



Q3 Interim Report

as of 30 September 2017

Key figures

		01.01.–30.09.2017	01.01.–30.09.2016
Revenues	EUR m	144.2	147.1
whereof rental income and revenues from hotel operations	EUR m	118.8	118.7
EBITDA	EUR m	71.3	68.7
EBIT	EUR m	133.0	170.5
EBT	EUR m	93.3	118.4
Net income for the period	EUR m	77.0	119.8
Total assets	EUR m	2,222.4	2,214.1
Equity	EUR m	883.7	745.0
Liabilities	EUR m	1,338.7	1,469.2
Equity ratio	in %	40	34
Operating cash flow	EUR m	59.8	64.0
Cash flow from investing activities	EUR m	166.2	-6.1
Cash flow from financing activities	EUR m	-122.8	38.0
Cash and cash equivalents as of 30 September	EUR m	171.2	150.4
NOI margin	in %	50	51
FFO I	EUR m	36.8	31.3
FFO II	EUR m	73.2	62.2
Earnings per share	EUR	1.12	1.78
Book value per share	EUR	13.29	10.80
Share price premium(+)/discount(-) to book value per share	in %	13	-13
Operating cash flow per share	EUR	0.90	0.96
Property portfolio ¹	EUR m	1,770.5	1,975.1
whereof properties under construction	EUR m	30.1	18.8

¹ Including held for sale

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Dear Shareholders,

“Timing is everything” – this is an incontrovertible truth in the real estate industry. Identifying the right time – for buying, for selling, for letting, for refurbishing – is crucial when it comes to sustainably generating profits. Over the past nine months, we have repeatedly dealt with this principle in depth. We sold two major properties: Viertel Zwei in Vienna and the Serdika Center in Sofia. In both cases, there were lucrative opportunities and we saw clear indications that the time was right. It is rare to reach the absolute peak, but making profits is a key element of our business.

Performance

The sales and the proceeds generated are reflected very positively in our results. The result from property valuation for the first nine months of the year amounted to EUR 68.2m, which also led to a pleasing net income for the period of EUR 77.0m. FFO I amounted to EUR 36.8m in the first three quarters of 2017. These key figures demonstrate that our strategy generates value in the long run.

Capital market

We are also highly satisfied with the performance of our share. Since the beginning of the year, the S IMMO share has posted price gains of around 50%. We are particularly pleased that as of September 2017 we have been represented in the ATX, the benchmark index on the Vienna Stock Exchange. Right on time for the company's 30th anniversary, this is a particular highlight which has a positive impact on investor interest. The share is currently trading at around EUR 15.00, while EPRA NAV amounted to EUR 16.06 as of 30 September 2017. We therefore see yet more future potential for increase in the share price performance.

Outlook

We are not resting on our laurels, but are actively preparing for future success. This includes the project pipeline with a total investment volume currently amounting to more than EUR 600m. We are working intensively on exciting projects in Vienna, Bucharest, Bratislava and Berlin. At the same time, we are also active as a buyer and purchased a total of more than 40 properties in the reporting period in German cities such as Leipzig and



Ernst Vejdovszky, Friedrich Wachernig

Kiel, where we currently see significant potential. These projects and acquisitions will secure our sustainable income in the coming years. We also invest in companies where we see potential for increases in value – currently CA Immo and Immofinanz.

By the time this report is published, there will only be a few weeks left of the current year and we are very confident that we will close the year extremely successfully. The general conditions are promising for 2018, too, so we are looking to the future with great optimism. We will move ahead with our projects, take advantage of favourable opportunities, continue working on our profitable portfolio and systematically adapt our strategy to market developments – always looking for the right timing. In everything we do, our goal is, and will continue to be, to create sustainable value for you, our shareholders. We have always been and will always remain committed to keeping this promise.

The Management Board

A stylized, handwritten signature in black ink, appearing to be 'E. Vejdovszky'.

Ernst Vejdovszky

A handwritten signature in black ink, appearing to be 'F. Wachernig'.

Friedrich Wachernig

S IMMO on the capital market

In the third quarter of 2017, key international stock market indices maintained their highly positive performance. In the USA, both the Dow Jones (DJIA) and the S&P 500 closed out the quarter with year-to-date gains of around 13%, with the Dow Jones breaking the 22,000-point barrier for the first time in its history in early August. Neither the North Korea crisis nor the stagnating reforms of the US government curbed the rally on the stock markets.

The European stock markets also posted substantial gains in the first nine months of 2017. Stable economic development in Europe as well as France's efforts at reform and the outcome of the German federal election were factors here. The German DAX share index stood at 12,828.86 points at the end of the third quarter. This is an increase of around 11.7% since the start of the year.

Share data

		30 September 2017	30 September 2016
Closing price	EUR	14.975	9.370
Average daily turnover for the last 100 days	shares ¹	103,074	84,400
Earnings per share (EPS) for the first three quarters	EUR	1.12	1.78
Book value per share	EUR	13.29	10.80
Share price premium(+)/discount(-) to book value per share	in %	13	-13
EPRA NAV per share	EUR	16.06	13.05
Share price discount to EPRA NAV per share	in %	-7	-28
EPRA NNAV per share	EUR	13.81	10.95
FFO I per share for the first three quarters	EUR	0.56	0.47
FFO II per share for the first three quarters	EUR	1.10	0.93
Dividend per share ²	EUR	0.40	0.30

¹ Double counting

² The dividend distributed in 2017 and 2016 corresponds to the respective preceding financial year.

Share price development

indexed 01 January 2017 to 30 September 2017



The Austrian ATX benchmark index remains one of the world's leading indices, having gained around 26.6% since the start of the year. Even in the traditionally weaker third quarter, the ATX climbed 6.7%, closing at 3,315.97 points as of 30 September 2017.

The Austrian property sector is benefiting from this positive sentiment on the domestic capital market. At the end of the quarter, the sector index for Austrian property shares, the IATX, stood at 310.85 points. This is an increase of 25.7% since the start of the year. The IATX rose by 9.1% in the third quarter of 2017 alone.

S IMMO share

The S IMMO share is included in the ATX for the first time in its 30-year history. This means that since September 2017, it has been one of the 20 most liquid shares with the highest capitalised free float on the Vienna Stock Exchange. This hugely positive development is attributable to the share's higher turnover as well as its remarkable rise in price. Having increased by around 50% since the start of the year, the S IMMO share achieved the second-highest gain of all ATX stocks up to the end of the third quarter of 2017. By the time this report went to press on 22 November 2017, the share was trading at EUR 15.13.

Performance

as of 30 September 2017

	S IMMO share	S IMMO INVEST participating certificates	
ISIN	AT0000652250/SPI	AT0000795737 (initial listing 1996)	AT0000630694 (initial listing 2004)
One year	59.82%	12.14%	12.18%
Three years, p.a.	34.46%	10.92%	10.91%
Ticker symbols	Reuters: SIAG.VI, Bloomberg: SPI:AV	Reuters: SIMIg.VI, Bloomberg: SIIG:AV	
Market	Vienna Stock Exchange		Vienna Stock Exchange
Market segment	Prime Market	other securities.at	
Index	ATX/IATX/GPR General		–
Market capitalisation (30 September 2017)	EUR 1,002.08m		EUR 58.06m
Number of securities (30 September 2017)	66,917,179	475,036	117,398
Market maker	Erste Group/Hauck & Aufhäuser/ Baader Bank/Raiffeisen Centrobank		

in EUR	S IMMO share price AT0000652250	S IMMO INVEST price AT0000795737	S IMMO INVEST price AT0000630694	ATX	IATX
30 September 2016	9.370	91.100	91.100	2.405.28	258.95
31 December 2016	10.000	90.000	90.000	2.618.43	247.29
30 September 2017	14.975	98.000	98.000	3.315.97	310.85

S IMMO bonds

ISIN	Maturity	Coupon	Total nominal value in EUR '000
AT0000A19SB5	02 October 2019	3.00%	100,000.00
AT0000A177D2	16 June 2021	4.50%	89,739.50
AT0000A1DBM5	08 April 2025	3.25%	33,993.50
AT0000A1DWK5	20 April 2027	3.25%	65,000.00

Inclusion in the ATX is having a positive impact on the performance of the S IMMO share and on interest from investors, particularly those abroad. In addition, the company's outstanding results, an impressive strategy and booming property markets throughout Europe are perfect conditions for the S IMMO share.

Investor relations activities

S IMMO AG received an award for its transparent reporting in line with the EPRA best-practice recommendations. Investors also had the opportunity to learn about the company's strategy in a host of face-to-face meetings. For instance, the Management Board and the IR team attended numerous investor conferences and roadshows in Frankfurt, London, Edinburgh and Munich during the reporting period.

EPRA key figures

in EUR	30 September 2017	31 December 2016
EPRA NAV per share	16.06	14.62
EPRA NNAV per share	13.81	12.49
Share price discount to EPRA NAV per share in %	7	32

EUR '000	30 September 2017	30 September 2016
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EPRA earnings and EPRA earnings per share (EPS)

Earnings after minority interests according to IFRS income	73,837	118,562
Results from property valuations	-68,220	-107,611
Profits or losses on disposal of investment properties, development properties held for investment and other interests	-10,343	-3,056
Tax on profits or losses on disposals	10,980	1,262
Changes in fair value of derivatives	12,682	18,111
Deferred taxes in respect of EPRA adjustments	1,375	-13,394
Minority interests in respect of the above	4,695	0
EPRA earnings	25,006	13,874
EPRA EPS in EUR	0.38	0.21

EUR '000	30 September 2017	31 December 2016
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EPRA NAV

Consolidated shareholders' equity net of non-controlling interests	880,127	795,605
Revaluation of other non-current investments	53,072	46,882
Fair value of derivative financial instruments	14,774	25,266
Deferred taxes on derivative financial instruments	-3,771	-5,747
Other deferred taxes	118,758	105,584
EPRA NAV	1,062,960	967,590
EPRA NAV per share in EUR	16.06	14.62

EPRA NNAV

EPRA NAV	1,062,960	967,590
EPRA NAV per share in EUR	16.06	14.62
Fair value of derivative financial instruments	-14,774	-25,266
Deferred taxes on derivative financial instruments	3,771	5,747
Other deferred taxes	-118,758	-105,584
Fair value of debt (liabilities)	-25,239	-20,485
Deferred taxes on debt	6,310	5,121
EPRA NNAV	914,270	827,123
EPRA NNAV per share in EUR	13.81	12.49

Calculation of FFO I

EUR '000	30 September 2017	30 September 2016
Net income	77,041	119,795
Non-cash taxes	15,082	-2,415
Adjusted net income	92,123	117,380
Revaluation result	-68,220	-107,611
Depreciation and amortisation	6,553	5,863
Sales result	-10,343	-4,415
Other non-cash effects	3,842	1,774
Non-cash valuation of derivatives	12,682	18,110
Non-cash FX result	190	212
FFO (without results from disposals)	36,827	31,313
FFO I per share in EUR	0.56	0.47

Interim Management Report

Economic Overview

The International Monetary Fund (IMF) is confident regarding the development of the global economy and expects the upswing to continue. As a result, the IMF raised its projection for the gross world product (GWP) from 3.5% to 3.6% for 2017. The growth forecast for 2018 was changed from 3.6% to 3.7%. Among other factors, this optimistic outlook is based on the favourable developments in the eurozone, the USA, and China. The IMF also revised its July forecast for the eurozone upward: Growth of 2.1% (previously 1.9%) is expected in 2017, and an economic expansion of 1.9% (previously 1.7%) is anticipated in 2018.

In the CEE region, quarterly growth came in above 1% in quarter-on-quarter terms for the third time in a row. This pushed the growth forecast for CEE to 4% in 2017.

Austria is also participating in the global upswing. Both the Austrian Institute of Economic Research (WIFO) and the Institute for Advanced Studies (IHS) raised their projections for Austrian economic growth for this year. WIFO expects Austria's GDP to expand by 2.8% (previously 2.6%), while IHS forecasts growth of 2.6% (previously 2.2%). This can be attributed to the continued marked increases in investment activity and exports. At the same time, consumer demand remained robust. According to IHS, this economic boom has also led to a slight improvement of conditions on the labour market. The projected inflation rate for this year remains unchanged at 2% according to Oesterreichische Nationalbank (OeNB).

Real Estate Market Overview

Austria

In the first nine months of 2017, the total take-up on the Vienna office market dropped by 63% compared with the prior-year period, coming in at approximately 74,200 m². At the end of the third quarter, annualised prime rents remained unchanged at EUR 312 per m². The vacancy rate amounted to 5.3% as of 30 September 2017. This is a slight improvement of 0.3 percentage points compared with the previous quarter.

Vienna's hotel market continues to develop positively. In the first nine months of 2017, over 11.6 million overnight stays were recorded. This is an increase of 4.1% compared with the prior-year period. Net room revenues totalled over EUR 494m for the period from January to August 2017, which represents a year-on-year increase of 10%.

Germany

Berlin's office market is still enjoying strong development. In the first three quarters of 2017, office take-up amounted to 707,500 m². Once again, the technology, media and telecommunications sector was the main take-up driver with a share of over 43%. Due to the strong demand, the vacancy rate dropped to 3.5% in the third quarter of 2017 – a decrease of 2 percentage points in year-on-year comparison. The newly completed space amounted to 8,400 m², which is a drop of 90% compared with the third quarter of 2016. The outlook remains highly positive. After three extraordinarily strong quarters, 2017 is expected to be a new record year for Berlin's office market. A total take-up of more than 1,000,000 m² seems possible for 2017. Vacancies are likely to decrease even more, while prime rents in top locations could reach EUR 30/m²/month by the end of the year.

Residential rents in the German metropolises have increased by 30% from 2007 to 2017. Purchase prices for new and existing flats have risen by 70% in the past years. This trend is unlikely to come to an end in any of the top five German cities in the short term.

CEE

In the third quarter of 2017, the vacancy rate on the Budapest office market decreased by 1 percentage point compared with the previous quarter and amounted to 7.6%. This is the lowest rate on record. Demand increased by 67% compared with the second quarter of 2017, totalling 164,985 m². With a share of 32.7%, owner occupation deals were the main driver of leasing activity. According to the Budapest Research Forum, 162 deals with an average size of 1,018 m² were closed in the third quarter of 2017.

In September 2017, the room occupancy of European hotels was at the highest level recorded since September 2015. Hotels in Prague (90.7%) and Budapest (89.1%) showed an extraordinary performance in terms of occupancy rate. This general development enabled hoteliers to leverage average room rates, with Budapest displaying one of the most significant year-on-year increases across Europe.

Bratislava continues to be an attractive city for well-qualified workers. More than 43,000 m² of new space are to be completed by the end of the year. Consequently, experts predict a rising vacancy rate for Bratislava's office market.

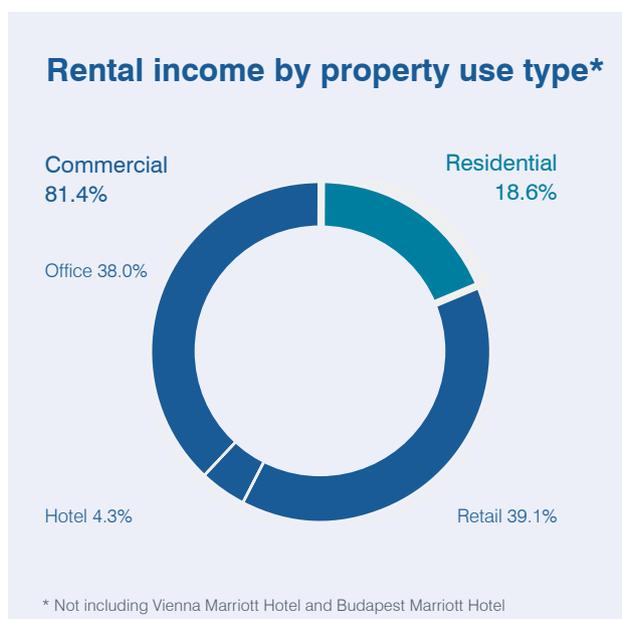
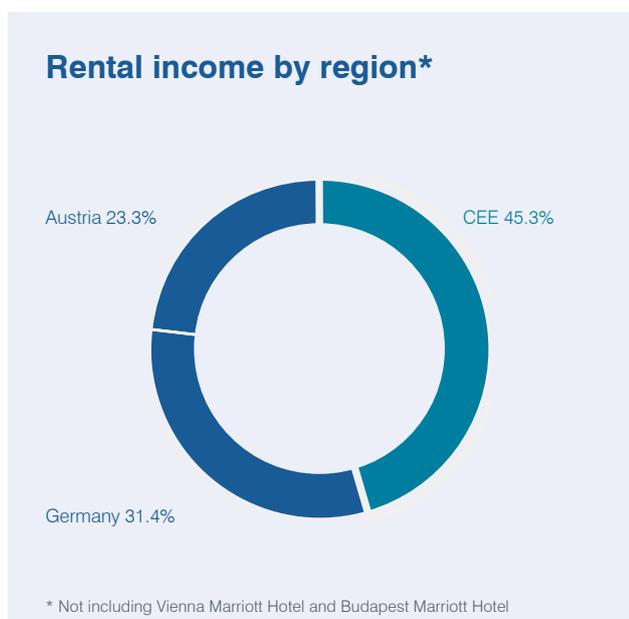
In the first three quarters of 2017, the Bucharest office market recorded total leasing activity of 251,000 m². This is a decline of roughly 6.5% compared with the prior-year period. In year-on-year terms, the vacancy rate dropped by 2.4 percentage points to 9.9%. During the first nine months of the year, five office projects with a total of 109,000 m² were delivered with 78% of this new supply already pre-let. Due to the positive economic situation, several projects are currently being built speculatively. At the end of the third quarter of 2017, over 19 projects with a total office area of 432,000 m² were under construction. Roughly 20% of these projects were already pre-let by 30 September 2017.

Business development and performance

Property portfolio

As of 30 September 2017, SIMMO's property portfolio consisted of 233 (31 December 2016: 194) properties with a book value (including one property held for sale) of EUR 1,770.5m (31 December 2016: EUR 2,063.9m) and a total usable area of around 1.1 million m² (31 December 2016: 1.3 million m²). The occupancy rate¹ was 94.5% in the reporting period (31 December 2016: 93.9%). The overall rental yield¹ was 6.2% (31 December 2016: 6.2%).

The rented properties are located in Austria and Germany as well as the CEE region (Slovakia, Czech Republic, Hungary, Romania and Croatia). In terms of book value, 65.9% (31 December 2016: 62.7%) of the properties were in Austria and



¹ The calculation includes all investment properties for which no development potential has currently been identified.

Germany and 34.1% (31 December 2016: 37.3%) in CEE as of 30 September 2017.

Based on the main use type, 72.9% (31 December 2016: 80.7%) of the portfolio by book value consisted of commercial properties (office, retail and hotel) and an additional share of 27.1% (31 December 2016: 19.3%) was made up of residential properties.

Summary of performance

The first three quarters of 2017 were extremely successful for S IMMO: Major drivers of this outcome were gains from property valuation, which amounted to EUR 68.2m (Q3 2016: EUR 107.6m) as of 30 September 2017 and were attributable mainly to property value increases in Germany, Austria and Bulgaria. Although gains from property valuation did not reach the same level as in the record year of 2016, net assessments in the first quarters of the current year are the second-highest in the company's history. Income from disposals, which was EUR 4.4m in the previous year, increased to EUR 10.3m due to the sale of the Serdika Center shopping centre along with its associated office property.

Other key figures such as EBITDA, EBIT, EBT and net income for the period again reached a high level relative to the long-term trend. EBITDA rose to EUR 71.3m (Q3 2016: EUR 68.7m), EBIT was EUR 133.0m (Q3 2016: EUR 170.5m), EBT amounted to EUR 93.3m (Q3 2016: EUR 118.4m) and net income for the period totalled EUR 77.0m (Q3 2016: EUR 119.8m).

Earnings per share also developed well, amounting to EUR 1.12 (Q3 2016: EUR 1.78).

Gross profit

S IMMO's total income for the first nine months of 2017 amounted to EUR 144.2m (Q3 2016: EUR 147.1m), roughly on par with the previous year. The rental income included in this figure amounted to EUR 86.0m (Q3 2016: EUR 88.5m) and reflected the sales compared with the previous year.

Broken down by region, rental income for the reporting period was as follows: Austria and Germany contributed 54.7% (Q3 2016: 55.7%) and CEE 45.3% (Q3 2016: 44.3%). Broken down by use type, commercial properties (offices, retail and hotels) contributed 81.4% (Q3 2016: 79.2%) to rental income, while residential properties accounted for 18.6% (Q3 2016: 20.8%).

Revenues from hotel operations (revenues from the Vienna Marriott and Budapest Marriott Hotels, both operated under management agreements) rose to EUR 32.8m (Q3 2016: EUR 30.2m). After around half of the available rooms in the Vienna Marriott Hotel were renovated in the first half-year of 2016, the first half-year of 2017 was affected by the renovation of the remaining space, which was completed at the beginning of the third quarter. Consequently, all rooms were once again available to let in a fully renovated state in the last quarter. The hotel industry is also subject to seasonal fluctuations, which is why profit from hotel operations varies as the year progresses.

Property management expenses amounted to EUR 47.2m (Q3 2016: EUR 48.9m) in the first three quarters of 2017. Gross profit came to EUR 74.2m (Q3 2016: EUR 77.6m).

Successful property transactions

In the third quarter of 2017, S IMMO sold the following properties that were already held for sale at the end of the second quarter: the office buildings "Hoch Zwei" and "Plus Zwei" in Vienna and the Serdika Center shopping centre along with its associated office property in Sofia. The profit on disposals stems largely from the sale of the Serdika property. After this property was sold, S IMMO no longer owns any leased properties in Bulgaria.

At the same time, S IMMO was also active in terms of acquisitions in the first three quarters of 2017. German properties representing a transaction volume of around EUR 61m were added to the S IMMO portfolio in the reporting period. In addition, equity investments in CA Immo and Immofinanz were continued.

EBITDA and EBIT

In the first three quarters of 2017, EBITDA amounted to EUR 71.3m (Q3 2016: EUR 68.7m).

Revaluation gains developed very positively, amounting to EUR 68.2m (Q3 2016: EUR 107.6m) as of 30 September 2017. This development was mainly driven by the German market, although Austria and CEE also made a substantial contribution to the revaluation gains.

The successful sale of the Serdika property was another factor in the development of EBIT (30 September 2017: EUR 133.0m; 30 September 2016: EUR 170.5m), to the extent that overall the company generated the second-best EBIT in its history.

Financial result

The financial result including participating certificates improved to EUR -39.7m as of 30 September 2017 (Q3 2016: EUR -52.1m). In particular, ongoing interest payments fell, partly because of the restructuring of the derivatives portfolio undertaken in recent years. Financial income from dividend payments of EUR 4.0m (Q3 2016: EUR 0.8m) as well as non-cash derivative valuation effects also helped to improve the financial result. The cost of funding excluding bond and participating certificate costs came to 2.32% as of 30 September 2017 (30 September 2016: 2.92%).

Development of EBT, net profit for the period and earnings per share

EBT amounted to EUR 93.3m as of 30 September 2017 (Q3 2016: EUR 118.4m). The successful sales led to an increase of tax expenses. Consequently, net income for the period totalled EUR 77.0m (Q3 2016: EUR 119.8m), thus not achieving previous year's record level. Earnings per share for the first three quarters 2017 came to EUR 1.12 (Q3 2016: EUR 1.78 per share).

Consolidated statement of financial position

S IMMO Group's total assets decreased from EUR 2,278.9m as of 31 December 2016 to EUR 2,222.4m as of 30 September 2017, due largely to the sales of portfolio properties. Cash and cash equivalents amounted to EUR 171.2m as of 30 September 2017 (31 December 2016: EUR 66.0m). The property held for sale reached a value of EUR 9.0m (31 December 2016: EUR 0).

In the first three quarters of 2017, equity without minorities rose to EUR 880.1m (31 December 2016: EUR 795.6m). As a result, the equity ratio improved to 39.8% (31 December 2016: 36.2%) and the book value per share increased to EUR 13.29 as of 30 September 2017 (31 December 2016: EUR 12.02).

Financing

A key performance indicator for assessing the financing structure is the loan-to-value ratio (LTV ratio). S IMMO differentiates between two types of this key indicator: the LTV ratio for financing secured by properties (mortgages) and the LTV ratio for unsecured financing. The latter essentially consists of bonds issued by S IMMO AG.

S IMMO's property investments (including one property held for sale) stood at EUR 1,991.4m as of 30 September 2017 (31 December 2016: EUR 2,151.3m). The LTV ratio for financing secured by properties was 40.5% in the reporting period (31 December 2016: 41.3%).

The LTV ratio for unsecured financing less cash and cash equivalents amounted to 8.7% in the reporting period (31 December 2016: 14.6%). The overall LTV ratio of the company improved to 49.2% (31 December 2016: 55.9%). The calculation method for these two key indicators is described in detail in the 2016 annual report (page 27).

Related party disclosures

More information on related parties can be found in the notes to the consolidated interim financial statements on page 25.

Risk management report

S IMMO AG is exposed to all industry-specific risks associated with its business (acquisition, rental, development and sale of properties in various regions and of various use types). These include corporate strategy, property-specific, financial and other risks. A detailed overview of possible risks for the current financial year and the risk management of S IMMO AG can be found in the 2016 annual report (starting on page 31).

The probability of these risks occurring depends on a number of factors, such as economic developments on the markets in which the company operates and the cyclical fluctuations to which the property sector is exposed. S IMMO invests exclusively in properties within the European Union and has a portfolio diversified by region and use type.

In Austria, GDP growth of between 2.6% and 2.8% is forecast for 2017. For the eurozone, the International Monetary Fund (IMF) expects GDP to rise by 2.1% in 2017 and 1.9% in 2018. Sentiment among companies and consumers in the eurozone is very good. For the CEE region, economic growth of as high as 4% is anticipated for the current year. Uncertainty factors for the economy of the European Union still include the repercussions of Brexit, US President Trump's unpredictable policy decisions, the conflict with North Korea and a possible change in monetary policy by the European Central Bank (ECB). The real estate markets themselves currently have a high price level in many of the countries in which S IMMO operates.

In addition to the risks in connection with its operating activities, S IMMO is – as a listed company – also exposed to the market risk on the capital markets. Not only S IMMO shares are exposed to the risk of volatility, but also the securities of companies in which S IMMO is invested. Any price decline would have a negative impact on S IMMO's equity.

Alongside internal regulations and guidelines, risk management at S IMMO comprises ongoing reports to the Management Board in the course of regular meetings. Furthermore, there are control measures in place in the group for the purpose of the early detection, management and monitoring of risks. Key decisions relevant to risk are made by the Management Board. There is an internal control system for all key business processes. In addition, provisions are recognised for potential risks.

The potential risks are also balanced by opportunities, as S IMMO is currently benefiting from the dynamic growth on the German property market and the positive economic development in CEE. Against this backdrop, S IMMO is implementing development projects and leveraging opportunities for purchases and sales as they arise.

Outlook

A key component of our corporate strategy is to anticipate property cycles and to benefit from them. We are currently witnessing a high price level on many of our markets. We have taken this as an opportunity to successfully sell several of our properties. Attractive prices for acquisitions can currently be found in German cities such as Leipzig, Kiel, Magdeburg, Halle and Rostock. These cities have good demographic profiles and growth potential. Here, we are purchasing properties with stable returns and a low rent level. This generates a sustainable cash flow while also offering potential for increasing value.

Our projects in Vienna, Berlin, Bratislava and Bucharest are making consistently good progress. For example, in early October we opened more than 25 new shops in our Sun Plaza shopping centre in the Romanian capital. The reconstruction of the shopping centre, which began in spring 2016, thus reached another milestone, expanding the existing range with new brands such as Lego and Forever 21. Final completion of the reconstruction is scheduled for March 2018. More than 20,000 m² is affected by the renovation and will provide space for up to 40 new shops. Also in Bucharest, we are developing The Mark, an office building with a gross floor area above ground of around 28,000 m². In Bratislava, we are constructing another office property with around 23,500 m² of lettable space. The Einsteinova

Business Center is being built in accordance with the most stringent green building standards and is expected to obtain a BREEAM certificate rated "excellent". More than 90% of the property are already pre-let and it is expected to be completed during the first half of 2018.

In Vienna, we are working on a residential and office property on Siebenbrunnengasse. The reconstruction is expected to begin in the second quarter of 2018 and will last until the end of 2019. Furthermore, S IMMO is an investor in Quartier Belvedere Central at Vienna Central Station. We are also working on several projects in Berlin, where our activities are mainly focused on re-designing and renovating existing properties.

All in all, we have a project pipeline with a development volume of more than EUR 600m to ensure future income. Our strategy – combining markets in different stages of the property cycle – enables us to sustainably secure our income and start preparing now for successes in the years ahead.

In addition to our project developments, investments are currently also being made in shares of real estate companies (CA Immo and Immofinanz).

Consolidated statement of financial position

as of 30 September 2017

Assets <small>EUR '000</small>	Notes	30 September 2017	31 December 2016
Non-current assets			
Investment properties			
Rented properties	3.1.1.	1,604,294	1,917,303
Properties under development and undeveloped land	3.1.1.	30,128	20,801
		1,634,422	1,938,104
Owner-operated properties			
Owner-operated properties	3.1.2.	127,079	125,768
Other plant and equipment		5,425	6,340
Intangible assets		155	193
Interests in companies measured at equity		10,611	10,241
Group interests		764	777
Loans to companies measured at equity		13,608	10,372
Other financial assets	3.1.3.	222,756	90,394
Deferred tax assets		2,564	5,807
		2,017,384	2,187,996
Current assets			
Inventories	3.1.4.	505	606
Trade receivables		6,752	10,412
Other financial assets		9,372	4,241
Other assets		8,149	9,616
Cash and cash equivalents	3.1.5.	171,219	66,029
		195,997	90,904
Assets held for sale	3.1.6.	9,000	0
		204,997	90,904
		2,222,381	2,278,900

Equity and liabilities EUR '000

Notes

30 September 2017

31 December 2016

Shareholders' equity

Share capital		240,544	240,544
Capital reserves		68,832	68,832
Other reserves		570,751	486,229
		880,127	795,605
Non-controlling interests	3.1.7.	3,588	28,737
		883,715	824,342

Non-current liabilities

Subordinated participating certificate capital	3.1.8.	0	58,131
Issued bonds	3.1.9.	287,442	287,221
Other financial liabilities	3.1.10.	707,616	770,602
Provisions		2,152	2,143
Other liabilities		35	15
Deferred tax liabilities		117,551	105,645
		1,114,796	1,223,757

Current liabilities

Subordinated participating certificate capital	3.1.8	58,059	0
Financial liabilities	3.1.10.	114,628	184,096
Income tax liabilities		9,998	3,666
Provisions		3	162
Trade payables		6,444	9,298
Other liabilities		34,738	33,579
		223,870	230,801
		2,222,381	2,278,900

Consolidated income statement

for the nine months ended 30 September 2017

EUR '000	NOTES	01-09/2017	01-09/2016
Revenues			
Rental income	3.2.1.	86,044	88,518
Revenues from operating costs		25,389	28,329
Revenues from hotel operations	3.1.2.	32,751	30,229
		144,184	147,076
Other operating income			
		1,431	2,082
Property operating expenses	3.2.2.	-47,200	-48,856
Hotel operating expenses	3.2.2.	-24,208	-22,748
Gross profit		74,207	77,554
Income from property disposals		461,253	192,882
Book value of property disposals		-450,910	-188,467
Gains on property disposals	3.2.3.	10,343	4,415
Management expenses		-13,228	-13,238
Earnings before interest, tax, depreciation and amortisation (EBITDA)		71,322	68,731
Depreciation and amortisation		-6,553	-5,863
Results from property valuation	3.2.4.	68,220	107,611
Operating result (EBIT)		132,989	170,479
Financing costs	3.2.5.	-42,527	-50,893
Financing income	3.2.5.	5,921	2,176
Results from companies measured at equity	3.2.5.	355	496
Participating certificates result	3.1.8.	-3,468	-3,901
Net income before tax (EBT)		93,270	118,357
Taxes on income	3.2.6.	-16,229	1,438
Consolidated net income for the period		77,041	119,795
of which attributable to shareholders in parent company		73,837	118,561
of which attributable to non-controlling interests		3,204	1,234
Earnings per share			
undiluted = diluted		1.12	1.78

Consolidated statement of comprehensive income

for the nine months ended 30 September 2017

EUR '000	01-09/2017	01-09/2016
Consolidated net income for the period	77,041	119,795
Change in value of cash flow hedges	-161	-8,113
Income taxes on cash flow hedges	13	1,941
Reclassification of derivative valuation effects	13,679	4,468
Foreign exchange rate differences	142	-848
Valuation of financial instruments available for sale	33,022	394
Income taxes from measurement of financial instruments available for sale	-8,255	0
Other comprehensive income for the period (realised through profit or loss)	38,440	-2,158
Total comprehensive income for the period	115,481	117,637
of which attributable to shareholders in parent company	110,026	116,430
of which attributable to non-controlling interests	5,455	1,207

Consolidated income statement

for the three months ended 30 September 2017

EUR '000	NOTES	07-09/2017	07-09/2016
Revenues			
Rental income	3.2.1.	27,500	30,021
Revenues from operating costs		6,096	9,899
Revenues from hotel operations	3.1.2.	13,133	11,898
		46,729	51,818
Other operating income		547	744
Property operating expenses	3.2.2.	-17,285	-17,639
Hotel operating expenses	3.2.2.	-8,219	-7,893
Gross profit		21,772	27,030
Income from property disposals		437,512	188,950
Book value of property disposals		-427,169	-185,321
Gains on property disposals	3.2.3.	10,343	3,629
Management expenses		-4,596	-4,897
Earnings before interest, tax, depreciation and amortisation (EBITDA)		27,519	25,762
Depreciation and amortisation		-2,291	-1,821
Results from property valuation	3.2.4.	-1,111	683
Operating result (EBIT)		24,117	24,624
Financing costs	3.2.5.	-17,770	-14,517
Financing income	3.2.5.	196	1,106
Results from companies measured at equity	3.2.5.	297	506
Participating certificates result	3.1.8.	-805	-629
Net income before tax (EBT)		6,035	11,090
Taxes on income	3.2.6.	-1,370	23,178
Consolidated net income for the period		4,665	34,268
of which attributable to shareholders in parent company		5,371	33,950
of which attributable to non-controlling interests		-706	318
Earnings per share			
undiluted = diluted		0.08	0.51

Consolidated statement of comprehensive income

for the three months ended 30 September 2017

EUR '000	07-09/2017	07-09/2016
Consolidated net income for the period	4,665	34,268
Change in value of cash flow hedges	82	-1,413
Income taxes on cash flow hedges	-33	350
Reclassification of derivative valuation effects	7,337	1,454
Foreign exchange rate differences	241	-1,001
Valuation of financial instruments available for sale	16,055	394
Income taxes from measurement of financial instruments available for sale	-4,014	0
Other comprehensive income for the period (realised through profit or loss)	19,668	-216
Total comprehensive income for the period	24,333	34,052
of which attributable to shareholders in parent company	23,020	33,643
of which attributable to non-controlling interests	1,314	409

Consolidated cash flow statement

for the nine months ended 30 September 2017

EUR '000	01-09/2017	01-09/2016
Operating cash flow	59,832	64,002
Changes in net current assets	1,974	3,732
Cash flow from operating activities	61,806	67,734
Cash flow from investing activities	166,172	-6,052
Cash flow from financing activities	-122,788	38,008
Total	105,190	99,690
Cash and cash equivalents as of 01 January	66,029	50,684
Cash and cash equivalents as of 30 September	171,219	150,374
Net change in cash and cash equivalents	105,190	99,690

Changes in consolidated equity

EUR '000	Share capital	Capital reserves	Foreign currency translation reserve	Hedge accounting reserve	AFS reserve	Other reserves	Subtotal S IMMO share-holders	Non-controlling interests	Total
As of 01 January 2017	240,544	68,832	-17,365	-17,585	-3,858	525,037	795,605	28,737	824,342
Consolidated net income for the period	0	0	0	0	0	73,837	73,837	3,204	77,041
Other comprehensive income	0	0	142	11,280	24,767	0	36,189	2,251	38,440
Repurchase of own shares	0	0	0	0	0	0	0	0	0
Change in non-controlling interests ¹	0	0	0	0	0	977	977	-30,604	-29,627
Distribution ²	0	0	0	0	0	-26,481	-26,481	0	-26,481
As of 30 September 2017	240,544	68,832	-17,223	-6,305	20,909	573,370	880,127	3,588	883,715
As of 01 January 2016	242,453	72,030	-16,536	-20,356	0	345,673	623,264	23,331	646,595
Consolidated net income for the period	0	0	0	0	0	118,561	118,561	1,234	119,795
Other comprehensive income	0	0	-848	-1,677	394	0	-2,131	-27	-2,158
Repurchase of own shares	0	0	0	0	0	0	0	0	0
Change in non-controlling interests	0	0	0	0	0	1,042	1,042	-262	780
Distribution	0	0	0	0	0	-20,018	-20,018	0	-20,018
As of 30 September 2015	242,453	72,030	-17,384	-22,033	394	445,258	720,718	24,276	744,994

¹ The change is mainly due to distributions of earnings generated by the sale of Serdika which are attributed to the minorities of the Einkaufs-Center Sofia G.m.b.H. & Co. KG.

² The dividend distribution of kEUR 26,481 in 2017 corresponds to a dividend of EUR 0.40 (2016: EUR 0.30) per share, and was effected on 16 June 2017.

Notes to the consolidated interim financial statements

(condensed)

1. The Group

S IMMO Group (S IMMO AG and its subsidiaries) is an international real estate group. The parent company of the group, S IMMO AG, has its registered office at Friedrichstrasse 10, 1010 Vienna, Austria. The company has been listed on the Vienna Stock Exchange since 1987, and on the Prime Market segment starting in 2007. S IMMO was included in the Austrian ATX benchmark index for the first time on 18 September 2017. It has subsidiaries in Austria, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Romania, Bulgaria and Denmark. As of 30 September 2017, S IMMO Group owned properties in all of the above mentioned countries except Denmark. The group's principal business is the acquisition, letting and sale of properties in different regions and market segments in order to achieve a balanced investment portfolio. Another business activity is the development and construction of properties in cooperation with project development partners.

2. Accounting and valuation policies

2.1. Accounting policies

The consolidated interim financial statements for the nine months ended 30 September 2017 have been prepared in accordance with IAS 34 and do not contain all the information required to be disclosed in a full set of IFRS consolidated financial statements. The interim financial statements should therefore be read in conjunction with the IFRS consolidated financial statements for the year ended 31 December 2016.

In preparing the consolidated interim financial statements for the nine months ended 30 September 2017, the accounting and valuation policies applied in the consolidated financial statements for the year ended 31 December 2016 have been applied substantially unchanged.

The financial statements for the nine months ended 30 September 2017 were neither reviewed nor audited.

The accounting policies of all companies included in consolidation are based on the uniform accounting regulations of S IMMO Group. The financial year for all companies is the year ending on

31 December. The previously consolidated Austrian company S IMMO Property Drei GmbH was sold in the first quarter of 2017. The previously fully consolidated companies Viertel Zwei Hoch GmbH & Co KG, Viertel Zwei Plus GmbH & Co KG, CEE PROPERTY BULGARIA EOOD and HANSA IMMOBILIEN OOD were sold in the third quarter of 2017. In the same period, S IMMO Group Finance GmbH (Austria) and S IMMO Property Fünf GmbH (Austria), were fully consolidated in the interim consolidated financial statements of S IMMO AG for the first time. A business combination as per IFRS 3 did not occur for either of the two newly consolidated companies, as the definition of a business according to IFRS 3 was not met. In addition, QBC Omega SP Immomanagement GmbH (Austria) and QBC Immobilien GmbH & Co Omega KG (Austria) were included in the consolidated financial statements of S IMMO AG as associated companies.

The consolidated interim financial statements are presented rounded to the nearest 1,000 euro (EUR '000 or kEUR). The totals of rounded amounts and the percentages may be affected by rounding differences caused by the use of computer software.

2.2. New mandatory accounting regulations

There are no new standards effective for the 2017 financial year. Amendments to IAS 7 (as part of the disclosure initiative), IAS 12 (regarding the recognition of deferred tax assets for unrealised gains) and IFRS 12 as part of the annual improvements from the 2012 to 2014 cycle have been adopted by the IASB and are now endorsed by the EU.

New standards and interpretations, which can be adopted in the EU but that are not yet effective for the 2017 financial year, have not been applied (see also the detailed information in the consolidated financial statements for the 2016 financial year).

2.3 Reporting currency and currency translation

The group's reporting currency is the euro. The functional currency is determined as per the criteria of IAS 21, and has been identified as being the euro for the majority of S IMMO Group's companies.

3. Selected notes to the consolidated interim financial statements

3.1. Statement of financial position

3.1.1. Investment properties

EUR '000	Properties under development and undeveloped land	
	Rented properties	
As of 01 January 2016	1,826,403	16,201
Additions	117,340	11,250
Disposals	0	-5,305
Other changes	-245	0
Changes in fair value (realised through profit or loss)	195,380	-1,345
Reclassifications as properties held for sale	-221,575	0
As of 31 December 2016	1,917,303	20,801
whereof pledged as security	1,806,978	0
Additions	80,227	9,327
Disposals	-1,741	0
Other changes	-1,604	0
Changes in fair value (realised through profit or loss)	68,075	0
Reclassifications as properties held for sale	-457,966	0
As of 30 September 2017	1,604,294	30,128
whereof pledged as security	1,484,032	26,727

Consisting of:

Rented properties

EUR '000	30.09.2017	31.12.2016
Austria	365,199	574,808
Germany	731,120	660,044
CEE	507,975	682,451
	1,604,294	1,917,303

Properties under development and undeveloped land

EUR '000	30.09.2017	31.12.2016
Austria	0	0
Germany	0	0
CEE	30,128	20,801
	30,128	20,801

Valuation appraisals are generally obtained from independent experts once per year as at 31 December to measure the fair value of all investment properties. The valuation methods are the same as those used for the 2016 annual financial statements and the determined fair values are attributable to level 3 of the IFRS 13.86 fair value hierarchy. The valuation result for the investment properties in the first three quarters of 2017 is mainly based on internal calculation models with input parameters adjusted to the current market conditions compared to the 2016 annual financial statement while maintaining the valuation methods as applied for the 2016 annual financial statements. Most of the positive valuations in the first three quarters of the year are attributable to several properties in Germany, especially in the Berlin residential sector. Apart from that, revaluations were recorded at the office properties in Vienna's Viertel Zwei, the Serdika Center shopping centre and the office property Serdika Offices in Bulgaria. To a much lesser extent, valuations were calculated for individual properties in the remaining CEE.

3.1.2. Owner-operated properties

Owner-operated properties are hotels operated for the S IMMO Group by international hotel chains under management agreements. Both income and expenses of hotel operations are subject to seasonal fluctuations. There was a temporary downturn in revenues at the Vienna Marriott Hotel due to conversion work in the first half of 2017. However, normal operation was resumed in the third quarter of the financial year.

3.1.3. Other financial assets

Other financial assets mainly include shares in the companies Immofinanz and CA Immo that are accounted for as available-for-sale securities according to the rules of IAS 39. The valuation of available-for-sale financial instruments reported in the consolidated statement of comprehensive income relates entirely to these equity instruments. Dividends of kEUR 3,960 were collected in the reporting period effective in the financial results (30 September 2016: kEUR 779).

3.1.4. Inventories

Inventories exist to a minor extent and are measured at cost. The net realisable value of inventories does not fall below their book values.

3.1.5. Cash and cash equivalents

EUR '000	30.09.2017	31.12.2016
Bank balances	170,988	65,726
Cash in hand	231	303
	171,219	66,029

3.1.6. Properties held for sale

Properties are treated as "held for sale" if it is the intention of the group's management to dispose of them in the near future. This is currently intended for a property in Germany.

EUR '000	30.09.2017	31.12.2016
Germany	9,000	0
	9,000	0

3.1.7. Non-controlling interests

The non-controlling interests of kEUR 3,588 (31 December 2016: kEUR 28,737) consisted mostly of Einkaufscenter Sofia G.m.b.H. & Co KG (35% minority interest). The change in minorities in the amount of kEUR -30,604 (30 September 2016: kEUR -262) shown in the statement of changes in consolidated equity is

primarily due to distributions of revenues from the sale of the Serdika property to non-controlling interests.

3.1.8. Subordinated participating certificate capital

The terms of the agreement for S IMMO INVEST participating certificates were changed retroactively with effect from 01 January 2007 (resolution of the meeting of the holders of the participating certificates of 11 June 2007 and resolution of the Annual General Meeting of 12 June 2007).

Under the amended agreement, the holders of the participating certificates receive an annual income entitlement (interest) calculated as follows:

$$\frac{\text{Consolidated EBIT}}{\text{Average property portfolio (not including development projects)}} \times (\text{Participating certificate capital} + \text{profit brought forward})$$

To the extent that the income entitlement under the terms of the Participating Certificates Agreement is not paid out, it is added to the profit carried forward into the next year.

For the nine months ended 30 September 2017, the total share of income entitlements was kEUR 3,272 (31 December 2016: kEUR 6,735).

As of 30 September 2017, there were 592,434 participating certificates in issue. The total entitlements of participating certificate holders as of that date were EUR 98.00 (31 December 2016: EUR 96.15) per certificate and were made up as follows:

EUR '000	Participating certificate capital	Profit brought forward	Profit for the period	Share of undisclosed reserves on property portfolio	Total
Participating certificates capital 01 January 2017	43,937			1,133	45,070
Profit brought forward 01 January 2017		6,326			6,326
Income entitlements of participating certificate holders from 2016			6,735		6,735
Distribution 04 May 2017			-2,400		-2,400
Change in profit brought forward pursuant to Clause 5 (6), Participating Certificates Agreement		4,335	-4,335		0
Repurchase and retirement of 12,168 participating certificates	-885	-232		-23	-1,140
Income entitlements of participating certificate holders			3,272		3,272
Allocation of undisclosed reserves on property portfolio				196	196
Participating certificates capital as of 30 September 2017	43,052	10,429	3,272	1,306	58,059
Per participating certificate in EUR	72.67	17.60	5.53	2.20	98.00

EUR '000	Participating certificate capital	Profit brought forward	Profit for the period	Share of undisclosed reserves on property portfolio	Total
Participating certificates capital 01 January 2016	45,839			998	46,837
Profit brought forward 01 January 2016		4,671			4,671
Income entitlements of participating certificate holders from 2015			4,452		4,452
Distribution 25 May 2016			-2,429		-2,429
Change in profit brought forward pursuant to Clause 5 (6), Participating Certificates Agreement		2,023	-2,023		0
Repurchase and retirement of 26,177 participating certificates	-1,902	-368		-41	-2,311
Income entitlements of participating certificate holders			6,735		6,735
Allocation of undisclosed reserves on property portfolio				176	176
Participating certificates capital as of 31 December 2016	43,937	6,326	6,735	1,133	58,131
Per participating certificate in EUR	72.67	10.47	11.14	1.87	96.15

The participating certificates mature on 31 December 2029. With effect from 31 December 2017, the terms of the participating certificate agreements provide for a cancellation option both for the holders and for the company.

In the second quarter of 2017, S IMMO exercised this cancellation right and cancelled all participating certificates it had issued effective 31 December 2017. As a result, there was a reallocation from non-current liabilities to current liabilities in the present interim report.

On 30 September 2017, the participating certificate tranche with the ISIN AT0000795737 as well as the tranche with the ISIN AT0000630694 were listed at a market price of EUR 98.00 per certificate.

3.1.9. Issued bonds

In June 2014, S IMMO AG issued a bond (ISIN AT0000A177D2) with a total nominal value of kEUR 89,739.50. The bond is divid-

ed into 179,479 units with a nominal value of EUR 500 each, and was issued in exchange for participating certificates. At the beginning of October 2014, S IMMO AG issued a bond (ISIN AT0000A19SB5) with a total nominal value of kEUR 100,000 divided into 200,000 shares with a nominal value of EUR 500 each.

In April 2015, S IMMO AG issued two more bonds. The bond with the ISIN AT0000A1DBM5 followed a voluntary public offer pursuant to sections 4 ff. Austrian Takeover Act (ÜbG) issued in March 2015 to the holders of the S IMMO INVEST participating certificates with the ISIN AT0000795737 and the ISIN AT0000630694 for the purchase of these participating certificates by way of an alternative exchange and cash offer. Also in April 2015, S IMMO AG issued a further bond (ISIN AT0000A1DWK5) with a total nominal value of kEUR 65,000 divided into 130,000 shares with a nominal value of EUR 500 each.

The following table shows key data of the issued corporate bonds:

ISIN	Total nominal value in kEUR	Coupon	Effective interest rate	Maturity
AT0000A177D2	89,739.5	4.50%	4.66%	16 June 2021
AT0000A19SB5	100,000.0	3.00%	3.13%	02 October 2019
AT0000A1DBM5	33,993.5	3.25%	3.36%	08 April 2025
AT0000A1DWK5	65,000.0	3.25%	3.31%	20 April 2027

All of the bonds are listed in the Corporates Prime segment of the Vienna Stock Exchange.

3.1.10. Other financial liabilities

Other short-term and long-term financial liabilities amounted to kEUR 822,244 (31 December 2016: kEUR 954,698) and are mainly influenced by redemptions in the course of intrayear property sales.

3.1.11. Derivatives

The S IMMO Group currently uses swaps and caps to manage the interest rate risk in connection with variable-rate property financing. These derivatives were disclosed under other current and non-current financial assets (30 September 2017: kEUR 1,504; 31 December 2016: kEUR 2,580) and under non-current and current financial liabilities (30 September 2017: kEUR 16,278; 31 December 2016: kEUR 30,347). The fair value measurement of derivatives is based on estimates made by external experts. There were no changes to the applied measurement methods or key input parameters compared with the 2016 consolidated financial statements. The measurement falls under level 2 of the IFRS 13 fair value hierarchy. CVAs/DVAs were applied for the measurement of derivatives in analogy to the methods as of 31 December 2016.

In the period from 01 January to 30 September 2017, this resulted in an expense of kEUR 161 (Q3 2016: kEUR 8,113), which was recognised under equity in other comprehensive income. Overall, valuation effects had a negative impact in the consolidated income statement in the amount of kEUR 12,682 (Q3 2016: kEUR 18,110).

30 September 2017

EUR '000	Nominal	Positive fair value	Negative fair value
Swaps	414,588	302	-16,278
Caps	190,000	1,202	0
Total	604,588	1,504	-16,278

31 December 2016

EUR '000	Nominal	Positive fair value	Negative fair value
Swaps	508,997	1,264	-30,018
Caps	227,460	1,317	-329
Total	736,457	2,581	-30,347

3.2. Consolidated income statement

3.2.1. Rental income

Rental income by property use type was as follows:

EUR '000	01-09/2017	01-09/2016
Office	32,673	32,038
Residential	16,056	18,455
Retail	33,643	34,485
Hotel	3,672	3,540
	86,044	88,518

3.2.2. Operating costs and expenses from properties and hotel operations

These expenses arise almost completely in connection with investment properties, consisting mainly of operating costs, provisions for rent receivables, maintenance expenses and commissions.

The expenses of hotel operations are made up largely of expenses for food, beverages, catering supplies, hotel rooms, licences and management fees, maintenance, operating costs, commissions, personnel expenses and advertising. Both income and expenses of hotel operations are subject to seasonal fluctuations.

As of 30 September 2017, the number of employees in the group was 580 (Q3 2016: 578), including hotel staff. Personnel expenses for the hotels are disclosed under hotel operations.

3.2.3. Gains on property disposals

The two office buildings in Vienna's Viertel Zwei, the Serdika Center shopping centre and the Serdika Offices office building in Bulgaria, a property in Berlin and a plot of land in Austria were sold in the first three quarters of 2017. Apart from the property in Berlin, all sales were executed in the form of share deals or as sale of a business. In the course of this transaction, assets other than properties and liabilities were also transferred. The remuneration for these sales (excluding Germany) completely consisted of cash and in total amounted to EUR 339,9m.

EUR '000	01-09/2017	01-09/2016
Income from property disposals		
Investment properties	1,741	2,564
Properties held for sale	459,512	188,950
Inventories	0	1,368
	461,253	192,882
Book value of property disposals		
Investment properties	-1,741	-2,314
Properties held for sale	-449,169	-185,321
Inventories	0	-832
	-450,910	-188,467
Gains on property disposals		
Investment properties	0	250
Properties held for sale	10,343	3,629
Inventories	0	536
	10,343	4,415

3.2.4. Results from property valuation

The result from property valuation in the Germany segment of kEUR 35,515 (30 September 2016: kEUR 98,996) stems primarily from valuations calculated on the basis of internal models and relates primarily to the Berlin residential sector. In addition, the two Viertel Zwei office buildings in Vienna appreciated in value in the Austria segment. The positive revaluation result in the CEE segment relates primarily to the Serdika Center shopping centre and the Serdika Offices office building in Bulgaria.

3.2.5. Financial result

Net financial costs were made up as follows:

EUR '000	01-09/2017	01-09/2016
Financial expense	-42,527	-50,893
Financial income	6,276	2,672
	-36,251	-48,221

In the period of 01 January to 30 September 2017, financial costs included a non-cash foreign exchange loss of kEUR 190 (Q3 2016: kEUR 212).

3.2.6. Taxes on income

EUR '000	01-09/2016	01-09/2015
Current tax expenses	-12,628	-2,290
Deferred tax income/expenses	-3,601	3,728
	-16,229	1,438

The increase of the current tax expenses is mainly due to the sale of two properties in Viertel Zwei and the Serdika Center.

4. Operating segments

Segment reporting for S IMMO Group is based on geographical regions. Since 01 January 2017, the assessment and analysis of the regional structure has followed the new strategic direction of the group, which differentiates between Austria, Germany and CEE. The regions are as follows:

Austria: This operating segment includes all of the group's Austrian subsidiaries, apart from those with holding property in Germany.

Germany: This operating segment includes the German subsidiaries and also the subsidiaries in Denmark and Austria holding or managing property in Germany.

CEE: The CEE segment includes the subsidiaries in Slovakia, the Czech Republic, Hungary, Bulgaria, Croatia and Romania.

In preparing and presenting the segment information, the same accounting and valuation policies are applied as for the consolidated financial statements.

Each division operates independently of every other division. The responsible authority for any decision by the respective division is the Chief Executive Officer as "chief operating decision maker".

EUR '000	Austria		Germany		CEE ¹		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Rental income	20,053	21,102	26,992	28,237	38,999	39,179	86,044	88,518
Revenues from operating costs	5,282	5,162	8,252	8,736	11,855	14,431	25,389	28,329
Revenues from hotel operations	14,921	14,507	0	0	17,830	15,722	32,751	30,229
Total revenues	40,256	40,771	35,244	36,973	68,684	69,332	144,184	147,076
Other operating income	456	439	527	955	448	688	1,431	2,082
Property operating expenses	-9,385	-9,174	-17,180	-21,307	-20,636	-18,374	-47,200	-48,856
Hotel operating expenses	-13,208	-12,492	0	0	-11,000	-10,256	-24,208	-22,748
Gross profit	18,119	19,543	18,591	16,621	37,496	41,390	74,207	77,554
Gains on property disposals	0	536	0	3,628	10,342	250	10,342	4,414
Management expenses	-6,839	-7,424	-3,732	-4,244	-2,656	-1,569	-13,227	-13,237
EBITDA	11,280	12,655	14,859	16,005	45,182	40,071	71,322	68,731
Depreciation and amortisation	-3,579	-2,954	-75	-74	-2,900	-2,836	-6,553	-5,863
Results from property valuation	24,610	3,331	35,515	98,996	8,094	5,284	68,220	107,611
EBIT	32,311	13,033	50,300	114,927	50,377	42,519	132,989	170,479
	30.09.2017	31.12.2016	30.09.2017	31.12.2016	30.09.2017	31.12.2016	30.09.2017	31.12.2016
Non-current assets	671,813	742,766	731,667	660,385	613,904	784,845	2,017,384	2,187,996
Non-current liabilities	503,668	635,178	286,032	262,310	325,097	326,269	1,114,796	1,223,757

¹ Adjusted

5. Other obligations and contingent liabilities

In S IMMO Group there were a number of open legal disputes as of 30 September 2017, however, in management's opinion, neither the individual amounts involved nor the total are material.

6. Related party disclosures

For S IMMO Group related parties are as follows:

- S IMMO Group's managing bodies
- Erste Group
- Vienna Insurance Group
- Arealis Liegenschaftsmanagement GmbH
- Associated companies and joint venture companies of the group

S IMMO Group's managing bodies are as follows:

S IMMO AG Management Board

- Ernst Vejdovszky, Vienna (CEO)
- Friedrich Wachernig, MBA, Vienna

S IMMO AG Supervisory Board

- Martin Simhandl, Vienna (Chairman)
- Ralf Zeitlberger, Vienna (First Deputy Chairman)
- Franz Kerber, Graz (Second Deputy Chairman)
- Andrea Besenhofer, Vienna
- Christian Hager, Krems
- Erwin Hammerbacher, Vienna (until 08 June 2017)
- Michael Matlin, MBA, New York
- Manfred Rapf, Vienna (since 08 June 2017)
- Wilhelm Rasinger, Vienna

There were the following receivables and payables with Erste Group and Vienna Insurance Group at the reporting date:

EUR '000	30.09.2017	31.12.2016
Other receivables	3,819	2,925
Bank balances	142,527	48,244
Receivables	146,346	51,169

EUR '000	30.09.2017	31.12.2016
Non-current bank and financial liabilities	341,004	351,514
Current bank and financial liabilities	51,076	121,673
Trade payables	19	51
Other liabilities	1,217	19
Liabilities	393,316	473,257

There were the following expenses and income in connection with Erste Group and Vienna Insurance Group in the first nine months of the year and, respectively, in the comparative period of the previous year:

EUR '000	01-09/2017	01-09/2016
Management fees	-212	-735
Bank loan interest, other financing expenses and charges	-13,638	-24,563
Other expenses	-973	-1,541
Expenses	-14,823	-26,839

EUR '000	01-09/2017	01-09/2016
Rent and revenues from operating costs	431	316
Bank interest	150	1
Other interest income	172	54
Income	753	371

7. Significant events after the balance sheet date

There were no significant events after the reporting period.

Vienna, 28 November 2017

Management Board

Ernst Vejdovszky m.p.

Friedrich Wachernig, MBA m.p.

This Interim Report has been prepared and proofread with the greatest possible care, and the information in it has been checked. Nevertheless, the possibility of rounding errors, errors in transmission, typesetting or printing errors cannot be excluded. Apparent arithmetical errors may be the result of rounding errors caused by software. In the interests of simplicity and readability, the language of this Interim Report is as far as possible gender neutral. Therefore, the terms used refer to people of both genders. This Interim Report contains information and forecasts relating to the future development of S IMMO AG and its subsidiaries. These forecasts are estimates, based on the information available to us at the time the Interim

Report was prepared. Should the assumptions on which the forecasts are based prove to be unfounded, or should events of the kind described in the risk report occur, then the actual outcomes may differ from those currently expected. This Interim Report neither contains nor implies a recommendation either to buy or to sell shares or other financial instruments of S IMMO AG. Past events are not a reliable indicator of future developments. This Interim Report has been prepared in the German language, and only the German language version is authentic. The Interim Report in other languages is a translation of the German Report.

Financial calendar 2017/2018

28 November 2017	Results for the first three quarters 2017
05 April 2018	Annual results 2017 (press conference)
23 April 2018	Record date Annual General Meeting
03 May 2018	Annual General Meeting
14 May 2018	Dividend ex day
15 May 2018	Record date dividend
16 May 2018	Dividend payment day
29 May 2018	Results for the first quarter 2018
30 August 2018	Results for the first half-year 2018
29 November 2018	Results for the first three quarters 2018

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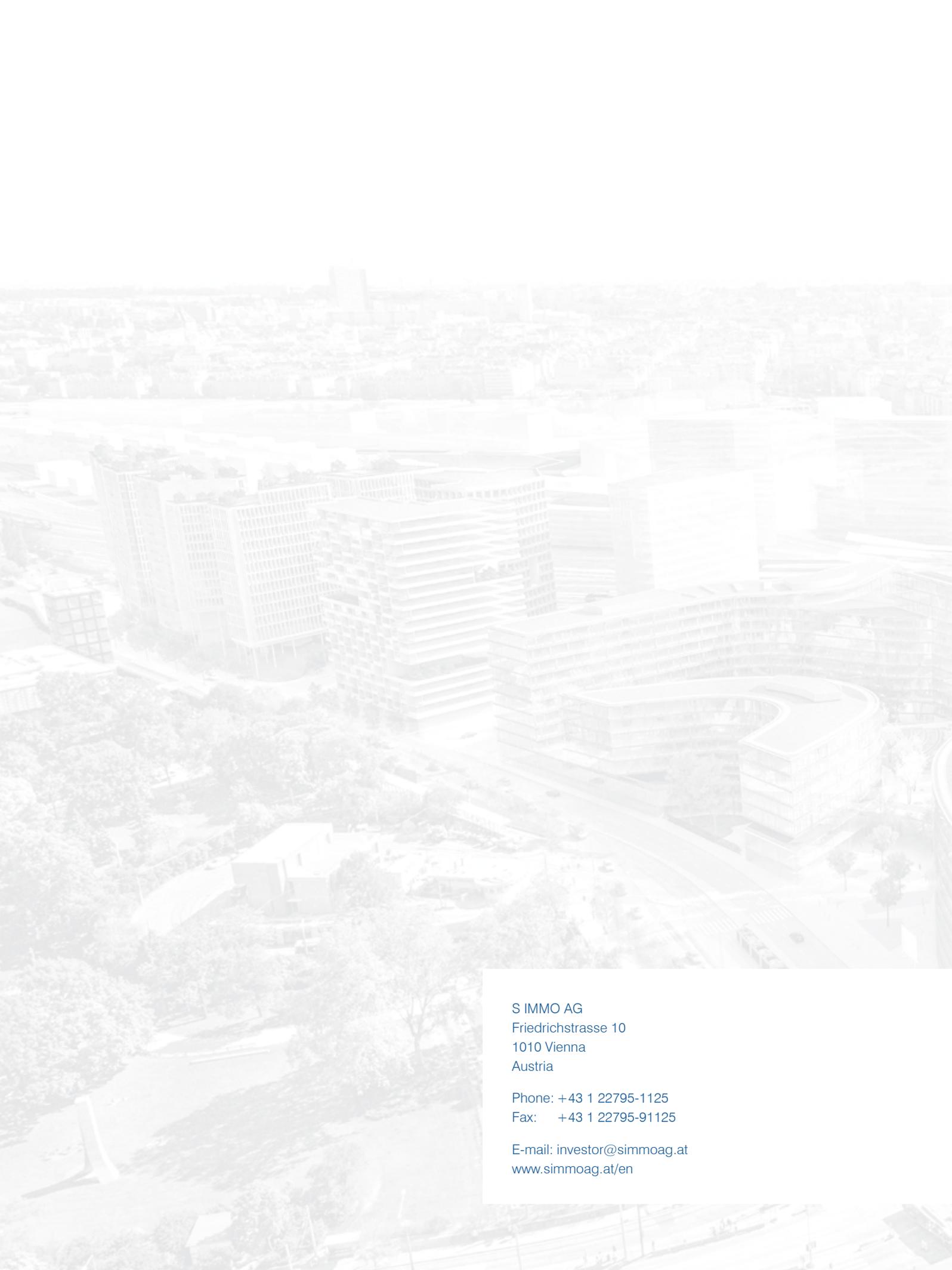
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