



# Key figures

		01.01.–30.06.2018	01.01.–30.06.2017
Revenues	EUR m	91.0	97.5
of which rental income and revenues from hotel operations	EUR m	74.5	78.2
EBITDA	EUR m	39.6	43.8
EBIT	EUR m	54.4	108.9
EBT	EUR m	53.1	87.2
Net income for the period	EUR m	47.9	72.4
Total assets	EUR m	2,517.8	2,418.2
Equity	EUR m	957.9	888.2
Liabilities <sup>1</sup>	EUR m	1,559.8	1,530.0
Equity ratio	in %	38	37
Operating cash flow	EUR m	37.0	43.1
Cash flow from investing activities	EUR m	-234.8	-84.0
Cash flow from financing activities	EUR m	187.9	15.8
Cash and cash equivalents as of 30 June	EUR m	56.6	35.8
NOI ratio	in %	52.5	52.9
FFO I	EUR m	34.4	26.7
FFO II	EUR m	36.7	30.7
Earnings per share	EUR	0.72	1.03
Book value per share	EUR	14.44	12.93
Difference between share price and book value per share (2018: premium, 2017: discount)	in %	16	-2
Operating cash flow per share	EUR	0.56	0.65
Property assets <sup>1</sup>	EUR m	1,932.6	2,176.5
whereof properties under construction	EUR m	47.1	26.3

<sup>1</sup> Including held for sale

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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.

Dear Shareholders,

Halfway through the current year, we can again report a record result. We increased funds from operations (FFO I), a key indicator for assessing a property company's operating success, to an all-time high of EUR 34.4m.

In the last two years, we sold properties worth EUR 700m in total. These sales were highly lucrative for our company and were part of our cycle-oriented strategy. But of course, sales of this magnitude mean a decrease in rental income and associated key figures. Therefore, 2018 is a year of transition for us. From next year on, purchases and our ongoing project developments will make up for these reductions again. What makes us even prouder is the fact that even in a transition year like this, we still managed to achieve this record figure at the operating level. It illustrates both the effectiveness of our strategy and the high quality of our day-to-day work on and with our portfolio.

## Capital market

In the first half-year, our share developed positively and was trading at EUR 16.72 as of 30 June 2018. When this report went to press on 27 August 2018, the share was already trading at EUR 18.14. Interest in our share from national and international investors remains high. This is also reflected by the sharp rise in liquidity in the first half-year. In addition, as a continuation of our sustainable dividend strategy, a distribution of EUR 0.40 per share was approved at the Annual General Meeting.

## Outlook

We are currently observing a very high price level in our markets. Nevertheless, there are still attractive buying opportunities in individual regions, and especially in Germany. In particular, we are focusing on cities with substantial demographic and economic growth potential such as Leipzig, Rostock or Kiel. Furthermore, we are always considering exciting investment opportunities in our other markets.



*Ernst Vejdovszky, Friedrich Wachernig*

At the same time, we are continuing our project developments. The Einsteinova Business Center – which is already fully leased – will be handed over to tenants during the summer, and we are still on target to finish the office building The Mark in Bucharest this year. There are also other exciting projects on our agenda in Berlin.

Consequently, our situation at mid-year is once again positive, and we look forward to continuing our dedicated work and being able to report on further success stories at the end of the year. Ultimately, our main goal is to create sustainable value for you, our esteemed shareholders. This is what comes first in everything we do.

The Management Board

Ernst Vejdovszky

Friedrich Wachernig

# S IMMO in the capital market

## Capital market environment

The US economy is showing solid growth and continues to benefit from the tax reform which was introduced at the beginning of the year. The US stock market also records a stable performance with the Dow Jones Industrial Average (DJIA) ending the second quarter at 24,271.41 points – a slight increase of 0.7% compared to the previous quarter. In comparison, the S&P 500 increased by 1.7% in the second quarter.

Domestic demand was the main driver of growth in the eurozone. At 1.7%, the German benchmark index DAX saw a slight gain and was listed at 12,306.00 points as of 30 June 2018. In contrast, the Austrian benchmark index ATX recorded a decrease of 5.0% in the second quarter, achieving 3,255.96 points at the end of the quarter. The high for the year so far was 3,688.78 points on 23 January 2018.

## Share data

		30 June 2018	30 June 2017
Closing price	EUR	16.720	12.700
Average daily turnover in the last 100 days	shares <sup>1</sup>	181,882	123,850
Earnings per share (EPS) for the first half-year	EUR	0.72	1.03
Book value per share	EUR	14.44	12.93
Difference between share price and book value per share (2018: premium, 2017: discount)	in %	16	-2
EPRA NAV per share	EUR	17.96	15.82
Share price discount to EPRA NAV per share	in %	-7	-20
EPRA NNNNAV per share	EUR	15.37	13.42
FFO I per share for the first half-year	EUR	0.52	0.40
FFO II per share for the first half-year	EUR	0.56	0.46
Dividend per share <sup>2</sup>	EUR	0.40	0.40

<sup>1</sup> Double counting

<sup>2</sup> The dividend distributed in 2018 and 2017 corresponds to the respective preceding financial year.

## Share price development

indexed 01 January 2018 to 30 June 2018

■ S IMMO share ■ ATX ■ IATX



The domestic real estate industry continued its stable upward trend. The IATX index for Austrian property shares recorded a gain of 1.1% compared to the previous quarter (a 2.3% increase since the beginning of the year) and ended the first half-year at 337.98 points.

Risk factors for global capital markets continue to be the protectionist behaviour of the US, the anticipated countermeasures and the economic consequences in the event of a “hard Brexit”.

## Price performance of the S IMMO share

In the first half-year, the S IMMO share also developed positively and was trading at EUR 16.72 as of 30 June 2018. This represents a year-on-year increase of 31.7% and a gain of 3.9% in the second quarter. As of the end of the second quarter, S IMMO AG had a market capitalisation of approximately EUR 1.1 billion. In 2018, the stable and sustainable dividend policy was continued with a distribution of EUR 0.40 per share for the financial year 2017. It was effected on 16 May 2018. As of 27 August 2018, when this report went to press, the share was trading at EUR 18.14.

The share's liquidity also developed positively. Investors' interest in the S IMMO share has increased due to the fact that the company has been listed on the Austrian benchmark index ATX since September 2017 and the potential for consolidation on the Austrian

## Performance

as of 30 June 2018

S IMMO share ISIN AT0000652250/SPI	
One year	31.65%
Three years, p.a.	30.93%
Ticker symbols	Reuters: SIAG.VI/Bloomberg: SPI:AV
Market	Vienna Stock Exchange
Market segment	Prime Market
Index	ATX/IATX/GPR General
Market capitalisation (30 June 2018)	EUR 1,118.86m
Number of securities (30 June 2018)	66,917,179
Market maker	Erste Group/Hauck & Aufhäuser/Baader Bank/Raiffeisen Centrobank

S IMMO share price in EUR	ATX	IATX	
30 June 2017	12.700	3,106.66	284.91
31 December 2017	16.150	3,420.14	330.24
30 June 2018	16.720	3,255.96	337.98

## S IMMO bonds

ISIN	Maturity	Coupon	Total nominal value in kEUR
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
AT0000A1Z9D9	06 February 2024	1.75%	100,000.00
AT0000A1Z9C1	06 February 2030	2.875%	50,000.00

property shares market. On average, 181,882 S IMMO shares (double counting) were traded daily in the second quarter, representing a year-on-year increase of 46.9%.

### Investor relations activities

The 29<sup>th</sup> Annual General Meeting of S IMMO AG was held at the Vienna Marriott Hotel on 03 May 2018. The voting results are published on the company's website [www.simmoag.at](http://www.simmoag.at).

Furthermore, the Management Board and the IR team took part in numerous investor conferences and roadshows in the reporting period. In the second quarter of 2018, S IMMO AG's Management and Investor Relations team met investors in Paris (Invest Securities), London (Baader Bank, Feros Advisers), Zurich (Baader

Bank), Budapest (Concorde Securities) and Edinburgh (Feros Advisers). After the successful roadshow in the United States last year, the management visited US funds again in New York, Boston, Chicago and Minneapolis in the second quarter.

Regular contact with Austrian private investors is also an important part of the company's IR activities. The S IMMO share is also attractive to private individuals owing to the diversified property portfolio in terms of type of use and region, the sustainable dividend policy and the positive share price growth in recent months. At the stock market information days of the Vienna Stock Exchange in Dornbirn and Innsbruck, S IMMO AG was presented to investment advisers.

## EPRA key figures

	30 June 2018	31 December 2017
EPRA NAV per share in EUR	17.96	17.63
Share price discount to EPRA NAV per share in %	-7	-8
EPRA NNAV per share in EUR	15.37	15.13
EPRA net initial yield in %	4.8	4.6

in kEUR	30 June 2018	30 June 2017
<b>EPRA earnings and EPRA earnings per share (EPS)</b>		
<b>Consolidated net income for the period attributable to shareholders according to IFRS</b>	<b>47,825</b>	<b>68,465</b>
Results from property valuation	-18,564	-69,331
Income from property disposals incl. transaction costs	0	0
Tax on income from disposals	804	1,353
Changes in market value of derivatives	469	4,953
Deferred taxes in respect of EPRA adjustments	3,025	11,543
Minority interests in respect of the above	0	3,035
<b>EPRA earnings</b>	<b>33,559</b>	<b>20,018</b>
<b>EPRA EPS in EUR</b>	<b>0.51</b>	<b>0.30</b>

in kEUR	30 June 2018	31 December 2017
<b>EPRA NAV</b>		
<b>Consolidated shareholders' equity net of non-controlling interests</b>	<b>955,633</b>	940,815
Revaluation of other non-current investments	80,563	77,525
Fair value of derivative financial instruments	16,777	15,960
Deferred taxes on derivative financial instruments	-4,006	-3,977
Other deferred taxes	139,913	136,828
<b>EPRA NAV</b>	<b>1,188,880</b>	<b>1,167,151</b>
EPRA NAV per share in EUR	17.96	17.63

in kEUR	30 June 2018	31 December 2017
<b>EPRA NNAV</b>		
<b>EPRA NAV</b>	<b>1,188,880</b>	<b>1,167,151</b>
<b>EPRA NAV per share in EUR</b>	<b>17.96</b>	<b>17.63</b>
Fair value of derivative financial instruments	-16,777	-15,960
Deferred taxes on derivative financial instruments	4,006	3,977
Other deferred taxes	-139,913	-136,828
Fair value of liabilities	-25,252	-22,663
Deferred taxes on debt adjustment	6,313	5,666
<b>EPRA NNAV</b>	<b>1,017,257</b>	<b>1,001,343</b>
EPRA NNAV per share in EUR	15.37	15.13

## Calculation of FFO I

in kEUR	30 June 2018	30 June 2017
<b>Net income</b>	<b>47,873</b>	<b>72,375</b>
Non-cash taxes	2,649	14,111
<b>Adjusted net income</b>	<b>50,522</b>	<b>86,486</b>
Non-cash revaluation result	-18,564	-69,331
Non-cash depreciation and amortisation	3,746	4,263
Sales result	0	0
Other non-cash/non-recurring effects	-4,333	258
Non-cash valuation of derivatives	469	4,953
Non-cash FX result	2,579	98
<b>FFO (without results from disposals)</b>	<b>34,419</b>	<b>26,727</b>
FFO I per share in EUR	0.52	0.40

# Interim Management Report

## Economic overview

According to Eurostat, gross domestic product (GDP) expanded by 0.3% in the eurozone and 0.4% in the European Union (EU) in the second quarter of 2018. In year-on-year terms, GDP increased by 2.1% in the eurozone and 2.2% in the EU in the second quarter of 2018. Economic growth is expected to slow down to 1.9% in the eurozone in 2019. The International Monetary Fund (IMF) projects growth of 3.9% for the global economy.

Following a rapid surge in growth last year, economic activity in Central and Eastern Europe (CEE) lost momentum in the first half of 2018. Although private consumption, fixed investments and increased utilisation of EU funding made a positive contribution to economic growth in CEE, the demand for goods from CEE declined in the EU.

Austria's economy remains robust. With growth of 0.7% in the second quarter of 2018, GDP expanded almost as quickly as in the previous quarter. According to the Austrian Institute of Economic Research (WIFO), GDP growth came to 2.3% in year-on-year terms. The Institute for Advanced Studies (IHS) forecasts economic growth of 1.9% for 2019.

## Real estate market overview

### Austria

The Viennese office market recorded a total take-up of 52,100 m<sup>2</sup> in the second quarter, which is around 86% more than in the prior-year period. The high demand is also reflected in the high pre-letting rate of 60%. The vacancy rate decreased to 4.7%.

The Viennese hotel market reached another record high in the first half-year. Overnight stays amounted to more than 7.2 million and thus achieved a plus of 4.1% compared to the same period of the prior year. Net room revenues registered an increase of 4.9% for the period between January and June 2018.

### Germany

Purchase prices and rents for apartments remain high in major German cities. In some regions, there are initial indications of a downward trend. However, owing to the continuing strong demand and supply shortage, it is nonetheless unlikely that the price pressure will decrease in the near future.

Berlin's office market remains on a successful path. An area of 382,000 m<sup>2</sup> was completed within the first half-year. The vacancy rate amounted to 2.1%, which is lower than in any other major German office location. The market is reacting to the strong demand with an area of 622,000 m<sup>2</sup> under construction, of which 278,000 m<sup>2</sup> are already pre-let.

## Overview of the real estate market<sup>1</sup>

	Prime rents (EUR/m <sup>2</sup> /month)				Prime gross yields (%)				Total leasing activity (m <sup>2</sup> )		Vacancy rate (%)	
	HY 2018	HY 2017	HY 2018	HY 2017	HY 2018	HY 2017	HY 2018	HY 2017	HY 2018	HY 2017	HY 2018	HY 2017
	Office	Office	Retail	Retail	Office	Office	Retail	Retail	Office	Office	Office	Office
Berlin	31.50	28.00	320.00	335.00	3.10	3.25	3.10	3.25	122,000	86,000	2.7	3.9
Bratislava	17.00	16.00	65.00 <sup>2</sup>	65.00 <sup>2</sup>	6.25	6.50	5.50 <sup>2</sup>	6.00 <sup>2</sup>	68,000	58,000	5.8	6.8
Bucharest	18.50	18.50	55.00	50.00	7.25	7.50	7.50	8.00	118,000	110,000	8.0	11.0
Budapest	23.00	22.00	135.00	125.00	6.00	6.50	5.75	6.00	174,000	116,000	7.6	8.6
Vienna	25.50	26.00	310.00	310.00	3.80	3.95	3.30	3.35	122,000	86,000	4.9	5.2
Zagreb	15.00	15.00	60.00	60.00	8.00	8.00	6.75	6.75	20,000 <sup>3</sup>	32,000	5.0	6.1

<sup>1</sup> Local CBRE MarketViews HY 2018

<sup>2</sup> Data for shopping centres; data for remainder of the locations is for high street retail.

<sup>3</sup> Estimated figure based on preliminary data

## CEE

Three new office buildings encompassing an area of 57,060 m<sup>2</sup> were delivered to the Budapest office market in the second quarter of 2018. The total demand amounted to 161,550 m<sup>2</sup>, which corresponds to an increase of 64% in comparison to the prior-year period. Take-up totalled 106,800 m<sup>2</sup>. New leases accounted for 37%, amounting to an area of 60,460 m<sup>2</sup>. Overall, 196 lease agreements with an average size of 824 m<sup>2</sup> were concluded. Currently, there are 461,800 m<sup>2</sup> under construction, of which 168,200 m<sup>2</sup> are scheduled to be completed this year. The vacancy rate exhibited a slight upward trend, reaching 7.6% by the end of the second quarter.

The hotel market in the CEE region remains highly promising. In Budapest, the revenue per available room recorded a 5% year-on-year increase in April. From January to May 2018, the total number of overnight stays increased by 7%. The occupancy rate registered in May amounted to around 64%. The outlook for the Prague hotel market also remains positive. A stable occupancy rate of around 80% is expected. Due to the lack of hotels in the luxury segment, several conversions of centrally located office buildings into luxury hotels are scheduled.

The existing supply on the Bratislava office market might have an impact on the vacancy rate, which reached an all-time low of 5.8% in June. The office market may change from a landlord's market to a tenant's market. Currently, prime rents remain on a stable level of 16.00 EUR/m<sup>2</sup> per month.

In Bucharest, demand remained strong on the office market. Around 150,000 m<sup>2</sup> were leased in the second quarter. Pre-leases accounted for 43% of the total transactions, followed by lease renewals at 18.6%. Around 28,000 m<sup>2</sup> of new office space were delivered to the market and more than 175,000 m<sup>2</sup> are expected to be completed over the course of the second half-year, the majority of which is already leased. The vacancy rate amounted to 7.7%.

The Romanian retail market has come under slight pressure in recent months, as it was impacted by the higher interest rates and weakening of the Romanian Leu. Due to the increase in average wages, however, the market is expected to recover soon. Between January and June 2018, gross retail trade turnover grew by 6.5%. In addition, high interest from retailers is keeping the vacancy rate low.

## Business and earnings development

### Property portfolio

As of 30 June 2018, S IMMO's property portfolio consisted of 267 (31 December 2017: 241) properties with a book value of EUR 1,932.6m including properties held for sale (31 December 2017: EUR 1,839.7m) and a total area of around 1.2 million m<sup>2</sup> (31 December 2017: 1.2 million m<sup>2</sup>). The occupancy rate of the portfolio in the reporting period was 95.1% (31 December 2017: 94.8%). The overall rental yield was 6.1% (31 December 2017: 6.1%).

The properties are located in Austria, Germany and in the CEE region. Based on book value, properties in Austria made up 22.8% (31 December 2017: 23.9%), while properties in Germany were 43.7% (31 December 2017: 42.0 %) of the portfolio. The properties in CEE accounted for 33.5% (31 December 2017: 34.1%).

Based on the main type of use, the portfolio broke down into 37.2% office buildings (31 December 2017: 39.3%), 20.5% retail properties (31 December 2017: 21.4%), 27.0% residential properties (31 December 2017: 27.0%) and 15.3% hotels (31 December 2017: 12.3%).

### Earnings development – Summary

In the very successful 2016 and 2017 financial years, in which S IMMO achieved best and second-best results in its history, the company sold properties totalling EUR 700m, including the

Viertel Zwei in Vienna and Serdika Shopping Center in Sofia. Owing to these cycle-oriented disposals, outstanding revaluation results were generated. At the same time, property sales of this size subsequently result in corresponding decreases in rental income and other related key figures. Therefore, 2018 is a year of transition for S IMMO.

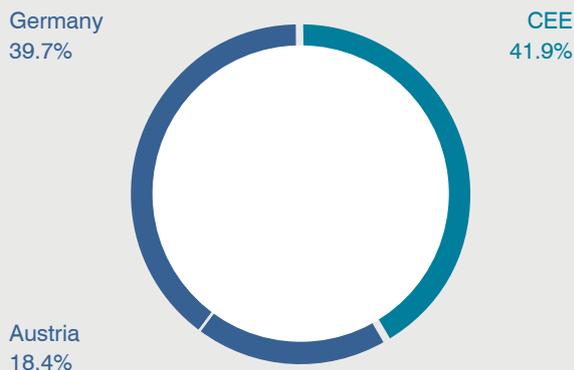
This year, owing to property purchases in Germany and a positive like-for-like performance of the portfolio properties, rental income of EUR 50.4m (HY 2017: EUR 58.5m) has already been generated. Thus, reduced revenues have already been partly offset.

With an FFO I of EUR 34.4m (HY 2017: EUR 26.7m), a record figure was achieved at the operating level in the first half of 2018. The financial results also significantly improved to EUR -1.3m (HY 2017: EUR -21.6m). This positive development is attributable to dividend income from the shareholdings in CA Immobilien Anlagen AG and IMMOFINANZ AG. However, lower borrowing costs and derivative expenses due to property sales and the cancellation of participating certificates also contributed to the improved financial results.

### Development of gross profits

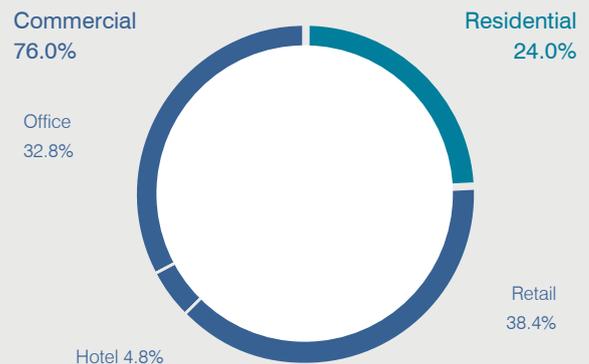
Due to property sales in the previous year, total revenues amounted to EUR 91.0m (HY 2017: EUR 97.5m) in the first half of 2018. The decrease in rental income due to disposals was countered effectively by property purchases in Germany and positive like-for-like performance of the portfolio properties.

#### Rental income by region <sup>1</sup>



<sup>1</sup> Not including Vienna Marriott Hotel and Budapest Marriott Hotel

#### Rental income by type of use <sup>1</sup>



<sup>1</sup> Not including Vienna Marriott Hotel and Budapest Marriott Hotel

Broken down by region, rental income in the first half of 2018 was as follows: Austria and Germany contributed 58.1% (HY 2017: 53.8%) and CEE 41.9% (HY 2017: 46.2%). In terms of main type of use, commercial properties contributed 76.0% (HY 2017: 82.4%) and residential properties 24.0% (HY 2017: 17.6%) of the rental income.

In addition, after the first halves of both 2016 and 2017 were impacted by the renovation of the Vienna Marriott Hotel, there was a significant increase in revenues from hotel operations in the first half of 2018 to EUR 24.1m (HY 2017: EUR 19.6m). Gross profits from hotel operations increased to EUR 7.1m (HY 2017: EUR 3.6m). The property disposals also had a positive effect on property management expenses, which were reduced to EUR 26.2m (HY 2017: EUR 29.9m).

### Property transactions

In the first half of 2018, S IMMO was selectively active in terms of acquisitions and purchased properties with a total value of EUR 57.9m. The focus was on properties in medium-sized German cities with strong potential for economic and demographic growth.

### Development of EBITDA and EBIT

In the first half of 2018, EBITDA amounted to EUR 39.6m (HY 2017: EUR 43.8m). The decline in EBITDA related to sales was largely limited due to significantly improved gross profits from hotel operations and a positive like-for-like development of rental income. The revaluation gains amounted to EUR 18.6m (HY 2017: EUR 69.3m). EBIT also decreased in the first half of 2018 to EUR 54.4m (HY 2017: EUR 108.9m), primarily due to lower non-cash property valuation effects.

### Significantly improved financial results

In the first half of 2018, the financial results including participating certificates improved to EUR -1.3m (HY 2017: EUR -21.6m). This positive development was the result of higher dividend income of EUR 14.3m (HY 2017: EUR 4.3m) from the shareholdings in CA Immobilien Anlagen AG and IMMOFINANZ AG, improved derivatives valuations and lower financing costs due to property sales last year. Another positive effect was achieved with the elimination of participating certificate expenses (HY 2017: EUR 2.7m).

Furthermore, the cost of funding (financing costs excluding bonds and participating certificate costs) was reduced from 2.84% as of 30 June 2017 to 2.21% as of 30 June 2018.

### Development of EBT and earnings per share

Despite the operational improvements, the lower property valuations primarily impacted the EBT, which dropped to EUR 53.1m (HY 2017: EUR 87.2m). Net income for the period attributable to the shareholders of the parent company amounted to EUR 47.8m (HY 2017: EUR 68.5m). Earnings per share came to EUR 0.72 (HY 2017: EUR 1.03).

### Consolidated statement of financial position

S IMMO Group's total assets increased from EUR 2,272.3m as of 31 December 2017 to EUR 2,517.8m as of 30 June 2018. The stake in IMMOFINANZ AG was increased to just below 12%, while the holdings in CA Immobilien Anlagen AG were expanded to a much lesser extent in the reporting period. This means "other financial assets" increased overall to EUR 452.5m as of 30 June 2018 (31 December 2017: EUR 300.2m). The dividend income in connection with these acquisitions was a significant driver for the considerable improvement in the financial results.

Cash and cash equivalents as of the end of the second quarter of 2018 totalled EUR 56.6m (31 December 2017: EUR 73.4m). In the first quarter of 2018, two additional bonds were issued with a volume of EUR 100m for the six-year bond and a volume of EUR 50m for the twelve-year bond. Both bonds have coupons with a fixed interest rate: 1.75% p.a. for the six-year bond and 2.875% p.a. for the twelve-year bond.

Equity not including minority shares increased in the first half of 2018 to EUR 955.6m (31 December 2017: EUR 940.8m). Thus, despite the dividend distribution in the second quarter of 2018, the book value per share improved to EUR 14.44 (31 December 2017: EUR 14.21). The equity ratio decreased to 38.0% as of 30 June 2018 (31 December 2017: 41.6%).

## Financing

A key figure for the assessment of the financing structure is the loan-to-value ratio (LTV ratio). S IMMO distinguishes between two types of this key figure: the LTV ratio for financing secured with properties (mortgages) and the LTV ratio for unsecured financing. Most of the latter are bonds issued by S IMMO AG.

S IMMO's reported property investments including properties held for sale amounted to EUR 2,383.8m as of 30 June 2018 (31 December 2017: EUR 2,138.2m). At 36.6% (31 December 2017: 36.6%), the LTV ratio for financing secured with properties remained stable. S IMMO has unsecured financing as well. The LTV ratio for unsecured financing less cash and cash equivalents increased to 18.0% (31 December 2017: 12.7%) in the reporting period, primarily due to bond issues in the first quarter. In total, the company's LTV ratio is 54.6% (31 December 2017: 49.3%). The calculation method for both key figures is described in detail in the 2017 Annual Report.

## Risk management report

S IMMO AG is exposed to all industry-specific risks in connection with its business activities (the purchase, letting, development and sale of properties across various regions and types of use). These include strategic, property-specific, financial and other risks. By identifying, analysing, managing and monitoring risks and opportunities, the company strives to detect negative developments and potential success factors in good time and take them into account in its decision-making processes.

Potential risks for the current financial year and the risk management of S IMMO AG are set out in detail in the 2017 Annual Report (starting on page 67).

The probability of occurrence of the stated risks depends on a large number of factors such as economic development in the respective markets or the cyclical fluctuations to which the property industry is exposed. S IMMO invests in properties and property companies within the European Union, and its portfolio is diversified by region and type of use.

According to European Commission forecasts, the robust economic growth of the past quarters is set to continue. For the EU and the eurozone, GDP is expected to expand by approximately 2% in 2018 and 2019. The forecast for Austria is also positive. Accordingly, economic growth of 2.8% is expected for 2018 and

2.1% for 2019. The IHS is forecasting domestic GDP growth of 1.9% for the coming year. The reasons for this estimate include the continuing improvement of conditions in the employment market, positive sentiment among consumers and a supportive monetary policy.

Despite these positive forecasts, uncertainty factors have intensified also, e.g. the increasing oil price and the global trade tensions.

As far as property markets are concerned, the company anticipates stable selling and rental prices and continued good occupancy rates for its properties. If the economic situation in the markets were to deteriorate unexpectedly, the Group would have to expect an increase in industry, property portfolio, property valuation, letting and rental default risk.

In addition to the risks associated with its operating activities, S IMMO is exposed to the market risk in the capital markets as a listed company. Moreover, S IMMO holds a significant amount of shares in IMMOFINANZ AG and CA Immobilien Anlagen AG. As property investment companies and property developers, both of these companies are exposed to similar risks to those of S IMMO. The shares of IMMOFINANZ and CA Immo are listed in the Austrian ATX benchmark index and are subject to market price risks that could have a negative impact on S IMMO's equity.

In addition to internal regulations and guidelines, risk management at S IMMO comprises ongoing reports to the Management Board in the context of regular meetings. Furthermore, there are control measures for the purpose of the early detection, management and monitoring of risks. The Management Board takes the key risk-relevant decisions. An Internal Control System (ICS) is in place for all key business processes. In addition, accounting provisions are made for potential risks.

Potential risks are also countered by opportunities: S IMMO is benefiting from the dynamic growth on the German property market and the strong economic development in CEE. Against this backdrop, the company is carrying out development projects and making opportunistic purchases and sales as and when appropriate.

## Outlook

Taking advantage of property cycles is a key part of our strategy. In this context, S IMMO combines regions and types of use with a view to generating income and securing it for the years ahead. S IMMO AG continues to benefit from the positive economic developments in its markets, the low-interest environment and the high price levels for many properties.

S IMMO's projects are at different phases of the property cycle and are developing well. The Einsteinova Business Center in Bratislava – which is already fully leased – will be handed over to the tenants during the summer, and the office building The Mark in Bucharest is still on track to be finished this year.

In terms of acquisitions, S IMMO is currently primarily active in Germany again. Properties are being purchased in up-and-coming major German cities such as Leipzig, Kiel and Erfurt. These cities have a good demographic profile and growth potential as a result of the strong population influx. Furthermore, individual purchase options are also being reviewed in CEE.

# Consolidated interim financial statements

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# Consolidated statement of financial position

as of 30 June 2018

Assets	EUR '000	Notes	30 June 2018	31 December 2017
<b>Non-current assets</b>				
Investment properties				
Rented properties		3.1.1.	1,730,904	1,668,405
Properties under development and undeveloped land		3.1.1.	47,079	37,100
			<b>1,777,983</b>	1,705,505
Owner-operated properties				
Other plant and equipment		3.1.2.	127,649	127,875
Intangible assets			234	230
Interests in companies measured at equity			13,822	12,237
Group interests			2,812	842
Loans to companies measured at equity			12,432	10,946
Other financial assets		3.1.3.	452,541	300,175
Deferred tax assets			2,278	2,277
			<b>2,395,506</b>	2,164,742
<b>Current assets</b>				
Inventories		3.1.4.	494	530
Trade receivables			8,230	8,447
Other financial assets			14,796	6,607
Other assets			14,881	12,239
Cash and cash equivalents		3.1.5.	56,593	73,390
			<b>94,994</b>	101,213
Assets held for sale		3.1.6.	27,259	6,300
			<b>122,253</b>	107,513
			<b>2,517,759</b>	<b>2,272,255</b>

Equity and liabilities	EUR '000	Notes	30 June 2018	31 December 2017
<b>Shareholders' equity</b>				
Share capital			240,544	240,544
Capital reserves			68,832	68,832
Other reserves			646,257	631,439
			<b>955,633</b>	<b>940,815</b>
Non-controlling interests			2,308	3,611
			<b>957,941</b>	<b>944,426</b>
<b>Non-current liabilities</b>				
Issued bonds		3.1.8.	436,574	287,518
Other financial liabilities		3.1.9.	800,692	686,589
Provisions			1,349	2,334
Other liabilities			8	7
Deferred tax liabilities			135,944	135,128
			<b>1,374,567</b>	<b>1,111,576</b>
<b>Current liabilities</b>				
Subordinated participating certificate capital		3.1.7.	0	56,717
Financial liabilities		3.1.9.	134,021	113,398
Income tax liabilities			3,802	4,666
Trade payables			7,718	7,363
Other liabilities			31,727	34,109
			<b>177,268</b>	<b>216,253</b>
Liabilities in connection with assets held for sale		3.1.6.	7,983	0
			<b>185,251</b>	<b>216,253</b>
			<b>2,517,759</b>	<b>2,272,255</b>

# Consolidated income statement

for the six months ended on 30 June 2018

EUR '000	Notes	01-06/2018	01-06/2017
<b>Revenues</b>			
Rental income	3.2.1.	50,403	58,543
Revenues from operating costs		16,467	19,293
Revenues from hotel operations	3.1.2.	24,140	19,618
		<b>91,010</b>	97,454
<b>Other operating income</b>			
		<b>958</b>	883
Property operating expenses	3.2.2.	-26,175	-29,915
Hotel operating expenses	3.2.2.	-17,040	-15,989
<b>Gross profit</b>			
		<b>48,753</b>	52,433
Income from property disposals		6,641	23,741
Book value of property disposals		-6,641	-23,741
Gains on property disposals	3.2.3.	<b>0</b>	0
Management expenses		-9,178	-8,631
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>			
		<b>39,575</b>	43,802
Depreciation and amortisation		-3,746	-4,263
Results from property valuation	3.2.4.	18,564	69,331
<b>Operating income (EBIT)</b>			
		<b>54,393</b>	108,870
Financing costs	3.2.5.	-19,218	-24,756
Financing income <sup>1</sup>	3.2.5.	15,530	5,725
Results from companies measured at equity	3.2.5.	2,436	58
Participating certificates result	3.1.7.	0	-2,663
<b>Net income before tax (EBT)</b>			
		<b>53,141</b>	87,234
Taxes on income	3.2.6.	-5,268	-14,859
<b>Consolidated net income for the period</b>			
		<b>47,873</b>	<b>72,375</b>
of which attributable to shareholders in parent company		47,825	68,465
of which attributable to non-controlling interests		48	3,910
<b>Earnings per share</b>			
undiluted = diluted		<b>0.72</b>	1.03

<sup>1</sup> of which dividend income from shareholdings in listed real estate companies: HY 2018: EUR 14.3m, HY 2017: 4.3m

# Consolidated statement of comprehensive income

for the six months ended on 30 June 2018

EUR '000	01-06/2018	01-06/2017
Consolidated net income for the period	47,873	72,375
Change in value of cash flow hedges	-1,151	-243
Income taxes on cash flow hedges	166	46
Reclassification of derivatives valuation effects	623	6,342
Reserve for foreign exchange rate differences	2,214	-98
Valuation of financial instruments available for sale	0	16,967
Income taxes from measurement of financial instruments available for sale	0	-4,242
Other comprehensive income for the period (realised through profit or loss)	1,852	18,772
Valuation of financial instruments available for sale	-10,016	0
Income taxes from measurement of financial instruments available for sale	161	0
Other comprehensive income for the period (realised not through profit or loss)	-9,855	0
<b>Total comprehensive income for the period</b>	<b>39,870</b>	<b>91,147</b>
of which attributable to shareholders in parent company	39,822	87,006
of which attributable to non-controlling interests	48	4,141

# Consolidated income statement

for the three months ended on 30 June 2018

EUR '000	Notes	04-06/2018	04-06/2017
<b>Revenues</b>			
Rental income	3.2.1.	25,812	29,614
Revenues from operating costs		7,530	9,160
Revenues from hotel operations	3.1.2.	14,126	12,171
		<b>47,468</b>	50,945
<b>Other operating income</b>			
Property operating expenses	3.2.2.	-11,737	-13,427
Hotel operating expenses	3.2.2.	-8,971	-8,839
Gross profit		<b>27,165</b>	29,080
Income from property disposals		6,641	22,000
Book value of property disposals		-6,641	-22,000
Gains on property disposals	3.2.3.	<b>0</b>	0
Management expenses		-4,858	-4,807
Earnings before interest, tax, depreciation and amortisation (EBITDA)		<b>22,307</b>	24,273
Depreciation and amortisation		-1,972	-2,182
Results from property valuation	3.2.4.	9,208	59,579
Operating income (EBIT)		<b>29,543</b>	81,670
Financing costs	3.2.5.	-12,253	-15,466
Financing income <sup>1</sup>	3.2.5.	14,576	4,874
Results from companies measured at equity	3.2.5.	3,146	151
Participating certificates result	3.1.7.	0	-1,944
Net income before tax (EBT)		<b>35,012</b>	69,285
Taxes on income	3.2.6.	-1,838	-13,070
<b>Consolidated net income for the period</b>		<b>33,174</b>	<b>56,215</b>
of which attributable to shareholders in parent company		33,148	54,737
of which attributable to non-controlling interests		26	1,478
<b>Earnings per share</b>			
undiluted = diluted		<b>0.50</b>	0.83

<sup>1</sup> of which dividend income from shareholdings in listed real estate companies: HY 2018: EUR 14.3m, HY 2017: 4.3m

# Consolidated statement of comprehensive income

for the three months ended on 30 June 2018

EUR '000	04-06/2018	04-06/2017
Consolidated net income for the period	33,174	56,215
Change in value of cash flow hedges	-1,592	-2,790
Income taxes on cash flow hedges	266	534
Reclassification of derivatives valuation effects	311	5,280
Reserve for foreign exchange rate differences	1,988	197
Valuation of financial instruments available for sale	0	10,784
Income taxes from measurement of financial instruments available for sale	0	-2,696
Other comprehensive income for the period (realised through profit or loss)	973	11,309
Valuation of financial instruments available for sale	-1,238	0
Income taxes from measurement of financial instruments available for sale	-2,034	0
Other comprehensive income for the period (not realised through profit or loss)	-3,272	0
<b>Total comprehensive income for the period</b>	<b>30,875</b>	<b>67,524</b>
of which attributable to shareholders in parent company	30,849	66,030
of which attributable to non-controlling interests	26	1,494

# Consolidated cash flow statement

for the six months ended on 30 June 2018

EUR '000	01-06/2018	01-06/2017
Operating cash flow	36,956	43,054
Changes in net current assets	-6,741	-3,285
Cash flow from operating activities	30,215	39,769
Cash flow from investing activities	-234,834	-83,963
Cash flow from financing activities	187,888	15,761
<b>Total</b>	<b>-16,731</b>	<b>-28,433</b>
Cash and cash equivalents as of 01 January	73,390	66,029
Reclassification of cash and cash equivalents to "assets held for sale"	-66	-1,826
Cash and cash equivalents as of 30 June	56,593	35,770
<b>Net change in cash and cash equivalents</b>	<b>-16,731</b>	<b>-28,433</b>

# Changes in consolidated equity

EUR '000	Share capital	Capital reserves	Foreign currency translation reserve	Hedge accounting reserve	Equity instruments reserve <sup>2</sup>	Other reserves	Subtotal S IMMO share-holders	Non-controlling interests	Total
As of 01 January 2018	240,544	68,832	-17,200	-6,022	25,053	629,608	940,815	3,611	944,426
Changeover effects of first-time application of IFRS 9	0	0	0	0	0	1,478	1,478	0	1,478
Total after adjustment due to first-time application of IFRS 9	240,544	68,832	-17,200	-6,022	25,053	631,086	942,293	3,611	945,904
Consolidated net income for the period	0	0	0	0	0	47,825	47,825	48	47,873
Other comprehensive income	0	0	2,214	-362	-9,855	0	-8,003	0	-8,003
Repurchase of treasury shares	0	0	0	0	0	0	0	0	0
Change in non-controlling interests	0	0	0	0	0	0	0	-1,351	-1,351
Distribution <sup>1</sup>	0	0	0	0	0	-26,481	-26,481	0	-26,481
<b>As of 30 June 2018</b>	<b>240,544</b>	<b>68,832</b>	<b>-14,986</b>	<b>-6,384</b>	<b>15,198</b>	<b>652,429</b>	<b>955,633</b>	<b>2,308</b>	<b>957,941</b>
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	68,465	68,465	3,910	72,375
Other comprehensive income	0	0	-99	5,914	12,725	0	18,540	231	18,771
Repurchase of treasury shares	0	0	0	0	0	0	0	0	0
Change in non-controlling interests	0	0	0	0	0	0	0	-835	-835
Distribution	0	0	0	0	0	-26,481	-26,481	0	-26,481
<b>As of 30 June 2017</b>	<b>240,544</b>	<b>68,832</b>	<b>-17,464</b>	<b>-11,671</b>	<b>8,867</b>	<b>567,021</b>	<b>856,129</b>	<b>32,043</b>	<b>888,172</b>

<sup>1</sup> The dividend distribution of kEUR 26,481 in 2018 corresponds to a dividend of EUR 0.40 (2017: EUR 0.40) per share and was effected on 16 May 2018.

<sup>2</sup> See notes 3.1.3.

# 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 ultimate parent company of the Group, S IMMO AG, has its registered office and headquarters at Friedrichstrasse 10, 1010 Vienna, Austria. The company has been listed on the Vienna Stock Exchange since 1987 and since 2007 in the Prime Market segment. 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 June 2018, S IMMO Group owned properties in all the above countries except Denmark. S IMMO Group is an international real estate group that engages in buying, selling, real estate project development, letting, asset management, and operating hotels and shopping centres as well as in revitalising and renovating properties in Austria, Germany and CEE (Slovakia, Czech Republic, Hungary, Romania, Bulgaria and Croatia).

## 2. Accounting and valuation policies

### 2.1. Accounting policies

The consolidated interim financial statements for the six months ended on 30 June 2018 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 on 31 December 2017.

In preparing the consolidated interim financial statements for the six months ended on 30 June 2018, the accounting and valuation policies applied in the consolidated financial statements for the year ended on 31 December 2017 have been applied substantially unchanged.

The financial statements for the six months ended on 30 June 2018 have neither been audited nor reviewed by independent auditors.

The accounting policies of all companies included in the 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.

In the second quarter of 2018, S IMMO Property Neun GmbH (Austria) and S IMMO Property Zehn GmbH (Austria) were fully consolidated in the consolidated financial statements of S IMMO AG for the first time. A business combination as per IFRS 3 did not occur for the two newly consolidated companies, as the definition of a business according to IFRS 3 was not met.

The consolidated interim financial statements are presented rounded to the nearest 1,000 euros (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

For the preparation of these consolidated interim financial statements, IFRS 9 – Financial Instruments, IFRS 15 – Revenue from Contracts with Customers, a clarification to IFRS 15 and amendments to IFRS 1 and IAS 28 (AIP 2014–2016) were applicable from 01 January 2018 onwards. For a more detailed description of these, and future changes and their impact on the consolidated financial statements, please refer to the 2017 consolidated financial statements. None of the new standards to be applied had any significant impact on these interim financial statements. For one equity investment previously measured at amortised cost less impairment, the book value was adjusted by kEUR 1,970 on the basis of IFRS 9. The change was recognised with an adjustment to the opening balance of retained earnings.

Type of financial asset	Original valuation category according to IAS 39	New valuation category according to IFRS 9	Original book value according to IAS 39	New book value according to IFRS 9
Group interests	Financial assets available for sale	Financial assets measured at fair value not recognised in profit or loss (OCI option)	kEUR 535	kEUR 2,505

New standards and interpretations which have been approved for application in the EU, but are not yet required to be applied for the financial year 2018 were not applied (additional information can be found in the consolidated financial statements for the financial year 2017).

### 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	Rented properties	Properties under development and undeveloped land
As of 01 January 2017	1,917,303	20,801
Additions	90,941	17,168
Disposals	-1,741	0
Other changes	-2,148	0
Changes in fair value (realised through profit or loss)	128,316	-869
Reclassifications as properties held for sale	-464,266	0
<b>As of 31 December 2017</b>	<b>1,668,405</b>	<b>37,100</b>
whereof pledged as security	1,606,715	31,670
Additions	70,869	10,321
Disposals	0	-341
Other changes	0	0
Changes in fair value (realised through profit or loss)	18,565	-1
Reclassifications as properties held for sale	-26,935	0
<b>As of 30 June 2018</b>	<b>1,730,904</b>	<b>47,079</b>
whereof pledged as security	1,634,367	41,649

Consisting of:

#### Rented properties

EUR '000	30.06.2018	31.12.2017
Austria	382,401	379,470
Germany	816,937	765,855
CEE	531,566	523,080
	<b>1,730,904</b>	<b>1,668,405</b>

#### Properties under development and undeveloped land

EUR '000	30.06.2018	31.12.2017
Austria	0	0
Germany	0	0
CEE	47,079	37,100
	<b>47,079</b>	<b>37,100</b>

Appraisals are generally obtained from independent experts once a year to measure the fair value of all investment properties. The measurement methods are the same as those used for the 2017 annual financial statements and correspond to level 3 of the IFRS 13.86 fair value hierarchy. The valuation result for the investment properties in the first half of 2018 is based on internal calculation models with input parameters that have changed since the preparation of the 2017 annual financial statements but with the same valuation methods as applied for the 2017 annual financial statements or on purchase contracts. The valuations of the first half-year apply to all segments.

#### 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.

#### 3.1.3. Other financial assets

Other financial assets include mainly shares in the companies IMMOFINANZ AG and CA Immobilien Anlagen AG that were accounted for as available-for-sale securities according to IAS 39 until the initial application of IFRS 9. At the time of the initial application of IFRS 9 (01 January 2018), the Management Board took the decision to recognise these equity instruments at fair value through other comprehensive income. As a result, the cumulative historical gains and losses from the previous measurement at fair value were reclassified from other comprehensive income (realised through profit or loss) to other comprehensive income

(not realised through profit or loss) as of 01 January 2018. In contrast to IAS 39, IFRS 9 no longer permits recycling from other comprehensive income to the income statement. In the first half of the year, S IMMO acquired a package of 60,000,000 shares in IMMOFINANZ AG over the counter. In addition, much smaller quantities of shares in IMMOFINANZ AG and CA Immobilien Anlagen AG were purchased on the stock exchange. Dividend income totalling kEUR 14,332 was realised through profit or loss in the reporting period (HY 2017: kEUR 4,302).

### 3.1.4. Inventories

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

### 3.1.5. Cash and cash equivalents

EUR '000	30.06.2018	31.12.2017
Bank balances	56,360	73,114
Cash in hand	233	276
	<b>56,593</b>	<b>73,390</b>

### 3.1.6. Assets held for sale and liabilities relating to assets 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 one property in Germany.

#### Assets held for sale

EUR '000	30.06.2018	31.12.2017
Rented properties	26,935	6,300
Intangible assets	0	0
Other plant and equipment	0	0
Deferred taxes	0	0
Inventories	0	0
Trade receivables	0	0
Other financial assets	258	0
Other assets	0	0
Cash and cash equivalents	66	0
	<b>27,259</b>	<b>6,300</b>

#### Liabilities relating to assets held for sale

EUR '000	30.06.2018	31.12.2017
Deferred taxes	2,242	0
Financial liabilities	5,575	0
Income tax liability	10	0
Trade payables	2	0
Other liabilities	154	0
	<b>7,983</b>	<b>0</b>

### 3.1.7. Participating certificates (subordinated)

In the second quarter of 2017, S IMMO exercised the cancellation right and cancelled all participating certificates it had issued effective from 31 December 2017. As a result, income entitlements and hidden reserves were allocated for the financial year 2017 for the last time.

The participation certificate liability determined in this way as of 31 December 2017 was approved by the Supervisory Board at the meeting on 04 April 2018. All payments have been made in accordance with the contract within one month from this date.

### 3.1.8. Issued bonds

In February 2018, S IMMO AG issued two bonds. A bond (ISIN AT0000A1Z9D9) with a total nominal value of kEUR 100,000 divided into 200,000 shares with a nominal value of EUR 500 each and a second bond (ISIN AT0000A1Z9C1) with a total nominal value of kEUR 50,000 divided into 100,000 shares with a nominal value of EUR 500 each. Taking into account the issuing costs to be offset, this resulted in an addition of bond liabilities of kEUR 99,134 or kEUR 49,708 in the reporting period.

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

ISIN	Total nominal value in EUR '000	Coupon	Effective interest rate	Maturity
AT0000A177D2	89,739.5	4.500%	4.66%	16 June 2021
AT0000A19SB5	100,000	3.000%	3.13%	02 October 2019
AT0000A1DBM5	33,993.5	3.250%	3.36%	08 April 2025
AT0000A1DWK5	65,000	3.250%	3.31%	20 April 2027
AT0000A1Z9D9	100,000	1.750%	1.90%	06 February 2024
AT0000A1Z9C1	50,000	2.875%	2.93%	06 February 2030

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

### 3.1.9. Other financial liabilities

Other current and non-current financial liabilities, including the financial liabilities reported in liabilities relating to assets held for sale, amounted to kEUR 940,288 (31 December 2017: kEUR 799,987).

### 3.1.10. Derivatives

The S IMMO Group currently uses swaps and caps to manage the interest rate risk in connection with property financing at variable interest rates. These derivatives were disclosed under other financial assets (30 June 2018: kEUR 894; 31 December 2017: kEUR 1,170) and under other financial liabilities (30 June 2018: kEUR 17,671; 31 December 2017: kEUR 17,130). 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 2017 annual 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 2017.

In the first six months of 2018, this resulted in expenses of kEUR 1,151 (HY 2017: expenses kEUR 243) recognised directly in equity. Overall, valuation and OCI recycling effects had a negative effect in the consolidated income statement for the first six months of 2018 in the amount of kEUR 469 (HY 2017: negative effect in the consolidated income statement of kEUR 4,953).

30 June 2018

EUR '000	Nominal	Positive fair value	Negative fair value
Swaps	482,449	265	-17,671
Caps	195,000	629	0
<b>Total</b>	<b>677,449</b>	<b>894</b>	<b>-17,671</b>

31 December 2017

EUR '000	Nominal	Positive fair value	Negative fair value
Swaps	414,035	322	-17,130
Caps	195,000	848	0
<b>Total</b>	<b>609,035</b>	<b>1,170</b>	<b>-17,130</b>

## 3.2. Consolidated income statement

### 3.2.1. Rental income

Rental income by properties' type of use was as follows:

EUR '000	01-06/2018	01-06/2017
Office	16,515	22,572
Residential	12,116	10,281
Retail	19,366	23,258
Hotel	2,406	2,432
	<b>50,403</b>	<b>58,543</b>

The decrease in rental income is primarily due to disposals of the properties Viertel Zwei and Serdika Shopping Center with its accompanying office property in the third quarter of 2017. The reduction was partially offset by acquisitions and a positive like-for-like performance.

### 3.2.2. Operating costs and expenses from properties and hotel operations

These expenses are almost exclusively expenses related to investment properties. They consist mainly of operating costs, valuation allowances for rents receivable, 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.

The number of employees in the Group in the first half of 2018 averaged 591 (HY 2017: 575), including hotel staff. Personnel expenses for the hotels are disclosed under hotel operations.

### 3.2.3. Gains on property disposals

A property in Berlin, Germany was sold in the first half of 2018.

EUR '000	01-06/2018	01-06/2017
Income from property disposals		
Investment properties	341	1,741
Properties held for sale	6,300	22,000
Inventories	0	0
	<b>6,641</b>	<b>23,741</b>
Book value of property disposals		
Investment properties	-341	-1,741
Properties held for sale	-6,300	-22,000
Inventories	0	0
	<b>-6,641</b>	<b>-23,741</b>
Gains on property disposals		
Investment properties	0	0
Properties held for sale	0	0
Inventories	0	0
	<b>0</b>	<b>0</b>

### 3.2.4. Results from property valuation

The Germany segment accounted for kEUR 12,865 (HY 2017: kEUR 36,774) of the revaluation results, the Austria segment for kEUR 1,400 (HY 2017: kEUR 24,463) and CEE for kEUR 4,299 (HY 2017: kEUR 8,094).

### 3.2.5. Financing result

Net financing costs consisted of the following:

EUR '000	01-06/2018	01-06/2017
Financing expense	-19,218	-24,756
Financing income	15,530	5,725
Results from companies measured at equity	2,436	58
	<b>-1,252</b>	<b>-18,973</b>

### 3.2.6. Taxes on income

EUR '000	01-06/2018	01-06/2017
Current tax expense	-2,516	-2,587
Deferred tax income/expense	-2,752	-12,272
	<b>-5,268</b>	<b>-14,859</b>

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

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

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

## 4. Operating segments

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

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 chief operating decision maker for the divisions is the CEO.

EUR '000	Austria		Germany		CEE		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Rental income	9,271	13,760	19,992	17,711	21,140	27,072	50,403	58,543
Revenues from operating costs	2,305	3,749	5,801	5,241	8,361	10,303	16,467	19,293
Revenues from hotel operations	12,296	8,407	0	0	11,844	11,211	24,140	19,618
<b>Total revenues</b>	<b>23,872</b>	<b>25,916</b>	<b>25,793</b>	<b>22,952</b>	<b>41,345</b>	<b>48,586</b>	<b>91,010</b>	<b>97,454</b>
Other operating income	448	417	431	314	79	152	958	883
Property operating expenses	-3,547	-5,769	-12,246	-11,291	-10,382	12,855	-26,175	-29,915
Hotel operating expenses	-9,563	-8,464	0	0	-7,477	-7,525	-17,040	-15,989
<b>Gross profit</b>	<b>11,210</b>	<b>12,100</b>	<b>13,978</b>	<b>11,975</b>	<b>23,565</b>	<b>28,358</b>	<b>48,753</b>	<b>52,433</b>
Gains on property disposals	0	0	0	0	0	0	0	0
Management expenses	-5,380	-4,839	-2,707	-2,462	-1,091	-1,330	-9,178	-8,631
<b>EBITDA</b>	<b>5,830</b>	<b>7,261</b>	<b>11,271</b>	<b>9,513</b>	<b>22,474</b>	<b>27,028</b>	<b>39,575</b>	<b>43,802</b>
Depreciation and amortisation	-2,192	-2,300	-94	-47	-1,459	-1,915	-3,746	-4,263
Results from property valuation	1,400	24,463	12,865	36,774	4,299	8,094	18,564	69,331
<b>EBIT</b>	<b>5,037</b>	<b>29,424</b>	<b>24,042</b>	<b>46,240</b>	<b>25,313</b>	<b>33,207</b>	<b>54,393</b>	<b>108,870</b>
	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Non-current assets	915,028	759,947	818,199	766,720	662,280	638,075	2,395,506	2,164,742
Non-current liabilities	676,243	512,973	344,440	275,996	353,884	322,607	1,374,567	1,111,576

## 5. Other obligations and contingent liabilities

In S IMMO Group there were a number of open legal disputes as of 30 June 2018. However, in Management's opinion, neither the individual amounts involved nor the total are material.

## 6. Related party disclosures

S IMMO Group's related parties are as follows:

- S IMMO Group's managing bodies
- Vienna Insurance Group (until 09 April 2018)
- RPR Privatstiftung
- Familie Benko Privatstiftung
- 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)
- Franz Kerber, Graz  
(First Deputy Chairman since 03 May 2018)
- Wilhelm Rasinger, Vienna  
(Second Deputy Chairman since 03 May 2018)
- Andrea Besenhofer, Vienna
- Hanna Bomba, Vienna (since 03 May 2018)
- Christian Hager, Krems
- Manfred Rapf, Vienna
- Karin Rest, MBA, Vienna (since 03 May 2018)
- Ralf Zeitlberger, Vienna (until 03 May 2018)  
(First Deputy Chairman until 03 May 2018)

As of 30 June 2018, there were no receivables or payables due to related parties of the S IMMO Group.

The following receivables and payables were due to Vienna Insurance Group and Erste Group as of 31 December 2017:

EUR '000	30.06.2018	31.12.2017
Other receivables	0	3,830
Bank balances	0	60,405
<b>Receivables</b>	<b>0</b>	<b>64,235</b>

EUR '000	30.06.2018	31.12.2017
Non-current bank and financial liabilities	0	346,095
Current bank and financial liabilities	0	49,368
Trade payables	0	61
Other liabilities	0	1,224
<b>Liabilities</b>	<b>0</b>	<b>396,748</b>

There were the following expenses and incomes in connection with Vienna Insurance Group (until 09 April 2018) and accordingly Vienna Insurance Group and Erste Group (2017) in the first six months of the year and the same period last year:

EUR '000	01-06/2018	01-06/2017
Management fees	0	-125
Bank loan interest, other financing expenses and service charges	-1,004	-8,168
Other expenses	-244	-625
<b>Expenses</b>	<b>-1,248</b>	<b>-8,918</b>

EUR '000	01-06/2018	01-06/2017
Rent and operating costs	0	123
Bank interest	0	100
Other interest income	9	144
<b>Income</b>	<b>9</b>	<b>367</b>

Vienna, 30 August 2018

Management Board

Ernst Vejdovszky m. p.

Friedrich Wachernig, MBA m. p.

# Declaration of the Management Board

pursuant to section 125 (1) Austrian Stock Exchange Act (Börsegesetz)

## Statement of all legal representatives

“We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of important events that have occurred during the first six months of the financial year

and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year, and of the major related party transactions to be disclosed.”

Vienna, 30 August 2018

The Management Board



Ernst Vejdovsky



Friedrich Wachernig, MBA



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