

# ANNUAL FINANCIAL STATEMENT

# 09



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## DECLARATION PURSUANT TO SECTION 82(4)(3) AUSTRIAN STOCK EXCHANGE ACT (BÖRSEG)

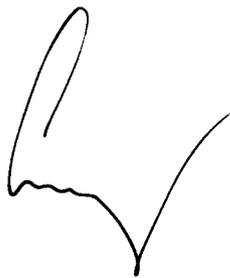
### “STATEMENT OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the consolidated 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 the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces. We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, finan-

cial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.”

Vienna, 14 April 2010

The Management Board



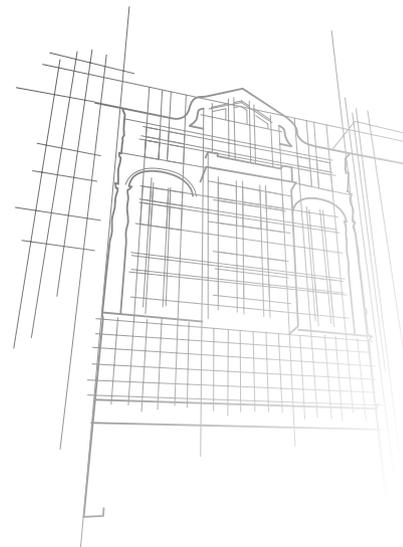
Holger Schmidmayr



Ernst Vejdovsky



Friedrich Wachernig



**The year 2009 was full of contrasting events for Sparkassen Immobilien AG: The financial crisis and the non-cash revaluation of the portfolio put a damper on the Company's result, while the successful completion of development projects increased the value of our real estate assets and strengthened our net assets for a profitable future.**

## BUSINESS MODEL AND CORPORATE STRATEGY

### ORGANISATION AND STRUCTURE

#### **Sparkassen Immobilien AG's business activities**

Sparkassen Immobilien AG is an international real estate investment and development company listed on the Vienna Stock Exchange. Its portfolio consists of office, commercial and residential properties, and hotels. With its 256 standing properties, it has total usable space of 1.355 million m<sup>2</sup> in a portfolio worth EUR 1.901 bn.

With its combination of established investment properties and development projects, Sparkassen Immobilien AG maintains an optimal balance between risks and opportunities. The established properties provide regular income, while the project development business offers the opportunity for substantially greater profits. As a general rule, the majority of the standing properties are held as long-term investments. For additional portfolio growth, the Group focuses predominantly on growth markets, where it weighs the opportunities with great care. With development projects, Sparkassen Immobilien AG takes market cycles into account in the planning phase in order to have projects completed before the next market upturn if possible.

#### **Organisational and legal structure**

Sparkassen Immobilien AG is headquartered in Vienna and has been listed on the Vienna Stock Exchange since 1987 (originally called Die Erste Immobilien Aktiengesellschaft). Erste Group and Vienna Insurance Group, two of the biggest financial services groups in Central and South Eastern Europe, are long-term, strategic shareholders. In addition to institutional investors both in Austria and abroad, roughly 30,000 private investors the s IMMO Share in their portfolios.

Operational management functions are controlled directly from the Vienna head office. In addition, certain Group functions are performed under service agreements, primarily by Immorent AG, a wholly owned subsidiary of Erste Group. These include services such as IT, personnel, cash management, consolidation and parts of asset management.

Sparkassen Immobilien AG has subsidiaries in Germany and Hungary that employ their own staff. All matters concerning tenants and property management are managed locally by individual asset management teams. Other project companies and individual special purpose companies are described in detail in the Notes, on pages 63–65.

**Portfolio structure**

Sparkassen Immobilien AG has investments in Austria, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Bulgaria and Romania. The largest share of the property portfolio by market value is contributed by Germany, with 29% and Austria with 27%. The properties in South Eastern Europe (Bulgaria, Romania and Croatia) make up 23%. Central and Eastern Europe is represented with 21%.

In Austria and Germany Sparkassen Immobilien AG owns properties in top locations in major cities and metropolises, in Central and South Eastern Europe it has concentrated its investments in the capital cities. Office property represents the largest use type by market value, with 30.3%, followed by retail property with 29.5%. Residential property makes up some 25% of the portfolio, with hotels making up 13.1%, and the remaining 2.1% consisting other properties.

Sparkassen Immobilien AG favours long lease agreements: the average remaining term for leases in the commercial portfolio of standing investments is 7.3 years. Tenancy agreements are generally euro-denominated and are as a rule linked to the Eurostat consumer price index.

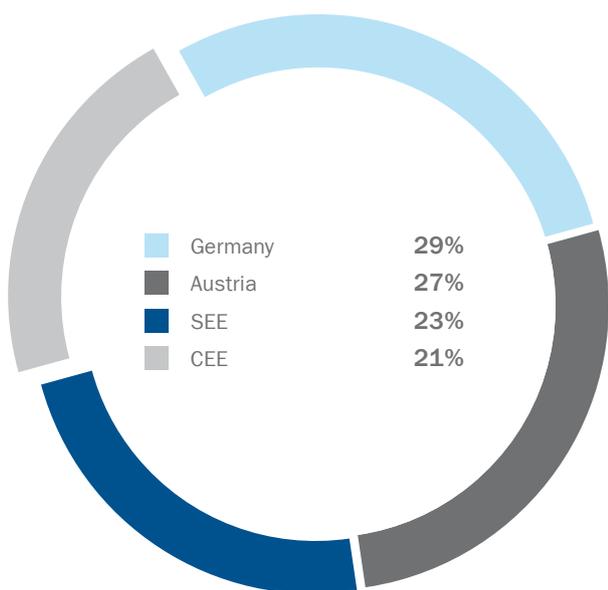
**OBJECTIVES AND STRATEGY**

**Goals and measures**

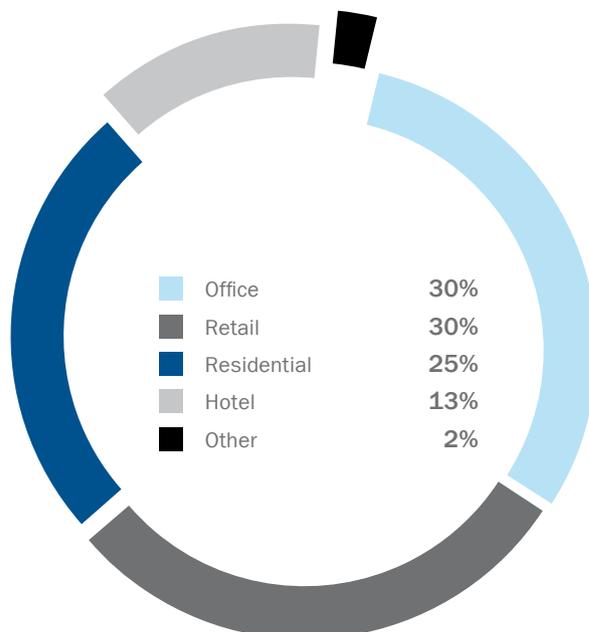
Sparkassen Immobilien AG's goal is to increase the permanent net worth of the Group for the benefit of its shareholders, consistently developing and improving the property portfolio. To get the best out of the portfolio, the Group manages property assets actively, thus optimising rental income. It also constantly reviews potential development projects that can make a positive contribution to the portfolio. In this connection, the well-developed networks of its core shareholders and development partners, together with its staff and local partners, are invaluable: they enable Sparkassen Immobilien AG to use market opportunities to the best possible advantage.

**MARKET VALUE BY REGION**

(estimated values including carrying value of land)



**MARKET VALUE BY PROPERTY USE TYPE**



In addition to the development projects already underway, Sparkassen Immobilien AG has approximately 12 hectares of additional land available for development. These parcels of land are included under the heading “land bank” in the detailed summary of the portfolio on page 100. All the land bank projects are in the planning phase.

### **Investment strategy**

Sparkassen Immobilien AG has a clearly defined investment strategy: it insists on top locations for its property investments. It attaches great importance to its tenants having excellent credit ratings, but also the stability of the underlying contractual agreements. The Group invests exclusively in the markets of the European Union, with the single exception of an office property in the centre of Zagreb. With every investment Sparkassen Immobilien AG attaches great weight to detailed market knowledge, and therefore only invests in markets in which its core shareholders have an active presence and where their networks can be used to corresponding advantage. In the interests of additional security, the Group concentrates on properties in the capital cities in its CEE and SEE investments.

For optimal risk diversification Sparkassen Immobilien AG's properties are in widespread locations, with a broad range of property use types and investment sizes, and a good mix of tenants. This policy of diversification enables the Group to ride out market cycles and fluctuations with relative ease.

Sparkassen Immobilien AG is also very aware of risk in its financing strategy: it makes no use of structured credit products, relying instead on traditional mortgage loans with sustainable repayment plans. The bulk of the Group's commercial properties are financed individually. The Group also maintains an ample cushion of liquidity and generally maintains a balanced loan amount in relation to the market values of the individual properties.

### **MANAGEMENT AND CONTROL**

As is required by law for public limited companies, Sparkassen Immobilien AG employs a dual tier management and control structure, with a Management Board and a Supervisory Board. The Group's day-to-day management is performed by the Management Board, whose three Board Members act together. They manage the long-term investment strategy in the overall interests of the Group, in close cooperation with the Supervisory Board. Corporate governance plays a major role in management and in relations between the two Boards, and is described in detail in the Corporate Governance Report on page 12.

# ECONOMIC AND BUSINESS ENVIRONMENT

## ECONOMIC CLIMATE AND INDUSTRY\*

### **General economic background:**

### **European government intervention stabilises economies despite continuing recession**

The recession that began in the last quarter of 2008 continued in 2009. The developed Western world was hit the hardest, and to halt the slide the governments of the countries affected adopted a variety of measures, ranging from counter-cyclical budgetary policies to employment subsidies, tax relief and other consumption incentives. These policy measures showed their effects as the year progressed, and the Western economies returned to stability in the second half of the year. Besides to the fiscal stimuli, the central banks continued to pursue expansionary monetary policies in order to create additional momentum for growth. Interest rates were held at low levels to encourage lending. The stock markets rallied and maintained their recovery and – starting in March 2009 – began a climb that strengthened as the year advanced. The additional liquidity provided by the central banks and the reduced risk premiums contributed to the stabilisation of the international banking system, and made lending easier to finance.

Like the global economy, the Austrian economy got off to a hesitant start in 2009, but the situation became more stable over the course of the year, as a result of government support programmes and the measures taken by the central bank. GDP fell by 3.8%, a smaller drop than expected. While exports suffered serious inroads, the comparative strength of consumer spending helped slow the decline in GDP. Unemployment in Austria also reflected the weakness of the economy, rising to 4.6%, although this was still less than the EU average. The budget deficit rose to an estimated 3.9% of GDP as a result of tax reforms that resulted in a

reduced tax take, combined with the higher social spending produced by the recession. National debt increased by 6.5 percentage points to 69.1% of GDP. As a result of the economic crisis, inflation was at the historically low level of 0.5%. The main contributory factors, in addition to the overall low level of price increases, were fuel and heating oil prices, which in the first 11 months of the year were significantly lower than their previous year's level.

The German economy shrank for the first time in six years, resulting in the steepest decline since WWII. GDP fell by 4.8%. Foreign trade, previously always an engine of growth for the German economy, proved in 2009 to be a brake on performance: exports slumped, and only consumption spending buoyed the economy, rising by an inflation-adjusted 0.4%. Government consumption spending grew by as much as 2.8%. Extensive monetary and fiscal measures meant that the German economy began to recover starting in the middle of the year, but employment failed to benefit from the improvement. At the year-end, unemployment stood at 8.1%, 0.3 percentage points higher than a year earlier.

The economies of Central Europe (CEE) also did not escape the effects of the global economic crisis. In recent years the region had benefited from vigorous economic growth, but in 2009 growth declined sharply, with the notable exception of Poland (GDP up by 1.7%). This was attributable to low export dependency and to a healthy Polish financial sector that was hardly affected by the global crisis. In comparison, the Czech and Slovak economies suffered much more severe effects, because exports, with a heavy emphasis on the automotive sector, play a much larger role. With a GDP decline of only 3.9%, the Czech Republic got off the easiest, while in comparison GDP in Slovakia fell by 5.0% and dropped

by a massive 6.5% in Hungary. The necessary budgetary retrenchment left Hungary with very little room for manoeuvre in its fiscal policy. National debt for Central European countries also shows a mixed picture, but is generally lower than the level for Western Europe. The general weakness of the economies meant that pressure on prices in Central and Eastern Europe eased. The result was single-digit inflation in the various countries.

Following a period of rapid economic convergence, South Eastern Europe (SEE) was also hit by the global crisis, and was forced to contend with higher balance of payments deficits. The measures required in response resulted in declines in GDP: in Romania GDP fell by 7.0%, and in Croatia by 6.0%.

For most countries, UniCredit is forecasting economic growth in 2010 again, although for South Eastern Europe recovery and growth should not be expected before 2011.

	GDP 2009 (EUR bn)	Change in GDP 2009 (%)	Balance of payments 2009 (% GDP)	Budget balance 2009 (% GDP)	National debt 2009 (% GDP)	Rate of unemployment 2009 (%)
Austria	272.5	-3.8	1.8	-3.9	69.1	4.6
Germany	2,407.2	-4.8	4.4	-3.5	70.2	8.1
Bulgaria	33.3	-5.2	-9.6	-0.7	not available	9.3
Croatia	45.0	-6.0	-5.6	-3.9	43.0	9.4
Romania	118.4	-7.0	-5.0	-8.0	21.7	6.3
Slovakia	63.1	-5.0	-4.2	-6.1	35.4	11.8
Czech Republic	138.0	-3.9	-0.9	-6.5	35.4	8.1
Hungary	91.1	-6.5	-0.2	-3.9	79.0	9.9

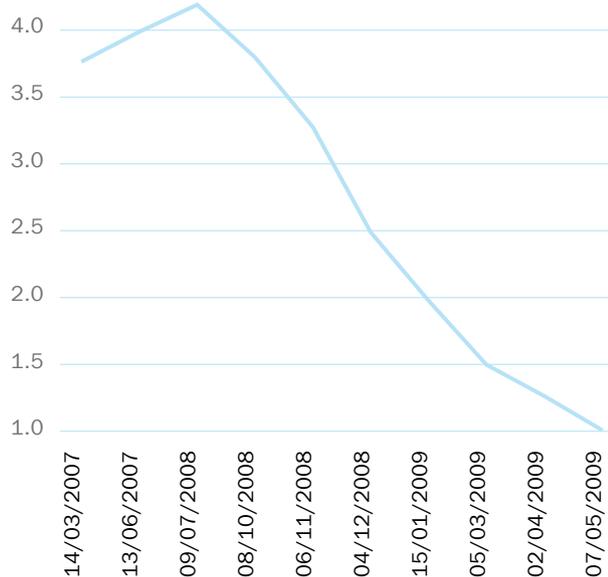
## PROPERTY MARKET OVERVIEW\*

### General development of property markets

The low point in the European property market was reached in the first quarter of 2009, although less core markets did not see an improvement in underlying property fundamentals until the last quarter of 2009.

Meanwhile, as the global economy weakened, base rates across Europe have shown a steady downward trend since July 2007, with the European Central Bank continuing to cut interest rates in a bid to encourage banks to resume lending and to stimulate the economy across the eurozone.

### BASE RATE DEVELOPMENT IN THE EUROZONE (IN %)



In property terms, the downward cycle has been characterised by a divergence between prime and secondary assets, cities and micro-locations, marking the low risk appetite amongst investors. The year was dominated by equity buyers acquiring prime assets with a strong leasing structure in core markets. Although

quarter-on-quarter investment volumes in Europe increased by 26%, the total 2009 volume of EUR 59bn is still 47% lower than the 2008 figure. The year was also characterised by a further reduction in foreign investment, again underlining a more risk-averse approach. The proportion of foreign investment decreased to 34% from a high of 52% in 2007 and 45% in 2008. The leasing market saw rents falling to a greater or lesser extent in most markets with rising vacancy, although stabilisation or even a slight improvement is expected in 2010.

### Austria

The reaction of the Austrian property market to the recession and upheaval was comparatively stable. Despite significant drops in transaction and leasing activity, prime rents, yields and vacancy all held up well. This can be attributed to the long-term view that investors and occupiers take in Austria and specifically Vienna.

Prime office yields in Vienna stood at 5.65% at the end of 2009, only 15 basis points higher than in Q4 2008, in spite of a 38% drop in investment activity to EUR 1.3bn. A significant fall in completions in Vienna contributed to a relatively stable vacancy rate of 4.8% and prime rents of EUR 22.25/m<sup>2</sup>/month. This represents a 5.3% decrease over 12 months, even though leasing activity fell by 34% and stood at 265,000 m<sup>2</sup> in 2009.

Prime retail rents have been far more resilient than those in the office sector, with rents in Austria showing a 2.3% increase on the previous year, reaching EUR 220/m<sup>2</sup>/month by Q4 2009. Meanwhile, retail yields stood at 4.65% at the end of 2009, which marked a change of -50 basis points year-on-year.

Vacancy rates also remain low, and there are still hardly any vacancies in the top shopping centres and prime retail locations such as the “magic U”, although leasing in secondary locations remains difficult.

\*Sources: CBRE, DTZ, Colliers, Savills, ECB

**Germany**

The German real estate market hit record lows in 2009, with the wider declines in GDP reaching unprecedented post-war levels. Despite this, the lowest point – at the very least in the commercial investment markets – had been passed by the middle of 2009. Colliers predicts that the trend will continue into 2010 as transaction volumes look set to increase by a further 10% to 20%, with the bulk of investment interest focusing on core properties.

In relative terms, Berlin was not as severely affected by the economic crisis as other federal states. In the final quarter of 2009 the take-up of office space totalled 411,300 m<sup>2</sup>, which represents a drop of 11% compared to 2008, while vacancy rates rose by only 1% to 1.67 million m<sup>2</sup>. However, there were some significant reductions in rental levels, as achievable prime rents fell by 9% to EUR 20.00/m<sup>2</sup>/month over the 12-month period. Prime yields remained unchanged at the 2008 level of 5.50% due to low supply and constant demand.

Overall, the comparatively stable office market across most German cities has seen an influx of foreign capital seeking secure investments. However, ongoing insecurity regarding future economic development and delayed reactions to fluctuations in the wider economy mean that Colliers expects the rental markets to move laterally in 2010, with take-up volumes generally remaining on par with 2009 levels.

The German investment market for residential portfolios stabilised at a low level at the end of 2009, but was defined by the ongoing absence of any large-scale transactions, as the market remained at its most cautious level since 2003. However, while residential portfolios in secondary locations commanded limited interest in 2009, investors were prepared to pay multiples of more than 16 for high quality real estate portfolios in the higher growth regions of western Germany. In view of the further stabilisation of the economy and the recovery of the global stock markets, Cushman & Wakefield

is cautiously optimistic about the outlook for 2010, with the comparatively low level of risk meaning that the attractiveness of residential real estate portfolios will be likely to increase further.

**Central and Eastern Europe**

The second half of 2009 saw an upturn in sentiment across the entire CEE region, but overall results show a more subdued market than in previous years. Despite this, investment in institutional property totalled EUR 2.5 bn last year, with approximately EUR 2bn of this traded in H2. This represents an increase of 314% on turnover in H1. Interest in properties in core locations with long unexpired lease terms and quality tenants dominated, as investors focused on income security in less volatile markets.

However, the limited availability of core properties across CEE meant that the proportion of turnover in capital city markets fell slightly from 69% in 2008 to 62% in 2009. Notably higher levels of activity were recorded in the relatively safe markets of Prague and Warsaw, which accounted for 34% of total CEE investment turnover in 2009, up from 21% in 2008.

Based on the improving market conditions and strength of H2 results, CBRE remains cautiously optimistic about conditions in 2010, although investor focus is likely to remain concentrated on high-quality products in preferred locations with good covenants and long leases.

Interest in prime office properties dominated in 2009, accounting for 44% of all CEE turnover, up from 38% in 2008. Notably the Prague office market has performed better than many other markets, with total leasing activity in Q4 reaching 101,600 m<sup>2</sup>. This was double that of any of the previous quarters and 73% above the five year quarterly average. Whilst 2009 inevitably saw a decrease in occupier demand, with vacancy rates

increasing marginally from 10.6% in Q3 to 12% in Q4, renewed occupier demand is expected to start keeping pace if the economic recovery continues into 2010. Combined with limited pipeline activity, CBRE therefore expects to see further downward pressure on vacancy rates over the next year.

In contrast, relatively weak demand has seen vacancy rates in Budapest rising and, with few foreign companies entering or expanding their operations in Hungary, the majority of all new leasing contracts in 2009 were made up of relocations within the city. However, with few new office developments coming on stream in Budapest during 2009, Savills predicts a stabilisation of rental levels in the city, followed by a fall in vacancy rates and a slight rise in rents into 2011, particularly in mid-range properties that offer good value for money.

Although prime office yields in the second half of 2009 stabilised across the majority of the CEE region, Budapest recorded a change of 125 basis points between Q4 2008 and Q4 2009, with prime yields approaching 8.00% in 2009. Yields in Prague were slightly better at 7.00%, a change of just 50 bps from the tighter 6.50% yield recorded in Q4 2008.

Although large deals were few and far between in 2009, investment interest increased across the entire CEE retail market. Although coming from a low starting point, the total value of transactions between the first and second half of 2009 jumped by 480% as investors were driven by the security of income offered by prime property.

### **South Eastern Europe**

While investors focused on the relatively stable markets of the Central Europe, confidence in Southern and Eastern Europe fell. SEE's share of investment turnover dropped to just 12% of all CEE/SEE transactions in 2009, down from 25% in 2008, as investors reacted with uncertainty about the region's economic and property prospects.

In particular, the economic crisis hit the Bucharest office market during a period of rapid growth, causing a sudden fall in demand and large levels of oversupply. However, as few new developments have come on stream since mid-2008, supply in 2009 and 2010 will be lower than projected. Savills predicts that demand will remain weak until at least the second half of 2010, but as supply drops vacancy rates will not increase significantly in 2010, nor will rents fall much below 2009 levels.

At the same time, prime office yields in core SEE markets were slightly higher than in CEE, reflecting comparably lower levels of demand across the region. Q4 2009 yields in Zagreb stood at 8.50%, compared to 9.50% in Bucharest and 10.00% in Sofia. This represents a relatively small change of 100 basis points for Bucharest and Zagreb and 50 basis points for Sofia year-on-year.

In the retail segment, non-prime shopping centres continue to find current market conditions more challenging than prime schemes, but yields remained generally stable across the entire CEE region during the second half of 2009. Weighted prime yields in SEE stood at 9.0%, and still remain significantly above Central Europe (7.3%). Looking at specific cities, prime yields in Bucharest stood at 9.50%, against 9.0% in Sofia and 8.50% in Zagreb.

Lagging economic indicators are likely to put pressure on CEE's retail structure in 2010, and CBRE expects that increased demand for the best schemes may result in some hardening of yields in 2010. Romania in particular has seen a noticeable gap develop in performance between shopping centres in Bucharest and those in regional cities.

Equally, challenging conditions have slowed the expansion of Bulgaria's retail market, but CBRE still forecasts modern shopping centre space to increase in the next two years. This will start to move Bulgaria away from historically having had one of the least developed retail markets in the whole of Europe.

### Hotels

In 2009 hotels contributed only 8% of the total revenues in the CEE region: the industry was suffering from falling demand, especially from business travellers in all CEE markets. This meant in some cases a significant

reduction in occupancy and room rates compared with the record year in 2008, particularly in the first half of 2009. However, the second half of 2009 saw a stabilisation of hotel demand across almost all markets, in terms both of room rates and of occupancy rates. While the downturn had a particularly severe impact on the CEE region, and especially in Bucharest, the Vienna hotel market held up remarkably well despite the economic crisis, not least because of the importance of the city as a location for meetings, incentive travel, conferences and exhibitions (MICE). Vienna was able to retain its position as market leader among the CEE capitals. The development pipelines for Vienna is also again looking very promising. A series of major upmarket projects is planned, and – with a 5% increase compared with the same period last year – the first positive indications can be discerned. Further stabilisation of CEE hotel markets is expected in 2010, and starting in 2011, demand is expected to strengthen, particularly in the business travel segment that is so important to these markets.

	Prime rents EUR/m <sup>2</sup> /month		Take-up (1,000 m <sup>2</sup> ) Office	Vacancy (%) Office	Investment transactions	Prime yields (%)	
	Office	Retail				Office	Retail
Vienna	22.25	220.00	265,000	4.8	1.3bn	5.65	4.65
Berlin	20.00	235.00	431,300	9.5	1.1bn	5.50	4.90
Hamburg	23.00	220.00	387,300	8.2	1.35bn	5.00	4.50
Prague	21.00	170.00	250,063	11.6	421.5m	7.00	6.75
Bratislava	17.00	60.00	63,600	11.8	not available	7.50	8.50
Budapest	20.00	90.00	294,400	22.0	not available	8.00	7.75
Bucharest	19.50	75.00	125,100	16.5	not available	9.50	9.50
Sofia	15.00	45.00	not available	16.1	not available	10.00	9.00
Zagreb	16.80	41.00	not available	4.0	not available	8.50	8.50

## BUSINESS PERFORMANCE AND RESULTS

### Property portfolio growth despite difficult business conditions

In 2009 Sparkassen Immobilien AG successfully completed several development projects as planned, pushing the value of the property portfolio to EUR 1.901bn (2008: EUR 1.808bn), despite several disposals of assets. These projects will lead to a major increase in operating cash flows in the coming years. Rental income remained 2% higher than in 2008. The occupancy rate remained steady, and new projects were opened and let, generating earnings for the first time. As a result, Sparkassen Immobilien AG can look back on an overall successful year in spite of the difficult economic situation. However, the Group's earnings were adversely affected by non-cash valuation writedowns in 2009.

### Changes in major income statement items

EUR m	2009	2008
Revenues	153.6	125.7
EBITDA	53.3	59.2
Operating profit (EBIT)	-53.1	23.8
Profit before taxes (EBT)	-77.5	7.8
Profit after taxes	-78.9	5.7
Earnings per share (EUR)	-1.15	0.09

### Revenue growth makes up for higher expenditure

As a general principle, Sparkassen Immobilien AG follows the guidelines issued by the European Public Real Estate Association (EPRA). The presentation of the consolidated financial statements for 2009 has been adapted to comply with that organisation's recommendations in the interests of greater transparency.

The Group registered slight increases in rental income in the past financial year, with an improvement of 2% compared with the previous year, even though several properties were sold and the business climate remained very unfavourable in general. Revenues from service charges rose in line with the optimisation of the German residential portfolio.

In earlier years, the gross operating profits of the Vienna Marriott Hotel and the Budapest Marriott Hotel were shown under other operating income. In the revised income statement presentation, the earnings of the hotels are split into sales revenues shown as income from hotel operations, and hotel operating expenses. The large increase in hotel operations income to EUR 36.9m (2008: EUR 16.5m) is primarily the result of the initial full consolidation of the Vienna Marriott Hotel in financial 2009. Hotel operating expenses also increased commensurately – from EUR 12.6m to EUR 29.7m.

Other operating income was also substantially higher at EUR 8.2m as a result of a one-off exit payment (2008: EUR 2.6m).

The expenses for property management rose from EUR 45.2m to EUR 61.2m, largely as a result of higher maintenance expenses, together with letting commissions (Serdika Center and Sun Plaza).

In spite of the difficult overall economic climate, Sparkassen Immobilien AG was successful in raising its revenues less directly attributable expenses in 2009 from EUR 70.5m to EUR 70.9m.

**Financial crisis negatively impacts results**

EBITDA fell from EUR 59.2m to EUR 53.3m. In 2009 Sparkassen Immobilien AG was successful in selling six properties at prices above their estimated value. However, gains on the disposal of properties were still lower than in 2008: they fell from EUR 8.3m to EUR 1.9m. The lean management structure meant that management expenses of EUR 19.5m remained at the same level as last year.

**Funds From Operations (FFO)**

Funds From Operations show Sparkassen Immobilien AG’s results in cash terms for the year under review. The consolidated results are adjusted for non-cash items, which include revaluation results, depreciation and amortisation, gains and losses on derivatives, and exchange rate differences.

In 2009, Funds From Operations dropped to EUR 22m, as a result of maintenance costs and intensive letting activities for the new shopping centres resulting in higher letting fees. Financing costs rose as a result of the larger credit portfolio. A significant improvement in Funds From Operations is expected in 2010 as a result of the opening of the shopping centres.

The global recession and its effects on property markets were clearly reflected in Sparkassen Immobilien AG’s revaluation results – non-cash writedowns were necessary in the year under review. Regular depreciation amounted to EUR 9.1m; the periods over which the building and movable assets are being depreciated (25–33 years and 3–10 years respectively) is extremely conservative.

**Revaluation results**

EUR m	2009	2008
Germany	2.1	-47.0
Austria	3.8	4.0
Central Europe	-49.2	2.0
South Eastern Europe	-53.9	10.3
<b>Total</b>	<b>-97.2</b>	<b>-30.7</b>

For 2009, the income entitlement of the participating certificate holders amounted to a positive EUR 11.2m for the first time (2008: EUR -6.4m). The significant increase in the financial loss resulted in a negative EBT of EUR 77.5m, compared with a positive figure of EUR 7.8m last year.

**Taking advantage of favourable sales opportunities**

**Sales in financial 2009**

- Ballgasse 4, A-1010 Vienna (residential)
- St. Ulrichsplatz 4, A-1070 Vienna (residential)
- Obere Viaduktgasse 36, A-1030 Vienna (office)
- Ketzergasse 6–8,, A-1230 Vienna (office)
- Schärdinger Strasse 5, A-4061 Linz-Pasching (retail)
- Na Pankraci 127/1683 (Gemini), CZ-14000 Prague (office)

In 2009 there were several attractive opportunities for Sparkassen Immobilien AG to sell properties. The Company took advantage of these opportunities and in all cases was able to sell the properties for above their estimated value. With the sale of the retail property in Schärldinger Strasse in Linz, the Group has disposed of a property outside Vienna, in line with its strategic focus on properties in desirable locations in capital cities. The sale of the Gemini property in Prague was a great success. The building was developed by Sparkassen Immobilien AG and opened in April 2009. Already in November it was sold for a price far in excess of the total construction costs.

**Stable situation for investment properties**

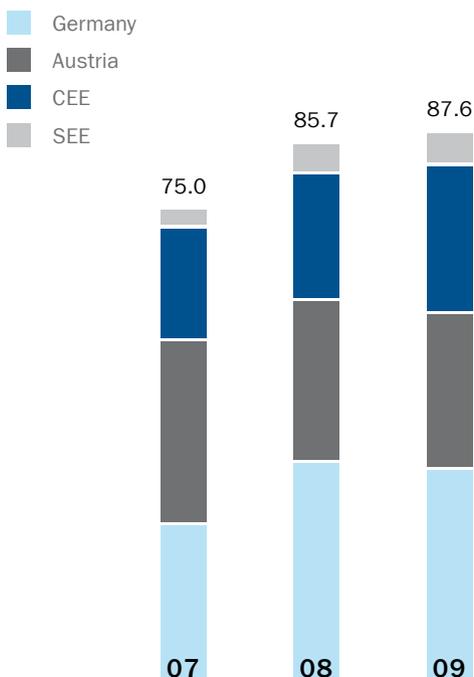
From 2008 to 2009, Sparkassen Immobilien AG increased its rental income from EUR 85.7m to 87.6m. Given the difficult market environment, this was a very satisfactory achievement.

Germany contributed 38.9% of the total, followed by Austria with 28.6%, Central Europe with 27.1% and South Eastern Europe with 5.4%. Compared with 2008, the shares of Germany and Austria fell slightly as a result of property disposals.

Office properties are the largest rental income segment by property use type, and the segment's 42% share is at the same level as last year. The second largest part (also at the same level as in 2008) were residential properties, contributing 32% of rental income, followed by commercial properties, with 22%. Overall, rental

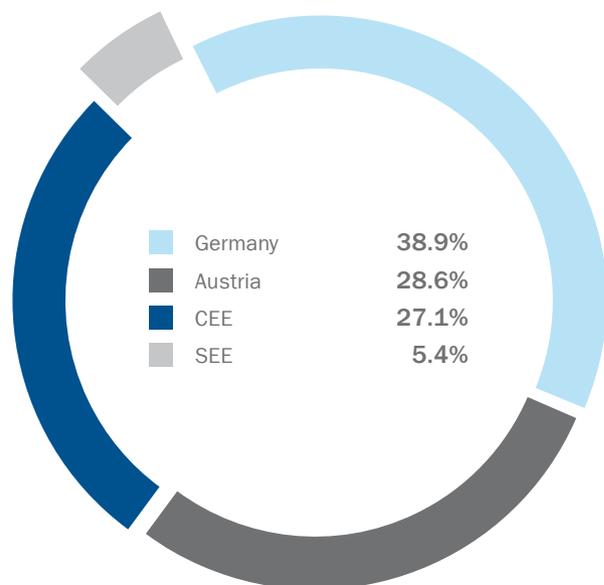
**TOTAL RENTAL INCOME**

(not including income from hotel operations) in EUR m



**RENTAL INCOME 2009**

(not including income from hotel operations)



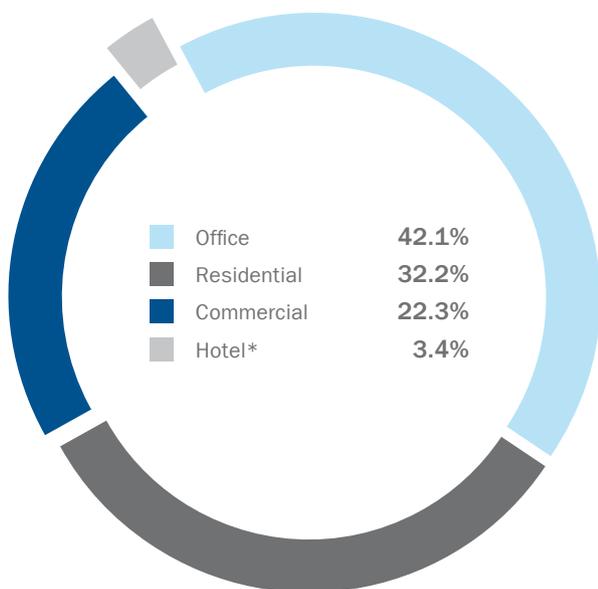
income from commercial property rose by 12.4%; Sparkassen Immobilien AG's success in this respect was achieved by its close focus on asset management, successful new lettings and as a result of completed renovation measures. Rental income from office properties rose by 3% as compared with the previous year. Income from residential property fell slightly, by 1.4%, as a result of property sales during the year. The share of income contributed by hotels fell from 5% to 3%, as a result of the global recession, which had an immediate significant impact on the hotel industry. However, the industry's flexibility in the short run, e.g. its ability to set room rates, mean that it can profit equally quickly from positive developments.

Rental yields

%	2009
Germany	6.4
Austria	6.2
SEE	9.2
CEE	7.3
<b>Total</b>	<b>6.65</b>

The overall rental yield of 6.65% remained almost unchanged from last year.

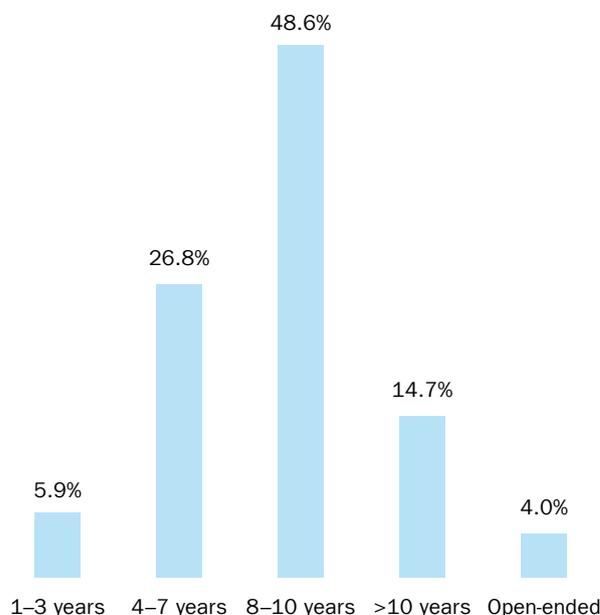
RENTAL INCOME BY PROPERTY USE TYPE\*



\* not including Vienna Marriott Hotel and Budapest Marriott Hotel

UNEXPIRED LEASE PROFILE

(25 largest tenants)



**Net Operating Income (NOI)**

	NOI 2009 (change on previous year as %)	NOI margin 2009	NOI margin 2008
<b>Total</b>	<b>EUR 62.7m (-7.7%)</b>	<b>41%</b>	<b>54%</b>

Compared with 2008, net operating income in Austria, Germany and CEE rose. In SEE, however, NOI was negative because of agents' commission fees on the letting of the shopping centres Serdika Center and Sun Plaza, which opened early in 2010. The result was a total NOI of EUR 62.7m, 7% less than last year.

**Occupancy rate**

Despite the difficult market environment, Sparkassen Immobilien AG was successful in holding its occupancy rate constant at 90.3%.

**Development projects**

**Sun Plaza, Bucharest, Romania**

On 25 February 2010 Sparkassen Immobilien AG celebrated the opening of its Sun Plaza shopping centre in Romania. There were more than 85,000 visitors on the first day, and more than 320,000 over the opening weekend. The 80,000 m<sup>2</sup> of lettable area make Sun Plaza the biggest shopping centre in Romania. Sparkassen Immobilien AG's investment amounts to EUR 200m, and its partner in the project is the Franco-Romanian developer EMCT.

When the centre opened, more than 96% of the space was already let (98% as of going to print). The anchor tenants are Baumax, Cora, Mobexpert, Cinema City, C&A and Flanco. In addition to the more than 130 shops, Sun Plaza offers a wide selection of cafes, a food court with seating for 1,200 people and a cinema centre. Community and social facilities, such as a kindergarten and a sports hall, also form an integral part of the development.

THE LARGEST TENANTS



Austrian Republic

Sun Plaza is in Bucharest's fourth district in the southern part of the city, at the intersection of two main roads. It has direct access to the subway system; a completely unique feature in Romania, and excellent connections to the road transport system. There are numerous public transport routes close by, and there are more than 2,000 parking spaces on two levels for visitors arriving by car.

The office part of the project, Sun Offices, will provide over 9,000 m<sup>2</sup> of office space on three levels. The offices, which offer a variety of units starting at 530 m<sup>2</sup>, can be adapted to the tenants' requirements. The letting agents for the offices are CBRE. Sun Offices is scheduled to be completed in the third quarter of 2010.

#### **Serdika Center, Sofia, Bulgaria**

On 16 March 2010, after a construction period of roughly two years, Sparkassen Immobilien AG opened Bulgaria's biggest shopping centre, Serdika Center in Sofia. With a total investment of EUR 210m, Serdika Center is the largest development project in Sparkassen Immobilien AG's history to date. The Group's partner in the project is ECE Projektmanagement, the European market leader in the construction of inner city shopping centres.

With its strikingly curved facade, the building has a total of 51,000 m<sup>2</sup> of lettable retail space. The roughly 210 international and local brand name businesses with an emphasis on fashion already moved in at the time of the opening, so that Serdika Center was 99% let from the outset. The anchor tenants are Peek & Cloppenburg, with its first flagship store in Bulgaria, a consumer electronics market belonging to Technopolis of Bulgaria, and a Piccadilly supermarket. Many strong and internationally recognised fashion brands have opened stores in Serdika Center, ensuring a balanced mix of tenants. A food court with international and Bulgarian cuisine rounds off Serdika Center's exciting offer.

The development is centrally situated in the down town city district of Oborishte, with more than a million people living in the catchment area. There are numerous bus and tram stops in the immediate neighbourhood, and there are 1,600 parking spaces for visitors who arrive at the centre by car.

Directly above the shopping centre, 30,000 m<sup>2</sup> of office space will be completed by the end of 2010. The letting agent is Colliers International. State-of-the-art building management and access systems guarantee great cost effectiveness and modern workplaces.

#### **Sechshauser Strasse, Vienna, Austria**

The Sechshauser Strasse development in Vienna's fifteenth District was opened on 10 November 2009. The orange facade of this zero-carbon building gives the neighbourhood a very colourful note. Sparkassen Immobilien AG invested a total of EUR 12m in the project, and the developer is Kallco Bauträger.

The building is located at Sechshauserstrasse 31–33 and has 7,100 m<sup>2</sup> of lettable space on seven floors. The ground floor is used as a geriatric centre. The first and second floor are dedicated to university preparation courses for Vienna's universities, where students from abroad are prepared for their studies in Austria. The remaining floors are home to 150 students living in 90 units in the residence hall operated by ÖAD-Wohnraumverwaltungs GmbH. The property, which was completed in September 2009, combines a variety of use types under a single roof, and is fully let.

### **Neutorgasse, Vienna, Austria**

An office and residential building with a total of 11,000 m<sup>2</sup> of usable space is being created at Neutorgasse 4–8 between Stock Exchange, Freyung and Salzgries in Vienna's first district. The project is a joint development with Immorent AG, the real estate specialist arm of Erste Group. The total investment is approx. EUR 55m, and completion is scheduled for the summer of 2010.

Known locally as the “jewel in the city”, it owes its name to its elegant design, the idea of Rataplan architects. They have integrated the late 19th century facade with modern glass and steel that glows in the sunlight during the day and sparkles like a crystal at night. The ground floor and the next three floors house the showrooms and office premises, with 5,000 m<sup>2</sup> of available space. The upper floors are being used to create 34 freehold apartments with spacious terraces: 23 apartments have already been sold (as of going to print). The majority of the commercial space has already been let long-term, two-thirds of it to Bene, the household name for quality office furniture. The ground floor will be used as showrooms. The building is centrally situated in Vienna's first District, with the subway lines U2 and U4 conveniently nearby. Vienna International Airport is only 20 minutes away.

### **Austria Trend Hotel Bratislava, Slovakia**

After a construction period of 14 months, including two months of pre-opening activities, Verkehrsbüro Group's Austria Trend Hotel Bratislava was officially opened in November 2009. The hotel is in a prime location close to the Danube bridge Nový Most in the heart of the old town. Its central location close to the historic city centre and its convenient access to the railway station and the Incheba Convention Center makes it attractive to city tourists and business people alike.

This four-star hotel with the postage-stamp motif facade – a reference to its location on post street – and its 199 comfortable, well-appointed modern rooms is a new tourist landmark in the city.

The total investment in the project was approximately EUR 50m. In addition to the hotel, the building comprises 3,600 m<sup>2</sup> of commercial and office space and seminar rooms.

### **Galvaniho 4, Bratislava, Slovakia**

Galvaniho 4 continues Sparkassen Immobilien AG's success story in Slovakia. This six-floor office building is located next to Galvaniho 1 and 2, two of Sparkassen Immobilien AG's fully let portfolio properties. With 23,700 m<sup>2</sup> of lettable space, the building provides room for offices, retail areas and restaurants. As a business centre, it also has an underground car park with 400 spaces, and 350 outdoor parking spaces. The building is located in an established business district and has the benefit of excellent transport connections. The city centre is ten minutes away by car, and Airport Bratislava is only two kilometres away. The D1 motorway links the centre to the motorways to the west and to the rest of the country. Lindner Slovakia is the general contractor for the project. The total investment amounted to approximately EUR 45m. The opening of the building is planned for the summer of 2010.

## ASSETS AND FINANCES

### FINANCE MANAGEMENT

Sparkassen Immobilien AG's finances are managed centrally.

Long-term interest rate hedges are used to reduce the risk of increased interest costs. Centralised cash pooling controls the inflows and outflows of liquidity, thus keeping net interest expense to a minimum. With many years of excellent relationships with over 20 financial institutions, Sparkassen Immobilien AG enjoys access to financing on the best possible terms.

#### Long-term financing structure

Term of financial liabilities	
Less than 1 year	14.6%
1 to 5 years	18.9%
More than 5 years	66.5%

In 2009 Sparkassen Immobilien was successful in refinancing all maturing loans as planned. In spite of the delicate state of the credit markets and the very restrictive lending policies, numerous long-term property investments were refinanced according to plan. A total of EUR 176.5m was taken out in the form of first-time financing to fund long-term investment properties. Financing was also secured for development projects. Only 15% of the outstanding loans at the end of 2009 mature next year and will require refinancing.

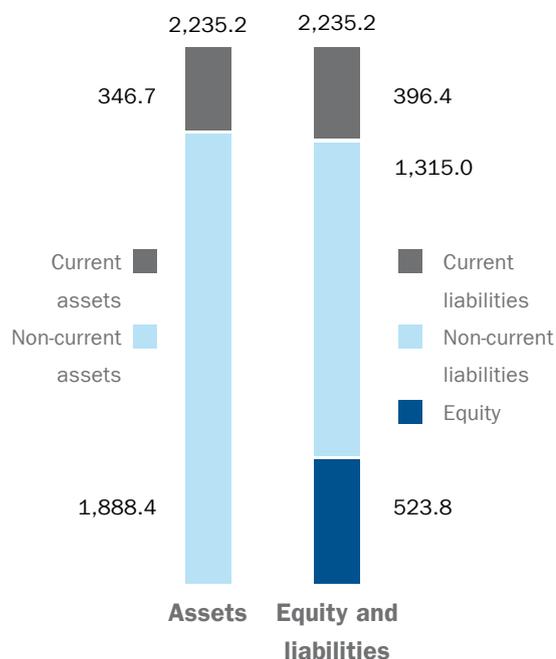
### ASSETS AND CAPITAL STRUCTURE

Sparkassen Immobilien AG's long-term property assets increased by 2.2% during the year – from EUR 1.808bn at the end of 2008 to EUR 1.847bn at 31 December 2009. The balance sheet total for development projects and undeveloped land grew by 58.4%. However, the increase in the long-term property portfolio was reduced by sales of properties in the course of the year.

Short-term assets also increased in comparison with last year, mainly because of the reclassification of properties intended for sale.

### HEALTHY BALANCE SHEET

EUR m



Total equity fell to EUR 523.8m in the course of 2009, as a result of the revaluation results experienced.

The minority interests in equity relate almost exclusively to ECE's participation in the Serdika Center project.

The increase in non-current liabilities by 10.1% was predominantly attributable to the increase in financial liabilities. Mortgage loans amounting to EUR 176.5m were taken out during the year. However, the reduction in subordinated participating certificate liabilities by 8.8% as a result of the distribution of profits to the certificate holders reduced non-current liabilities.

Current liabilities rose by 14%. This included liabilities recognised for construction costs and short-term liabilities to banks.

#### Net asset value (NAV)

The calculation of NAV at 31 December 2009 has been adjusted to reflect the EPRA guidelines. The EPRA NAV represents the value of the equity. The valuations of derivatives and deferred taxes are not taken into account, because they have no long-term effect on the business activities of the Group. This method of calculation is different than the method applied last year. The NAV per share as at the end of the financial year (31 December 2009) came to EUR 8.13, down by 13.3% compared with the revised EUR 9.38 per share at the end of 2008. The change is largely attributable to the loss for the year.

#### Calculation of EPRA NAV

EUR m	2009	2008
Capital and reserves (without minorities)	479.0	577.0
Revaluation of other assets	1.8	4.7
Fair value of financial instruments	50.9	33.8
Deferred taxes	22.1	23.6
<b>NAV (per EPRA guidelines)</b>	<b>553.8</b>	<b>639.2</b>
EPRA NAV per share	8.13	9.38

#### Liquidity

EUR m	2009	2008
Profit before taxes (EBT)	-77.5	7.8
Cash flow from operations	49.4	50.0
Changes in net current assets	8.2	173.6
Cash flow from investing activities	-205.4	-254.6
Cash flow from financing activities	114.4	156.3

The cash flow from operations of EUR 49.4m is at the same level as last year (EUR 50.0m). There is a major net cash outflow from financing activities of EUR 205.4m as a result of the investments in development projects. Taking out mortgage loans resulted in a net cash inflow from financing activities amounting to EUR 114.4m.

## STAFF AND RESPONSIBILITY

## STAFF

**High staff performance guarantees quality at Sparkassen Immobilien AG**

Highly qualified and highly motivated employees are Sparkassen Immobilien AG's most valuable asset. They have the necessary knowledge and skills, many years of experience and excellent contacts in our markets. Their expertise is the foundation on which the high quality of our real estate portfolio is built. To ensure that this expertise will continue to be available, Sparkassen Immobilien AG supports its staff in their careers and their private lives. The focuses are on developing professional competences and maintaining a balance between private and professional life.

**Professional training**

In order to further develop existing qualifications and to grow with new challenges, continuing professional education is indispensable. A wide variety of options help to ensure that there is something for everybody. In consultation with their superiors, staff at Sparkassen Immobilien AG can choose from a wide range of excellent seminars covering topics such as effective working methods, communication and coaching, IT, management, law, languages and academic courses. One of the core providers of these seminars is Sparkassen Akademie, the centre responsible for professional education and training for the entire Sparkassen group. The average expenditure per employee for professional training and education came to EUR 900.

**Work-life balance**

A healthy balance between work and private life has a beneficial effect on motivation. It is therefore in the best interests of both the employer and the employee. For Sparkassen Immobilien AG, work-life balance is not just a catch phrase: it is the Group's goal not just to maintain the staff's health, productivity and motivation, but also to improve them. The means employed include regular health checks, subsidised sporting activities, and food vouchers to encourage a balanced diet. The company doctor also offers eye tests for special glasses for use with monitors, and free flu vaccinations. Additionally, extensive counselling, mediation and coaching services are available free of charge to employees faced with difficult or stressful situations in their work or private lives. For sports activities, employees can use the Work-Life Center and Erste Group's leisure and sports club.

**Balanced mix of staff provides stability**

At 31 December 2009 Sparkassen Immobilien AG employed a total of 27 staff (three more than last year) in its headquarters in Vienna and 36 and 10 in its subsidiaries in Berlin and Budapest, respectively: 43% of the employees are women. Full-time staff make up 92% of the total, and the average age of the workforce is around 38. Sparkassen Immobilien AG is an international enterprise and employed people from Austria, Croatia, Germany, Great Britain, Hungary, Serbia, Tajikistan, and the USA in 2009. The Group regards the variety of different languages, life styles, cultures and religions as an important source of creativity and innovation.

## Key financial data

	2009	2008
Employees at head office (at 31 December)	27	24
Employees abroad (at 31 December)	46	44

The Group's head office in Vienna is responsible for key management functions. It is home to the employees working in the core areas of acquisition, project management, strategic asset management, controlling and finances, risk management, legal/compliance and investor relations and communications. In order to benefit from synergies, Sparkassen Immobilien AG has outsourced some of its activities, which are the subject of external service agreements. These include services such as IT, personnel, cash management, portfolio management and parts of asset management. These services are provided by Immorent AG, a full subsidiary of Erste Group.

Additionally, 439 employees are employed indirectly, under management agreements with the Marriott Vienna and Marriott Budapest hotels. They are the responsibility of the hotels' operators.

## CORPORATE SOCIAL RESPONSIBILITY

### **Oriented towards partnership and responsible business practice**

For Sparkassen Immobilien AG, corporate social responsibility (CSR) means accepting more stringent obligations with regard to environmental, social and economic issues than required by the statutory regulations. These responsibilities influence Sparkassen Immobilien AG's behaviour in all its business activities and in its relationships with stakeholders.

Sparkassen Immobilien AG's most important stakeholders are its employees, investors, tenants and business partners. Abundant and transparent information, mutual respect and a culture of open dialogue on terms of equality are the basis for successful, long-term relationships.

A further important component of responsible business practice is fair competition. Sparkassen Immobilien AG has its own internal guidelines to prevent ethically questionable business transactions. These also lay down strict rules concerning employees accepting gifts.

### **Highest standards in real estate projects**

Existing properties and development projects must meet the highest standards. By using environmentally friendly materials and construction methods, Sparkassen Immobilien AG is actively protecting the environment. For existing properties, it invests in state-of-the-art climate control technology and modern thermal and acoustic insulation. The medium-term reductions in operating costs benefit not only the tenants. With development projects, it is sometimes even possible to exceed the existing standards. Sparkassen Immobilien AG reviews the environmentally friendly options on a regular basis and in CEE and SEE countries it adheres rigorously to Austrian standards, which are frequently significantly stricter than the local standards.

### **Case study: Example of renovation measures in the German residential portfolio**

SIAG Deutschland, the German subsidiary of Sparkassen Immobilien AG, is planning to implement energy-saving measures at a residential complex in Berlin-Marzahn as part of an energy efficiency programme by Investitionsbank Berlin.

The complex has a total lettable area of 22,355 m<sup>2</sup> and comprises six buildings, each with either four or eleven storeys. RI-Plan, an engineering firm specialising in technical building equipment based in Berlin, evaluated the energy efficiency of the properties and planned the renovation measures. Following the renovation, the energy standard of the complex will be 30% lower than Germany's current strict energy requirements. The energy savings will benefit not only the environment but also the tenants as a result of considerably lower heating costs.

The renovation is scheduled to start in May 2010 and be completed in November 2010. The investment volume totals around EUR 4m, and the project is receiving government funding from the Federal State of Berlin.

The choice of location is also an important factor in environmental protection. Sparkassen Immobilien AG places special emphasis on providing convenient access to public transport, so that employees and visitors can leave their private transport at home and contribute to protecting the environment. When developing the Sun Plaza shopping and office centre in Bucharest, direct access to the underground and the connecting passageway were important issues in negotiations with the authorities.

Quality standards reflect not only environmental concerns but also focus – most importantly – on people, with a special emphasis on disabled access design features. Sparkassen Immobilien AG strictly adheres to the statutory regulations concerning wheelchair-friendly construction methods and furnishings. The most up-to-date standards are taken into consideration in the design stage, and Sparkassen Immobilien AG applies the high Austrian standards in CEE/SEE countries as well.

### **Social commitments to long-term collaboration projects**

Sparkassen Immobilien AG's social commitment is based on the concept of providing shelter and security. The Group supports projects that give people new homes, and sponsors projects in the arts. Because just as property satisfies the basic human need for a roof over one's head, art and culture provide a shelter for the soul.

The projects are the subject of long-term, sustainable collaborative agreements. The following three projects provide good examples of Sparkassen Immobilien AG's social commitment:

#### **Caritas Socialis benefit concert**

For several years Sparkassen Immobilien AG has been closely cooperating with "Kunst hilft", an association which supports a variety of social and cultural projects, in sponsoring the Caritas Socialis benefit concert, which supports the CS hostel for mothers and children in Vienna.

In 2009 the concert took place on 18 March in the Mozartsaal of the Vienna Konzerthaus and was sold out well in advance. Star cellist Rudolf Leopold, along with the ensemble "Kunst hilft" and the Collegium Vocale Wien choir, captivated the audience with pieces by Schubert and Haydn. Barbara Rett, cultural correspondent from the Austrian Broadcasting Corporation (ORF), moderated the evening, with the proceeds going to the project "Kinder sind unSCHLAGbar" ("Children are unBEATable").

### Wiener Kunstsupermarkt

The “Wiener Kunstsupermarkt” (“Vienna Arts Supermarket”) at Mariahilferstrasse 103, a property belonging to Sparkassen Immobilien AG, was held for the third time in 2009 in support of local and international contemporary artists. Its goal is to make art affordable for all, and it offers original works at reasonable prices. Sparkassen Immobilien AG makes the premises available for the project for nearly three months every year.

In 2009, there were around 4,000 works by 70 artists from 12 countries on display in the 230 m<sup>2</sup> space for a total of 11 weeks. Following the exhibition, the artworks were available for purchase at fixed prices of EUR 50, 99, 199 and 299 each. Selected artists were given the opportunity to exhibit their art in the Sparkassen Immobilien AG offices.

### Shelter projects in Bulgaria, Romania and Ukraine

Since 2008 Sparkassen Immobilien AG has had a long-term collaborative agreement with Caritas, under which it supports the following projects:

#### “Houses of Hope“ in Romania

Caritas has four houses in which it cares for a total of 25 orphans. Social workers support the young people in their search for a job, and help them to find a place to live. The objective is to prepare young people to manage their own lives independently. They can rely on support from Caritas even after their time in the houses of hope comes to an end.

#### Children’s home in Ukraine

In the city of Charkov in eastern Ukraine over 3,000 children are living on the street. The situation is particularly bad in the district of Saltovka, which is why Caritas has been operating a children’s home there for the last ten years. It provides comfort and security for neglected children. They receive psychological treatment and can go to school.

Over the years the original premises had become totally decrepit, so with the help of Sparkassen Immobilien AG three new houses were erected. Smaller units allow for family-sized communities. Additionally, 20 teenagers have an opportunity to complete a course of training in a newly created training workshop.

### Soup kitchen and day centre in Bulgaria

Some of the poorest people in Bulgaria are elderly people in rural areas. The village of Pokrovan has 300 inhabitants, of which 90% are pensioners. Frequently they do not even have enough money for the essentials. In order to enable these people to live out their sunset years in dignity, Caritas operates a soup kitchen and a day centre in Pokrovan. Caritas also makes sure that people who are ill or bedridden receive all-round mobile care, especially medical care.

For more information on our CSR activities please contact Sparkassen Immobilien AG’s Corporate Communications team (phone: +43 (0)50100 27522 or e-mail: [media@s-immoag.at](mailto:media@s-immoag.at)).

More information on Sparkassen Immobilien AG’s CSR partners can be found at:  
[www.caritas-socialis.or.at](http://www.caritas-socialis.or.at)  
[www.kunstsupermarkt.at](http://www.kunstsupermarkt.at)  
[www.caritas.at](http://www.caritas.at)

## RISK MANAGEMENT

### OVERALL ASSESSMENT

Sparkassen Immobilien AG's business activities across various geographical markets and property use types expose it to a wide variety of risks. These could impact earnings negatively and prevent the group from achieving its strategic goals if not managed appropriately. However, Sparkassen Immobilien AG's strategic diversification also helps to minimise possible risks, and diversification also provides the group with an array of opportunities. These risks and chances are combined to form the "Risk Universe" of the group, an important tool used for the entire risk management process within Sparkassen Immobilien AG.

An enterprise risk management system has been implemented for the entire group. The goal of this risk management system is not only to identify potential strategic and operational risks and to take the necessary action, but also to recognise chances and opportunities

for the group. The risk management function is a staff function reporting directly to the Management Board. The Risk Management department uses state-of-the-art tools to identify, measure, monitor and control risks. Regular workshops are held with the management to identify risk areas and then take appropriate steps to limit exposure to these risks. The risks identified in these workshops include macro-economic conditions and cycles, project development, property valuation, financing, liquidity and portfolio clusters.

The description of the various specific risks is an integrated part of the Consolidated Financial Statements and can be found in the Notes on page 90.

## BEGINNING OF 2010 AND OUTLOOK

### SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

Sparkassen Immobilien AG started off 2010 with two openings: in February and March the Sun Plaza and Serdika Center development projects reached completion, and the two largest shopping centres in Romania and Bulgaria respectively opened their doors to the public. With a total lettable area of 80,000 m<sup>2</sup> and room for more than 130 businesses, Sun Plaza is a powerful driver for the local economy. More than 3,500 new jobs have been created in the centre, which was developed jointly by Sparkassen Immobilien AG and the experienced Franco-Romanian EMTC Group. About EUR 200m were invested in the project: with a central location, the space is already 98% let. With a total investment of EUR 210m, Serdika Center is Sparkassen Immobilien AG's biggest development project to date. This Bulgarian shopping centre was developed in conjunction with mall specialists ECE, and 99% of the 51,000 m<sup>2</sup> of shopping space is already let. A further 30,000 m<sup>2</sup> of office space will be completed by the end of 2010. A portfolio of three Vienna assets were sold at prices above the last estimated values in the first quarter of 2010.

### EXPECTED DEVELOPMENTS IN THE BUSINESS ENVIRONMENT

The economic policy measures introduced around the world should lead to a resurgence of the European economies. OECD estimates put the expected growth rate in the eurozone at 0.9%, but also forecast a further increase in unemployment from 9.5% to 10.6%.

UniCredit Research's experts are predicting total growth of around 0.9% for the CEE/SEE region in 2010. Their projections for Poland are as high as 1.8%, with 1.4% for the Czech Republic, while the economies of Hungary, Croatia and Serbia are expected to shrink.

Growth is also expected to be weak in Germany: Vienna's Institute for Advanced Studies (IHS) is predicting an improvement of 1.4%, while the OECD recently corrected its growth forecast down to 1.1%. Against this backdrop, the economic recovery in Austria is expected to be modest: the estimates lie between 1.3% (IHS) and 1.5% (WIFO, the Austrian Institute of Economic Research).

### BUSINESS DEVELOPMENTS

In 2010 Sparkassen Immobilien AG is expecting improvements in rental revenues and cash flows. Major factors in these encouraging developments are the project developments in Romania and Bulgaria, which were completed at the beginning of 2010. Other projects will also be completed during the course of the year, including office space in the major shopping centres in Bucharest and Sofia, the top quality office and residential building Neutor 1010 in Vienna, and the Galvaniho 4 Business Center in Bratislava.

In 2010, Sparkassen Immobilien AG is predicting positive cash flows from operations in the EUR 75–85m range. Next year, cash flows will be above EUR 100m.

As always, Sparkassen Immobilien AG will continue to monitor its markets very closely in the coming year, with an eye on potential opportunities for profitable property purchases or sales.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

ASSETS in EUR '000	Notes	31.12.2009	31.12.2008 <sup>1</sup>
<b>Non-current assets</b>			
Properties held as financial investments			
Investment properties	3.1.1.	1,253,432	1,377,997
Investment properties under development and land	3.1.1.	445,784	281,389
		<b>1,699,216</b>	<b>1,659,386</b>
Properties used by owner			
Other plant and equipment	3.1.2.	147,296	148,276
Intangible assets	3.1.2.	13,074	11,123
Interests in associated companies		223	296
Group interests	3.1.4.	5	5
Deferred taxes	3.1.12.	3,101	3,115
		25,532	16,951
		<b>1,888,446</b>	<b>1,839,152</b>
<b>Current assets</b>			
Properties held for disposal	3.1.3.	54,300	0
Inventories	3.1.5.	20,476	11,859
Trade receivables	3.1.6.	9,185	9,575
Other account receivables	3.1.6.	49,672	38,460
Other assets		2,963	1,958
Cash and cash equivalents	3.1.7.	210,151	243,541
		<b>346,747</b>	<b>305,393</b>
		<b>2,235,193</b>	<b>2,144,545</b>

<sup>1</sup> adjusted

<b>EQUITY AND LIABILITIES</b> in EUR '000	Notes	<b>31.12.2009</b>	<b>31.12.2008<sup>1</sup></b>
<b>Shareholders' equity</b>	3.1.8.		
Share capital		247,509	247,509
Capital reserves		147,110	241,301
Other reserves		84,384	88,188
		<b>479,003</b>	<b>576,998</b>
Minority interests	3.1.9.	44,832	26,088
		<b>523,835</b>	<b>603,086</b>
<b>Non-current liabilities</b>			
Subordinated participating certificate capital	3.1.10.	261,658	286,879
Financial liabilities		978,860	819,560
Provisions	3.1.11.	16,020	17,794
Other liabilities		10,839	29,018
Deferred taxes	3.1.12.	47,588	40,566
		<b>1,314,965</b>	<b>1,193,817</b>
<b>Current liabilities</b>			
Financial liabilities		303,390	260,457
Trade payables		28,954	22,281
Construction costs and tenants' financing, and housing construction subsidies on properties held for sale		9,835	0
Other liabilities		54,214	64,904
		<b>396,393</b>	<b>347,642</b>
		<b>2,235,193</b>	<b>2,144,545</b>

<sup>1</sup> adjusted

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

EUR '000	Note	2009	2008 <sup>1</sup>
<b>Revenues</b>	3.2.1.		
Rental income		87,553	85,737
Revenues from service charges		29,105	23,474
Revenues from hotel operations		36,897	16,471
		<b>153,555</b>	<b>125,682</b>
<b>Other operating income</b>		<b>8,246</b>	<b>2,587</b>
Expenses directly attributable to properties	3.2.2.	-61,192	-45,207
Hotel operating expenses	3.2.2.	-29,701	-12,575
<b>Revenues less directly attributable expenses</b>		<b>70,908</b>	<b>70,487</b>
Income from property disposals		152,173	52,975
Carrying values of property disposals		-150,273	-44,657
<b>Gains on property disposals</b>	3.2.3.	<b>1,900</b>	<b>8,318</b>
Management expenses	3.2.4.	-19,533	-19,594
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>53,275</b>	<b>59,211</b>
Depreciation and amortisation	3.2.5.	-9,113	-4,737
Losses on property valuation	3.2.6.	-97,238	-30,682
<b>Operating result (EBIT)</b>		<b>-53,076</b>	<b>23,792</b>
Finance costs	3.2.7.	-35,541	-9,552
Participating certificates result	3.1.10.	11,161	-6,442
<b>Net income before tax (EBT)</b>		<b>-77,456</b>	<b>7,798</b>
Taxes on income	3.1.12.	-1,412	-2,072
<b>Consolidated net income</b>		<b>-78,868</b>	<b>5,726</b>
of which attributable to shareholders in parent company		-78,559	5,813
of which attributable to minority interests		-309	-87
Earnings per share			
Undiluted = diluted		-1,15	0,09

<sup>1</sup> adjusted

## CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

EUR '000	1.1.- 31.12.2009	1.1.- 31.12.2008 <sup>1</sup>	Difference
<b>Consolidated net income</b>	-78,868	5,726	-84,594
Change in value of cash flow hedges	-16,604	-41,850	25,246
Income tax related to other comprehensive income	4,300	10,127	-5,827
Exchange differences	-7,239	0	-7,239
<b>Total comprehensive income</b>	<b>-98,411</b>	<b>-25,997</b>	<b>-72,414</b>
of which attributable to shareholders in parent company	-97,995	-25,910	-72,085
of which attributable to minority interests	-416	-87	-329

<sup>1</sup> adjusted

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

EUR '000	2009	2008 <sup>1</sup>
<b>Net income before tax (EBT)</b>	<b>-77,456</b>	<b>7,798</b>
Result from property valuation	97,238	30,682
Depreciation and amortisation	9,113	4,737
Gains on property disposals	-1,900	-8,318
Taxes on income paid	-1,993	-874
Participating certificates result	-11,161	6,442
Net interest	35,541	9,552
<b>Operating cash flow</b>	<b>49,382</b>	<b>50,019</b>
Changes in net current assets		
Receivables and other assets	-20,523	-4,714
Provisions and other non-current liabilities	-19,953	26,433
Current liabilities and deferred income	48,751	151,909
<b>Cash flow from operating activities</b>	<b>57,657</b>	<b>223,647</b>
Cash flow from investing activities		
Investments in property portfolio	-296,052	-330,626
Investments in tangible and intangible assets	-2,076	-6,102
Disposals of / investments in financial investments	-18	6
Disposals of properties and property holding companies	85,962	52,975
Interest received and other financial income	6,783	29,171
<b>Cash flow from investing activities</b>	<b>-205,401</b>	<b>-254,576</b>

<sup>1</sup> adjusted

EUR '000	2009	2008 <sup>1</sup>
<b>continued Consolidated cash flow statement</b>		
Purchase of own participating certificates	0	-2,039
Increase in financing	142,373	200,332
Cash inflows from increase in minority interests	19,160	10,920
Cash outflows from dividend payments (incl. distribution for s IMMO INVEST)	-14,060	-14,174
Interest paid	-33,119	-38,723
<b>Cash flow from financing activities</b>	<b>114,354</b>	<b>156,316</b>
Cash and cash equivalents	243,541	118,154
Net change in cash and cash equivalents	-33,390	125,387
<b>Cash and cash equivalents</b>	<b>210,151</b>	<b>243,541</b>

<sup>1</sup> adjusted

## CHANGES IN GROUP CONSOLIDATED EQUITY

EUR '000	Share capital	Capital reserves	Other reserves	Shareholders' equity	Minority interests	Total
<b>At 1 January 2009</b>	<b>247,509</b>	<b>241,301</b>	<b>88,188</b>	<b>576,998</b>	<b>26,088</b>	<b>603,086</b>
Total comprehensive income	0	0	-97,995	-97,995	-416	-98,411
Acquisitions	0	0	0	0	19,160	19,160
Reclassifications	0	-94,191	94,191	0	0	0
<b>At 31 December 2009</b>	<b>247,509</b>	<b>147,110</b>	<b>84,384</b>	<b>479,003</b>	<b>44,832</b>	<b>523,835</b>
<b>At 1 January 2008</b>	<b>247,509</b>	<b>241,301</b>	<b>114,098</b>	<b>602,908</b>	<b>16,694</b>	<b>619,602</b>
Total comprehensive income	0	0	-25,910	-25,910	-87	-25,997
Acquisitions	0	0	0	0	10,920	10,920
Disposals	0	0	0	0	-1,439	-1,439
<b>At 31 December 2008</b>	<b>247,509</b>	<b>241,301</b>	<b>88,188</b>	<b>576,998</b>	<b>26,088</b>	<b>603,086</b>

## DETAILS OF SHARE CAPITAL

EUR '000	31.12.2009	31.12.2008	Change
Total share capital	247,509	247,509	0
Treasury shares (nominal)	0	0	0
	<b>247,509</b>	<b>247,509</b>	<b>0</b>

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## CHANGES IN NUMBER OF SHARES

Number of shares	31.12.2009	31.12.2008
Issued share capital – 1 January	68,118,718	68,118,718
Issue of new shares from capital increase	0	0
Treasury shares sold	0	0
<b>Issued share capital at 31 December</b>	<b>68,118,718</b>	<b>68,118,718</b>
Treasury shares	0	0
<b>Total shares in issue</b>	<b>68,118,718</b>	<b>68,118,718</b>

The shares are listed on the Vienna Stock Exchange.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 1. BUSINESS

Sparkassen Immobilien AG and its subsidiaries (Sparkassen Immobilien AG Group) are an international real estate group. The ultimate parent company of the Group, Sparkassen Immobilien AG with registered office at Friedrichstrasse 10, A-1010 Vienna, Austria 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, Denmark, Cyprus and Ukraine (in liquidation). At 31 December 2009 Sparkassen Immobilien AG owned properties in all the above countries except Denmark, Cyprus and Ukraine. The Company's principal business is the acquisition, letting and sale of properties in different regions and market segments in order to achieve a balanced investment portfolio. Another business activity is the development and construction of properties in cooperation with project development partners.

### 2. ACCOUNTING AND VALUATION POLICIES

#### 2.1. Accounting policies

The consolidated financial statements comply with all International Financial Reporting Standards, including the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC", formerly "SIC"), the application of which was mandatory in the EU at balance sheet date.

The accounting policies of the companies included in consolidation are based on the uniform accounting regulations of Sparkassen Immobilien AG Group. The financial year for all companies is the year ended 31 December 2009. The consolidated financial statements are presented rounded to the nearest 1,000 euro (EUR '000). The totals of rounded amounts and the percentages may be affected by rounding differences caused by software.

#### 2.2. Consolidated group and basis of consolidation

The parent company of Sparkassen Immobilien AG Group is Sparkassen Immobilien AG, Vienna. The consolidated financial statements include all the companies over which the parent company has a controlling influence (subsidiaries). A controlling interest exists where the parent company is in a position directly or indirectly to determine the financial and business policies of the subsidiary and to benefit from its activities. A subsidiary is included in consolidation from the time when the controlling influence is acquired, and deconsolidated when that influence ceases to exist.

Companies over which the parent company directly or indirectly exercises a significant influence are included at equity. A significant influence is assumed to exist where Sparkassen Immobilien AG Group holds between 20% and 50% of the voting rights.

For associated companies included at equity differences on capital consolidation are calculated in the same way as for consolidated companies. The proportionate share of the profit or loss for the year is included in the carrying value of the holding. In the event of distributions, the carrying value is reduced by the proportionate amount.

In addition to the accounts of Sparkassen Immobilien AG, the consolidated financial statements include the accounts of 67 companies (property holding and intermediary holding companies), which are directly or indirectly owned by Sparkassen Immobilien AG, and one company included at equity.

In the second quarter of 2009 API Holding AG was deconsolidated. A.D.I. Immobilienbeteiligungs GmbH and H.S.E. Immobilienbeteiligungs GmbH were included in consolidation for the first time in the third quarter. In the fourth quarter Austria Real Invest Ukraine was deconsolidated.

Company	Location	Country	Nominal capital	%	Currency	Consolidation type
CEE Immobilien GmbH	Vienna	A	35,000	100	EUR	full
CEE PROPERTY-INVEST Immobilien GmbH	Vienna	A	48,000,000	100	EUR	full
CEE CZ Immobilien GmbH	Vienna	A	35,000	100	EUR	full
German Property Invest Immobilien GmbH	Vienna	A	35,000	100	EUR	full
Hotel DUNA Beteiligungs Gesellschaft m.b.H.	Vienna	A	145,346	100	EUR	full
AKIM Beteiligungen GmbH	Vienna	A	35,000	100	EUR	full
IMMIN Beteiligungen GmbH	Vienna	A	35,000	100	EUR	full
WO Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	full
SO Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	full
CEE Beteiligungen GmbH	Vienna	A	35,000	100	EUR	full
E.V.I. Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	full
SIAG Berlin Wohnimmobilien GmbH	Vienna	A	3,982,500	99.74	EUR	full
E.I.A. eins Immobilieninvestitionsgesellschaft m.b.H.	Vienna	A	36,336	100	EUR	full
PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co. KG	Vienna	A	5,562,182	70	EUR	full
PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H.	Vienna	A	36,336	100	EUR	full
Neutorgasse 2-8 Projektverwertungs GmbH	Vienna	A	35,000	100	EUR	full
H.S.E. Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	full
A.D.I. Immobilien Beteiligungs GmbH	Vienna	A	35,000	100	EUR	full
Hansa Immobilien EOOD	Sofia	BG	5,000	77	BGN	full
CEE PROPERTY BULGARIA EOOD	Sofia	BG	20,000	100	BGN	full
Washington Project OOD	Sofia	BG	20,000	50	BGN	equity
SIAG HOLDING LIMITED	Nicosia	CY	3,000	100	EUR	full
Areal CZ spol. s.r.o.	Prague	CZ	100,000	100	CZK	full
Eltima Property Company s.r.o.	Prague	CZ	100,000	100	CZK	full
REGA Property Invest s.r.o.	Prague	CZ	200,000	100	CZK	full

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Company	Location	Country	Nominal capital	%	Currency	Consolidation type
Tolleson a.s.	Prague	CZ	200,000	100	CZK	full
SIAG Burstah Immobilien GmbH	Berlin	D	25,000	100	EUR	full
Lützwow-Center GmbH	Berlin	D	25,000	100	EUR	full
Ikaruspark GmbH	Berlin	D	25,000	100	EUR	full
SIAG Deutschland Betriebsgesellschaft mbH	Berlin	D	25,000	100	EUR	full
S Immo Geschäftsimmobilien GmbH	Berlin	D	25,000	100	EUR	full
S Immo Wohnimmobilien GmbH	Berlin	D	25,000	100	EUR	full
Markt Carree Halle Immobilien GmbH	Berlin	D	25,000	100	EUR	full
Tölz Immobilien GmbH	Berlin	D	25,000	100	EUR	full
Einkaufs-Center Sofia G.m.b.H. & Co KG	Hamburg	D	128,750,000	65	EUR	full
SIAG Deutschland Beteiligungs-Verwaltungs GmbH	Berlin	D	25,000	100	EUR	full
SIAG Deutschland Beteiligungs GmbH & Co. KG	Berlin	D	100,000	99.74	EUR	full
SIAG Leipzig Wohnimmobilien GmbH	Berlin	D	750,000	99.74	EUR	full
Maior Domus Hausverwaltung GmbH	Berlin	D	25,000	100	EUR	full
SIAG Property I GmbH	Berlin	D	25,000	100	EUR	full
K.J. Ejendomme Syd APS	Århus	DK	134,000	100	EUR	full
H.W.I. I ApS	Århus	DK	939,000	100	EUR	full
H.W.I. III ApS	Århus	DK	4,023,000	100	EUR	full
H.W.I. IV ApS	Århus	DK	134,000	100	EUR	full
GERMAN PROPERTY INVESTMENT I APS (GPI I APS)	Århus	DK	17,000	99.71	EUR	full
GERMAN PROPERTY INVESTMENT II APS (GPI II APS)	Århus	DK	17,000	99.71	EUR	full
GERMAN PROPERTY INVESTMENT III APS (GPI III APS)	Århus	DK	17,000	99.71	EUR	full
Bank-garázs Ingatlanfejlesztési és Vagyonhasználó Kft.	Budapest	H	500,000	100	HUF	full
CEE Property-Invest Ingatlan Kft.	Budapest	H	100,000,000	100	HUF	full
Maros utca Építési és Ingatlanhasználó Kft.	Budapest	H	500,000	100	HUF	full
Buda Kereskedelmi Központ Kft.	Budapest	H	3,000,000	100	HUF	full
Duna Szálloda Zrt.	Budapest	H	3,392,600,000	100	HUF	full
S Immo Hungary Kft	Budapest	H	98,600,000	100	HUF	full
Szegedi út Ingatlankezelő Kft.	Budapest	H	500,000	100	HUF	full
Nagymező utcai Projektfejlesztési Kft.	Budapest	H	462,590,000	100	HUF	full
CEE Property-Invest Hungary 2003 Ingatlan Kft	Budapest	H	3,000,000	100	HUF	full
CEE PROPERTY INVEST ROMANIA SRL	Bucharest	RO	1,000	100	RON	full
Societate Dezvoltare Comercial Sudului (SDCS) S.R.L.	Bucharest	RO	1,000	100	RON	full

Company	Location	Country	Nominal capital	%	Currency	Consolidation type
VICTORIEI BUSINESS PLAZZA S.R.L.	Bucharest	RO	18,852,144	100	RON	full
DUAL Construct Invest S.R.L.	Bucharest	RO	2,000	82	RON	full
ROTER INVESTITII IMOBILIARE S.R.L.	Bucharest	RO	4,472,020	100	RON	full
Galvaniho Business Centrum, s.r.o.	Bratislava	SK	7,000	100	EUR	full
Galvaniho 2, s.r.o.	Bratislava	SK	7,000	100	EUR	full
IPD - International Property Development, s.r.o.	Bratislava	SK	33,000	100	EUR	full
SIAG Fachmarktzentren s.r.o.	Bratislava	SK	7,000	100	EUR	full
SIAG Hotel Bratislava, s.r.o.	Bratislava	SK	7,000	100	EUR	full
Galvaniho 4, s.r.o.	Bratislava	SK	33,000	100	EUR	full
Eurocenter, d.o.o.	Zagreb	HR	20,000	100	HRK	full

### 2.3. Reporting currency and currency translation

The Group reporting currency is the Euro. The functional currencies of Group companies are determined by the business environment in which they operate: functional currencies are translated into the reporting currency in accordance with IAS 21, as follows:

- Assets and liabilities at closing rates
- Income and expenses at the average rate for the period
- All resulting exchange differences are recognised in the foreign currency translation reserve under equity.

Foreign currencies have been translated using the following exchange rates:

	Czech Republic CZK	Hungary HUF	Bulgaria BGN	Romania RON	Croatia HRK
Closing rate 31.12.2009	26.473	270.420	1.956	4.236	7.300
Average rate 2009	26.525	280.304	1.956	4.225	7.345
Closing rate 31.12.2008	26.875	266.702	1.956	4.023	7.355
Average rate 2008	25.161	251.256	1.956	3.693	7.230

**2.4. Newly applicable accounting regulations****2.4.1. New Standards and Interpretations**

The following amendments or revised versions of Standards and Interpretations have been applied in the financial year under review.

Standard	Contents	Effective date <sup>1</sup>
<b>New Standards and Interpretations</b>		
IFRS 8	Operating segments	1 January 2009
IFRIC 13	Customer loyalty programmes	1 January 2009
<b>Revised Standards</b>		
IAS 1 (2007)	Presentation of financial statements	1 January 2009
IAS 23 (2007)	Borrowing costs	1 January 2009
<b>Amendments to Standards and Interpretations</b>		
IAS 1, IAS 32	Puttable instruments and obligations arising on liquidation	1 January 2009
IAS 39, IFRS 7	Reclassification of financial assets	1 July 2008
IAS 39, IFRIC 9	Reassessment of embedded derivatives	1 January 2009
IFRS 2	Vesting conditions and cancellations	1 January 2009
IFRS 7	Improved disclosures for financial instruments	1 January 2009
Various Standards	Improvements to IFRS 2008	1 January 2009

<sup>1</sup> These Standards are to be applied for financial years beginning on or after the date the applicable EU Regulation comes into force.

The Improvements to IFRS 2008 mean that for the 2009 financial year development projects are to be classified as properties held as financial investments and measured at fair value.

The first time application of IFRS 8 resulted a redefinition of the Group's operating segments.

The first time application of the other Standards and Interpretations newly applicable in 2009 had no effects on the consolidated financial statements.

#### 2.4.2. New Standards not yet mandatorily applicable

The following amendments or revised versions of Standards and Interpretations had at balance sheet date already been adopted by the EU but were not yet mandatorily or otherwise applicable.

Standard	Contents	Effective date <sup>1</sup>
<b>New Interpretations</b>		
IFRIC 12	Service concession arrangements	30 March 2009
IFRIC 15	Agreements for the constructions of real estate	1 January 2010
IFRIC 16	Hedges for net investments in foreign subsidiaries	1 July 2009
IFRIC 17	Non-cash distributions to owners	1 November 2009
IFRIC 18	Transfer of assets from customers	1 November 2009
<b>Changes or revisions of standards</b>		
IAS 27 (2008)	Consolidated and separate financial statements	1 July 2009
IFRS 3 (2008)	Business combinations	1 July 2009
IFRS 2	Share-based payment	1 January 2010
IFRS 1	First-time adoption of IFRS: additional exemptions for first-time users	1 January 2010 or 1 July 2010
IAS 32	Classification of rights issues	1 January 2011
IAS 39	Eligible hedged items	1 July 2009

<sup>1</sup> These Standards are to be applied for financial years beginning on or after the date the applicable EU Regulation comes into force.

#### Improvements to IFRS 2008 (published in April 2009)

The second of the annually appearing improvements standards contains 15 amendments to various Standards – IFRS 2, 5 and 8; IAS 1, 7, 17, 18, 36, 38 and 39; and IFRIC 9. Most of the amendments are applicable to financial years beginning on or after 1 January 2010.

There has been no voluntary early application of the above amendments and revisions of Standards and Interpretations.

Otherwise, the amendments and revisions of Standards and Interpretations will have no material effects on the consolidated financial statements of Sparkassen Immobilien AG Group.

Additionally, the following Standards and Interpretations have been issued by the International Accounting Standards Board (IASB) but not yet adopted by the EU.

Standard	Contents
<b>Interpretations</b>	
IFRIC 14	Prepaid contributions in relation to minimum funding requirements (amendment)
IFRIC 19	Extinguishing financial obligations with equity instruments (new)
<b>Changes or revisions of standards</b>	
IAS 9	Financial instruments (new)
IFRS 24	Disclosures of relationships with related parties (amendment)
IFRS 1	First-time adoption of IFRS: additional exemptions for first-time users (amendment) and exemption from the obligation to disclose comparative information under IFRS 7 (amendment)

**2.5. Changes in accounting and valuation policies**

In financial 2009 changes in presentation of the financial statements were introduced.

The main purpose of the changes was to bring the Group’s financial statements and accounting policies as closely as possible into line with the Best Practice Policy Recommendations of the European Public Real Estate Association (EPRA).

EPRA ([www.epra.com](http://www.epra.com)) is the association of European stock exchange listed real estate investment companies. It was founded in 1999 and has around 200 members.

One of EPRA’s aims is to support the provision of high quality reporting information in order to encourage investment in property companies.

The changes, which in all cases take into account circumstances particular to the Group, affect the following areas:

- Presentation of consolidated statement of financial position and income statement in accordance with EPRA recommendations
- Presentation of information in the Notes in accordance with EPRA recommendations

The comparative figures for the previous year have been correspondingly adjusted.

## 2.6. Accounting and valuation policies

### 2.6.1. Properties held as financial investments

Properties held as financial investments are measured using the fair value model under the option available in IAS 40. Properties held as financial investments are properties leased or rented out for the purpose of generating income or held for capital appreciation, together with undeveloped land. Properties acquired or being developed for disposal, properties being constructed on behalf of third parties and properties used by owner are not within the scope of IAS 40.

The application of the fair value model means that investment properties and undeveloped land are measured at fair value at balance sheet date. The resulting changes in the carrying values before remeasurement are recognised through profit and loss under revaluations.

Properties are recognised as assets of the company in question, in the relevant functional currency.

The fair values of properties are calculated in accordance with International Valuation Standards.

### 2.6.2. Properties used by owner, other plant and equipment

For Sparkassen Immobilien AG Group, properties used by owner are principally hotels operated by the Group. The business of these hotels includes the rental of rooms, and catering activities. These hotels are leased to hotel operators, however risks associated with occupancy rates are in part borne by Sparkassen Immobilien AG Group. Hotels of this kind are outside the scope of IAS 40 (properties held as financial investments) and are therefore to be treated as tangible non-current assets under IAS 16.

Under IAS 16, properties used by owner (including owner-managed hotels) and other non-current tangible assets are valued at cost of acquisition. The properties are recognised on initial acquisition at costs of acquisition or construction and in subsequent years written down to reflect scheduled depreciation and any impairment losses.

Where construction finance can be directly associated with these properties, the borrowing costs of qualifying properties during the period of construction are capitalised as part of acquisition and construction cost.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets, as follows:

	Expected useful lives (years)	
	from	to
Owner-managed hotels	25	33
Other plant and equipment	3	10

### 2.6.3. Intangible assets

Intangible assets for the purpose of IAS 38 are identifiable non-monetary assets without physical substance. To qualify for recognition, an intangible asset must be identifiable and be subject to control by the enterprise. There must be future economic benefits attributable to the intangible asset, and its acquisition or production costs must be capable of being measured reliably.

Intangible assets with a limited useful life are subject to scheduled amortisation, calculated on the basis of the following useful lives:

	Expected useful lives (years)	
	from	to
Software	3	6

44 As required under IAS 36, the carrying values are also reviewed for impairment.

Intangible assets acquired for consideration are recognised at acquisition cost less scheduled straight-line amortisation and provision for any impairment losses.

Sparkassen Immobilien AG Group has not capitalised any internally generated intangible assets.

**2.6.4. Properties held for disposal**

Property held for disposal is not considered to be investment property within the scope of IAS 40 if it is Management’s intention to dispose of the property in the near future and, for example, the negotiations for sale are already well-advanced.

In accordance with IFRS 5, property held for disposal is as a general rule measured at the lower of carrying value and net realisable value.

IFRS 5 provides for an exception with respect to the measurement of properties held as financial investments: they are measured at market value. The special disclosure requirements under IFRS 5 are however applicable, so that properties held for disposal must be shown under current assets.

It is intended to dispose of three properties located in Vienna, the carrying values of which at 31 December 2009 amounted to EUR 54,300,000. There are housing construction subsidies and contributions to financing amounting to EUR 9,835,000 relating to these properties, which are disclosed in the consolidated statement of financial position under contributions to construction costs and financing of properties held for sale.

**2.6.5. Financial instruments**

**2.6.5.1. Primary financial instruments**

In accordance with IAS 39, Sparkassen Immobilien AG Group in principle classifies its financial instruments as follows:

- Financial assets and liabilities measurable at fair value through profit and loss
- Loans and receivables
- Financial assets held to maturity
- Available-for-sale financial assets
- Financial liabilities at amortised cost

Classification is based on the purpose for which the individual instrument is acquired and takes place at the time of acquisition.

For the purposes of consolidated statement of financial position disclosure, Sparkassen Immobilien AG as a general rule classifies financial instruments into the following categories:

- Interests in associated companies
- Group interests
- Trade receivables
- Other financial assets
- Cash and cash equivalents
- Subordinated participating certificates
- Non-current financial liabilities
- Other non-current liabilities
- Current financial liabilities
- Trade payables
- Other current liabilities

The category **financial instruments and liabilities** measurable at fair value through profit and loss includes financial instruments held for trading purposes, financial instruments classified as such at the time of acquisition and all derivative financial instruments except those serving as hedges. Since at Sparkassen Immobilien AG Group all derivative financial assets are held as hedges and the above definition applies to none of its other financial assets, there are no items disclosed in this category.

The assets classified under **loans and receivables** are financial instruments with fixed or determinable payments flows not traded in an active market. They include in particular trade and other receivables. Where their remaining terms are less than 12 months they are disclosed under current assets, and otherwise under non-current assets.

Financial assets with fixed or determinable payments flows traded in an active market are disclosed under **financial assets held to maturity**. At balance sheet date, Sparkassen Immobilien AG Group held no such instruments.

**Available-for-sale financial assets** comprise all financial assets not included in any other of the above categories or deliberately classified as available for sale. These financial instruments are disclosed as non-current assets unless it is Management's intention to dispose of them within the next 12 months. Sparkassen Immobilien AG Group also had no assets in this category.

The category **financial liabilities at amortised cost** comprises trade and other financial liabilities.

Additions to and disposals of financial instruments are recognised as of the applicable settlement dates. Financial assets in all categories are measured at fair value at the time of acquisition and – **with the exception of those recognised at fair value through profit and loss** – including transaction costs.

Where no fair value for financial instruments can reliably be established, they are disclosed at acquisition costs net of any impairment. Other liabilities-side financial instruments are measured at amortised acquisition cost.

The fair value of stock market listed financial instruments is their market price at balance sheet date. For financial assets for which there is no active market the fair value is calculated with the aid of valuation models. This can involve the derivation of fair value from current transactions in similar financial instruments or from present values of future payments streams (discounted cash flow models), or the use of mathematical models.

**2.6.5.2. Derivative financial instruments**

Sparkassen Immobilien AG Group uses derivative financial instruments – interest rate caps, collars and swaps – to reduce the risks attendant on interest rate increases. These are measured at fair value, and disclosed under other financial assets – EUR 1,402,000 as at 31 December 2009 (2008: EUR 1,481,000), and non-current financial liabilities – EUR 52,281,000 as at 31 December 2009 (2008: EUR 35,354,000).

EUR '000	Nominal	Fair value		Negative fair value	
		2009	2008	2009	2008
Swaps	415,087			38,456	26,907
Caps	245,000	1,402	1,481		
Collars	200,000			13,825	8,447
<b>Total</b>	<b>860,087</b>	<b>1,402</b>	<b>1,481</b>	<b>52,281</b>	<b>35,354</b>

The fair value measurement of derivatives is based on estimates made by banks. There is no other fair value measurement of financial instruments.

In financial 2009 this resulted in an expense of EUR 16,604,000 which was recognised under equity with no effect on profit and loss, and expense of EUR 401,000, which was recognised in the income statement as part of the financial results.

Sparkasse Immobilien AG's objects include the acquisition and development of property for rental or subsequent sale with the aim of generating positive net cash flows. Business activities are financed out of equity, and also by long-term borrowings in the form of mortgage loans and other financial liabilities. The bulk of the ex-

ternal financing consists of variable rate borrowings, with interest rates linked to 3-month, 6-month and 12-month Euribor as base rate. In line with Sparkassen Immobilien AG's risk strategy, agreed lines of credit which will be called down as construction of development projects progresses are fully hedged with derivatives from the time the agreements are signed. The scheduled instalment payments as construction progresses represent the most likely timing of expected cash flows.

Sparkasse Immobilien AG's fundamental risk management strategy is to hedge interest rate risk (i.e., the variability of the base rate) using corresponding hedges, in order to ensure fixed payment streams and to make property project forecasts more reliable. The purpose of cash flow hedging at Sparkassen Immobilien AG is to reduce the risk on existing variable rate borrowings, future reinvested funds and transactions expected to be very probable in the future (forecast transactions) by using countervailing derivatives. Cash flow hedging arrangements are used for the purpose.

**Hedged risk**

The interest rate risk hedged is a market interest rate, the Euribor, which is an identifiable component of the interest rate risk on interest-bearing financial liabilities that can be separately assessed.

**Hedging instruments**

Sparkasse Immobilien AG uses as hedging instruments only derivatives that, because they move in the opposite direction to the underlying transactions, convert the potential changes in cash flows from increases in interest rates into fixed payments streams. The hedging instruments used are interest rate derivatives such as interest rate swaps, caps and collars. For the non-linear

interest rate options used as hedges, only the intrinsic value is designated as a hedge. The time value, as ineffective, is recognised in the income statement. For the collars, care is taken to ensure that there is no net call position.

## 2.6.6. Impairment of assets

### 2.6.6.1. Non-financial assets

For properties used by the owner (at present these are mostly hotels) and other tangible and intangible assets, where there is evidence of impairment the recoverable amount is ascertained, in accordance with IAS 36. The recoverable amount is the higher of the fair value less costs to sell (net realisable value) and the value in use.

The fair value is the amount that would be obtained by the sale of the asset in an arm's length transaction between knowledgeable, willing and independent parties.

The value in use is the present value of the estimated future payment flows that can be expected from the continued use of an asset and its disposal at the end of its useful life.

If the recoverable amount is less than the carrying value of the asset, there is an impairment writedown to the recoverable amount through profit and loss.

In principle the recoverable amount should be calculated for each individual asset for which the value is to be measured. However, since payment flows cannot always be attributed to each asset directly, for the purpose of impairment tests assets are grouped into cash generating units (CGUs). The Group's hotels are treated as individual CGUs.

The impairment test for hotels is a two-stage process. The carrying value is first compared with the independent assessment of the hotel's fair value. If the carrying value exceeds the fair value, the question is then whether the value in use differs substantially from the fair value. If this is not the case, then the carrying value is written down to correspond to the fair value.

In financial 2009 there was impairment on properties used by the owner amounting to EUR 6,794,000 (2008: nil).

If the impairment subsequently disappears, the impairment loss is reversed through profit and loss, up to the lower of the new recoverable amount or the depreciated original cost of acquisition or construction. The Group had no such reversals of impairment losses in 2009 or the previous year.

### 2.6.6.2. Financial instruments

Sparkassen Immobilien AG Group reviews all its financial assets, with the exception of those measured at fair value through profit and loss, at every balance sheet date for any objective indications that any asset or group of assets may have suffered impairment.

For debt instruments of all kinds except those measured at fair value through profit and loss, an impairment is recognised if as a result of one or more events taking place after the initial recognition of the asset there is objective evidence that Sparkassen Immobilien AG Group will no longer be in a position to collect the payments relating to the asset. The amount of the impairment is calculated as the difference between the carrying value of the financial asset and the present value of the future cash flows, calculated using the original rate of interest on the asset. A subsequent disappearance of the factors causing the impairment and a consequent recovery in value entails a reversal of the impairment loss.

EUR '000	Derivatives (hedging instruments)	Available for sale	Held to maturity	Loans and receivables	Other	Financial liabilities	<b>Total</b>
<b>Assets</b>							
Group interests		3,101					3,101
Trade receivables				9,185			9,185
Other financial assets	1,402			24,978	23,292		49,672
<b>Equity and liabilities</b>							
Subordinated participating certificate capital						261,658	261,658
<b>Non-current liabilities</b>							
Financial liabilities	52,281					926,579	978,860
Other liabilities						10,839	10,839
<b>Current liabilities</b>							
Financial liabilities						303,390	303,390
Trade payables						28,954	28,954
Construction costs and tenants' financing, and housing construction subsidies on properties held for sale						9,835	9,835

#### 2.6.7. Other assets

Other assets are measured at acquisition cost less any impairment losses, which are recognised through profit and loss.

#### 2.6.8. Cash and cash equivalents

Cash and cash equivalents comprises cash and credit balances with banks at call, together with bank deposits with a maturity of up to three months at the time of the original deposit. In addition to these amounts, in the cash flow statement short-term liabilities on current accounts with banks forming an integral part of cash management are also included.

#### 2.6.9. Other provisions

Other provisions are made where Sparkassen Immobilien AG Group has legal or constructive obligations to other parties arising from past events, where it is probable that the obligation will lead to an outflow of resources and where the amount of the obligation can reliably be estimated.

Provisions are made in the amounts representing the best possible estimates of the expense of meeting the obligations. Where the present value of the provision calculated using a market rate of interest differs materially from the nominal value, the present value is recognised.

Appropriate provision has been made for unresolved legal disputes and other legal proceedings.

A provision is made for onerous contracts (provision for project and transaction risks) when the expected revenues from a contract are exceeded by the unavoidable costs of meeting the obligations under the contract. The amount of the provision is the lower of the cost of withdrawing from the contract and the net cost of completing it. Before separate provision for an onerous contract is made, impairment expenses on assets connected with the contract are recognised.

#### 2.6.10. Taxes

Tax expense shows both the taxes on income paid and the taxes on income due for the individual companies, together with all deferred taxes.

In accordance with IAS 12, deferred taxes are recognised on all temporary differences between the carrying value of an asset or liability in the consolidated financial statements and the carrying value for tax purposes in the individual accounts of the Group's subsidiaries. Additionally, tax credits from tax loss carryforwards that are expected to be realisable are recognised as deferred tax assets.

Deferred taxes are calculated using the applicable tax rates at balance sheet date, or where changes in tax law have already been adopted, at the rates applicable in future.

Deferred tax assets are recognised in connection with tax loss carryforwards to the extent that it is probable that the losses will be able to be offset against future taxable profits in the foreseeable future.

Deferred tax assets and deferred tax liabilities within an individual company are only netted off where the company in question has a legally enforceable right to set tax assets and liabilities against each other, and where the deferred taxes relate to taxes on income assessable by the same tax authority on that company.

#### 2.6.11. Revenues

##### 2.6.11.1. Rental income

Rental income is recognised evenly over the term of the rental agreement. One-time payments and waivers of rent are spread over the lifetime of rental agreements.

##### 2.6.11.2. Revenues from hotel operations

Revenues from hotel operations largely consist of room rental income and catering income. Income is recognised in proportion to the services rendered at balance sheet date.

##### 2.6.12. Finance cost

Income from financial investments includes interest, dividends and capital gains from the investment of funds and from investments in financial assets, together with reversals of impairment losses. Dividends are recognised at the time the resolutions authorising the dividend distribution are passed.

Financial expenses include interest and similar expenses on external borrowings, incidental costs, losses on disposal of financial assets, impairment losses, current hedging results and exchange rate gains and losses on the valuation of monetary assets and liabilities at individual company level.

Interest is accrued using the effective interest rate method.

The valuation of the derivatives include gains and losses on the disposal or revaluation of interest caps, collars and swaps, which have been recognised in equity through profit and loss.

Where applicable, short-term exchange gains or losses on the valuation of financial instruments are disclosed here.

### 2.6.13. Estimation and assumption uncertainties

The preparation of consolidated financial statements in accordance with IFRS requires estimates and the making of assumptions by Management about future developments. These can have a material influence on the recognition and measurement of assets and liabilities, on information about other obligations at balance sheet date and on disclosure of income and expenses during the financial year.

In the case of the following assumptions there is a not inconsiderable risk that they may result in a material adjustment of assets and liabilities in the next financial year.

- The calculation of the fair value of properties held as financial investments is based on expert valuations by internationally recognised valuers such as CB Richard Ellis and PriceWaterhouseCoopers. The valuations have been prepared in compliance with International Valuation Standards. The values of these properties depend to a significant extent on present estimates of future rental trends and vacancy levels, and on interest rates used for discounting purposes. In exceptional cases the values calculated by these experts were adjusted to reflect more recent economic developments that have taken place since the valuations were prepared, and which affect variables such as levels of rents, occupancy rates and discounting rates.

- Estimates of the long-term value of tangible and intangible assets are based on assumptions about the future. The calculation of recoverable amounts for the purpose of impairment tests is based on several assumptions, for example, about future net cash flows and discount rates.

- In estimating the value of financial instruments (in particular, derivatives) for which no active market exists, alternative valuation methods based on investment mathematics are employed. The parameters on which estimates of fair value are based depend in part on assumptions about the future.

- The recognition of deferred tax assets for tax loss carryforwards is based on the assumption that sufficient taxable income will in future be earned to enable existing loss carryforwards to be utilised.

- Obligations arising from sureties, guarantees and similar liabilities not included in the consolidated statement of financial position are regularly reviewed to ensure that they do not require to be recognised and included in the consolidated statement of financial position.

Estimates and underlying assumptions are subject to ongoing review. Actual outcomes may differ from the assumptions and estimates made if developments in the business environment turn out differently to expectations at balance sheet date. Changes are reflected in profit or loss as soon as the altered circumstances become known.

### 3. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

#### 3.1. Consolidated statement of financial position

##### 3.1.1. Properties held as financial investments

###### Investment properties

	EUR '000
<b>As at 1 January 2008</b>	<b>1,209,788</b>
Additions	198,740
Disposals	-13,056
Changes in fair value	-17,475
<b>As at 31 December 2008</b>	<b>1,377,997</b>
whereof pledged as security	1,041,084
Additions	9,085
Disposals	-150,273
Changes in fair value	-41,626
Reclassification	58,249
<b>As at 31 December 2009</b>	<b>1,253,432</b>
whereof pledged as security	1,204,280

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###### Investment properties under development and land

EUR '000	31.12.2009	31.12.2008
Austria	35,446	18,890
Germany	2,317	121
Central Europe	6,075	56,037
South Eastern Europe	401,946	206,341
	<b>445,784</b>	<b>281,389</b>

Following the revision of IAS 40, from 2009 development properties and development land are classified as properties held as financial investments.

**3.1.2. Hotels operated by owners, other plant and equipment and intangible assets**

Changes in the acquisition costs of hotels operated by owners, other plant and equipment and intangible assets were as follows:

EUR '000	Hotels operated by owners	Other plant and equipment	Intangible assets	Total
<b>Acquisition costs as at 01.01.2008</b>	<b>96,098</b>	<b>7,073</b>	<b>326</b>	<b>103,496</b>
Additions	4,256	6,825	96	11,177
Disposals	-3,042	-281	-4	-3,327
Transfers	59,804	821	19	60,644
<b>As at 31.12.2008</b>	<b>157,116</b>	<b>14,438</b>	<b>437</b>	<b>171,990</b>
Additions	3,393	4,759	7	8,159
Disposals	-1,254	-2,646	-44	-3,943
Transfers	11,472	0	0	11,472
<b>As at 31.12.2009</b>	<b>170,727</b>	<b>16,551</b>	<b>400</b>	<b>187,678</b>

Changes in the accumulated depreciation and amortisation of hotels operated by owners, other plant and equipment and intangible assets were as follows:

EUR '000	Hotels operated by owners	Other plant and equipment	Intangible assets	Total
<b>Accumulated depreciation and amortisation as at 01.01.2008</b>	<b>5,707</b>	<b>2,041</b>	<b>41</b>	<b>7,789</b>
Depreciation and amortisation	3,227	1,409	101	4,737
Disposals	-95	-135	-1	-231
<b>As at 31.12.2008</b>	<b>8,839</b>	<b>3,315</b>	<b>141</b>	<b>12,295</b>
Depreciation and amortisation	7,797	1,262	54	9,113
Impairment losses	6,794	0	0	6,794
Disposals	0	-1,100	-18	-1,118
<b>As at 31.12.2009</b>	<b>23,430</b>	<b>3,477</b>	<b>177</b>	<b>27,084</b>
<b>Carrying value as at 01.01.2008</b>	<b>90,390</b>	<b>5,032</b>	<b>285</b>	<b>95,707</b>
<b>Carrying value as at 31.12.2008</b>	<b>148,276</b>	<b>11,123</b>	<b>296</b>	<b>159,695</b>
<b>Carrying value as at 31.12.2009</b>	<b>147,296</b>	<b>13,074</b>	<b>223</b>	<b>160,593</b>

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### 3.1.3. Properties held for disposal

EUR '000	31.12.2009	31.12.2008
Austria	54,300	0
	<b>54,300</b>	<b>0</b>

### 3.1.4. Group interests

EUR '000	Interest %	31.12.2009
BGM-IMMORENT Aktiengesellschaft & Co KG	22.8	2,286
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.	11.5	621
Other		194
		<b>3,101</b>

**3.1.5 Inventories**

Inventories consist in the main of freehold apartments under construction in Austria and are measured at cost of acquisition and construction.

**3.1.6. Trade receivables and other assets**

Trade receivables include rents receivable from tenants less any specific provisions required. Provisions made in 2009 consisted in the main of provisions made against receivables in Germany amounting to EUR 1,956,000.

**3.1.6.1. Other financial assets**

EUR '000	31.12.2009	31.12.2008 <sup>1</sup>
Present value of rental guarantee	1,385	1,615
Construction loan subsidies outstanding	465	586
Current tax credits	21,442	19,939
Property management agents clearing accounts	1,259	1,059
Accrued interest and interest rate caps and collars	1,402	1,498
Receivables in respect of disposals of interests	13,377	0
Other assets	10,342	13,763
	<b>49,672</b>	<b>38,460</b>

<sup>1</sup> adjusted

**3.1.7. Cash and cash equivalents**

EUR '000	31.12.2009	31.12.2008
Bank balances	149,918	243,425
Short-term deposits with banks	60,000	0
Cash in hand	233	116
<b>Summe of cash and cash equivalents</b>	<b>210,151</b>	<b>243,541</b>

**3.1.8. Shareholders' equity**

The issued share capital of the Group's parent company was unchanged from the previous year and amounted to EUR 247,509,000. The share capital is fully paid up. The Management Board is authorised to increase the issued share capital by up to EUR 123,755,000 by the issue of new bearer shares for contributions in cash or in kind (authorised capital).

As in the previous year, the issued share capital is divided into 68,118,718 ordinary bearer shares of no par value, as follows:

Number of shares	31.12.2009	31.12.2008
Issued share capital – 1 January	68,118,718	68,118,718
Issue of new shares	0	0
Treasury shares sold	0	0
<b>Issued share capital – 31 December</b>	<b>68,118,718</b>	<b>68,118,718</b>

The shares are listed in the Prime Segment of the Vienna Stock Exchange.

The bearer shares confer on the shareholders the usual rights provided for under the Austrian Companies Act (AktG). These include the right to payment of the dividend approved by the Annual General Meeting and the right to vote at the Annual General Meeting.

The capital reserves of EUR 147,110,000 (31.12.2008: EUR 241,301) are restricted reserves in the meaning of section 229(2) UGB.

The restricted capital reserves of EUR 147,110,000 (31.12.2008: EUR 147,110,000) disclosed in the individual financial statements of the parent company are based on section 229 (5) UGB.

#### **Additional information on capital management**

Sparkassen Immobilien AG Group manages its capital with the aim of maximising its returns by optimising the relationship between equity and debt. This ensures that all Group companies can operate on the same going concern basis.

The Group's capital consists of bank and financial liabilities, equity provided by the shareholders in the parent company and subordinated participating bonds, described in more detail in Note 3.1.10. There are no provisions in the articles of incorporation concerning capital structure.

The shareholders' equity consists of the shares in issue, capital and revenue reserves and the consolidated net profit, as shown in Changes in Consolidated Equity statement.

The capital structure is under constant review, and the costs of capital and the risks attaching to each type of capital are taken into account. The Group will continue to ensure that the capital structure is optimal, by issuing and repaying debt and as appropriate issuing and repurchasing shares. Distributions to shareholders are not currently under consideration (accumulating shares).

The Group's overall strategy is the same as in 2008.

#### **3.1.9. Minority interests**

The minority interests of EUR 44,832,000 (2008: EUR 26,088,000) consisted principally of Hansa Immobilien EOOD/Einkaufscenter Sofia G.m.b.H. & Co KG (35% interest).

#### **3.1.10. Subordinated participating capital**

The terms of the agreement for s IMMO INVEST participating certificates were changed retroactively with effect from 1 January 2007 and the s IMMO INVEST Participating Certificates Fund was dissolved (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:

$$\begin{array}{r} \text{(Participating} \\ \text{certificate capital} \\ \text{+ profit brought} \\ \text{forward)} \end{array} * \frac{\text{EBIT of the Group}}{\text{Average property portfolio} \\ \text{(not including investment} \\ \text{properties under develop-} \\ \text{ment)}}$$

To the extent that the interest 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 financial 2009 the total share of earnings was EUR -9,966,000 (2008: EUR 4,543,000).

At 31 December 2009 there were 3,224,884 participating certificates in issue. The total entitlements of participating certificate holders (principal and interest) as of that date were EUR 81.14 (2008: EUR 88.96) per certificate, made up as follows:

EUR '000	Participating certificate capital	Attributable profit brought forward	Attributable profit for the period	Share in undisclosed reserves on property portfolio	Total
<b>Participating certificates capital – 1 January 2009</b>	<b>234,352</b>			<b>1,679</b>	<b>236,031</b>
Profit brought forward 1 January 2009		46,305			46,305
Income entitlements of participating certificate holders from 2008			4,543		4,543
Distribution – 22 May 2009			-14,060		-14,060
Change in attributable profit brought forward pursuant to Clause 5(6), Participating Certificates Agreement		-9,517	9,517		0
Income entitlements of participating certificate holders			-9,966		-9,966
Allocation of undisclosed reserves on property portfolio				-1,195	-1,195
<b>Participating certificate capital as at 31 December 2009</b>	<b>234,352</b>	<b>36,788</b>	<b>-9,966</b>	<b>484</b>	<b>261,658</b>
<b>Per participating certificate in EUR:</b>	<b>72.67</b>	<b>11.41</b>	<b>-3.09</b>	<b>0.15</b>	<b>81.14</b>

Previous year:

EUR '000	Participating certificate capital	Attributable profit brought forward	Attributable profit for the period	Share in undisclosed reserves on property portfolio	Total
<b>Participating certificate capital</b>	<b>236,242</b>				<b>236,242</b>
Profit brought forward 1 January 2008		38,068			38,068
Income entitlements of participating certificate holders from 2007			22,784		22,784
Distribution – 28 April 2008			-14,174		-14,174
Change in attributable profit brought forward pursuant to Clause 5(6), Participating Certificates Agreement		8,610	-8,610		0
Repurchase and retirement of 76,005 participating certificates	-1,890	-373			-2,263
Income entitlements of participating certificate holders			4,543		4,543
Allocation of undisclosed reserves in property portfolio				1,679	1,679
<b>Participating certificate capital as at 31 December 2008</b>	<b>234,352</b>	<b>46,305</b>	<b>4,543</b>	<b>1,679</b>	<b>286,879</b>

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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.

### 3.1.11. Provisions

EUR '000	1.1.2009	Utilised	Released	Additions	31.12.2009
Project and transaction risks	12,200	0	-2,000	0	10,200
Taxes on income	1,140	0	-992	1,467	1,615
Other provisions	4,454	-1,365	-402	1,518	4,205
	<b>17,794</b>	<b>-1,365</b>	<b>-3,394</b>	<b>2,985</b>	<b>16,020</b>

The provision for project and transaction risks relates to risks in relation to projects currently being carried out.

Other provisions consisted mainly of personnel provisions and provisions for management fees.

**3.1.12. Taxes on income**
**3.1.12.1. Current and deferred taxes on income**

Tax expense is made up as follows:

EUR '000	2009	2008
Corporate income tax	-2,468	-1,354
Deferred tax	1,056	-718
	<b>-1,412</b>	<b>-2,072</b>

Taxes on income comprise income tax on the taxable income for the financial year of the individual companies included in consolidation, adjustments to prior years' tax, and changes in deferred taxation.

The reconciliation of income tax at the standard rate to the income tax disclosed in the financial statements is as follows:

EUR '000	2009	2008
<b>Net income before tax</b>	-77,456	7,798
Income tax expense of the financial year at the standard Austrian tax rate (25%)	-19,364	1,950
Effects of differing foreign tax rates	1,969	5,175
Reductions / increases in tax relating to tax free or tax exempt income	25,557	459
Tax credit in respect of prior years	-6,750	-5,512
<b>Tax expense as disclosed</b>	<b>1,412</b>	<b>2,072</b>

**3.1.12.2. Deferred taxes**

In accordance with IAS 12, the provision for deferred taxation is calculated using the balance sheet liability method: for all temporary differences between the values for balance sheet purposes in the IFRS consolidated statement of financial position and the current values for tax purposes for the individual companies, deferred tax must be provided. Temporary differences can be either:

- taxable temporary differences, which will result in taxable amounts in the calculation of taxable income or tax loss in future, when the carrying value of the asset is realised or the liability is settled, or
- deductible temporary differences, which will result in tax deductible amounts in the calculation of taxable income or tax loss in future, when the carrying value of the asset is realised or the liability is settled.

As a general principle, a deferred tax asset or liability must be recognised for all taxable temporary differences. There are exceptions for the recognition of goodwill in an initial consolidation or the initial recognition of an asset or liability in a business transaction which

- is not a business combination and
- at the time of the transaction affects the profit or loss neither under IFRS nor for tax purposes.

Temporary differences between values in the IFRS consolidated statement of financial position and the corresponding values for tax purposes had the following effects on deferred taxes as shown in the consolidated statement of financial position.

EUR '000	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Properties held as financial investments	219	-48,633	0	-43,533
Financial instruments	12,594	0	8,324	0
Other items	321	-2,512	551	-2,878
Loss carryforwards	15,955	0	13,921	0
	<b>29,089</b>	<b>-51,145</b>	<b>22,796</b>	<b>-46,411</b>
Netting	-3,557	3,557	-5,845	5,845
<b>Deferred tax assets (+) /tax liabilities (-)</b>	<b>25,532</b>	<b>-47,588</b>	<b>16,951</b>	<b>-40,566</b>

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### 3.1.12.3. Valuation

Deferred taxes are calculated on the basis of the tax rates in force or expected to apply in the relevant countries at the time of realisation. Changes in tax legislation in force or approved at balance sheet date are taken into account. The tax rates used in calculating deferred taxes were as follows:

	Tax rate for 2009	Tax rate for 2008
Austria	25,00%	25,00%
Germany	29,40% <sup>1)</sup>	29,40% <sup>1)</sup>
Czech Republic	19,00%	20,00%
Slovakia	19,00%	19,00%
Hungary	19,00%	16,00%
Croatia	20,00%	20,00%
Romania	16,00%	16,00%
Bulgaria	10,00%	10,00%

<sup>1)</sup> The tax rate in Germany can vary, depending whether the company is liable to business tax or not. An average tax rate has therefore been used.

Deferred taxes are only recognised for property subsidiaries to the extent that a tax burden is expected to arise on the rental or sale of the properties involved.

## 3.2. Income statement

### 3.2.1. Revenues

EUR '000	2009	2008
Rental income	87,553	85,737
Revenues from service charges	29,105	23,474
Revenues from hotel operations	36,897	16,471
	<b>153,555</b>	<b>125,682</b>

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

These costs and expenses are expenses in connection with long-term property assets.

Expenses directly attributable to properties EUR '000	2009	2008
Operating costs	32,685	27,496
Specific provisions on receivables	2,320	4,259
Repairs and maintenance	14,208	10,463
Commissions	10,154	2,154
Other	1,825	835
	<b>61,192</b>	<b>45,207</b>

The expenses of hotel operations mainly consist of expenses for food, beverages, catering supplies, hotel rooms, licenses and management fees, maintenance, operating costs, commissions, personnel expenses and advertising.

**3.2.3. Gains on property disposals**

EUR '000	2009	2008
<b>Disposal proceeds</b>		
Properties held as financial investments	152,173	16,270
Properties used by owner	0	36,705
	<b>152,173</b>	<b>52,975</b>
<b>Carrying value of property disposals</b>		
Properties held as financial investments	-150,273	-13,057
Properties used by owner	0	-31,600
	<b>-150,273</b>	<b>-44,657</b>
<b>Gains on property disposals</b>		
Properties held as financial investments	1,900	3,213
Properties used by owner	0	5,105
	<b>1,900</b>	<b>8,318</b>

### 3.2.4. Management expenses

Management expenses are expenses not directly attributable to properties, and were made up as follows:

EUR '000	2009	2008
Personnel expenses	4,517	3,477
Advertising and promotional expenses	1,077	1,075
Management fees and administration expenses	4,291	3,487
Legal, audit, valuation and consultancy costs	4,375	6,541
Project cancellation fees	3,443	500
Audit fees	704	985
Other	1,126	3,529
	<b>19,533</b>	<b>19,594</b>

Fees invoiced by the Group's auditors in 2009 totalled EUR 237,000, of which EUR 180,000 was the cost of the annual audit and EUR 57,000 was for tax consultancy.

There were an average of 512 employees during the year, including hotel staff (2008: 281). Personnel expenses in the hotels are disclosed under hotel operations.

### 3.2.5. Depreciation and amortisation

This item comprises depreciation and amortisation on properties used by owner, other plant and equipment, and intangible assets, and was made up as follows:

EUR '000	2009	2008
Properties used by owner	7,797	3,227
Other plant and equipment	1,262	1,409
Intangible assets	54	101
	<b>9,113</b>	<b>4,737</b>

### 3.2.6. Losses on property valuation

Losses on revaluation include all increases and decreases in value on properties held as financial investments, and were made up as follows:

EUR '000	2009	2008
Changes in fair values	-41,626	-17,474
Writedowns on assets under construction, provisions for contingent losses	-48,818	-13,208
Impairment losses on properties used by owner	-6,794	0
	<b>-97,238</b>	<b>-30,682</b>

EUR '000	2009	2008
Austria	3,835	4,045
Germany	2,046	-47,003
Central Europe	-49,247	1,967
South Eastern Europe	-53,872	10,309
	<b>-97,238</b>	<b>-30,682</b>

### 3.2.7. Finance costs

EUR '000	2009	2008
Bank interest expense (incl. settled derivatives)	-32,725	-36,962
Other finance and interest expenses	-3,065	-1,761
Exchange differences	-3,225	6,304
Valuation of derivatives transactions	-401	1,208
Bank interest income	2,434	5,086
Other finance and interest income	785	2,379
Income from investments	656	14,194
	<b>-35,541</b>	<b>-9,552</b>

The income from investments in financial 2009 came from the interest in BGM-IMMORENT Aktiengesellschaft & Co KG.

3.2.8. Earnings per share

The earnings per share ratio compares the consolidated net profit with the average number of shares in circulation during the year.

		2009	2008
Equity share in consolidated net profit	EUR '000	-78,559	5,813
Average number of shares in circulation	units	68,118,718	68,118,718
Undiluted earnings	EUR	-1.15	0.09
Diluted earnings	EUR	-1.15	0.09

Diluted and undiluted earnings per share are the same, since there are no potentially dilutive financial instruments in issue.

4. OPERATING SEGMENTS

The information about operating segments for financial 2009 has for the first time been prepared in accordance with IFRS 8, the application of which is mandatory as of this year. The comparative figures for the previous year have been correspondingly adjusted.

An operating segment is defined as having the following characteristics:

- It engages in business activities from which it may earn revenue and incur expenses
- Its operating results are reported regularly to the enterprise’s chief operating decision maker, who uses the information to allocate resources to it and review its performance.
- Separate financial information is available for the segment.

EUR '000
Rental income
Revenues from service charges
Revenues from hotel operations
<b>Total revenues</b>
Other operating income
Expenses directly attributable to properties
Hotel operating expenses
<b>Revenues less directly attributable expenses</b>
Gains on property disposals
Management expenses
<b>EBITDA</b>
Depreciation and amortisation
Losses on property valuations
<b>EBIT</b>
Non-current assets as at 31.12
Non-current liabilities (incl. Participating certificates in Austria) as at 31.12

For Sparkassen Immobilien AG Group, therefore, segmentation is on the basis of regions. The four regions selected are as follows.

**Austria** This operating segment includes all 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

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

**South Eastern Europe** This operating segment includes the subsidiaries in Bulgaria, Croatia and Romania. The subsidiary in Ukraine (in liquidation) is also treated as part of the segment, as are the subsidiaries in Cyprus, which are related to the Group companies in Romania and Ukraine.

Each segment is operationally independent of the others, since each must take the local market and business environment into account. The Group's CFO (board-level) has been nominated as the chief operating decision maker with responsibility for segment operations. He is responsible for allocation of resources to the individual segments and for reviewing their performance. Quarterly management reports are prepared for each operating segment and submitted to the CFO.

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

#### Major customers

Given the large number of customers Sparkassen Immobilien AG Group has, there is no customer representing 10% or more of the Group's revenues.

	Austria		Germany		Central Europe		South Eastern Europe		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	25,062	25,974	34,007	35,107	23,728	20,259	4,757	4,397	87,554	85,737
	6,648	5,466	15,023	11,452	6,881	6,090	552	466	29,104	23,474
	22,375	0	0	0	14,522	16,471	0	0	36,897	16,471
	<b>54,085</b>	<b>31,440</b>	<b>49,030</b>	<b>46,559</b>	<b>45,131</b>	<b>42,820</b>	<b>5,309</b>	<b>4,863</b>	<b>153,555</b>	<b>125,682</b>
	6,879	637	932	865	280	956	155	129	8,246	2,587
	-8,935	-9,479	-27,849	-26,690	-10,771	-7,997	-13,637	-1,041	-61,192	-45,207
	-18,275	0	0	0	-11,426	-12,575	0	0	-29,701	-12,575
	<b>33,754</b>	<b>22,598</b>	<b>22,113</b>	<b>20,734</b>	<b>23,214</b>	<b>23,204</b>	<b>-8,173</b>	<b>3,951</b>	<b>70,908</b>	<b>70,487</b>
	1,688	3,500	0	5,029	212	-5	0	-206	1,900	8,318
	-8,495	-10,206	-5,532	-5,152	-2,419	-2,233	-3,087	-2,003	-19,533	-19,594
	<b>26,947</b>	<b>15,892</b>	<b>16,581</b>	<b>20,611</b>	<b>21,007</b>	<b>20,966</b>	<b>-11,260</b>	<b>1,742</b>	<b>53,275</b>	<b>59,211</b>
	-3,159	-63	-124	-95	-4,645	-3,469	-1,185	-1,110	-9,113	-4,737
	3,835	4,045	2,046	-47,003	-49,247	1,967	-53,872	10,309	-97,238	-30,682
	<b>27,623</b>	<b>19,874</b>	<b>18,503</b>	<b>-26,487</b>	<b>-32,885</b>	<b>19,464</b>	<b>-66,317</b>	<b>10,941</b>	<b>-53,076</b>	<b>23,792</b>
	486,055	550,709	550,060	541,868	398,273	481,658	454,058	264,887	1,888,446	1,839,152
	679,269	674,278	348,719	275,804	241,987	196,982	44,990	46,753	1,314,965	1,193,817

## 5. OTHER INFORMATION

### 5.1. Risk management

Sparkassen Immobilien AG's business activities across various geographical markets and property use types expose it to a wide variety of risks. These could impact earnings negatively and prevent the group from achieving its strategic goals if not managed appropriately. However, Sparkassen Immobilien AG's strategic diversification also helps to minimise possible risks, and diversification also provides the group with an array of opportunities. These risks and chances are combined to form the "Risk Universe" of the group, an important tool used for the entire risk management process within Sparkassen Immobilien AG.

#### Risk management system

An enterprise risk management system has been implemented for the entire group. The goal of this risk management system is not only to identify potential strategic and operational risks and to take the necessary action, but also to recognise chances and opportunities for the group. The risk management function is a staff function reporting directly to the Management Board. The Risk Management department uses state-of-the-art tools to identify, measure, monitor and control risks. Regular workshops are held with the management to identify risk areas and then take appropriate steps to limit exposure to these risks. The risks identified in these workshops include macro-economic conditions and cycles, project development, property valuation, financing, liquidity and portfolio clusters.

#### Strategic risk

Strategic risk is tied directly to the markets and segments the company invests in. It implies that the goals and targets set by the Management Board are in themselves subject to various risks, which need to be managed so that Sparkassen Immobilien AG can reach its objectives. It is therefore part of the group's strategic planning process to consider the relevant risks at an early stage. In order to avoid the "unknown" risks of new markets, it is a matter of principle that investments are restricted to areas where the team has experience and where the network and expertise of the group's partners can be utilised. Risks such as legal, political, market environmental and stability issues must meet predetermined guidelines before investment in a region is considered. The only non-EU country Sparkassen Immobilien AG is currently invested in is Croatia, which is an EU candidate at an advanced stage. The group's activity in Croatia is limited to a single office building in Zagreb. Every acquisition is monitored independently by the Risk Management department, and the underlying investment strategy is subjected to critical and rigorous analysis. The results of this analysis, together with the potential risks and rewards, are then discussed exhaustively with the Supervisory Board before approval is granted.

#### Market risk

Market risk refers to the risks within the markets in which Sparkassen Immobilien AG is currently active. These include changes in a country's overall economy, the strength of its financial sector, the behaviour of the occupier and investment market and subsequent impacts on market rents and yields. Having a diversified portfolio that undergoes different cycles provides good

defence against negative impacts on the aforementioned factors. Furthermore, the assets which Sparkassen Immobilien AG acquires and holds are generally high-quality assets. These assets are more resilient to negative changes in the investment and markets, as is apparent in the group's successful divestments. Every property purchase or sale is preceded by a thorough review of expected micro and macro market developments. The analysis also identifies regional and structural cluster risks. Gains are maximised by obtaining an in-depth understanding of the various market risks in each local market. For this reason, the company relies heavily on local management partners or its own teams to provide the necessary local knowledge and guidance in the decision-making process. Being aware of local and regional developments allows the company to adjust its strategic and operational planning in a timely manner. This has, for example, allowed Sparkassen Immobilien AG to restructure the weighting of its portfolio and sell assets at the top of their respective markets.

#### **Development risk**

The development portfolio is generally exposed to greater risk than the portfolio of standing investments. Naturally, these higher risks command higher returns. As part of Sparkassen Immobilien AG's risk-return strategy, the ratio of development projects to standing investments is kept low to ensure that the vast majority of earnings comprise rental income derived from standing investments. Therefore, there is less dependency on the income and valuation gains generated by new developments. Development projects comprised about 23 % of the value of the portfolio in 2009. At the pre-development stage, analysis and sensitivity testing is carried out by the project managers. The pre-development stage also serves to ensure that planning permission and zoning is granted and costs are kept low. Sparkassen Immobilien AG only works with development partners with an excellent track record and reputation.

In order to limit the risks in the construction stage, the contracts ensure that incentives between parties are aligned and that risks are shared. Sparkassen Immobilien AG also ensures that it retains extensive rights of control. An integrated project risk management process independently assists the company's project managers and partners in making key decisions throughout the development cycle. Furthermore, it allows them to identify risks at an early stage and facilitates timely management intervention. Financing in the development phase of projects has become increasingly challenging. Although it endeavours to secure the lowest cost of capital for each project, Sparkassen Immobilien AG is not reliant on development financing to complete projects and finances the majority with the group's equity. Finally, as a real estate investment company, Sparkassen Immobilien AG has a flexible holding period for development projects, rather than having to sell on completion. This allows the company to benefit from the high rental income the assets produce during the holding period and to only sell when market conditions are favourable.

#### **Real estate and asset risks**

Real estate risk refers to individual locations, and can pertain to both the specific location and the surrounding environment. Asset risks are associated with the structure and condition of the building and the letting situation. The most important instrument in counteracting these risks is the performance of a comprehensive due diligence review before every acquisition. This review covers all the relevant topics, and in particular the legal, property market, economic, tax, social policy and technical aspects of a property. Given that the majority of assets are investment-grade properties in central locations, negative risks are already reduced to a large extent. Properties which do not meet these criteria are

only purchased in exceptional circumstances. Asset-related risks associated with the company's existing properties are monitored and controlled by the local asset management teams and partners in all markets in which Sparkassen Immobilien AG operates, and through a close cooperation with the asset management partners. Regular reports on the commercial and technical position of every property are provided. In coordination with Risk Management, Sparkassen Immobilien AG's externally provided Internal Audit conducts regular reviews of the asset management teams and processes.

#### Exchange and interest rate risk

Sparkassen Immobilien AG's exchange rate risk is low, because nearly all leases are linked to the euro. At 31 December 2009, 89% of the Group's borrowings consisted of variable rate loans and 11% were fixed rate loans. The variable rate loans are protected by interest hedging instruments such as caps (around 30% of total derivatives), collars (around 20%) and swaps (around 50%). The mix of interest hedges makes it possible to hedge the risk of rising interest rates, and hence of increasing interest expense, while at the same time benefiting from lower interest levels if the Euribor declines further.

The stress test (based on the position at 31 December 2009) shows that increases in the base rate (Euribor) have only a roughly 30% impact on the Group's financing costs. For example, a 100 BP increase in Euribor increases financing costs by only 33 BP. In the same way, the benefit of further reductions in the base rate (from the already extremely low level of the Euribor at present) amounts to around 33%.

Stress test (parallel shift in interest curve)	3M Euribor	Cost of funding	Difference	Interest sensitivity
Interest rate shift +4%	4.70%	5.68%	1.50%	38%
Interest rate shift +3%	3.70%	5.23%	1.05%	35%
Interest rate shift +2%	2.70%	4.85%	0.67%	34%
Interest rate shift +1%	1.70%	4.51%	0.33%	33%
Interest rate shift +0.5%	1.20%	4.34%	0.16%	33%
Interest rate shift -0.5%	0.20%	4.01%	-0.17%	33%

### Liquidity and lender risks

Sparkassen Immobilien AG minimises liquidity risk through a sustainable loan-to-value (LTV) ratio, long-dated debt obligations and sufficient cash reserves. Day-to-day management of liquidity enables us to ensure that sufficient loans and credit facilities are available when needed, so that obligations can be met and opportunities can be taken advantage of as they arise. Sparkassen Immobilien AG's liquidity and financial management team controls all financial planning and structuring. This is monitored independently by the Risk Management department, which conducts regular sensitivity analyses of the liquidity planning. These analyses provide additional insight concerning liquidity risks. Larger commitments – in particular development projects – are only authorised after the completion of a satisfactory liquidity review. Third-party risks with lenders are minimised through a diversified debt portfolio comprising smaller loans with a large selection of banks. In addition to this, Sparkassen Immobilien AG prides itself on its long-established relationship with more than 20 banks with excellent covenant strength, which has made it possible to secure long-term loans even when lending was very restrictive.

### Operational risks

Operational risks are reduced to a minimum by the organisational separation of business processes: Execution, back office and risk management functions are distinct, and all major business transactions are subject to strict internal control. Sparkassen Immobilien AG's local internal management works closely with external lawyers and auditors in all countries in which the company operates. With the support of international auditors, the group's Internal Audit department conducts multiple internal audits throughout the group each year. As part of the group's rolling three-year audit plan, system audits of all major group entities are conducted. The Internal Audit department also focuses on the group's internal control system (ICS). This system is based on the standards defined in the Internal Control and Enterprise Risk Management Frameworks of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – a proven international guideline for internal control procedures. Through a very detailed and transparent internal group control structure, operational risks have been identified and assessed, and are

subject to constant monitoring. Following predetermined and implemented group policies and procedures is paramount to the success of the ICS. This includes the segregation of duties, formal guidelines and regulations as well as roles and responsibilities for all group employees. Detailed risk and control matrices (RCMs) are used to test the integrity of the ICS system in all major processes. The legal framework varies across the countries in which Sparkassen Immobilien AG is invested. The lack of legal certainty or the inability to obtain effective legal remedies in a timely manner could have a material adverse effect on the group's financial position, operating results and prospects. Agreements concluded with international or local partners and service providers for the ownership, development, construction and management of properties in these countries are generally subject to the law of the countries in which the properties are situated. The legal systems in CEE have undergone positive changes in recent years. The interpretation and procedural safeguards of the new legal and regulatory systems are still being developed. Such changes may result in the inconsistent application of existing laws and regulations. In some jurisdictions, there may be uncertainties relating to property titles, including the ability to rely upon titles acquired from previous owners, or compensation rights in the event of compulsory purchase. Detailed legal due diligence minimises the potential for such a risk to occur and is the most effective way to manage it. The company faces risks in connection with unanticipated changes in applicable laws or regulations. Changes in the economic and political conditions of the countries in which Sparkassen Immobilien AG operates may lead to changes in building and occupational safety regulations and rental, environmental, tax, labour, data protection and other laws affecting real estate development, ownership and use. Again, these risks are managed through constant monitoring and close relationships with those on the ground. Sparkassen Immobilien AG's rigorous approach to risk management enables the company to make well considered decisions that are in the interest of its shareholders.

**Economic cycle risk**

The global financial crisis which peaked towards the end of 2008 has had a profound impact on the real estate and financial sectors in which Sparkassen Immobilien AG is active. Although Sparkassen Immobilien AG's conservative strategy has for the most part proven beneficial in helping the company to weather these stormy times, the company was also affected by the crisis. There are three areas of risk that are particularly relevant: property values, rental income and financing. As seen in the devaluation of properties throughout the CEE region, Sparkassen Immobilien AG was also not immune to this change. Although the portfolio was devalued significantly in 2008 and 2009 and evidence suggests that the market has bottomed out, further valuation risk cannot be ruled out entirely. Due to the fact that no geographical area has been spared from the global financial crisis, it must be assumed that some of Sparkassen Immobilien AG's tenants will be negatively affected by the crisis, which could have a negative impact on rental income. Rents could fall, units could remain vacant for longer periods of time and leases may only be renewed in part. These risks are managed as far as possible by the company's asset management teams. Through constant dialogue with the tenants and local teams, Sparkassen Immobilien AG is made aware of potential difficulties and can act accordingly. Lastly, financing has become more difficult since the global economic downturn. Banks and other lending institutions have become much more restrictive in their lending, loans are more expensive and the process takes longer. A continued worsening in the condition of larger national and international financial institutions could make financing more problematic for Sparkassen Immobilien AG, and could have a negative impact on the

group's results. This risk is reduced, however, by low refinancing needs over the next few years, smaller loans with many different banks, low loan-to-value requirements and the established and successful cooperation with the company's lending institutions. Due to the excellent locations and quality of the current development projects, the company has achieved very successful letting results even in the currently tense economic environment. Sparkassen Immobilien AG has been able to secure all needed funding as foreseen in the financial planning process. Of course, future economic development in markets such as Bulgaria and Romania will play an important role in the success and valuation of the current projects. Together with the responsible asset management teams, Sparkassen Immobilien AG's Risk Management closely monitors the progress of these new developments and works to develop various alternatives should the situation worsen beyond what is currently predicted.

**5.2. Other obligations and contingent liabilities****5.2.1. Rental agreements**

The tenancy agreements concluded by the Group generally contain provisions specifying that rents and other fees are

- tied to the euro
- capital values are linked to international indices

### 5.2.2. Pending litigation

The Group was at balance sheet date involved in a number of open legal disputes, however the amounts involved were not significant and even in total the amount was not material in comparison with the Group's total assets.

### 5.3. Related party disclosures

For Sparkassen Immobilien AG Group related parties are as follows:

- Sparkassen Immobilien AG Group's managing bodies
- ERSTE BANK Group
- Vienna Insurance Group

Sparkassen Immobilien AG Group's managing bodies were as follows:

#### Management Board of Sparkassen Immobilien AG

Holger Schmidtmayr, Vienna  
Ernst Vejdovszky, Vienna  
Friedrich Wachernig, Vienna

#### Supervisory Board of Sparkassen Immobilien AG

Martin Simhandl, Vienna (Chairman)  
Richard Wilkinson, Vienna (first deputy chairman)  
Franz Kerber, Vienna (second deputy chairman)  
Gerald Antonitsch, Vienna  
Christian Hager, Krems (from 23 June 2009)  
Erwin Hammerbacher, Vienna  
Peter Nemschak, Vienna  
Reinhold Schürer-Waldheim, Vienna

In 2009 the remuneration received by members of the Management Board totalled EUR 985,000 (2008: EUR 770,000). For 2009 this included expenses for pensions of EUR 163,000 (2008: EUR 48,000), contributions to the employee severance pay and pensions fund of EUR 12,000 (2008: EUR 10,000) and no bonuses (2008: EUR 150,000). Compensation paid to Supervisory Board members (including members of supervisory boards of Group companies) amounted to EUR 112,000 (2008: EUR 77,000). Neither members of the Management Board nor Supervisory Board members received either loans or advances, and no guarantees have been given on their behalf.

There were the following receivables and payables with Erste Bank Group and Vienna Insurance Group at the end of the year:

EUR '000	31.12.2009	31.12.2008
Other receivables	432	220
Bank balances	166,458	214,161
<b>Receivables</b>	<b>166,890</b>	<b>214,381</b>

EUR '000	31.12.2009	31.12.2008
Long-term liabilities to banks	404,700	274,339
Other long-term financial liabilities	71,169	85,575
Current bank and financial liabilities	76,000	5,043
Trade payables	1,687	1,914
Other liabilities	592	492
<b>Payables</b>	<b>554,148</b>	<b>367,363</b>

In financial 2009 there were the following material income and expenses in connection with Erste Bank Group and the Vienna Insurance Group:

EUR '000	31.12.2009	31.12.2008
Consultancy fees	3,226	1,351
Consulting	541	1,281
Management fees IMMO-RENT	3,977	3,078
Management fees Immo-rent AG	17,598	15,220
Other expenses	492	314
<b>Expenses</b>	<b>25,834</b>	<b>21,244</b>

EUR '000	31.12.2009	31.12.2008
Rent and service charges	998	930
Bank interest	868	2,222
Other interest income	53	3,502
<b>Income</b>	<b>1,919</b>	<b>6,654</b>

Under an agreement dated 14 January 2003 IMMORENT AG has given Sparkassen Immobilien AG a rental guarantee for the property at Gaspasse 1-7, A-1150 Vienna. The fee charged for this guarantee was EUR 3,000,000.

Properties management for the majority of the Austrian properties is provided by Arealis Liegenschaftsmanagement GmbH, Vienna, in which Erste Bank Group has a 50% interest.

#### 5.4. Significant events after balance sheet date

Sparkassen Immobilien AG started off 2010 with two project openings: in February and March the Sun Plaza and Serdika Center development projects reached completion, with the two largest shopping centres in Romania and Bulgaria respectively opening their doors to the public. With total lettable space of 80,000 sq m and room for more than 130 businesses, Sun Plaza is a powerful driver for the local economy. More than 3,500 new jobs have been created in the centre, which has been developed jointly by Sparkassen Immobilien AG and the experienced Franco-Romanian EMTC Group. About EUR 200m has been invested in the project: with a central location, the space is already 96% let. With a total investment of EUR 210m, Serdika Center is Sparkassen Immobilien AG's biggest development project to date. This Bulgarian shopping centre was developed in conjunction with mall specialists ECE, and 99% of the 51,000 sq m of shopping space is already let. A further 30,000 sq m of office space will be completed by the end of 2010.

In the first quarter of 2010, a package of three properties in Vienna was sold for a price in excess of their most recent valuation.

Vienna, 14 April 2010

Management Board

Holger Schmidtmayr m.p.

Ernst Vejdovszky m.p.

Friedrich Wachernig m.p.

# AUDITORS' REPORT

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Sparkassen Immobilien AG, Vienna, for the year ended 31 December 2009. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2009, and the consolidated income statement and statement of total comprehensive income, the statement of changes in stockholders' equity and the cash flow statement, all for the year ended 31 December 2009, together with the notes to the consolidated financial statements.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for group accounting and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' responsibility and the statutory audit**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with the International Standards on Auditing (ISAs) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

These standards require that we comply with ethical requirements and that we perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements.

An audit involves the performance of procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements.

The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error.

In making these risk assessments the auditor considers internal controls relevant to the preparation and fair presentation of consolidated financial statements in order to design audit procedures appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

An audit also includes evaluating the appropriateness of the accounting and valuation policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

Our audit did not give rise to any objections. Based on the results of our audit, in our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009 and of its financial performance and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

### **REPORT ON CONSOLIDATED MANAGEMENT REPORT**

The statutory regulations require us to perform audit procedures to determine whether the consolidated management report is consistent with the consolidated financial statements, and whether the other disclosures made in the consolidated management report do not convey a misleading impression of the Group's position. The auditors' report must also contain a report as to whether the consolidated management report is consistent with the consolidated financial statements, and whether the requirements under section 243a UGB have been complied with.

The consolidated management report is in our opinion consistent with the consolidated financial statements. The requirements under section 243a UGB have been complied with.

Vienna, 14 April 2010

**Deloitte Audit Wirtschaftsprüfungs GmbH**

Walter Müller  
Auditor

p.p. Wolfgang Arndorfer m.p.  
Auditor

DEAR SHAREHOLDERS,

Sparkassen Immobilien AG performed well despite the challenging market situation in 2009. By successfully completing a number of major development projects, it has further strengthened the foundation on which its present and future success rests. The Supervisory Board advised and assisted the Company and the Management Board with all projects during the 2009 financial year. Throughout the year, we carried out our duties under the law and the Company's articles of incorporation, advised the Management Board on issues related to the direction of the Company, and also monitored the Management Board's activities. The Supervisory and Management Boards of Sparkassen Immobilien AG met six times and held intense discussions about the economic situation and the Group's strategic development, especially in light of the continued adverse market environment. At each meeting, the Management Board reported to the Supervisory Board in detail on the state of the Group's affairs and its finances and provided suitable documentation.

In addition, topics of current interest were also the subject of regular discussions between the Management Board and the Chairman of the Supervisory Board. Experts were invited to provide in-depth clarification and comments on certain agenda items. One of the recurring topics was how best to optimise the Group's potential and further its strategy of sustainable long-term added value. The Management Board reported regularly on development projects in Austria and the CEE countries, as well as the rental situation of the standing properties. The Supervisory Board discussed and approved various disposals. Between six and eight Board Members were present at each Supervisory Board meeting. Three Members were each excused on one occasion, and a further Member was excused on two occasions.

In line with our commitment to good corporate governance, we advocate transparent business reporting. Since 2007 Sparkassen Immobilien AG has subscribed to the Austrian Code of Corporate Governance. The obligations contained in the Code go beyond the statutory requirements applicable to a public limited company; they are adopted voluntarily and are designed to ensure transparency in reporting.

The Supervisory Board has formed three committees: the Management Board Committee, the Audit Committee and the Working Committee. The Management Board Committee concerned itself with the remuneration of the Management Board Members during the financial year. The Working Committee held three meetings to discuss property disposals and other key issues related to business transactions during the reporting period. The Audit Committee met twice in 2009. It monitors the accounting process and Group auditing activities, the effectiveness of the internal control and risk management system, the audit system and also the compliance report. In preparation for the Supervisory Board's proposal of auditors for the Company and Group annual financial statements, the Audit Committee reviewed the documentation submitted by Deloitte Audit Wirtschaftsprüfungs GmbH (formerly Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH) evidencing their right to practise as auditors. On the basis of a written report, it was established that there were neither grounds for exclusion, nor any circumstances that could give rise to concerns about conflicts of interest. A schedule of the total remuneration paid to Deloitte by Sparkassen Immobilien AG in respect of the preceding financial year, itemised by categories of services, was requested and inspected, and Deloitte's membership in a statutorily approved quality assurance system was confirmed. The Audit Committee reported to the Supervisory Board on



its work and its findings in these matters. On this basis, the Supervisory Board proposed the appointment of Deloitte Audit Wirtschaftsprüfungs GmbH as auditors of company and group annual financial statements at the Annual General Meeting.

The Audit Committee of the Supervisory Board also accepted the submission of the annual financial statements for 2009 by the Management Board, together with the management report and the corporate governance report, inspected these documents and approved them based on the audit reports by Deloitte Audit Wirtschaftsprüfungs GmbH. The Audit Committee also reviewed the consolidated annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) together with the Group management report. On the basis of its review and discussions, the Audit Committee unanimously resolved to recommend to the Supervisory Board the acceptance without reservation of the statements, report and reviews. The Supervisory Board discussed in detail and reviewed the annual financial statements for 2009 together with the management report and corporate governance report and the consolidated annual financial statements prepared in accordance with IFRS together with the Group management report. The audit reports prepared by Deloitte Audit Wirtschaftsprüfungs GmbH on the annual financial statements for 2009 together with the management report and the consolidated annual financial statements together with the Group

management report were also examined by the Audit Committee and the entire Supervisory Board and discussed in detail together with Deloitte Audit Wirtschaftsprüfungs GmbH. The audit conclusions gave no grounds for objection. The Supervisory Board declared that it had nothing to add to the audit reports by the auditors. The Supervisory Board therefore unanimously resolved to accept the annual financial statements and management report prepared by the Management Board and had no objections to the consolidated annual financial statements and Group management report prepared in accordance with IFRS. In accordance with section 96(4) AktG, the annual financial statements for 2009 were therefore adopted.

During the financial year, personnel changes occurred in the Supervisory Board and the Management Board: At the Annual General Meeting in June 2009, Christian Hager, chairman of the management board at Kremser Bank AG, was elected as a new Member of the Supervisory Board. In addition, the Supervisory Board decided to extend the Management Board appointments of Holger Schmidtmayr and Ernst Vejdovsky to 31 January 2013.

The Supervisory Board would like to thank the Management Board and staff of Sparkassen Immobilien AG for their high level of dedication during the past year. During 2009, a year filled with complex challenges on the market, it was especially important to be able to rely on the positive, constructive collaboration of all parties involved.

Vienna, 21 April 2010

The Supervisory Board

Martin Simhandl  
Chairman

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## Management Report for financial 2009

### Sparkassen Immobilien AG's business activities

Sparkassen Immobilien AG is an international real estate investment and development company listed on the Vienna Stock Exchange. Its portfolio consists of office, commercial and residential properties, and hotels. Sparkassen Immobilien AG's goal is to increase the permanent net worth of the Group for the benefit of its shareholders while consistently developing and improving the property portfolio. To get the best out of the portfolio, the Group manages property assets actively, thus optimising rental income. It also constantly reviews potential development projects that might make a positive contribution to the portfolio. The well-developed networks of its core shareholders and development partners, together with its staff and local partners, are invaluable in this regard. They enable Sparkassen Immobilien AG to use market opportunities to the best possible advantage.

### Course of business

Sales revenues in the year under review rose from EUR 29,741,000 to EUR 30,162,000. Other operating income grew from EUR 4,632,000 to EUR 28,838,000. This upsurge in other operating income is attributable mainly to the sale of four pieces of real estate. Other operating income includes EUR 4,633,000 in fees received for the cancellation of a lease.

The increase in other operating expenses is connected largely to a payment of EUR 3,030,000 in cancellation fees.

Finance costs improved from EUR -47,515,000 to EUR -16,315,000. This result can be traced primarily to the smaller amount written down on financial investments (2009: EUR 25,957,000; 2008: EUR 52,956,000).

Total net assets decreased from EUR 1,219,590,000 to EUR 1,080,301,000 on the reporting date for 2009. The share capital remained unchanged over the year before at EUR 247,509,000. Equity as of the reporting date increased from EUR 394,619,000 to EUR 398,267,000. The equity ratio amounted to 37% on 31 December 2009.

Liabilities to banks declined in the year under review from EUR 373,502,000 to EUR 247,694,000. Of this total, EUR 96,896,000 had a residual term of up to one year.

## Real estate portfolio in Austria – Major events in 2009

In Austria, Sparkassen Immobilien AG improved its existing portfolio. It sold several properties at a profit as part of its regular adjustment of the portfolio. Among the properties sold were Ballgasse 4 (Vienna), St. Ulrichsplatz 4 (Vienna), Obere Viaduktgasse 36 (Vienna), Ketzergasse 6-9 (Vienna) and Schärldinger Strasse 5 (Linz).

### **Sechshauser Strasse, Vienna, Austria**

The development project on Sechshauser Strasse in the 15<sup>th</sup> District of Vienna was opened on 10 November 2009. The orange façade of this zero-carbon building adds a colourful note to the neighbourhood. Sparkassen Immobilien AG invested a total of EUR 12m in this project. The Kallco Company served as the developer.

The building at Sechshauser Strasse 31-33 has 7,100 m<sup>2</sup> of lettable space on seven storeys. The ground floor serves as a geriatric day centre. The first and second upper floors are devoted to courses to prepare international students to study at the universities in Vienna. The remaining floors are home to 150 students living in 90 units in the halls of residence operated by ÖAD-Wohnraumverwaltungs GmbH. Completed in September 2009, this fully leased building combines different uses for different generations under a single roof.

### **Neutorgasse, Vienna, Austria**

An office and residential complex with 11,000 m<sup>2</sup> of lettable space will be created at Neutorgasse 4-8 in the First District of Vienna between the stock exchange, the Freyung and Salzgries. The project is being jointly developed with IMMORANT Aktiengesellschaft, the real estate specialist at Erste Group Bank AG. It will involve investments totalling about EUR 55m. Completion is planned in the summer of 2010.

The building is known locally as the “jewel in the city” because of its modern design by the architects at RATAPLAN. It integrates the late 19<sup>th</sup> century façade in an ensemble of glass and metal that glows in the sunlight during the day and sparkles like a crystal at night.

The ground floor and the first three upper floors contain 5,000 m<sup>2</sup> of business and office facilities. The floors above that will have 34 freehold apartments with spacious terraces. A large part of the apartments has been sold and long-term tenants have been found for three quarters of the commercial space. Bene, a renowned firm specialising in office furniture, is the tenant for two thirds of this space and will use the ground floor as a showroom. The

building on the Neutorgasse is in the heart of Vienna's exclusive First District. The U4 and U2 subway lines are nearby and the Vienna International Airport is just 20 minutes away.

## Probable developments

In its strategy, Sparkassen Immobilien AG seeks to optimise earnings from the existing real estate portfolio while also improving the composition of the portfolio and the scheduled completion of development projects.

It continuously examines purchase opportunities appropriate for addition to the portfolio. This past year there were no suitable offers in line with the prices the Company had in mind and its investment criteria.

In 2010 Sparkassen Immobilien AG is expecting improvements in rental revenues and cash flows. Major factors in these encouraging developments are the completed development projects such as the top quality office and residential building on Neutorgasse 1010 Vienna.

## Risk report

Sparkassen Immobilien AG's business activities across various markets and segments expose it to a wide variety of risks. These could impact earnings negatively and prevent the Group from achieving its strategic goals if not managed appropriately. However, Sparkassen Immobilien AG's strategic diversification also helps to minimise possible risks, and diversification also provides the Group with an array of opportunities. These risks and chances are combined to form the "Risk Universe" of the Group, a highly effective tool used for the entire risk management process within Sparkassen Immobilien AG.

### **Risk management system**

An enterprise risk management system has been implemented for the entire Company. The goal of this risk management system is not only to identify potential strategic and operational risks and to take the necessary action, but also to recognise chances and opportunities for the Group. The risk management function is a staff function reporting directly to the Supervisory Board. As a department, Risk Management uses various tools to identify, measure, monitor and control risks. Workshops are held at regular intervals with the management to identify risk areas and then take appropriate steps to limit exposure to

these risks. The risks identified in these workshops include macro-economic risks and cyclical fluctuations, risks in project development, property valuation, financing, liquidity and portfolio clusters. Analyses are conducted internally to determine the effectiveness of the Group's risk management guidelines and procedures.

### **Strategic risk**

Strategic risk is tied directly to the markets and segments in which the Company conducts business. It implies that the goals and targets set by the Management Board are in themselves subject to various risks, which need to be managed so that Sparkassen Immobilien AG can reach its objectives. It is therefore part of the Group's strategic planning process to consider the relevant risks at the earliest possible stage. In order to avoid the unknown risks of new markets, it is a matter of principle that investments are restricted to areas where the team has experience and where the network and expertise of the Group's partners can be utilised. Every acquisition is monitored independently by Risk Management and the underlying investment strategy is subjected to critical and rigorous analysis. The results of this analysis, together with the potential risks and rewards, are then discussed exhaustively with the Supervisory Board before approval is granted.

### **Market risk**

Market risk refers to the general risks within the markets in which Sparkassen Immobilien AG is currently active. These include changes in a country's overall economy, the strength of its financial sector, the behaviour of the leasing and investment market and subsequent impacts on market rents and yields. Having a diversified portfolio that undergoes different cycles provides a degree of protection against negative impacts on the aforementioned factors. Furthermore, the assets which Sparkassen Immobilien AG acquires and holds are generally high-quality assets. These assets are more resilient to negative changes in the investment and leasing markets, as is apparent in the Group's successful divestments. Every property purchase or sale is preceded by a thorough review of expected micro and macro market developments. The analysis also identifies regional and structural cluster risks. Gains are maximised by obtaining an in-depth understanding of the various market risks in each local market. For this reason, the Company relies heavily on local management partners or its own teams to provide the necessary local knowledge and guidance in the decision-making process. Being aware of local and regional developments allows the Company to adjust its strategic and operational planning in a timely manner. This access

has, for example, allowed Sparkassen Immobilien AG to restructure the weighting of its portfolio and sell assets at the top of their respective markets.

### **Development risk**

The development portfolio is generally exposed to greater risk than the portfolio of existing investments. Naturally, these higher risks command higher returns. As part of Sparkassen Immobilien AG's risk-return strategy, the ratio of development projects to standing investments is kept low to ensure that the vast majority of earnings comprise rental income derived from standing investments.

Therefore, there is less dependency on the income and valuation gains generated by new developments. At the predevelopment stage, analysis and sensitivity testing is carried out by the project managers. The pre-development stage also serves to ensure that planning permission and zoning is granted and costs are kept low. Sparkassen Immobilien AG only works with development partners who have an excellent track record and reputation. In order to limit the risks in the construction stage, the contracts ensure that incentives between parties are aligned and that risks are shared (e.g. in connection with leasing or construction costs). Sparkassen Immobilien AG also ensures that it retains extensive rights of control. An integrated project risk management process accompanies the project. It allows risks to be identified at an early stage and facilitates timely management intervention. Although it endeavours to secure the lowest cost of capital for each project, Sparkassen Immobilien AG is not reliant on development financing to complete projects and finances the majority with the Group's equity. Finally, as a real estate investment company, Sparkassen Immobilien AG has a flexible holding period for development projects, rather than having to sell on completion. This allows the Company to benefit from the high rental income the assets produce during the holding period and to only sell when market conditions are favourable.

### **Real estate and asset risks**

Real estate risk refers to individual locations and can pertain to both the specific location and the surrounding area. Asset risks are associated with the structure and condition of the building and the letting situation. The most important instrument in counteracting these risks is the performance of a comprehensive due diligence review before every acquisition. This review covers all the relevant topics, and in particular the legal situation, property market, economic, tax, and social-policy issues and technical aspects of a property. The fact

that the majority of assets are investment-grade properties greatly reduces negative risks to start with. Properties not meeting these criteria are only purchased in exceptional circumstances. Asset-related risks associated with the Company's existing properties are monitored and controlled by the local asset management teams in all markets in which Sparkassen Immobilien AG operates. This is done in close cooperation with local partners. Regular reports on the commercial and technical situation of every property are provided. In coordination with Risk Management, Sparkassen Immobilien AG's externally provided Internal Audit conducts regular reviews of the asset management teams and processes

#### **Exchange and interest rate risk**

Sparkassen Immobilien AG's exchange rate risk is low, because nearly all leases are pegged to the euro. The majority of the Group's borrowings consist of long-term variable rate loans. The interest risk is hedged with interest rate swaps, caps and collars with an average term of six to eight years. Stress tests conducted on a regular basis show that even a dramatic increase in interest rates would have only a relatively insignificant impact on the Group's financing costs. Sparkassen Immobilien AG continues to benefit to a certain extent from declining interest rates through its cap and collar instruments. Risk Management subjects the hedging process to monitoring independent of the Finance Department.

#### **Liquidity and lender risks**

Sparkassen Immobilien AG minimises liquidity risk through a sustainable loan-to-value (LTV) ratio, long-dated debt obligations and sufficient cash reserves. Day-to-day management of liquidity enables the Company to ensure that sufficient loans and credit facilities are available when needed, so that obligations can be met and opportunities can be taken advantage of as they arise. Sparkassen Immobilien AG's liquidity and financial management team controls all financial planning and structuring. This is monitored independently by the Risk Management department, which conducts regular sensitivity analyses of the liquidity planning. These analyses provide additional insight into liquidity risks. Larger commitments – in particular development projects – are only authorised after passing a liquidity review. Third-party risks with lenders are minimised through a diversified debt portfolio comprising smaller loans with a large selection of banks. In addition to this, Sparkassen Immobilien AG prides itself on its long-standing business relationships with more than 20 banks, which have made it possible to secure long-term loans even when lending was very restrictive.

**Operational risks**

Operational risks are reduced to a minimum by the organisational separation of business processes. Execution, back office and risk management functions are distinct, and all major business transactions are subject to strict internal control exercised by Risk Management. Sparkassen Immobilien AG's local internal management works closely with external lawyers and auditors. With the support of international auditors, the Group's Internal Audit department conducts multiple internal audits throughout the Group each year. Following predetermined and implemented Group policies and procedures is crucial to the success of the ICS. This includes a suitable segregation of duties, formal guidelines and regulations as well as clearly defined roles and responsibilities for all Company employees. Detailed risk and control matrices (RCMs) are used to test the integrity of the ICS system in all major processes.

**Economic cycle risk**

The global financial crisis that peaked towards the end of 2008 has had a profound impact on the real estate and financial sectors in which Sparkassen Immobilien AG is active. Although Sparkassen Immobilien AG's conservative strategy has for the most part proven beneficial in helping the Company to weather these stormy times, the company was also affected by the crisis. There are three areas of risk that are particularly relevant: property values, rental income and financing. Given that no geographical area has been spared from the global financial crisis, it must be assumed that some of Sparkassen Immobilien AG's tenants will be negatively affected by the crisis, which could have a negative impact on rental income. Rents could fall, units could remain vacant for longer periods of time and leases may not all be renewed. These risks are managed as far as possible by the Company's asset management teams. Through constant dialogue with the tenants, Sparkassen Immobilien AG is made aware of potential difficulties early on and can act accordingly. Lastly, financing has become more difficult to obtain since the global economic downturn. Banks and other lending institutions have become much more restrictive in their lending, loans are more expensive and the process takes longer. A continued worsening in the condition of larger national and international financial institutions could make financing more problematic for Sparkassen Immobilien AG and could have a negative impact on the Group's results. This risk is reduced, however, by low refinancing needs over the next few years, smaller loans with many different banks, low loan-to-value requirements and the established and successful cooperation with the Company's lending institutions. Owing to the excellent locations and quality of the current development projects, the Company has

achieved very successful letting results even in the currently tense economic environment. Sparkassen Immobilien AG has been able to secure all needed funding as foreseen in the financial planning process. Together with the responsible asset management teams, Sparkassen Immobilien AG's Risk Management closely monitors the progress of these new developments and works to develop various alternatives should the situation worsen beyond what is currently predicted.

## Information pursuant to § 243a Austrian Business Enterprise Code (UGB)

The information below is provided as required by § 243a Austrian Business Enterprise Code (UGB).

- 1.) The share capital amounts to EUR 247,509,361.86 and is divided into 68,118,718 ordinary bearer shares. This is the only type of share issued.
- 2.) Each shareholder's right to vote in the General Meeting is limited to 15% of the issued shares.
- 3.) On 24 September 2009, the Management Board received a notice pursuant to § 91.1 Austrian Stock Exchange Act (Börsegesetz) from Tri-Star Capital Ventures Ltd., an international investment company. The notice stated that the company had increased its stake in Sparkassen Immobilien AG to 11.15% of the share capital with voting rights.
- 4.) There are no shares with special control rights.
- 5.) Employees owning shares exercise their right to vote directly at the General Meeting.
- 6.) The Company's Management Board comprises two, three or four members. A person can be appointed to the Management Board the last time prior to reaching the age of 65. The Supervisory Board comprises up to ten members elected by the General Meeting.
- 7.)
  - a) At the ordinary General Meeting of 28 May 2008, the Management Board was again authorised for a period of three months from the date of the pertinent resolution and pursuant to the provisions of §65.1.8 Austrian Corporation Act (AktG) to buy back Company shares in an amount up to 5% of the Company's share capital and if need be, to call-in these shares. The consideration for the purchase may neither be less than EUR 1.00 per share nor more than 15% higher than the average stock exchange price of the three trading days preceding the day of repurchase.

As regards the sale of own shares, the Management Board was authorised, with the approval of the Supervisory Board, to opt for a selling method other than selling over the exchange or through a public offer to the exclusion of the shareholders' preemptive rights. The shareholders' preemptive rights may only be excluded if own shares are sold in exchange for contributions in kind or, in the event of mergers, the sale is effected to shareholders of the transferring company. The Supervisory Board is involved pursuant to the Austrian Corporation Act (Aktiengesetz), the articles of association and the rules of procedure for the Supervisory Board and the Management Board.

b) At the ordinary General Meeting of 28 May 2008, the Management Board was also authorised, with approval from the Supervisory Board and pursuant to § 174.2 Austrian Corporation Act (Aktiengesetz), to issue within five years of the relevant resolution (i.e., until 28 May 2013) in one or more tranches, convertible bonds carrying the right of conversion or subscription to up to 34,059,359 ordinary bearer shares in the Company representing a proportionate interest in the share capital of the Company of up to EUR 123,754,680.93 and to set all further conditions for the convertible bonds.

c) The share capital is conditionally increased according to § 159.2.1 Austrian Corporation Act (Aktiengesetz) by as much as EUR 123,754,680.93 through the issue of up to 34,059,359 ordinary bearer shares with voting rights. The conditional capital increase will only be effected if holders of convertible bonds issued by virtue of the General Meeting's resolution of 28 May 2008 make use of the conversion or subscription right granted to them. The issue amount and conversion ratio must be determined by recognized methods of financial mathematics and the price of the Company shares must be set using a recognised pricing procedure. The issue amount is not allowed to be lower than the proportional amount of share capital. The Management Board is authorised, with approval from the Supervisory Board, to determine further details on how to carry out the conditional capital increase (in particular, issue price, subject of a contribution in kind, content of the share rights and time of dividend entitlement). The Supervisory Board is authorised to effect changes in the articles of association that arise from the issue of shares based on conditional capital.

8) There are no agreements made to which the Company is party which would take effect if there is a change in control in the Company following a takeover bid.

9) There are no compensation agreements between the Company and the members of its Management Board and Supervisory Board or employees in the event of a public takeover bid.

## Management

The operational control functions are performed directly from the head office in Vienna. In addition, several corporate functions are regulated under contracts for services and performed mainly by IMMORENT Aktiengesellschaft, a wholly owned subsidiary of Erste Group Bank AG. These functions apply to administrative fields such as IT, personnel, cash management, subsidiaries management and parts of asset management. Sparkassen Immobilien AG owns subsidiaries that have their own employees in Hungary and Germany. The Company's own asset management teams on site handle all tenant and property management concerns.

## Events after the balance sheet date

The Company sold a portfolio consisting of three rental apartment buildings in Vienna after the balance sheet date.

Other than that, no further major events occurred after the balance sheet date.

Vienna, 14 April 2010

The Management Board:

Holger Schmidtmayr mp

Ernst Vejdovszky mp

Friedrich Wachernig mp

Consolidated statement of financial position as at 31 December 2009

Assets

	EUR	EUR	2008 EUR '000	
<b>A. Non-current assets</b>				
<b>I. Intangible assets</b>				
1. Similar rights	73.003,93		74	
2. Goodwill	<u>882.019,70</u>	955.023,63	<u>1.058</u>	1.132
<b>II. Property, plant and equipment</b>				
1. Land, land rights and buildings, including buildings on land owned by others (whereof consolidation surplus: EUR 10,253,083.86 2008: EUR 10,445,000)	287.676.303,24		327.014	
2. Other plant and equipment	284.991,19		308	
3. Payments on account and assets under construction	<u>0,00</u>	287.961.294,43	<u>601</u>	327.923
<b>III. Financial assets</b>				
1. Interests in associated companies (whereof consolidation surplus: EUR 369,528.03 2008: EUR 370,000)	246.275.450,75		259.698	
2. Loans to associated companies	270.014.240,09		0	
3. Investments	<u>2.906.417,60</u>	519.196.108,44	<u>2.906</u>	262.604
<b>B. Current assets</b>				
<b>I. Receivables and other assets</b>				
1. Trade payables	240.697,78		420	
2. Receivables from associated companies (whereof trade receivables EUR 414,407.96 2008: EUR 1,091,000)	156.198.499,34		536.247	
3. Receivables from Group companies	1.534.233,80		1.211	
4. Other receivables and assets	<u>13.145.614,12</u>	171.119.045,04	<u>81.605</u>	619.483
<b>II. Cash and cash equivalents</b>		97.018.439,43		3.695
<b>C. Accrued and deferred assets</b>		4.050.910,80		4.753
		<u>1.080.300.821,77</u>		<u>1.219.590</u>

Equity and liabilities

	EUR	EUR	2008 EUR '000	
<b>A. Shareholders' equity</b>				
<b>I. Share capital</b>	247.509.361,86			247.509
<b>II. Capital reserves</b>				
1. Restricted reserves	147.109.587,83			147.110
<b>III. Revenue reserves</b>				
1. Other reserves (free reserves)	<u>3.647.818,86</u>	398.266.768,55	<u>0</u>	394.619
<b>B. Untaxed reserves</b>				
1. Valuation reserve for impairment writedowns		9.994.863,05		10.214
<b>C. Participating certificate capital</b>		261.658.239,14		286.879
<b>D. Provisions</b>				
1. Provisions for severance payments	57.474,00			48
2. Provisions for pensions	677.941,00			549
3. Tax provisions	788.160,17			628
4. Other provisions	<u>4.720.296,32</u>	6.243.871,49	<u>6.073</u>	7.298
<b>E. Liabilities</b>				
1. Liabilities to banks	247.693.582,05			373.502
2. Trade liabilities	2.310.042,61			3.117
3. Liabilities to associated companies (whereof trade payables EUR nil 2008: EUR 106,000)	62.004.159,00			39.224
4. Other liabilities (whereof taxes: EUR 9,209.23; 2008: EUR 7,000) (whereof social security: EUR 78,260.90; 2008: EUR 42,000)	79.161.533,93			91.283
5. Construction costs and tenants' financing (section 69 WWFSG 1989)	<u>11.380.867,15</u>	402.550.184,74	<u>11.739</u>	518.865
<b>Accrued and deferred liabilities</b>		1.586.894,80		1.715
<b>F.</b>		<u>1.080.300.821,77</u>		<u>1.219.590</u>
<b>Guarantees</b>		421.913.348,36		268.874

Income statement

	EUR	EUR	2008 EUR '000
1. <u>Revenues</u>		30.161.969,22	29.741
2. <u>Other operating income</u>			
a) Gains on the disposal of non-current assets not including financial assets	979.560,28		1.102
b) Income from releases of provisions	1.028.373,12		60
c) Other	<u>26.830.495,21</u>	28.838.428,61	3.470
3. Expenses for other services used		-10.473.738,17	-10.672
4. <u>Personnel expenses</u>			
a) Salaries	-2.359.595,08		-1.434
b) Expenses for severance payments and contributions to employees' severance pay and pensions funds	-43.086,11		-31
c) Expenses for pensions	-162.946,36		-57
d) Expenses for social security and other pay related contributions	-441.372,32		-232
e) Other personnel benefits	<u>-38.507,48</u>	-3.045.507,35	-15
5. <u>Depreciation and amortisation</u>			
a) On property, plant and equipment and intangible assets (whereof impairment writedowns: EUR 4,673,074.21; 2008: EUR 1,313,000)		-13.256.014,19	-10.383
6. <u>Other operating expenses</u>			
a) Taxes other than taxes on income	-658.514,56		-1.136
b) Other	<u>-11.950.107,00</u>	<u>-12.608.621,56</u>	<u>-10.034</u>
7. <u>Subtotal items 1 to 6</u>		<u>19.616.516,56</u>	<u>379</u>
8. <u>Income from investments</u> (whereof from associated companies: EUR 645,497.15; 2008: EUR 330,000)		1.301.585,40	801
9. <u>Income from loans forming part of financial investments</u> (whereof from associated companies: EUR 14,205,724.66; 2008: nil)		14.205.724,66	0
10. <u>Other interest and similar income</u> (whereof from associated companies: EUR 7,222,858.68; 2008: EUR 23,066,000)		8.101.218,41	23.828
11. <u>Gains on the disposal of financial assets and securities held as current assets</u>		84.733,72	7.148
12. <u>Expenses of financial assets and securities held as current assets</u> whereof: a) Depreciation and amortisation EUR 25,957,004.01; 2008: EUR 52,956,000 b) Expenses of associated companies EUR 26,250,218.41; 2008: EUR 52,956,000		-26.250.218,41	-52.958
13. <u>Interest and similar expense</u> (whereof for associated companies: EUR 1,588,252.40; i.Vj.: EUR 811,000)		-24.919.050,08	-20.112
14. <u>Income entitlement of participating certificates</u>		9.965.697,78	-4.543
15. <u>Allocation of proportionate share of undisclosed reserves on property assets to participating certificates</u>		<u>1.195.000,00</u>	<u>-1.679</u>
16. <u>Subtotal items 8 to 15</u>		<u>-16.315.308,52</u>	<u>-47.515</u>
17. <u>Profit / loss from operating activities</u>		<u>3.301.208,04</u>	<u>-47.136</u>
18. <u>Expenses for restructuring participating certificate fund</u>		<u>0,00</u>	<u>-220</u>
19. <u>Extraordinary loss</u>		<u>0,00</u>	<u>-220</u>
20. <u>Taxes on income</u> (whereof income from tax transferred: EUR 767,815.00, 2008: EUR 2,714,000)		<u>127.069,30</u>	<u>2.226</u>
21. <u>Net income / loss for year</u>		<u>3.428.277,34</u>	<u>-45.130</u>
22. <u>Release of untaxed reserves</u>		219.541,52	220
23. <u>Release of capital reserves</u>		0,00	44.910
24. <u>Allocation to revenue reserves</u>		<u>-3.647.818,86</u>	<u>0</u>
25. <u>Profit for the year</u>		<u>0,00</u>	<u>0</u>

**Non-current assets movement schedule**

	Cost of acquisition and construction				Accumulated depreciation and amortisation						Carrying value 01.01.2009	Carrying value 31.12.2009	
	As at 01.01.2009	Additions	Disposals	Reclassifications	As at 31.12.2009	As at 01.01.2009	Additions	Disposals	Reclassifications	Revaluation			As at 31.12.2009
<b>I. Intangible assets</b>													
1. Internet platform, reporting system rights	80.500,00	10.384,49	0,00	0,00	90.884,49	6.500,00	11.380,56	0,00	0,00	0,00	17.880,56	74.000,00	<b>73.003,93</b>
2. Goodwill	1.764.039,40	0,00	0,00	0,00	1.764.039,40	705.615,76	176.403,94	0,00	0,00	0,00	882.019,70	1.058.423,64	<b>882.019,70</b>
	<u>1.844.539,40</u>	<u>10.384,49</u>	<u>0,00</u>	<u>0,00</u>	<u>1.854.923,89</u>	<u>712.115,76</u>	<u>187.784,50</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>899.900,26</u>	<u>1.132.423,64</u>	<b>955.023,63</b>
<b>II. Property plant and equipment</b>													
1. Land, land rights and buildings, including buildings on land owned by others													
Value of land (undeveloped)	1.007.000,00	0,00	0,00	0,00	1.007.000,00	0,00	0,00	0,00	0,00	0,00	0,00	1.007.000,00	<b>1.007.000,00</b>
Value of land (developed)	79.693.964,14	904.637,42	811.323,52	-8.973.610,25	70.813.667,79	2.848.203,17	0,00	0,00	-1.389.256,78	0,00	3.001.060,86	76.845.760,97	<b>67.812.606,93</b>
							1.542.114,47						
Land under development	1.401.820,00	0,00	0,00	-1.401.820,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	1.401.820,00	<b>0,00</b>
Building permission	27.999,53	0,00	0,00	-27.999,53	0,00	5.498,54	0,00	0,00	-5.498,54	0,00	0,00	22.500,99	<b>0,00</b>
Value of buildings	333.468.794,23	0,00	4.388.979,64	-23.163.548,71	305.916.265,88	81.821.373,41	8.422.576,92	2.336.607,94	-25.371.515,85	17.575.463,35	83.242.249,63	251.647.420,82	<b>222.674.016,25</b>
							3.130.959,74						
Investment grants from public funds	-4.686.173,43	0,00	0,00	0,00	-4.686.173,43	-775.611,22	-93.242,27	0,00	0,00	0,00	-868.853,49	-3.910.562,21	<b>-3.817.319,94</b>
	<u>410.913.404,47</u>	<u>904.637,42</u>	<u>5.200.303,16</u>	<u>-33.566.978,49</u>	<u>373.050.760,24</u>	<u>83.899.463,90</u>	<u>8.329.334,65</u>	<u>2.336.607,94</u>	<u>-26.766.271,17</u>	<u>17.575.463,35</u>	<u>85.374.457,00</u>	<u>327.013.940,57</u>	<b>287.676.303,24</b>
							4.673.074,21						
<b>2. Other assets, plant and equipment</b>													
Own plant and equipment	279.807,66	36.648,47	0,00	0,00	316.456,13	58.677,00	36.653,80	0,00	0,00	0,00	95.330,80	221.130,66	<b>221.125,33</b>
Leased movable assets	210.666,08	0,00	0,00	0,00	210.666,08	123.488,87	23.311,35	0,00	0,00	0,00	146.800,22	87.177,21	<b>63.865,86</b>
Low value assets	0,00	5.855,68	5.855,68	0,00	0,00	0,00	5.855,68	5.855,68	0,00	0,00	0,00	0,00	<b>0,00</b>
	<u>490.473,74</u>	<u>42.504,15</u>	<u>5.855,68</u>	<u>0,00</u>	<u>527.122,21</u>	<u>182.165,87</u>	<u>65.820,83</u>	<u>5.855,68</u>	<u>0,00</u>	<u>0,00</u>	<u>242.131,02</u>	<u>308.307,87</u>	<b>284.991,19</b>
<u>Payments on account and assets under construction</u>	<u>600.877,98</u>	<u>0,00</u>	<u>552.512,00</u>	<u>-48.365,98</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>600.877,98</u>	<b>0,00</b>
	<u>412.004.756,19</u>	<u>947.141,57</u>	<u>5.758.670,84</u>	<u>-33.615.344,47</u>	<u>373.577.882,45</u>	<u>84.081.629,77</u>	<u>8.395.155,48</u>	<u>2.342.463,62</u>	<u>-26.766.271,17</u>	<u>17.575.463,35</u>	<u>85.616.588,02</u>	<u>327.923.126,42</u>	<b>287.961.294,43</b>
							4.673.074,21						
<b>III. Financial assets</b>													
1. Interests in associated companies	323.798.421,32	1.698.000,00	35.070,00	-101,50	325.461.249,82	64.100.800,07	15.084.999,00	0,00	0,00	0,00	79.185.799,07	259.697.621,25	<b>246.275.450,75</b>
2. Loans to associated companies	0,00	280.886.245,10	0,00	0,00	280.886.245,10	0,00	10.872.005,01	0,00	0,00	0,00	10.872.005,01	0,00	<b>270.014.240,09</b>
3. Investments	2.906.417,60	0,00	24.424.536,65	24.424.536,65	2.906.417,60	0,00	0,00	0,00	0,00	0,00	0,00	2.906.417,60	<b>2.906.417,60</b>
	<u>326.704.838,92</u>	<u>282.584.245,10</u>	<u>24.459.606,65</u>	<u>24.424.435,15</u>	<u>609.253.912,52</u>	<u>64.100.800,07</u>	<u>25.957.004,01</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>90.057.804,08</u>	<u>262.604.038,85</u>	<b>519.196.108,44</b>
	<b>740.554.134,51</b>	<b>283.541.771,16</b>	<b>30.218.277,49</b>	<b>-9.190.909,32</b>	<b>984.686.718,86</b>	<b>148.894.545,60</b>	<b>8.582.939,98</b>	<b>2.342.463,62</b>	<b>-26.766.271,17</b>	<b>17.575.463,35</b>	<b>176.574.292,36</b>	<b>591.659.588,91</b>	<b>808.112.426,50</b>
							<b>30.630.078,22</b>						

Notes to the annual financial statements for the year ended 31 December 2009  
**(all amounts in EUR '000)**

## **I. GENERAL**

The annual financial statements for the year ended 31 December 2009 have been prepared in accordance with generally accepted accounting principles and the general requirement to present a true and fair view of the Company's assets, finances and earnings. The accounting, valuation and presentation of the individual items in the annual financial statements are in accordance with the general provisions of sections 196–211 Austrian Business Code (UGB), taking into account the special provisions of sections 221–235 UGB applicable to limited liability companies.

In making valuations, the going concern principle has been applied. With respect to the presentation and the extent of the disclosures in the annual financial statements, the provisions applicable to large limited companies in the meaning of section 221(3) UGB have been applied. The presentation of the income statement complies with the provisions of section 231(2) UGB (nature of expense method).

## **II. Accounting and valuation policies**

### Intangible financial assets

Intangible assets have been recognised at acquisition cost less accumulated amortisation. The amortisation rate is 25% for software and 10% for goodwill. Goodwill is amortised over the period of years during which it is expected to be of use to the Company.

### Tangible assets

Tangible assets have been recognised at cost of acquisition or construction less investment grants and accumulated depreciation. Depreciation is calculated on a straight-line basis using rates of 2–3% for buildings and 10–20% for movable assets.

Additional writedowns amounting to EUR 4,673,000 have been charged in respect of impairment.

Low-value assets (for the purposes of section 13 EstG 1988) are depreciated in full in the year of acquisition and presented in accordance with section 226(3) UGB as disposals.

Financial assets

Financial assets have been recognised at acquisition cost less impairment writedowns based on the weak form of the lower of cost and net realisable value principle. In the year under review there were impairment writedowns with respect to an interest in an associated company amounting to EUR 15,085,000 and on loans to associated companies totalling EUR 10,872,000.

Current assets

Receivables have been recognised at nominal value or present value. Default risks were the subject of specific provisions.

Credit balances with banks have been recognised at their nominal value.

Accruals

Accrued and deferred assets and liabilities have been recognised at their nominal value.

Provisions

Provisions for pensions have been calculated in accordance with accepted actuarial principles and in compliance with International Accounting Standards and using AVÖ 1999 P – Pension calculation tables, Pagler & Pagler. The provisions for severance payments have been calculated using investment mathematics, on the basis of an interest rate of 4% and a pensionable age of 63 for men and 60 for women.

Tax and other provisions for all recognisable risks and for liabilities of uncertain amount have been recognised in the amounts required in prudent commercial judgement at the higher of cost and realisable value.

Liabilities

Liabilities have been recognised at the amounts repayable.

Basis of valuation

Accounting and valuation policies remained unchanged from last year.

### III. Notes to the balance sheet

#### Tangible and intangible non-current assets

Details of changes in non-current assets and of depreciation and amortisation for the year are shown in the annexed non-current assets movement schedule.

The properties are as a general rule let. Plant and other equipment is partially let.

No interest payable was capitalised on land and buildings pursuant to section 203(4) UGB.

#### Financial assets

Details of investments in accordance with section 238(2) UGB:

Name	Interest %	Balance sheet date	Currency	Capital	Net income / loss for year
CEE PROPERTY-INVEST Immobilien GmbH	100.00	31.12.2009	EUR	246,198	28,325
German Property Invest Immobilien GmbH	100.00	31.12.2009	EUR	41,938	-596
AKIM Beteiligungen GmbH	99.80	31.12.2009	EUR	1,087	759
IMMIN Beteiligungen GmbH	100.00	31.12.2009	EUR	11,430	-32
WO Immobilienbeteiligungs GmbH	100.00	31.12.2009	EUR	21,278	30,334
A.D.I. Immobilien Beteiligungs GmbH	100.00	31.12.2009	EUR	54	-4
E.I.A. eins Immobilieninvestitionsgesellschaft m.b.H.	99.00	31.12.2009	EUR	-136	19
Neutorgasse 2-8 Projektverwertungs GmbH	98.80	31.12.2009	EUR	-771	2,970

Participating loan interest in PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co.KG: loan EUR 3,633,641.71, plus consolidation surplus EUR 369,528.03.

All companies are registered in Vienna.

Loans to associated companies represented loans to numerous Group companies.

#### Investments

This is the limited partnership interest in BGM-IMMORENT Aktiengesellschaft & Co KG, Vienna, and the interest in ERSTE Immobilien Kapitalanlagegesellschaft m.b.H., Vienna.

Receivables and other assets

EUR '000	Carrying value	Term up to 1 year	Term morethan 1 year
1. Trade receivables	241	241	0
(previous year)	(420)	(420)	0
2. Receivables from associated companies	156,198	156,198	0
(previous year)	(536,247)	(182,730)	(353,517)
3. Receivables from Group companies	1,534	1,534	0
(previous year)	(1,211)	(1,211)	0
4. Other receivables and assets	13,145	12,798	347
(previous year)	(81,605)	(81,140)	(465)

Trade receivables include rent and service charges, net of specific provisions of EUR 382,000 (2008: EUR 491,000)

The receivables from associated companies consisted in the main of cash advances to numerous Group companies.

Other receivables and assets consisted in the main of EUR 10,327,000 short-term deposits, EUR 379,000 tax credits, EUR 465,000 construction loan subsidies receivable and EUR 1,248,000 service charges receivable.

Cash and cash equivalents

This included credit balances at banks of EUR 97,017,000 and cash in hand of EUR 1,000.

Accrued and deferred assets

This item consisted in the main of underwriting fees and interest option premiums on cap and collar contracts, which are released to income over their terms to maturity.

Derivative financial instruments

At 31 December 2009 the Company had the following open swap, cap and collar contracts:

	Volume	Market value
	EUR '000	EUR '000
Swaps	415,086	-38,456
Caps	245,000	1,401
Collars	200,000	-13,825
Total	860,086	-50,880

Since these instruments are used to hedge bank loan liabilities, there is no disclosure of negative market values.

Equity

The issued share capital of EUR 247,509,000 consisted of 68,118,718 no par value bearer shares. The shares are listed on the Vienna Stock Exchange.

Capital reserves were made up as follows:

	<u>EUR</u>
<u>Restricted reserves</u>	
Premium	147,106
Difference pursuant to article 1 section 8(1)(1) Euro-JuBeG	<u>4</u>
	<u>147,110</u>

The Management Board is authorised to increase the issued share capital by up to EUR 123,755,000 by the issue of new bearer shares for contributions in cash or in kind, and without subscription rights to existing shareholders in the case of subscriptions in kind (authorised capital).

Participating certificate capital

The terms of the agreement for s IMMO INVEST participating certificates were changed retroactively with effect from 1 January 2007 and the s IMMO INVEST Participating Certificates Fund was dissolved (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:

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

To the extent that the interest 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 financial 2009 the total income entitlement was EUR -9,966,000 (2008: EUR 4,543,000).

Untaxed reserves

Changes during the financial year

	As at 01.01.2009 EUR '000	Utilised EUR '000	Additions EUR '000	As at 31.12.2009 EUR '000
1. Valuation reserve for impairment writedowns *	10,214	-219	0	9,995

\* On non-current assets (buildings)

Provisions

The provisions for tax consisted exclusively of EUR 82,000 for Land Registry registration charges and corporate income tax of EUR 706,000. Other provisions consisted in the main of legal, audit, consulting, valuation and publication costs (EUR 1,330,000), staff costs (EUR 98,000), compensation payments (EUR 2,700,000) and a rental guarantee (EUR 192,000).

Liabilities

EUR '000	Carrying value	Term up to 1 year	Term between 1 and 5 years	Term more than 5 years
1. Liabilities to banks	247,694	96,896	52,698	98,100
(previous year)	(373,502)	(218,378)	(69,538)	(85,586)
2. Trade payables	2,310	2,310	0	0
(previous year)	(3,117)	(3,117)	0	0
3. Liabilities to associated companies	2,004	62,004	0	0
(previous year)	(39,224)	(39,224)	0	0
4. Other liabilities	79,162	16,201	23,863	39,098
(previous year)	(91,283)	(12,864)	(28,852)	(49,567)
5. Contributions to construction costs and financing assumed under section 69 WWFSG 1989	11,381	7,374	0	4,007
(previous year)	(11,739)	(0)	(0)	(11,739)

\* Whereof secured on property: EUR 143,540,000 (2008: EUR 90,391,000) (mortgages).

Liabilities to associated companies represented cash advances by various Group companies.

Other liabilities consisted in the main of EUR 4,647,000 of investment grants from public funds (housing construction subsidies), which must be repaid if the conditions attaching to them are breached, EUR 71,169,000 of cash advances and EUR 919,000 of deposits.

The contributions to construction costs and financing required under section 69 of Vienna's Housing Construction Subsidies and Rehabilitation Act (WWFSG 1989) were paid by the tenants of four properties. These contributions, the value of which is indexed, must be repaid to the tenants when their tenancies cease, the amount repayable being reduced by 2% for each year of tenancy. The amounts of these annual reductions constitute additional rental income.

Accrued and deferred liabilities

These liabilities consisted in the main of the proceeds of sale of a leasehold interest (EUR 1,324,000), subventions of civic authorities and rents paid in advance (EUR 30,000). Their release is spread over the term of the relevant rental agreements.

#### IV. Notes to the income statement

##### Revenues

Revenues were made up of rental income from property of EUR 23,645,000 (2008: EUR 24,547,000) (including income from tenants' contributions), service charges of EUR 6,448,000 (2008: EUR 5,158,000), and EUR 69,000 (2008: EUR 36,000) from other rentals.

The Company's business activities were restricted to Austria.

##### Other operating income

Other operating income included proceeds from the disposal of non-current assets of EUR 980,000 (2008: EUR 1,102,000) and EUR 17,575,000 (2008: nil) from revaluations pursuant to section 202 UGB of four properties which were introduced as contributions in kind into limited liability companies which were then immediately sold. It also included income of EUR 4,633,000 (2008: nil) from project cancellation fees, exchange gains of EUR 2,515,000 (2008: nil), EUR 489,000 (2008: EUR 489,000) from the proportionate share of housing construction subsidies, income of EUR 280,000 (2008: EUR 538,000) from administrative activities for foreign subsidiaries and EUR 247,000 (2008: EUR 1,890,000) of commission income.

##### Expenses for other services used

This item included EUR 6,742,000 (2008: EUR 6,333,000) of operating costs and public charges under section 21(1) and 2 MRG for rented developed properties and EUR 3,732,000 (2008: EUR 4,339,000) for maintenance expenses.

##### Personnel expenses

In accordance with section 231(2)(6)(c), this item contained provisions for severance payments of EUR 10,000.

During the year under review, the Company employed an average of 26 salaried staff (including three members of the Management Board) and no non-salaried staff (2008: 15 salaried staff including three Management Board members and no non-salaried staff).

The remuneration of the Management Board members totalled EUR 985,000 (2008: EUR 770,000), of which expenses for pensions amounted to EUR 163,000 (2008: EUR 48,000) and contributions to the employees' severance pay and pensions fund to EUR 12,000 (2008: EUR 10,000).

### Depreciation and amortisation

This consisted of scheduled depreciation and amortisation (net of the proportionate share of investment subsidies) of EUR 8,583,000 (2008: EUR 9,071,000) and impairment writedowns of EUR 4,673,000 (2008: EUR 1,313,000).

### Other operating expenses

Business taxes consisted in the main of credit and mortgage taxes.

The balance of other operating expenses of EUR 11,950,000 (2008: EUR 10,034,000) consisted in the main of EUR 6,865,000 (2008: EUR 7,322,000) of administrative expenses (administrative costs under the management agreement with IMMORENT Aktiengesellschaft, Vienna, legal, audit and consulting costs, and publication costs), EUR 1,050,000 (2008: EUR 1,459,000) of selling costs (advertising, commissions), EUR 231,000 (2008: EUR 231,000) for guarantee fees, EUR 320,000 (2008: EUR 104,000) of expenses in connection with payment defaults and provisions for doubtful debts, EUR 3,030,000 (2008: nil) for losses and damages, and EUR 64,000 (2008: EUR 110,000) of index adjustment costs on construction and financing contributions in accordance with section 69 WWFSG 1989.

Members of the Supervisory Board received remuneration amounting to EUR 112,000 (2008: EUR 43,000).

Information pursuant to section 237(14) UGB: these disclosures are included in the Company's consolidated financial statements for the year ended 31 December 2009, which have been filed in the commercial register of the Commercial Court of Vienna.

### Income from investments

This comprised income from the participating loan to PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co KG (EUR 646,000) and the partnership interest in BGM – IMMORENT Aktiengesellschaft & Co KG (EUR 656,000) forming part of non-current assets.

### Income from loans forming part of financial assets

This consisted of interest income from loans to associated companies.

### Other interest and similar income

Other interest and similar income consisted in the main of bank interest of EUR 809,000 (2008: EUR 763,000) and interest on cash advances of EUR 7,223,000 (2008: EUR 23,066,000).

Gains on the disposal of financial assets and securities held as current assets

These gains were principally from the sale of three private limited companies into which four properties were introduced as contributions in kind.

Expenses of financial assets and securities held as current assets

These expenses consisted in the main of impairment writedowns on the 100% interest in WO Immobilienbeteiligungs GmbH (EUR 15,085,000) and on a loan to a Bulgarian subsidiary (EUR 10,872,000).

Interest and similar expense

Interest expense consisted of bank interest of EUR 20,619,000 (2008: EUR 14,098,000), interest on cash advances of EUR 1,588,000 (2008: EUR 811,000) and other interest of EUR 2,712,000 (2008: EUR 5,203,000).

Income entitlement of participating certificates

The income entitlement of the participating certificates for 2009 amounted to EUR 9,966,000 (2008: EUR 4,523,000).

Allocation of proportionate share of undisclosed reserves on property assets to participating certificates

Under Clause 6(4) of the Participating Certificates Agreement, the holders of the participating certificates are entitled on maturity, redemption or liquidation of the certificates to a share of the undisclosed reserves based on the consolidated financial statements (IFRS base). This share as at 31 December 2009 amounted to EUR 484,000 (2008: EUR 1,679,000). The change during the year of EUR 1,195,000 was shown as income.

Taxes on income

This item included corporate income tax expense for the Group of EUR 649,000 as calculated under section 9 Austrian Corporate Income Tax Act (KStG) for 2009. It also included income from tax transfers from members of the Group of EUR 768,000 together with a foreign tax credit in respect of earlier years of EUR 8,000.

Of the corporate income tax expense, EUR 635,000 related to profit from ordinary activities and EUR 14,000 to releases of untaxed reserves.

Guarantees

This item consisted of liabilities on sureties and guarantees given to banks of EUR 184,382,000 together with letters of comfort for Group companies amounting to EUR 237,531,000.

Other financial obligations

The Company has given letters of comfort with respect to certain Group companies in virtue of which it is under an obligation to provide these companies with sufficient financial resources to ensure that they are at all times in a position to discharge their financial liabilities as and when they fall due.

**V. Group reporting**

The Company prepares consolidated financial statements under IFRS, which are filed in the commercial register of the Commercial Court of Vienna.

## **VI. Other**

The Company's management bodies were as follows:

### Supervisory Board

Martin Simhandl, Vienna (Chairman)  
Richard Wilkinson, Vienna (first deputy chairman)  
Franz Kerber, Vienna (second deputy chairman)  
Gerald Antonitsch, Vienna  
Christian Hager, Krems (from 23 June 2009)  
Erwin Hammerbacher, Vienna  
Peter Nemschak, Vienna  
Reinhold Schürer-Waldheim, Vienna

### Management Board

Holger Schmidtmayr  
Ernst Vejdovszky  
Friedrich Wachernig

Neither members of the Management Board nor Supervisory Board members received either loans or advances, and no guarantees have been given on their behalf.

Vienna, 14 April 2009

Holger Schmidtmayr m.p.

Ernst Vejdovszky m.p.

Friedrich Wachernig m.p.

## **Auditors' report**

### **Report on the annual financial statements**

We have audited the annual financial statements of Sparkassen Immobilien AG, Vienna, for the year ended 31 December 2009. These annual financial statements comprise the balance sheet as at 31 December 2009 and the income statement for the year ended 31 December 2009, together with the notes.

#### *Management's responsibility for the annual financial statements*

Management is responsible for the company's accounting and for the preparation and contents of annual financial statements that present a true and fair view of the assets, finances and earnings of the Company in accordance with the provisions of Austrian commercial law. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of annual financial statements that present a true and fair view of the assets, finances and earnings of the Company so as to be free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' responsibility and the statutory audit*

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with Austrian laws and regulations applicable in Austria and standard auditing practice. These standards require that we comply with ethical requirements and that we perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements.

An audit involves the performance of procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments the auditor considers internal controls relevant to the preparation and fair presentation of annual financial statements in order to design audit procedures appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of the accounting and valuation policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

Our audit did not give rise to any objections. Based on the results of our audit, in our opinion the annual financial statements present fairly, in all material respects, the financial position of Sparkassen Immobilien Aktiengesellschaft as at 31 December 2009 and of its earnings for the year ended on that date, in accordance with generally accepted Austrian accounting principles.

## **Report on management report**

The statutory regulations require us to perform audit procedures to determine whether the management report is consistent with the financial statements, and whether the other disclosures made in the management report do not convey a misleading impression of the Company's position. The auditors' report must also contain a report as to whether the management report is consistent with the financial statements and whether the requirements under section 243a UGB have been complied with.

The management report is in our opinion consistent with the financial statements. The requirements under section 243a UGB have been complied with.

Vienna, 14 April 2010

### **Deloitte Audit Wirtschaftsprüfungs GmbH**

Claudia Fritscher-Notthafft  
Auditor

p.p. Wolfgang Arndorfer  
Auditor

The publication or reproduction of the financial statements with our audit opinion is only permitted in the form authorised by us. This audit opinion refers exclusively to the complete German language annual financial statements together with the management report. For other versions, the provisions of section 281(2) UGB apply.