburg. The angelo hotel Ekaterinburg, which has a direct link to the new terminals, was opened in 2009. In St. Petersburg, Warimpex holds 55 per cent of AIRPORTCITY St. Petersburg. In the first phase of the project, a four-star Crowne Plaza hotel (InterContinental Hotel Group) and office buildings with 16,800 square metres of lettable space were opened at the end of December 2011. AIRPORTCITY St. Petersburg was and is being developed by the project company ZAO AVIELEN A.G. together with CA Immo and UBM and is directly next to Pulkovo 2 international airport in St. Petersburg. It is the first premium-class business centre in the region and is a key infrastructure project in the growing economic centre of St. Petersburg.

While the Liner Hotel enjoyed a satisfactory occupancy rate of 63 per cent, occupancy at the more expensive angelo hotel increased from 49 per cent to 61 per cent, although the average room rate in euros was down by roughly 20 per cent on account of the weak rouble. The Crowne Plaza at AIRPORTCITY St. Petersburg has already established itself very well on the market and achieved 76 per cent occupancy (1–6/2013: 76 per cent). The average room rate in euros was increased slightly. An occupancy rate of 100 per cent was achieved for the two completed office buildings in St. Petersburg (Jupiter 1 and 2).

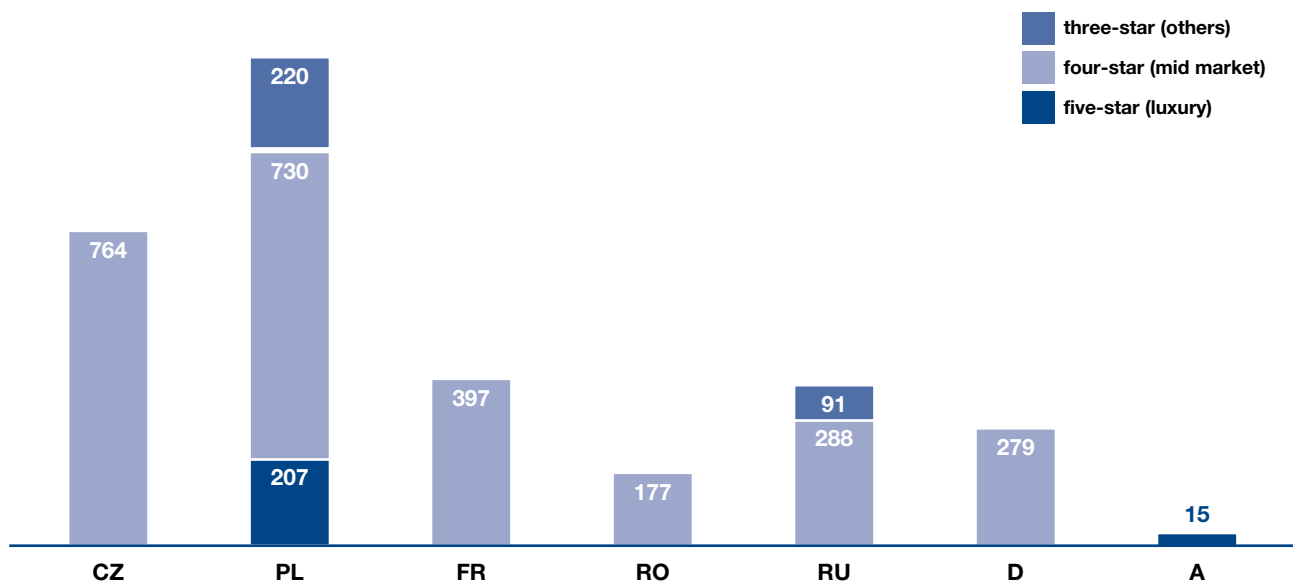
### Under development: 1 office building

The shell of a second office building that will have 15,000 square metres of lettable space has also been completed at AIRPORTCITY. This office tower is scheduled for completion in mid-2015.



### Hotel portfolio (number of rooms adjusted for proportionate share of ownership) as at 30 June 2014

The year-on-year decrease in the number of rooms by 257, from 3,423 to 3,166, is attributable to the sale of the Palace, Le Palais and Savoy hotels in Prague.



## ASSETS, FINANCIAL POSITION AND EARNINGS SITUATION

For information on changes in the scope of consolidation and the resulting retrospective adjustment of the comparative periods, please refer to section 5.2. of the consolidated interim financial statements.

### Development of revenues

Operating activities in the Hotels segment continued to develop positively on the whole in the first half of 2014, but revenues at the Dvorak hotel in Karlovy Vary fell by around 15 per cent. The share of Russian and Ukrainian guests in Karlovy Vary is very high.

Revenues from leasing office space increased from EUR 4.1 million to EUR 4.9 million. Revenues in the Development & Services segment fell by 33 per cent to EUR 0.8 million as a result of the completion and sale of the Le Palais office building in Warsaw.

Consolidated revenues declined by 7 per cent, from EUR 39.5 million to EUR 36.7 million, mainly due to hotel sales.

Expenses directly attributable to revenues were reduced by 14 per cent to EUR 24.2 million, which meant that despite the lower revenues figure gross income from revenues went up by 9 per cent to EUR 12.5 million.

### Earnings situation

#### Gains on property disposals

In the comparative period of the previous year, a stake was sold in the angelo hotel in Munich (including an adjacent development property). This transaction generated a profit contribution of approximately EUR 1.6 million. In the first half of 2014, the Hotel Savoy was sold for close to its carrying amount.

The changes to the existing portfolio in the comparative period of the previous year relate to the settlement of leasehold improvements for the Le Palais office building in Warsaw.

#### EBITDA – EBIT

Earnings before interest, taxes, depreciation and amortisation and gains/losses on remeasurement (investment properties) (= EBITDA) fell by 5 per cent from EUR 8.1 million to EUR 7.7 million. EBIT declined from EUR 5.2 million to EUR -1.4 million. This is mainly attributable to lower income from the sale of project companies and properties (EUR -1.6 million) and a non-cash loss on remeasurement of investment property and impairment (EUR -3.3 million).

#### Financial result

Finance income (including earnings from joint ventures) went from EUR -12.5 million to EUR -10.7 million. Financing expenses declined from EUR 12.1 million in the first half of 2013 to EUR 10.9 million.

Losses from joint ventures went from EUR -0.1 million to EUR -0.2 million.

#### Profit or loss for the period

The total loss for the period for the Warimpex Group went from EUR -8.2 million in the previous year to EUR -10.8 million. This change is mainly due to decreased earnings from the sale of properties and a loss on remeasurement of investment property and impairment.

## Segment reporting

The Warimpex Group has defined the segments Hotels, Investment Properties and Development & Services. The joint ventures that are recognised at equity in the consolidated financial statements are included in the segment report using the proportionate consolidation method. The Hotels segment is comparable with the hotels and/or hotel rooms held by the Group as consolidated entities in the reporting year with the joint ventures recognised on a proportionate basis. The Investment Properties segment includes rental income from office properties. The Development & Services segment contains services in the area of development, activities of the parent company and profits from the sale of real estate.

### Hotels segment\*

in EUR '000	1-6/2014	1-6/2013 adjusted
Revenues for the Group	52,335	54,689
Average number of hotel rooms for the Group**	3,482	3,677
GOP for the Group	19,831	19,958
NOP for the Group	15,643	15,410

\* Including all joint ventures on a proportionate basis

\*\* See Hotels segment report in the consolidated financial statements

In the reporting period, the average number of available rooms declined by 5 per cent to 3,482 due to hotel sales, with revenues from hotel operations declining by 4 per cent to EUR 52.2 million.

Key figures that are typical for the sector are used to manage the hotels. These include GOP (gross operating profit, calculated according to the Uniform System of Accounts for the Lodging Industry) and NOP (net operating profit, which corresponds to the GOP less specific costs of ownership after GOP such as management fees, insurance, land tax etc.). As a result of the sale of less profitable hotels, GOP was kept constant and NOP increased in spite of the lower revenues. NOP per room therefore rose by 7 per cent to EUR 4,493.

### Investment Properties segment\*

in EUR '000	1-6/2014	1-6/2013 adjusted
Revenues for the Group	5,289	4,513
Segment EBITDA	2,400	1,862

\* Including all joint ventures on a proportionate basis

Revenues in the Investment Properties segment rose by 17 per cent in the reporting period, primarily due to the full leasing of the Jupiter office tower at the AIRPORTCITY St. Petersburg.

**Development & Services segment\***

in EUR '000	1-6/2014	1-6/2013 adjusted
Revenues for the Group	981	1,195
Gains or losses from the disposal of properties	36	1,635
Segment EBITDA	-2,457	-1,034

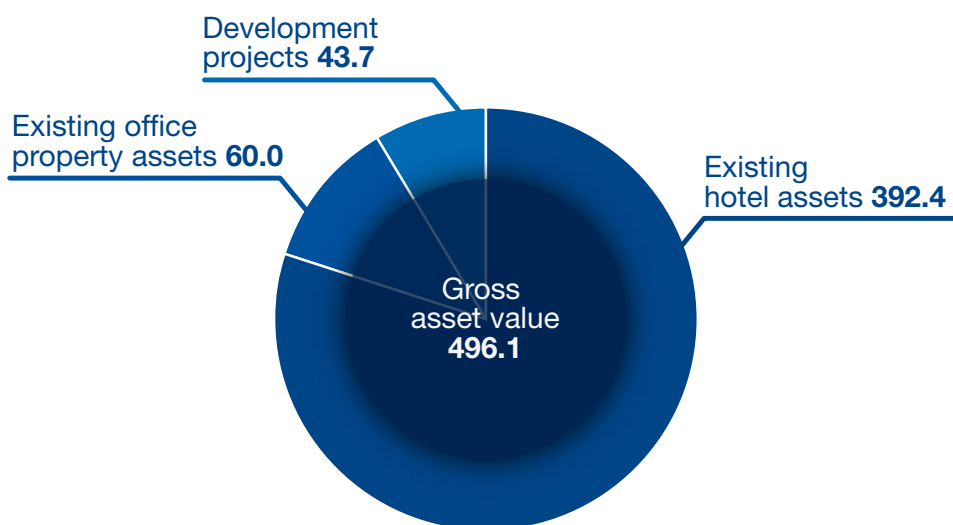
\* Including all joint ventures on a proportionate basis

The results in this segment depend heavily on the sale of real estate holdings (share deals) and properties (asset deals) and are subject to significant fluctuation in year-on-year terms and during the year. In the comparative quarter of 2013, a stake was sold in the angelo hotel in Munich. No material sales income was recognised in the period under review.

## KEY FIGURES FOR REAL ESTATE ASSETS

As at the reporting date 30 June 2014, the Warimpex Group’s real estate portfolio consisted of 18 hotels with approximately 4,600 rooms in total (around 3,200 rooms when adjusted for the proportionate share of ownership) and five office properties with total lettable space of approximately 43,000 square metres (30,000 square metres when adjusted for the proportionate share of ownership).

**Calculation of gross asset value/net asset value** in EUR million.



Because of the provisions of IAS 40.12 pertaining to owner-operated hotels, Warimpex recognises and measures its property, plant and equipment such as hotel properties at cost less depreciation and amortisation in accordance with IAS 16. However, changes in the value of investment property (mainly office properties) are recognised in profit or loss on an annual basis using the fair value model in accordance with IAS 40.56. To allow comparison with other real estate companies, Warimpex reports the triple net asset value (NNNAV) in its group management report.

All existing properties and development projects – apart from properties classified as held for sale – are valued twice a year (as at 30 June and 31 December) by independent appraisers.

The fair values of Warimpex's real estate assets (gross asset value)<sup>2</sup> as at the reporting date 30 June 2014 totalled EUR 496.1 million (31 December 2013: EUR 508.0 million). This decrease is due chiefly to the sale of the Hotel Savoy in Prague. The triple net asset value (NNNAV) of the Warimpex Group declined slightly compared with the end of 2013 from EUR 169.4 million to EUR 163.5 million.

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

in EUR m	6/2014		12/2013	
Equity before non-controlling interests		82.6		90.1
Goodwill		-0.9		-0.9
Deferred tax assets	-0.2		-	
Deferred tax liabilities	11.6	11.4	12.7	12.7
Book value of existing hotel assets	-266.4		-279.6	
Fair value of existing hotel assets	308.7	42.6	321.0	41.5
Book value of development projects	-63.8		-64.9	
Fair value of development projects	65.6	1.7	66.5	1.6
Book value of joint ventures	-36.1		-36.1	
Fair value of joint ventures	62.2	26.1	60.5	24.4
<b>Triple net asset value</b>		<b>163.5</b>		<b>169.4</b>
Number of shares		54.0		54.0
<b>NNNAV per share in EUR</b>		<b>3.0</b>		<b>3.1</b>

<sup>2</sup> adjusted for proportionate share of ownership, also excluding minority interests, the GAV as at 31 December 2013 has been adjusted accordingly

## MATERIAL RISKS AND UNCERTAINTIES AND OTHER DISCLOSURES

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

### (a) General information

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 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.

The Investment Properties and Development & Services segments are exposed to finance and currency risks, interest rate risks, market entry risks and the risk of delays in the completion of construction work on real estate projects. In addition, there are risks of rent default which may impact both on the current cash flow and on 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 can affect 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. Asset management employees therefore submit status reports to the Management Board at regular intervals together with projections for the optimum maintenance of the properties.

### (c) Capital market risks

Refinancing on the capital market has great strategic importance for Warimpex.

To avoid the risk of insufficient capital market compliance, Warimpex has a compliance policy that ensures fulfilment of the capital market obligations and in particular prevents abuse or distribution of insider information. A permanent confidentiality area for all employees in Vienna has been established, in addition to which project-related temporary confidentiality areas are set up and retention periods and trading prohibitions are determined.

### (d) Legal risks

As a company that operates internationally, Warimpex is exposed to a wide range of legal risks. These include risks in connection with the acquisition and disposal of properties and legal disputes with tenants or joint venture partners.

No material legal disputes were known of at the time the financial statements were prepared.

## **(e) Risks and risk management in connection with financial instruments**

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

The Group also enters into derivatives transactions which are intended to minimise the Group's exposure to interest rate risk and/or exchange rate risk. The Group's risk management policies provide for a risk-oriented relationship between fixed-rate and variable-rate financial liabilities. All major financial transactions are subject to a decision by the Management Board (and approval by the Supervisory Board in some cases).

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

The risk of fluctuations in market interest rates (usually the 3M EURIBOR for bank loans and the 6M WIBOR for bonds) to which the Group is exposed results primarily from its variable-rate non-current financial liabilities.

Rises in interest rates may affect the Group's earnings in the form of higher interest expenses for existing variable-rate financing. In the case of variable-rate financing, changes in the interest rate have a direct impact on the Company's financial result.

Warimpex limits the risk of rising interest rates that would lead to higher interest expenses and a negative impact on the financial result firstly by using fixed-interest financing agreements in some cases and secondly by means of derivative financial instruments (primarily interest rate swaps). These derivative financial instruments are recognised as separate transactions rather than as hedging transactions. Hedge accounting as defined in IAS 39.85 et seq. is not applied, as the conditions for this are not met. With regard to the recognition of derivative financial instruments, please refer to note 7.13.2. to the consolidated financial statements as at 31 December 2013.

### **2. Foreign currency risk**

Foreign currency risks primarily result from financial liabilities denominated in a currency other than the respective functional currency. For the Group companies whose functional currency is the euro, this means financial liabilities in the local currency or another foreign currency (CHF).

There are no natural hedges and the Group does not systematically use derivative financial instruments to eliminate or limit foreign currency risks. To hedge against currency risks, cross currency swaps or currency forwards for a maximum of one year are concluded where necessary in relation to certain future payments in foreign currencies.

In addition to the foreign currency risk arising from financial liabilities, there are also foreign currency risks – particularly for all hotel companies in the Group whose functional currency is the euro – with regard to personnel expenses and costs for materials used and services rendered that are to be paid in the local currency, whereas income is largely tied to the euro and project financing must also largely be serviced in euros.

### **3. Default risk**

On the assets side, the reported amounts represent the maximum credit and default risk, since there are no general netting agreements. The default risk for trade receivables can be considered relatively low, since receivables are usually paid either in advance or on site, particularly in the Hotels segment. Only receivables from tour operators generally have longer payment terms.

The default risk in connection with cash and cash equivalents can be considered low, as the Group only works with banks and financial institutions with excellent creditworthiness. The default risk for other receivables can also be considered relatively low, since the contractual partners' creditworthiness is ensured here, too. The Group also recognises precautionary write-downs where necessary.

#### 4. Liquidity risk

The Group aims to maintain a balance between continuously covering its funding requirements and ensuring flexibility through the use of bank overdrafts and project loans. In addition, refinancing on the capital market has great strategic importance for Warimpex. In the period from January to June 2014, Warimpex issued two bonds and one convertible bond.

Significant fluctuations on the capital markets may pose a risk when raising equity and borrowing debt capital. To keep refinancing risks at a low level, Warimpex ensures that it maintains a balanced mix between equity and debt capital and that its bank and capital market financing has a range of different terms.

In addition, liquidity risks are minimised using a medium-term plan for 18 months, an annual budget planned on the basis of a monthly schedule, and monthly revolving liquidity planning. Daily liquidity management ensures that the commitments undertaken in operating business are met and that funds are invested optimally. Liquidity that becomes available as a result of property sales is mainly used to repay existing credit lines or to finance acquisitions or new development projects.

The repercussions of the financial and real estate crisis that began in 2008 and the sovereign debt crisis in the previous years are still giving rise to uncertainty regarding the future actions of market participants in some cases. If these events repeat themselves or continue, prices and value developments can be subject to higher volatility. The risk of insufficient liquidity means that it may be difficult to successfully sell properties on the market or to obtain refinancing from banks. This risk is mitigated by means of ongoing capital market activities.

It is now possible and probable again that assets can be sold at acceptable prices. A number of sales transactions are still being prepared.

As at the reporting date 30 June 2014, current financial liabilities (loans and bonds) totalling EUR 37.3 million (31 December 2013: EUR 54.4 million) are reported in the consolidated interim financial statements. To secure the liquidity required for the Company's continued existence, it will therefore still be necessary to extend or refinance operating credit lines and project loans or to convert them into long-term financing and to generate additional inflows of funds. In this context, the Management Board, with the approval of the Supervisory Board, resolved a two-year bond issue programme in February 2014. The first tranches have already been placed. In addition, the Group still plans to generate additional liquidity from strategic sales.

To secure loans or be able to continue drawing on them, Warimpex must fulfil certain obligations for this financing, known as financial covenants. Warimpex permanently monitors compliance with these covenants and remains in close contact with its lenders for this purpose. If the Group fails to comply with these covenants, then in some circumstances this may result in the loan agreement being terminated by the lender.

To avoid cost overruns and a resulting excessive outflow of liquidity, Warimpex continuously monitors budgets and construction progress for development projects and maintenance measures.

Major transactions with related parties are discussed in the notes to the consolidated interim financial statements.



## EVENTS AFTER THE REPORTING DATE

There were no material events to be reported after the end of the interim reporting period.

## OUTLOOK

The following property is classified as held for short-term sale. It is planned to sell this property by the end of 2014:

- Jupiter Tower AIRPORTCITY, St. Petersburg: The sale is planned and is currently under preparation.

The following development projects are currently under construction:

- AIRPORTCITY St. Petersburg, business park and an additional 16,000 square metres of office space
- Erzsébet office tower II, Budapest, 8,000 square metres of office space

We will continue to focus on our good hotel brands and we will also invest in promising synergies between hotels and neighbouring office and residential space. In doing so, we will maintain sufficient diversification both in our portfolio and in our market presence. We also anticipate great potential for new developments, which we intend to leverage in moderation.

Vienna, 28 August 2014



**Franz Jurkowsch**  
Chairman of the Management Board



**Georg Folian**  
Deputy Chairman of the Management Board



**Alexander Jurkowsch**  
Member of the Management Board



**Florian Petrowsky**  
Member of the Management Board

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2014

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# CONDENSED CONSOLIDATED INCOME STATEMENT

for the period from 1 January to 30 June 2014 – unaudited

in EUR	Note	1–6/2014	4–6/2014	1–6/2013 adjusted	4–6/2013 adjusted
Hotels revenues		30,976,604	18,231,440	34,162,161	20,338,556
Investment Properties revenues		4,926,417	2,582,699	4,139,829	1,899,966
Development and Services revenues		802,154	428,191	1,193,394	486,090
<b>Revenues</b>		<b>36,705,176</b>	<b>21,242,330</b>	<b>39,495,384</b>	<b>22,724,613</b>
Expenses from the operation of hotels		(20,615,251)	(10,904,589)	(23,468,261)	(13,852,749)
Expenses from operation of investment properties		(2,714,240)	(1,157,336)	(2,340,340)	(1,204,080)
Expenses directly attributable to development and services		(862,704)	(580,708)	(2,189,461)	(500,567)
<b>Expenses directly attributable to the revenues</b>	5.1.	<b>(24,192,195)</b>	<b>(12,642,633)</b>	<b>(27,998,062)</b>	<b>(15,557,396)</b>
<b>Gross income from revenues</b>		<b>12,512,980</b>	<b>8,599,697</b>	<b>11,497,322</b>	<b>7,167,217</b>
Income from the sale of properties		7,588,295	7,588,295	1,667,700	27,700
Disposal of carrying amounts and costs related to sales		(7,552,522)	(7,552,522)	(81,812)	–
<b>Gain or loss from the disposal of properties</b>	5.2.	<b>35,773</b>	<b>35,773</b>	<b>1,585,888</b>	<b>27,700</b>
Changes in unfinished real estate development projects		–	–	1,108,291	48,468
Other operating income		295,392	135,746	94,367	83
<b>Other operating income</b>		<b>295,392</b>	<b>135,746</b>	<b>1,202,658</b>	<b>48,551</b>
<b>Administrative expenses</b>	5.3.	<b>(5,172,061)</b>	<b>(3,026,905)</b>	<b>(6,196,108)</b>	<b>(1,720,053)</b>
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>7,672,085</b>	<b>5,744,312</b>	<b>8,089,760</b>	<b>5,523,415</b>
Scheduled depreciation and amortisation on property, plant and equipment and intangible assets		(6,127,830)	(2,993,509)	(6,170,218)	(2,670,858)
Impairments		(1,219,496)	(397,987)	(1,467,316)	(1,496,088)
Reversals of impairment		345,854	493	4,785,750	4,245,809
Gains/losses on remeasurement of investment property		(2,067,582)	(2,937,582)	–	–
<b>Depreciation, amortisation and remeasurement</b>	5.4.	<b>(9,069,054)</b>	<b>(6,328,585)</b>	<b>(2,851,783)</b>	<b>78,863</b>
<b>Earnings before interest and taxes (EBIT)</b>		<b>(1,396,970)</b>	<b>(584,273)</b>	<b>5,237,977</b>	<b>5,602,278</b>
Finance income	5.5.	1,508,388	201,042	51,176	(999,136)
Financing expenses	5.6.	(11,176,817)	(5,954,694)	(12,117,295)	(6,391,386)
Exchange rate changes	5.7.	(870,182)	2,245,900	(359,805)	(1,344,753)
Earnings from joint ventures (at equity) after taxes		(197,140)	766,412	(108,371)	783,655
<b>Financial result</b>		<b>(10,735,752)</b>	<b>(2,741,340)</b>	<b>(12,534,295)</b>	<b>(7,951,619)</b>
<b>Earnings before taxes</b>		<b>(12,132,721)</b>	<b>(3,325,613)</b>	<b>(7,296,318)</b>	<b>(2,349,341)</b>
Income taxes		(145,355)	(127,820)	(74,165)	154,628
Deferred income taxes		1,458,151	1,867,903	(869,663)	(219,633)
<b>Taxes</b>		<b>1,312,795</b>	<b>1,740,084</b>	<b>(943,828)</b>	<b>(65,006)</b>
<b>Profit or loss for the period</b>		<b>(10,819,926)</b>	<b>(1,585,529)</b>	<b>(8,240,147)</b>	<b>(2,414,347)</b>
<b>Profit or loss for the period attributable to:</b>					
- Equity holders of the parent		(8,316,810)	(1,746,643)	(6,122,625)	(1,337,982)
- Non-controlling interests		(2,503,116)	161,113	(2,117,522)	(1,076,365)
		<b>(10,819,926)</b>	<b>(1,585,529)</b>	<b>(8,240,147)</b>	<b>(2,414,347)</b>
<b>Earnings per share:</b>					
Basic loss for the period attributable to ordinary equity holders of the parent		(0.15)	(0.03)	(0.11)	(0.02)
Diluted profit or loss for the period attributable to ordinary equity holders of the parent		(0.15)	(0.03)	(0.11)	(0.02)

## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the period from 1 January to 30 June 2014 – unaudited

in EUR	Note	1-6/2014	4-6/2014	1-6/2013 adjusted	4-6/2013 adjusted
<b>Profit or loss for the period</b>		<b>(10,819,926)</b>	<b>(1,585,529)</b>	<b>(8,240,147)</b>	<b>(2,414,347)</b>
Foreign currency translation		(271,286)	85,361	(752,869)	(510,550)
Measurement of cash flow hedges		–	–	77,298	–
Other earnings from joint ventures (at equity)		749,989	750,365	–	–
(Deferred) taxes in other comprehensive income	5.8.	(171,129)	(213,511)	(19,021)	(5,843)
<b>Other comprehensive income (reclassified in profit and loss in subsequent periods)</b>		<b>307,574</b>	<b>622,214</b>	<b>(694,592)</b>	<b>(516,394)</b>
<b>Other comprehensive income</b>		<b>307,574</b>	<b>622,214</b>	<b>(694,592)</b>	<b>(516,394)</b>
<b>Total comprehensive income for the period</b>		<b>(10,512,352)</b>	<b>(963,315)</b>	<b>(8,934,739)</b>	<b>(2,930,741)</b>
Total comprehensive income for the period attributable to:					
- Equity holders of the parent		(8,016,238)	(770,375)	(6,671,718)	(1,668,947)
- Non-controlling interests		(2,496,114)	(192,940)	(2,263,020)	(1,261,794)
		<b>(10,512,352)</b>	<b>(963,315)</b>	<b>(8,934,739)</b>	<b>(2,930,741)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2014 – unaudited

in EUR	Note	30/6/2014	31/12/2013	30/6/2013 adjusted	1/1/2013 adjusted
<b>ASSETS</b>					
Property, plant and equipment	6.1.	275,812,564	281,817,062	291,971,795	301,098,642
Investment property	6.2.	72,916,676	73,050,000	115,831,696	115,132,993
Goodwill	6.3.	921,266	921,266	921,266	921,266
Other intangible assets		20,425	51,120	129,222	123,556
Net investment in joint ventures (at equity)	6.3.	36,097,324	36,817,967	32,189,623	32,197,638
Other financial assets		10,563,770	11,140,781	13,715,194	11,077,694
Deferred tax assets		249,502	26,745	3,052,188	4,026,294
<b>Non-current assets</b>		<b>396,581,527</b>	<b>403,824,941</b>	<b>457,810,984</b>	<b>464,578,082</b>
Inventories		896,294	1,031,669	3,894,704	2,269,859
Trade and other receivables	6.4.	7,311,958	10,428,553	8,988,663	11,096,618
Securities available for sale	6.5.	7,164,154	8,607,000	9,115,621	7,279,433
Other financial assets		–	241,126	249	2
Cash and cash equivalents	6.6.	6,254,720	6,521,254	8,538,725	8,166,831
Non-current assets (disposal groups) held for sale	6.7.	67,000,000	75,370,942	27,530,892	24,838,793
<b>Current assets</b>		<b>88,627,125</b>	<b>102,200,544</b>	<b>58,068,854</b>	<b>53,651,536</b>
<b>TOTAL ASSETS</b>		<b>485,208,652</b>	<b>506,025,485</b>	<b>515,879,838</b>	<b>518,229,619</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital		54,000,000	54,000,000	54,000,000	54,000,000
Capital reserves		17,550,336	17,050,636	17,050,636	17,131,207
Retained earnings		8,186,819	16,503,629	7,387,771	13,510,396
Treasury shares		(301,387)	(301,387)	(301,387)	(301,387)
Other reserves		3,195,308	2,894,736	2,918,016	3,467,108
<b>Equity attributable to equity holders of the parent</b>		<b>82,631,076</b>	<b>90,147,614</b>	<b>81,055,036</b>	<b>87,807,324</b>
Non-controlling interests		(3,935,968)	(1,439,854)	(7,567,614)	(5,304,593)
<b>Equity</b>		<b>78,695,108</b>	<b>88,707,760</b>	<b>73,487,422</b>	<b>82,502,731</b>
Convertible bonds	6.8.	12,763,733	8,028,095	4,858,796	15,396,167
Other bonds	6.8.	21,283,901	17,119,545	14,459,271	–
Other financial liabilities	6.8.	294,486,495	287,962,927	264,727,522	264,873,419
Derivative financial instruments	6.9.	1,463,286	2,828,115	1,137,762	–
Other liabilities		8,783,612	9,098,559	10,889,199	5,895,187
Provisions		1,955,286	1,891,289	4,492,548	4,431,127
Deferred tax liabilities		11,608,648	12,672,913	12,082,974	12,168,395
Deferred income		1,750,405	2,019,698	–	–
<b>Non-current liabilities</b>		<b>354,095,365</b>	<b>341,621,140</b>	<b>312,648,072</b>	<b>302,764,295</b>
Convertible bonds	6.8.	–	2,980,156	6,039,494	–
Other financial liabilities	6.8.	37,291,590	51,366,583	76,259,050	88,826,071
Derivative financial instruments		–	549,595	1,678,087	1,280,393
Trade and other payables	6.10.	13,928,740	14,674,728	23,829,836	27,849,434
Provisions		584,312	704,836	1,330,068	1,214,476
Income tax liabilities		74,951	63,063	99,848	143,457
Deferred income		538,586	538,586	–	–
Liabilities directly associated with the assets held for sale		–	4,819,037	20,507,961	13,648,761
<b>Current liabilities</b>		<b>52,418,179</b>	<b>75,696,585</b>	<b>129,744,343</b>	<b>132,962,592</b>
<b>Liabilities</b>		<b>406,513,544</b>	<b>417,317,725</b>	<b>442,392,416</b>	<b>435,726,887</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>485,208,652</b>	<b>506,025,485</b>	<b>515,879,838</b>	<b>518,229,619</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 30 June 2014 – unaudited

in EUR	Note	1–6/2014	4–6/2014	1–6/2013 adjusted	4–6/2013 adjusted
<b>Cash receipts</b>					
from hotel operations and rent received		36,404,329	19,658,816	41,126,913	21,738,561
from real estate development projects		858,451	329,421	544,360	412,590
from interest income		30,450	8,956	39,675	17,283
<b>Cash receipts from operating activities</b>		<b>37,293,231</b>	<b>19,997,194</b>	<b>41,710,949</b>	<b>22,168,435</b>
<b>Cash payments</b>					
for real estate development projects		(509,079)	(189,195)	(2,647,390)	(649,764)
for materials and services received		(15,989,012)	(8,746,392)	(19,375,454)	(10,391,729)
for related personnel expenses		(9,625,496)	(5,063,129)	(10,981,396)	(5,686,564)
for other administrative expenses		(4,361,795)	(1,985,477)	(4,676,152)	(1,909,159)
for income taxes		(132,871)	(135,839)	(114,956)	(110,222)
<b>Cash payments for operating activities</b>		<b>(30,618,255)</b>	<b>(16,120,032)</b>	<b>(37,795,348)</b>	<b>(18,747,438)</b>
<b>Net cash flows from operating activities</b>		<b>6,674,976</b>	<b>3,877,162</b>	<b>3,915,601</b>	<b>3,420,997</b>
<b>Cash receipts from investing activities</b>					
the sale of disposal groups and property		2,750,565	2,750,565	5,784,200	27,700
less outflow of cash and cash equivalents					
from disposal groups sold		(66,659)	(66,659)	–	–
disposal proceeds from purchase price receivables					
relating to disposals in prior periods		2,734,063	112,501	1,972,793	–
dividends from available-for-sale securities		98,814	98,814	–	–
other financial assets		241,127	–	–	–
returns on joint ventures		1,273,492	1,241,911	–	202,500
<b>Cash receipts from investing activities</b>		<b>7,031,401</b>	<b>4,137,132</b>	<b>7,756,993</b>	<b>230,200</b>
<b>Payments made for investing activities</b>					
the purchase of property, plant and equipment		(1,301,237)	(672,884)	(3,215,014)	774,476
the purchase of investment property		(1,564,217)	(704,129)	(46,225)	40,601
the purchase of available-for-sale securities		(124)	(124)	(1,836,189)	(1,736,189)
the purchase of data processing programs		–	–	(40,355)	(36,352)
other financial assets		269,456	(470)	(700,000)	(700,000)
joint ventures		–	–	(576,568)	–
<b>Payments made for investing activities</b>		<b>(2,596,123)</b>	<b>(1,377,607)</b>	<b>(6,414,350)</b>	<b>(1,657,464)</b>
<b>Net cash flows from investing activities</b>		<b>4,435,279</b>	<b>2,759,525</b>	<b>1,342,642</b>	<b>(1,427,264)</b>
<b>Net cash flows from/used in financing activities</b>					
Cash receipts from the issue of (convertible) bonds		9,164,606	7,000,000	19,705,368	5,067,268
Payments made for the redemption of convertible bonds		(2,976,545)	(2,976,545)	(9,426,243)	(3,160,556)
Payments received from loans and borrowing		1,321,900	678,206	37,442,131	657,718
Payments made for the repayment of loans and borrowing		(8,315,271)	(3,883,328)	(44,401,561)	(465,017)
Paid interest and financing costs (for loans and borrowing)		(8,493,998)	(5,810,788)	(8,465,969)	(4,937,406)
Paid interest and financing costs (for bonds and convertible bonds)		(1,375,815)	(431,108)	(717,226)	(338,187)
Payments received and made for derivatives		(562,735)	(562,735)	1,137,762	1,137,762
<b>Net cash flows from/used in financing activities</b>		<b>(11,237,858)</b>	<b>(5,986,297)</b>	<b>(4,725,737)</b>	<b>(2,038,418)</b>
<b>Net change in cash and cash equivalents</b>		<b>(127,604)</b>	<b>650,390</b>	<b>532,506</b>	<b>(44,685)</b>
<b>Foreign exchange rate changes in cash and cash equivalents</b>					
		(235,259)	(9,279)	(253,735)	(167,465)
Cash and cash equivalents at 1 January		6,617,583	5,613,609	8,390,943	8,881,864
<b>Cash and cash equivalents at the end of the period</b>		<b>6,254,720</b>	<b>6,254,720</b>	<b>8,669,715</b>	<b>8,669,715</b>
<b>Cash and cash equivalents at the end of the period consist of:</b>					
Cash and cash equivalents of the Group		6,254,720	6,254,720	8,538,725	8,538,725
Cash and cash equivalents of a disposal group held for sale		–	–	130,989	130,989
		<b>6,254,720</b>	<b>6,254,720</b>	<b>8,669,715</b>	<b>8,669,715</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 30 June 2014 – unaudited

in EUR	Equity attributable to equity holders of the parent					Total	Non-controlling interests	Total equity
	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves			
<b>As at 1 January 2013</b>	<b>54,000,000</b>	<b>17,131,207</b>	<b>17,229,025</b>	<b>(301,387)</b>	<b>3,467,108</b>	<b>91,525,953</b>	<b>(663,977)</b>	<b>90,861,977</b>
Changes in accounting policies	-	-	(3,718,629)	-	-	(3,718,629)	(4,640,617)	(8,359,246)
<b>As at 1 January 2013, adjusted</b>	<b>54,000,000</b>	<b>17,131,207</b>	<b>13,510,396</b>	<b>(301,387)</b>	<b>3,467,108</b>	<b>87,807,324</b>	<b>(5,304,594)</b>	<b>82,502,731</b>
Equity from convertible bond	-	(80,571)	-	-	-	(80,571)	-	(80,571)
Total comprehensive income for the period	-	-	(6,122,625)	-	(549,093)	(6,671,718)	(2,263,020)	(8,934,738)
<i>thereof profit/loss for the period</i>	-	-	(6,122,625)	-	-	(6,122,625)	(2,117,522)	(8,240,147)
<i>thereof other comprehensive income</i>	-	-	-	-	(549,093)	(549,093)	(145,498)	(694,591)
<b>As at 30 June 2013</b>	<b>54,000,000</b>	<b>17,050,636</b>	<b>7,387,771</b>	<b>(301,387)</b>	<b>2,918,016</b>	<b>81,055,036</b>	<b>(7,567,614)</b>	<b>73,487,422</b>
<b>As at 1 January 2014</b>	<b>54,000,000</b>	<b>17,050,636</b>	<b>19,842,379</b>	<b>(301,387)</b>	<b>2,894,736</b>	<b>93,486,364</b>	<b>(1,110,316)</b>	<b>92,376,049</b>
Changes in accounting policies	-	-	(3,338,751)	-	-	(3,338,751)	(329,538)	(3,668,289)
<b>As at 1 January 2014, adjusted</b>	<b>54,000,000</b>	<b>17,050,636</b>	<b>16,503,629</b>	<b>(301,387)</b>	<b>2,894,736</b>	<b>90,147,614</b>	<b>(1,439,854)</b>	<b>88,707,760</b>
Equity from convertible bond	-	499,700	-	-	-	499,700	-	499,700
Total comprehensive income for the period	-	-	(8,316,810)	-	300,572	(8,016,238)	(2,496,114)	(10,512,352)
<i>thereof profit/loss for the period</i>	-	-	(8,316,810)	-	-	(8,316,810)	(2,503,116)	(10,819,926)
<i>thereof other comprehensive income</i>	-	-	-	-	300,572	300,572	7,002	307,574
<b>As at 30 June 2014</b>	<b>54,000,000</b>	<b>17,550,336</b>	<b>8,186,819</b>	<b>(301,387)</b>	<b>3,195,308</b>	<b>82,631,076</b>	<b>(3,935,968)</b>	<b>78,695,108</b>

**CONDENSED CONSOLIDATED SEGMENT INFORMATION (in EUR '000)**

for the period from 1 January to 30 June 2014 – unaudited

Some of the figures for 2013 were adjusted.

	Hotels		Investment Properties	
	2014	2013	2014	2013
<b>SEGMENT OVERVIEW PROFIT OR LOSS FOR THE PERIOD</b>				
External revenues	52,335	54,689	5,289	4,513
Internal revenues	(403)	(584)	(23)	(24)
Expenses directly attributable to the revenues	(36,693)	(39,280)	(2,866)	(2,497)
Gross income from revenues	15,239	14,826	2,400	1,992
Gain or loss from the disposal of properties	–	–	–	–
Changes in real estate projects under development	–	–	–	–
Other operating income	–	–	–	–
Expenses for development projects	–	–	–	–
Personnel expenses	(439)	(531)	–	–
Other administrative expenses	(3,316)	(3,354)	–	(130)
Segment EBITDA	11,484	10,941	2,400	1,862
Scheduled depreciation and amortisation	(8,634)	(8,653)	–	–
Impairments	(349)	(1,456)	(870)	–
Reversals of impairment	482	4,800	–	–
Measurement gains	–	–	–	–
Measurement losses	–	–	(257)	–
Segment EBIT	2,982	5,632	1,273	1,862
Finance income	5	18	21	47
Financing expenses	(6,828)	(7,304)	(1,182)	(1,383)
Changes in foreign exchange rates	(745)	(2,036)	–	–
Earnings from joint ventures	–	–	–	–
Income taxes	(2)	(6)	–	–
Deferred income taxes	432	(17)	1,018	(937)
<b>Segment overview – profit or loss for the period</b>	<b>(4,157)</b>	<b>(3,713)</b>	<b>1,130</b>	<b>(411)</b>

	Hotels		Investment Properties	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
<b>SEGMENT OVERVIEW – STATEMENT OF FINANCIAL POSITION</b>				
Segment overview – assets	380,654	394,906	84,284	85,346
Segment overview – equity	23,059	27,831	45,854	46,031
Segment overview – liabilities	357,594	367,075	38,430	39,315



Development & Services		Segment total		Reconciliation		Group total	
2014	2013	1 January – 30 June 2014	1 January – 30 June 2013	2014	2013	2014	2013
981	1,195	58,605	60,397	(21,900)	(20,902)	36,705	39,495
426	608	-	-	-	-	-	-
(949)	(2,189)	(40,508)	(43,966)	16,316	15,968	(24,192)	(27,998)
458	(387)	18,097	16,431	(5,584)	(4,934)	12,513	11,497
36	1,635	36	1,635	-	(49)	36	1,586
-	1,108	-	1,108	-	-	-	1,108
295	94	295	94	-	-	295	94
(44)	(18)	(44)	(18)	1	12	(44)	(6)
(1,794)	(2,316)	(2,233)	(2,847)	128	72	(2,105)	(2,775)
(1,408)	(1,151)	(4,724)	(4,635)	1,701	1,220	(3,023)	(3,415)
(2,457)	(1,034)	11,426	11,769	(3,754)	(3,679)	7,672	8,090
(93)	(55)	(8,728)	(8,708)	2,600	2,538	(6,128)	(6,170)
-	(11)	(1,219)	(1,467)	-	-	(1,219)	(1,467)
50	211	531	5,012	(186)	(226)	346	4,786
24	-	24	-	-	-	24	-
(1,994)	-	(2,251)	-	160	-	(2,091)	-
(4,472)	(889)	(217)	6,605	(1,180)	(1,367)	(1,397)	5,238
1,486	23	1,592	88	(4)	(37)	1,508	51
(4,924)	(5,083)	(12,933)	(13,770)	1,757	1,652	(11,177)	(12,117)
(125)	1,676	(870)	(360)	-	-	(870)	(360)
371	224	371	224	(568)	(333)	(197)	(108)
(143)	(68)	(145)	(74)	-	-	(145)	(74)
14	-	1,463	(954)	(5)	84	1,458	(870)
(7,793)	(4,116)	(10,820)	(8,240)	-	-	(10,820)	(8,240)

Development & Services		Segment total		Reconciliation		Group total	
30/6/2014	31/12/2013	30/6/2014	31/12/2013	30/6/2014	31/12/2013	30/6/2014	31/12/2013
108,603	114,266	573,541	594,518	(88,332)	(78,639)	485,209	515,880
22,159	27,168	91,073	101,031	(12,378)	(27,543)	78,695	73,487
86,444	87,098	482,468	493,488	(75,955)	(51,095)	406,514	442,392

**CONDENSED CONSOLIDATED SEGMENT INFORMATION (in EUR '000)**

for the period from 1 January to 30 June 2014 – unaudited

Some of the figures for 2013 were adjusted.

	Segment total		Reconciliation		Group sub-total	
	1 January – 30 June		1 January – 30 June		1 January – 30 June	
	2014	2013	2014	2013	2014	2013
<b>HOTELS SEGMENT EBIT OVERVIEW</b>						
Revenues – Hotels	52,221	54,601	(21,358)	(20,527)	30,863	34,073
Cost of materials	(20,169)	(21,500)	9,254	8,934	(10,914)	(12,566)
Personnel expenses	(12,222)	(13,142)	5,012	4,996	(7,210)	(8,146)
<b>Gross operating profit (GOP)</b>	<b>19,831</b>	<b>19,958</b>	<b>(7,092)</b>	<b>(6,597)</b>	<b>12,739</b>	<b>13,362</b>
Income after GOP	113	89	–	–	113	89
Management fees	(2,712)	(2,881)	1,109	1,150	(1,602)	(1,730)
Exchange rate differences	236	251	2	(11)	238	240
Property costs	(1,826)	(2,008)	699	742	(1,127)	(1,266)
<b>Net operating profit (NOP)</b>	<b>15,643</b>	<b>15,410</b>	<b>(5,282)</b>	<b>(4,716)</b>	<b>10,361</b>	<b>10,694</b>
Other costs after NOP	(1,119)	(1,621)	195	132	(924)	(1,489)
Leases/rent	(2,637)	(2,264)	1,538	1,027	(1,100)	(1,236)
Scheduled depreciation and amortisation on fixed assets	(8,634)	(8,653)	2,597	2,538	(6,037)	(6,115)
Impairment of fixed assets	(349)	–	–	–	(349)	–
Other impairments	–	(1,456)	–	–	–	(1,456)
Reversals of impairment	482	4,800	(186)	(226)	296	4,574
<b>Contribution to the operating result for the Hotels segment</b>	<b>3,385</b>	<b>6,216</b>	<b>(1,138)</b>	<b>(1,244)</b>	<b>2,247</b>	<b>4,971</b>
less internal revenues	(403)	(584)	403	584	–	–
<b>Segment EBIT</b>	<b>2,982</b>	<b>5,632</b>	<b>(735)</b>	<b>(660)</b>	<b>2,247</b>	<b>4,971</b>

**Key operating figures in the Hotels segment:**

Hotel employees	1,482	1,615	(362)	(377)	1,120	1,238
Total rooms	3,486	3,680	(1,051)	(1,051)	2,435	2,629
Rooms available	3,482	3,677	(1,055)	(1,054)	2,427	2,623
Zimmer verkauft	2,167	2,266	(718)	(711)	1,449	1,555
Occupancy	62%	62%	-3%	-2%	60%	59%
REVPAR (in EUR)	51	50	(10)	(10)	42	41

**Composition of NOP (geographic):**

• Czech Republic	3,218	3,853	(119)	(49)	3,098	3,804
• Poland	5,767	5,482	(2,187)	(1,972)	3,580	3,510
• Romania	313	292	–	–	313	292
• Russia	3,370	3,088	–	–	3,370	3,088
• Germany	1,574	1,525	(1,574)	(1,525)	–	–
• France	1,401	1,170	(1,401)	(1,170)	–	–

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the period from 1 January to 30 June 2014 – unaudited

## [01] Corporate information

Warimpex Finanz- und Beteiligungs AG (the “Company” or “Warimpex”) is registered with the Commercial Court of Vienna under the registration number FN 78485w and has its registered address at Floridsdorfer Hauptstraße 1, 1210 Vienna, Austria.

The condensed consolidated interim financial statements of Warimpex Finanz- und Beteiligungs AG as at 30 June 2014 were released for publication by the Management Board of Warimpex Finanz- und Beteiligungs AG on 28 August 2014.

## [02] Basis for preparation of the interim financial statements and accounting policies

The condensed consolidated interim financial statements as at 30 June 2014 were prepared in accordance with IAS 34. They do not contain all the information and notes included in the annual financial statements and should therefore be read in conjunction with the consolidated annual financial statements as at 31 December 2013.

The condensed consolidated interim financial statements as at 30 June 2014 were not audited or reviewed by a financial auditor.

The consolidation package entered into effect on 1 January 2014. It includes new versions of IAS 27 and 28, the removal of IAS 31 and the new IFRS 10, 11 and 12. The main changes (discontinuation of pro rata consolidation for joint ventures) were already anticipated by Warimpex in the previous years’ financial statements. In addition, the application of IFRS 10 results in a change in the companies included in the consolidated financial statements. The effects of this change in accounting policies are described in detail in section 5.2.

Other than this, the main accounting policies applied in preparing the consolidated interim financial statements as at 30 June 2014 were the same as those applied in the consolidated annual financial statements as at 31 December 2013.

By their very nature, consolidated interim financial statements are based on estimates to a greater extent than consolidated annual financial statements. In addition to the principal estimation uncertainties identified in the consolidated annual financial statements, the interim financial statements are affected by estimation uncertainties resulting from the timing of asset impairments or reversals.

## [03] Seasonal fluctuations in earnings

Owing to seasonal fluctuations in the tourism industry, in particular city tourism, the contributions to earnings from the Hotels segment are generally higher in the second half of the year than in the first half of the year. No discernible pattern can be identified with regard to contributions to earnings from the sale of property and equity holdings or from business combinations.

## [04] Segment information

The operations of the Warimpex Group are divided into three business segments: Hotels, Investment Properties and Development & Services. The individual segments are identified based on their different products/services. Individual hotels and individual managed properties also represent individual business segments based on the Group's reporting structure and are consolidated under the Hotels and Investment Properties segments in accordance with IFRS 8.12.

Transactions between the segments include recharging intragroup services and development project services. The segment information includes information on the income and results as well as specific information on the assets and liabilities of the Group business segment for the period from 1 January to 30 June 2014 and as at 30 June 2014.

## [05] Notes to the consolidated income statement

### 5.1. Expenses directly attributable to revenues

	2014	1 January to 30 June 2013 adjusted
<i>Composition of direct expenses from Hotels:</i>		
Cost of materials and purchased services	(12,721,873)	(14,302,895)
Personnel expenses	(7,011,566)	(8,146,023)
Administrative expenses	(881,813)	(1,019,343)
	<b>(20,615,251)</b>	<b>(23,468,261)</b>
<i>Composition of direct expenses from Investment Properties:</i>		
Cost of materials and purchased services	(874,748)	(1,172,356)
Personnel expenses	(579,617)	(332,492)
Administrative expenses	(1,259,875)	(835,491)
	<b>(2,714,240)</b>	<b>(2,340,340)</b>
<i>Composition of direct expenses from Development and Services:</i>		
Cost of materials and purchased services	(311,072)	(415,051)
Personnel expenses	–	(267,278)
Other services rendered	(551,632)	(1,507,132)
	<b>(862,704)</b>	<b>(2,189,461)</b>

### 5.2. Gain or loss from the disposal of properties/changes in the scope of consolidation

In the second quarter of 2014, the operating company of the Hotel Savoy in Prague was sold to an investor. The gain from the disposal of properties includes this transaction and a purchase price adjustment from the previous year.

In addition, the scope of consolidation changed as a result of the application of IFRS 10. Because one investee previously recognised using the equity method is controlled by Warimpex according to the definitions in IFRS 10, this company is now fully consolidated in the consolidated financial statements. The financial year immediately preceding the first-time application was adjusted retrospectively.

The effects of this on the condensed consolidated interim financial statements in 2013 are shown below.

*Effects on the condensed consolidated income statement:*

	1–6/2013 old	Adjustment IFRS 10	1–6/2013 new
Hotels revenues	29,397,288	4,764,872	34,162,161
Investment Properties revenues	770,641	3,369,188	4,139,829
Development and Services revenues	1,193,394	–	1,193,394
<b>Revenues</b>	<b>31,361,323</b>	<b>8,134,060</b>	<b>39,495,384</b>
Expenses from the operation of hotels	(19,635,741)	(3,832,520)	(23,468,261)
Expenses from operation of investment properties	(392,852)	(1,947,488)	(2,340,340)
Expenses directly attributable to development and services	(2,189,461)	–	(2,189,461)
<b>Expenses directly attributable to the revenues</b>	<b>(22,218,054)</b>	<b>(5,780,008)</b>	<b>(27,998,062)</b>
<b>Gross income from revenues</b>	<b>9,143,269</b>	<b>2,354,052</b>	<b>11,497,322</b>
Income from the sale of properties	1,667,700	–	1,667,700
Disposal of carrying amounts and costs related to sales	(81,812)	–	(81,812)
<b>Gain or loss from the disposal of properties</b>	<b>1,585,888</b>	<b>–</b>	<b>1,585,888</b>
Changes in unfinished real estate development projects	1,108,291	–	1,108,291
Other operating income	94,367	–	94,367
<b>Other operating income</b>	<b>1,202,658</b>	<b>–</b>	<b>1,202,658</b>
<b>Administrative expenses</b>	<b>(5,627,994)</b>	<b>(568,114)</b>	<b>(6,196,108)</b>
<b>EBITDA</b>	<b>6,303,822</b>	<b>1,785,938</b>	<b>8,089,760</b>
Scheduled depreciation and amortisation on property, plant and equipment and intangible assets	(5,114,169)	(1,056,048)	(6,170,218)
Impairment of property, plant and equipment	(1,467,316)	–	(1,467,316)
Reversals of impairment on property, plant and equipment	4,785,750	–	4,785,750
<b>Depreciation, amortisation and remeasurement</b>	<b>(1,795,735)</b>	<b>(1,056,048)</b>	<b>(2,851,783)</b>
<b>Earnings before interest and taxes (EBIT)</b>	<b>4,508,087</b>	<b>729,890</b>	<b>5,237,977</b>
Finance income	25,458	25,718	51,176
Financing expenses	(8,876,756)	(3,240,538)	(12,117,295)
Exchange rate changes	(359,805)	–	(359,805)
Earnings from joint ventures (at equity) after taxes	(589,366)	480,995	(108,371)
<b>Financial result</b>	<b>(9,800,470)</b>	<b>(2,733,825)</b>	<b>(12,534,295)</b>
<b>Earnings before taxes</b>	<b>(5,292,383)</b>	<b>(2,003,935)</b>	<b>(7,296,318)</b>
Income taxes	(74,165)	–	(74,165)
Deferred income taxes	72,036	(941,699)	(869,663)
<b>Taxes</b>	<b>(2,129)</b>	<b>(941,699)</b>	<b>(943,828)</b>
<b>Profit or loss for the period</b>	<b>(5,294,512)</b>	<b>(2,945,635)</b>	<b>(8,240,147)</b>
<b>Profit or loss for the period attributable to:</b>			
- Equity holders of the parent	(5,605,723)	(516,901)	(6,122,625)
- Non-controlling interests	311,211	(2,428,733)	(2,117,522)
	<b>(5,294,512)</b>	<b>(2,945,635)</b>	<b>(8,240,147)</b>
<b>Other comprehensive income</b>	<b>(694,592)</b>	<b>–</b>	<b>(694,592)</b>
<b>Total comprehensive income for the period</b>	<b>(5,989,104)</b>	<b>(2,945,635)</b>	<b>(8,934,739)</b>

*Effects on the condensed consolidated statement of financial position:*

	31/12/2013 old	Adjustment IFRS 10	31/12/2013 new	1/1/2013 old	Adjustment IFRS 10	1/1/2013 new
<b>ASSETS</b>						
Property, plant and equipment	239,272,521	42,544,540	281,817,062	256,568,642	44,530,000	301,098,642
Investment property	18,823,000	54,227,000	73,050,000	16,032,993	99,100,000	115,132,993
Goodwill	921,266	–	921,266	921,266	–	921,266
Other intangible assets	51,120	–	51,120	123,556	–	123,556
Net investment in joint ventures (at equity)	98,002,756	(61,184,789)	36,817,967	86,037,098	(53,839,460)	32,197,638
Other financial assets	11,140,781	–	11,140,781	11,077,694	–	11,077,694
Deferred tax assets	26,745	–	26,745	481,603	3,544,691	4,026,294
<b>Non-current assets</b>	<b>368,238,189</b>	<b>35,586,752</b>	<b>403,824,941</b>	<b>371,242,852</b>	<b>93,335,231</b>	<b>464,578,082</b>
Inventories	699,585	332,084	1,031,669	1,958,116	311,743	2,269,859
Trade and other receivables	8,588,826	1,839,727	10,428,553	5,835,074	5,261,543	11,096,618
Securities available for sale	8,607,000	–	8,607,000	7,279,433	–	7,279,433
Other financial assets	241,126	–	241,126	2	–	2
Cash and cash equivalents	4,852,149	1,669,105	6,521,254	7,144,968	1,021,863	8,166,831
Non-current assets (disposal groups) held for sale	7,500,942	67,870,000	75,370,942	24,838,793	–	24,838,793
<b>Current assets</b>	<b>30,489,628</b>	<b>71,710,916</b>	<b>102,200,544</b>	<b>47,056,386</b>	<b>6,595,150</b>	<b>53,651,536</b>
<b>TOTAL ASSETS</b>	<b>398,727,817</b>	<b>107,297,668</b>	<b>506,025,485</b>	<b>418,299,238</b>	<b>99,930,380</b>	<b>518,229,619</b>
<b>EQUITY AND LIABILITIES</b>						
Share capital	54,000,000	–	54,000,000	54,000,000	–	54,000,000
Capital reserves	17,050,636	–	17,050,636	17,131,207	–	17,131,207
Retained earnings	19,842,379	(3,338,751)	16,503,629	17,229,025	(3,718,629)	13,510,396
Treasury shares	(301,387)	–	(301,387)	(301,387)	–	(301,387)
Other reserves	2,894,736	–	2,894,736	3,467,108	–	3,467,108
<b>Equity attributable to equity holders of the parent</b>	<b>93,486,364</b>	<b>(3,338,751)</b>	<b>90,147,614</b>	<b>91,525,953</b>	<b>(3,718,629)</b>	<b>87,807,324</b>
Non-controlling interests	(1,110,316)	(329,538)	(1,439,854)	(663,977)	(4,640,617)	(5,304,593)
<b>Equity</b>	<b>92,376,049</b>	<b>(3,668,289)</b>	<b>88,707,760</b>	<b>90,861,977</b>	<b>(8,359,246)</b>	<b>82,502,731</b>
Convertible bonds	8,028,095	–	8,028,095	15,396,167	–	15,396,167
Other bonds	17,119,545	–	17,119,545	–	–	–
Other financial liabilities	186,079,980	101,882,947	287,962,927	172,506,498	92,366,920	264,873,419
Derivative financial instruments	2,828,115	–	2,828,115	–	–	–
Other liabilities	4,052,598	5,045,961	9,098,559	773,731	5,121,456	5,895,187
Provisions	1,891,289	–	1,891,289	4,431,127	–	4,431,127
Deferred tax liabilities	11,369,544	1,303,369	12,672,913	12,168,395	–	12,168,395
Deferred income	2,019,698	–	2,019,698	–	–	–
<b>Non-current liabilities</b>	<b>233,388,863</b>	<b>108,232,277</b>	<b>341,621,140</b>	<b>205,275,919</b>	<b>97,488,376</b>	<b>302,764,295</b>
Convertible bonds	2,980,156	–	2,980,156	–	–	–
Other financial liabilities	50,375,414	991,169	51,366,583	80,771,904	8,054,167	88,826,071
Derivative financial instruments	549,595	–	549,595	1,280,393	–	1,280,393
Trade and other payables	13,137,148	1,537,580	14,674,728	25,145,363	2,704,071	27,849,434
Provisions	499,905	204,931	704,836	1,171,465	43,011	1,214,476
Income tax liabilities	63,063	–	63,063	143,457	–	143,457
Deferred income	538,586	–	538,586	–	–	–
Liabilities directly associated with the assets held for sale	4,819,037	–	4,819,037	13,648,761	–	13,648,761
<b>Current liabilities</b>	<b>72,962,905</b>	<b>2,733,680</b>	<b>75,696,585</b>	<b>122,161,343</b>	<b>10,801,250</b>	<b>132,962,592</b>
<b>Liabilities</b>	<b>306,351,769</b>	<b>110,965,956</b>	<b>417,317,725</b>	<b>327,437,261</b>	<b>108,289,626</b>	<b>435,726,887</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>398,727,817</b>	<b>107,297,668</b>	<b>506,025,485</b>	<b>418,299,238</b>	<b>99,930,380</b>	<b>518,229,619</b>

*Effects on the condensed consolidated statement of cash flows:*

	1–6/2013 old	Adjustment IFRS 10	1–6/2013 new
Cash receipts			
from hotel operations and rent received	30,707,613	10,419,300	41,126,913
from real estate development projects	544,360	–	544,360
from interest income	13,957	25,718	39,675
<b>Cash receipts from operating activities</b>	<b>31,265,930</b>	<b>10,445,018</b>	<b>41,710,949</b>
Cash payments			
for real estate development projects	(2,647,390)	–	(2,647,390)
for materials and services received	(12,946,199)	(6,429,255)	(19,375,454)
for related personnel expenses	(9,485,293)	(1,496,104)	(10,981,396)
for other administrative expenses	(4,402,253)	(273,899)	(4,676,152)
for income taxes	(114,956)	–	(114,956)
<b>Cash payments for operating activities</b>	<b>(29,596,090)</b>	<b>(8,199,258)</b>	<b>(37,795,348)</b>
<b>Net cash flows from operating activities</b>	<b>1,669,840</b>	<b>2,245,761</b>	<b>3,915,601</b>
Cash receipts from			
the sale of disposal groups and property	5,784,200	–	5,784,200
disposal proceeds from purchase price receivables relating to disposals in prior periods	1,972,793	–	1,972,793
<b>Cash receipts from investing activities</b>	<b>7,756,993</b>	<b>–</b>	<b>7,756,993</b>
Cash payments for			
the purchase of property, plant and equipment	(3,239,696)	24,682	(3,215,014)
the purchase of investment property	(46,225)	–	(46,225)
the purchase of available-for-sale securities	(1,836,189)	–	(1,836,189)
the purchase of data processing programs	(40,355)	–	(40,355)
other financial assets	(700,000)	–	(700,000)
joint ventures	(576,568)	–	(576,568)
<b>Payments made for investing activities</b>	<b>(6,439,033)</b>	<b>24,682</b>	<b>(6,414,350)</b>
<b>Net cash flows from investing activities</b>	<b>1,317,960</b>	<b>24,682</b>	<b>1,342,642</b>
Cash receipts from the issue of (convertible) bonds	19,705,368	–	19,705,368
Payments for the early redemption of convertible bonds	(9,426,243)	–	(9,426,243)
Payments received from loans and borrowing	37,442,131	–	37,442,131
Payments made for the repayment of loans and borrowing	(44,260,933)	(140,627)	(44,401,561)
Paid interest and financing costs (for loans and borrowing)	(6,818,088)	(1,647,880)	(8,465,969)
Paid interest and financing costs (for bonds and convertible bonds)	(717,226)	–	(717,226)
Payments received and made for derivatives	1,137,762	–	1,137,762
<b>Net cash flows from/used in financing activities</b>	<b>(2,937,230)</b>	<b>(1,788,508)</b>	<b>(4,725,738)</b>
<b>Net change in cash and cash equivalents</b>	<b>50,570</b>	<b>481,935</b>	<b>532,505</b>
Foreign exchange rate changes in cash and cash equivalents	(178,648)	(75,087)	(253,735)
Cash and cash equivalents at 1 January	7,369,080	1,021,863	8,390,943
<b>Cash and cash equivalents at the end of the period</b>	<b>7,241,003</b>	<b>1,428,712</b>	<b>8,669,715</b>
<b>Cash and cash equivalents at the end of the period consist of:</b>			
Cash and cash equivalents of the Group	7,110,013	1,428,712	8,538,725
Cash and cash equivalents of a disposal group held for sale	130,989	–	130,989
	<b>7,241,003</b>	<b>1,428,712</b>	<b>8,669,715</b>

**5.3. Administrative expenses**

	2014	1 January to 30 June 2013 adjusted
<i>Composition:</i>		
Other personnel expenses	(2,104,999)	(2,775,292)
Other administrative expenses	(3,067,062)	(3,420,816)
	<b>(5,172,061)</b>	<b>(6,196,108)</b>

Information on the individual items under “Administrative expenses” is provided in sections 5.3.1. and 5.3.2.

**5.3.1. Other personnel expenses**

	2014	1 January to 30 June 2013 adjusted
<i>Composition:</i>		
Wages and salaries	(7,626,172)	(8,622,159)
Social security contributions	(1,153,120)	(1,442,174)
Other payroll-related costs	(265,108)	(329,257)
Voluntary personnel expenses	(4,639)	(3,144)
Expenses related to posted employees	(532,360)	(476,921)
Changes in provisions and expenses related to termination gratuities and pensions	(38,739)	(83,689)
Changes in accrual for compensated absences	(42,515)	(29,848)
Changes in social capital	(33,530)	(533,894)
	(9,696,182)	(11,521,085)
Less personnel expenses directly attributable to revenues	7,591,183	8,745,793
<b>Other personnel expenses</b>	<b>(2,104,999)</b>	<b>(2,775,292)</b>

In the first half of 2014, the Group employed an average of 1,185 people (comparative period of the previous year: 1,316 people).

**5.3.2. Other administrative expenses**

	2014	1 January to 30 June 2013 adjusted
<i>Composition:</i>		
Legal consulting fees	(237,524)	(305,118)
Administration costs	(1,599,686)	(1,264,934)
Advertising	(178,749)	(133,130)
Non-deductible input taxes	(513,393)	(216,661)
Lease payments for andel's Krakow and other rent	(1,099,822)	(1,236,472)
Property costs	(1,189,860)	(1,540,002)
Other administrative expenses	(534,562)	(638,417)
	(5,353,597)	(5,334,733)
Less administrative expenses directly attributable to revenues	2,286,535	1,913,917
<b>Other administrative expenses</b>	<b>(3,067,062)</b>	<b>(3,420,816)</b>



**5.4. Depreciation, amortisation and remeasurement**

	2014	1 January to 30 June 2013 adjusted
<i>Composition:</i>		
Scheduled depreciation	(6,127,830)	(6,170,218)
Impairment of property, plant and equipment	(349,496)	(10,826)
Impairment from IFRS 5 measurement	(870,000)	(1,456,490)
Reversals of impairment on property, plant and equipment	345,854	4,785,750
Measurement gains (investment property)	23,763	–
Measurement losses (investment property)	(2,091,345)	–
	<b>(9,069,054)</b>	<b>(2,851,783)</b>

The measurement losses and impairment mainly relate to office properties and development projects in Russia.

**5.5. Finance income**

	2014	1 January to 30 June 2013 adjusted
<i>Composition:</i>		
Interest income from cash management	40,450	39,675
Other	–	11,501
Unrealised gains on derivative financial instruments	1,467,938	–
	<b>1,508,388</b>	<b>51,176</b>

The unrealised gains on derivative financial instruments result from the measurement of embedded derivatives in connection with convertible bonds issued.

**5.6. Financing expenses**

	2014	1 January to 30 June 2013 adjusted
<i>Composition:</i>		
Interest on bank overdrafts, project loans and other loans	(7,176,131)	(7,349,564)
Interest on bonds and convertible bonds	(1,510,708)	(1,277,357)
Interest on loans for minority shareholders	(1,482,118)	(1,759,014)
Other finance expense	(541,385)	(1,252,874)
Unrealised losses on derivative financial instruments	(115,311)	(474,746)
Realised losses on derivative financial instruments	(13,140)	–
Other	(338,023)	(3,739)
	<b>(11,176,817)</b>	<b>(12,117,295)</b>

**5.7. Foreign currency translation in finance income**

	2014	1 January to 30 June 2013 adjusted
<i>Composition:</i>		
From (convertible) bonds in PLN	135,973	414,625
From loans in CHF	(343,448)	1,399,242
From EUR financing in the subsidiaries	(662,707)	(2,173,672)
	<b>(870,182)</b>	<b>(359,805)</b>

Foreign exchange rate gains/losses from CHF loans relate to unrealised losses from the measurement of CHF loans at the balance sheet date for which the foreign currency risk has not been hedged.

Foreign exchange rate gains/losses from financing subsidiaries in EUR relate to subsidiaries whose functional currency is the local currency and whose debt financing is in euro.

**5.8. Income taxes in other comprehensive income**

	2014	1 January to 30 June 2013 adjusted
<i>Composition:</i>		
Foreign exchange differences	16,368	(4,334)
Measurement of cash flow hedges	–	(14,687)
Other earnings from joint ventures (at equity)	(187,497)	–
<b>Taxes on other comprehensive income</b>		
<b>(reclassified to profit or loss in subsequent periods)</b>	<b>(171,129)</b>	<b>(19,021)</b>
<b>Total income taxes in other comprehensive income</b>	<b>(171,129)</b>	<b>(19,021)</b>

**[06] Notes on the statement of financial position****6.1. Property, plant and equipment**

Property, plant and equipment includes land and equivalent rights, buildings including buildings on third-party land, operating equipment, hotel inventories and technical equipment.

	2014	2013 adjusted
<i>Change:</i>		
Carrying amounts at 1 January	239,272,521	256,568,642
Changes in accounting policies	42,544,540	44,530,000
Carrying amounts at 1 January, adjusted	281,817,062	301,098,642
Additions	1,081,547	3,295,533
Disposals	–	(23,195)
Reclassification in accordance with IFRS 5	–	(8,031,230)
Scheduled depreciation and amortisation	(6,097,135)	(6,135,553)
Impairment expenses	(349,496)	(10,826)
Reversals of impairment	345,854	4,785,750
Effects of currency translation	(985,267)	(3,007,327)
<b>Carrying amounts as at 30 June</b>	<b>275,812,564</b>	<b>291,971,795</b>

**6.2. Investment property**

	2014	2013 adjusted
<i>Change:</i>		
Carrying amounts at 1 January	18,823,000	16,032,993
Changes in accounting policies	54,227,000	99,100,000
Carrying amounts at 1 January, adjusted	73,050,000	115,132,993
Advance payments made (see section 8.1.)	770,000	–
Investments	641,032	698,703
Capitalised construction loan interest	529,158	–
Net gains/losses on remeasurement	(2,067,582)	–
Effects of currency translation	(5,931)	–
<b>Carrying amounts as at 30 June</b>	<b>72,916,676</b>	<b>115,831,696</b>

**6.3. Net investment in joint ventures (at equity)**

	2014	2013 adjusted
<i>Change in net investment in joint ventures:</i>		
Carrying amounts at 1 January	98,002,756	86,037,098
Changes in accounting policies	(61,184,789)	(53,839,460)
Carrying amounts at 1 January, adjusted	36,817,967	32,197,638
Granting (+)/repayment (-) of loans	(1,273,492)	576,568
Utilisation of provisions in relation to joint ventures	–	(476,212)
Interest income from loans granted	370,528	224,222
Earnings allocation from profit/loss for the period	(567,669)	(332,593)
Earnings allocation from other comprehensive income	749,989	–
<b>Carrying amounts at 30 June</b>	<b>36,097,324</b>	<b>32,189,623</b>

The earnings allocation from other comprehensive income relates to the allocation of a revaluation reserve.

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

	30/6/2014	31/12/2013 adjusted
<i>Composition:</i>		
Trade receivables	3,099,428	3.838.950
Receivables from tax authorities	150,022	809,418
Receivables from sales	–	2,733,062
Advance payments made	2,386,427	1,080,797
Other current receivables and assets	1,291,384	1,253,451
Receivables due from joint ventures	–	38,197
Receivables due from related parties	5,362	–
Prepayments	379,335	674,678
	<b>7,311,958</b>	<b>10,428,553</b>

**6.5 Securities available for sale**

The disposals of available-for-sale securities relate to repayments to the capital reserves of Palais Hansen Immobilienentwicklung GmbH amounting to approximately EUR 1.4 million. These repayments were offset against loans previously received from the company.

**6.6. Cash and cash equivalents**

Cash and cash equivalents relate to the Group's cash holdings as shown in the condensed statement of cash flows.

	30/6/2014	30/6/2013 adjusted
<i>Composition:</i>		
Cash on hand	394,053	114,663
Bank balances	5,860,667	8,156,136
Other	–	267,927
	<b>6,254,720</b>	<b>8,538,725</b>

### 6.7. Non-current assets (disposal groups) held for sale

As of the end of the reporting period, this item consists entirely of office properties held for sale.

### 6.8. Financial liabilities

Financial liabilities comprise the following interest-bearing liabilities for the purpose of Group financing, mainly convertible bonds, bonds and loans from financial institutions or companies.

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

	Project loans	Borrowing	Bonds, convertible bonds	Loans from minorities & others	Total
<i>Change 2013, adjusted:</i>					
As at 1 January	246,426,942	31,872,973	15,396,167	68,805,532	362,501,613
Borrowing/accumulated interest	36,585,659	800,533	19,705,368	177,642	57,269,201
Repayment	(39,570,794)	(3,359,675)	(9,356,674)	(1,471,091)	(53,758,235)
Exchange rate and other changes	87,038	–	(387,301)	631,815	331,552
<b>As at 30 June</b>	<b>243,528,844</b>	<b>29,313,830</b>	<b>25,357,561</b>	<b>68,143,897</b>	<b>366,344,133</b>
<i>thereof current (due &lt; 1 year)</i>	<i>46,337,201</i>	<i>28,033,768</i>	<i>6,039,494</i>	<i>1,888,081</i>	<i>82,298,543</i>
<i>thereof non-current (due &gt; 1 year)</i>	<i>197,191,644</i>	<i>1,280,063</i>	<i>19,318,067</i>	<i>66,255,816</i>	<i>284,045,589</i>
<i>Change 2014:</i>					
As at 1 January, adjusted	241,762,954	22,777,590	28,127,796	74,788,966	367,457,306
Borrowing/accumulated interest	140,593	740,831	9,164,606	(556,360)	9,489,670
Repayment	(5,208,986)	(3,244,683)	(2,976,545)	(868,971)	(12,299,186)
Exchange rate and other changes	(198,054)	–	(268,223)	1,644,206	1,177,928
<b>As at 30 June</b>	<b>236,496,507</b>	<b>20,273,737</b>	<b>34,047,634</b>	<b>75,007,841</b>	<b>365,825,719</b>
<i>thereof current (due &lt; 1 year)</i>	<i>25,012,072</i>	<i>8,885,708</i>	<i>–</i>	<i>3,393,810</i>	<i>37,291,590</i>
<i>thereof non-current (due &gt; 1 year)</i>	<i>211,484,435</i>	<i>11,388,029</i>	<i>34,047,634</i>	<i>71,614,031</i>	<i>328,534,129</i>

In February 2014, the Management Board, with the approval of the Supervisory Board, resolved a bond issue programme in several tranches. The programme has a term of two years and a nominal volume of up to EUR 50 million (approximately PLN 200 million).

The first bond tranche under the bond issue programme was placed successfully in Poland in February 2014. The nominal value of the issue was approximately PLN 9 million (roughly EUR 2.16 million) and the interest rate was 6M WIBOR + 6% p.a. with semi-annual payments. The term was four years. Warimpex has a call option after three years.

In addition, a bond with a nominal amount of EUR 2 million was issued in April 2014. It has an interest rate of 6.9% with semi-annual payments. The term is set at 1.5 years, with a call option for Warimpex.

In May 2014, the convertible bonds issued in May 2011 with a three-year term were repaid.

In June 2014, a convertible bond with a nominal value of EUR 5 million was placed. It has an interest rate of 4% with semi-annual payments. The exercise price is EUR 1.80 per share. The term is three years.

**6.9. Derivative financial instruments**

The reduction in non-current derivative financial liabilities is the result of changes in fair value.

**6.10. Trade and other payables (current)**

	30/6/2014	31/12/2013 adjusted
<i>Composition:</i>		
Trade payables	2,981,450	4,066,967
Liabilities to joint ventures	445,282	502,223
Liabilities to related parties	4,558,136	4,754,048
Other liabilities	5,008,349	4,020,043
Security deposits received	221,334	233,161
Advance payments received	714,189	1,098,286
	<b>13,928,740</b>	<b>14,674,728</b>

**[07] Disclosures on financial instruments and fair value****7.1. Carrying amounts and fair values according to class and measurement category**

The following table contains information on the carrying amounts and fair values of financial instruments, broken down into categories.

Measurement category as per IAS 39		IFRS 13 level	Carrying amount 30/6/2014	Fair value 30/6/2014	Carrying amount 31/12/2013 adjusted	Fair value 31/12/2013 adjusted
LaR	Other financial assets		10,297,893	10,297,893	10,874,905	10,874,905
	Non-financial non-current assets		386,283,634		392,950,036	
	<b>Total non-current assets</b>		<b>396,581,527</b>		<b>403,824,941</b>	
LaR	Receivables		4,460,721	4,460,721	8,104,786	8,104,786
LaR	Cash and cash equivalents		6,254,720	6,254,720	6,521,254	6,521,254
AfS	Securities available for sale	3	7,164,154	7,164,154	8,607,000	8,607,000
	Non-financial current assets		70,747,530		78,967,504	
	<b>Total current assets (including IFRS 5)</b>		<b>88,627,125</b>		<b>102,200,544</b>	
	<b>Total assets</b>		<b>485,208,652</b>		<b>506,025,485</b>	

Measurement category as per IAS 39	Equity and liabilities – categories	IFRS 13 level	Carrying amount 30/6/2014	Fair value 30/6/2014	Carrying amount 31/12/2013 adjusted	Fair value 31/12/2013 adjusted
FL	Fixed-rate convertible bonds	3	(14,711,901)	(15,420,712)	(8,028,095)	(8,781,045)
FL	Variable-rate bonds	3	(19,335,733)	(19,576,543)	(17,119,545)	(17,331,816)
FL	Fixed-rate loans	3	(217,124,726)	(237,622,049)	(215,373,513)	(124,386,600)
FL	Variable-rate loans	3	(77,361,769)	(80,756,067)	(72,589,414)	(75,263,743)
FL	Other non-current liabilities		(8,783,612)	(8,783,612)	(9,098,559)	(9,098,559)
FVTPL	Derivative financial instruments – conversion rights	3	(1,249,901)	(1,249,901)	(2,730,042)	(2,730,042)
FVTPL	Derivative financial instruments – interest rate swaps	3	(213,385)	(213,385)	(98,073)	(98,073)
FL	Provisions for pensions		(284,903)	(284,903)	(261,660)	(261,660)
	Non-financial non-current liabilities		(15,029,436)		(16,322,239)	
	<b>Total non-current liabilities</b>		<b>(354,095,365)</b>		<b>(341,621,140)</b>	
FL	Fixed-rate convertible bonds	3	–	–	(2,980,156)	(2,986,928)
FL	Liabilities		(10,376,546)	(10,376,546)	(11,556,700)	(10,777,586)
FL	Fixed-rate loans	3	(12,711,416)	(12,906,335)	(17,750,595)	(17,008,222)
FL	Variable-rate loans	3	(24,580,174)	(24,864,996)	(33,615,988)	(33,447,758)
FVTPL	Derivative financial instrumentse	3	–	–	(549,595)	(549,595)
	Non-financial current liabilities		(4,750,043)		(9,243,551)	
	<b>Total current liabilities (including IFRS 5)</b>		<b>(52,418,179)</b>		<b>(75,696,585)</b>	
	<b>Total liabilities</b>		<b>(406,513,544)</b>		<b>(417,317,725)</b>	

Note:

LaR = Loans and Receivables

AfS = Available for Sale

FVTPL = at Fair Value Through Profit and Loss

FL = Financial Liabilities at amortised costs

Hedge = Derivative financial instruments with hedging relationships

The method for determining fair value is the same as at 31 December 2013.

## 7.2. Reconciliation level-3 measurement (recurring fair value measurement)

The change in recurring fair value measurement of financial instruments can be broken down as follows:

2014

### Change:

Carrying amounts at 1 January	5,229,290
Additions	124
Disposals	(1,442,971)
Gains/losses on remeasurement in profit or loss	1,914,424
<b>Carrying amounts as at 30 June</b>	<b>5,700,868</b>

Gains/losses on remeasurement mainly relate to unrealised gains or losses, which are included in the income statement under “Financial result”.

**7.3. Measurement method and input parameters (recurring fair value measurement)**

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

Level	Categories	Measurement method	Key input parameters
3	Securities available for sale	Income-based	Payment flows
3	Non-current derivative financial instruments – conversion rights	Income-based	Volatility, share prices
3	Non-current derivative financial instruments – interest rate swaps	Income-based	Yield curve

There were no changes to the measurement technique during the financial year.

The following table provides quantitative information about the significant, unobservable input parameters used in the fair value measurement.

Level	Categories	Measurement method	Key input parameters
3	Securities available for sale	Payment flows	n.a.
3	Non-current derivative financial instruments – conversion rights	Volatility	30%
3	Non-current derivative financial instruments – interest rate swaps	Yield curve	n.a.

**7.4. Sensitivity analysis for changes in unobservable material input parameters (recurring measurement)**

The following table provides quantitative information about the significant, unobservable input parameters used in the fair value measurement. The accumulated discounted forecast cash flows correspond to the fair values.

Level	Input parameter	Change in the assumption	Change in the result before taxes (in EUR '000)
3	<i>Securities available for sale:</i>		
	Payment flows (available-for-sale securities)	+ 5%	557
	Payment flows (available-for-sale securities)	- 5%	(557)
3	<i>Non-current derivative financial instruments – conversion rights</i>		
	Volatility Warimpex share price in PLN	+ 5 percentage points	(250)
	Volatility Warimpex share price in PLN	- 5 percentage points	226
3	<i>Non-current derivative financial instruments – interest rate swaps</i>		
	Yield curve	+ 0.5 percentage points	135



**[08] Other disclosures****8.1. Commitments for the purchase of real estate**

In connection with the leasing of office tower A of the Erzsebet offices, a preliminary agreement was made with the future tenant regarding the purchase of two office properties in Budapest. The Group made an advance payment of EUR 650,000 (see section 6.2.). The actual acquisition of the property is scheduled for summer 2015 once the renovations are completed and the tenant has moved in.

**8.2. Related party transactions****8.2.1. Transactions with Management Board members**

	2014	2013
Transactions with Management Board members	436,167	448,402

**8.2.2. Transactions with Vienna International Hotelmanagement AG (VI)**

	2014	2013
<i>Transactions of Group companies (fully consolidated) with VI:</i>		
Management fee charged 1 January – 30 June	(1,011,204)	(1,540,298)
Other purchased services in hotel operations 1 January – 30 June	(694,108)	(434,474)

**8.2.3. Transactions with joint ventures (JV)**

	2014	2013
Income from transactions with joint ventures 1 January – 30 June 2014	375,528	226,722
Liabilities to joint ventures as at 30 June 2014	(4,320,282)	(4,251,346)

**8.3. Events after the reporting date**

There were no reportable material events in the period between the reporting date and the publication of the condensed consolidated financial statements.

Vienna, 28 August 2014



**Franz Jurkowitsch**  
Chairman of the Management Board



**Georg Folian**  
Deputy Chairman of the Management Board



**Alexander Jurkowitsch**  
Member of the Management Board



**Florian Petrowsky**  
Member of the Management Board

## DECLARATION BY THE MANAGEMENT BOARD

We confirm to the best of our knowledge that the condensed consolidated interim financial statements prepared in accordance with the relevant financial accounting standards give a true and fair view of the financial position, financial performance and cash flows of the Group and that the interim management report of the Group gives a true and fair view of the financial position, financial performance and cash flows of the Group with regard to important events during the first six months of the financial year and their effects on the condensed consolidated interim financial statements, with regard to the most important risks and uncertainties in the remaining six months of the financial year and with regard to reportable significant transactions with related parties.



**Franz Jurkowsch**

Chairman of the Management Board

Responsibilities:

Strategy, investor relations and corporate communications



**Georg Folian**

Deputy Chairman of the Management Board

Responsibilities:

Finance and accounting  
Financial management and personnel



**Alexander Jurkowsch**

Member of the Management Board

Responsibilities:

Organisation and legal issues  
Transaction management



**Florian Petrowsky**

Member of the Management Board

Responsibilities:

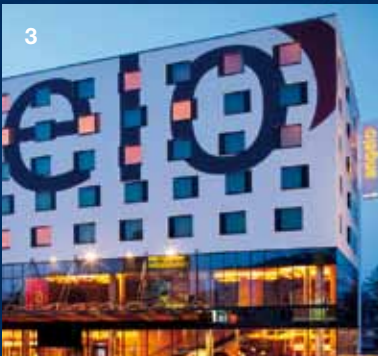
Planning, construction, information management and IT

## SELECTED WARIMPEX GROUP PROPERTIES



**1) Palais Hansen Kempinski\*\*\*\*\*, Vienna**  
A-1010 Vienna, Schottenring 24  
152 rooms (opened in 2013)

**2) InterContinental\*\*\*\*\*, Warsaw**  
PL-00 125 Warsaw, ul. Emilii Plater 49  
414 rooms (opened in 2003)



**3) angelo hotel\*\*\*\*, Katowice**  
PL-40-086 Katowice, ul. Sokolska 24  
203 rooms (opened in March 2010)

**4) angelo Hotel\*\*\*\*, Prague**  
CZ-150 00 Prague 5, Radlická 1g  
168 rooms (opened in June 2006)



**5) andel's hotel\*\*\*\*s, Berlin**  
D-10407 Berlin,  
Landsberger Allee 106  
557 rooms (opened in March 2009)

**6) andel's hotel\*\*\*\*, Łódź**  
PL-91 065 Łódź, ul. Ogrodowa 17  
278 rooms (opened in June 2009)



**7) angelo Airporthotel\*\*\*\*,  
Ekaterinburg-Koltsovo**  
RU-Airport Ekaterinburg-Koltsovo  
203 rooms (opened in September 2009)



**Financial calendar**

29 August 2014	Publication of the results for the first half of 2014
28 November 2014	Publication of the results for the first three quarters of 2014

Publication details: Warimpex Finanz- und Beteiligungs AG, Floridsdorfer Hauptstraße 1, A-1210 Vienna, [www.warimpex.com](http://www.warimpex.com)  
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