

**Q3** INTERIM REPORT  
as at 30 September 2014



# Key figures

|  |       | 30.09.2014 | 30.09.2013 <sup>1</sup> |
|--|-------|------------|-------------------------|
| Revenues   | EUR m | 140.5      | 145.3                   |
| whereof rental income and revenues from hotel operations | EUR m | 114.7      | 117.5                   |
| EBITDA   | EUR m | 67.6       | 75.4                    |
| EBIT   | EUR m | 74.9       | 72.2                    |
| EBT  | EUR m | 27.3       | 25.6                    |
| Net income for the period                                | EUR m | 22.2       | 21.4                    |
| <br>   |       |            |                         |
| Total assets   | EUR m | 1,840.3    | 1,944.5                 |
| Equity   | EUR m | 558.3      | 538.4                   |
| Liabilities  | EUR m | 1,282.0    | 1,406.1                 |
| Equity ratio   | in %  | 30         | 28                      |
| <br>   |       |            |                         |
| Operating cash flow                                      | EUR m | 64.4       | 75.3                    |
| Cash flow from investing activities                      | EUR m | 50.4       | 72.0                    |
| Cash flow from financing activities                      | EUR m | -99.9      | -143.9                  |
| Cash and cash equivalents as at 30 September             | EUR m | 46.9       | 49.6                    |
| <br>   |       |            |                         |
| NOI margin   | in %  | 54         | 53                      |
| FFO I  | EUR m | 17.9       | 22.5                    |
| FFO II   | EUR m | 33.1       | 32.1                    |
| <br>   |       |            |                         |
| Earnings per share                                       | EUR   | 0.30       | 0.29                    |
| Book value per share                                     | EUR   | 7.97       | 7.62                    |
| Share price discount from book value per share           | in %  | 23         | 39                      |
| Operating cash flow per share                            | EUR   | 0.96       | 1.12                    |
| <br>   |       |            |                         |
| Property portfolio                                       | EUR m | 1,722.2    | 1,794.9                 |
| whereof properties under construction                    | EUR m | 15.6       | 21.0                    |

<sup>1</sup> Adjusted



Akademiehof Vienna

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# Dear Shareholders,

In the first three quarters of 2014, S IMMO AG's efforts on your behalf were very successful: we are definitely on the way to achieving our targets for the current financial year. The key figures for the first nine months of 2014 confirm S IMMO's positive performance. We increased EBIT in comparison with the same period last year by 3.8% to EUR 74.9m, funds from operations including the effects of property sales (FFO II) rose by 3.2% to EUR 33.1m, and the consolidated net income for the period climbed to EUR 22.2m.

The capital markets continue to be dynamic: the S IMMO share closed the third quarter at EUR 6.160 for a very satisfactory year-to-date gain of 16.5%. This means our share significantly outperformed the relevant stock exchange indices ATX and IATX. At the end of September, S IMMO issued a EUR 100m corporate bond with an annual coupon of 3%, thus using the favourable interest environment to drive the growth of the Group forward. The bond was oversubscribed nearly threefold and was a complete success.

Even though the general economic forecasts are clouded by the uncertainties affecting trouble spots in Ukraine and the Middle East, we sense movement and growing optimism in our markets. The historically low level of interest rates is also having very beneficial effects on our industry.

In recent weeks, we have again had very satisfactory letting successes to report – in Bucharest, Sofia and Zagreb, but also in what has been our most difficult market, Budapest. Since the beginning of the year, we have renewed existing leases for 7,000 m<sup>2</sup> and found new tenants for 9,000 m<sup>2</sup> in the Hungarian capital. We are very pleased that the quality of our properties has again been confirmed by awards: our Eurocenter building recently received the first BREEAM In-Use Certificate in Croatia.

S IMMO AG's strategy remains unchanged: we invest in four property use types and in four regions, focusing on European Union capital cities. We take advantage of differences in real estate cycles, and recognise potential early. Currently, our main focus is on the booming property market in Berlin, where the home ownership ratio of around 15% is especially low and influx of new residents continues to be high. We are benefiting from



The Management Board: Ernst Vejdovszky, Friedrich Wachernig

this dynamic growth, and are in the process of planning freehold apartment projects on land we already own. At the same time, we are examining investments in the commercial sector, which we see as having great potential because of the ongoing growth in demand.

S IMMO is exceptionally well positioned for the coming years. With our excellent results for the quarter and the continuing progress of our operating performance, we confirm our goal for 2014 to further increase our excellent results of 2013 and to continue to pay steady dividends.

The Management Board team



Ernst Vejdovszky



Friedrich Wachernig

# Our share

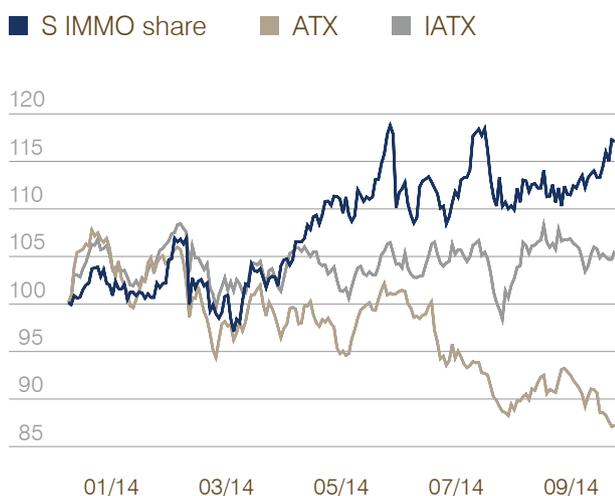
Sentiment on the capital markets in Europe and the United States was heavily influenced by geopolitical tensions in Ukraine, Iraq and Syria in the third quarter. The repeated revisions of economic forecasts also had a negative impact. The stock markets therefore posted negative developments in the first three quarters. However, British stock prices climbed after Scotland voted to remain part of the United Kingdom in the September referendum.

It can be assumed that interest rates in Europe will remain at the current very low level for an extended period. Among other things, this is due to dwindling domestic demand, high debt levels and fears of deflation.

The Dow Jones Industrial Index ended the third quarter at 10,043 points, an increase of 3.7% compared to the end of 2013. The story is a little more mixed for the German DAX. The index was at 9,474.30 points after nine months, down 0.8% since the end of 2013. The Vienna ATX benchmark index continued to lose momentum after a positive start to 2014. As at 30 September 2014, the ATX had fallen 13.5% to 2,203.94 points.

## Share price development

indexed (01.01.2014 to 30.09.2014)



Austrian property shares, which are tracked by the IATX property index, are benefitting from the current low interest level. Overall, the index rose by 4.5% in the first three quarters of the current year to 200.29 points.

Against this backdrop, S IMMO shares significantly outperformed the industry index and enjoyed a year-to-date increase of 16.5% as at the end of the quarter. The price as at 30 September 2014 was just short of this year's highest level of EUR 6.270 at EUR 6.160.

| Share indicators                                   |        | 2014   | 2013*  |
|--|--------|--------|--------|
| Closing price (as at 30 September)                 | EUR    | 6.160  | 4.630  |
| Average daily turnover                             | shares | 78,000 | 88,000 |
| Earnings per share (EPS)                           | EUR    | 0.30   | 0.29   |
| EPRA NAV per share                                 | EUR    | 9.89   | 9.61   |
| Share price discount from EPRA NAV                 | in %   | 38     | 52     |
| Balance sheet NAV per share (book value per share) | EUR    | 7.97   | 7.62   |
| Share price discount from book value per share     | in %   | 23     | 39     |
| Operating cash flow per share                      | EUR    | 0.96   | 1.12   |
| Price/operating cash flow                          | EUR    | 4.79   | 3.10   |

\* Adjusted

## S IMMO share performance

| ISIN              | AT0000652250 |
|-------------------|--------------|
| One year          | 33.1%        |
| Three years, p.a. | 15.8%        |

### S IMMO share information

|   |                                       |
|---|---------------------------------------|
| ISIN                                      | AT0000652250/SPI                      |
| Ticker symbols                            | Reuters: SIAG.VI<br>Bloomberg: SPI:AV |
| Market                                    | Vienna Stock Exchange                 |
| Market segment                            | Prime Market                          |
| Index                                     | GPR General / IATX                    |
| Market capitalisation (30 September 2014) | EUR 412.2m                            |
| Number of shares (30 September 2014)      | 66,917,179                            |
| Market maker                              | Erste Group/KochBank                  |
| Initial listing                           | 28 June 2002                          |

Property shares are currently very much in demand among investors. This is reaffirmed by the performance of the GPR 250 Index, which tracks the world's biggest property shares. It added 9.1% in the third quarter of 2014. There was also a slight geographical difference favouring the US: The growth in Europe was 12.9%, while American property shares were up 13.9%.

### 2014–2019 bond

At the end of September 2014, S IMMO issued a bond with a volume of EUR 100m and a coupon of 3% p.a.

The unsecured bullet bond has a maturity of five years (2014–2019) and was issued in denominations of EUR 500. It is listed in the Corporate Prime segment of the Vienna Stock

## S IMMO INVEST participating certificate performance

| ISIN              | AT0000795737 | AT0000630694 |
|-------------------|--------------|--------------|
| One year          | 8.5%         | 9.3%         |
| Three years, p.a. | 10.2%        | 10.5%        |

### Participating certificate information

|  |  |
|--|--|
| ISIN   | AT0000795737 (initial listing 1996)<br>AT0000630694 (initial listing 2004) |
| Ticker symbols   | Reuters: SIMIg.VI<br>Bloomberg: SIIG:AV                                    |
| Market   | Vienna Stock Exchange  |
| Market segment   | other securities.at  |
| Market capitalisation (30 September 2014)                | EUR 92.4m  |
| Number of participating certificates (30 September 2014) | 764,481 (tranche I)<br>376,316 (tranche II)                                |

Exchange. The security was oversubscribed almost threefold when placed with institutional investors.

### Investor relations activities

With the excellent half-year figures to back them up, the Management Board and the IR team appeared at a large number of Austrian partner banks such as Sparkassen and other institutions.

The annual participation in the SRC Financials and Real Estate Forum 2014 in Frankfurt provided an opportunity for numerous talks with investors. The participants were confident that the general economic conditions will continue to be beneficial for property shares.

| in EUR     | S IMMO share price<br>AT0000652250 | S IMMO INVEST price<br>AT0000795737 | S IMMO INVEST price<br>AT0000630694 | ATX      | IATX   |
|------------|------------------------------------|-------------------------------------|-------------------------------------|----------|--------|
| 30.09.2013 | 4.630                              | 77.50                               | 77.00                               | 2,528.45 | 172.03 |
| 31.12.2013 | 5.290                              | 78.50                               | 78.50                               | 2,546.54 | 191.73 |
| 30.09.2014 | 6.160                              | 81.00                               | 81.00                               | 2,203.94 | 200.29 |

# Interim Management Report

## Economic overview

The economic recovery that began in 2013 came to a standstill during the current year, primarily due to the developments in Germany. France's economy stagnated in the third quarter of 2014, just as it had since the beginning of the year, and the Italian economy is still suffering from a mild recession. In contrast, Spain delivered a positive surprise, with a 0.6% increase in growth. In any case, the European Central Bank (ECB) believes that the eurozone economy will experience a moderate upswing in the fourth quarter of this year. European economic research institutes expect GDP growth of 0.8% for 2014 and 1.3% for 2015 in the eurozone.

Due to the uncertainty in foreign trade and the lack of stimulus for domestic demand, Austria's economy is still failing to gain traction in the second half of 2014. The geopolitical crises in Russia, Ukraine and in the Middle East dragged sentiment down in broad segments of the Austrian economy at the start of autumn. Consumer confidence is also significantly depressed in Austria, with consumption coming in lower than in the eurozone despite relatively positive conditions on the labour market. Local economists project that the Austrian economy will grow by 0.4% to 0.5% in 2014 as a whole. However, the weaker euro will likely lend a bit of support to export demand, which is expected to result in an upturn in investment activity. Important sources of stimulus for this development include the persistently low interest level and the new liquidity measures introduced by the ECB, which give many European banks greater room to manoeuvre.

## Real estate market overview

### AUSTRIA AND GERMANY

After a relatively weak first half of 2014, the Viennese office market recorded a 15.6% rise in take-up in the third quarter, amounting to 90,000 m<sup>2</sup>. The vacancy rate remained stable at 6.6%. Due to numerous conversions of office space into residential space, a slight decrease of the total office stock is expected until the end of the year.

The Berlin residential market continued its upswing in the third quarter of 2014. According to the IMX – the real estate index of ImmobilienScout24 – both offer prices and offer rents increased compared with the previous quarter. With a plus of 13.5%, offer prices for existing freehold flats recorded the highest rise.

On the Berlin office market, take-up for the first three quarters of 2014 amounted to 389,300 m<sup>2</sup>, which represents a gain of 11% compared with the same period of last year. Several large trans-

actions made a significant contribution to this growth. The vacancy rate once again decreased and now stands at 8.3% – a decline of 0.6 percentage points compared with the previous year. This decline was a result of the strong demand for office space on the one hand and of the conversion of older offices into residential buildings on the other.

In the first nine months of the year, the Viennese hotel market saw a 6.3% year-on-year increase in overnight stays. With the exception of five-star hotels, which experienced a decline of 2.3%, all market segments benefited from this growth. Hotel capacities increased again in the third quarter, and the city's supply of hotel rooms has increased by 4.6%, or 1,379 rooms, since the beginning of the year. Because the growth in overnight stays exceeded the additional room capacity, occupancy also rose moderately compared with the prior-year period, climbing to 70.5%. At the same time, the revenue per available room advanced by roughly 6.5% in year-on-year terms. Despite the

|            | Prime rents<br>(EUR/m <sup>2</sup> /month) |                     | Prime gross yields (%) |                    | Total leasing activity<br>Q1–Q3 2014 (m <sup>2</sup> ) | Vacancy rate (%)  |
|------------|--|---------------------|------------------------|--------------------|--|-------------------|
|            | Office                                     | Retail              | Office                 | Retail             | Office   | Office            |
| Berlin     | 22.50 <sup>1</sup>                         | 330.00 <sup>1</sup> | 4.65 <sup>1</sup>      | 4.20 <sup>1</sup>  | 389,300 <sup>6</sup>                                   | 8.3 <sup>6</sup>  |
| Bratislava | 16.00 <sup>1</sup>                         | 60.00 <sup>*1</sup> | 7.00 <sup>1</sup>      | 7.00 <sup>*1</sup> | 175,000 <sup>8</sup>                                   | 13.1 <sup>8</sup> |
| Bucharest  | 18.00 <sup>1</sup>                         | 60.00 <sup>*1</sup> | 7.75 <sup>1</sup>      | 8.00 <sup>*1</sup> | 159,500 <sup>7</sup>                                   | 14.1 <sup>7</sup> |
| Budapest   | 20.00 <sup>1</sup>                         | 90.00 <sup>*1</sup> | 7.25 <sup>1</sup>      | 7.00 <sup>*1</sup> | 348,560 <sup>4</sup>                                   | 16.9 <sup>4</sup> |
| Sofia      | 12.50 <sup>2</sup>                         | 21.50 <sup>*3</sup> | 9.00 <sup>2</sup>      | 9.25 <sup>*3</sup> | 102,500 <sup>2</sup>                                   | 27.5 <sup>2</sup> |
| Vienna     | 25.75 <sup>1</sup>                         | 310.00 <sup>1</sup> | 4.65 <sup>1</sup>      | 3.90 <sup>1</sup>  | 167,000 <sup>5</sup>                                   | 6.6 <sup>5</sup>  |
| Zagreb     | 14.25 <sup>1</sup>                         | 22.50 <sup>*1</sup> | 8.30 <sup>1</sup>      | 8.25 <sup>*1</sup> | n.a.   | n.a.              |

\* Data for shopping centres. Data for the remainder of the locations is for high street retail.

<sup>1</sup> CBRE, Market View, EMEA Rents and Yields, Q3 2014

<sup>2</sup> Forton, Bulgarian Office Market, Q3 2014

<sup>3</sup> Forton, Bulgarian Retail Market, Q3 2014

<sup>4</sup> Budapest Research Forum, press release, Q3 2014

<sup>5</sup> CBRE, Market View, Office Market Vienna, Q3 2014

<sup>6</sup> CBRE, press release, October 2014

<sup>7</sup> CBRE, Market View, Office Market Bucharest, Q3 2014

<sup>8</sup> JLL, Bratislava City Report, Q3 2014

positive development in terms of overnight stays, Vienna's hotels – especially those in the four- and five-star segments – are still under pressure due to the many new hotels that have opened in the past two years. In addition, the number of available rooms will increase by another 1,800 rooms by the end of 2015, although the majority of these rooms will be in the budget and economy segment.

## CENTRAL EUROPE (CEE)

Although total leasing activity on the Budapest office market in the third quarter was not able to keep up with the record high seen in the previous quarter, it did equal the pace set in 2013 at 99,660 m<sup>2</sup>. The vacancy rate decreased again, falling by 0.7 percentage points to 16.9%. With approximately 6,000 m<sup>2</sup>, the lease of Twin Center, a property owned by S IMMO AG, was one of the two largest transactions in the third quarter.

The Bratislava office market continued its positive trend in the third quarter and recorded a healthy take-up level. Nevertheless, renewals and renegotiations are still the main drivers. The current pipeline amounts to 78,000 m<sup>2</sup> – half of which is already preleased. The market is expected to improve further in 2015.

Bratislava remains a challenging hotel market due to the city's substantial structural surplus of hotel rooms. Budapest, on the other hand, enjoyed a continuation of the stable developments seen since the beginning of the year and turned in a modest gain.

Sources: Austrian Institute of Economic Research (WIFO), Bank Austria, Budapest Research Forum, CBRE, Cushman & Wakefield, Der Standard, Deutscher Wirtschaftsdienst, Die Presse, European Central Bank (ECB), EuroStat, Format, Forton, Hotstats.com by TRI Hospitality Consulting; European Chain Hotels – Market Review, IMX – The real estate index of ImmobilienScout24, Institute for Advanced Studies (IHS), International Monetary Fund, Oesterreichische Nationalbank (OeNB), Reuters, Vienna Tourist Board

**SOUTHEASTERN EUROPE (SEE)**

Office space take-up in Sofia amounted to 45,000 m<sup>2</sup> in the third quarter of 2014. This increase of 20% compared with the previous quarter is mainly based on two large transactions. In terms of take-up, this year is already the strongest since 2008. The overall vacancy rate decreased again to 27.5% which is a decline of 1.2 percentage points compared with the previous quarter. The figure for the top ten offices even declined to 4.3%. The odds for a continuing decrease in vacancy are in the market's favour.

The total leasing activity on the Bucharest office market amounted to over 70,000 m<sup>2</sup> in the third quarter of 2014. The vacancy rate decreased to 14.1% due to strong demand and is expected to fall to around 13.5% by the end of the year. In the fourth quarter, 71,000 m<sup>2</sup> in six properties are expected to come onto the market. In 2015, the stock will increase by another 95,000 m<sup>2</sup>.

Another shopping centre was opened in Sofia in the third quarter. In addition, Sofia Ring Mall is expected to open by the end of the year.

On the Bucharest retail market, an increasing number of retailers from different sectors are expanding and some players are preparing to enter the market. As a result, leasing activity is starting to accelerate. Investment activity also experienced an upswing in the third quarter of 2014.

On the Bucharest hotel market, average occupancy increased by 6.1 percentage points to 74.6%, and the average revenue per available room grew by 4.9%.

**Business performance and results****Property portfolio**

As at 30 September 2014, S IMMO AG owned a total of 203 properties with a book value of EUR 1,722.2m and total usable space of approximately 1.2 million m<sup>2</sup>. In the period under review, the property portfolio had an occupancy rate of 90.9% and an overall rental yield of 7.0%.

S IMMO's properties are located in four regions within the European Union with a focus on capital cities. The portfolio consists of four property use types: office (40.7%), retail (26.1%), residential (19.3%) and hotels (13.9%). In terms of market value, the majority of the properties were attributable to the segment of Austria (32.4%), followed by Germany (25.2%), SEE (22.3%) and CEE (20.1%) as at 30 September 2014.

**Performance – summary**

S IMMO's operating activities enjoyed very satisfactory development in the first nine months of 2014. Among other things, this was reflected in EBIT, which improved significantly year-on-year by 3.8% to EUR 74.9m (Q3 2013: EUR 72.2m).

Funds from operations including the effects of property sales (FFO II) increased by 3.2% year-on-year to EUR 33.1m (Q3 2013: EUR 32.1m).

The NOI margin improved as against the previous year to 54.3% (Q3 2013: 52.8%).

**Gross profit**

S IMMO AG's revenues for the first nine months of 2014 amounted to EUR 140.5m (Q3 2013: EUR 145.3m). Despite property sales, the rental income included therein amounted to EUR 84.5m (Q3 2013: EUR 88.3m).

Rental income for the first nine months of 2014 can be broken down by region as follows: SEE (30.0%), Austria (26.8%), Germany (25.0%) and CEE (18.2%). In terms of property use types, retail property accounted for 39.8%, followed by offices with 33.7% and residential property with 19.2%. Hotels were responsible for 7.3% in the period under review.

Revenues from hotel operations (revenues from the Vienna and Budapest Marriott Hotels, both operated under management agreements) increased to EUR 30.2m (Q3 2013: EUR 29.2m). Gross profit from hotel operations improved to EUR 6.9m (Q3 2013: EUR 6.5m).

In the third quarter of 2014, property management expenses declined by 10.6% year-on-year to EUR 41.0m (Q3 2014: EUR 45.9m). The sales-related reduction in rental income was largely offset by improvements in property-related expenses and the increased gross profit from hotel operations. The good operating performance meant that gross profit remained nearly unchanged with EUR 79.7m as against the previous year (Q3 2013: EUR 81.4m) despite the lower level of rents and operating income of EUR 3.5m (Q3 2013: EUR 4.6m).

### Successful property sales

A total of five properties were sold in the first nine months of 2014, resulting in sales proceeds of EUR 48.4m (Q3 2013: EUR 90.9m). Of the five properties sold, four properties with a value of EUR 39.6m were already classified as “held for sale” as at 31 December 2013, meaning that they did not make a further earnings contribution in the 2014 financial year. The profit from the sale of the fifth property was recognised as a revaluation gain rather than a gain on disposal. All of the properties held for sale as at the end of 2013 have been successfully sold.

### EBITDA and EBIT

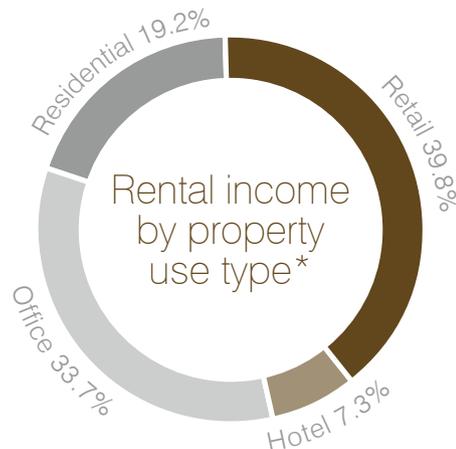
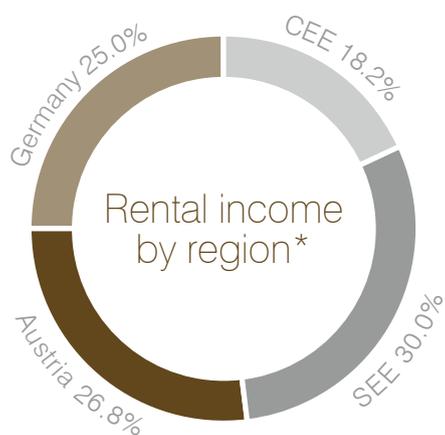
EBITDA amounted to EUR 67.6m (Q3 2013: EUR 75.4m). As at 30 September 2014, properties with a fair value of EUR 39.7m were classified as “held for sale” and their value was increased accordingly. All in all, the value of properties was increased in the amount of EUR 12.8m (Q3 2013: EUR 4.0m). As a result, EBIT increased year-on-year to EUR 74.9m (Q3 2013: EUR 72.2m).

### Net profit for the period

The financial result including the participating certificates result amounted to EUR -47.6m as at 30 September 2014 (Q3 2013: EUR -46.6m) and largely remained at the prior-year level despite negative foreign currency effects. As a result, EBT amounted to EUR 27.3m, up 6.6% on the same period of the previous year (Q3 2013: EUR 25.6m). Net profit for the period increased to EUR 22.2m (Q3 2013: EUR 21.4m).

### Funds from operations (FFO)

FFO I for the first three quarters of 2014 amounted to EUR 17.9m (Q3 2013: EUR 22.5m). FFO II, which includes gains on property sales and valuation gains on properties sold in the current year, increased by 3.2% year-on-year to EUR 33.1m (Q3 2013: EUR 32.1m).



\* Not including Vienna Marriott Hotel and Budapest Marriott Hotel

### Net operating income (NOI)

NOI amounted to EUR 76.3m as at 30 September 2014 (Q3 2013: EUR 76.7m). The NOI margin increased by 1.5 percentage points.

#### NOI as at 30 September

|                | 2014 | 2013 | Change                 |
|----------------|------|------|------------------------|
| NOI (EUR m)    | 76.3 | 76.7 | -0.6%                  |
| NOI margin (%) | 54.3 | 52.8 | +1.5 percentage points |

### Cash flow

Operating cash flow amounted to EUR 64.4m as at 30 September 2014 (Q3 2013: EUR 75.3m). Due to lower sales, cash flow from investing activities decreased to EUR 50.4m (Q3 2013: EUR 72.0m). Cash flow from financing activities amounted to EUR -99.9m (Q3 2013: EUR -143.9m).

### Consolidated statement of financial position

S IMMO Group's total assets declined from EUR 1,879.6m as at 31 December 2013 to EUR 1,840.3m as at 30 September 2014. Cash and cash equivalents amounted to EUR 46.9m as at

30 September 2014 (31 December 2013: EUR 49.9m). Properties held for sale amounted to EUR 39.7m, the majority of which related to one property in Vienna.

### Financing

The loan-to-value ratio (LTV ratio) including the participating capital and the bond amounted to 62% (Q3 2013: 65%) in the period under review, thereby corresponding to around the same level as in the previous year. As at 30 September 2014, the Group also had liabilities to 24 banks. Thus it seeks to minimise risks by ensuring a broad-based spread within its financing structure.

### Net asset value (NAV)

As at 30 September 2014, both book value (balance sheet NAV) and EPRA NAV per share were above the prior-year level. Book value per share amounted to EUR 7.97 as at 30 September 2014 (31 December 2013: EUR 7.83), while EPRA NAV per share amounted to EUR 9.89 (31 December 2013: EUR 9.76). EPRA NAV represents the value of equity adjusted for effects that do not have a long-term effect on the business activities of S IMMO Group, such as valuations of interest rate hedges and deferred taxes. Derivatives being used as interest rate hedges will gradually expire over the coming years. This effect is already having a positive impact on equity and book value per share.

## Risk report

The overall assessment of S IMMO's opportunities and risks in the current financial year is explained in detail in the 2013 annual report (page 42 et seq.). This section therefore mainly concentrates on the possible economic risks in the coming months.

The Organisation for Economic Co-operation and Development (OECD) revised its forecasts for the European economy downward in the third quarter. It is therefore now anticipating growth of 0.8% for the eurozone, 0.4 percentage points less than in May. Its forecast was also reduced for Germany, with the German economy now expected to expand by only 1.5% in 2014 rather than the previously assumed 1.9%.

The International Monetary Fund (IMF) also lowered its global growth forecast for 2014 from 3.7% to 3.3%. It is projecting growth in the eurozone of 0.8% for 2014 and 1.3% for 2015. Both figures are below previous assumptions. For Germany, the IMF is anticipating growth of 1.4%, a reduction in its forecast of 0.5

percentage points since its interim report in July. In 2015, the German economy is expected to grow by 1.5%.

The forecast for Austria for the current year was halved to 0.4%. Growth in Austria in 2015 is expected to amount to 1.6%. The IMF's forecast is a little lower than those of the Austrian economic institutes IHS and Wifo, which are anticipating growth of 0.4% and 0.5%, respectively, for this year and of 1.7% to 1.8% for next year.

Geopolitical risks – particularly in Ukraine and the Middle East – could still have negative consequences for economic growth.

These developments could potentially influence the markets and therefore the business performance of S IMMO.

## Outlook

S IMMO has had a very satisfactory third quarter of 2014 overall. On this basis, we can again confirm that we are very confident of further improving upon our successful results for 2013 in the current year.

Letting successes of 9,000 m<sup>2</sup> were achieved on the Hungarian market, which has remained difficult to date. This positive development confirms the rising optimism on the property markets of Central and Southeastern Europe.

S IMMO is continuing to focus on the booming Berlin residential property market. The ownership rate in the German capital is particularly low at around 15%. At the same time, influx is high, with the Berlin Senate assuming a population increase of approximately 7%, or around 254,000 additional residents by 2030. As a result, demand for living space is increasing significantly each year.

S IMMO is benefiting from the momentum of the Berlin property market – we are anticipating significant potential here for the coming years. We are currently planning projects in the residential sector and, specifically, freehold apartments on our land reserves in Berlin. Parallel to this, we are looking at investments in the commercial property sector.

Moreover, S IMMO took advantage of the current low interest rates to very successfully issue a five-year corporate bond with a volume of EUR 100m and a coupon of 3%. The proceeds from issuing the bond will be used for future investments and possible acquisitions in addition to general corporate financing. As in the past, we are constantly examining opportunities to buy and sell properties.

# Consolidated statement of financial position

as at 30 September 2014

| Assets  | NOTES  | 30 September 2014 | 31 December 2013 |
|---|--------|-------------------|------------------|
| EUR '000  |        |                   |                  |
| <b>NON-CURRENT ASSETS</b>                         |        |                   |                  |
| Investment properties                             |        |                   |                  |
| Rental properties                                 | 3.1.1. | 1,548,370         | 1,580,311        |
| Properties under development and undeveloped land | 3.1.1. | 15,579            | 16,677           |
|   |        | 1,563,949         | 1,596,988        |
| Owner-operated properties                         | 3.1.2. | 118,537           | 120,017          |
| Other plant and equipment                         |        | 6,917             | 7,447            |
| Intangible assets                                 |        | 122               | 139              |
| Interests in companies measured at equity         |        | 7,517             | 7,393            |
| Group interests                                   | 3.1.3. | 769               | 749              |
| Other financial assets                            | 3.1.3. | 600               | 0                |
| Deferred tax assets                               |        | 14,103            | 13,764           |
|   |        | 1,712,514         | 1,746,497        |
| <b>CURRENT ASSETS</b>                             |        |                   |                  |
| Inventories                                       | 3.1.4. | 1,229             | 1,328            |
| Trade receivables                                 | 3.1.3. | 12,640            | 12,115           |
| Other financial assets                            | 3.1.3. | 16,939            | 21,576           |
| Other assets                                      |        | 10,419            | 8,709            |
| Cash and cash equivalents                         | 3.1.5. | 46,867            | 49,873           |
|   |        | 88,094            | 93,601           |
| Properties held for sale                          | 3.1.6. | 39,705            | 39,550           |
|   |        | 127,799           | 133,151          |
|   |        | 1,840,313         | 1,879,648        |

## Equity and liabilities

EUR '000

NOTES

30 September 2014

31 December 2013

### SHAREHOLDERS' EQUITY

|                           |        |         |         |
|---------------------------|--------|---------|---------|
| Share capital             |        | 242,883 | 243,126 |
| Capital reserves          |        | 72,422  | 72,535  |
| Other reserves            |        | 217,573 | 208,432 |
|                           |        | 532,878 | 524,093 |
| Non-controlling interests | 3.1.7. | 25,416  | 25,531  |
|                           |        | 558,294 | 549,624 |

### NON-CURRENT LIABILITIES

|  |         |           |         |
|--|---------|-----------|---------|
| Subordinated participating certificate capital | 3.1.8.  | 92,982    | 186,645 |
| Issued bonds                                   | 3.1.9.  | 88,925    | 0       |
| Other financial liabilities                    | 3.1.10. | 783,733   | 754,957 |
| Provisions                                     |         | 3,132     | 2,962   |
| Other liabilities                              |         | 0         | 5       |
| Deferred tax liabilities                       |         | 54,121    | 53,005  |
|  |         | 1,022,893 | 997,574 |

### CURRENT LIABILITIES

|                        |         |         |         |
|------------------------|---------|---------|---------|
| Financial liabilities  | 3.1.10. | 216,039 | 285,551 |
| Income tax liabilities |         | 6,502   | 4,325   |
| Provisions             |         | 1,228   | 1,924   |
| Trade payables         |         | 4,350   | 4,860   |
| Other liabilities      |         | 31,007  | 35,790  |
|                        |         | 259,126 | 332,450 |

1,840,313

1,879,648

# Consolidated income statement

for the nine months ended 30 September 2014

| EUR '000   | NOTES  | 01 – 09 / 2014 | 01 – 09 / 2013 <sup>1</sup> |
|--|--------|----------------|-----------------------------|
| Revenues   |        |                |                             |
| Rental income  | 3.2.1. | 84,519         | 88,305                      |
| Revenues from operating costs  |        | 25,852         | 27,855                      |
| Revenues from hotel operations   |        | 30,160         | 29,153                      |
|  |        | <b>140,531</b> | <b>145,313</b>              |
| <b>Other operating income</b>  |        | <b>3,460</b>   | <b>4,637</b>                |
| Expenses directly attributable to properties                                 | 3.2.2. | -41,018        | -45,891                     |
| Hotel operating expenses   | 3.2.2. | -23,246        | -22,675                     |
| <b>Gross profit</b>  |        | <b>79,727</b>  | <b>81,384</b>               |
| Income from property disposals   |        | 48,395         | 90,882                      |
| Book value of property disposals   |        | -48,395        | -85,813                     |
| <b>Gains on property disposals</b>   | 3.2.3. | <b>0</b>       | <b>5,069</b>                |
| Management expenses  |        | -12,109        | -11,034                     |
| <b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b> |        | <b>67,618</b>  | <b>75,419</b>               |
| Depreciation and amortisation  |        | -5,454         | -7,220                      |
| Results from property valuation  |        | 12,761         | 3,977                       |
| <b>Operating result (EBIT)</b>   |        | <b>74,925</b>  | <b>72,176</b>               |
| Financing cost   | 3.2.4. | -45,582        | -39,659                     |
| Financing income   | 3.2.4. | 1,728          | 1,903                       |
| Results from companies measured at equity                                    | 3.2.4. | 366            | 0                           |
| Participating certificates result  | 3.1.8. | -4,140         | -8,817                      |
| <b>Net income before tax (EBT)</b>   |        | <b>27,297</b>  | <b>25,603</b>               |
| Taxes on income  | 3.2.5. | -5,132         | -4,155                      |
| <b>Consolidated net income for the period</b>                                |        | <b>22,165</b>  | <b>21,448</b>               |
| of which attributable to shareholders in parent company                      |        | 20,191         | 19,628                      |
| of which attributable to non-controlling interests                           |        | 1,974          | 1,820                       |
| Earnings per share   |        |                |                             |
| undiluted = diluted  |        | 0.30           | 0.29                        |

<sup>1</sup> Adjusted

# Consolidated statement of comprehensive income

for the nine months ended 30 September 2014

| EUR '000   | 01 – 09 / 2014 | 01 – 09 / 2013 <sup>1</sup> |
|--|----------------|-----------------------------|
| <b>Consolidated net income for the period</b>  | <b>22,165</b>  | 21,448                      |
| Change in value of cash flow hedges  | -2,198         | 24,424                      |
| Income tax on cash flow hedges   | 84             | -5,588                      |
| Reclassification of derivative valuation effects                                       | 2,212          | 0                           |
| Foreign exchange rate differences  | 1,866          | 1,514                       |
| <b>Other comprehensive income for the period (realised through profit or loss)</b>     | <b>1,964</b>   | 20,350                      |
| Remeasurement of post-employment benefit obligations                                   | 0              | -4                          |
| Income taxes on remeasurement of post-employment benefit obligations                   | 0              | 1                           |
| <b>Other comprehensive income for the period (not realised through profit or loss)</b> | <b>0</b>       | -3                          |
| <b>Total comprehensive income for the period</b>                                       | <b>24,129</b>  | 41,795                      |
| of which attributable to shareholders in parent company                                | 23,124         | 39,163                      |
| of which attributable to non-controlling interests                                     | 1,005          | 2,632                       |

<sup>1</sup> Adjusted

# Consolidated income statement

for the three months ended 30 September 2014

| EUR '000   | NOTES  | 07 – 09 / 2014 | 07 – 09 / 2013 <sup>1</sup> |
|--|--------|----------------|-----------------------------|
| Revenues   |        |                |                             |
| Rental income  | 3.2.1. | 27,676         | 29,338                      |
| Revenues from operating costs  |        | 8,581          | 9,034                       |
| Revenues from hotel operations   |        | 11,041         | 9,970                       |
|  |        | <b>47,298</b>  | <b>48,342</b>               |
| <b>Other operating income</b>  |        | <b>1,186</b>   | <b>1,099</b>                |
| Expenses directly attributable to properties                                 | 3.2.2. | -14,786        | -15,798                     |
| Hotel operating expenses   | 3.2.2. | -8,601         | -7,371                      |
| <b>Gross profit</b>  |        | <b>25,097</b>  | <b>26,272</b>               |
| Income from property disposals   |        | 8,845          | 7,124                       |
| Book value of property disposals   |        | -8,845         | -4,443                      |
| <b>Gains on property disposals</b>   | 3.2.3. | <b>0</b>       | <b>2,681</b>                |
| Management expenses  |        | -4,483         | -3,472                      |
| <b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b> |        | <b>20,614</b>  | <b>25,481</b>               |
| Depreciation and amortisation  |        | -1,787         | -2,483                      |
| Results from property valuation  |        | 3,857          | 1,167                       |
| <b>Operating result (EBIT)</b>   |        | <b>22,684</b>  | <b>24,165</b>               |
| Financing cost   | 3.2.4. | -15,752        | -13,832                     |
| Financing income   | 3.2.4. | 968            | 537                         |
| Results from companies measured at equity                                    | 3.2.4. | 38             | 0                           |
| Participating certificates result  | 3.1.8. | -1,270         | -2,905                      |
| <b>Net income before tax (EBT)</b>   |        | <b>6,668</b>   | <b>7,965</b>                |
| Taxes on income  | 3.2.5. | -941           | -2,551                      |
| <b>Consolidated net income for the period</b>                                |        | <b>5,727</b>   | <b>5,414</b>                |
| of which attributable to shareholders in parent company                      |        | 5,371          | 5,094                       |
| of which attributable to non-controlling interests                           |        | 356            | 320                         |
| Earnings per share   |        |                |                             |
| undiluted = diluted  |        | 0.08           | 0.07                        |

<sup>1</sup> Adjusted

# Consolidated statement of total comprehensive income

for the three months ended 30 September 2014

| EUR '000   | 07-09/2014   | 07-09/2013 <sup>1</sup> |
|--|--------------|-------------------------|
| <b>Consolidated net income for the period</b>  | <b>5,727</b> | 5,414                   |
| Change in value of cash flow hedges  | 843          | 4,410                   |
| Income tax on cash flow hedges   | -310         | -1,053                  |
| Reclassification of derivative valuation effects                                       | 879          | 0                       |
| Foreign exchange rate differences  | 77           | 1,139                   |
| <b>Other comprehensive income for the period (realised through profit or loss)</b>     | <b>1,489</b> | 4,496                   |
| Remeasurement of post-employment benefit obligations                                   | 0            | -1                      |
| Income taxes on remeasurement of post-employment benefit obligations                   | 0            | 0                       |
| <b>Other comprehensive income for the period (not realised through profit or loss)</b> | <b>0</b>     | -1                      |
| <b>Total comprehensive income for the period</b>                                       | <b>7,216</b> | 9,909                   |
| of which attributable to shareholders in parent company                                | 7,086        | 9,518                   |
| of which attributable to non-controlling interests                                     | 130          | 391                     |

<sup>1</sup> Adjusted

# Consolidated cash flow statement

for the nine months ended 30 September 2014

| EUR '000                                       | 01 – 09 / 2014 | 01 – 09 / 2013 <sup>1</sup> |
|--|----------------|-----------------------------|
| Operating cash flow                            | 64,447         | 75,251                      |
| Changes in net current assets                  | -17,918        | -10,818                     |
| Cash flow from operating activities            | 46,529         | 64,433                      |
| Cash flow from investing activities            | 50,392         | 71,956                      |
| Cash flow from financing activities            | -99,927        | -143,913                    |
| <b>Total</b>                                   | <b>-3,006</b>  | <b>-7,524</b>               |
| Cash and cash equivalents as at 01 January     | 49,873         | 57,076                      |
| Cash and cash equivalents as at 30 September   | 46,867         | 49,552                      |
| <b>Net change in cash and cash equivalents</b> | <b>-3,006</b>  | <b>-7,524</b>               |

<sup>1</sup> Adjusted

## Changes in consolidated equity

| EUR '000   | Share capital  | Capital reserves | Foreign currency translation reserve | Hedge accounting reserve | Other reserves | Sub-total S IMMO shareholders | Non-controlling interests | Total          |
|--|----------------|------------------|--------------------------------------|--------------------------|----------------|-------------------------------|---------------------------|----------------|
| <b>As at 01 January 2014</b>                         | 243,126        | 72,535           | -19,193                              | -39,212                  | 266,837        | 524,093                       | 25,531                    | 549,624        |
| Consolidated net income for the period               | 0              | 0                | 0                                    | 0                        | 20,191         | 20,191                        | 1,974                     | 22,165         |
| Other comprehensive income                           | 0              | 0                | 1,866                                | 1,067                    | 0              | 2,933                         | -969                      | 1,964          |
| Repurchase of own shares                             | -243           | -112             | 0                                    | 0                        | 0              | -356                          | 0                         | -356           |
| Disposals  | 0              | 0                | 0                                    | 0                        | 0              | 0                             | -1,734                    | 1,734          |
| Purchase of non-controlling interests                | 0              | 0                | 71                                   | 0                        | -685           | -614                          | 614                       | 0              |
| Distribution <sup>1</sup>                            | 0              | 0                | 0                                    | 0                        | -13,369        | -13,369                       | 0                         | -13,369        |
| <b>As at 30 September 2014</b>                       | <b>242,883</b> | <b>72,422</b>    | <b>-17,256</b>                       | <b>-38,145</b>           | <b>272,974</b> | <b>532,878</b>                | <b>25,416</b>             | <b>558,294</b> |
| <b>As at 01 January 2013</b>                         | <b>244,705</b> | <b>73,005</b>    | <b>-19,568</b>                       | <b>-64,456</b>           | <b>249,625</b> | <b>483,311</b>                | <b>26,323</b>             | <b>509,634</b> |
| Consolidated net income for the period <sup>2</sup>  | 0              | 0                | 0                                    | 0                        | 19,628         | 19,628                        | 1,820                     | 21,448         |
| Remeasurement of post-employment benefit obligations | 0              | 0                | 0                                    | 0                        | -3             | -3                            | 0                         | -3             |
| Other comprehensive income                           | 0              | 0                | 1,514                                | 18,024                   | 0              | 19,538                        | 812                       | 20,350         |
| Repurchase of own shares                             | -925           | -253             | 0                                    | 0                        | 0              | -1,178                        | 0                         | -1,178         |
| Disposals  | 0              | 0                | 0                                    | 0                        | 0              | 0                             | -1,799                    | -1,799         |
| Distribution   | 0              | 0                | 0                                    | 0                        | -10,092        | -10,092                       | 0                         | -10,092        |
| <b>As at 30 September 2013</b>                       | <b>243,780</b> | <b>72,752</b>    | <b>-18,054</b>                       | <b>-46,432</b>           | <b>259,158</b> | <b>511,204</b>                | <b>27,156</b>             | <b>538,360</b> |

<sup>1</sup> The dividend distribution of kEUR 13,369 in 2014 corresponds to a dividend of EUR 0.20 per share (2013: EUR 0.15 per share), and was effected on 18 June 2014.

<sup>2</sup> Adjusted

# 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 and headquarters at Friedrichstrasse 10, 1010 Vienna, Austria. The Company has been listed on the Vienna Stock Exchange since 1992, since 2007 in the Prime Segment. It has subsidiaries in Austria, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Romania, Bulgaria and Denmark. As at 30 September 2014, S IMMO Group owned properties in all of the above mentioned countries except Denmark. The company focuses on profitable, long-term property investments through development, purchase, rental, operation, renovation and sale of buildings and apartments in Austria, Germany and six countries in Central and Southeastern Europe.

Its activities include:

- real estate project development,
- the operation of hotels and shopping centres,
- the refurbishment of existing properties,
- active asset and portfolio management and
- services such as facility management

## 2. ACCOUNTING AND VALUATION POLICIES

### 2.1. Accounting policies

The consolidated interim financial statements for the nine months ended 30 September 2014 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 2013.

In preparing the consolidated interim financial statements for the nine months ended 30 September 2014, the accounting and valuation policies applied in the consolidated financial statements for the year ended 31 December 2013 have been applied substantially unchanged.

The financial statements for the nine months ended 30 September 2014 were neither reviewed nor audited by a financial auditor.

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. There has been no change in the companies included in consolidation as compared with the consolidated financial statements for the year ended 31 December 2013.

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.

The figures for the period of 01 January 2013 to 30 September 2013 were adjusted as a result of the first-time application of the revised IAS 19.

### 2.2. New mandatory accounting regulations

As of 01 January 2014, the following new or amended standards and interpretations are mandatory: IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements), IFRS 12 (Disclosure of Interests in Other Entities), IAS 27 (Separate Financial Statements), IAS 28 (Investments in Associates and Joint Ventures), IAS 32 (Financial Instruments: Presentation – Offsetting), IAS 36 (Impairment of Assets), IAS 39 (Financial Instruments: Recognition and Measurement) and IFRIC 21 (Levies).

The indicated new or amended standards and interpretations had no material effects on the recognition and measurement methods or on the presentation of the interim report.

### 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  | Rental properties | Properties under development and undeveloped land |
|---|-------------------|---|
| <b>As at 01 January 2013</b>                            | 1,661,226         | 20,157  |
| Additions   | 11,767            | 1,188   |
| Disposals   | -64,459           | 0   |
| Changes in fair value (realised through profit or loss) | 11,327            | -4,668  |
| Hierarchy reclassifications                             | 0                 | 0   |
| Reclassifications as properties held for sale           | -39,550           | 0   |
| <b>As at 31 December 2013</b>                           | <b>1,580,311</b>  | <b>16,677</b>                                     |
| whereof pledged as security                             | 1,567,942         | 0   |
| Additions   | 3,266             | 734   |
| Disposals   | -1,250            | 0   |
| Changes in fair value (realised through profit or loss) | 11,518            | 1,243   |
| Hierarchy reclassifications                             | 0                 | 0   |
| Reclassifications as properties held for sale           | -45,475           | -3,075  |
| <b>As at 30 September 2014</b>                          | <b>1,548,370</b>  | <b>15,579</b>                                     |
| whereof pledged as security                             | 1,534,974         | 0   |

Consisting of:

#### Rental properties

| EUR '000            | 30.09.2014       | 31.12.2013       |
|---------------------|------------------|------------------|
| Austria             | 480,118          | 518,891          |
| Germany             | 432,255          | 425,355          |
| Central Europe      | 278,475          | 279,265          |
| Southeastern Europe | 357,522          | 356,800          |
|                     | <b>1,548,370</b> | <b>1,580,311</b> |

#### Properties under development and undeveloped land

| EUR '000            | 30.09.2014    | 31.12.2013    |
|---------------------|---------------|---------------|
| Austria             | 0             | 0             |
| Germany             | 0             | 0             |
| Central Europe      | 4,210         | 6,006         |
| Southeastern Europe | 11,369        | 10,671        |
|                     | <b>15,579</b> | <b>16,677</b> |

Appraisals are generally obtained from independent experts once per year to measure the fair value of all investment properties. The measurement methods are the same as those used for the 2013 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 third quarter of 2014 is based on internal calculation models with input parameters that have changed since the preparation of the 2013 annual financial statements, but with the same valuation methods as applied for the 2013 annual financial statements.

### 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. Financial assets

The carrying amounts of the current and non-current financial assets correspond largely to their present values.

### 3.1.4. Inventories

Inventories essentially consist of one freehold apartment (in Austria) and are measured at cost of acquisition and construction. The book value in the consolidated financial statements as at 30 September 2014 amounted to kEUR 1,229 (31 December 2013: kEUR 1,328).

### 3.1.5. Cash and cash equivalents

| EUR '000      | 30.09.2014 | 31.12.2013 |
|---------------|------------|------------|
| Bank balances | 46,667     | 49,667     |
| Cash in hand  | 200        | 206        |
|               | 46,867     | 49,873     |

### 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 (if, for example, negotiations for sale are already well advanced). This is currently intended for one developmental project in the Czech Republic, two commercial properties in Germany and one property leased as a hotel in Austria.

| EUR '000       | 30.09.2014 | 31.12.2013 |
|----------------|------------|------------|
| Germany        | 2,080      | 39,550     |
| Austria        | 34,550     | 0          |
| Central Europe | 3,075      | 0          |
|                | 39,705     | 39,550     |

### 3.1.7. Non-controlling interests

The non-controlling interests of kEUR 25,416 (31 December 2013: kEUR 25,531) consisted substantially of Einkaufscenter Sofia G.m.b.H. & Co KG (35% minority interest).

### 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:

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

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 2014, the total share of income entitlements was kEUR 3,778 (31 December 2013: kEUR 9,211).

As at 30 September 2014, there were 1,140,797 participating certificates in issue. The total entitlements of participating certificate holders as of that date were EUR 81.51 (31 December 2013: EUR 80.88) 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   |
|---|-----------------------------------|------------------------|-----------------------|---|---------|
| <b>Participating certificates capital 01 January 2014</b>                                       | 167,704                           |                        |                       | 2,099   | 169,803 |
| Profit brought forward 01 January 2014  |                                   | 7,632                  |                       |   | 7,632   |
| Income entitlements of participating certificate holders from 2013                              |                                   |                        | 9,211                 |   | 9,211   |
| Distribution 28 April 2014  |                                   |                        | -6,842                |   | -6,842  |
| Change in profit brought forward pursuant to Clause 5 (6), Participating Certificates Agreement |                                   | 2,368                  | -2,368                |   | 0       |
| Repurchase/Exchange and retirement of 1,166,950 participating certificates                      | -84,802                           | -5,097                 |                       | -1,061  | -90,961 |
| Income entitlements of participating certificate holders  |                                   |                        | 3,778                 |   | 3,778   |
| Allocation of undisclosed reserves on property portfolio  |                                   |                        |                       | 362   | 362     |
| <b>Participating certificates capital as at 30 September 2014</b>                               | 82,902                            | 4,904                  | 3,778                 | 1,400   | 92,982  |
| <b>Per participating certificate (EUR)</b>  | 72.67                             | 4.30                   | 3.31                  | 1.23  | 81.51   |

| EUR '000  | Participating certificate capital | Profit brought forward | Profit for the period | Share of undisclosed reserves on property portfolio | Total   |
|---|-----------------------------------|------------------------|-----------------------|---|---------|
| <b>Participating certificates capital 01 January 2013</b>                                       | 201,584                           |                        |                       | 2,433   | 204,017 |
| Profit brought forward 01 January 2013  |                                   | 6,449                  |                       |   | 6,449   |
| Income entitlements of participating certificate holders from 2012                              |                                   |                        | 12,018                |   | 12,018  |
| Distribution 17 May 2013  |                                   |                        | -9,045                |   | -9,045  |
| Change in profit brought forward pursuant to Clause 5 (6), Participating Certificates Agreement |                                   | 2,973                  | -2,973                |   | 0       |
| Repurchase and retirement of 466,215 participating certificates                                 | -33,880                           | -1,790                 |                       | -409  | -36,078 |
| Income entitlements of participating certificate holders  |                                   |                        | 9,211                 |   | 9,211   |
| Allocation of undisclosed reserves on property portfolio  |                                   |                        |                       | 75  | 75      |
| <b>Participating certificates capital as at 31 December 2013</b>                                | 167,704                           | 7,632                  | 9,211                 | 2,099   | 186,645 |
| <b>Per participating certificate (EUR)</b>  | 72.67                             | 3.31                   | 3.99                  | 0.91  | 80.88   |

The participating certificates mature on 31 December 2029. With effect from 31 December 2017, both the holders and the Company may annually give notice of redemption of the participating certificates in whole or in part. Due to the exchange of participating certificates for a bond as described in section 3.1.9., the result allocable to the liabilities arising from the participating certificates declined substantially in the first nine months of the year. On 30 September 2014, the participating certificate tranche with the ISIN AT0000795737 was listed at a price of EUR 81.00 per certificate; the tranche with the ISIN AT0000630694 was listed at a price of EUR 81.00 per certificate.

### 3.1.9. Issued bonds

S IMMO AG issued a bond (ISIN AT0000A177D2) with a total nominal value of kEUR 89,739.5 in June 2014. The bond is divided into 179,479 units with a nominal value of EUR 500, and was issued in exchange for participating certificates. The exchange took the form of a voluntary exchange offer and resulted in the swapping of 519,584 participating certificates with the ISIN AT0000795737 and 620,416 participating certificates with the ISIN AT0000630694. The bond is listed in the Corporates Prime segment of the Vienna Stock Exchange and runs until 16 June 2021 at a fixed coupon of 4.50%. On 30 September 2014, the bond was listed at a price of 108.20. Taking into account the issue costs to be offset, this resulted in a kEUR 88,894 increase in bond liabilities, and equates to an effective interest rate of roughly 4.66%. The fair value of the bond on 30 September 2014 was kEUR 97,098. The exchange of the participating certificates for the bond was recognised according to IAS 39.40.

### 3.1.10. Other financial liabilities

The short-term and long-term financial liabilities amounted to kEUR 999,772 (31.12.2013: kEUR 1,040,508) in total based on book values and were made up as follows:

| EUR '000                                 | 30.09.2014     | 31.12.2013       |
|--|----------------|------------------|
| Remaining maturity less than 1 year      | 216,039        | 285,551          |
| Remaining maturity between 1 and 5 years | 406,589        | 366,015          |
| Remaining maturity over 5 years          | 377,144        | 388,942          |
| <b>Total</b>                             | <b>999,772</b> | <b>1,040,508</b> |

The indicated carrying amounts correspond mostly to the fair value.

### 3.1.11. Derivatives

S IMMO Group uses caps, collars and swaps to hedge interest rate risks. These derivatives were disclosed under other financial assets (kEUR 74; 31 December 2013: kEUR 35) and under non-current and current financial liabilities (kEUR 63,802; 31 December 2013: kEUR 65,498). 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 2013 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 at 31 December 2013 and resulted in minor adjustments of the liabilities from derivatives. In the first nine months of 2014 expenses of kEUR 2,198 were recognised under equity without affecting the income statement; and kEUR 535 were recognised as financial income in the consolidated income statement.

#### 30 September 2014

| EUR '000     | Nominal        | Positive fair value | Negative fair value |
|--------------|----------------|---------------------|---------------------|
| Swaps        | 471,120        | 0                   | -56,386             |
| Caps         | 157,065        | 74                  | -859                |
| Collars      | 100,000        | 0                   | -6,557              |
| <b>Total</b> | <b>728,185</b> | <b>74</b>           | <b>-63,802</b>      |

#### 31 December 2013

| EUR '000     | Nominal        | Positive fair value | Negative fair value |
|--------------|----------------|---------------------|---------------------|
| Swaps        | 454,300        | 0                   | -53,009             |
| Caps         | 154,041        | 35                  | -2,117              |
| Collars      | 200,000        | 0                   | -10,372             |
| <b>Total</b> | <b>808,341</b> | <b>35</b>           | <b>-65,498</b>      |

## 3.2. Consolidated income statement

### 3.2.1. Rental income

Rental income by property use type was as follows:

| EUR '000    | 01-09/2014    | 01-09/2013    |
|-------------|---------------|---------------|
| Office      | 28,444        | 30,839        |
| Residential | 16,200        | 16,650        |
| Retail      | 33,665        | 34,681        |
| Hotels      | 6,210         | 6,135         |
|             | <b>84,519</b> | <b>88,305</b> |

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

These expenses arise in connection with non-current property assets, consisting mainly of operating costs, provisions for doubtful debts, maintenance expenses and commissions.

The expenses of hotel operations are largely made up 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 was 512 (Q3 2013: 505), including hotel staff. Personnel expenses for the hotels are disclosed under hotel operations.

### 3.2.3. Gains on property disposals

In the first three quarters of 2014, three residential properties and one retail property in Berlin as well as one retail property in Austria were sold.

EUR '000

### Disposal proceeds

|  | 01-09/2014    | 01-09/2013    |
|--|---------------|---------------|
| Properties held as financial investments | 0             | 22,050        |
| Properties held for sale                 | 48,395        | 63,224        |
| Inventories                              | 0             | 5,608         |
|  | <b>48,395</b> | <b>90,882</b> |

### Carrying value of property disposals

|  | 01-09/2014     | 01-09/2013     |
|--|----------------|----------------|
| Properties held as financial investments | 0              | -20,110        |
| Properties held for sale                 | -48,395        | -62,700        |
| Inventories                              | 0              | -3,003         |
|  | <b>-48,395</b> | <b>-85,813</b> |

### Gains on property disposals

|  | 01-09/2014 | 01-09/2013   |
|--|------------|--------------|
| Properties held as financial investments | 0          | 1,940        |
| Properties held for sale                 | 0          | 524          |
| Inventories                              | 0          | 2,605        |
|  | <b>0</b>   | <b>5,069</b> |

### 3.2.4. Financing result

Net financing costs were made up as follows:

| EUR '000          | 01-09/2014     | 01-09/2013     |
|-------------------|----------------|----------------|
| Financing expense | -45,582        | -39,659        |
| Financing income  | 2,094          | 1,903          |
|                   | <b>-43,488</b> | <b>-37,756</b> |

In the period of 01 January 2014 to 30 September 2014, financing costs included a non-cash foreign exchange loss of kEUR 2,327 (Q3 2013: kEUR 846).

### 3.2.5. Taxes on income

| EUR '000                    | 01-09/2014    | 01-09/2013    |
|-----------------------------|---------------|---------------|
| Current tax expense         | -5,008        | -2,652        |
| Deferred tax income/expense | -124          | -1,503        |
|                             | <b>-5,132</b> | <b>-4,155</b> |

#### 4. OPERATING SEGMENTS

Segment reporting for S IMMO Group is based on geographical regions. The four regions are as follows:

**Austria:** This operating segment includes all of the Group's Austrian subsidiaries.

**Germany:** This operating segment includes the German subsidiaries and also the subsidiaries in Denmark, which are property ownership companies holding properties in Germany.

| EUR '000  | Austria           |                    | Germany           |                   | Central Europe    |                   |
|---|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
|   | 2014              | 2013 <sup>1)</sup> | 2014              | 2013              | 2014              | 2013              |
| Rental income   | 22,682            | 23,243             | 21,100            | 22,531            | 15,417            | 16,958            |
| Revenues from operating costs   | 5,478             | 6,292              | 6,571             | 7,573             | 4,558             | 5,206             |
| Revenues from hotel operations  | 17,062            | 16,284             | 0                 | 0                 | 13,098            | 12,869            |
| <b>Total revenues</b>   | <b>45,222</b>     | <b>45,819</b>      | <b>27,671</b>     | <b>30,104</b>     | <b>33,073</b>     | <b>35,033</b>     |
| Other operating income  | 1,656             | 1,769              | 1,506             | 2,147             | 26                | 225               |
| Property operating expenses   | -8,001            | -9,153             | -13,708           | -18,180           | -6,119            | -5,654            |
| Hotel operating expenses  | -14,595           | -13,812            | 0                 | 0                 | -8,651            | -8,863            |
| <b>Gross profit</b>   | <b>24,282</b>     | <b>24,623</b>      | <b>15,469</b>     | <b>14,071</b>     | <b>18,329</b>     | <b>20,741</b>     |
| Gains on property disposals   | 0                 | 3,129              | 0                 | 1,940             | 0                 | 0                 |
| Management expenses   | -7,565            | -6,372             | -2,382            | -2,695            | -982              | -1,059            |
| <b>EBITDA</b>   | <b>16,717</b>     | <b>21,380</b>      | <b>13,087</b>     | <b>13,316</b>     | <b>17,347</b>     | <b>19,682</b>     |
| Depreciation and amortisation   | -2,003            | -2,629             | -96               | -83               | -2,833            | -3,616            |
| Results from property valuation                                       | 3,366             | 0                  | 8,969             | 13,332            | -876              | -9,355            |
| <b>EBIT</b>   | <b>18,080</b>     | <b>18,751</b>      | <b>21,960</b>     | <b>26,565</b>     | <b>13,638</b>     | <b>6,711</b>      |
|   | <b>30.09.2014</b> | <b>31.12.2013</b>  | <b>30.09.2014</b> | <b>31.12.2013</b> | <b>30.09.2014</b> | <b>31.12.2013</b> |
| Non-current assets  | 535,653           | 576,835            | 433,958           | 427,388           | 351,633           | 353,704           |
| Non-current liabilities (incl. participating certificates in Austria) | 442,514           | 488,025            | 195,906           | 199,886           | 180,069           | 182,757           |

<sup>1)</sup> Adjusted

**Central Europe:** This operating segment comprises the subsidiaries in Slovakia, the Czech Republic and Hungary.

**Southeastern Europe:** This operating segment includes the subsidiaries in 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 is operated independently of every other division. The chief operating decision maker for the divisions is the chief financial officer.

| Southeastern Europe |                   | Total             |                   |
|---------------------|-------------------|-------------------|-------------------|
| 2014                | 2013              | 2014              | 2013              |
| 25,320              | 25,573            | 84,519            | 88,305            |
| 9,245               | 8,784             | 25,852            | 27,855            |
| 0                   | 0                 | 30,160            | 29,153            |
| 34,565              | 34,357            | 140,531           | 145,313           |
| 272                 | 496               | 3,460             | 4,637             |
| -13,190             | -12,904           | -41,018           | -45,891           |
| 0                   | 0                 | -23,246           | -22,675           |
| 21,647              | 21,949            | 79,727            | 81,384            |
| 0                   | 0                 | 0                 | 5,069             |
| -1,180              | -908              | -12,109           | -11,034           |
| 20,467              | 21,041            | 67,618            | 75,419            |
| -522                | -892              | -5,454            | -7,220            |
| 1,302               | 0                 | 12,761            | 3,977             |
| 21,247              | 20,149            | 74,925            | 72,176            |
| <b>30.09.2014</b>   | <b>31.12.2013</b> | <b>30.09.2014</b> | <b>31.12.2013</b> |
| 391,270             | 388,570           | 1,712,514         | 1,746,497         |
| 204,404             | 126,906           | 1,022,893         | 997,574           |

## **5. OTHER OBLIGATIONS AND CONTINGENT LIABILITIES**

In S IMMO Group there were a number of open legal disputes as at 30 September 2014, however, in Management's opinion, neither the individual amounts involved nor the total were 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
- Michael Matlin, MBA, New York
- Wilhelm Rasinger, Vienna

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

| EUR '000           | 30.09.2014    | 31.12.2013    |
|--------------------|---------------|---------------|
| Other receivables  | 2,498         | 2,107         |
| Bank balances      | 30,884        | 20,256        |
| <b>Receivables</b> | <b>33,382</b> | <b>22,363</b> |

| EUR '000                                   | 30.09.2014     | 31.12.2013     |
|--|----------------|----------------|
| Non-current bank and financial liabilities | 482,382        | 458,172        |
| Current bank and financial liabilities     | 56,444         | 60,286         |
| Trade payables                             | 70             | 13             |
| Other liabilities                          | 1,049          | 536            |
| <b>Liabilities</b>                         | <b>539,945</b> | <b>519,007</b> |

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

| EUR '000                                       | 01-09/2014     | 01-09/2013     |
|--|----------------|----------------|
| Management fees - Erste Group Immortent AG     | -1,000         | -1,061         |
| Bank loan interest, other interest and charges | -26,443        | -19,863        |
| Other expenses                                 | -2,395         | -1,250         |
| <b>Expenses</b>                                | <b>-29,838</b> | <b>-22,174</b> |

| EUR '000                               | 01-09/2014 | 01-09/2013 |
|--|------------|------------|
| Rent and revenues from operating costs | 536        | 500        |
| Bank interest                          | 57         | 219        |
| Other interest income                  | 0          | 34         |
| <b>Income</b>                          | <b>593</b> | <b>753</b> |

## 7. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

By the time of going to press on 27 November 2014, no further shares were repurchased as part of the repurchase programme. Since 30 September 2014, no participating certificates were repurchased. S IMMO AG issued a bond in October 2014 (ISIN AT0000A19SB5) with a total nominal value of kEUR 100,000, a maturity until 03 October 2019 and a coupon of 3% p.a. There were no further significant events after the reporting date.

Vienna, 27 November 2014

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 and participating certificates 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 2015

|                  |   |
|------------------|---|
| 25 March 2015    | Publication of preliminary results 2014               |
| 29 April 2015    | Publication of annual results 2014 (press conference) |
| 28 May 2015      | Results first quarter 2014                            |
| 03 June 2015     | Annual General Meeting                                |
| 08 June 2015     | Dividend ex day                                       |
| 10 June 2015     | Dividend payment day                                  |
| 27 August 2015   | Results first half 2015                               |
| 26 November 2015 | Results first three quarters 2014                     |



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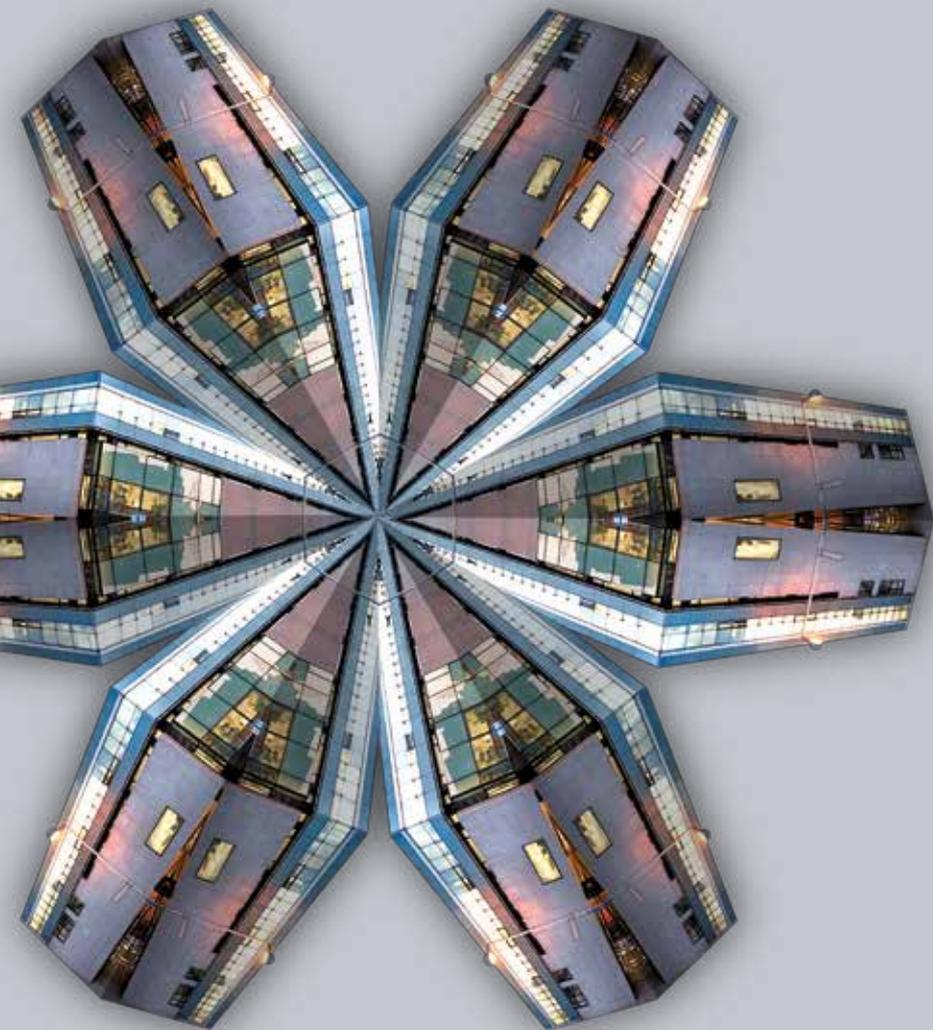
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