Sparkassen Immobilien AG

More property for your money




Annual Report 2006

IMMOBILIEN AG




Another little shareholder's tour this year, to see for myself some of the new and interesting properties acquired for us by the Management Board. After last year's positive experiences, including many great people and some memorable conversations, I couldn't wait to find out what this year would bring.

This year my focus was on Germany, Hamburg and Berlin, and then the jewel in the crown, the Novotel in Bucharest. My report naturally begins with Vienna – the heart of our largest country portfolio.

Contents

Key Financial data

EUR m	2006	2005	Change
Key indicators, Group			
Revenues	73.6	42.2	75 %
whereof: rental income	60.4	34.2	77 %
EBITDA	50.3	31.3	61 %
Operating profit (EBIT)	35.3	16.1	119 %
Consolidated net profit before tax (EBT)	19.2	10.1	90 %
Consolidated net profit	15.7	8.5	85 %
Cash flow from operating activities	30.7	21.2	45 %
Shareholders' equity	558.1	387.7	44 %
Equity ratio	47 %	42 %	12 %
EV/EBITDA	25	25	0 %
Market capitalisation at 31 December 2006	1,050.0	803.6	31 %
whereof s IMMO Aktie	668.3	436.1	53 %
whereof s IMMO INVEST	381.7	367.5	4 %
Key indicators, property portfolio			
Number of properties [2]	100	63	59 %
Property portfolio (market value)	1,185	758.8	56 %
Total lettable space m² [2)]	976,000	548,200	78 %
Gross rental yield	6.6 %	7.1 %	-7 %
Occupancy rate	93 %	92 %	1 %
Key indicators, share			
Earnings per share (EPS) [1)]	0.62	0.44	
Net asset value (NAV) per share	8,9	8,1	
Price/earnings ratio (P/E) [1)]	16	20	
Price/cash flow ratio (P/CE)	24	19	
Price/NAV ratio	110 %	107 %	
Number of shares	68,118,718	50,118,718	
Year end close	9.81	8.7	

Financial calendar 2007

Results – first quarter 2007	9 May 2007
Annual General Meeting (Kursalon Hübner, Vienna A-1010)	12 June 2007
Results – first half 2007	8 August 2007
Results – third quarter 2007	7 November 2007

[1] Fair value
[2] Including development projects.

Financial highlights 2006

Property portfolio rapidly expanded

_Property portfolio exceeds the EUR 1 billion mark for the first time

_Record investment of EUR 372m, including EUR 200m in Germany

_Sustainable additions to development project portfolio

_Total lettable space increases 80% to almost one million square metres

_First investments in Romania and Bulgaria

_Growth plan committed to expand portfolio to EUR 4 billion

Record-breaking figures

_Revenues up 75% to EUR 73.6m

_Rental income up 77% to EUR 60.4m

_EBT up roughly 119% to EUR 35.3m

_Profit before taxes (EBT) almost doubles to EUR 19.2m

_Profit after tax up 85% to EUR 15.7m

_Earnings per share up from EUR 0.44 to EUR 0.62

Excellent performance in the capital markets

_s IMMO Aktie up 12.8% in a year

_Market capitalisation (s IMMO Aktie and s IMMO INVEST) up to over EUR 1 billion

_Capital increase generates gross issue proceeds of EUR 154m

_Inclusion in FTSE EPRA/NAREIT Global Real Estate Index

_Significant increase in liquidity: average of 340,000 shares traded per day

Letter from the Management Board

Holger Schmidtmayr and Ernst Vejdovszky

Dear investors,

We can look back on an exceptionally successful and exciting year. Financial 2006 was not only another boom year for property equities, but also a year of changes within Sparkassen Immobilien AG.

We continued to pursue our chosen path to growth at an ever increased pace. As a result – to borrow from the language of football – we have been promoted to a higher league. Sticking to the sports analogy, we can be proud that we have always had an excellent and successful team. But in 2006, thanks to new strikers, high motivation and a more dynamic strategy, we were able to score more goals than ever before. More and more investors and business partners have recognised our achievements and the potential that they imply, and have decided to back the Sparkassen Immobilien line-up. This confirmation of our past success spurs us to exert ourselves even more and, in our shareholders' interests, to attack even harder.

Our figures confirm our performance: in the past financial year we achieved a very great deal, and one record after another was broken. EBIT, EBITDA and net income for the year were all up by over 60%. With record investments of EUR 372.4m, we have boosted the value of our portfolio to over EUR 1 bn for the first time. Over the course of 2006 our share price rose by 12.8%. These successes mean that we have achieved the same reliable earnings as in past years, and have even surpassed them.

For the first time our portfolio value topped the 1 billion euro mark. Never before have we invested as much in real estate in only one year. Our investments were mainly concentrated on Germany, where we acquired property worth over EUR 206m. But we also focused on Romania, Bulgaria, the Czech Republic and Hungary.

Building on these successes, we have adopted a far-reaching expansion plan covering the next three years. Our target is a property portfolio of EUR 4 bn by 2010; this represents an ambitious but realistic rate of growth. For 2007, we have already secured many of the projects we need to attain the goals we have set ourselves.

In the property markets in which we invest there are countless eager investors, but the only successful ones are those with fast-track access to the attractive properties. This is because they are not forced to engage in auctions to buy properties at any price. We have Erste Bank and our local staff to thank for our excellent access, which is what sets us apart from many of our competitors. Size is but one of the many criteria for success.

We are very optimistic about the prospects for 2007, since the upwards trend continues unabated – partly thanks to still favourable interest rates – and promises again to continue to produce good results. But even in this environment we intend to consequently stick to our chosen path, as a property investor with both feet planted firmly on the ground. We will not fall prey to hype, nor will we chase illusory, short-term yields. We are value investors, with long time horizons. This strategy – introduced 20 years ago when the company was founded – will continue to build the basis of our business.

We adapt our investment strategy to the ever changing markets. Our approach is frequently different from that of our competitors. We buy completed properties where they are cheap, as currently in Germany. Where existing properties are in short supply or in low quality, as in Romania, Bulgaria and Ukraine at the moment, we develop them ourselves. We shall of course continue to buy property in Austria from time to time, and in other EU CEE. This selective approach to the market means paying very close attention to purchase prices and selecting only truly experienced partners for development projects. To this end, we have again expanded our experienced team to secure our growth path.

We do, however, wish to be evaluated on a comparable basis to our competitors in the capital markets. For this reason, our portfolio will in future be measured at fair value, in accordance with IAS 40 of IFRS. This means that our properties will be revalued on a regular basis, and gains and losses recognised in the income statement. A partial revaluation of the CEE portfolio that began in November revealed that the value of our properties in the Czech Republic and Slovakia had increased by 27% since the last valuation. This is not the effect of windfall rental increases, but rather a consequence of our prudent acquisition and valuation policies, where not every market fluctuation is fully reflected and the long-term view taken. In practice, too, we have stuck to our rule and used a market yield of about 7% for valuation, although elsewhere in our invested areas deals have been signed with yields of significantly less than 6%. As a result, the value of our portfolio could be significantly higher. In the long run, we think that this approach is unrealistic and we prefer a more prudent approach. This enables us to stay closer to the market in the long term and to do without any ostentatious, short-term displays.

Excellent stock performance

In June last year we carried out the largest capital increase in the Group's history, despite the unfavourable market conditions. We took in EUR 154m to finance our further growth. We were also successful in considerably enlarging our shareholder base. In the third quarter we reached more institutional investors than ever before within our road show meetings. The Group's philosophy and business model were properly understood, the potential was recognised and s Immo shares were much in demand. Thanks to this, and to the fact that our stock is now included in the FTSE EPRA/NAREIT index, its value has risen sharply in a short period of time. So far, this high has proved sustainable, and for a very good reason, since the stock still has upside potential.

Our road shows have forced us to recognise that the Group's financial structure, with shares and participation certificates, is often experienced as too complex. Our international investors barely understand it at all, since participation certificates are little used internationally. From a legal point of view they represent debt, but with certain equity features. For many institutional investors, this gives rise to misunderstandings.

We have therefore decided to present the participation certificate in future in the way it is seen internationally, as a special form of financing. This is why the participation certificate is now disclosed as part of financing, and Sparkassen Immobilien AG is treated as a homogenous group.

Positive outlook

We are following a policy of healthy expansion that is fully compatible with our quality objectives. We aim to be managing a real estate portfolio of EUR 4 bn by 2010. Around EUR 1.5 bn is intended for investment in the German conurbations, with most of the balance going into the growth markets of the CEE.

For us, the value of the portfolio is only one consideration, and the long-term value we create and from which you, the investors, benefit from is just as important.

Our special thanks to our staff, and to the staff of Immorent AG, whose expertise and dedication have greatly contributed to this excellent result. Thanks also go to our investors, business partners and – last but not least – our customers for giving us their confidence, which has made s IMMO AG's success possible.

Your Management Board team

Holger Schmidtmayr

Ernst Vejdovszky

Management bodies

Management Board

ERNST VEJDOVSZKY

Responsible for real estate acquisition and management in Germany and Austria, and for finances.

HOLGER SCHMIDTMAYR

Responsible for real estate acquisition and management in the CEE, and for investor relations and marketing.

The Supervisory Board

MARTIN SIMHANDL
Chairman
Member of management board,
Vienna Insurance Group / Wiener Städtische AG

KLAUS BRAUNEGG
First deputy chairman

FRANZ KERBER
Second deputy chairman
Member of management board,
Steiermärkische Bank und Sparkassen AG

CHRISTIAN AHLFELD (from 3 May 2006)
Division manager, Credit Risk Management Erste Bank

GERALD ANTONITSCH
Member of management board, Immorent AG

MANFRED RAPF (from 27 May 2006)
Member of management board, s Versicherung AG

REINHOLD SCHÜRER-WALDHEIM
Auditor and tax consultant,
Nordost Treuhand- und Organisations GmbH

RICHARD WILKINSON
Division manager, Group Large Corporates, Erste Bank

PETER TICHATSCHEK (until 27 May 2006)
Chairman of management board, Immorent AG

Supervisory Board report

In the past financial year the Supervisory Board discharged its duties under the law and the Company's articles of incorporation. We regularly advised the Group's management and supervised the Management Board of Sparkassen Immobilien AG. The Management Board delivered regular, timely and comprehensive reports, both oral and written, on all important business matters in the Group. Between our meetings, we received ongoing information from the Management Board on important activities. Members of the Management Board reported on developments in their areas of responsibility during meetings of the Supervisory Board.

The Management Board reported regularly on corporate policies and other fundamental issues of corporate strategy and planning. The earnings and financial performance of the Group, its strategy, the management of risk, and business transactions of material significance to Sparkassen Immobilien AG were also discussed. Furthermore we were regularly informed of developments in the real estate markets.

One of the main topics during these discussions was the transition from the cost model to fair value reporting under IFRS for valuing our real estate portfolio. During the financial year there were a total of 8 Supervisory Board meetings. Average presence was 88 %. There are two Supervisory Board Committees: during financial 2006 the Investment Committee met three times and the Audit Committee met once.

Annual financial statements

The annual financial statements including the operating review and the consolidated financial statements and Group operating review have been audited by the independent auditors appointed by the Annual General Meeting, Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH, Vienna, and awarded an unqualified audit opinion. We have inspected the reports by the auditors and accept the outcomes of their audit.

The auditors attended the meeting of the Supervisory Board to consider the financial statements and gave explanations.

We have approved the financial statements, the operating review and the proposed distribution of profits submitted by the Management Board, which in accordance with section 125(2) Austrian Companies Act are therefore adopted.

Martin Simhandl, Chairman

Staff matters

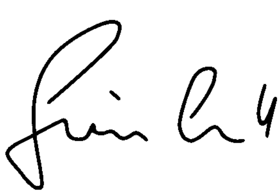
As of 27 May 2006 Peter Tichatschek ceased to be a member of the Supervisory Board. Manfred Rapf was elected to the Supervisory Board in his place.

We thank Peter Tichatschek for the dedicated service and constructive support he has given the Group and its Management Board over the years.

The Supervisory Board thanks the Management Board and the staff for their efforts and dedication during the past year.

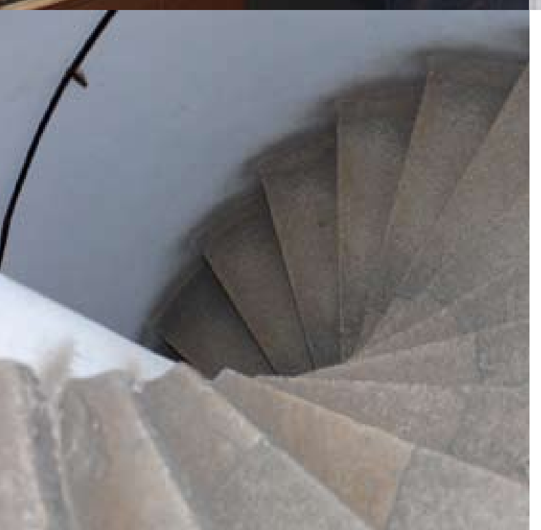
Vienna, 27 March 2007

The Supervisory Board



Martin Simhandl
Chairman

Vienna – Ballgasse 4



VIENNA, Thursday 14 December 2006, Ballgasse 4

This property dates back to 1785 and is in Vienna's First District, a stone's throw from the Steffl department store introduced last year. This beautiful, listed Biedermeier building has a classic courtyard with two separate stairways leading up to the various apartments, on five floors. As I potter about, I meet a potential tenant who is interested in an apartment on the third floor which has recently become available. I discover that there are precious few apartments in the First District that can deliver this kind of value for money. And still the yield is attractive? It seems to work. The real temptation is right on the ground floor, with shops including a goldsmith's and chocolatier. Just as well the tenants can burn off the calories climbing the picturesque staircases. My verdict – a beautiful, highly valuable 1,410 square metre property in the heart of Vienna, that radiates charm.

Corporate strategy

Investment and portfolio strategy

Sparkassen Immobilien AG pursues a selective acquisitions policy based on security and consistent pursuit of its chosen goals. Our target properties must satisfy at least the following criteria: prime locations in major European cities, top quality building fabrics, long-term tenants of impeccable financial standing and yields that provide our shareholders with long-term capital growth. We are currently focusing on investment in established properties in Germany due to the advantageous price situation. We are also planning to increase our share in development projects in the CEE to increase the yield leverage.

The price one pays for the fabric of a property, i.e., the price per square metre, is one important factor in investment decisions. High, short-term yields, which are achieved at a high price, cannot in our view be part of a long-term corporate strategy. We invest where we know the markets, in Germany or Eastern Europe. Our Erste Bank specialists have been in place for a long time and support us with their skills and expertise. Management of our property is entrusted to our own experts, which helps us achieve long-term tenancies and a high level of customer satisfaction.

Cash flow orientation

We continue to focus on cash flows from rentals. This makes us top of our game, as IPD, the leading international provider of real estate benchmarks and data (see also section Real estate portfolio) has confirmed. Our cash earnings consist exclusively of rental income, and we intend to keep it that way, in order to generate sustainable long-term income.

Optimum portfolio mix

For balancing our risks and also to take advantage of the possibilites in CEE we pursue a regional balance, with a solid backbone of property in Austria and Germany – with a mix of residential, retail, office and hotels - up to about half the value of the portfolio. The other half of the portfolio concentrates on high yielding properties in CEE EU countries with high capital growth potential. We entered the now established markets of Prague, Bratislava and Budapest early on (in Prague our first investment was made in 1999) and are currently generating stable cash flows there. Markets such as Romania, Bulgaria, Serbia and Ukraine are at the beginning of a boom due to rapid growth in demand, especially for retail and office space. In these markets we do not purchase completed properties, since experience has shown that prices per square metre are too high and not stable in the long run. This is why we are developing – in conjunction with experienced partners – a number of properties ourselves. These properties are either 100% owned or majority owned, and are intended to bring us the benefits of higher yields. To further strengthen our security we frequently outsource the letting risk to our development partners.

From time to time we will also invest in property companies that have specialised in development, with the aim of gaining faster access to attractive development projects. As at 31 December 2006 investments of this kind accounted for 10% of the value of the portfolio, and due to the dynamic development most of the CEE countries this is likely to increase.

Leveraging shareholder value

Sparkassen Immobilien AG focuses on long-term security. We will therefore maintain a respectable equity ratio of 35–50%. Short term, however, we may take on an appropriate proportion of debt, in order to leverage shareholder value. In the process we will always use standard interest hedges to limit interest rate risk.

Expansive growth policy

To continue to expand our portfolio, we are concentrating on reliable rental incomes and ongoing acquisitions. In order to profit from the dynamics of the real estate markets, we significantly revised our plans for growth. Over the next three years, we are planning to invest EUR 3 bn, in order to generate sustainable long-term income. Sparkassen Immobilien AG's philosophy is to pursue growth vigorously and consistently, while being fully aware of all risks. Expansion will be financed by regular capital increases.

Clear-cut valuation policies and substantial reserves

Up until the end of 2006 we used the cost model (properties are recognised at cost of acquisition or construction less accumulated depreciation and impairment losses) in our financial statements. This model does not disclose revaluation surpluses, and gains on the portfolio are carried as undisclosed reserves. To facilitate comparison with our competitors, management has decided to change the basis of accounting to fair values as of 1 January 2007, in accordance with IFRS. The effect of this is that properties must be revalued annually. The main difference from the previous method is that changes in the market value of properties will be disclosed as income or expense of the Group in the periods in which they arise.

Appropriate and understandable valuation policies are important, because they enable investors to have an overall understanding of a business's performance. Our properties are valued only by international renowned appraisers like CB Richard Ellis. Here, too, we err on the side of prudence.

Specialist skills under management agreement

Sparkassen Immobilien AG can draw on the skills and expertise of the many specialists employed in the Erste Bank Group to provide its shareholders with additional knowledge and a high level of security. There are experts in financing we call on, and experts with local knowledge of the markets in the countries of Central and Eastern Europe.

Investor relations

The share

The global bull market is now into its fourth year, and still going strong. Nearly all major international stock exchanges can boast double-digit rises, while some indexes have posted five-year or all-time highs. In the USA the Dow Jones Industrial Index climbed 16.3% to a new record high, and the German DAX index rose by 22%. The Austrian Traded Index (ATX) put on 21.7% to 4,463.5 points, also ending 2006 at a new all-time high. This makes it the third year running that the ATX has outperformed the European indexes overall.

Austrian companies' growth potential in Central and Eastern Europe was and continues to be one of the crucial factors in the above-average performance of the Vienna Stock Exchange. The excellent performance of the Austrian Real Estate Securities Index (I-ATX) is clearly another key factor. As in 2005, the I-ATX, which is made up of 14 Austrian property stocks, has once again outperformed the ATX; with growth of 23.2%, its performance leaves little to be desired. The FTSE EPRA/NAREIT Europe Index, in which we have been included since last year, gained 20%. This reflects the ongoing interest in property shares, whose popularity is underpinned by continuing low interest rates, high liquidity and attractive pricing. The trend is likely to continue in the current financial year.

Sparkassen Immobilien AG's share price held steady during 2006, until in the closing weeks of the year several analysts issued strong buy recommendations. The price then climbed almost 9% within 20 days, to show a year end annual gain of 12.8%. At 31 December 2006 the stock stood at EUR 9.81. Several factors are responsible for the stock's success: its inclusion in the FTSE EPRA/NAREIT Global Real Estate index on 18 December, announcement of its inclusion in the continuous trading segment of the Vienna Stock Exchange as of 7 January 2007, together with the changeover to IFRS fair value accounting.

Our market capitalisation is up by 53%, from EUR 436.1m as at 31 December 2005 to EUR 668.24m as at 31 December 2006. The capital increase (18,000,000 shares priced at EUR 8.55 per share were placed in June 2006, primarily with Austrian institutional and private investors), and increased activity by international institutional investors resulted in a huge increase in the stock's liquidity. In general an average of 64,000 shares were traded a day, and after inclusion in the EPRA index, the daily average climbed as high as 340,000 shares, with a total market value of EUR 3.7m.

The importance of international institutional investors to us has risen considerably. In order to finance our growth strategy for the next few years, including a total investment volume of some EUR 3bn, our focus will be on the investors whenever a capital issue is under consideration. This is why in the past year we have made great efforts to raise international institutional investors' awareness of our stock and to present its attractiveness and potential. In this connection we had numerous meetings with local and foreign institutional investors during road shows in 2006, especially in the USA. In addition, we have become participants at international investor conferences in Paris, Amsterdam, Prague and Vienna, where our attractive pricing was a main asset. We intend to continue our intensified IR efforts in 2007 and have already had meetings with investors at road shows in London and New York.

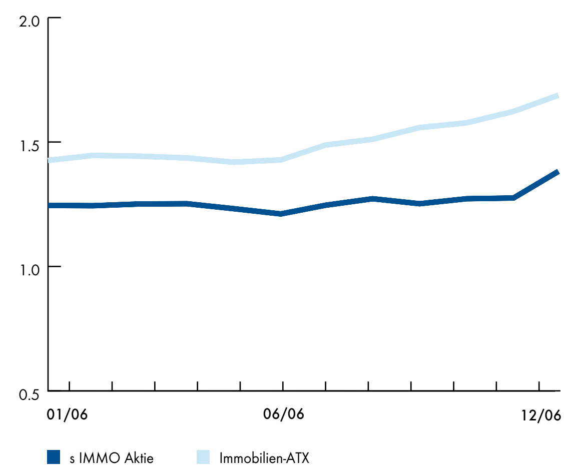
Regular presentations for our private investors at investors' fairs and similar events round out our IR work. We want the attractiveness of our Group to be generally known, and are aiming to promote the share as a secure and profitable alternative investment. Since listing on the Vienna Stock Exchange, s IMMO share has returned its investors an average of 7.5% p.a., and for private investors these returns are tax free once the investments have been held for more than the one-year qualifying period.

Key figures – s IMMO Aktie

	2006	2005
Earnings per share (EUR)*	0.62	0.44
Cash flow/share (EUR)	0.41	0.46
Dividend/share (EUR)	0	0
NAV (EUR)	8.9	8.1
P/E *	16	20
P/CE	24	19
P/NAV	110%	107%

* Fair value basis

Share price against I-ATX



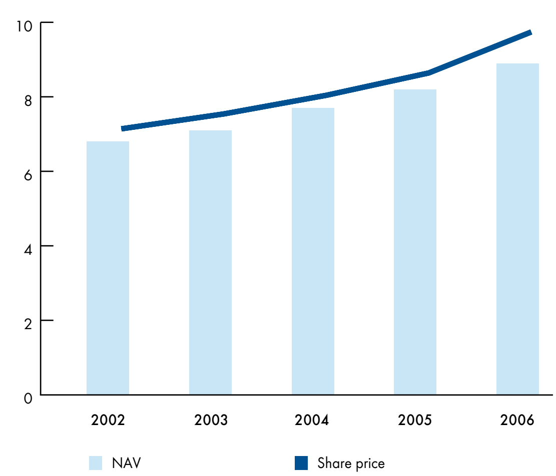
Stock exchange information (31 December 2006)

ISIN	AT0000652250
Bloomberg	SPI.AV
Reuters	SIAG.VI
Number of shares (31 December 2006)	68,118,718
Average number of shares	59,118,718
Market capitalisation.	EUR 668.24m
High	EUR 10.00
Low	EUR 8.54
Closing	EUR 9.81

Performance (31 December 2006)

1 year	12.8%
Three years, p.a.	8.9%
Since initial listing, p.a.	7.44%

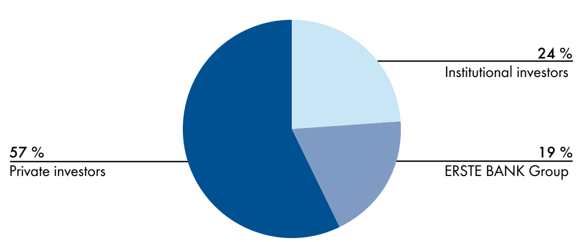
Share price against NAV (net asset value)



Earnings per share (EPS) for 2006 were EUR 0.62 on a fair value basis, compared with EUR 0.44 for the previous year. s IMMO Aktie's net asset value (NAV per share) rose in 2006 by nearly 10%, from EUR 8.1 to EUR 8.9. It should be noted that the capital increase last summer increased the number of shares in issue to 18,000,000, so that the basis for EPS and NAV per share has been drastically altered.

Additional capital of 7,059,359 shares is authorised for issue until the next Annual General Meeting on 12 June 2007.

Shareholder structure



Corporate governance

The management of Sparkassen Immobilien AG is committed to maximum possible transparency in the interests of its shareholders, and complies with all the statutory regulations ("L rules") set out in the Austrian Corporate Governance Code. We accept the Code in all points as obligatory guideline to good corporate management and are planning a full and formal declaration of compliance during financial 2007.

In the interest of our shareholders, we shall be applying for inclusion in the prime segment of the Vienna Stock Exchange, which means complying with more stringent transparency requirements.

IR contacts

Institutional investors:
Elke Koch, tel +43 50100 27402,
elkepetra.koch@s-immoag.at

Private investors:
Andreas Feuerstein, tel +43 50100 27556,
andreas.feuerstein@s-immoag.at

Franz Zaccaria, tel +43 50100 27552,
franz.zaccaria@s-immoag.at

Financial calendar 2007

Publication of financial statements 2006	17 April 2007
Annual General Meeting	12 June 2007, 3 pm Kursalon Hübner Vienna
Results – first quarter 2007	9 May 2007
Results – first half 2007	8 August 2007
Results – third quarter 2007	7 November 2007

Management report

Economic climate

Austria

After a year of weak growth last year, Austria's economy grew by more than 3% in 2006. Exports and capital investment continued to be the main drivers, and GDP was 3.2%. Despite higher wage settlements and falling inflation, private consumption recovered only slightly, with an increase of some 1.9%. Businesses continue to show a high willingness to invest. Unemployment may well decline, from 4.9% in 2006 to 4.5% in 2007–2008. Austrian exports have become much more competitive over the last few years, with initial decreases in current account deficits gradually being converted into modest but growing surpluses.

Germany

For the first time in nearly a decade, Germany was able to keep pace with the growth rates of its neighbours. The momentum came from strong growth in corporate investments and from special factors, particularly the World Football Cup and anticipatory spending before the increase in VAT. Real GDP in Germany in 2006 increased by 2.7% - a notable improvement on 2005 (0.9%). The public sector deficit fell significantly, from 3.2% of GDP to 1.9%. Inflation also fell slightly, to 1.8% (2005: 1.9%), as a result of the weaker rise in energy prices and state-controlled prices. In mid-2006 there were 4.48 million jobless, as compared with 4.86 million a year earlier, reducing unemployment to 8.4%. There should be further significant improvements in 2007.

CEE

The ten new EU member countries enjoyed very robust growth rates in 2006, on average some two and a half points higher than the average for the old EU member states. With the exception of Hungary, employment figures improved. The sinking unemployment rates suggest that available labour reserves and the potential for rationalisation are exhausted. In future, higher growth rates will probably only become possible if additional labour resources can be deployed. Inflation was low in most of countries.

Preparations for EU accession and the actual costs of joining meant that the budgets of the new EU members were burdened with loss of income and extra expenditure. The budgetary consolidation measures introduced produced some noteworthy results, so that budget deficits and national debts mostly fulfilled the Maastricht criteria.

Czech Republic

The Czech economy experienced real growth of 5.8% in 2006, slightly less than in the previous year. Unlike in earlier years, the main driver of economic growth was domestic demand. Although the Czech Republic enjoyed a trade surplus for the second time in its history, its current account deficit rose to over 4.5%. Unemployment was down from 8.9% in 2005 to 8.1% in 2006.

The Czech government had already abandoned its goal of introducing the euro in 2010 by the autumn of last year. The decision did not come as a surprise. The Czech Republic is faced by the need for a series of fiscal measures that will noticeably increase its budget deficit and make it impossible to fulfil the Maastricht criteria in the medium term.

Slovakia

The Slovak economy is booming: in 2006 real economic growth was 7.9%, and in 2007 the rate of growth will further increase and exceed 8%. This development is being driven by domestic demand and exports. Inflation, mainly caused by increases in controlled prices and the weak crown, reached a peak in summer and is slowly declining. Even with trade almost in balance, the current account is strongly in deficit at 8.6% and will improve in 2007 only marginally. The dynamism of Slovakia's industry is most impressive: output rose by 10% in 2006, and is expected to increase by 8–9% in 2007 and 2008. Slovakia made good progress on the jobs front, with unemployment dropping by nearly four points to 10.4%.

Chances are good that joining the euro, scheduled for 2009, will go ahead as planned. The rate of inflation is sinking; the budget has fulfilled the Maastricht criteria for the last two years and should improve even further.

Hungary

The long overdue consolidation of Hungarian public sector finances will in all likelihood cause a massive downturn in the economy. At only 2.3%, economic growth was well below the European average in 2006. Growth in private consumption in particular is suffering from the fiscal measures introduced, and has dropped from 3.7% to 2.5%. Hungary is one of the few CEE countries where unemployment is slightly on the rise; last year it was up 7.6%. At 3.9%, inflation was high in; it will continue to rise. Both the current account (down 7.5%), and the balance of trade (down 2.9%) were negative. The reduction of the deficit and the level of debts is hindered by the high interest rate and the huge interest payments. Stabilisation of Hungarian fiscal policy is very painful, but the government recognises the necessity, despite the political tensions it is causing.

Bulgaria

The Bulgarian economy is still on track for growth. The economy grew by 6% in 2006, and is expected to grow by same amount in 2007. Private consumption buoyed by higher household incomes, improved employment opportunities and the willingness to invest have boosted domestic demand. Combined with revaluation of the lev in real terms, this has put pressure on the current account, which ended 2006 with a deficit of 14%.

Inflation in Bulgaria continues high – 7% in 2006 – as a result of the delay in increasing controlled prices; price increases were long postponed because of parliamentary elections. Prices in 2007 should therefore be more stable. Public sector finances look particularly good in terms of the Maastricht criteria: fiscal policy has been tight for years, and has brought the government debt ratio well below 30%. The deficit ratio will be considerably below 3% again. As far as budget policy goes, Bulgaria is ready to join the eurozone today.

Romania

After slumping in 2005, the Romanian growth rate climbed to 7% in 2006. Similar rates of growth are being predicted for 2007 and 2008. Private consumption in real terms was up 9.4%, and gross capital investments increased by 12.6%.

The large increase in exports was exceeded by an even higher increase in imports. The contribution of foreign trade to Romanian economic growth was negative. Strong domestic demand for consumer and capital goods caused a decline in the trade balance (down 10.7%) and the current account (down 9.8%). No noticeable improvement in the current account deficit is to be expected in 2007 or 2008. Foreign direct investments (8.6%) made up for most of the shortfall.

Unemployment fell to 5.4% and is now well below the EU average. Inflation remained high at 6.8%; one of the factors driving inflation is the pressure of wage costs.

In recent years, Romania's current account deficit has risen sharply. In 2006 it reached 9.8% of GDP. Just as in other CEE countries, it is largely compensated for by incoming direct investments.

Croatia

Economic growth in Croatia remained unchanged in 2006 at 4.3%. Unemployment fell only slightly from its very high level and is still well above 10%. Inflation was at 3.2%, and the current account deficit increased again, to 7.1%. Just as in other CEE countries, it is financed out of direct investments from abroad. Compared to other CEE countries, the current account deficit of 25.3% is remarkably high.

Public sector finances in Croatia have recently undergone considerable consolidation. The deficit went down to 3.0% in 2006, yet public sector debt is still only decreasing very slowly. Croatia's economic policy is faced with the challenge of tightening its monetary policies in order to bring external debt under control, which at 82.3% is currently very high.

Source: Erste Bank Volkswirtschaft / WIFO

Trends in the real estate market

Austria/Vienna

In 2006 the office real estate market in Vienna experienced another year of growth. Total new rentals of 390,000 m^2 represented another all-time record. Two thirds of this newly let space was the result of upgrading to higher value properties or better locations. Rents were stable and only showed slight gains in prime locations. There is still high demand for top-of-the-line office space in the First District, but the Second District is not far behind as one of the most sought-after office locations. Vacancy rates, currently at about 6%, can overall be said to be falling.

In 2007 they will remain at this low level, even though the completion of new office properties during the year may cause minimal short-term increases to 6.5%.

For real estate investments in Austria, 2006 was another record year, with a total of EUR 2.4bn invested, compared with EU 1.9bn last year. This represents an increase of 26%. The largest part consists of Austrian investors (roughly 54%), while the part contributed by non-German-speaking investors is growing all the time and accounted for 23% in 2006. Package and portfolio purchases are popular (e.g., the Allianz portfolio, that came on the market with a price of EUR 470m). The strong demand caused yields on top properties to fall to below 5%.

In the residential market demand has increased enormously, especially residential blocks are being sold for record prices. The demand comes mainly from institutional and private investors, who see them as an attractive long-term investment, Even properties not in good locations are selling for EUR 1,000/m^2.

Germany

After years of stagnation, Germany is experiencing a general trend towards higher economic growth, which is bringing in its train a noticeable increase in real estate investments. The increased demand for residential property is highest in Berlin, as capital, where prices are already moving up significantly. For office properties, Munich and Hamburg show the most promising development, and are already considered prime locations in Europe. Because prices are still attractive, the demand from non-German-speaking investors has increased markedly and is now pushing up prices, especially in the residential segment in Berlin.

CEE EU countries

Real estate markets in the CEE countries are experiencing something of a boom, and the increase in prices in the established markets has accelerated. A total of EUR 10bn was invested in 2006. With 78%, Poland, the Czech Republic and Hungary still have the lion's share. One consequence of this, however, is that their capitals have reached Viennese levels of yields earlier than was predicted. The same applies to the rents achievable in Prague and Budapest, while in Bratislava they have not quite reached that level. During 2006 whole series of transactions were agreed with yields well below 6%.

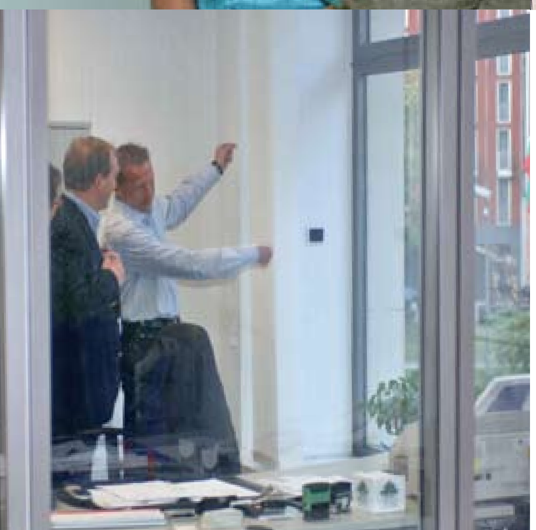
The demand for modern office property is increasing, not least because of increasing relocation of local businesses and government offices. Meanwhile, development activities in the smaller cities are on the increase, especially in the retail sector, where there is still considerable catching up to be done. In the last six years a total of EUR 20bn has been invested in retail and office space in the CEE, 44% in retail properties and 41% in offices.

New CEE EU countries and emerging CEE countries

In past years there were very few investment properties on the market in Romania and Bulgaria. Now, there are many projects in the planning stage. However there is still a shortage of modern office and retail space. Yields are still 1–2% higher than the average for the CEE EU countries, but the tendency is downwards. In 2006 a total of EUR 862m was invested in Romania, and EUR 427m in Bulgaria. The pressure on yields is more noticeable in these markets, since they are currently enjoying the undivided attention of international investors. The leading investors are Austrian (23% of all investments in 2006) and German (27% of all investments). Top rental yields in the CEE in 2006 were 5.5–9.5% for offices and 6–10% for retail space.

Source: Sparkasse Immobilien AG, CB Richard Ellis

Berlin – Mauerstraße 76



BERLIN, 23 November 2006, Mauerstrasse 76

I am particularly looking forward to my trip to Berlin. Berlin is now the bustling capital that it had always aspired to be. Which is why Sparkassen Immobilien AG has chosen to base its German headquarters here. In central Berlin a short distance from the old Checkpoint Charlie I meet Sparkassen property specialist Ilona Rohs, who is going to show me our newly acquired property, built in 1908. A 2,152 square metre state-of-the art office property renovated to a very high standard is waiting for me, complete with popular Thai restaurant on the ground floor. The great thing about this property are the numerous intricate details on the façade and the flexible office spaces. First of all we go to the newly opened Sisaket Thai restaurant where we are welcomed with open arms. I recommend everyone to stop in and sample the food at least once. Afterward Ilona and I pay Uwe Baum from Burkhardt's a visit. He gives us a tour of his excellently appointed office with its light and friendly atmosphere and speaks of it in glowing terms. A walk through the other floors, courtyard and rear building can lead to only one conclusion – everything is in tip-top condition, the location is excellent and the tenant mix is good.

Investment is definitely moving on eastwards towards Ukraine and Russia, where the demand for class A office and retail space is undiminished.

For 2007, stronger growth is expected predominantly in Serbia, Ukraine and Russia: much more attractive yields are still available there than in the CEE core markets like the Czech Republic and Hungary.

Business development

Real estate portfolio

Sparkassen Immobilien AG's very dynamic acquisition policy in 2006 has for the first time pushed its property portfolio past the EUR 1bn mark to a total of EUR 1.2bn, an effective increase of 52%. During the year the Company invested a total of EUR 372.4m, which is a quarter more than in 2005. EUR 250m was paid for completed properties and EUR 123m for development projects. Of the investments in completed properties, 80% were in Germany and 20% in CEE countries, with the main focus on the Czech Republic and Romania. The investments comprised a total of 41 properties, with total lettable space of 444,000 m^2. As of 31 December 2006 Sparkassen Immobilien AG owned 100 properties with total lettable space of 976,000 m^2. Thanks to excellent locations and efficient real estate management, the occupancy rate across all segments and countries was an exceptional 93%. In Austria the occupancy rate was 94%, in Germany 90% (with our skills and expertise, we see definite potential for higher occupancy rates in the properties we have just recently acquired) and in the CEE it was an outstanding 96%. We are also proud of our average net rental yield on our entire portfolio in 2006: 6.6%, which compares extremely well with that of our peers.

Net rental yield

Austria	6.1 %
Germany	6.7 %
Czech Republic	6.3 %
Slovakia	6.9 %
Hungary	7.7 %
Romania	7.9 %

Fair Value accounting – impact on portfolio revaluation

As of 1 January 2007 we are obliged to comply with IAS 40 and apply fair value accounting in valuing our real estate portfolio. As fair value measurement has emerged as the standard accounting approach for property companies, this puts the Group in a better position to compare its performance with that of its foreign competitors. The main difference in the new method is that real estate is measured at market value. As a first step, in 2006 internationally respected independent real estate experts CB Richard Ellis completed the revaluation of the CEE portfolio in the Czech Republic and Slovakia.

Marked gain in value of Czech and Slovak properties

The outcome of the revaluation was that our properties in the Czech Republic and Slovakia were 26.8% more valuable than at the time of the last valuation. Given the existing book values, this means an increase of almost 50%. The revaluation is based on an average rental yield of 7% and still represents a conservative approach.

According to fair value the revaluation results of the properties was up to EUR 29.4m.

Revaluation of the remaining CEE properties – in Hungary, and Romania – is scheduled for the first quarter of 2007. The Austrian and German portfolios will be revalued in the following quarters. For these markets we also expect a substantial increase in our market values.

Property portfolio

Number of properties	100
Total lettable space	976.000 m^2
Of which in Austria	343.000 m^2
Of which in Germany	204.000 m^2
Of which in CEE	430.000 m^2
Occupancy rate overall	93 %
Occupancy rate Austria	94 %
Occupancy rate Germany	90 %
Occupancy rate CEE	96 %

Acquisitions in 2006

Germany

In Germany, the focal point of our investments in 2006, a total of 30 properties with total lettable space of 187,000 m².were acquired.

In **Munich's** dynamic property market, we acquired an office building in the city centre with total usable space of 6,000 m². The main tenant, Siemens AG, has a long-term tenancy agreement.

In January we bought Ikaruspark, which is in an industrial zone to the west of Munich with excellent transport connections, and which comprises over 8,000 m² of office space and about 6,000m² of warehouse space. The property (14,000 m²) is fully let to a wide range of German and international companies.

In **Berlin**-Moabit, a district close to the city centre, we acquired a portfolio comprising 5 classic apartment blocks with total usable space of 10,000 m². These stylish turn-of-the-century buildings with modernised, top quality building fabrics contain 119 residential units and 5 commercial units. In the immediate vicinity of these fully let properties there are a suburban railway station and a subway station, and the famous Berlin Zoo is also not far away.

Another acquisition, the Lützow Center, is a property in an absolutely prime position in Berlin. It houses one apartment building, two office buildings, an embassy complex, a hall of residence and a boarding house as well as 503 parking places on a total area of 37,500 m². It is bounded by four streets in the form of a square. Its position, right between the city centre and the government district, is one the most popular office locations in Berlin. The high-end office units are fully let, for the large part to tenants of international reputation and diplomatic missions. The boarding house consists of luxurious, furnished apartments, which are in high demand due to the excellent location.

In Berlin city centre, Sparkassen Immobilien AG has also acquired an upmarket office and commercial property with total lettable space of about 2,000 m² between Friedrichstrasse and old Checkpoint Charlie for EUR 5.7m. This property is fully let. A high-quality Thai restaurant opened on the ground floor a short time ago.

In Marzahn in the eastern part of Berlin, we have added 330 flats spread over several five-floor buildings to the portfolio. The site is surrounded by parks and gardens, and the 22,400 m² of living space has been freshly renovated. There are excellent public transport connections, and the city centre is roughly 20 minutes away.

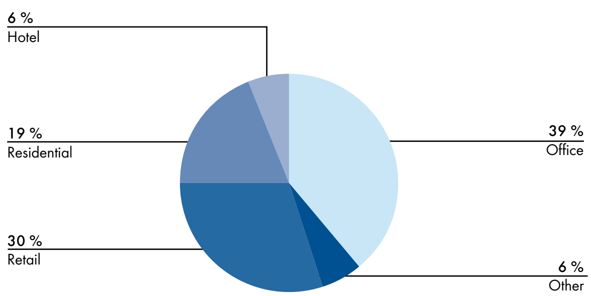
Halle on the Saale is one of the four largest cities in the new Bundesländer, and an important German industrial and business centre. In a prime position, right on Marktplatz in the centre of Halle, we have purchased a new, five-floor retail building. The building fabric is in perfect condition, and the total usable space is 15,000 m². The majority of the building is let to Kaufhof AG, which operates the high-end Galeria concept there. Kaufhof AG have signed a long-term tenancy agreement. Two floors of catering space with well frequented restaurants complete the shopping experience.

Sparkassen Immobilien AG has also acquired a mixed use property in the centre of Halle with 4,600 m² of usable space. The new, modern building provides retail, office and residential space. For the purchase price of EUR 4.4m we have acquired a property in top condition.

A specialist retail centre, acquired in the third quarter 2006, is the most recent of our acquisitions in Halle. Its located on a busy arterial road and has an excellent infrastructure with other shopping centres in the area. The 10,100 m² site accommodates a specialist bicycle retailer and a recreational centre with a bowling alley. The purchase price was remarkably low at EUR 2.9m and contributes an above average yield.

We have also bought a package of eight high-end residential blocks in Hamburg for EUR 58m. These residential properties in Hamburg are mainly located centrally, or in sought-after green belt residential areas such as Elmsbüttel. The 739 apartments have a combined lettable space of about 50,000 m², and are 92% occupied.

Total lettable space by asset type*



* incl. development projects

Austria

In the north of Vienna we have completed the Brünnerstrasse development project, a retail property with 14,000 m² in a popular shopping area. The two well-known retail chains Gigasport and Mediamarkt have signed long-term lease agreements for the whole property. The opening was in September 2006. The total investment to date was EUR 17,3m.

We have also started another very interesting development project in Vienna's 15th District. Spread over 8,000 m² of space, two generations will meet under a single roof: a combination of a geriatric day centre for senior citizens and a students' hall of residence. Completion is planned for 2008.

In financial 2006 we devoted increasing resources to initiating development projects, which at present account for 10% of our real estate portfolio. They promise higher yields, combined – thanks to our project partners' long years of experience – with a manageable level of risk. Most of the projects are located in the CEE. In 2006 we invested a total of EUR 123m in development projects.

Hungary

In **Budapest** we acquired the TwinCenter office building on the main traffic artery Szegedi ut for EUR 6.9m. The leading Austrian construction company Strabag is the tenant of the 8,000 m² complex. We were also able to buy the well-known Süba Trade Center, an office building in a prime position in the city centre equipped to the most modern standards, for EUR 10.5m. The German bank HVB has a long-term lease on almost all of the 5,700 m² space.

Slovakia

In **Bratislava** we completed Unit II of the Galvaniho Business Center near the airport, where several international tenants occupy 13,000 m² with a total investment amount of 18.4m. After our success in marketing the first part of the complex, we have now added the twin building next door to our portfolio. Due to this success, another unit is already being planning.

Czech Republic

In **Prague** we continue to be active in the project business. Just a short while ago the ground-breaking ceremony was performed for a new office centre in the up and coming district of Pankrac, Prague 4. The Gemini office centre is scheduled for completion in 2008: it will provide 33,400 m² of office space, 430 parking places, 2,700 m² of usable space for retail and service businesses, as well as restaurants. Immorent, a 100% subsidiary of Erste Bank, has taken over project development and sales and letting on our behalf.

Also near the centre, in the already established district of Karlin, we are developing the four-star River Star hotel on a 1,200 m² plot of land on the bank of the Moldau. The hotel's 9,000 m² of usable space will provide 170 rooms, and total investment costs will be EUR 17.5m. It is scheduled for completion in 2009.

Romania

The Sun Plaza shopping centre was Sparkassen Immobilien AG's first development project in **Bucharest**, and construction started here in November 2006. The development is a joint project with Franco-Romanian project developer EMCT. It will be Romania's first shopping centre of this kind and will be located in the south of the city with good communications access. The outstanding architectural design on the 112,600m² site will provide 76,000 m² of lettable space to accommodate well-known international brands and local retailers. Even before the start of construction, 60% of the space has already been pre-let to international retailers. An additional benefit will be the restaurant, café and entertainment area, with seating for 1,200 customers. Community and social facilities, such as a sports hall and a kindergarten, will form an integral part of the project, enhancing the importance of this up-and-coming district. The total investment amounts to EUR 180m.

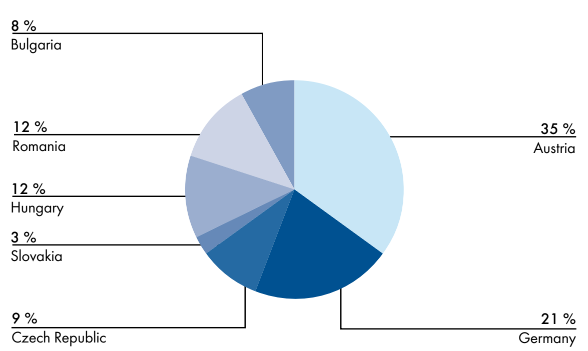
We have also purchased two plots of land right in the centre of Bukarest next to the Plaza Victoriei. We are currently negotiating for two additional neighbouring plots, where currently we are undergoing the development process.

Due to the very high demand for Class A office space and other categories in Bucharest, we are counting on long-term tenancy agreements with good rents and rental terms. Sparkassen Immobilien AG is also paying some EUR 30m to add Bucharest's newest four star hotel to its portfolio. The Novotel is situated in the heart of the city. Vendor and operator is France's Accor Group, one of the world's largest hotel operators, who have a very long-term rental agreement with the Sparkassen Immobilien AG for the hotel. The Hotel is on Bucharest's smartest street, Calea Victoriei, and has a total of 259 rooms on 12 floors, with a total floor space of 21,200 m².

Bulgaria

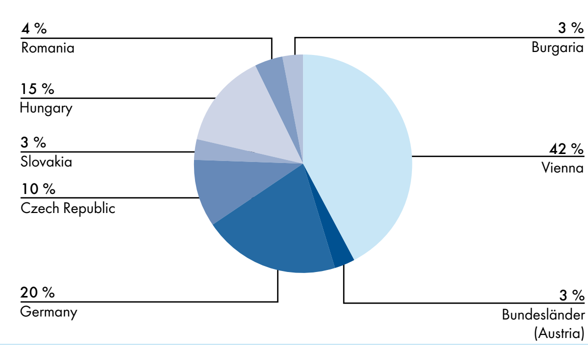
In **Sofia** we are developing a project for the first time in conjunction with ECE Projektmanagement, Hamburg, Europe's largest operator and developer of shopping centres. It will be one the biggest shopping centres and office buildings in Sofia. The investment volume for the Serdika Center is EUR 180m. The Bulgarian authorities have granted planning permission. With a retail space of 50,000 m² on three floors, it offers room for over 200 shops together with an extra 30,000 m² of office space. The project is setting new benchmarks in size, design and quality standards for the Bulgarian market. The opening is planned for 2009.

Total lettable space by region*



* incl. development projects

Property portfolio by region *



* Estimates for existing properties, book values for projects under development

Property portfolio Sparkassen IMMOBILIEN AG

	Acquisition	Use	Area in m²	Market value EUR m	Yield/ market value	Interest s IMMO INVEST
Properties in Vienna						
1010 Vienna, Ballgasse 4	1990	residential	1,410	3.8	3.8%	
1040 Vienna, Theresianumgasse 7	2003	office	5,490	8.5	5.6%	
1050 Vienna, Bräuhausgasse 3-5	1989	office	2,277	2.6	7.3%	
1050 Vienna, Schönbrunnerstraße 108	2000	office	3,072	5.8	6.1%	
1050 Vienna, Schönbrunnerstraße 131	2000	office	2,901	4.8	6.5%	
1060 Vienna, Mariahilferstrasse 103	2004	office	11,276	19.9	4.5%	
1070 Vienna, Burggasse 51	1998	residential	11,303	14.0	4.5%	
1070 Vienna, St. Ulrichsplatz 4	2000	residential	2,433	4.3	5.2%	
1070 Vienna, Stuckgasse 9	1990	residential	572	0.4	2.1%	
1070 Vienna, Schottenfeldgasse 29	2004	office	9,354	13.9	6.5%	
1090 Vienna, Otto Wagner Platz 5	2004	office	9,067	18.1	6.4%	
1100 Vienna, Hasengasse 56	1999	office	7,790	7.7	4.8%	
1130 Vienna, Amalienstraße 48	1990	office	2,122	3.4	6.1%	
1150 Vienna, Meiselstraße 8	1996	residential	17,107	23.5	6.0%	
1160 Vienna, Lerchenfeldergürtel 43	2000	office	5,829	7.8	6.1%	
1160 Vienna, Lobmeyrgasse 5-7	1992	residential	16,690	15.6	6.4%	
1180 Vienna, Kreuzgasse 72-74	1999	residential	19,735	27.2	7.0%	
1190 Vienna, Heiligenstädterstraße 181	1996	residential	2,012	2.6	5.9%	
1220 Vienna, Am Kaisermühlendamm 87	1993	residential	10,900	14.7	6.2%	
1230 Vienna, Ketzergasse 6-8	1989	office	2,309	2.3	4.4%	
1210 Vienna, Brünner Straße 72 a	2005	retail	14,074	18.1	6.4%	
1020 Vienna, Franzensbrückenstraße 5	2001	office	2,959	4.6	6.0%	100.0%
1030 Vienna, Franzosengraben 12	1990	office	5,992	8.5	6.1%	100.0%
1031 Vienna, Ghegastraße 1	2005	office	24,000	28.1	6.6%	100.0%
1030 Vienna, Obere Viaduktgasse 36	1990	office	1,533	3.3	9.0%	100.0%
1060 Vienna, Mariahilfer Strasse 121 b	2001	office	5,485	12.9	5.9%	100.0%
1060 Vienna, Windmühlgasse 22-24	1989	office	4,646	7.5	7.0%	100.0%
1120 Vienna, Meidlinger Hauptstraße 73	2002	office	18,886	36.3	6.2%	100.0%
1140 Vienna, Scheringgasse 2	2004	industrial	10,465	8.3	5.5%	100.0%
1150 Vienna, Gasgasse 1-7	2002	office	7,358	15.5	7.6%	100.0%
1210 Vienna, Gerasdorferstraße 151	2004	office	9,099	13.0	7.2%	100.0%
1010 Vienna, Parkring 12a	2003	office	2,688	6.9	4.9%	100.0%
1010 Vienna, Parkring 12a, Hotel Marriott (29.4% interest)	2003	hotel	5,772	0.0	0.0%	100.0%
1060 Vienna, Mariahilfer Strasse 41 - 43 (22.1% interest)	1989	office	2,231	0.0	0.0%	100.0%
1010 Vienna, Kärntner Straße 19, Kaufhaus Steffl	2005	office	13,791	64.5	7.4%	37.5%
1070 Vienna, Mariahilfer Straße 26-30, Kaufhaus „Herzmansky"	2005	office	18,145	60.9	5.9%	37.5%
Properties in other Austria						
2700 Wr. Neustadt, Prof. Dr. Stefan-Koren-Str. 8a	1991	office	2,507	2.5	6.0%	
4020 Linz, Rainerstraße 6-8	1988	office	5,836	7.0	6.1%	
4061 Linz-Pasching, Schärdinger Straße 5	1990	industrial	2,800	0.9	9.8%	
5020 Salzburg, Ernst-Grein-Straße 5	1991	office	1,248	1.7	7.1%	
2384 Breitenfurt, Hauptstrasse 107	1987	industrial	850	0.9	12.5%	100.0%
2500 Baden, Wiener Straße 9	1988	school	745	0.6	14.0%	100.0%
2500 Baden, Wiener Straße 97-99	1990	industrial	800	1.7	9.0%	100.0%
5020 Salzburg, Sterneckstrasse 50-52	1994	office	5,591	4.8	4.3%	100.0%
8020 Graz, Ankerstrasse 2	1989	industrial	900	1.0	9.5%	100.0%
8020 Graz, Karlauer Gürtel 1	1988	office	5,474	6.6	6.2%	100.0%
8020 Graz, Lazarettgürtel 81	1988	industrial	2,192	2.4	8.7%	100.0%
9560 Feldkirchen, Kindergartenstraße 2	1987	industrial	2,000	1.6	10.6%	100.0%
Total Austria			**321,716**	**520.9**	**6.1%**	
Properties in Germany						
20457 Hamburg, Großer Burstah 18-30 + 32-34 (Großer Burstah)	2005	office	16,750	33.5	6.6%	49.8%
82178 Munich/Puchheim, Ikarus Park	2006	office	14,679	11.8	10.3%	49.8%
81379 Munich, Tölzer Straße 35,	2006	office	6,552	9.7	7.5%	49.8%
10787 Berlin, Wichmannstrasse 7 (Lützow-Center)	2006	office	50,500	57.1	6.3%	
12681 Berlin, Marchwitzastr. 28, 30, 48-64/Luise-Zietz-Str. 99-117	2006	residential	22,360	13.8	7.5%	
10555 Berlin, Tiergarten - Portfolio	2006	residential	10,020	5.5	8.1%	
06108 Halle an der Saale, Marktplatz 22-24 (Markt Carrée)	2006	industrial	14,720	35.6	6.0%	
06112 Halle an der Saale, Delitzscher Straße 65 A	2006	industrial	10,135	3.1	10.2%	
Berlin, Mauerstrasse 76, Mauerstraße	2006	office	2,152	5.7	5.7%	
Hamburg, various adresses, Projekt Notabenus	2006	residential	51,411	58.3	6.2%	
Halle an der Saale, Gerberstr. 9 and Hallorenring 3, 3a, 3b, Kellnerblock	2006	mixed use	4,627	4.4	6.6%	
Total Germany			**203,906**	**238.6**	**6.7%**	

	Acquisition	Use	Area in m²	Market value EUR m	Yield/ market value	Interest s IMMO INVEST
Properties in CEE						
1051 Budapest, Bajcsy-Zsilinszky út 12, (City Center)	2001	office	10,787	17.5	8.5%	49.9%
1134 Budapest, Váci út. 35, (The River Estates)	2001	office	29,495	43.0	7.9%	49,9%
1138 Budapest, Váci út. 202, (Unilever HQ)	2001	office	14,475	16.0	8.2%	49.9%
1016 Budapest, Hegyalja út 7-13 (Buda Center)	2005	office	7,306	8.0	7.9%	49.9%
1122 Budapest, Maros utca 19-21 (Maros Utca Business Center)	2004	office	8,758	12.4	9.0%	49.9%
1138 Budapest, Szegedi út 35 - 37 (Twin Center)	2006	office	8,184	6.9	8.4%	49.9%
1065 Budapest, Nagymezö u. 44, Süba Trade Center	2006	office	7,950	10.5	7.7%	
1052 Budapest, Apaczai Csere Janos u. 2-4 (Budapest Marriott Hotel)	2005	hotel	30,000	54.5	6.7%	49.9%
Total Budapest			116,954	168.8	7.7%	
11000 Prague, Narodni 41	2003	office	2,781	7.8	8.1%	49.9%
11000 Prague, Wenzelsplatz 22 (Hotel Julis)	2004	hotel	6,870	24.2	7.7%	49.9%
11000 Prague, Wenzelsplatz 41, (Luxor)	2002	hotel	8,767	25.3	6.0%	49.9%
18600 Prague, Thámova 13, (Palác Karlín)	2001	office	16,043	33.4	5.0%	49.9%
Total Prague			34,461	90.7	6.3%	
82104 Bratislava 2, Galvaniho 7 (Galvaniho Business Center Bauteil I)	2004	office	11,376	15.3	7.6%	49.9%
82104 Bratislava 2, Galvaniho 7 (Galvaniho 2 Bauteil II)	2006	office	20,390	23.6	6.5%	49.9%
Total Bratislava			31,766	38.9	6.9%	
Bucharest, Calea Victorei 37B, Novotel Bucharest	2006	hotel	21,921	26.7	7.9%	
Total Bucharest			21,921	26.7	7.9%	
Total CEE			**205,102**	**325.2**	**7.2%**	
Total Rental properties			**730,724**	**1,085**	**6.6%**	

Development projects are valued at book value.

	Acquisition	Use	Area in m²	Market value EUR m	Yield/ market value	Interest s IMMO INVEST
Development properties in Austria						
1150 Vienna, Sechshauser Straße 31-33	2006	residential	7,841	1.7		
1021 Vienna, Franz-Jonas-Platz 2-3, Gerngross City Center	2006	industrial	13,160	6.0		
Total delopment properties Austria			**21,001**	**7.7**		
Development properties in CEE						
Bucharest, Calea Grivitei Nr. 94, (Grivitei II)	2006	office	8,400	3.5		
Bucharest, Calea Grivitei Nr. 94, (Grivitei I)	2006	office	7,200	8.7		
Bucharest, Piata Sudului (Sun Plaza)	2006	industrial	76,800	10.4		
14000 Praha, Na Pankraci 127/1683	2003	office	47,100	20,9		49.9%
Praha 8, Karlín, Pobrezni-Thamova, River Star Karlín	2006	hotel	9,000	2.6		49.9%
Sofia, Sidnakova Blv., Serdika Center	2006	industrial	75,766	40.4		12.9%
Total development properies CEE			**224,266**	**86.6**		
Total development properties			**245,267**	**94.4**		
Total lettable			**975,991**	**1,179**		

Business performance

PERFORMANCE OF THE GROUP

Financial 2006 has clearly outperformed 2005: we were able to improve significantly all major financial ratios, and all our major earnings ratios climbed by more than 60%.

The very considerable investments in the real estate portfolio and our many acquisitions pushed the value of the portfolio above the EUR 1bn mark for the first time.

Compared with last year, turnover was up 75%, from EUR 42.2m to EUR 73.6m, and rental income rose from EUR 34.2m to EUR 60.4m, an increase of 77%. Operating profit also increased very satisfactorily, climbing 67% to EUR 86.4m. This figure also includes the operating profit of the Marriott Hotel in Budapest, a total of EUR 3.6m.

Sparkassen Immobilien AG made 52% of its revenues from its Austrian properties, 17% from its German properties and 31% from the Central European portfolio (CEE portfolio). Of this, Hungary is responsible for the largest share, with 16%, followed by the Czech Republic with 9% and Slovakia with 5%. Romania and Bulgaria will not be making significant contributions until the development projects are completed.

Earnings

The improvement of 119% in operating profit (EBIT) was considerably better than budgeted – in 2006 it grew from EUR 16.1m to EUR 35.3m, mainly as a result of the significantly increased rental income from the newly acquired properties. At EUR 1.5m, gains on disposals were hardly significant.

Depreciation in 2006 amounted to EUR 21.1m, compared with EUR 16.3m last year. Reversals of impairment write-downs were EUR 6.5m, of which EUR 5.4m was in respect of Palác Karlín in Prague, which has been completely renovated and is now fully let.

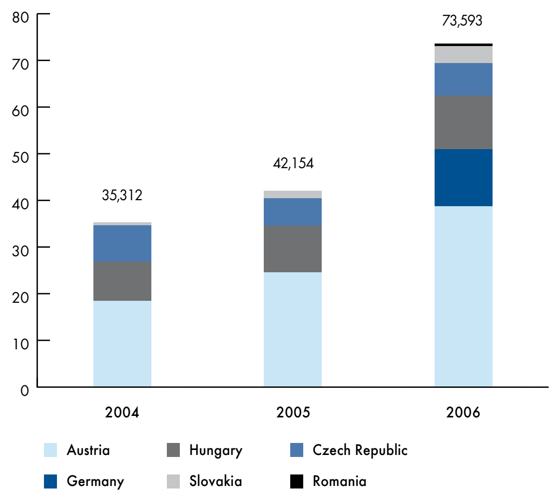
Other operating expenses of EUR 30m were made up of operating costs for existing properties (47%) and a total of EUR 4.2m of annual administrative charges under the management agreement with Immorent AG. These are calculated as follows: 0.2% of the value of the property portfolio and 0.25% of the market capitalisation of Sparkassen Immobilien AG. Compared with our peers, these are by far the lowest levels of charges.

Austria contributed the largest share of EBIT, at 38%, followed by the Czech Republic with 25%, Hungary with 20%, Germany with 14% and Slovakia with 5%. EBITDA for the year climbed to EUR 50.3m, after EUR 31.3m in 2005. With an increase of 90%, the profit before taxes (EBT) has also nearly doubled: it climbed to EUR 19.2m, after EUR 10.1m in 2005.

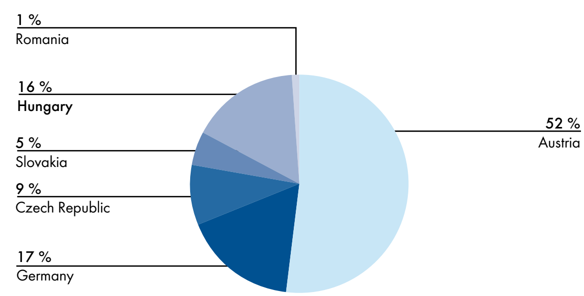
Financial profit / loss

The expenses of the participation certificates (income payments to the holders) went up to EUR 12.5m in 2006 from EUR 5.9m in 2005. This is due to the excellent performance of the property portfolio attributable to the participation certificates and the increased number of certificates in issue after the capital increase in 2005. The financing costs for the year have increased to EUR 11.4m. As announced last year, more extensive use is being made of external financing to fund our acquisitions and project development activities. The proportion funded by external borrowings at 31 December 2006 was 53%.

Revenues
EUR m



Revenues by region



Hamburg – Mönckedamm






HAMBURG, 15 February 2007, Mönckedamm

Now I am in the centre of one of Germany's finest cities. After we pass the Alster we come to the North German headquarters of Deutsche Bank AG, located behind the imposing town hall. Deutsche Bank is tenant in the newly acquired 6,600 square metre complex on Mönckedamm. It is linked to our Grosser Burstah property by a pedestrian bridge.

Completed in 1996, the property was constructed using original elements from the original historic trade office buildings.

Mr. Freitag, head of Real Estate at Deutsche Bank in Hamburg, takes time out from his busy schedule to show me round the property. Later, we are joined by Sparkassen Immobilien AG Country Manager, Ronni Schmidt, which gives me the chance to ask a lot of questions. It turns out that the whole property is finished to the highest possible standard and also has a special insurance. It is not just covered for break-ins, it is also covered against flooding despite its city centre location! Mönckedamm was acquired on 1 January 2007. This Hamburg showpiece promises a bright future with its long-term lease agreement.

Summarised income statement

EUR '000	2006	2005	Change
Revenues	**73,593**	**42,154**	**75%**
whereof: rental income	60,360	34,192	77%
Other operating income	11,320	7,587	
Gains on property disposals	1,474	2,035	
Operating revenue	**86,387**	**51,776**	**67%**
Depreciation and amortisation	-21,078	-16,309	
Other operating expenses	-29,999	-19,378	
Operating profit (EBIT)	**35,309**	**16,090**	**119%**
Net financing cost	**-16,139**	**-6,012**	
Profit before tax (EBT)	**19,170**	**10,078**	**90%**
Taxes on income	-3,498	-1,585	
Net profit before minority interests	**15,671**	**8,493**	**85%**
Interests of shareholders in parent company	**15,029**	**6,806**	**121%**
Minority interests	642	1,687	

Sparkassen Immobilien AG's income tax expense was EUR 3.5m. The effective tax cost was EUR 1m. This represents an effective tax rate of 18%, of which 72% are deferred taxes.

The consolidated net profit rose by 85% to EUR 15.7m, which is another all-time high.

Cashflow Statement

EUR '000	2006	2005
Profit before taxes (EBT)	19,170	10,078
Depreciation and amortisation	21,078	16,309
Reversal of impairment write-downs	-6,498	-1,100
Gains on property disposals	-1,474	-2,035
Taxes paid	-1,906	-374
Accrued interest	16,139	6,012
Cash flow from operations	46,508	28,890

Fair Value reconciliation

in EUR '000	Cost model 2006	Adjustment	Fair Value 2007
Revenues	**73,593**	**0**	**73,593**
whereof: rental income	60,360	0	60,360
Revaluation of properties		29,409	29,409
Other operating income	11,320	-6,498	4,822
Gains on property disposals	1,474	-1,099	376
Operating revenue	**86,387**	**21,812**	**108,200**
Depreciation and amortisation	-21,078	18,636	-2,442
Other operating expenses	-29,999		-29,999
Operating profit (EBIT)	**35,309**	**40,448**	**75,758**
Expenses of participating certificates	-12.538	-13,943	-26,481
Other financing expenses	-11,383		-11,383
Financial income	7,782		7,782
Net financing cost	**-16,139**	**-13,943**	**-30,082**
Profit before tax (EBT)	**19,170**	**26,505**	**45,676**
Taxes on income	-3,498	-4,120	-7,618
Net profit before minority interests	**15,671**	**22,385**	**38,058**
Interests of shareholders in parent company	15,029	21,789	36,820
Minority interests	642	596	1,238

With effect from 1 January 2007, Sparkassen Immobilien AG adopted fair value accounting. A reconciliation statement for the earnings indicators shows the adjustments required between cost basis and fair value: on the fair value basis, Sparkassen Immobilien AG's EBIT is increased to EUR 75.8m, and its consolidated net profit was up to EUR 38.1m.

Summarised blance sheet

EUR '000	2006	2005	Change
Assets			
A. Non-current assets			
I. Intangible assets	36	50	
II. Property, plant and equipment	1,057,694	709,186	49%
III. Financial assets	7,027	6,037	
IV. Non-current	3,145	2,347	
	1,067,902	**717,620**	
B. Current assets			
I. Receivables and other assets	46,761	24,107	
II. Marketable securities and investments	5,201	12,352	
III. Cash and cash equivalents	75,387	166,098	
	127,349	202,557	
C. Accruals and prepayments	**3,709**	**335**	
	1,198,960	**920,512**	**30%**
Equity and liabilities			
A. Shareholders´Equity			
I. Equity	524,673	363,768	44%
II. Minority interests	33,430	23,915	
	558,103	**387,683**	
B. Non-current liabilities			
I. Participating certificates	269,058	276,774	
II. Long-term liabilities to banks	260,975	174,602	49%
III. Provisions	12,434	10,400	
IV. Other liabilities	22,721	22,906	
	565,188	**484,682**	
C. Current liabilities	**71,149**	**43,314**	
D. Deferred income	**4,520**	**4,833**	
	1,198,960	**920,512**	**30%**

Assets and finances

Total assets of EUR 1.2bn have increased by 30% in comparison with last year. On closer examination, however, it becomes clear that the non-current assets have risen by 49% as a result of the numerous investments made in new properties; this corresponds to an amount of EUR 1.07bn at balance sheet date. Current assets, on the other hand, have gone down by 37% to EUR 127m, as a result of disposal of securities and a reduction in cash and cash equivalents.

The major impact on the liabilities side of the balance sheet is the effect of the successful capital increase in June 2006. Equity is up by 44% to EUR 558.1m.

The average costs for the external financing taken up amounted to 4.55% for the year ended 31 December 2006. The variable interest rate liabilities to banks are largely hedged with interest rate derivatives.

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Long-term liabilities to banks as at 12/31/2006

Lending bank	Amount (EUR '000)	in % of balance sheet total	where of fixed rate	where of variable rate
Erste Bank	67,162	6 %	0 %	100 %
BA-CA, HVB Czech Republic	64,509	5 %	16 %	84 %
Other Austrian Banks	92,514	8 %	57 %	43 %
German Banks	36,790	3 %	53 %	47 %
Long-term liabilities to banks	**260,975**	**22 %**	**31 %**	**69 %**

s IMMO INVEST

The s IMMO INVEST certificate is a participating bond in the meaning of section 174 Austrian Companies Act (AktG), and as a stock exchange listed certificate it entitles the holder to distributions out of profit. Investors acquire the right to a proportionate share of the company's profits. From the point of view of s IMMO AG, however, the certificates represent a form of finance, similar to external financing, which is why the distributable entitlements on s IMMO INVEST certificates are shown as part of liabilities. The certificates do on the other hand also have equity-like features: the distributions are out of the earnings of certain specified properties (identified in property portfolio on pages 24-25). The cash proceeds are distributed to the investors, and the income is not taxed in the hands of the Company. For individual investors, the tax paid is limited to the investment income tax deducted at source.

Of the Group's undisclosed reserves of the property portfolio EUR 58m is attributable to the s IMMO INVEST certificates. The s IMMO INVEST certificate has a net asset value (NAV) of EUR 91.5 per certificate, as compared with EUR 84.5 per certificate last year.

s IMMO INVEST participating certificates – distribution statement for 2006

(Clause 5 Participating Certificates Agreement)

EUR '000		
Attributable profit	14,180	
less distributions/earnings from foreign subsidiaries	-10,304	3,876
Scheduled depreciation		3,875
Allocation to reserves (clause 5)		-2,084
Issue costs		0
Premium (for distribution)		960
Income from investments		10,304
		16,932
Participating certificates in issue		3,883,398 units
Earnings per participating certificate in EUR		4.36

s IMMO INVEST participating certificate – key indicators

	2006	2005
Earnings[1] (EUR)	6.8	4.9
Cash flow (EUR)	4.6	4.2
Dividend (EUR)	4.36	4.36
Net asset value (NAV) (EUR)	91.5	84.5

[1] 1 Fair value model

Stock exchange information (31 Dec 2006)

ISIN code	AT0000795737/AT0000630694 (Tranche 2004)
Certificates in issue	2,040,000/1,843,398 (Tranche 2004)

Performance as of 31 December 2006

1 year:	1 year: 11.5% / 5.4% (Tranche 2004)
since initial listing p.a.:	9.0% / 7.5% (Tranche 2004)

EMPLOYEES

Sparkassen Immobilien AG has signed a management agreement with Immorent AG, a 100% subsidiary of Erste Bank. Immorent AG supplies around 40 employees in Austria and CEE, who work exclusively for Sparkassen Immobilien AG. These employees work in real estate acquisition, real estate management, development, management controlling, marketing and IR. An additional 18 employees work for Sparkassen Immobilien AG subsidiaries in Germany and Hungary.

As a management body, the Management Board is employed directly by Sparkassen Immobilien AG. This ensures its independence in the interests of the Company.

NON-FINANCIAL PERFORMANCE INDICATORS

Sparkassen Immobilien AG invests in sustainable assets: properties. But even with property, there can be enormous differences, especially with investments in CEE countries. In line with our corporate philosophy, which is based on long-term investment, we review the properties for value and enduring worth very carefully. Nearly half our properties have been in our portfolio for more than ten years with their values constantly increasing.

This is only possible because we invest substantial amounts in the ongoing maintenance of our properties. In 2006 alone we invested a total of EUR 3.9m in maintenance costs for our portfolio.

In adding value, we ensure we get value for money. Wherever possible, we use local suppliers, as our contribution to supporting and encouraging small and medium-sized firms in the building trade. We also insist on the use of environmentally friendly materials.

In 2007 we are also going to be working with social institutions in order to live up to our growing responsibilities as stakeholders in society.

RESEARCH AND DEVELOPMENT

Sparkassen Immobilien AG has built up a research system to support acquisition decisions to an optimum: it provides detailed analysis of the markets in Austria, Germany and the CEE, in particular for the cities of Prague, Budapest, Bratislava, Bucharest, Sofia and Kiev. Our acquisitions team from Vienna carries out on-the-spot research (demographic, economic and urban development trends), and international property experts such as DTZ or CB Richard Ellis provide market research. From this information we develop market scenarios as bases for our investment decisions. In addition, we have the expertise of our local teams, who report on market changes as soon as they occur, so that our acquisitions team can act accordingly.

Risk report

Sparkassen Immobilien AG has consciously positioned itself as a prudent company, combining the growth potential of the transition economies of Central and Southeast Europe with the safety of the Austrian and German markets. This risk reducing investment approach is matched by risk awareness in operations and management. This applies to the general financial risks such as currency and interest risks, liquidity risk, operational risks arising from business transactions and specific property risks.

Strategic risk

The decisions as to which markets and segments we are invest in, now and in the future, are the main sources of strategic risk. We restrict our activities to markets and market segments we know and understand, where we can assess the potential benefits and risks. This is the reason for our concentration on Austria as core market and on Germany as comparable in terms of culture, law and business environment, and on the countries of Central and Southeast Europe. Sparkassen Immobilien AG benefits here from the traditional cultural ties, from its cooperation with Erste Bank Group, which has been highly successful in the area, and from its own many years of experience in these countries.

In all its markets Sparkassen Immobilien AG will accept only quantifiable risks, meaning that the legal framework, the location, the market situation and the tenants have to conform to predetermined investment guidelines. Every acquisition is monitored by an independent risk manager.

Exchange and interest rate risk
Since the rental agreements are predominantly in euro, and foreign currencies are converted into euro without delay, currency risks from operations are quantifiable.

We borrow at low interest rates, which gives us a high flexibility and allows us to stabilise interest rates long term: variable rate loans have been hedged. We use a modern portfolio approach, in which interest rate risk on the loan portfolio is completely hedged with a separate portfolio of interest derivatives. Only standard instruments, such as interest swaps, caps and collars, are employed.

Liquidity risks
In order to be able to take advantage of short-term opportunities in the property market, we take care always to have open lines of credit available, by managing liquidity on an ongoing basis. We also ensure that large loans are always readily available from our partner banks. Thanks to adequate equity and the high number of disposable properties available as cover for refinancing, our ability to borrow is secured for the foreseeable future.

Operational and property risks
Operational risks are reduced to a minimum by organisational separation of business processes: execution, back office and risk management functions are separated, and all major business transactions are subject to strict internal control.

In all countries in which Sparkassen Immobilien AG is invested, local management works closely with professional firms of lawyers and accountants. This ensures that risks are identified in good time and neutralised. And these direct contacts enable us to implement our strategy of concluding longer-term tenancy agreements with provision for indexation mainly with large international tenants with top credit ratings.

Development risk
Sparkassen Immobilien AG has been more active in development projects in 2006, with the object of increasing the level of returns. Development projects offer the promise of high returns, but also embody higher risks. We attempt to minimise the risk of developers defaulting by working with experienced developers who have successful reference projects to their credit. We insist on retaining a majority stake in project development companies, although for better control we mostly outsource the letting risks (the risks of not finding tenants). In return we accept slightly lower returns, but we do not bear the risks. Developers are paid as each stage is completed, so as to minimise the default risk on development costs.

Outlook

Economic climate
Global economic growth in 2007 and 2008 is expected to be somewhat less rapid than in 2006, but – contrary to earlier assumptions – growth is expected to remain strong.

Interest rates, an important factor for property investments, can be expected to rise slightly.

Germany, one of our main investment markets, should continue to develop positively: the German recovery should continue even after the increase in VAT in January 2007. Increases in real GDP are predicted (1.9% for 2007 and 1.7% for 2008).

The economies of the Central and Eastern European countries, where we are invested, will continue to grow strongly. At present, the forecasts are for growth of between 4.1% and 7.9%. This applies in particular to the Czech Republic, Slovakia, Romania and Bulgaria: only Hungary will be below the European average (2.3%).

Additions to the property portfolio
In the current financial year, 2007, we intend to make major additions of around EUR 500-800m to our portfolio, both completed properties and development projects, with the goal

of building a portfolio worth EUR 4bn by 2010. During the year we shall be acquiring completed properties mainly in Germany, for which roughly half of our acquisitions budget for 2007 has been allocated. Some of these projects are already at the advanced review stage and will be completed within the first half of 2007.

In Romania, Bulgaria and Ukraine we shall be concentrating on additional development projects. These markets have great potential, since they are far from fully mature: particularly the development projects promise very attractive yields. There will of course be further acquisitions in Austria, as well as development projects in the established CEE countries such as the Czech Republic, Slovakia and Hungary.

Positive outlook for financial 2007

For the current year and the next, we expect the performance of the Group to be very positive – we are expecting above average growth in turnover and above average improvement in all relevant earning measures. But of course this will also depend on how the capital markets behave and how their behaviour impacts our financing options. Which is why we are still basing our calculations an equity ratio of 35-50%.

Significant events after balance sheet date

After balance sheet day four important deals were closed.

In mid-January 2007 we acquired all the shares in a Romanian company, ROTER INVESTITII IMOBILIARE S.R.L., in Bucharest, which is the owner of a roughly 97,000 m² vacant plot on the southern edge of Bucharest for EUR 7.2m.

At the end of January 2007, a contract for the acquisition of a further nine residential rental properties in Berlin was signed: the total lettable space is just under 11,000 m2, and the occupancy rate is a healthy 92%. The purchase price for these nine properties in prime positions in the west of Berlin was EUR 8.5m.

In January 2007 transfer of ownership of the Berlin-Mitte Financial Authorities Office property was completed. The property has a total usable space of roughly 12,000 m² and is fully let. The price was EUR 9.2m.

In the same month we bought a total of 53 apartment buildings in Berlin. The payment of the purchase price and the transfer of ownership will take place in stages in 2007. The total cost of the portfolio, with a total area of 176,000 m2, was app. EUR 114m.

Bucharest – Novotel





BUCHAREST, 12 February 2007, Calea Victoriei

Saving the best till last — Novotel in the heart of Bucharest. Riding in from the airport, I first pass the impressive embassy quarter before arriving in the government district. Then we turn onto Calea Victoriei, without a doubt the best place to be in the heart of the city. The Novotel comes into view on the right, next to a number of older buildings. I have never seen anything like it in my life. The old entrance to the former National Theatre has been integrated into the ultra-modern glass façade of the hotel so cleverly that it is virtually impossible to see the hotel behind it. Superb! And then comes the next surprise – crossing the foyer, I am captivated by the supermodern, opulent interior design scheme with its wealth of appealing details. The hotel has 259 modern rooms on 12 floors, and ample meetings and conference facilities. There is also a pool and spa area, to help you relax. The hotel's most remarkable feature – after its location and the architecture – is hotel manager Philippe Drivon's highly motivated, friendly team. And now this 21,200 square metre treasure belongs to us!

Consolidated financial statements

Consolidated balance sheet as at 31 December 2006

EUR '000	Notes	31.12.2006	31.12.2005
ASSETS			
A. Non-current assets	15, 16		
I. Intangible assets			
Goodwill		0	0
Other		36	50
II. Property, plant and equipment			
Property		806,161	689,610
Properties held for disposal		147,640	0
Properties under development		102,122	17,389
Other plant and equipment		1,771	2,187
III. Financial assets			
Associates		141	231
Group interests		6,886	5,806
IV. Non-current receivables			
Deferred tax assets	20	3,145	2,347
		1,067,902	**717,620**
B. Current assets			
I. Receivables and other assets	17		
Trade receivables		3,675	3,406
Financial receivables and advances		22,909	7,190
Other receivables and assets		20,177	13,511
		46,761	24,107
II. Marketable securities and investments	18	5,201	12,352
III. Cash and cash equivalents	19	75,387	166,098
		127,349	**202,557**
C. Accruals and prepayments		**3,709**	**335**
		1,198,960	**920,512**

EUR '000	Notes	31.12.2006	31.12.2005
EQUITY AND LIABILITIES			
A. Shareholders' equity	21, 22		
I. Share capital		247,509	182,106
II. Reserves		262,135	174,856
III. Profit after tax		15,029	6,806
IV. Minority interests		33,430	23,915
		558,103	**387,683**
B. Non-current liabilities	23		
Participating certificates		269,058	276,774
Long-term liabilities to banks		260,975	174,602
Provisions			
a) Deferred tax liabilities	20, 24	6,276	3,459
b) Other	24	6,158	6,941
		12,434	10,400
Other liabilities	25		
a) Construction costs and tenants' financing		11,665	11,918
b) Housing construction subsidies		6,113	6,602
c) Undisclosed interests		2,000	2,000
d) Other		2,943	2,387
		22,721	22,906
		565,188	**484,682**
C. Current liabilities			
Liabilities to banks		30,224	4,466
Trade payables		6,799	9,425
Other liabilities		34,126	29,423
		71,149	**43,314**
D. Deferred income		**4,520**	**4,833**
		1,198,960	**920,512**

Consolidated income statement for the year ended 31 December 2006

EUR '000	Notes	2006	2005
Revenues	7	**73,593**	**42,154**
whereof: rental income		60,360	34,192
Other operating income	8	11,320	7,587
Gains on property disposals	9	1,474	2,035
Operating revenue		**86,387**	**51,776**
Depreciation and amortisation	15	-21,078	-16,309
Other operating expenses	10	-29,999	-19,378
Operating profit (EBIT)		**35,309**	**16,090**
Expenses of participating certificates	11	-12,538	-5,939
Other financing expenses	12	-11,383	-4,505
Financial income	13	7,782	4,432
Net financing cost		**-16,139**	**-6,012**
Profit before tax (EBT)		**19,170**	**10,078**
Taxes on income	14	-3,498	-1,585
Consolidated net profit		**15,671**	**8,493**
Interests of shareholders in parent company		15,029	6,806
Minority interests		642	1,687

Consolidated cash flow statement

EUR '000	2006	2005
Profit before taxes (EBT)	**19,170**	**10,078**
Depreciation and amortisation	21,078	16,309
Reversal of impairment write-downs	-6,498	-1,100
Gains on property disposals	-1,474	-2,035
Taxes paid	-1.906	-374
Accrued interest	16,139	6,012
Cash flow from operations	**46,508**	**28,890**
Changes in net current assets		
Receivables and other assets	-18,877	-15,736
Provisions and other non-current liabilities	-968	5,021
Current liabilities and deferred income	27,522	12,527
Cash flow from business	**54,185**	**30,702**
Cash flow from investing activities		
Acquisition of investment properties	-372,425	-288,557
Purchase of office equipment and intangible assets	-666	-1,673
Sale / purchase of financial assets	91	-75
Proceeds of property disposals	11,082	739
Proceeds of disposal of property holding companies	0	3,422
Net interest on financial investments	7,676	3,784
Net cash flow from investing activities	**-354,242**	**-282,360**
Cash flow from financing activities		
Proceeds of share issue	153,900	140,332
Purchase of own participating certificates	-4,663	0
Change in minority interests	9,515	23,915
Proceeds of issue of participating certificates	0	147,322
Dividend paid s IMMO INVEST	-16,932	-9,784
Issuing costs of shares and participating certificates	-9,100	-16,223
Net increase in long-term liabilities to banks	86,373	129,515
Interest paid	-9,747	-1,658
Net cash flow from financing activities	**209,346**	**413,419**
Change in cash and cash equivalents	**-90,711**	**161,761**
Cash and cash equivalents at 1 January 2006	166,098	4,337
Cash and cash equivalents at 31 December 2006	75,387	166,098
	-90,711	**161,761**

Changes in consolidated equity

EUR '000	Share capital	Capital reserves	Revenue reserves	Minority interests	Total	2005
1 January 2006	**182,106**	**152,804**	**28,858**	**23,915**	**387,683**	**224,657**
Capital increase	65,403	88,497	-6,849	0	147,051	133,779
Acquisitions	0	0	0	11,184	11,184	22,944
Disposals	0	0	0	-2,645	-2,645	0
Profit after tax	0	0	15,029	642	15,671	8,493
Other changes	0	0	-1,175	334	-841	-2,190
whereof: available-for-sale			920	-2	918	
whereof: exchange differences			-2,095	336	-1,759	
31 December 2006	**247,509**	**241,301**	**35,863**	**33,430**	**558,103**	**387,683**

Details of share capital

EUR '000	2006	2005	Change
Total share capital	247,509	182,106	65,403
Treasury shares (nominal)	0	0	0
	247,509	**182,106**	**65,403**

Changes in share capital

Number of shares	2006	2005
Issued share capital at 1 January 2006	50,118,718	33,412,479
Shares issued during year	18,000,000	16,706,239
Treasury shares sold	0	0
Issued share capital at 31 December 2006	**68,118,718**	**50,118,718**
Treasury shares	0	0
Total shares in issue	**68,118,718**	**50,118,718**

Notes to the consolidated financial statements

1. REPORTING UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The consolidated financial statements of Sparkassen Immobilien Aktiengesellschaft (s Immobilien AG), Vienna, for the year ended 31 December 2006 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

2. GENERAL

2.1 Business

s Immobilien AG Group is a real estate group (acquisition, development and letting of property) with activities in Austria and elsewhere in Central and Eastern Europe. The parent company, s Immobilien AG, is headquartered in Windmühlgasse 22-24, A-1060 Vienna, Austria. It has subsidiaries in Austria, Bulgaria, Cyprus, the Czech Republic, Denmark, Germany, Hungary, Romania and Slovakia. The parent company is a public limited liability company (Aktiengesellschaft). It is registered in the commercial register of the Commercial Court of Vienna under reference 58358x.

2.2 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 as of 31 December 2006.

The accounting policies of the companies included in consolidation are based on the uniform accounting regulations of s Immobilien AG Group. The consolidated financial statements are presented rounded to the nearest 1,000 euro. The totals of rounded amounts and the percentages may be affected by rounding differences caused by software.

3. CONSOLIDATED GROUP

In addition to the accounts of s Immobilien AG, the consolidated financial statements include the accounts of the following 49 companies (property holding or intermediary holding companies) which are directly or indirectly owned by s Immobilien AG:

Company	Location	Country	Nominal capital	%	Currency	Initial consolidation
CEE Immobilien GmbH	Vienna	A	35,000	100	EUR	
CEE PROPERTY-INVEST Immobilien AG	Vienna	A	48,000,000	100	EUR	
CEE CZ Immobilien GmbH	Vienna	A	35,000	100	EUR	
German Property Invest Immobilien GmbH	Vienna	A	35,000	100	EUR	
Hotel DUNA Beteiligungs Gesellschaft m.b.H.	Vienna	A	145,346	100	EUR	
Herzmansky Kaufhaus AG	Vienna	A	3,000,000	75	EUR	
Kaufhaus Steffl Betriebs AG	Vienna	A	18,801,850	75	EUR	
AKIM Beteiligungen GmbH	Vienna	A	35,000	100	EUR	1.1.2006
IMMIN Beteiligungen GmbH	Vienna	A	35,000	100	EUR	1.1.2006
WO Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	2.6.2006
SO Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	23.3.2006
CEE Beteiligungen GmbH	Vienna	A	35,000	100	EUR	1.1.2006
Areal CZ spol. s.r.o.	Prague	CZ	100,000	100	CZK	
Eltima Property Company s.r.o.	Prague	CZ	200,000	100	CZK	
Palác Karlin Property a.s	Prague	CZ	96,500,000	100	CZK	
Palác Karlín s.r.o.	Prague	CZ	200,000	100	CZK	
Vila Property s.r.o.	Prague	CZ	1,200,000	100	CZK	
REGA Property Invest s.r.o.	Prague	CZ	200,000	100	CZK	
Tolleson a.s.	Prague	CZ	2,000,000	100	CZK	4.12.2006
Bank-garázs Ingatlanfejlesztési és Vagyonhasznosító Kft.	Budapest	H	390,000,000	100	HUF	
CEE Property-Invest Ingatlan Kft.	Budapest	H	100,000,000	100	HUF	
Maros utca Építési és Ingatlanhasznositási Kft.	Budapest	H	477,000,000	100	HUF	
Buda Kereskedelmi Központ Kft.	Budapest	H	3,000,000	100	HUF	
Duna Szálloda Zrt.	Budapest	H	3,392,600,000	100	HUF	
Szegedi ut Ingatlankezelö Kft.	Budapest	H	10,000,000	100	HUF	1.1.2006
Nagymezo utcai Projektfejlesztesi Kft.	Budapest	H	462,590,000	100	HUF	1.8.2006
Galvaniho Business Centrum, s.r.o.	Bratislava	SK	200,000	100	SKK	
Galvaniho 2, s.r.o.	Bratislava	SK	200,000	100	SKK	1.1.2006
SIAG Burstah Immobilien GmbH	Hamburg	D	25,000	100	EUR	
Lützow-Center GmbH	Frankfurt	D	25,000	100	EUR	1.5.2006
Ikaruspark GmbH	Frankfurt	D	25,000	100	EUR	1.2.2006
SIAG Deutschland Betriebsgesellschaft mbH	Frankfurt	D	25,000	100	EUR	1.7.2006
S Immo Geschäftsimmobilien GmbH (formerly SIBI Hotel Immobilien GmbH)	Frankfurt	D	25,000	100	EUR	1.4.2006
S Immo Wohnimmobilien GmbH	Berlin	D	25,000	100	EUR	1.3.2006
Markt Carree Halle Immobilien GmbH	Frankfurt	D	25,000	100	EUR	1.4.2006
Tölz Immobilien GmbH	Frankfurt	D	25,000	100	EUR	1.2.2006
Einkaufs-Center Sofia G.m.b.H. & Co KG	Hamburg	D	27,522,000	65	EUR	1.9.2006
K.J. Ejendomme Syd ApS	Århus	DK	1,000,000	100	EUR	16.10.2006
H.W.I. I ApS	Århus	DK	7,000,000	100	DKK	16.10.2006
H.W.I. II K/S	Århus	DK	1	100	DKK	16.10.2006
H.W.I. III ApS	Århus	DK	30,000,000	100	DKK	16.10.2006
H.W.I. IV ApS	Århus	DK	1,000,000	100	DKK	16.10.2006
Immobilienfond Hamburg I ApS	Århus	DK	125,000	100	DKK	16.10.2006
CEE PROPERTY INVEST ROMANIA SRL	Bucharest	RO	10,001	100	RON	
Societate Dezvoltare Comercial Sudului (SDCS) S.R.L.	Bucharest	RO	1,000	100	RON	5.6.2006
VICTORIEI BUSINESS PLAZZA S.R.L.	Bucharest	RO	18,852,144	100	RON	1.10.2006
DUAL Construct Invest S.R.L.	Bucharest	RO	1,000	64	RON	1.7.2006
Hansa Immobilien EOOD	Sofia	BG	5,000	77	BGN	1.9.2006
Siag Holding Limited	Nicosia	CY	5,000	100	EUR	21.12.2006

While several intermediary holding companies were formed in Austria in 2006, the acquisition of property ownership companies took place exclusively abroad. Two companies were acquired in Hungary. At the start of the year we acquired Szegedi ut Ingatlankezelö Kft. (Twin Center project) for EUR 7.1m, and in the third quarter we acquired Nagymezo utcai Projektfejlesztesi Kft. (Süba Trade Center project) for EUR 10.3m, together with liabilities of EUR 0.5m and EUR 0.1m respectively.

In 1 July 2006 we acquired the remaining 49% of the shares in Duna Szálloda Zrt., Hungary, from S-Tourismusfonds Management Aktiengesellschaft Vienna by exercising the remaining options for EUR 1.1m.

Slovakia's Galvanhiho 2, s.r.o. (Galvaniho Business Center project, Phase II) was added to the portfolio at the start of the year, after the conditions for closing were satisfied, at an acquisition cost of EUR 4.3m. The liabilities taken over amounted to EUR 15.3m. Tolleson a.s. in the Czech Republic was acquired for EUR 2.3m, together with liabilities of EUR 0.4m.

In addition to the acquisition of several German properties by existing group companies, we acquired K.J. Ejendomme Syd ApS, Århus, Denmark, for EUR 7.9m at the start of the fourth quarter. This holding company holds all of the shares in four Danish property ownership companies whose portfolios consist of residential properties in Northern Germany exclusively. Liabilities acquired with these companies amounted to EUR 51.8m and consist chiefly of loans from local banks secured by mortgages on the properties.

The acquisition of a 65% interest in Einkaufs-Center Sofia G.m.b.H. & Co KG, Germany, in the third quarter introduced a development project in the Bulgarian capital, Sofia, through subsidiary Hansa Immobilien EOOD. The interest in the Bulgarian property ownership company amounts to 76.9%, as there is a minority interest as well. At the time of acquisition, Hansa Immobilien EOOD was a ready-made company with no significant debts or assets.

The interests in the Romanian property ownership companies are held by the Cypriot intermediary holding company, which was formed towards the end of the year. VICTORIEI BUSINESS PLAZZA S.R.L. was acquired in the fourth quarter for EUR 5.5m. It operates the newly opened Novotel (hotel and shopping gallery) in Bucharest. Liabilities acquired with the sale amount to EUR 18.8m. During the year two development projects, Societate Dezvoltare Comercial Sudului (SDCS) S.R.L. and DUAL Construct Invest S.R.L., were acquired for EUR 8.1m and EUR 0.4m respectively; the acquisitions included liabilities amounting to a total of EUR 4.9m.

The initial consolidation of these transactions applied the purchase method, in accordance with IFRS 3.

The Steffl department store, a part of Gerngross Kaufhaus Aktiengesellschaft, was spun off into newly formed Kaufhaus Steffl Betriebs AG in November. Gerngross Kaufhaus Aktiengesellschaft was subsequently renamed Herzmansky Kaufhaus AG.

4. BASIS OF CONSOLIDATION

Consolidation means offsetting the acquisition cost of the investment (book value) against the value under IFRS of the proportionate share of the equity of the relevant subsidiary at the time of initial consolidation. The amount of any difference arising at this time is capitalised as goodwill. In calculating goodwill, foreign currencies are translated at the exchange rate ruling on the date of initial consolidation. There is currently no goodwill on consolidation being carried as an asset.

Transactions within the consolidated Group together with the related income and expenses and receivables and payables are eliminated. Intra-group profits are also eliminated.

5. FOREIGN CURRENCY TRANSLATION

Translation of financial statements in foreign currencies

The Group reporting currency is the euro. Annual financial statements prepared in foreign currencies (Czech crowns, Danish crowns, Slovak crowns, Hungarian forints, Romanian lei, and Bulgarian levs) are translated using the modified closing rate method. Investment property is translated at historical rates. As a general rule, income statement items are translated using average exchange rates; depreciation and amortisation of property is an exception – historical rates are used. Gains and losses on currency translation are not treated as income or expense but are included under revenue reserves.

6. ACCOUNTING AND VALUATION POLICIES

Intangible assets

Intangible assets acquired for consideration are recognised at acquisition cost less scheduled straight-line amortisation and provision for any impairment losses. Amortisation rates are based on assumed useful lives of between three and six years.

Investment property, plant and equipment

In accounting for investment property and other plant and equipment, advantage is taken of the option under IAS 40 to apply the cost model: assets are recognised at cost of acquisition or construction, less scheduled depreciation and provision for any impairment losses. Non-refundable investment grants are treated as reductions in acquisition costs. The costs of acquisition or construction do not contain any material financing costs.

The properties, the majority of which are rented, were valued in 2005 and 2006 on the basis of current market conditions, largely by independent, professional, court recognised experts. The valuations were based on earnings, calculated on the basis of expected sustainable future rental yields and market interest rates (Austria: 3.5%–8%; elsewhere: 6.75%–9%). Properties purchased close to balance sheet date were valued on the basis of acquisition costs.

Property subject to wear and tear and other plant and equipment is depreciated on a straight-line basis over its expected useful life, which is as follows:

	Expected useful lives (years)	
	from	to
Buildings	33	50
Other plant and equipment	3	10

Where there are reductions in value that are expected to be permanent, impairment losses are recognised. The book values of the properties are subjected to impairment tests, in which the book values are compared with the fair values of the properties. As a rule, impairment losses are recognised where the book values are higher, although this is not done if the higher book value is solely the result of incidental acquisition costs, such as property transfer tax, registration fees, etc. In 2006 no impairment losses were recognised. Write-ups of EUR 6,498,000 were made to reflect permanent reversals of impairment losses.

Investments and securities

Shares in associated companies and investments for which fair values can not be established without disproportionate expense are recognised at acquisition cost, reduced by impairment losses where the loss in value is expected not to be merely temporary.

Shares and securities held as current assets are recognised at market values in accordance with IAS 39, and are generally intended for sale (available-for-sale).

Receivables and other assets

Trade receivables and other receivables are disclosed at their nominal value, less any provisions necessary. Other current assets are recognised at cost of acquisition.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and of bank deposits with a term of less than three months.

Taxes

The tax expense disclosed for the financial year comprises income tax on the taxable income of the individual companies at the rate applicable in the relevant country (actual tax) together with the changes in tax provisions affecting income or expense.

In accordance with IAS 12, all temporary accounting and valuation differences between the tax bases of assets and liabilities and their carrying amounts in the balance sheet, and any tax loss carryforwards, are reflected in the provisions for deferred taxation. In calculating the provisions necessary, the local tax rates used are those expected to apply to each Group company when the differences reverse. Deferred taxes assets are provided on tax loss carryforwards to the extent that it is probable that the losses will be able to be offset against future taxable profits.

Financial liabilities

Financial liabilities are recognised at the amount repayable, with the exception of the participating certificates, which are valued in accordance with the Fund rules on the basis of IFRS book values.

Provisions

The provision for deferred taxation is calculated using the liability method, using the tax rates which at balance sheet date are expected to be in force when the temporary differences reverse. Other provisions are for liabilities of uncertain amount, where the amount provided is the amount considered most likely to become payable.

Trade payables and other liabilities

Trade payables and other liabilities are recognised at the amount repayable.

Derivatives

s Immobilien AG Group uses derivative financial instruments – interest rate caps, collars and swaps – to reduce the risks attendant on interest rate increases. They are generally measured at cost of acquisition: at 31 December 2006 their positive market value was EUR 2,210,000, which was disclosed as part of the available-for-sale portfolio.

Income recognition

Rental income is recognised evenly over the term of the rental agreement.

Income from services is recognised in proportion to the services rendered at Group balance sheet date.

Interest income is measured on the basis of the applicable interest rate and the amount of the loan.

NOTES ON THE CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET

INCOME STATEMENT

7. REVENUES AND SEGMENT REPORTING

Segment reporting is by region, based on where the property is situated (primary segmentation), and by property type (secondary segmentation).

The primary segmentation is as follows (EUR '000):

	Austria	
	2006	2005
Revenues	38,669	24,545
Other operating income	2,126	820
Income from the sale of property	1,471	-73
Operating income	**42,266**	**25,292**
Depreciation and amortisation	-10,897	-10,186
Other operating expenses	-18,101	-13,439
Profit from operating acitvities	**13,268**	**1,667**
Expenses of participating certificates	-8,086	-2,611
Finance costs	-4,616	-1,395
Finance income	6,233	4,225
Finance profit / loss	**-6,469**	**219**
Consolidated net profit before tax	**6,799**	**1,886**
Non-current assets	468,801	463,382
Current assets	97,527	174,922
Non-current liabilities	388,230	421,435
Current liabilities	54,938	32,792

Hungary		Czech Republic		Slovakia		Germany		Romania		Bulgaria		Total	
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
11,531	10,055	6,898	5,890	3,696	1,569	12,268	95	531	0	0	0	73.593	42,154
3,650	5,607	5,442	1,150	17	11	84	0	1	0	0	0	11,320	7,587
0	0	0	2,108	1	0	0	0	2	0	0	0	1,474	2,035
15,181	**15,662**	**12,340**	**9,148**	**3,714**	**1,580**	**12,352**	**95**	**534**	**0**	**0**	**0**	**86,386**	**51,776**
-4,599	-3,437	-1,439	-2,317	-758	-298	-3,113	-71	-272	0	0	0	-21,078	-16,309
-3,548	-3,319	-2,172	-2,095	-1,289	-510	-4,295	-15	-449	0	-145	0	-29,999	-19,378
7,034	**8,906**	**8,729**	**4,736**	**1,667**	**772**	**4,944**	**9**	**-187**	**0**	**-145**	**0**	**35,309**	**16,090**
-1,072	-2,092	-3,563	-1,124	-55	-113	225	0	0	0	13	0	-12,538	-5,939
-3,571	-1,806	-1,721	-1,309	-17	4	-1.219	0	-223	0	-16	0	-11,383	-4,505
0	5	1,429	201	5	2	43	0	40	0	32	0	7,782	4,432
-4,643	**-3,893**	**-3,855**	**-2,232**	**-67**	**-107**	**-951**	**0**	**-183**	**0**	**29**	**0**	**-16,139**	**-6,012**
2,391	**5,013**	**4,874**	**2,504**	**1,600**	**665**	**3,993**	**9**	**-370**	**0**	**-116**	**0**	**19,169**	**10,078**
152,385	135,633	87,591	72,708	29,441	11,541	237,791	34,358	51,463	0	40,430	0	1,067,902	717,620
9,244	8,801	11,993	18,327	971	400	3,547	107	2,597	0	1,470	0	127,349	202,557
72,662	25,568	38,510	37,441	1,911	223	63,820	15	55	0	0	0	565,188	484,682
6,061	5,727	3,188	3,437	218	98	2,349	1,261	4,089	0	306	0	71,149	43,314

Segmentation by property type:

	Revenues 2006 EUR '000	%	Revenues 2005 EUR '000	%
Offices	42,687	58	27,509	65
Residential	7,215	10	4,463	11
Retail	19,218	26	7,873	19
Hotel	4,473	6	2,309	5
	73,593	**100**	**42,154**	**100**

Revenues were made up as follows:

EUR '000	2006	2005
Rental income	60,360	34,192
Service charges	12,887	7,748
Other	346	214
	73,593	**42,154**

8. OTHER OPERATING INCOME

	2006	2005
Additions	6,498	1,100
Gross operating profit (hotel operations)	3,628	5,458
Release of housing construction subsidies	489	489
Other	705	540
	11,320	**7,587**

Impairment losses for the following properties were written up due to increased fair values:

EUR '000	2006
Palác Karlin – Prague	5,412
Otto Wagner Platz 5 – Vienna	806
Other	280
	6,498

Gross operating profit (GOP) of the Hotel Marriott in Budapest was made up as follows:

EUR '000	2006	2005
Revenues	13,684	10,718
Directly attributable costs	-8,745	- 6,189
Other costs	-1,311	- 1,149
Earnings of prior periods	0	2,078
	3,628	**5,458**

At 31 December 2006 Duna Szálloda Zrt. employed 211 staff (2005: 283). Staff costs of hotel employees are included in directly attributable costs.

9. INCOME FROM THE SALE OF PROPERTY

EUR '000	2006	2005
Disposal proceeds	11,082	15,054
Book value of disposals	-9,608	-13,019
	1,474	**2,035**

Disposal proceeds for 2006 came from the disposal of three Austrian office and retail properties.

10. OTHER OPERATING EXPENSES

EUR '000	2006	2005
Expenses directly attributable to property		
Operating costs	14,101	8,074
Specific provisions on receivables	608	200
Maintenance costs	3,022	2,505
Commissions	656	568
Provision for project risks	0	1,000
Other	1,115	502
	19,502	**12,849**
General management expenses		
Management fees and administration expenses	4,238	3,202
Staff costs	1,494	146
Legal, audit, valuation and consultancy costs	2,381	1,119
Other taxes and charges	973	630
Marketing, advertising and hospitality expenses	557	390
Other	854	1,042
	10,497	**6,529**
	29,999	**19,378**

The members of the Management Board are employees of s Immobilien AG (as of the fourth quarter 2005). Management services are provided by Immorent AG under a management agreement.

The Group has its own staff in several of its subsidiaries: during 2006, the Group had an average of 31 own staff, in addition to the employees in hotel operations. In 2005, the Group had no employees before the fourth quarter.

11. EXPENSES OF PARTICIPATING CERTIFICATES

EUR '000	2006	2005
Distribution	-16,714	-16,932
Release of premium	4,176	18,479
Issue costs	0	-7,486
	-12,538	**-5,939**

Under the rules of the s IMMO INVEST Participating Certificates Fund, the unit holders were entitled to a distribution of EUR 16,714,000 for 2006, which will be paid to unit holders in 2007.

EUR 4,176,000 of the premium on the 2005 capital issue was released during the year.

12. FINANCE COSTS

EUR '000	2006	2005
Bank loan interest	-10,932	-3,944
Other finance costs	-451	-561
	-11,383	**-4,505**

13. FINANCE INCOME

EUR '000	2006	2005
Bank interest	4,275	1,254
Other interest income (in particular, on cash deposits)	2,059	2,169
Income from investments	578	400
Other	870	609
	7,782	**4,432**

14. TAXES ON INCOME

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

EUR '000	2006	2005
Current tax expense	966	349
Deferred tax expense	2,532	1,236
	3,498	**1,585**

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

EUR '000	2006	2005
Consolidated net profit before tax	19,169	10,078
Income tax expense at the standard Austrian tax rate of 25%	4,792	2,520
Effect of differing tax rates	-276	-516
Reductions in tax relating to tax free or tax exempt income	-1,353	-802
Increases in tax relating to expenses not deductible for tax purposes	401	697
Prior years' taxes	-66	-314
Tax expense as disclosed	**3,498**	**1,585**

The effect of differing tax rates consists of the effects of lower foreign tax rates.

BALANCE SHEET

15. NON-CURRENT ASSETS MOVEMENT SCHEDULE

(EUR '000)	Acquisition costs 1.1.06	Additions (+)	Disposals (-)	Additions to consolidated Group	Acquisition costs 31.12.06
Intangible assets					
a) Other intangible assets	64	0	-7	0	57
Property, plant and equipment					
a) Investment property	805,419	187,647	-10,668	184,778	1,167,176
b) Other plant and equipment	3,524	310	-524	356	3,666
Financial assets					
a) Associates	231	91	-182	0	140
b) Group interests	5,806	1,080	0	0	6,886
Total	**815,044**	**189,128**	**-11,381**	**185,134**	**1,177,925**

(EUR '000)	Accumulated depreciation 1.1.06	Writedowns / write-ups	Disposals	Accumulated depreciation 31.12.06	Book values 1.1.06	Book values 31.12.06
Intangible assets						
a) Other intangible assets	-14	-7	0	-21	50	36
Property, plant and equipment						
a) Investment property		Add, +6,498				
	-98,420	-20,391	1,060	-111,253	706,999	1,055,923
b) Other plant and equipment	-1,337	-680	122	-1,895	2,187	1,771
Financial assets						
a) Associates	0	0	0	0	231	140
b) Group interests	0	0	0	0	5,806	6,886
		Add, +6,498				
Total	**-99,771**	**-21,078**	**1,182**	**-113,169**	**715,273**	**1,064,756**

Additions to investment property (including additions to the consolidated Group) broken down between countries were as follows:

EUR '000	
Austria	23,084
Germany	206,279
Romania	51,712
Bulgaria	40,430
Czech Republic	10,898
Hungary	21,628
Slovakia	18,394
	372,425

The book values of investment property at balance sheet date were as follows:

EUR '000	2006	2005
Developed rental properties		
Austria	328,571	450,235
Germany	236,395	34,358
Romania	26,467	0
Czech Republic	37,281	59,044
Hungary	148,276	134,432
Slovakia	29,172	11,540
	806,162	**689,609**
Properties held for disposal		
Austria	121,359	0
Czech Republic	26,281	0
	147,640	**0**
Properties under development for rental		
Austria	8,423	4,325
Germany	1,159	0
Romania	24,979	0
Bulgaria	40,430	0
Czech Republic	23,582	13,032
Hungary	3,548	33
	102,121	**17,390**
	1.055,923	**706,999**

Properties with book values of EUR 416,522,000 (2005: EUR 315,369,000) are subject to liens and charges. The book values of land and buildings are shown net of construction grants of EUR 4,037,000 (2005: EUR 3,717,000).

Properties held for disposal consist of two Austrian retail properties and a Czech office property, all of which are currently let.

A very limited number of facilities are used by the Group for its own purposes (included under other plant and equipment).

Investments in associates disclosed under financial assets relate to 12 companies of minor importance not included in consolidation.

The Group interests consist of a 22.08% limited partnership interest in BGM-IMMORENT Aktiengesellschaft & Co KG with a book value of EUR 2,080,000, a silent partnership in PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co. KG with a book value of EUR 3,722,000, and a 50% shareholding and an undisclosed interest in "Hermes" Bau Planungs- und Errichtungsgesellschaft m.b.H. with a book value of EUR 1,080,000.

BGM-IMMORENT Aktiengesellschaft & Co KG's capital at 31 December 2005 amounted to EUR 7,591,000, and net income for the year was EUR 1,704,000. For "Hermes" Bau Planungs- und Errichtungsgesellschaft m.b.H., the equity at 31 December 2006 was EUR 1,000,000, and net income for the year came to EUR 68,000.

16. FAIR VALUES OF DEVELOPED RENTAL PROPERTIES

EUR '000	Book values	Fair values
Total		
Austria	449,931	520,861
Hungary	148,276	168,847
Czech Republic	63,562	90,680
Germany	236,396	238,623
Romania	26,467	26,733
Slovakia	29,170	38,900
	953,802	**1,084,644**
2005	689,610	765,805)

The undisclosed reserves of EUR 1,035,000 (2005: EUR 1,121,000) are attributable to minority interests. For details of how fair values are calculated, see note 6.

17. RECEIVABLES AND OTHER ASSETS

Trade receivables include rents receivable from tenants less any specific provisions required.

Receivables and other assets are made up as follows:

EUR '000	2006	2005
Present value of rental guarantee	2,077	2,307
Construction loan subsidies outstanding	833	867
Current tax credits	4,497	2,072
Property management agents clearing accounts	795	1,740
Accrued interest and interest rate caps and collars	5,056	3,419
Subsidiaries in process of formation	750	0
Sundry	6,169	3,106
	20,177	**13,511**

Default risks on receivables are minor.

18. SECURITIES AND INVESTMENTS

The securities consist of treasury notes and investment certificates.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of balances with banks available at call and term deposits.

EUR '000	2006	2005
Erste Bank der oesterreichischen Sparkassen AG	6,176	108,668
Other banks in the Erste Bank Group	11,021	2,230
Other banks	58,122	55,169
Cash in hand	68	31
	75,387	**166,098**

20. DEFERRED TAX ASSETS AND LIABILITIES

	Deferred tax assets		Deferred tax liabilities	
EUR '000	2006	2005	2006	2005
Tax loss carryforwards	4,062	4,649	815	1,043
Property portfolio	-1,069	-2,302	-4,577	-2,831
Other	152	0	-2,514	-1,671
	3,145	**2,347**	**-6,276**	**-3,459**

Deferred tax liabilities are shown under non-current liabilities. Deferred tax assets and liabilities are calculated on a company by company basis.

21. SHAREHOLDERS' EQUITY

The issued share capital of the Group's parent company amounts to EUR 247,509,000 and consists of 68,118,718 no par value bearer shares. The issued share capital is fully paid up.

The shares are listed on the Vienna Stock Exchange.

The Management Board is authorised to increase the issued share capital by up to EUR 182,106,000 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).

An increase in share capital of EUR 65,403,000 (18,000,000 shares) was entered in the commercial register on 29 June 2006. Total proceeds of the issue were EUR 153,900,000, and after deducting costs and taking into account tax reliefs (EUR 2,283,000), the net proceeds were EUR 147,051,000.

22. MINORITY INTERESTS

In 2006 The Group acquired a 65% interest in Einkaufscenter Sofia G.m.b.H. & Co KG, Hamburg, a 76.9 % interest in Hansa Immobilien EOOD, Sofia and a 64% interest in DUAL Construct Invest S.R.L., Bucharest. The remaining 49% interest in Duna Szálloda, Zrt., Budapest, was also acquired – s Immobilien AG is now the sole owner of the company.

Minority interests disclosed in the financial statements to a value of EUR 33,430,000 consist of EUR 18,856,000 in Kaufhaus Steffl Betriebs AG (25% minority interest), EUR 3,323,000 in Herzmansky Kaufhaus AG (25% minority interest), EUR 9,610,000 in Hansa Immobilien EOOD / Einkaufscenter Sofia G.m.b.H. & Co KG (35% minority interest) and EUR 1,642,000 in DUAL Construct Invest S.R.L. (36% minority interest).

23. NON-CURRENT FINANCIAL LIABILITIES

EUR '000	2006 Less than 1 year	1 to 5 years	More than 5 years	Total	2005 Less than 1 year	1 to 5 years	More than 5 years	Total
Participating certificates	0	0	269.058	269.058	0	0	276.774	276.774
Long-term liabilities to banks	12.103	47.209	201.663	260.975	5.982	30.629	137.991	174.602

The participating certificates are shares in the s IMMO INVEST Participating Certificates Fund, a property fund managed and owned by s Immobilien AG and accounted for as a separate entity.

The participating certificates document an entitlement to a share of the annual profit or loss from the property assets and represent a secured interest in the assets belonging to s IMMO INVEST Participating Certificate Fund. There is however no provision for a minimum distribution.

The certificates carry no entitlements to a share in the share capital of s Immobilien AG, or to a share of the Company's annual profits or any surplus on liquidation, and they confer no shareholder rights.

EUR '000	Nominal	Valuation adjustment	Issue premium	Book value
1 January 2006	282,218	-15,147	9,703	276,774
Repurchases	-3,634	94	0	-3,540
Release of premium	0	0	-4,176	-4,176
31 December 2006	**278,584**	**-15,053**	**5,527**	**269,058**

No participating certificates were issued in 2006: the total number of certificates outstanding was 3,883,398, of which 50,000 were held by s IMMOBILIEN AG. These certificates were acquired in the fourth quarter. In accordance with the Fund rules, the valuation adjustment remained essentially unchanged. Also in accordance with the Fund rules, the premium on the issue of new certificates was released (cash flow based distribution).

The distribution of EUR 16,714,000 for 2006 is included under other current liabilities.

Long-term liabilities to banks include mortgage loans of EUR 256,963,000 (2005: EUR 166,139,000) and other investment loans of EUR 4,012,000 (2004: EUR 8,463,000).

Mortgage loans are in euro and are due to the following banks:

Lending institution (EUR '000)	Outstanding	Fixed interest rate	Variable interest rate
Erste Bank	67,162	0	67,162
BA-CA, HVB Czech Republic	64,509	10,000	54,509
Other Austrian banks	88,502	52,340	36,162
German banks	36,790	19,550	17,240
	256,963	**81,890**	**175,073**

The fair value of the fixed rate mortgage loans, based on current market interest rates, is approximately EUR 1,379,000 (2005: EUR 1,795,000) more than the book value.

The fair values of the variable rate mortgage loans corresponds to the book values.

24. PROVISIONS

Changes in provisions were as follows:

EUR ,000	1.1.2006	Additions to consolidated Group	Utilised	Released	Additions	31.12.2006
Current income taxes	1,164	0	-1,055	0	498	607
Deferred income taxes	3,459	256	0	0	2,561	6,276
Other taxes and charges	416	0	-173	0	0	243
Project risks	3,600	0	-800	0	0	2,800
Pensions	627	0	-155	0	0	472
Sundry	1,134	5	-1,040	-94	2,031	2,036
	10,400	**261**	**-3,223**	**-94**	**5,090**	**12,434**

There is a provision of EUR 2,800,000 in connection with projects now in liquidation.

25. OTHER NON-CURRENT LIABILITIES

In the case of four properties, the contributions to construction costs and financing required under section 69 of Vienna's Housing Construction Subsidies and Rehabilitation Act (WWFSG 1989) amounting to EUR 11,665,000 (2005: EUR 11,918,000) were paid by the tenants. These contributions, the value of which is indexed, must be repaid to the tenants when their tenancies cease, the amount to be repaid being reduced by 2% for each year of tenancy.

The subsidies themselves, amounting to EUR 6,113,000 (2005: EUR 6,602,000), must be repaid if the conditions attaching to them are breached, and are secured by charges on the subsidised properties. The remaining term of the contributions to construction and financing costs and of the housing construction subsidies is generally in excess of five years.

S-Tourismusfonds Management Aktiengesellschaft, Vienna, has an undisclosed interest in Duna Szálloda Zrt.

Other long-term liabilities consist mainly of tenants' deposits.

OTHER INFORMATION

26. OTHER OBLIGATIONS AND CONTINGENT LIABILITIES

Pending litigation
There are no material legal disputes that are unresolved or outside the ordinary course of business.

27. MATERIAL AGREEMENTS

The tenancy agreements concluded by the Group generally contain clauses specifying that rents and other fees are tied to the euro, and that capital values are linked to international indices.

28. CASH FLOW STATEMENT

The cash flow statement shows how the Group's funds change over time as a result of inflows and outflows. The statement distinguishes between cash flows from business activities, investing activities and financing activities. The liquid assets shown in the statement consist of cash in hand and funds at banks.

29. RELATED PARTY DISCLOSURES

s Immobilien AG is included in the consolidated financial statements of Erste Bank der oesterreichischen Sparkassen AG at equity. In 2006 Erste Bank Group's minority interest in the s Immobilien AG Group declined slightly, to 18.91% at balance sheet date.

There were the following material receivables and payables with Erste Bank Group:

EUR '000	2006	2005
Receivables		
Other receivables	39	432
Bank deposits	17,197	110,898
	17,236	**111,330**
Liabilities		
Non-current liabilities to banks	67,162	25,294
Current financial liabilities	26,226	1,605
Trade payables	506	321
Other liabilities	3,063	13,064
	96,957	**40,284**

In financial 2006 there were the following material income and expenses in connection with Erste Bank Group:

EUR '000	2006	2005
Expenses		
Advertising	24	217
Commissions	351	362
Consultancy fees	332	185
Management fees IMMORENT AG	4,238	3,108
Issuing costs – participating certificates	0	5,910
Bank loan interest and charges	2,331	1,527
Other expenses	121	194
	7,397	**11,503**
Income		
Rent and service charges	1,051	288
Bank interest	1,096	939
Other interest income	94	807
	2,241	**2,034**

There were also costs of EUR 6,074,000 incurred by Erste Bank Group in connection with the issue of new shares, which have been charged directly against equity.

The remaining 49% of the shares in Duna Szálloda Zrt. (see note 3) were acquired from S Tourismusfonds Management Aktiengesellschaft. The latter, which is an Erste Bank associated company, continues to hold an undisclosed interest in Duna Szálloda Zrt.

Under an agreement dated 14 January 2003 IMMORENT AG has given Sparkassen Immobilien AG a rental guarantee for the property at Gasgasse 1-7, A-1150 Vienna. The fee charged for this guarantee was EUR 3,000,000, its fair value at balance sheet date was EUR 2,077,000.

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

30. SHARE RATIOS

Earnings per share

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

	2006	2005
Equity share of profit after tax (EUR '000)	15,029	6,806
Average number of shares in circulation	59,118,718	34,630,642
Earnings per share (EUR)	**0.25**	**0.20**
Diluted earnings per share (EUR)	**0.25**	**0.20**

Cash flow per share

Cash flow per share is calculated by dividing the consolidated cash flow from business activities by the average number of shares in circulation during the year.

	2006	2005
Consolidated cash flow (after tax) (EUR '000)	52,648	30,702
Average number of shares in circulation	59,118,718	34,630,642
Cash flow per share (EUR)	**0.89**	**0.89**
Diluted cash flow per share (EUR)	**0.89**	**0.89**

31. EVENTS AFTER BALANCE SHEET DATE

An agreement to purchase all the shares in ROTER INVESTITII IMOBILIARE S.R.L., in Bucharest, for EUR 7.2m was signed in mid-January 2007. The company is the sole proprietor of a 97,000 m2 plot of land in Jilava, Romania.

At the end of January 2007, a contract for the acquisition of nine residential rental properties in Berlin was signed: the total lettable space is just under 11,000 m2, and the purchase price was EUR 8.5m.

The agreement for the purchase of the Berlin-Mitte Financial authority Office, with a total of 12,000 m2 of lettable space was signed in December 2006, but the transfer of risk only took place in the first quarter of 2007. The purchase price was EUR 9.2m.

A contract for the acquisition of 53 residential rental properties in Berlin was signed in December 2006; payment of the purchase price and transfer of ownership will take place in stages in 2007. The total cost of the portfolio, with 176,000 m2 of lettable space, is EUR 114.4m.

32. RISK REPORT

Property markets are exposed to the cyclical fluctuations of different industries and countries. s Immobilien AG seeks to counteract these risks with a broad spread of investments, both sectorally and geographically.

Strategic risk

s Immobilien AG restricts its activities to markets and market segments it knows and understands, where it can assess the potential benefits and risks. This is the reason for its concentration on Austria as its core market, on Germany as comparable in terms of culture, law and business environment, and on the countries of Central and South Eastern Europe. s Immobilien AG benefits here especially from its cooperation with the highly successful Erste Bank Group and also from its own many years of experience in these countries.

Exchange and interest rate risk
The rental agreements s Immobilien AG concludes are predominantly in euro, and foreign currencies are converted into euro without delay. The exchange rate risks associated with its business activities are therefore minimal, and – with the exception of small amounts – are hedged using derivatives.

Loans and borrowings are at variable interest rates and are hedged with interest rate derivatives: only standard instruments, such as interest swaps, caps and collars, are employed.

Operational and property risks
Operational risks are reduced to a minimum by division of responsibilities in all major business transactions: execution, back office and risk management functions are strictly separated.

In all countries in which s Immobilien AG is invested, local management works closely with professional firms of lawyers and accountants. This ensures that risks are identified in good time and neutralised.

Project development risks
s Immobilien AG works only with experienced developers who have successful reference projects to show. It makes it a rule to retain a majority stake in project development companies, but generally assumes none of the letting risks. Developers are paid as each stage is completed, so as to minimise the default risk on development costs.

33. MANAGEMENT BODIES

Supervisory Board
Martin SIMHANDL, Vienna (Chairman)
Klaus BRAUNEGG, Vienna (first deputy chairman)
Franz KERBER, Vienna (second deputy chairman)
Christian AHLFELD, Vienna
Gerald ANTONITSCH, Vienna
Manfred RAPF, Vienna (from 27 May 2006)
Reinhold SCHÜRER-WALDHEIM, Vienna
Peter TICHATSCHEK, Vienna (until 27 May 2006)
Richard WILKINSON, Vienna

Management Board
Holger SCHMIDTMAYR
Ernst VEJDOVSZKY

Authorised signatories
Peter GRÖLL
Christof RAUCHENSCHWANDTNER
Alexander KLAFSKY (from 1 May 2006)

With respect to compensation of the Management Board, advantage is taken of the exemption afforded by section 266(7) HGB. Compensation paid to members of the Supervisory Board (including members of the supervisory board of a Group company) amounted to EUR 49,000 (2005: EUR 18,000). Members of the Management Board received neither loans nor advances, and no guarantees have been given on their behalf.

Vienna, 14 March 2007

Management Board

Holger Schmidtmayr m.p.   Ernst Vejdovszky m.p.

Auditors’ report and opinion

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sparkassen Immobilien AG, Vienna for the financial year from January 1, 2006 to December 31, 2006.

These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2006, and a summary
of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible 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 financial statements that are 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

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 applicaple in and in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements.

An audit involves performing 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 those risk assessments, the auditor considers internal control relevant to the Group’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control. An audit also includes evaluating the appropriateness of the accounting 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 of Sparkassen Immobilien AG present fairly, in all material respects, the financial position of the Group as of December 31, 2006, and of its financial performance and its cash flows for the financial year from January 1, 2006 to December 31, 2006 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Laws and regulations applicable in Austria require us to audit procedures 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 give rise to misconception of the position of the Group.

In our opinion, the consolidated management report for the Group is consistent with the consolidated financial statements.

Vienna, 14 March 2007

Eidos Deloitte
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH

Erich Kandler	Claudia Fritscher Notthaft
Auditor and tax advisor	Auditor and tax advisor

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Fax +43 (0)50100-27559
E-Mail office@s-immoag.at

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■ Current Investments ■ Prospective Investments www.sparkassenimmobilienag.at