# Q2 INTERIM REPORT AS AT 30 JUNE 2011


OMV Head Office (Hoch Zwei), Vienna, Austria

Closeness is our strength.

S IMMO

# KEY FIGURES

| | | 01.01. – 30.06. 2011 | 01.01. – 30.06. 2010 |
|---|---|---|---|
| Revenues | EUR m | 102.3 | 79.4 |
| whereof rental income and revenue from hotel operations | EUR m | 81.3 | 65.3 |
| EBITDA | EUR m | 49.5 | 36.8 |
| EBIT | EUR m | 51.3 | 30.1 |
| EBT | EUR m | 12.5 | 6.6 |
| Net income for the period | EUR m | 10.1 | 5.0 |
| Total assets | EUR m | 2,172.8 | 2,128.4 |
| Shareholders' equity | EUR m | 530.4 | 518.1 |
| Liabilities | EUR m | 1,642.4 | 1,610.4 |
| Equity ratio (including participation certificate capital) | in % | 36 | 36 |
| Investments | EUR m | 17.9 | 82.4 |
| Operating cash flow | EUR m | 51.3 | 28.2[1)] |
| Cash flow from investing activities | EUR m | -5.8 | -35.0 |
| Cash flow from financing activities | EUR m | -118.3 | -61.3 |
| Cash and cash equivalents as at 30 June | EUR m | 58.3 | 142.7 |
| NOI margin | in % | 49 | 49 |
| Loan to value ratio | in % | 60 | 57 |
| FFO | EUR m | 21.6 | 16.4[1)] |
| Earnings per share | EUR | 0.11 | 0.09 |
| NAV per share | EUR | 8.54 | 8.23 |
| Share price discount from NAV | in % | 46 | 41 |
| Cash flow from operations per share | EUR | 0.75 | 0.41 |
| Property portfolio (fair value) | EUR m | 2,005.9 | 1,853.7 |
| whereof properties under construction | EUR m | 56.8 | 103.3 |

[1)] Adjusted


Residential building Mommsenstrasse, Berlin, Germany

# Contents

# Dear Shareholders,

After a successful start to 2011, S IMMO continued its positive performance in the second quarter. Compared to the same period last year, we doubled our net income for the period, increased our cash flow by 80% and also improved other key indicators significantly. We have success stories to report in asset management, in recognition in form of international awards, and in excellent outcomes in our building refurbishment programme in Germany.

## Uncertainties in the capital markets

However, these encouraging developments and the solid value of the Group's assets were not reflected in the performance of our Share: In recent weeks, capital markets have been plagued by turbulence, high levels of volatility and growing uncertainties. Despite international efforts to reassure the financial markets, stock exchange indexes worldwide have been in free fall since the beginning of August. Fears of a recession in the USA, the spreading European debt crisis and the downgrading of the US credit rating continue to unsettle the markets. The European Central Bank attempted to calm the capital markets by buying Italian and Spanish government bonds. However, this did not prevent developments around the world from impacting European financial markets unfavourably, and the Vienna Stock Exchange plunged sharply. At times, the ATX was down more than 30% from the level at which it began the year. The Austrian property index, the IATX, was even more severely affected in recent weeks, and has dropped below the level of 15 years ago, when it was first launched. At the same time, trading volumes increased sharply.

At the end of the first half year, the S IMMO Share closed at EUR 4.632 and was not spared the effects of subsequent developments. The traded volume doubled, reflecting the market's extreme volatility. Even if the poor performance of the S IMMO Share is clearly the result of the upheavals in international capital markets, Management is anything but satisfied with the Share's current discount to net asset value. What we shall continue to stress – in local and international roadshows, conferences, and investor meetings – is the obvious potential for appreciation that the S IMMO Share now has, and the strength of the Group's asset backing.

Achieving Share inclusion into the relevant industry indexes and simplifying our capital structure also features highly on our agenda. We have therefore started another repurchase programme for S IMMO INVEST participating certificates. Since the beginning of the year, we have been able to repurchase approximately 8.5% of the participating certificates. In our meetings with investors and analysts, it has been confirmed that this is an important step in the right direction.


The Members of S IMMO AG's Management Board:
Friedrich Wachernig, Ernst Vejdovszky and Holger Schmidtmayr (f.l.t.r.)

This year's Annual General Meeting voted to change the Company's name to S IMMO AG, which was the last step in the process of giving the Group a new, uniform and more powerful international market presence.

## Excellent half-year operating results

We are more than satisfied with the Group's half-year operating results. Both the rental income of EUR 61.7m and the income from hotel operations of EUR 19.6m were significantly higher than in the same period last year. Gross profit was up by approximately 30% to EUR 54.5m. The gains on property disposals amounted to EUR 3.9m, and were a major factor in increasing EBITDA to EUR 49.5m. This is a substantial improvement compared with the same period last year – nearly 35%. The net profit for the first half of 2011 came to EUR 10.1m, twice as much as for the first half of 2010.

Other key figures we use in monitoring the Group's progress convey the same, very positive message: Funds from operations (FFO) were up more than 31% to EUR 21.6m, while operating cash flow increased by 82% to a very satisfactory EUR 51.3m. This is proof that the efforts we invested in the openings of our development projects and the acquisitions in the Viertel Zwei development in Vienna have borne fruit. In the first half of 2011, the EPRA NAV, the net asset value of our Share, increased once again and currently stands at EUR 8.54 per share.

Internalising our asset management and stepping up letting activities for our existing properties have brought us permanent benefits. Our success in acquiring such famous names as H&M and Diesel as tenants for our shopping centres Sun Plaza and Serdika Center has meant that we have been able to hold the occupancy rates at 98% and 96%, respectively, despite the depressing economic climate.

At the same time, we continue to invest in making our shopping centres popular attractions by utilising targeted marketing activities such as making the forecourts more inviting and providing additional incentives for shoppers and visitors. The outstanding quality of the projects was confirmed in recent months by the receipt of international awards such as the Europaproperty SEE Real Estate Award in the category of SEE Overall Project of the Year for Sun Plaza.

## What does the second half of 2011 hold in store for us and our investors?

Our operating performance is on target and we currently expect the second half of this year to be equally successful. With our widely diversified, top-quality portfolio we are extremely well placed to meet the challenges of the coming months. We shall continue our building refurbishment programme in Germany, where we have succeeded in increasing the occupancy rate from 86% to 90% and upping the rental income by 3.3% in the last twelve months. We will also take advantage of the potential for growth, in the SEE countries in particular, as soon as these countries have fully recovered from the economic crisis. The economic forecasts for these countries over the next few years are very optimistic.

We continue to work on planning permissions for our future development projects in our investment markets – all located in European Union capitals. Planning permission for our office project Grivitei in Bucharest has been obtained, and we are now focusing on the concept and design as well as on preparing the application for the construction permit. As soon as the relevant permits are received and local market conditions permit, construction on the various projects will begin. For our Quartier Belvedere Central project at the new Vienna Central Station, which we are developing together with Erste Group Immorent and PORR Solutions, we are expecting planning permission towards the beginning of 2012 and the construction permit later in the same year.

And – last but not least – we are proud to announce that our Annual Report has again won international awards. However, as much as we value the praise of impartial experts, it is the quantity and quality of feedback from you – our shareholders – that helps us make our communications even more transparent and service-oriented. We would like to take this opportunity to thank you for your regular feedback in e-mails, telephone calls as well as on what we send you and for the trust you place in us. We and our employees are always delighted to answer any questions you may have via the shareholder hotline, through the services provided on our website or in person at one of our many events.

The Management Board

Holger Schmidtmayr    Ernst Vejdovszky    Friedrich Wachernig

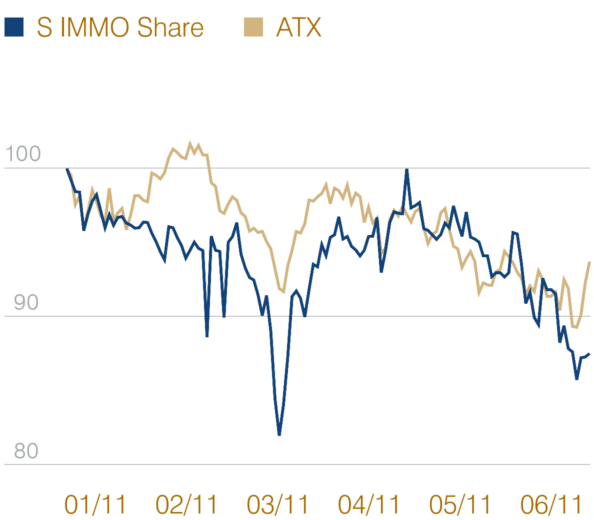
# Our Share

**International stock markets under heavy pressure**

In the first half of 2011, stock markets around the world were hit by the effects of severe natural disasters, such as the earthquake and tsunami in Japan and the country's nuclear catastrophe, and by the financial crisis in Greece. Greece's threatened insolvency and its impact on the EURO and the European Economic Area kept the markets unsettled. The serious danger that a fully integrated European country could become insolvent sent shock waves through the capital markets. In Austria, the debate about the securities capital gains tax was also responsible for the poor showing of the Austrian stock market – among the worst performances internationally, after Greece, Slovenia and Finland.

## Share price development

indexed (01.01.2011 to 30.06.2011)




### S IMMO Share performance

| | (ISIN AT0000652250) |
|---|---|
| One year | -4.93% |
| Three years, p.a. | -12.48% |

### S IMMO INVEST participating certificate performance

| ISIN | AT0000795737 | AT0000630694 |
|---|---|---|
| One year | 10.50% | 2.10% |
| Three years, p.a. | 4.40% | 3.80% |

As at 30 June 2011, the situation varied from country to country: Germany's leading index, the DAX, put on 462.05 points, or 6.7%, since the beginning

| in EUR | S IMMO Share price AT0000652250 | S IMMO INVEST price AT0000795737 | S IMMO INVEST price AT0000630694 | ATX | IATX |
|---|---|---|---|---|---|
| 31.12.2010 | 5.280 | 70.310 | 72.000 | 2,904.47 | 188.26 |
| 31.03.2011 | 5.046 | 72.670 | 72.680 | 2,882.18 | 196.18 |
| 30.06.2011 | 4.632 | 75.000 | 74.000 | 2,766.73 | 186.44 |

of 2011, and closed the half year at 7,376.24, only 9.5% short of its all-time high of 8,151.57 points in the spring of 2007.

The performance of the USA's main index, the Dow Jones Industrial Index (DJII), was also satisfactory. Over the last half year, it gained 836.83 points, or 7.2%, to close at 12,414.34 points on 30 June 2011. This was only 12.6% short of its record high of 14,198.10 points in October 2007.

The ATX, Austria's leading index, showed a completely different picture. Stock exchanges of secondary importance – Vienna ranks as one of these – generally see investors withdrawing their money in times of crisis. In combination with the securities capital gains tax, the introduction of which was confirmed but then postponed, the outflows and the lack of buyers in the marketplace had drastic effects on the ATX. Over the last six months, it was down 4.7% and ended the half year at 2,766.73 points. But its dismal state is even clearer when compared with its all-time high of 5,010.93 points in July 2007. By 30 June 2011 it has lost more than 44.8% compared with the level it reached then.

### IATX and S IMMO Share in decline

Austria's property share index, the IATX, tells a similar story. Running counter to international trends, it lost nearly 1.0% in the first six months of 2011 and closed at 186.44 points.

Over the same period, the S IMMO Share fell by 3.1% to end the period at EUR 4.632. S IMMO's Management is far from being satisfied with this state of affairs, and is doing its utmost to highlight in Austria and abroad the significant upside potential represented by the gap between the share's current market price and its net asset value (NAV).

### New repurchase programme for S IMMO INVEST started

With the Supervisory Board's approval, the Management Board has launched a further repurchase programme for S IMMO INVEST participating certificates. The Company is authorised to repurchase up to 15% of the certificates in issue, i.e., a maximum of 477,129 certificates. The repurchase programme began on 20 June 2011 and will end at the latest on 20 June 2012. This programme is another step towards permanently simplifying the Group's capital structure.

| Share indicators | | 01-06/2011 | 01-06/2010 |
|---|---|---|---|
| Closing price as at 30 June | EUR | 4.632 | 4.872 |
| Average daily turnover | shares | 60,000 | 44,000 |
| Earnings per share (EPS) | EUR | 0.11 | 0.09 |
| NAV per share | EUR | 8.54 | 8.23 |
| Operating cash flow per share | EUR | 0.75 | 0.41 |
| Price/operating cash flow | EUR | 3.08 | 5.88 |
| Share price discount to NAV as at 30 June | in % | 46 | 41 |

### International presence at investor conferences

During the first six months of this year, Management and Investor Relations staff have noted the return of a more positive attitude to property shares both in Austria and elsewhere.

Accompanied by the research house CA Cheuvreux and its initial analysis of S IMMO, the Company presented itself at meetings with customers and held group presentations in Paris and New York. In Switzerland with Credit Suisse, the focus was on private banking meetings. The general emphasis in private banking on a long-term approach to investment supports our arguments that investing at the present market price offers great potential for substantial, permanent gains.

Together with Erste Group, there were investor events in London, where the performance of Austrian property shares is being followed with great interest. S IMMO was also represented again at this year's investment conference organised by Raiffeisen Centro Bank in Zürs. In addition to a presentation of the Group, there were numerous one-on-ones with interested investors, largely representing Swiss businesses and institutions.

### Annual General Meeting and change of name

S IMMO AG's Annual General Meeting was held on 31 May 2011 in the Vienna Marriott Hotel, a property belonging to the Group. Nearly 200 shareholders took part. The motions discharging the Management and Supervisory Boards from liability for the financial year 2010 were approved by the shareholders unanimously.

The AGM also approved a change in the Company's articles of incorporation, marking the final step in the process of giving the Group a new, uniform, internationally more recognisable presence. The Company's new name – S IMMO AG – was entered in the commercial register as at 01 July 2011.

| Research house | Target Price / Fair Value | Recommendation | Last update |
|---|---|---|---|
| CA Cheuvreux | EUR 5.50 | Underperform | 10.05.11 |
| Edge Capital | EUR 6.70 | Outperform | 15.04.11 |
| Erste Group | EUR 6.30 | Buy | 21.04.11 |
| HSBC Global Research | EUR 7.00 | Overweight | 01.03.11 |
| KBC Securities | EUR 5.23 | Hold | 21.06.11 |
| SRC Research | EUR 7.50 | Buy | 25.01.11 |

# Interim Management Report

## Market Overview

The broad economic picture across Europe has worried analysts and economists in recent months, as the sovereign debt crisis seems to be spiralling out of control. Greece, it is now widely acknowledged, may default in the coming year, and the worrying economic picture has shifted west to Italy and the Iberian Peninsula. However, the CEE region has not been touched by the Eurozone financial crisis.

The prospects for the EURO have shifted, with some questioning the long-term viability of the single currency and whether the Eurozone debt crisis will inevitably drag the currency down to an unsustainable value.

Overall across the Eurozone, property investment activity slowed to EUR 25bn in Q2, reflecting the growing uncertainty surrounding the financial situation. Total investment turnover in Europe was 12% below the Q1 total (EUR 28.4bn) and 3% lower year-on-year, at EUR 25.7bn. The momentum that has built up in the past year in the CEE market continued in Q2, with EUR 2.6bn turnover, though over 50% was attributable to the Russian market.

### AUSTRIA

Vienna's office market has remained largely stable over Q2. Prime office rents stayed flat on the previous quarter, at EUR 23.50/m²/month. This is an increase of 5.6% year-on-year. Prime office yields in Vienna stood at 5.25%. They remained unchanged compared with the previous quarter, but saw a 30 bps drop year-on-year.

In the first half of 2011, office take-up in the Austrian capital remained stable at 85,000 m². There is an expectation amongst Austrian realtors that there will be a slight upward trend in the second half of 2011 due to the postponement of some large new lettings, although overall take-up is still predicted to fall by about 5% to 210,000 m². There will also be a lot of new construction and refurbishment projects that will enter the market in 2011 and 2012 in Vienna's first district. At the end of Q2 2011, Vienna's office supply stood at around 10,300,000 m².

Sources: CBRE, European Property Investment, July 2011; CBRE, EMEA Rents and Yields, 30 June 2011; CBRE MarketView, German Investment Quarterly, Q2 2011; Die Presse.com, Property prices are rising faster than rents, June 2011; Jones Lang LaSalle; Property Investor Europe, July 2011; The Wall Street Journal, 21 June 2011; TRI Hospitality Group (www.hotstats.com; 26 July 2011); Vienna Tourist Board statistics and press releases (www.wien.info; 26 July 2011)

The retail market in Vienna offered a mixed display: Prime rents rose slightly to EUR 226.00/m²/month, an increase of 0.4% on the previous quarter and of 1.8% year-on-year. Meanwhile, prime yields fell to 4.50%, a drop of 10 bps on the previous year, despite remaining flat on the previous quarter.

In terms of residential real estate in Vienna, a new apartment costs more than EUR 3,000.00/m² on average, an increase on a year ago. In a prime downtown location, apartments can cost nearly three times as much, at EUR 8,600.00/m². In Vienna, residential rental rates have risen by 2.8% over the past year.

## GERMANY

Following on from the previous quarter, Germany is continuing to strengthen its status as one of the most important and potentially profitable investment markets worldwide. The total commercial property investment volume was up 28% compared to a year ago, with a transaction volume of EUR 5.6bn between April and July 2011.

The five main investment centres of Berlin, Düsseldorf, Frankfurt, Hamburg and Munich showed no change on the last quarter in terms of prime rents seen in office property. However, both Berlin and Frankfurt registered a fractional drop in prime yields of 10 bps on the last quarter, falling to 5.10% and 5.00%, respectively.

The retail market in Germany differed greatly when compared with the minor movements seen in the office market. Three of the five major investment centres in Germany experienced positive growth in prime rents, with Hamburg in particular posting a 13.6% increase on the previous quarter to EUR 250.00/m²/month. This made Hamburg one of the top risers in terms of prime rents in Europe. Prime yields in Hamburg remained static on the last quarter at 4.40% and saw only a 10 bps drop year-on-year.

Elsewhere, Düsseldorf and Frankfurt also posted good growth in prime rents, increasing by 4.5% and 7.1%, respectively, on Q1 2011 and by 4.5% and 11.1% year-on-year.

The two cities to remain static on the previous quarter in terms of prime rents were Berlin and Munich, with Berlin also posting a 15 bps drop in prime yields on the previous year. Munich fell by 10 bps on the previous year. Prime rents stood at EUR 250.00/m²/month in Berlin and EUR 310.00/m²/month in Munich.

In terms of residential property, institutional and retail investors are moving back into the market. Housing prices have soared in some of the biggest cities. Berlin's prime residential property prices are up 17.0% since October 2010 and Frankfurt's have climbed 15.0%.

## CENTRAL AND EASTERN EUROPE (CEE)

Prime rents for office space in Budapest, Hungary, remained unchanged compared with Q1 and year-on-year, at EUR 20.00/m²/month. Prime yields stood at 7.50% for a successive quarter and fell by 50 bps year-on-year.

Prime rents for retail property in Budapest followed the trend set by office space, posting no growth on the last quarter or year-on-year, and stood at EUR 90.00/m²/month. Prime yields remained unchanged compared with the last quarter, at 7.00%, but fell 25 bps year-on-year.

At the end of Q2 2011, Budapest's new office lettings totalled 86,193 m². Total office stock reached 3,100,000 m².

As seen in Budapest, prime office rents in Bratislava, Slovakia, remained unchanged at EUR 17.00/m²/month, with no drop compared to the last quarter or year-on-year. Prime yields also remained stationary compared with last quarter, at 7.25%, but were down by 25 bps year-on-year.

The Slovakian retail market in Bratislava was one of the few markets to not post a percentage drop across the board in terms of prime rents and prime yields when compared to the previous quarter and year-on-year. The office market in Bratislava remained as it was in Q1 in terms of prime rents, staying at EUR 17.00/m²/month. Prime yields remained reasonably healthy at 7.25%, down by 25 bps year-on-year (no drop compared with the last quarter).

The prime office rental market in Prague, Czech Republic, also showed no drop both compared to the last quarter and year-on-year, remaining at EUR 21.00/m²/month. Prime yields for offices stayed at 6.50%, as in the previous quarter, but dropped by 35 bps year-on-year.

Prime retail rents remained steady both on the last quarter and year-on-year, holding at EUR 170.00/m²/month. In terms of prime yields, Prague remained unchanged compared with the last quarter, but fell by 25 bps year-on-year to 6.50%.

Investment volumes in Central and Eastern Europe amounted to EUR 4.4bn by the end of May 2011, representing an increase of 180% compared to the same period last year. Investor activity has focused largely on Poland, the Czech Republic and Russia. However, activity in other markets, particularly Budapest and Bucharest, is expected to increase due to the still considerable yield premiums witnessed there.

## SOUTHEASTERN EUROPE (SEE)

In Bulgaria, no significant retail projects have been completed so far this year, in contrast to last year's record supply of new shopping centres. However, if all new-build is carried out successfully, it would bring a 42% rise to nearly 800,000 m².

Prime rents for retail space in Sofia held at EUR 40.00/m²/month year-on-year, without dropping on the previous quarter either. Prime yields remained at 8.00%, staying stationary both on the last quarter and year-on-year.

Prime office rents in Sofia fell by 3.5% year-on-year but remained stationary on the last quarter, at EUR 14.00/m²/month. Prime yields for office space in Sofia amounted to 9.35%, a 15 bps drop on last quarter and a 65 bps drop year-on-year.

In terms of prime office rents in Bucharest, Romania, rates remained the same as in the previous quarter, at EUR 19.50/m²/month. Prime yields fell by 25 bps on the last quarter, or by a substantial 10 bps year-on-year, to 8.50%.

Prime retail rents in Bucharest did not change compared with last quarter or year-on-year, at EUR 70.00/m²/month. Prime yields also stood at 10.25%. As in 2010, Bucharest represents a magnet for retailers and developers and, as a result, activity continues to be concentrated here.

In Zagreb, Croatia, prime office rents stood at EUR 15.90/m²/month, a 0.6% decline on the last quarter, but a drop of 3.6% year-on-year. Yields remained at 8.30% and showed no drop either on the last quarter or year-on-year.

The retail market in Zagreb remains strong, with prime rents rising slightly to EUR 77.50/m²/month, an increase of 3.3% on the last quarter. Compared with last year, they remained unchanged. In terms of prime yields, there was a slight drop of 10 bps on the last quarter to 7.50%.

| | Prime rents EUR/m²/month | | Take-up 2011 (m²) | Vacancy (%) | Prime yields (%) | |
|---|---|---|---|---|---|---|
| | Office | Retail | Office | Office | Office | Retail |
| Vienna | 23.50[a] | 226.00[a] | 60,000[b] | 5.8[b] | 5.25[a] | 4.50[a] |
| Berlin | 22.00[a] | 250.00[a] | 277,300[c] | 9.4[c] | 5.10[a] | 4.75[a] |
| Hamburg | 22.50[a] | 250.00[a] | 214,600[d] | 8.6[d] | 4.90[a] | 4.40[a] |
| Prague | 21.00[a] | 170.00[a] | 88,000[e] | 11.9[e] | 6.50[a] | 6.50[a] |
| Bratislava | 17.00[a] | 54.00[a] | Not available | Not available | 7.25[a] | 8.50[a] |
| Budapest | 20.00[a] | 90.00[a] | 86,200[f] | 20.6[f] | 7.50[a] | 7.00[a] |
| Bucharest | 19.50[a] | 70.00[a] | 65,000[g] | Not available | 8.50[a] | 10.25[a] |
| Sofia | 14.00[a] | 40.00[a] | Not available | Not available | 9.35[a] | 8.00[a] |
| Zagreb | 15.90[a] | 77.50[a] | Not available | Not available | 8.30[a] | 7.50[a] |

Sources:
[a] CBRE MarketView, EMEA Rents and Yields, Q2 2011
[b] CBRE MarketView, Vienna Offices, Q2 2011
[c] CBRE MarketView, Office Market Berlin, Q2 2011
[d] CBRE MarketView, Office Market Hamburg, Q2 2011
[e] CBRE MarketView, Prague Offices, Q2 2011
[f] DTZ Research, Budapest Offices, Q2 2011
[g] DTZ Research, Europe, Q2 2011

## HOTELS

In Vienna, the positive development of overnight stays and turnover seen in the hotel industry at the beginning of the year continued. During the first half of 2011, overnight stays increased by 5.3% compared to the prior year. Turnover in the hotel industry grew by 12.1% year-on-year from January to May. These increases can primarily be attributed to foreign guests.

A further encouraging development is the fact that, despite the increase in the overall capacity of Viennese hotels by 1,800 beds compared to the prior year, the occupancy rate increased slightly and, along with higher average room rates, resulted in a 4.5% rise in turnover year-on-year.

Due to the Ice Hockey World Championship held in May 2011, Bratislava saw a marked increase in occupancy and room rates, especially in the four-star hotel segment. Room rates grew by 26% year-on-year in May.

However, the positive results in May could not erase the persistently weak occupancy rates and low room rates seen during the rest of the first half of 2011. The Slovakian capital is still suffering from a surplus of rooms that remains yet to be absorbed.

The Budapest hotel market benefited from a significant increase in demand due to the Hungarian EU presidency during the first half of the year. In Prague – for the first time in quite a while – hotels posted gains in both occupancy and room rates. In May 2011, Prague's RevPAR, the average revenue per available room, increased by 10% year-on-year.

# Business Performance and Results

### Property portfolio

S IMMO Group is invested in Austria, Germany and six other countries in Central and Southeastern Europe. As at 30 June 2011, it owned a total of 244 properties mainly in European Union capitals and large German cities. The market value of the Group's property portfolio was EUR 2,005.9m, with a total let floor space of approximately 1,400,000 m$^2$.

The portfolio is diversified by region and by property use type: At balance sheet date, around 60% of the total portfolio was in Western Europe and roughly 40% in Central and Southeastern Europe. A detailed breakdown by region shows that 31.5% of the properties were in Austria, 28.3% in Germany, 21.1% in SEE and 19.1% in CEE.

By property use type, the breakdown was as follows: 35.7% was office, 26.5% retail, 23.9% residential and 13.9% hotel property. The occupancy rate is at a very satisfying 91.2%, and the overall rental yield is 6.6%.

### Rental yields by region

| in % | 30 June 2011 |
|---|---|
| Germany | 6.4 |
| Austria | 5.8 |
| SEE | 7.8 |
| CEE | 7.3 |
| **Total** | 6.6 |

In the first half of 2011, four apartments in the mixed residential and office building Neutor 1010 in Vienna and also a residential building in Vienna were successfully disposed of. Additionally, one retail and two residential properties in Berlin were sold. With EUR 18.4m, revenues from sales exceeded the assets' estimated values by EUR 3.9m.

In Germany, and in Berlin in particular, the building refurbishment programme continues. Measures include investments in the fabric of properties (e.g., facades or stairways) as well as direct investments in individual apartments. This programme contributes to enhancing the Group's profitability – we were able to increase the occupancy rate for the German portfolio from 86% to 90% and the rental income by 3.3%. The renovations also considerably increased the buildings' market value.

In our two shopping centres – Sun Plaza in Bucharest and Serdika Center in Sofia – the occupancy rates were 98% and 96%, respectively, which is very satisfactory considering the sluggishness of the countries' economies. We are glad to have been able to acquire the Swedish fashion chain H&M as a major tenant and attraction for Sun Plaza. H&M will be opening its 1,600 m² store on two floors in November. The outstanding quality of both shopping centres was officially recognised at the Europaproperty SEE Real Estate Awards Gala in Bucharest. Sun Plaza was a clear winner in the "Large Shopping Center" category, and also won the „SEE Overall Project of the Year" award. Serdika Center in Sofia won the award for the best shopping centre of the year 2010 in the category "Medium Shopping Center".

## PERFORMANCE

### Improvement in gross profit

Rental income of EUR 61.7m for the first half of 2011 was most satisfactory (first half of 2010: EUR 48.2m). The three buildings in Vienna's Viertel Zwei, which were acquired in December 2010, made a full contribution to earnings for the first time. The increase in rental income is also attributable to income from development projects that were completed during the past financial year.

The continuing positive trend in the hotel industry in Vienna and Budapest is also reflected in the performance of S IMMO's hotels. Income from hotel operations for the first half of the year climbed from EUR 17.0m in 2010 to EUR 19.6m. Despite a slight increase in operating expenses, profits from hotel operations in the first half of 2011 were up by around 25% to EUR 4.2m.

Rental income for the first half of 2011 by region was made up as follows: Germany contributed 29.3% and Austria 25.3%, while 23.6% came from SEE and 21.8% from CEE.

According to property use type the breakdown was as follows: The highest proportion was retail with 35.0%, followed by offices with 34.2%. Residential properties made up 23.2% and hotels contributed 7.6%. Results from the Vienna Marriott Hotel and the Budapest Marriott Hotel, both leased to hotel operators, are recognised as revenues from hotel operations.

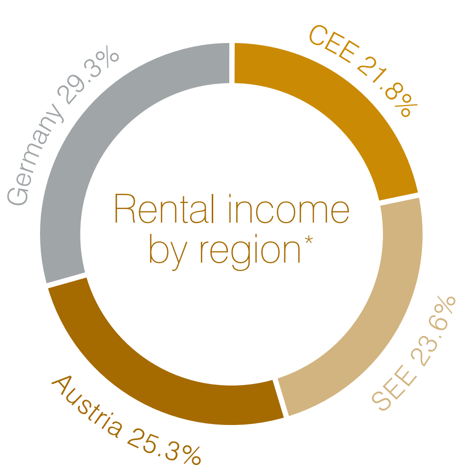
Overall, in the first half of 2011 S IMMO Group improved its gross profit by 30.5% to EUR 54.5m (first half of 2010: EUR 41.8m).

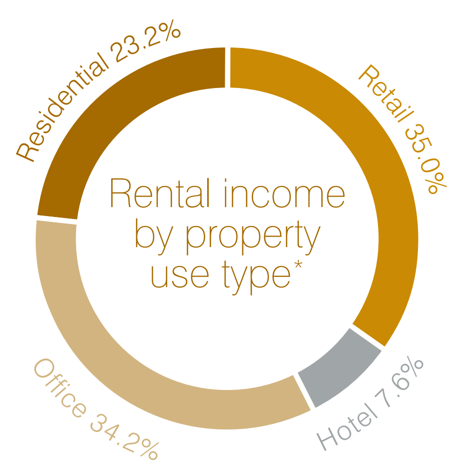
### Growth in earnings

S IMMO successfully disposed of a total of four properties in Vienna and Berlin in the first half of 2011. Additionally, four apartments in the mixed residential and office building Neutor 1010 in Vienna were sold. The gains on property disposals amounted to EUR 3.9m and were a major factor in pushing EBITDA up from EUR 36.8m to EUR 49.5m. This was a substantial increase of 34.7% compared with the same period last year.

For the six months to 30 June 2011, the net financing result amounted to EUR -32.0m, including a non-cash foreign exchange loss of EUR 3.4m. This loss was driven by a drop in the EURO against functional currencies in Central and Southeastern Europe (Romanian leu, Hungarian forint, Czech crown and Croatian kuna).

Overall, net income for the first half of 2011 has doubled compared with the same period last year, and amounted to EUR 10.1m.




* not including Vienna Marriott Hotel and Budapest Marriott Hotel

### Funds from operations (FFO)

Compared with the first half of 2010, S IMMO's FFO improved significantly – by 31.6% – to EUR 21.6m. In calculating FFO, the results for the period are adjusted for non-cash items, which include depreciation and amortisation, gains and losses on interest rate derivatives, exchange rate differences, and all effects of servicing the participating certificates. The prior figure was adjusted accordingly.

### Net operating income (NOI)

S IMMO's excellent business performance was also reflected in the NOI, which increased from EUR 38.7m to EUR 50.2m.

### NOI

| | 01-06/ 2011 | 01-06/ 2010 | Change |
|---|---|---|---|
| NOI (EUR m) | 50.2 | 38.7 | 29.6% |
| NOI margin in % | 49.1 | 48.8 | 0.3 pp |

### Cash flow

The operating cash flow for the first half of 2011 was EUR 51.3m, an impressive 81.9% increase compared with the same period last year. Cash flow from investing activities totalled EUR -5.8m (first half of 2010: EUR -35.0m), and from financing activities EUR -118.3m (first half of 2010: EUR -61.3m).

### Consolidated balance sheet

S IMMO Group's total assets as at 30 June 2011 were down slightly compared with six months earlier, from EUR 2,256.2m to EUR 2,172.8m. Cash and cash equivalents amounted to EUR 58.3m (31 December 2010: EUR 129.7m).

During the first repurchase programme for S IMMO INVEST participating certificates, which ended on 08 April 2011, 51,399 participating certificates worth EUR 3.7m were repurchased. With the Supervisory Board's approval, S IMMO's Management Board started another repurchase programme for S IMMO INVEST participating certificates on 20 June 2011.

This year's distribution of profits of EUR 4.36 per participating certificate took place on 28 April 2011. As a result, the participating capital as at 30 June 2011 was EUR 247.2m (31 December 2010: EUR 257.8m).

### Net asset value (NAV)

The EPRA NAV, the inner value of the share calculated in accordance with the guidelines of the European Public Real Estate Association, was up again in the first half of 2011 and at the end of the period stood at EUR 8.54 per share (31 December 2010: EUR 8.34 per share).

# Opportunities and Risks

The overall assessment of S IMMO AG's potential opportunities and risks is described in detail in the Annual Report 2010 (on page 68 et seqq.).

S IMMO Group reduces real estate risks – particularly in relation to current market developments – through the very balanced diversification of its portfolio both by region and by property use type. The Austrian and German real estate markets are still developing very well. Germany is currently among the world's most important and profitable real estate markets. The total transaction volume in Germany amounted to EUR 11.1bn in the first half of 2011, which represents an increase of 28% compared to the same period of the prior year.

The properties in Central Europe are exhibiting a persistently stable trend with regard to rental income and property values, with the Czech Republic and Slovakia standing out as particularly strong markets. In contrast, the development of the market in Southeastern Europe is lagging behind expectations. The Bulgarian and Romanian economies are taking longer to recover than Western Europe and CEE. The low purchasing power in the affected countries may continue to have an impact on the earnings situation of the shopping centres in Sofia and Bucharest. However, the economic forecasts for the CEE and SEE region as a whole are very promising for the years ahead. The European Bank for Reconstruction and Development (EBRD) revised its 2011 economic forecast for the countries it supports from 4.6% to 4.8% at the end of July. For 2012, the bank still estimates an average increase in economic output of 4.4%. In Romania, GDP growth is expected to come in at 1.9% in 2011 and 3.8% in 2012. The scenario for Bulgaria is similar: Economic output is expected to increase by 2.3% this year and 3.7% in 2012. However, these positive prospects could be dampened by new potential risks in the Eurozone.

The critical country risk for Greece and Italy at the moment has no direct effect on S IMMO's property portfolio because the Group does not own any properties or have any other investments in these countries.

At this time, we do not see any major depreciation risks for the overall portfolio. There have been only minor changes compared to the available appraisals (most of which stem from February/March 2011).

Interest rate risk is hedged through a number of measures. S IMMO AG's credit portfolio is made up of 92% variable rate loans and 8% fixed rate loans. The variable rate loans are hedged using the interest rate hedging instruments caps, collars and swaps. Despite this fact, the ECB's key interest rate hikes in April and July 2011 had an impact on S IMMO AG's financing costs. However, due to the adjustments the Group made (hedging), the effects of these actions were mitigated. Based on the general predictions of experts, additional key interest rate hikes of 25 to 50 bps are expected in the second half of the year. This could result in a 15 to 20 bps increase in S IMMO's financing costs.

# Outlook

S IMMO's operations went well in the first half of 2011. At the present time, the results for the second half of the year are expected to develop positively as well. Our focus remains on capital cities in our investment markets, which are members of the European Union. We will also continue the successful refurbishment programme in Berlin. Thanks to the modernisation measures, we have increased rental income substantially and reduced the vacancy rate. The Group will continue to closely monitor the ongoing upswing on the German real estate market and will take advantage of profitable sales opportunities.

Economic developments in Romania and Bulgaria are still subdued. Despite the very challenging conditions at the moment, the letting situation in both shopping centres is very satisfying, at 98% occupancy in Bucharest and 96% in Sofia. In November, the Swedish fashion chain H&M will open its 1,600 m² shop, which is spread out over two floors. This will further improve the occupancy rate. The Italian fashion label Diesel will open its new shop in Serdika Center soon.

Along with the new tenants, additional activities and marketing measures will be performed in the shopping centres in the second half of the year. For example, the terrace at Sun Plaza has been redesigned. The popular summer hangout called Sun Sensations will attract many visitors to the shopping centre all the way into late summer. An antique car exhibit was also very popular among visitors at Serdika Center.

The two office buildings belonging to the shopping centres are also enjoying additional letting success. For example, 3,600 m² of space in the Serdika Office building was prelet in the first half of the year. Negotiations with well-known international tenants regarding an additional 8,000 m² will continue in the second half of 2011. The construction on lettable space is continuing according to schedule. The situation at Sun Office is also encouraging: A rental agreement for 2,100 m² of space is about to be concluded with an international food company, and an additional 3,000 m² are currently under negotiation.

We see a great deal of upside potential in our Southeastern European markets and we will continue leveraging this potential as soon as the region has recovered from the economic crisis. The fact that we were one of the first companies to enter these markets, that we were present during difficult times and that we continued our projects and successfully brought them to a close even during the financial crisis will certainly benefit us here.

With regard to development projects, the focus in the second half of 2011 will remain on preparing undeveloped properties for construction. Various zoning proceedings are currently under way, including for the new urban district of Quartier Belvedere, where one of the largest innercity development projects in Europe is being built at the new Vienna Central Station. This one-of-a-kind office, residential and business district will encompass a total area of over 550,000 m². S IMMO is developing a prominent sub-project – Quartier Belvedere Central, with a gross floor space of roughly 136,000 m² – in cooperation with Erste Group Immorent and PORR Solutions. Together with our partners, we will realise a mix of use types including offices, hotels and retail space in several phases on the site. The zoning is expected to be finalised at the beginning of 2012 and the first building permit issued during the next year.


Shopping centre Sun Plaza, Bucharest, Romania

# Consolidated Interim Financial Statements

# Consolidated Statement of Financial Position as at 30 June 2011

## Assets

| Assets EUR '000 | NOTES | 30.06.2011 | 31.12.2010 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Properties held as financial investments | | | |
| Investment properties | 3.1.1. | 1,796,124 | 1,810,322 |
| Development projects and undeveloped land | 3.1.1. | 56,821 | 55,989 |
| | | 1,852,945 | 1,866,311 |
| Owner-operated properties | 3.1.2. | 136,926 | 140,755 |
| Other plant and equipment | | 8,601 | 9,069 |
| Intangible assets | | 192 | 179 |
| Goodwill | | 100 | 100 |
| Interests in associated companies | | 5 | 5 |
| Group interests | 3.1.3. | 3,155 | 3,117 |
| Deferred tax assets | | 26,623 | 28,455 |
| | | 2,028,547 | 2,047,991 |
| **CURRENT ASSETS** | | | |
| Properties held for sale | 3.1.4. | 16,030 | 6,000 |
| Inventories | 3.1.5. | 7,710 | 12,029 |
| Trade receivables | | 9,170 | 10,324 |
| Other accounts receivable | | 43,095 | 42,287 |
| Other assets | | 9,991 | 7,811 |
| Cash and cash equivalents | 3.1.6. | 58,270 | 129,721 |
| | | 144,266 | 208,172 |
| | | 2,172,813 | 2,256,163 |

# Equity and liabilities

EUR '000

| | NOTES | 30.06.2011 | 31.12.2010 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | | 247,509 | 247,509 |
| Capital reserves | | 73,578 | 73,578 |
| Other reserves | | 176,535 | 160,185 |
| | | 497,622 | 481,272 |
| Non-controlling interests | 3.1.7. | 32,784 | 31,426 |
| | | 530,406 | 512,698 |
| **NON-CURRENT LIABILITIES** | | | |
| Subordinated participating certificate capital | 3.1.8. | 247,205 | 257,820 |
| Financial liabilities | 3.1.9. | 1,127,612 | 1,228,786 |
| Provisions | | 8,568 | 8,770 |
| Other liabilities | | 11,411 | 10,955 |
| Deferred tax liabilities | | 58,423 | 55,981 |
| | | 1,453,219 | 1,562,312 |
| **CURRENT LIABILITIES** | | | |
| Financial liabilities | 3.1.9. | 127,908 | 124,123 |
| Trade payables | | 8,032 | 16,479 |
| Other liabilities | | 53,248 | 40,551 |
| | | 189,188 | 181,153 |
| | | 2,172,813 | 2,256,163 |

# Consolidated Income Statement

for the six months ended 30 June 2011

| EUR '000 | NOTES | 01-06/2011 | 01-06/2010 |
|---|---|---|---|
| Revenues | | | |
| Rental income | 3.2.1. | 61,739 | 48,228 |
| Revenues from service charges | | 21,012 | 14,082 |
| Revenues from hotel operations | | 19,577 | 17,046 |
| | | 102,328 | 79,356 |
| **Other operating income** | | 4,314 | 3,056 |
| Expenses directly attributable to properties | 3.2.2. | -36,705 | -26,906 |
| Hotel operating expenses | 3.2.2. | -15,401 | -13,707 |
| **Revenues less direct expenses** | | 54,536 | 41,798 |
| Income from property disposals | | 18,364 | 57,670 |
| Carrying values of property disposals | | -14,415 | -55,060 |
| **Gains on property disposals** | 3.2.3. | 3,949 | 2,610 |
| Management expenses | | -8,944 | -7,623 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | | 49,541 | 36,785 |
| Depreciation and amortisation | | -4,830 | -4,970 |
| Gains / losses on property valuation | | 6,600 | -1,730 |
| **Operating result (EBIT)** | | 51,311 | 30,084 |
| Financing costs | 3.2.4. | -32,038 | -18,526 |
| Participating certificates result | 3.1.8. | -6,773 | -5,001 |
| **Net income before tax (EBT)** | | 12,500 | 6,558 |
| Taxes on income | 3.2.5. | -2,385 | -1,542 |
| **Net income for the period** | | 10,115 | 5,016 |
| of which attributable to shareholders in parent company | | 7,319 | 6,215 |
| of which attributable to non-controlling interests | | 2,796 | -1,199 |
| Earnings per share | | | |
| Undiluted = diluted | | 0.11 | 0.09 |

# Consolidated Statement of Total Comprehensive Income

for the six months ended 30 June 2011

| EUR '000 | 01-06/2011 | 01-06/2010 |
|---|---|---|
| **Net income for the period** | 10,115 | 5,016 |
| Change in value of cash flow hedges | 9,732 | -18,258 |
| Income tax related to other comprehensive income | -2,631 | 4,432 |
| Foreign exchange rate differences | 2,097 | -2,210 |
| **Total income for the period** | 19,313 | -11,020 |
| of which attributable to shareholders in parent company | 16,350 | -9,821 |
| of which attributable to non-controlling interests | 2,963 | -1,199 |

# Consolidated Income Statement

for the three months ended 30 June 2011

| EUR '000 | NOTES | 04-06/2011 | 04-06/2010 |
|---|---|---|---|
| Revenues | | | |
| Rental income | 3.2.1. | 31,448 | 26,347 |
| Revenues from service charges | | 11,473 | 7,507 |
| Revenues from hotel operations | | 11,156 | 9,926 |
| | | 54,077 | 43,781 |
| **Other operating income** | | 700 | 1,934 |
| Expenses directly attributable to properties | 3.2.2. | -19,766 | -16,281 |
| Hotel operating expenses | 3.2.2. | -8,207 | -7,326 |
| **Revenues less direct expenses** | | 26,804 | 22,108 |
| Income from property disposals | | 14,068 | 1,006 |
| Carrying values of property disposals | | -10,696 | -760 |
| **Gains on property disposals** | 3.2.3. | 3,372 | 246 |
| Management expenses | | -4,688 | -3,698 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | | 25,488 | 18,655 |
| Depreciation and amortisation | | -2,389 | -2,612 |
| Gains / losses on property valuation | | 1,600 | -1,730 |
| **Operating result (EBIT)** | | 24,699 | 14,313 |
| Financing costs | 3.2.4. | -14,404 | -9,604 |
| Participating certificates result | 3.1.8. | -3,323 | -2,251 |
| **Net income before tax (EBT)** | | 6,972 | 2,459 |
| Taxes on income | 3.2.5. | -2,273 | -3,461 |
| **Net income/loss for the period** | | 4,699 | -1,002 |
| of which attributable to shareholders in parent company | | 4,559 | 233 |
| of which attributable to non-controlling interests | | 140 | -1,235 |
| Earnings per share | | | |
| Undiluted = diluted | | 0.07 | 0.00 |

# Consolidated Statement of Total Comprehensive Income

for the three months ended 30 June 2011

| EUR '000 | 04-06/2011 | 04-06/2010 |
| --- | --- | --- |
| **Net income / loss for the period** | 4,699 | -1,002 |
| Change in value of cash flow hedges | -4,789 | -10,758 |
| Income tax related to other comprehensive income | 824 | 2,628 |
| Foreign exchange rate differences | -1,519 | -418 |
| **Total income for the period** | -785 | -9,550 |
| of which attributable to shareholders in parent company | -900 | -8,315 |
| of which attributable to non-controlling interests | 115 | -1,235 |

# Consolidated Cash Flow Statement

for the six months ended 30 June 2011

| EUR '000 | 01 - 06 / 2011 | 01 - 06 / 2010[1)] |
|---|---|---|
| Operating cash flow | 51,267 | 28,190 |
| Changes in net current assets | 1,345 | 671 |
| Cash flow from operating activities | 52,612 | 28,861 |
| Cash flow from investing activities | -5,778 | -35,006 |
| Cash flow from financing activities | -118,285 | -61,279 |
| **Total** | -71,451 | -67,424 |
| | | |
| Cash and cash equivalents at 01 January | 129,721 | 210,151 |
| Cash and cash equivalents at 30 June | 58,270 | 142,727 |
| **Net change in cash and cash equivalents** | -71,451 | -67,424 |

[1)] Adjusted

# Changes in Consolidated Equity

| EUR '000 | Share capital | Capital reserves | Foreign currency translation reserve | Hedge accounting reserve | Other reserves | Sub-total S IMMO share-holders | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| **At 01 January 2011** | 247,509 | 73,578 | -13,398 | -38,335 | 211,918 | 481,272 | 31,426 | 512,698 |
| Net income / loss for the period | 0 | 0 | 0 | 0 | 7,319 | 7,319 | 2,796 | 10,115 |
| Other comprehensive income | 0 | 0 | 2,097 | 6,934 | 0 | 9,031 | 167 | 9,198 |
| Decrease | 0 | 0 | 0 | 0 | 0 | 0 | -1,605 | -1,605 |
| **At 30 June 2011** | 247,509 | 73,578 | -11,301 | -31,401 | 219,237 | 497,622 | 32,784 | 530,406 |
| **At 01 January 2010** | 247,509 | 147,110 | -13,491 | -38,668 | 136,543 | 479,003 | 44,832 | 523,835 |
| Net income / loss for the period | 0 | 0 | 0 | 0 | 6,215 | 6,215 | -1,199 | 5,016 |
| Other comprehensive income | 0 | 0 | -2,210 | -13,826 | 0 | -16,036 | 0 | -16,036 |
| Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 5,273 | 5,273 |
| **At 30 June 2010** | 247,509 | 147,110 | -15,701 | -52,494 | 142,758 | 469,182 | 48,906 | 518,088 |

# Notes to the Consolidated Interim Financial Statements

(condensed)

## 1. THE GROUP

S IMMO Group (S IMMO AG and its subsidiaries) is an international real estate group. The ultimate parent company of the Group, S IMMO AG, has its registered office and headquarters at Friedrichstrasse 10, 1010 Vienna, Austria. The Company has been listed on the Vienna Stock Exchange since 1992, since 2007 in the Prime Segment. It has subsidiaries in Austria, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Romania, Bulgaria, Denmark, Cyprus and Ukraine (in liquidation). At 30 June 2011 S IMMO Group owned properties in all the above countries except Denmark, Cyprus and Ukraine. The Company's principal business is the acquisition, letting and sale of properties in different regions and market segments in order to achieve a balanced investment portfolio. Another business activity is the development and construction of properties in cooperation with project development partners.

## 2. ACCOUNTING AND VALUATION POLICIES

### 2.1. Accounting policies

The consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 and do not contain all the information requiring to be disclosed in a full set of IFRS consolidated financial statements. The interim financial statements should therefore be read in conjunction with the last IFRS consolidated financial statements – those for the year ended 31 December 2010.

There has been a change in the method of calculating the cash flow as compared with that used for the financial statements as at 31 December 2010. In the consolidated interim financial statements for the six months ended 30 June 2011, the cash flow from the sale of inventories has been included in the operating cash flow and is not shown under changes in working capital. The comparative figures for the first six months of 2010 have been adjusted accordingly. In preparing the consolidated interim financial statements for the six months ended 30 June 2011, all other accounting and valuation policies applied in the consolidated financial statements for the year ended 31 December 2010 have remained substantially unchanged.

The financial statements for the six months ended 30 June 2011 have neither been audited nor reviewed by independent auditors.

The accounting policies of all consolidated companies are based on the uniform accounting regulations of S IMMO Group. The financial year for all companies is the year ending on 31 December. There has been no change in the companies included in consolidation as compared with the consolidated financial statements for the year ended 31 December 2010.

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

2.2. Reporting currency and currency translation

The Group reporting currency is the EURO. The functional currencies of Group companies are determined by the business environment in which they operate. In the case of S IMMO Group companies, the functional currencies are the respective national currencies. Functional currencies are translated into the reporting currency in accordance with IAS 21, as follows:

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

## 3. NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3.1. Statement of financial position

#### 3.1.1. Properties held as financial investments

| EUR '000 | Investment properties | Development projects and undeveloped land |
|---|---|---|
| **At 01 January 2010** | 1,253,432 | 445,784 |
| Additions (incl. initial consolidations) | 200,167 | 9,007 |
| Disposals | -21,733 | -191 |
| Changes in fair value | -7,153 | -7,000 |
| Reclassifications | 385,610 | -391,610 |
| **At 31 December 2010** | 1,810,322 | 55,989 |
| whereof pledged as security | 1,767,758 | 0 |
| Additions | 4,788 | 832 |
| Disposals | -4,556 | 0 |
| Changes in fair value | 1,600 | 0 |
| Reclassifications | -16,030 | 0 |
| **At 30 June 2011** | 1,796,124 | 56,821 |
| whereof pledged as security | 1,763,123 | 0 |

Made up of:

### Investment properties

| EUR '000 | 30.06.2011 | 31.12.2010 |
|---|---|---|
| Austria | 579,377 | 579,914 |
| Germany | 551,134 | 565,857 |
| Central Europe | 310,702 | 308,640 |
| Southeastern Europe | 354,911 | 355,911 |
| | 1,796,124 | 1,810,322 |

### Development projects and undeveloped land

| EUR '000 | 30.06.2011 | 31.12.2010 |
|---|---|---|
| Austria | 0 | 0 |
| Germany | 0 | 0 |
| Central Europe | 6,197 | 6,175 |
| Southeastern Europe | 50,624 | 49,814 |
| | 56,821 | 55,989 |

### 3.1.2. Owner-operated properties

For S IMMO Group, owner-occupied properties are principally hotels operated for the Group by international hotel chains under management agreements. Both expenses and income of hotel operations are subject to seasonal fluctuations.

### 3.1.3. Group interests

| EUR '000 | Interest in % | 30.06.2011 | 31.12.2010 |
|---|---|---|---|
| BGM-IMMORENT Aktiengesellschaft & Co KG | 22.8 | 2,286 | 2,286 |
| ERSTE Immobilien Kapitalanlagegesellschaft m.b.H. | 11.5 | 621 | 621 |
| Other | | 248 | 210 |
| | | 3,155 | 3,117 |

### 3.1.4. Properties held for sale

Properties are treated as held for sale if it is the intention of the Group's Management to dispose of them in the near future (e.g., if negotiations for sale are already well advanced). It is currently intended to dispose of five properties located in Germany.

| EUR '000 | 30.06.2011 | 31.12.2010 |
|---|---|---|
| Germany | 16,030 | 6,000 |

### 3.1.5. Inventories

Inventories consist in the main of freehold apartments under construction in Austria and are measured at cost of acquisition and construction. The carrying values at 30 June 2011 amounted to EUR 7,710,000 (2010: EUR 12,029,000). External construction finance directly attributable to such inventories is capitalised as acquisition and construction cost.

### 3.1.6. Cash and cash equivalents

| EUR '000 | 30.06.2011 | 31.12.2010 |
|---|---|---|
| Bank balances | 58,072 | 129,464 |
| Cash in hand | 198 | 257 |
| | 58,270 | 129,721 |

### 3.1.7. Non-controlling interests

The minority interests of EUR 32,784,000 (2010: EUR 31,426,000) consisted mainly of Hansa Immobilien EOOD/Einkaufscenter Sofia G.m.b.H. & Co KG (35% interest).

### 3.1.8. Participating certificates (subordinated)

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

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

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

To the extent that potential earnings attributable to the participating certificates under the terms of the Participating Certificates Agreement are not paid out, they are added to the profit carried forward into the next year.

For the six months ended 30 June 2011, the total share of earnings was EUR 6,400,000 (2010: EUR 9,452,000).

In the first quarter of 2011 a repurchase programme for the S IMMO INVEST participating certificates was launched. Within the first quarter of 2011, the company reacquired and cancelled 44,024 participating certificates. Overall, 51,399 participating certificates were bought by the end of the repurchase programme on 08 April 2011.

On 20 June 2011 a new repurchase programme was started under which, by the end of the second quarter, 26,313 participating certificates were reacquired.

The distribution paid out to the participating certificate holders amounted to EUR 4.36 per certificate and was, thus, kept at the same level as the prior year. The payment was made on 28 April 2011.

As at 30 June 2011 there were 3,180,860 participating certificates in issue. The total entitlements of participating certificate holders as of that date were EUR 77.72 per certificate (2010: EUR 79.95), made up as follows:

| EUR '000 | Participating certificates capital | Profit brought forward | Profit for the period | Share in undisclosed reserves on property portfolio | Total |
|---|---|---|---|---|---|
| **Participating certificates capital – 01 January 2011** | 234,352 | | | 1,254 | 235,606 |
| Profit brought forward 01 January 2011 | | 12,762 | | | 12,762 |
| Income entitlements of participating certificate holders from 2010 | | | 9,452 | | 9,452 |
| Distribution – 28 April 2011 | | | -13,869 | | -13,869 |
| Change in profit brought forward pursuant to Clause 5(6), Participating Certificates Agreement | | -4,417 | 4,417 | | 0 |
| Repurchase and cancellation of 44,024 participating certificates | -3,199 | -303 | | -17 | -3,519 |
| Income entitlements of participating certificate holders | | | 6,400 | | 6,400 |
| Allocation of undisclosed reserves on property portfolio | | | | 373 | 373 |
| **Participating certificates capital as at 30 June 2011** | 231,153 | 8,042 | 6,400 | 1,610 | 247,205 |
| **Per participating certificate (EUR)** | 72.67 | 2.53 | 2.01 | 0.51 | 77.72 |

| EUR '000 | Participating certificates capital | Profit brought forward | Profit for the period | Share in undisclosed reserves on property portfolio | Total |
|---|---|---|---|---|---|
| **Participating certificates capital – 01 January 2010** | 234,352 | | | 484 | 234,836 |
| Profit brought forward 01 January 2010 | | 36,788 | | | 36,788 |
| Income entitlements of participating certificate holders from 2009 | | | -9,966 | | -9,966 |
| Distribution – 21 May 2010 | | -14,060 | | | -14,060 |
| Change in profit brought forward pursuant to Clause 5(6), Participating Certificates Agreement | | -9,966 | 9,966 | | 0 |
| Income entitlements of participating certificate holders | | | 9,452 | | 9,452 |
| Allocation of undisclosed reserves on property portfolio | | | | 770 | 770 |
| **Participating certificates capital as at 31 December 2010** | 234,352 | 12,762 | 9,452 | 1,254 | 257,820 |
| **Per participating certificate (EUR)** | 72.67 | 3.96 | 2.93 | 0.39 | 79.95 |

The participating certificates mature on 31 December 2029. With effect from 31 December 2017, both the holders and the Company may annually give notice of redemption of the participating certificates in whole or in part.

### 3.1.9. Financial liabilities

The short-term and long-term financial liabilities amounted to EUR 1,255,520,000 in total (2010: EUR 1,352,909,000), made up as follows:

| EUR '000 | 30.06.2011 | 31.12.2010 |
|---|---|---|
| Remaining term less than 1 year | 127,908 | 124,123 |
| Remaining term between 1 and 5 years | 347,464 | 409,438 |
| Remaining term over 5 years | 780,148 | 819,348 |
| | 1,255,520 | 1,352,909 |

### 3.1.10. Derivatives

S IMMO Group uses caps, collars and swaps to hedge interest rate risks. EUR 4,250,000 (31.12.2010: EUR 5,204,000) of these derivatives is disclosed under other financial assets, and EUR 44,454,000 (31.12.2010: EUR 54,212,000) under non-current financial liabilities. The fair value measurement of derivatives is based on estimates made by banks. In the first half of 2011 income of EUR 9,732,000 was recognised under equity without affecting the income statement, and EUR 929,000 was recognised as financial expense in the consolidated income statement.

#### As at 30 June 2011

| EUR '000 | Nominal | Positive fair value | Negative fair value |
|---|---|---|---|
| Swaps | 524,417 | 2,808 | -33,580 |
| Caps | 467,246 | 1,442 | 0 |
| Collars | 200,000 | 0 | -10,874 |
| **Total** | 1,191,663 | 4,250 | -44,454 |

#### As at 31 December 2010

| EUR '000 | Nominal | Positive fair value | Negative fair value |
|---|---|---|---|
| Swaps | 482,417 | 3,338 | -39,782 |
| Caps | 365,746 | 1,866 | 0 |
| Collars | 200,000 | 0 | -14,430 |
| **Total** | 1,048,163 | 5,204 | -54,212 |

## 3.2. Consolidated income statement

### 3.2.1. Rental income

Rental income by property use type was as follows:

| EUR '000 | 01-06/2011 | 01-06/2010 |
|---|---|---|
| Office | 21,073 | 15,014 |
| Residential | 14,319 | 13,707 |
| Retail | 21,630 | 17,109 |
| Hotels | 4,717 | 2,398 |
| | 61,739 | 48,228 |

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

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

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

The average number of employees was 541, including hotel staff (first half of 2010: 527). Personnel expenses in the hotels are disclosed under hotel operations.

### 3.2.3. Gains on property disposals

Gains on property disposals include the sale of four apartments in Neutorgasse in Vienna and of one residential building in Vienna as well as the disposal of two residential and one retail property in Berlin.

| EUR '000 | 01-06/2011 | 01-06/2010 |
|---|---|---|
| **Disposal proceeds** | | |
| Properties held as financial investments | 5,427 | 920 |
| Properties held for sale | 6,300 | 56,750 |
| Inventories | 6,637 | 0 |
| | 18,364 | 57,670 |
| **Carrying value of property disposals** | | |
| Properties held as financial investments | -4,556 | -760 |
| Properties held for sale | -6,000 | -54,300 |
| Inventories | -3,859 | 0 |
| | -14,415 | -55,060 |
| **Gains on property disposals** | | |
| Properties held as financial investments | 871 | 160 |
| Properties held for sale | 300 | 2,450 |
| Inventories | 2,778 | 0 |
| | 3,949 | 2,610 |

### 3.2.4. Financing costs

Net financing costs were made up as follows:

| EUR '000 | 01-06/2011 | 01-06/2010 |
|---|---|---|
| Financing expense | -32,708 | -20,103 |
| Financing income | 670 | 1,577 |
| | -32,038 | -18,526 |

In the first half of 2011 financing expense included a non-cash foreign exchange loss of EUR 3,414,000.

### 3.2.5. Taxes on income

| EUR '000 | 01-06/2011 | 01-06/2010 |
|---|---|---|
| Current tax expenses | -962 | -976 |
| Deferred tax expenses | -1,423 | -566 |
| | -2,385 | -1,542 |

## 4. OPERATING SEGMENTS

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

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

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

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

Southeastern Europe: This operating segment includes the subsidiaries in Bulgaria, Croatia and Romania. The subsidiary in Ukraine is also treated as part of this segment, as are the subsidiaries in Cyprus, which are related to the Group companies in Romania and Ukraine.

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

## 5. OTHER OBLIGATIONS AND CONTINGENT LIABILITIES

In S IMMO Group there were several open legal disputes at balance sheet date, however the amounts involved were not significant and even in total the amount was not material in comparison with the Group's total assets.

## 6. RELATED PARTY DISCLOSURES

For S IMMO Group related parties are as follows:

- S IMMO Group's managing bodies
- Erste Group
- Vienna Insurance Group

| | Austria | |
|---|---|---|
| EUR '000 | 2011 | 2010 |
| Rental income | 15,640 | 10,361 |
| Revenues from service charges | 4,245 | 2,486 |
| Revenues from hotel operations | 11,473 | 10,263 |
| Total revenues | 31,358 | 23,110 |
| Other operating income | 3,440 | 1,682 |
| Property operating expenses | -6,231 | -5,297 |
| Hotel operating expenses | -9,331 | -8,429 |
| Gross profit/loss | 19,236 | 11,066 |
| Gains/losses on property disposals | 2,782 | 2,450 |
| Management expenses | -4,847 | -3,863 |
| EBITDA | 17,171 | 9,653 |
| Depreciation and amortisation | -1,809 | -1,600 |
| Gains/losses on property valuation | 0 | 2,300 |
| EBIT | 15,362 | 10,353 |
| | 30.06.2011 | 31.12.2010 |
| Non-current assets | 658,969 | 661,387 |
| Non-current liabilities (incl. participating certificates in Austria) | 709,350 | 776,680 |

S IMMO Group’s managing bodies are as follows:

**S IMMO AG Management Board**
Holger Schmidtmayr, MRICS, Vienna
Ernst Vejdovszky, Vienna
Friedrich Wachernig, MBA, Vienna

**S IMMO AG Supervisory Board**
Martin Simhandl, Vienna (Chairman)
Gerald Antonitsch, Vienna
(first deputy chairman)
Franz Kerber, Graz
(second deputy chairman)
Christian Hager, Krems
Erwin Hammerbacher, Vienna
Michael Matlin, MBA, New York
Wilhelm Rasinger, Vienna
Ralf Zeitlberger, Vienna

| Germany | | Central Europe | | Southeastern Europe | | Total | |
|---|---|---|---|---|---|---|---|
| 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| 18,023 | 17,449 | 13,476 | 9,980 | 14,600 | 10,438 | 61,739 | 48,228 |
| 6,612 | 5,654 | 3,649 | 3,405 | 6,506 | 2,537 | 21,012 | 14,082 |
| 0 | 0 | 8,104 | 6,783 | 0 | 0 | 19,577 | 17,046 |
| 24,635 | 23,103 | 25,229 | 20,168 | 21,106 | 12,975 | 102,328 | 79,356 |
| 643 | 1,008 | 211 | 217 | 20 | 149 | 4,314 | 3,056 |
| -15,274 | -12,390 | -4,457 | -4,183 | -10,743 | -5,036 | -36,705 | -26,906 |
| 0 | 0 | -6,070 | -5,278 | 0 | 0 | -15,401 | -13,707 |
| 10,004 | 11,721 | 14,913 | 10,924 | 10,383 | 8,088 | 54,536 | 41,798 |
| 1,167 | 160 | 0 | 0 | 0 | 0 | 3,949 | 2,610 |
| -2,675 | -2,527 | -543 | -568 | -879 | -665 | -8,944 | -7,623 |
| 8,496 | 9,354 | 14,370 | 10,356 | 9,504 | 7,423 | 49,541 | 36,785 |
| -80 | -99 | -2,510 | -2,728 | -431 | -544 | -4,830 | -4,970 |
| 1,900 | 970 | 700 | 0 | 4,000 | -5,000 | 6,600 | -1,730 |
| 10,316 | 10,225 | 12,560 | 7,628 | 13,073 | 1,879 | 51,311 | 30,084 |
| 30.06.2011 | 31.12.2010 | 30.06.2011 | 31.12.2010 | 30.06.2011 | 31.12.2010 | 30.06.2011 | 31.12.2010 |
| 551,218 | 566,341 | 387,281 | 388,564 | 431,079 | 431,699 | 2,028,547 | 2,047,991 |
| 306,909 | 334,867 | 239,451 | 246,459 | 197,509 | 204,306 | 1,453,219 | 1,562,312 |

There were the following receivables and payables with Erste Bank Group and Vienna Insurance Group at balance sheet date:

| EUR '000 | 30.06.2011 | 31.12.2010 |
|---|---|---|
| Other receivables | 808 | 1,903 |
| Bank balances | 29,164 | 40,479 |
| **Receivables** | 29,972 | 42,382 |

| EUR '000 | 30.06.2011 | 31.12.2010 |
|---|---|---|
| Non-current liabilities to banks | 421,721 | 416,314 |
| Non-current financial liabilities | 62,771 | 83,607 |
| Current bank and financial liabilities | 55,215 | 86,901 |
| Trade payables | 670 | 1,103 |
| Other liabilities | 962 | 623 |
| **Payables** | 541,339 | 588,548 |

There were the following material expenses and income in connection with Erste Group and Vienna Insurance Group in the period under review:

| EUR '000 | 01-06/2011 | 01-06/2010 |
|---|---|---|
| Management fees – Erste Group Immorent AG | 833 | 1,228 |
| Bank loan interest, other interest, and charges | 16,188 | 7,325 |
| Other expenses | 1,055 | 718 |
| **Expenses** | 18,076 | 9,271 |

| EUR '000 | 01-06/2011 | 01-06/2010 |
|---|---|---|
| Rent and service charges | 545 | 159 |
| Bank interest | 87 | 50 |
| Other interest income | 68 | 68 |
| **Income** | 700 | 277 |

## 7. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 20 June 2011 a new repurchase programme for S IMMO INVEST participating certificates was started, which will expire on 20 June 2012 at the latest. As this report went to press 221,108 participating certificates had been repurchased under the programme.

Vienna, 29 August 2011

The Management Board:

Holger Schmidtmayr, MRICS m.p.
Ernst Vejdovszky m.p.
Friedrich Wachernig, MBA m.p.

# Declaration

pursuant to section 87 (1) (3) Austrian Stock Exchange Act (Börsegesetz)

**"STATEMENT OF ALL LEGAL REPRESENTATIVES**

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed."

Vienna, 29 August 2011

The Management Board

Holger Schmidtmayr

Ernst Vejdovszky

Friedrich Wachernig

# Financial Calendar **2011**

| | |
|---|---|
| 30 August 2011 | Results first half 2011 |
| 24 November 2011 | Results first three quarters 2011 |

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# Publication **Details**


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