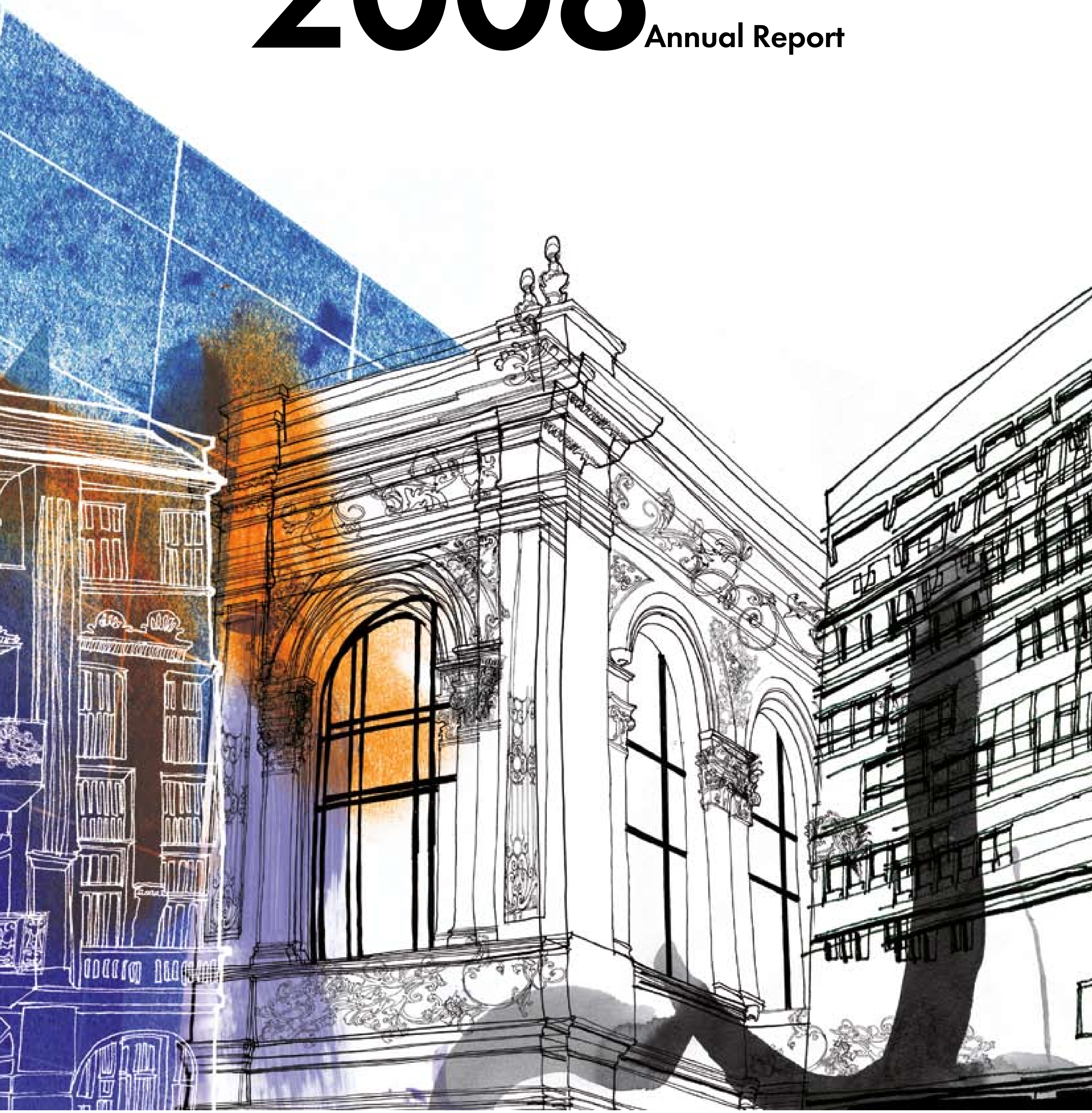
S IMMOBILIEN AG

2008 Annual Report



For over twenty years, Sparkassen Immobilien AG has followed a path of consistency. The strength of this strategy is proving particularly valuable in the current difficult economic conditions. Continued growth of our company value remains our top priority. Risk awareness in all of our activities, generating maximum earnings out of our existing portfolio, and prudent growth continue to be our most important guiding principles.

This year the Swedish illustrator Daniel Egnéus interpreted this path for us. Daniel lives in Milan and became known through numerous exhibitions of his work as well as the world wide Häagen-Dasz Campaign.

Accompany us again this year. Find out over the next pages where our path took us in 2008 and where it will take us in the future.

Highlights

Clear profit in spite of difficult environment

_Revenues and rental income both up by 14%
_Positive EBIT of EUR23.8m despite significant devaluations
_Consolidated net profit of EUR5.7m

Stable, high quality property portfolio

_Property portfolio boosted by 15% to EUR1.78bn
_Sale of eight properties 19% above latest valuation on average
_71% of rental income is generated in Germany and Austria
_Portfolio diversified by property use type, high proportion of residential property

Conservative strategy

_Solid LTV of 47%
_Loans have average duration in excess of 13 years
_Cash and cash equivalents amounting to EUR244m
_Rental properties constitute 84% of portfolio value

Structural strength

_Erste Group and Vienna Insurance Group are core shareholders
_Lean, efficient structure achieved by internalising management

Financial calendar

Publication of financial statements 2008 (annual results press conference)	29 April 2009
Annual General Meeting Kursalon Hübner, A-1010 Vienna	23 June 2009, 10 am
Results – first quarter 2009	25 May 2009
Results – first half 2009	26 August 2009
Results – first three quarters 2009	25 November 2009

Key Financial Data

Key indicators, Group

(EUR m)	2008	2007	Change
Revenues	109.2	95.9	+14%
whereof rental income	85.7	75.0	+14%
EBITDA	59.2	78.9	-25%
Operating profit (EBIT)	23.8	100.0	-76%
Consolidated net profit before tax (EBT)	7.8	35.4	-78%
Consolidated net profit	5.7	28.7	-80%
Cash flow from operating activities	50.0	49.4	+1%
Shareholders' equity	603.1	619.6	-3%
Loan to value ratio (%)	47	37	–
EV/EBITDA	16	18	–
FFO	34.2	43.8	-22%
Market capitalisation at 31 December 2008	286.8	828.7	-65%
whereof s IMMO Aktie	134.9	526.6	-74%
whereof s IMMO INVEST	151.9	302.1	-50%

Key indicators, property portfolio

	2008	2007	Change
Number of properties	263	230	+14%
Property portfolio (market value) (m)	1,778.0	1,552.5	+15%
Total lettable area (sq m)	1,511,400	1,386,000	+9%
Gross rental yield (%)	6.7	6.0	–
Occupancy rate (%)	91	91	–

Key indicators, share

	2008	2007	Change
Earnings per share (EPS) EUR	0.09	0.38	–
Net asset value (NAV) per share EUR	8.9	9.7	–
Price/earnings ratio (P/E)	23	20	–
Price/cash flow ratio (P/CE)	4	12	–
Price/NAV ratio (%)*	78	20	–
Number of shares	68,118,718	68,118,718	–
Year end close	1.98	7.73	–

* Share price to NAV discount

Contents

Letter from the Management Board

Dear shareholders,

Sparkassen Immobilien AG looks back on a turbulent financial year 2008. On the one hand, we are proud of our results – we have been reporting profits for 21 years, and we closed 2008 in profit as well, with increases in key figures such as rental income and revenues, and with all our property disposals realised well above estimated value. On the other hand, we were unable to avoid being affected by macroeconomic developments, and our shares – like all Austrian and international property stocks – are being traded well below their worth. In the year under review, we have faced the challenges of the market environment resolutely and pursued our operational objectives systematically, while at the same time making strategic decisions for the future of Sparkassen Immobilien AG.

Undoubtedly, 2008 was a year of extremes: the market uncertainties triggered by the subprime crisis then went on to cause the major difficulties in the world's money and capital markets that led to the banking crisis. The present upheavals represent primarily a crisis of confidence in financial markets; they have had massive repercussions on the real economy and the capital markets.

All the relevant indices – the Dow Jones, DAX, and ATX, but also property indices such as GPR 250 Global, EPRA/NAREIT Europe and the Austrian property index I-ATX – ended 2008 with historic losses. With a drop of 74% s IMMO share did do better than the I-ATX, but its closing price at the end of 2008 was still only EUR1.98. The discount to NAV reflected in the share price at the end of the year was 78% – without Sparkassen Immobilien AG's successful business model having changed in any way.

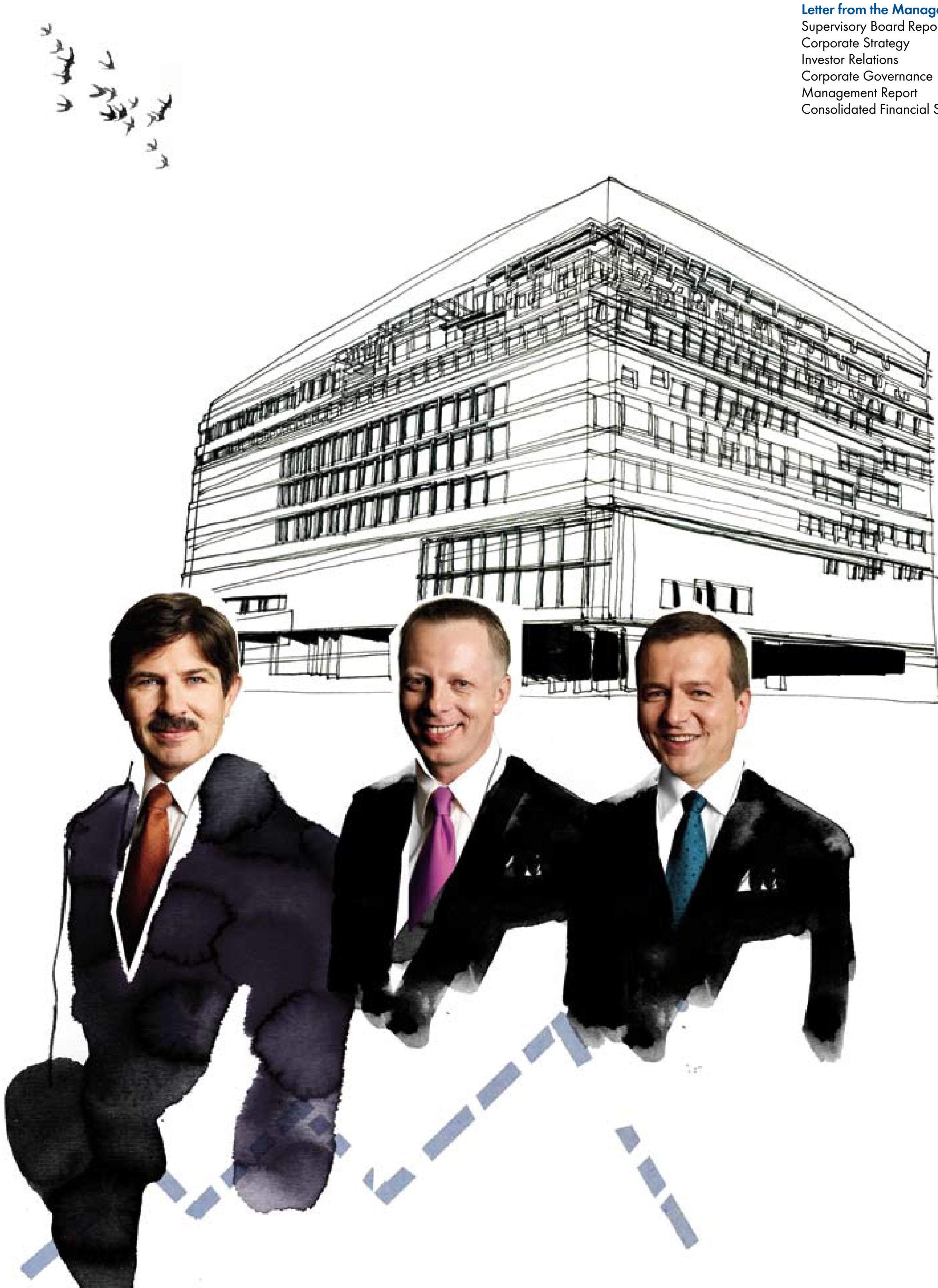
The sale of Sparkassen Versicherung to Vienna Insurance Group brought Sparkassen Immobilien AG a second core shareholder in addition to Erste Group. We see their networks, their skills and expertise, and their credibility as a major strength of our company.

Economic fluctuations and crises are all part of the business cycle and are nothing new to us. These developments and the difficult market environment did not catch us unprepared, and we revised our growth forecasts in good time. We continue to pursue our chosen course unshaken – long-term investments of substance, solid financing, cautious valuations and a generally conservative approach.

In the year under review Sparkassen Immobilien AG was thus able to expand its property portfolio by 15% to EUR1.78bn, and we are happy with our gross rental yield of 6.7%. The occupancy rate for our properties is a good 91%, and the trend in rents continues to be solid. In 2008 we acquired 40 standing properties in Germany, Slovakia, Croatia and Austria with a total lettable area of 151,900 sq m and sold eight properties with a total value of EUR53.0m. The sales proceeds realised were an average of 19% higher than the properties' estimated value, underlining again the group's traditionally conservative approach to valuation.

Both revenues and rental income in 2008 were 14% higher than in the previous year, at EUR109.2m and EUR85.7m respectively, so that Sparkassen Immobilien AG's revenues were significantly better than forecast. EBIT failed to reach its forecast target level, as a result of the collapse of the market environment, but we are still proud to be able to announce a significantly positive EBIT of EUR23.8m.

The subject of property valuation was very much a central concern of property companies in 2008. Market turbulence, the difficult financing climate and the lack of comparable transactions meant that Sparkassen Immobilien AG was also obliged to devalue its portfolio at the balance sheet date by EUR101.7m. However, other valuation gains compensated for these devaluation in part with a total revaluation result of EUR-30.7m. The gains were largely due to the completion of the Gemini office building in Prague, and the associated change in valuation from at cost to fair value as well as other valuation gains attributed to profitable asset management measures such as the conversion of the Novotel hotel in Bucharest. This underlines the well-known conservative valuation policy of our company.



The Management Board Ernst Vejdovszky, Friedrich Wachernig and Holger Schmidtmayr (f.l.t.r.)

The accumulated investment in development projects at 31 December 2008 amounted to EUR160.8m. The following are currently under construction: a residential and commercial building on Neutorgasse (Vienna), the student residence on Sechshauser Strasse (Vienna), shopping centers Sun Plaza (Bucharest) and Serdika Center (Sofia), the office building Galvaniho 4 (Bratislava) and Hotel Vysoká (Bratislava). All these projects are on schedule, have excellent pre-letting ratios, and following completion this year or next year, will deliver substantial increases in rental income. Given the current state of the market, further projects are only being brought forward as far as the granting of building permission. Construction contracts will only be awarded when conditions improve and the economic environment is more favourable.

Particularly in the present economic climate, we think it important to emphasise that last year our home market once again showed itself to be Europe's growth engine. Our properties in Austria and Germany represent over 60% of our portfolio value. The favourable view of the CEE region's convergence that prevailed until recently has now given way to negative sentiment about these countries. Sparkassen Immobilien AG continues to be convinced that the convergence of Central, Eastern and Southeast Europe will continue – the region will in future still offer above average potential.

Our property portfolio does not only benefit from geographical diversification and its spread by property use type and lot size, but also comprises top quality properties in excellent locations with a solid tenancy profile. In addition, we are well placed to meet the challenges posed by the changes in the market environment, and will continue to pursue our policy of sustainable growth.

The global financial crisis and corporate governance infractions by several Austrian enterprises have dealt a severe blow to confidence and the credibility of the Austrian capital market and the real estate sector. The task is now to rebuild that confidence. Sparkassen Immobilien AG stands for transparent and open communication and has stated its commitment to the Austrian Code of Corporate Governance. This is why we have expanded the Corporate Governance Report in 2008 in line with the latest corporate governance guidelines and also subjected this report to external evaluation.

In the interests of a lean, easy-to-understand management structure, we internalised the most important management functions in 2008. The services provided by our external partner Immorent AG have been redefined in a new management agreement. We would like to emphasise especially that this internalisation of management took place without any cost to our shareholders.

The strategic focus in 2009 will be on optimisation of the existing portfolio, proactive asset management, the completion of development projects under construction, and concentration on favourable opportunities for property acquisition and disposals. The effect on Sparkassen Immobilien AG's further development will be to increase cash flow as the projects are completed, taking advantage of favourable opportunities for acquisitions while retaining our conservative, solid financing structure. The property portfolio will grow to roughly EUR2bn in 2010.

Finally we would like to extend our heartfelt thanks to you, our shareholders for the confidence you have placed in us as well as our employees for their continuing contribution which has made our success to date possible.

The Management Board team

Holger Schmidtmayr
Ernst Vejdovszky
Friedrich Wachernig

Report of the Supervisory Board

Dear shareholders,

In 2008 the Supervisory and Management Boards of Sparkassen Immobilien AG met five times and discussed in depth the economic situation and the group's strategic development in light of the massive changes in the market environment. On these occasions we discharged our duties under the law and the company's articles of incorporation. At each meeting the Management Board reported to the Supervisory Board in detail on the state of the group's affairs and its finances. In addition, regular and comprehensive written and oral reports were submitted whenever appropriate.

Topics of current interest were the subject of regular discussions between the Management Board and the Chairman and individual members of the Supervisory Board. Extra information on individual events of special significance was provided, and experts were invited to supply in-depth information on certain agenda items.

At each of the Supervisory Board's meetings between five and eight Board members were present. Three members were each excused on one occasion, and a further three members were excused twice each.

One of the recurring topics was how best to optimise the group's potential, and further its strategy of sustainable long-term added value. The Management Board reported regularly on development projects in Austria and CEE states. The Working Committee or the Supervisory Board discussed and approved various acquisitions and disposals. The acquisitions consisted of 40 standing properties in Vienna, Berlin, Rostock and Leipzig, and individual properties in Slovakia and Croatia. All the properties that were disposed of were sold for significantly more than their most recent fair values.

In the Supervisory Board's third meeting, it was resolved to relocate Sparkassen Immobilien AG's offices to accommodate appropriately its now internalised management. The Board was also given an overview of the new internal control system. Following completion of the internalisation process, risk management and coordination of internal auditing are now an independent staff function within Sparkassen Immobilien AG. The risk manager reports regularly to the Management Board. The Supervisory Board received reports on the internal control system, the risk management system and internal auditing.

Sparkassen Immobilien AG has subscribed to the Austrian Code of Corporate Governance since July 2007. The obligations contained in the Code go beyond the statutory requirements applicable to a public limited company: they are adopted voluntarily, and are designed to ensure transparency in reporting.

There are three Supervisory Board Committees: the Management Board Committee, the Audit Committee and the Working Committee. The Management Board Committee concerned itself with the remuneration of the Management Board members and the contents of their contracts of employment. The Working Committee in its three meetings discussed and approved the property acquisitions and disposals in 2008. The Audit Committee met once in 2008. It monitors the accounting process and the audit of the Group, and the effectiveness of the internal control and risk management system.

In preparation for the Supervisory Board's proposal of auditors of the annual financial statements of the company and the group, the Audit Committee reviewed the documentation submitted by Deloitte Audit Wirtschaftsprüfungs GmbH (formerly Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH) evidencing their right to practise as auditors. On the basis of a written report, it was established that there were no grounds for exclusion, nor any circumstances that could give rise to concerns about conflicts of interest. A schedule of the total remuneration paid to Deloitte by the company in respect of the preceding financial year, itemised by categories of services, was requested and inspected, and Deloitte's membership of a statutorily approved quality assurance system was confirmed. The Audit Committee reported to the Supervisory Board on its work and its findings. On this basis, the Supervisory Board in the Annual General Meeting proposed the appointment of Deloitte Audit Wirtschaftsprüfungs GmbH as auditors of the annual financial statements of the company and the group.

The Audit Committee of the Supervisory Board further accepted the submission of the annual financial statements for 2008 by the Management Board, together with the management report and the corporate governance report. The Audit Committee inspected and reviewed these documents and the consolidated annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) together with the management report of the group. On the basis of its review and discussions, the Audit Committee unanimously resolved to recommend to the

Supervisory Board the acceptance without reservation of the statements, report and reviews. The chairman of the Committee reported the Committee's recommendations to the Supervisory Board.

The Supervisory Board discussed in detail and reviewed the annual financial statements for 2008 together with the management report and corporate governance report, the consolidated annual financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) together with the management report (of the group), and the proposed distribution of profits submitted by the Management Board. The audit reports prepared by Deloitte Audit Wirtschaftsprüfungs GmbH (successor by universal succession to Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH) on the annual financial statements for 2008 together with the management report and the consolidated annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) together with the management report of the group were also examined and discussed in detail. The audit conclusions gave no grounds for objection. The Supervisory Board declared that it had nothing to add to the audit reports of the auditors.

The Supervisory Board therefore unanimously resolved to accept the annual financial statements and management report and the consolidated annual financial statements prepared in accordance with International Financial Reporting Standards and the management report prepared by the Management Board.

In accordance with section 125(2) Austrian Companies Act (AktG) the annual financial statements for 2008 were therefore adopted.

People

There have been several changes in Sparkassen Immobilien AG's Supervisory Board since last year. In the Annual General Meeting in May 2008, Erwin Hammerbacher and Peter Nemschak were elected to the Supervisory Board after Christian Ahlfeld and Manfred Rapf had resigned their appointments. We should like to take this opportunity to thank both gentlemen expressly for their outstanding contributions over the years.

Klaus Braunegg, a long-serving member and first Deputy Chairman of the Supervisory Board, died in January 2009. We remember him with gratitude for all his valuable work on the Supervisory Board since 1997.

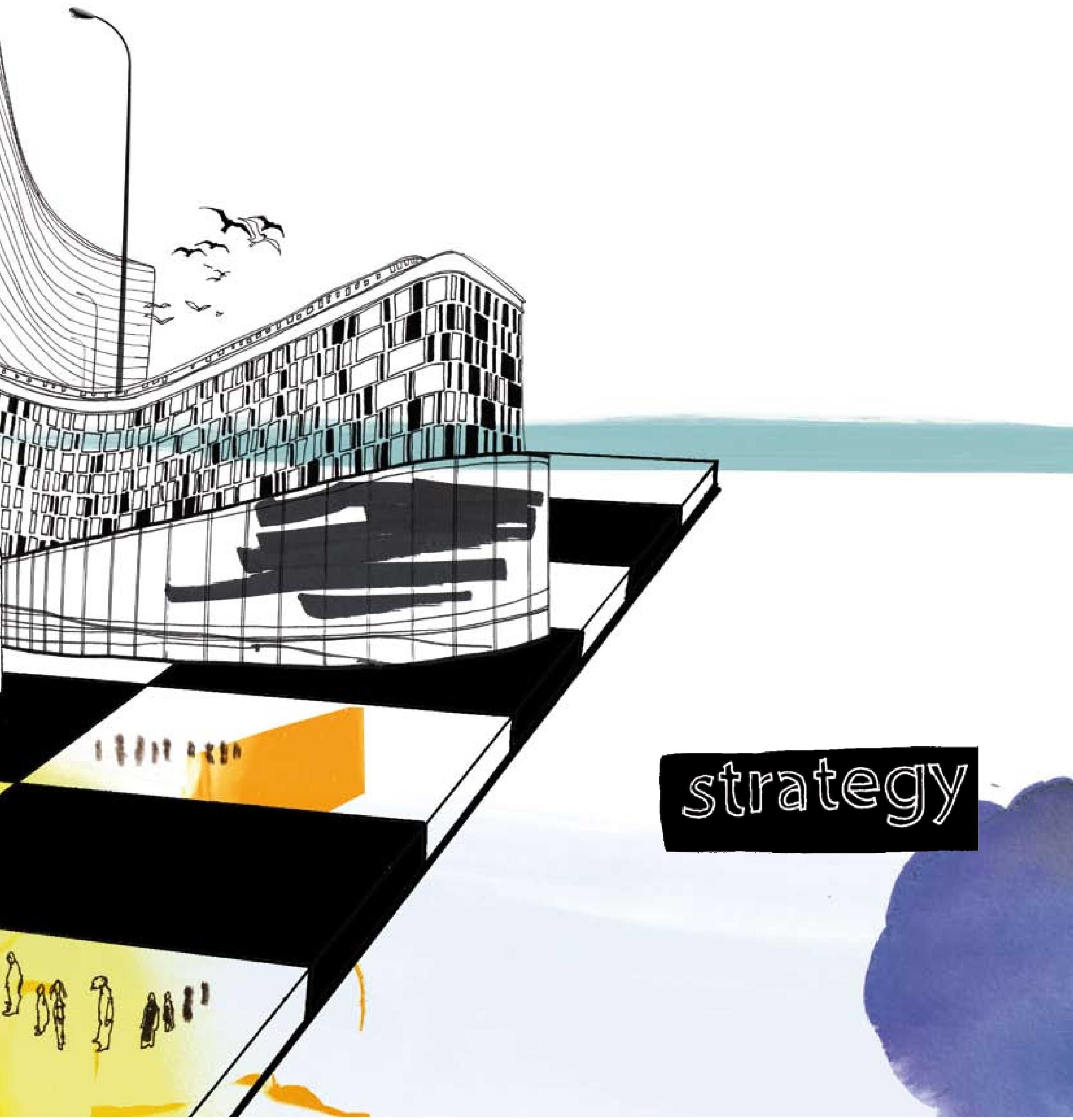
The Supervisory Board thanks the Management Board and staff of Sparkassen Immobilien AG for their considerable personal efforts and dedication during the past year, especially in light of the particularly challenging current situation.

Vienna, 23 April 2009

The Supervisory Board

Martin Simhandl
Chairman


SERDIKA CENTER



strategy

Corporate Strategy

For 21 years Sparkassen Immobilien AG has followed a clear strategy: the long-term increase in its company value in the interest of its shareholders. Our most important guiding principles have always been risk awareness, optimal income from the existing portfolio, and sustainable growth. Thanks to its lean management structure, Sparkassen Immobilien AG can react quickly and flexibly to ongoing developments to make strategic adjustments where necessary.

Clear portfolio strategy and risk management

We take the long-term view and consciously diversify risks – both geographically and by property use type. Especially in turbulent times, this strategy pays off: diversification enables us to achieve sustainable cash flow growth, because market cycles and regional fluctuations can be balanced out more easily. Our business model continues to be based on investment in prime standing properties and development projects with a good and sustainable risk-return profile.

Our strategy combines the stability and long-term outlook of more mature markets such as Vienna, Hamburg and Berlin with the dynamics and income strength of growth markets such as Bucharest and Sofia. Although growth forecasts for Romania and Bulgaria have been reduced in light of the prevailing crisis, the convergence process with Western Europe will continue in the long run. The basis for the fundamentals of success of our two ongoing development projects in Sofia and Bucharest have not changed: the stock of available, modern retail space is so low, that even under the present difficult circumstances tenant demand continues to be high. This is confirmed by pre-letting ratios of 80%. Sparkassen Immobilien AG's ability to implement its portfolio strategy successfully in its chosen countries and segments is based on our many years of experience, our teams on the ground, and the long established networks of our partners – Immorent AG, Erste Group and Vienna Insurance Group. Our portfolio assets will continue to be located exclusively in EU member states (with the exception of one office building in EU accession candidate country Croatia). The focus of our property portfolio will remain on Germany and Austria.

Given today's prevailing macroeconomic uncertainties, Sparkassen Immobilien AG will acquire additional properties only very selectively. Development projects will be completed, and we will dispose of properties as opportunity arises.

Our business model will continue to rely on the majority of the portfolio comprising standing investments that contribute a steady rental income stream. Hence, the proportion of development projects as part of the whole portfolio is only 16%. Furthermore, development risks are minimised as far as possible, by allowing our development partners to participate not only in the profits, but also by requiring them to share the risks, including construction cost overruns and letting risks.

Active asset management

In times of falling yields valuation gains, which enhance operating profit (EBIT), can be realised. Where the scope for this is limited, it is critical that rental income generated from the existing portfolio continues to rise. We see the potential for this in particular with our German portfolio, which we have continiously built up since 2005. Specifically in the residential sector, rents currently achieved are significantly below market levels. A reduction in vacancy levels and increases in rents commanded will enhance rental income. Our asset management experience and the links to our extensive networks will help us to optimise rental income from our standing properties.

Transparent property valuation

This is the second year in which Sparkassen Immobilien AG is valuing its properties on an IFRS fair value basis. Even though total revenues have increased, the portfolio devaluation as at year end 2008 reduces the operating result (EBIT) to a level lower than last year's, because these value changes are recognised through profit or loss.

In the past we have frequently been criticised for our overcautious valuation policies, but we have always resisted the temptation of easy profits – with precisely these periods of difficult market conditions in mind. Sparkassen Immobilien AG has and always will be committed to conservative valuation policies.

Sparkassen Immobilien AG's decision to carry development projects at cost until completion has been validated in the current market.

The portfolio is valued in line with international, recognised standards by internationally renowned experts such as CB Richard Ellis, DTZ or PriceWaterhouseCoopers.

Sound financing strategy

Our solid financing strategy has been a core component of our business culture for the last 21 years. It has always relied on a comparatively low proportion of debt and an ample cushion of liquidity. Maintaining good relationships with our financing banks has always been important to us. Today these relationships are of greater significance than ever.

In the light of the present financial and liquidity crisis, a long-term, diversified financing strategy is especially important.

We maintain a balanced relationship between debt and portfolio value (loan to value ratio) of around 47%. In addition, our cost of finance is protected with interest rate hedges. Currently, 100% of our debt obligations are either fixed or variable and hedged with caps, collars and swaps.

Streamlined, transparent management structure

The process of internalising the management was completed in 2008. The most important key management functions, including acquisition, project development, strategic asset management, controlling and finance, risk management, legal and compliance, investor relations and communications have been integrated. Asset management activities are dealt with individually on a country-by-country basis. Our German portfolio is the responsibility of our subsidiary SIAG Deutschland Betriebs GmbH in Berlin and our Hungarian portfolio is the responsibility of our subsidiary s IMMO Hungary Kft. in Budapest. There is a management agreement in place with Immorent AG for Austria, Croatia, the Czech Republic, Slovakia, Romania and Bulgaria. Certain aspects of commercial management have also been assigned to Immorent AG under this agreement. This solution allows us to utilise synergies with Erste Group and is beneficial for operational reasons. Particularly in today's market, a streamlined structure is an enormous advantage, because additional services can be bought in as and when required, thus keeping costs to a minimum.

Two strong core shareholders

Through the sale of Sparkassen Versicherung to Vienna Insurance Group, Sparkassen Immobilien AG has acquired a second major core shareholder alongside Erste Group. Vienna Insurance Group's networks and expertise are a significant source of strength to Sparkassen Immobilien AG in the countries in which it operates.

Investor Relations

Difficult economic climate

The historically poor performance of the world's stock markets in 2008 reflected a continuing deterioration of the economic situation, loss of confidence and growing uncertainty. By the end of the year, the problem had expanded well beyond the dimensions of a liquidity crisis. The lowered GDP growth forecasts for Western Europe, the USA and CEE published last autumn are a clear sign that a turning point had not yet been reached. Repeated base rate cuts by central banks worldwide in connection with bailouts and economic stimulus packages also had little apparent impact.

By the end of 2008, the Dow Jones was down 33.8%, the largest annual loss since 1937. The DAX, Germany's leading stock exchange index, was down by 40.5%, and Austria's ATX lost 61%. European property stocks posted even higher losses: one of the most important global real estate indices, the GPR 250 Global, in which the s IMMO Share is included, lost 43.8%. The GPR 250 Europe was down by 53.8%. The EPRA/NAREIT Europe Index had lost 50.9% by the end of 2008. Austrian property stocks were punished even more severely, as a result of some serious violations of the Code of Corporate Governance by a few market participants and the uncertain economic climate in CEE and SEE. With a loss of 74.4% the s IMMO Share still fared better then the I-ATX (index of leading Austrian real estate shares), which fell 82.3%. The s IMMO Share closed the year at EUR1.98. The 2007 closing price was EUR7.73. The price stayed fairly stable for the first six months, with an average price of EUR6.94 and relatively low volatility. In the following six months the stock lost 70.5% and at 31 December 2008 traded at a 78% discount to NAV. The market capitalisation of EUR134.9m was down 73% compared to the beginning of the year, without any change in Sparkassen Immobilien AG's successful business model.

Respected investment houses reporting on the group see enormous potential for growth, and in December 2008 predicted target prices of between EUR5.10 and EUR7.62 for the s IMMO Share.

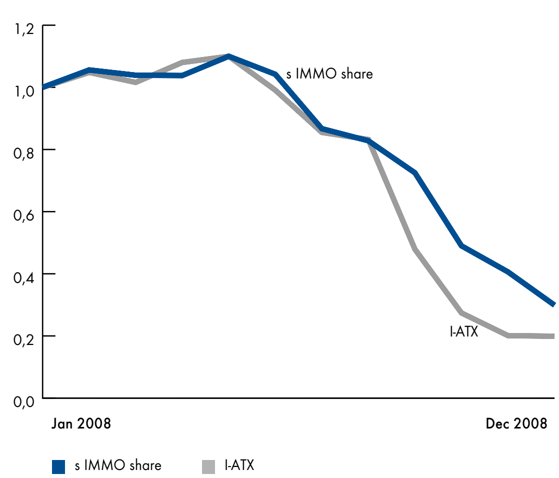
Whilst sales activity from private investors generated relatively little downward pressure, the share price suffered from forced sales by institutional investors. Changes in portfolio weighting by index-orientated real estate investors and reduction of CEE exposure by other investors accentuated the trend. Declining interest in the real estate sector resulted in a reduction in trading volumes: in 2008 an average of 91,000 shares changed hands each day, compared with an average of 293,000 in 2007.

Like all Austrian property shares originally, the s IMMO Share is an accumulation share, where capital gains are tax-free for investors provided the shares are held for at least a year. Until our major development projects are completed in 2009/2010, no change in dividend policy is planned; thereafter the policy will be reconsidered. The s IMMO INVEST participating certificate is the company's listed distributing real estate security.

s IMMO Share – performance indicators (p. a.)

1 year	-74.4%
3 years	-77.2%
YTD (01.01.2009 – 17.04.2009)	69.2%

Share price s IMMO Share (indexed) against I-ATX



Stock exchange information

ISIN	AT0000652250
Reuters	SIAG.VI
Bloomberg	SPI:AV
Number of shares (31 December 2008)	68,118,718
Market capitalisation (31 December 2008)	EUR134.88m
High	EUR7.90
Low	EUR1.60
Closing	EUR1.98

Key indicators – s IMMO Share

	2008	2007
NAV per share	EUR8.9	EUR9.7
Earnings per share	EUR0.09	EUR0.38
Dividends	0	0
P/E ratio	23	20
Price/cash flow ratio	4	12
NAV discount	78%	20%

Financial calendar 2009

Publication of financial statements 2008 (annual results press conference)	29 April 2009
Annual General Meeting	23 June 2009, 10 am
Results – first quarter 2009	25 May 2009
Results – first half 2009	26 August 2009
Results – first three quarters 2009	25 November 2009

s IMMO INVEST

The s IMMO INVEST certificate is a listed participating certificate for the purposes of section 174 Austrian Companies Act (AktG), and as a stock exchange listed real estate security it entitles the holder to distributions out of profit. The income is not taxed in the hands of the company. For private investors, the tax paid is limited to the withholding tax on the distribution out of profits.

The participation certificates were issued in two tranches, the first in 1996 and the second in 2004. The participating certificates mature on 31 December 2029. With effect from 31 December 2017, both the holders and the issuer may redeem the participating certificates on an annual basis.

s IMMO INVEST participation – performance (p. a.)

AT0000795737/AT0000630694 (2nd tranche)	
1 year	-51.49% / -46.81%
3 years	-52.35% / -46.81%

Stock exchange information

ISIN	AT0000795737/AT0000630694 (2nd tranche)
Reuters	SIMIg.VI
Bloomberg	SIIG:AV
Participation certificates in issue (January 2009)	2,014,476/1,210,408
Market capitalisation (January 2009)	EUR151.9m
High	EUR95/EUR96
Low	EUR45.36/EUR50
Closing	EUR45.36/EUR50

The repayment entitlement per participation certificate on 31 December 2008 is EUR88.96.

Distribution under clause 5, Participating Certificates Agreement

EUR	
Income entitlements (clause 4)	4,543,000
+/- Proportionate change in value (clause 2)	0
+/- Change in reserves (clause 3)	0
+/- Retained profit released (clause 4)	9,517,000
Distribution	14,060,000
Number of certificates in issue	3,224,884
Distribution per participating certificate EUR	4.36

Annual General Meeting

The Annual General Meeting of Sparkassen Immobilien AG was held on 28 May at 3 pm in Kursalon Hübner, Vienna. In addition to standard points on the agenda such as the submission of financial statements, the discharge from liability of Management and Supervisory Boards and the appointment of auditors; the authorisation of share repurchases for up to 5% of the Company's share capital was authorised.

For the first time, Sparkassen Immobilien AG's Management Board was authorised to issue convertible bonds: until 28 May 2013, convertible bonds carrying the right of conversion into up to 34,059,359 ordinary bearer shares in the Company may be issued.

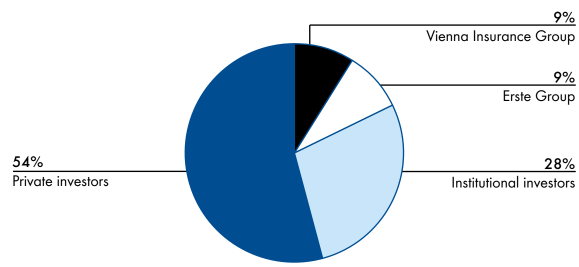
Investor Relations activities

The core investor activity in 2008 was a wide spread information campaign for institutional and private investors in Austria and abroad. The principle of proactive and transparent corporate communication is Sparkassen Immobilien AG's highest priority, particularly in a difficult market environment.

As in previous years, Management accepted invitations to road shows and investor conferences which took place in 10 countries organised by international investment houses such as HSBC, Kempen, KBC Securities, Erste Group and Auerbach Greyson. Investors also had opportunities for individual discussions with the Management Board at Morgan Stanley's 11th EMEA Property Conference in London, Sal. Oppenheim's Real Estate Forum 2008 in Baden and the Central Europe Midcap Conference in Paris. For the second time, we organised a road show in the Middle East (Dubai, Abu Dhabi, Muscat und Kuwait), with the aim of further intensifying contacts with shareholders and potential equity partners. At these numerous meetings, international investors gained a deeper understanding of Sparkassen Immobilien AG's conservative and sustainable growth strategy and its market positioning.

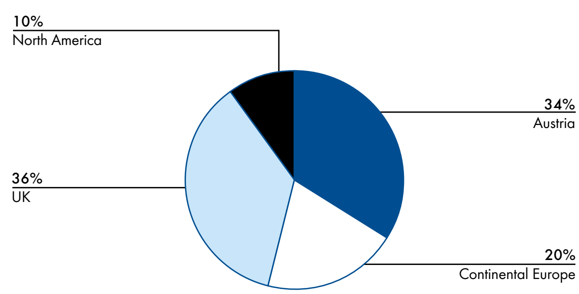
Our website was made more user-friendly, and additional information materials were added. This enabled us to provide the public with timely information on the market and the Group's affairs. Several statements by the Management Board on current

Shareholder structure s IMMO Share*



*as of 31.12.2008

s IMMO Share – institutional shareholder structure by country



*as of 31.12.2008

market developments and the performance of the s IMMO Share were also published on the website. During 2008, a periodic electronic newsletter for investors and the media on current developments and news in and around Sparkassen Immobilien AG was introduced.

Contact with private investors is ensured through our website and the regular visits to Erste Bank and Sparkassen branches, and also by numerous events focusing on this target audience. Sparkassen Immobilien AG participated in the Gewinn-Messe, the Börse-Express road show and the "Fest der österreichischen Aktie" (Austrian share festival), and organised several events such as the first "Immobilien-Aktienforum" (real estate share forum) in Vienna, which attracted over 450 participants. The aim at these events was to highlight the discrepancy between the Group's successful operating results and the falling share price and to emphasise the s IMMO Share's positioning as a reliable investment with solid asset backing and a successful track record of asset management.

Sparkassen Immobilien AG's policy of proactive, transparent corporate communication was also reflected in our contacts with Austrian and international media representatives. In addition to press conferences and press releases, contact with journalists was intensified, with regular interviews and background briefings.

The quality of content and presentation in our annual report was recognised with several awards: in the world's largest competition for annual reports, the Annual Report Competition in New York, our report received a silver award. In the internationally renowned competition of the American League of Communications Professionals, our annual report won a silver award in the real estate category. This places our report in the top 100 out of over 3,000 reports submitted.

Sparkassen Immobilien AG is a publicly owned company with about 30,000 shareholders and two strong core shareholders, Erste Group and – since 23 September 2008 – the Vienna Insurance Group. We benefit from our partners' extensive international networks in all the countries in which we invest.

IR contact:

Rebecca Reichmann, institutional investors
Andreas Feuerstein, private investors

Shareholder hotline: +43 (0) 50100-27867
E-mail: investor@s-immoag.at
Website: www.sparkassenimmobilienag.at
Address: Friedrichstrasse 10, A-1010 Vienna, Austria

Corporate Governance

OVERVIEW OF MANAGEMENT BODIES

Management Board

ERNST VEJDOVSZKY
Member of the Management Board

Born 30 October 1953
Appointment until 31 January 2010
First appointed 1 January 2001

Responsible for finances, asset management, risk management

After studying IT at the Vienna University of Technology, he began his career in 1982 at Girozentrale, Vienna. Founder member of the Management Board of Sparkassen Immobilien Anlagen AG, Vienna (forerunner of Sparkassen Immobilien AG), in 1986, and since 2001 member of the Management Board of Sparkassen Immobilien AG, Vienna.

Other appointments: member of supervisory board, Erste Immobilien Kapitalanlagegesellschaft m.b.H., advisory board member, Arealis Liegenschaftsmanagement GmbH

HOLGER SCHMIDTMAYR
Member of the Management Board

Born 6 May 1966
Appointment until 31 January 2010
First appointed 1 October 2004

Responsible for aquisition and disposal of standing properties, Investor Relations and Corporate Communications, legal and compliance

After studying law and business in Vienna, he started work at GiroCredit in Vienna in 1994. Following merger, moved to Erste Bank in 1997, and from 2001 responsible for building up CEE portfolio for Sparkassen Immobilien AG, Vienna. Member of the Management Board of Sparkassen Immobilien AG, Vienna, since 2004.

FRIEDRICH WACHERNIG
Member of the Management Board

Born 28 June 1966
Appointment until 14 November 2010
First appointed 15 November 2007

Responsible for project development, aquisition and disposal of development land and projects, organisation, IT, personnel

After studying business at the Vienna University of Economics and Business Administration, he started at Eraproject GmbH, Vienna, in 1993. Various management and development functions at Strabag AG, Raiffeisen Evolution GmbH and Porr Solutions GmbH in a range of Central and Eastern European countries. Member of the Management Board of Sparkassen Immobilien AG, Vienna since 15 November 2007.

The activities and procedures of the Management Board are governed by its bylaws.

Supervisory Board

MARTIN SIMHANDL
Chairman of the Supervisory Board

Born 5 November 1961
Appointment until 2010 Annual General Meeting
First appointed 24 June 2004

CFO, Vienna Insurance Group
(Wiener Städtische AG)

Other supervisory board appointments:
Donau Allgemeine Versicherung-Aktiengesellschaft,
Ringturm Kapitalanlagegesellschaft m.b.H.,
Sparkassen Versicherung AG

KLAUS BRAUNEGG †
First deputy chairman of the Supervisory Board

Born 17 September 1935
Deceased 26 January 2009
First appointed 4 December 1997

Partner emeritus, Braunegg, Hoffmann & Partner,
solicitors

Other supervisory board appointments:
DIE ERSTE österreichische Sparkasse Privatstiftung,
Immorent AG, CEE PROPERTY INVEST
Immobilien AG, Austria Versicherungsverein auf
Gegenseitigkeit Privatstiftung

FRANZ KERBER
Second deputy chairman of the Supervisory Board

Born 20 June 1953
Appointment until 2010 Annual General Meeting
First appointed 24 June 2004

Member of management board, Steiermärkische Bank und
Sparkassen AG

Other supervisory board appointments:
Bankhaus Krentschker & Co. AG, Sparkasse Hartberg-Vorau AG, Erste Bank a.d. Novi Sad, Belgrade,
Banka Sparkasse d.d., Ljubljana, ABS Banka d.d.,
Sarajevo, Erste & Steiermärkische Bank d.d., Rijeka,
Investmentbanka a.d., Skopje

GERALD ANTONITSCH
Member of the Supervisory Board

Born 11 April 1956
Appointment until 2010 Annual General Meeting
First appointed 18 June 2002

Member of management board, Immorent AG

Other supervisory board appointments:
Immorent-Bank GmbH,
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.,
Innovationspark Graz-Puchstrasse GmbH,
CEE PROPERTY INVEST Immobilien AG

Advisory board appointments:
s REAL Immobilienvermittlung GmbH,
AREALIS Liegenschaftsmanagement GmbH

ERWIN HAMMERBACHER
Member of the Supervisory Board since 28 May 2008

Born 27 May 1957
Appointment until 2012 Annual General Meeting
First appointed 28 May 2008

Member of management board,
Sparkassen Versicherung AG

PETER NEMSCHAK
Member of the Supervisory Board since 28 May 2008

Born 18 October 1948
Appointment until 2012 Annual General Meeting
First appointed 28 May 2008

Division manager, Risk Management International
Erste Group Bank AG

Other supervisory board appointments:
Immorent AG, Erste Bank Croatia

REINHOLD SCHÜRER-WALDHEIM
Member of the Supervisory Board

Born 25 March 1944
Appointment until 2010 Annual General Meeting
First appointed 23 April 1990

Partner at “Nordost” Treuhand- und Organisations-gesellschaft m.b.H., auditors and tax consultants

Other supervisory board appointments:
Filmcasino & Polyfilm Betriebs GmbH

RICHARD WILKINSON
Member of the Supervisory Board

Born 28 April 1964
Appointment until 2010 Annual General Meeting
First appointed 31 May 2005

Division manager Group Real Estate & Leasing
Erste Group Bank AG

Other supervisory board appointments:
Capexit Beteiligungsmanagement AG, Immorent AG

CHRISTIAN AHLFELD
Member of the Supervisory Board until 27 May 2008

Born 28 July 1956
Resigned 27 May 2008
First appointed 6 October 2003

Division manager Credit Risk Management,
Erste Bank der oesterreichischen Sparkassen AG

Other supervisory board appointments:
ERSTE Immobilien Kapitalanlagengesellschaft m.b.H.

MANFRED RAPF
Member of the Supervisory Board until 27 May 2008

Born 29 August 1960
Resigned 27 May 2008
First appointed 3 May 2006

Member of management board,
Sparkassen Versicherung AG

The activities and procedures of the Supervisory Board are governed by its bylaws.

Clear commitment to the Austrian Code of Corporate Governance

For many years, Sparkassen Immobilien AG's strategy has been to pursue sustainable, long-term growth of the group's net worth. It is in this context that Sparkassen Immobilien AG has pledged its commitment to the regulations and recommendations embodied in the Austrian Code of Corporate Governance, which was initially drawn up in 2002 by the Austrian Working Group for Corporate Governance. The Code is adopted on a voluntary basis and extends beyond the statutory framework applicable to a public company. The aim of the Code of Corporate Governance is to foster management culture and controls, focussed on transparent responsible, sustainable and long-term added value.
It also aims to codify the rights and responsibilities of all stakeholders with each other.

The Austrian Code of Corporate Governance has been revised several times. The version applicable for the financial year 2008 is the version of June 2007. The Management and Supervisory Boards of Sparkassen Immobilien AG voluntarily undertake to comply with its provisions. The Code is available from the website of the Austrian Working Group for Corporate Governance (http://www.corporate-governance.at).

In addition to compliance with the mandatory “L rules” (legal requirements), the Code also includes “C rules” (comply or explain), which call for explanation or justification of non-compliance with international norms. “R rules” (recommendations) are recommendations that extend beyond these requirements and which can be adopted voluntarily. The company has adopted all R rules and almost all C rules, with the exception of the rules explained below.

Sparkassen Immobilien AG departs from the recommendations of the Code of Corporate Governance with respect to the following C rules:

C Rule 16: “The management board shall be made up of several persons, with one member acting as the chairperson of the management board.”

The Supervisory Board has currently not appointed a chairman of the board as it believes that the tasks and responsibilities of all three board members are of equal importance, and the company is adequately represented by the individual members with joint signatory power.

C Rule 31: “The fixed and performance-related compensation of each member of the management board shall be disclosed separately in the annual report.”

The remuneration is disclosed in note 11 to the Consolidated Financial Statements. In the Supervisory Board's opinion the individual remuneration of the Members of the Management Board does not offer additional information of interest to the investors and is omitted for competitive reasons.

C Rule 45: “Supervisory board members may not assume any functions on the boards of other enterprises which are competitors of the company.”

Certain members of the Supervisory Board also have executive responsibilities in similar industries or in Erste Group Bank AG or in Erste Group’s 100% subsidiary Immorent AG. Each member of the Supervisory Board is under an obligation to disclose any conflict of interest immediately which might arise from his position as a member of the Supervisory Board. Further, the company sees it as an advantage to be able to benefit from the extensive industry know-how and contacts of certain members of the Supervisory Board.

C Rule 49: “The company shall disclose in the annual report the object and remuneration of contracts subject to approval pursuant to L Rule 48. A summary of contracts of the same kind shall be permitted.”

The company may conclude contracts with members of the Supervisory Board. As far as such contracts are subject to the obligation to obtain permission from the Supervisory Board under Sec 95 AktG (L Rule 48), such permission has been obtained. The details of the respective contracts will not be disclosed for business policy or competitive reasons. All such contracts are or will be in line with market conditions.

Exceptions are also published and explained on the Sparkassen Immobilien AG website under Investor Relations (http://www.sparkassenimmobilienag.at).

s IMMO Share

Sparkassen Immobilien AG is listed on the Prime Market of the Vienna Stock Exchange. At 31 December 2008 there were 68,118,718 bearer shares in circulation, 82% of which were in the free float. On 23 September 2008 Vienna Insurance Group acquired Sparkassen Versicherung AG, and became the second core shareholder in Sparkassen Immobilien AG, with a holding of approximately 9%. Erste Group continues to hold approximately 9%. There are no preference shares or registered shares.

Management Board

Since 15 November 2007 Sparkassen Immobilien AG's Management Board has consisted of three members, whose responsibilities are listed in the Overview of Management Bodies above. The members of the Management Board coordinate their work in accordance with the Board's bylaws, which are agreed with the Supervisory Board. The remuneration of the members of the Management Board consists of a fixed and a performance-related variable component, which represented 40% to 50% of the fixed remuneration. Profit participation is dependent on the achievement of quantitative and qualitative targets, including EBIT, cash flow and occupancy rates. There are also defined contribution pension arrangements for the members of the Management Board, which amount to between 7% and 10% of salary. The remuneration of the members of the Management Board active during the year under review amounted to EUR770,000. This also includes costs for bonuses of EUR150,000 (2007: EUR200,000), pension fund contributions of EUR48,000 (2007: EUR343,000) and employee provisions of EUR10,000 (2007: EUR1,000).

Sparkassen Immobilien AG has no stock option plan.

Directors' dealings

For the financial year 2008 share purchases by two members of managing bodies were reported to the Austrian Financial Market Authority. In 2008 a total of 28,000 shares were bought and none were sold. In accordance with the requirements of the Code, dealings by members of the Management and Supervisory Boards (directors' dealings) are disclosed on Sparkassen Immobilien AG's website (http://www.sparkassenimmobilienag.at) under Investor Relations/Corporate Governance/Directors Dealings.

Supervisory Board

The Supervisory Board, which at 31 December 2008 consisted of eight members, advises the Management Board on strategy issues and business plans. It participates in decision-making as provided by statute, the Company's articles of association and its bylaws. As provided in Article 7(1), it has formed committees consisting in each case of at least two of its members. These committees are listed below. During the year under review there were a total of five Supervisory Board meetings. The average attendance by the members of the Board was 80%. Three members of the Supervisory Board were each excused for two meetings, and three other members were excused for one meeting each.

Committees

Audit committee

The function of the audit committee includes monitoring the accounting process, the effectiveness of the internal control system and the risk management system, as well as the preparation of the approval of the financial statements. Martin Simhandl chairs the committee.

Gerald Antonitsch, Reinhold Schürer-Waldheim and Klaus Braunegg were the members of the audit committee in 2008. Due to their knowledge and experience of finance and accounting, Martin Simhandl and Reinhold Schürer-Waldheim are the committee's finance experts. The audit committee met once during the year under review.

Management Board committee

The Management Board committee concerns itself with the remuneration of the Management Board members and the contents of their contracts of employment.

During 2008 the committee consisted of Martin Simhandl, Franz Kerber and Klaus Braunegg.

Working committee

The working committee is responsible for planned acquisitions and disposals of properties and land, as well as development projects. The members of the committee during the year under review were Gerald Antonitsch (chairman), Klaus Braunegg (first deputy chairman), Richard Wilkinson (second deputy chairman), Franz Kerber and Peter Nemschak (from 28 May 2008, replacing Christian Ahlfeld). Erwin Hammerbacher is alternate member since 28 May 2008. The working committee met three times during the year under review.

Statement of independence

Sparkassen Immobilien AG's Supervisory Board adopted the Code of Corporate Governance in June 2007. It has adopted the guidelines set out in Annex 1 to the Code to determine independence of the Supervisory Board members.

A member of the supervisory board shall be deemed as independent if said member does not have any business or personal relations with Sparkassen Immobilien AG or its Mangement Board that constitute a material conflict of interests and is therefore suited to influence the behaviour of the member.

- The Supervisory Board member shall not have served as member of the Management Board or as a management-level staff of Sparkassen Immobilien AG or one of its subsidiaries in the past five years.

- The Supervisory Board member shall not maintain or have maintained in the past year any business relations with Sparkassen Immobilien AG or one of its subsidiaries to an extent of significance for the member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the Supervisory Board has a considerable business interest. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 does not automatically mean the person is qualified as not independent.

- The Supervisory Board member shall not be a member of the Management Board of another company in which a member of the Management Board of Sparkassen Immobilien AG is a Supervisory Board member.

- The Supervisory Board member shall not have acted as auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.

- The Supervisory Board member shall not be a member of the Management Board of another company in which a member of the management board of the company is a supervisory board member.

- The Supervisory Board member shall not be a closely related relative (offspring, spouse, life partner, parent, uncle, aunt, sister, niece, nephew) of a member of the Management Board or of persons who hold one of the aforementioned positions.

For the financial year 2008, the following members and former members of the Supervisory Board qualify as independent in the sence of clauses 53–54 of the Code of Corporate Governance and satisfy the independence requirements established by the Supervisory Board:

Martin Simhandl

Klaus Braunegg †

Franz Kerber

Reinhold Schürer-Waldheim

Christian Ahlfeld (appointment until 27 May 2008)

Manfred Rapf (appointment until 27 May 2008)

Erwin Hammerbacher (first appointed 28 May 2008)

Remuneration of Supervisory Board

The remuneration of the Supervisory Board amounted to EUR77,000 (2007: EUR71,000).

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

Auditors

In accordance with the statutory provisions, Deloitte Audit Wirtschaftsprüfungs GmbH (formerly Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH) has been appointed as auditor by resolution of the Annual General Meeting.

GERMANY
Bulgaria
economic
climate
AUSTRIA


HUNGARY
Slovakia
CZECH REPUBLIC
ROMANIA
Croatia

Management Report

Economic Overview and Real Estate Markets

AUSTRIA

Economic review

Austria recorded an annual real GDP growth of 1.8% per annum in 2008, down from 3.1% the previous year. This is significantly above the eurozone growth rate of 0.8%. In line with international developments, the year 2008 was a story of two parts: whilst the first half was characterised by robust growth with focus placed on inflationary concerns, the second half of the year, and in particular the fourth quarter, was characterised by a sharp slowdown in economic activity with annualised real GDP growth of only 0.5% in Q4. This development can mainly be attributed to a decrease in export growth, or in other words, a decline in the sector that had proven to be the most important driver of growth in the past.

As a result of the still satisfactory economic development in 2008, the unemployment rate reached a multi-year-low of 3.5% and remained significantly below the EU average. Consumer prices surged in the first half of the year on the back of high commodity prices, but fell as quickly as they rose and closed the year with only a moderate increase of 3.2%. On the back of diminished inflationary pressures and the deteriorating economic outlook, the European Central Bank cut its benchmark interest rate from 3.75% to 2.5% in 2008. Fiscal policy also moved centre-stage in fighting the potential impact of a slowing economy: the Austrian government adopted various measures such as income tax cuts and higher transfer payments to families in order to boost disposable incomes. Combined with gradually slowing tax revenues, this translated into a higher than expected but very manageable budget deficit of 0.5%.

Property review

Market rents across various use types increased or stayed constant in 2008, with vacancy rates remaining stable. Total investment volume fell 30% from EUR2.7bn to EUR2.0bn in 2008. Reduced investment activity and market uncertainty have resulted in only limited yield adjustments. As investment activity and growth rates have been comparatively moderate in the past with no surge in capital values witnessed, the market has remained stable even in times of economic difficulty.

Office rents in Austria continued to rise in 2008, with prime CBD (central business district) rents in Vienna of EUR23.5/sq m/month (a 7% increase on 2007). Rents in good locations such as the Prater range from EUR10–20/sq m/month. Vacancy rates in Vienna have been falling continuously since 2004 and remained constant between Q3 and Q4 2008 at 4.3%. The units affected are almost entirely old buildings with dated technical standards. Completion of office stock fell by 17% in Vienna in 2008. Prime initial yields moved out from 4.75% in Q4 2007 to 5.5% at the end of 2008.

Prime retail rents in Vienna range from EUR120–350/sq m/month in the “golden U”, comprising Kohlmarkt, Graben and Kärtnerstrasse, although tenant turnover is very low at the top end. Secondary locations can command rents between EUR30–95/sq m/month.

Viennese residential rents in good locations range from EUR8–12/sq m/month to EUR15–25/sq m/month in luxury locations. Similarly purchase prices per sq m range from EUR3,000–16,000 depending on location.

2008 was the 11th consecutive year of increases in visitor numbers recorded by the Austrian hotel industry with a 6% annual increase in Vienna. Vienna was also ranked 1st in the 2007 International Congress & Convention Association (ICCA) global city rankings of the most important conference cities. The revenue per average room (RevPAR) grew by 6.6% over the year. The Viennese hotel market benefits from its balanced mix of business and holiday tourists which can be seen in the comparatively high occupancy rates.

GERMANY

Economic review

German real GDP growth fell from 2.5% in 2007 to 1.3% in 2008, with a significant decline recorded in the final quarter of the year. This was largely due to lower exports and inward investment, which had been a key driver of GDP growth in the previous boom years. The strong euro was also partially responsible for a 20% drop in export demand. Employment figures lagged behind the economic development and held up well until the end of 2008. The first rise in unemployment figures in three years was recorded in December. Germany's budget deficit stood at 4% of GDP in 2003. Over a consolidation period of 5 years this was turned into a modest surplus by 2008. Germany has agreed a large scale stimulus package which will impact this trend. Inflation fell to 1% in 2008.

Property review

As a result of worsening credit availability and higher financing costs, temporary closures of German open ended funds and a general stand-off between sellers and buyers, property transaction volume fell 66% in 2008 to EUR19.7bn. After a narrowing yield gap between primary, secondary and even tertiary assets during the boom years, re-pricing across all use types was evident. Good quality assets, in primary locations, let on strong lease terms became the bedrock of investors' requirements.

Office rents in Hamburg rose by EUR3/sq m/month to EUR15–26/sq m/month for prime office space in inner city locations and stayed constant in Berlin (EUR16–23/sq m/month) and Munich (EUR23–34/sq m/month). Vacancy rates fell from 9.9% to 9.3% in Germany's five largest office markets in 2008, which comprise Berlin, Hamburg, Munich, Frankfurt and Düsseldorf. Hamburg had the lowest vacancy rate (6.3%) followed by Berlin (8.6%) and Munich (9.1%). However, office take-up in the five most important German office locations declined in 2008 for the first time in 5 years, totalling 2.8 million sq m, 10% lower than 2007. Investment transaction volumes totalled EUR5.8bn, which made up 29% of the total investment market. As a consequence of the low transactional activity and market uncertainty, prime yields moved out to 5.0% in Munich and 5.5% in Berlin.

Prime retail rents continued to rise in Germany in 2008 due to a continued concentration on "1A" locations and the subsequent lack of available space. Berlin saw an increase of 11% to EUR245/sq m/month. In Hamburg prime rents rose by 15% to EUR230/sq m/month. Rents in B or C locations stayed constant or fell slightly. The biggest contributors to turnover continue to be fashion retailers or service companies such as mobile phone providers. Retail investment transactions totalled EUR6.1bn. With 31% of the total investment volume, the retail sector made the largest contribution to total investments. High street retail yields only moved out marginally across the country or stayed stable. However, shopping centre and big box retail showed higher movements, with prime yields shifting out 75 bps to 5.5%.

Residential rents in Berlin recorded 5.8% growth in the second half of 2008, averaging at EUR6.35/sq m/month. Residential costs in Berlin continue to be low both in absolute terms and living costs as a proportion of purchasing power. Housing costs in Berlin make up 26.6% of average purchasing power, compared to 32.1% in Frankfurt and 29.8% in Munich.

CZECH REPUBLIC

Economic review

The Czech economy grew by a respectable 3.7% in 2008. Per capita GDP reached almost EUR15,000. The Czech Republic continued to be one of the most stable CEE states. However, even the Czech Republic could not avoid the negative impact of the global economic slowdown: given its strong trade ties with the eurozone, quarter-on-quarter GDP growth declined in Q4 2008. Both incoming orders and industrial production decreased dramatically in the fourth quarter. It is probable that the years of economic growth will give way to at least a temporary recession. Average consumer price inflation was 6.4% in 2008, mainly due to the government's tax reform and exogenous cost increases.

While the domestic economy generated pro-inflationary pressures in the first half of the year, driven by high wage and robust economic growth, the second half of the year turned decisively antiinflationary as a result of the external environment. This also counteracted the Czech koruna's previous record high against the euro earlier in the year.

After several rate cuts, the reference rate of the Czech National Bank stood at 2.75%. External and fiscal imbalances were well under control in the Czech Republic, with the lowest nominal budget deficit since 1997 being recorded. Thanks to a positive trade balance the current account was only mildly negative, while government spending only marginally outstripped revenues. Public and foreign debt remained at equally low levels of less than 30% of GDP. Although the Czech Republic is expected to meet all of the Maastricht criteria for the introduction of the euro by 2012, it remains uncertain when the common currency will actually be introduced in the country.

Property review

Investment activity in 2008 slowed down 60% compared to the record year before, with a transaction volume of approximately EUR1.1bn.

Office rents generally remained stable with prime headline rents of EUR21.50–23/sq m/month and Inner City headline rents of EUR15–17.50/sq m/month. Take up in Prague also remained strong with 260,300 sq m of space absorbed. The highest take-up of 80,000 sq m was recorded in Prague's 4th district. 332,000 sq m of new office stock came to the market in 2008, with total modern office stock in Prague standing at 2.5 million sq m by the end of 2008. However, vacancy rates rose from 6% at the end of 2007 to 9%. Prime office yields underwent significant compression from around 8.5% in 2002 to 5.25% in 2007. By the end of 2008 these had moved out significantly to sub 7%.

The Prague hotel market is, together with Budapest, the most mature hotel market in CEE and was ranked 12th in ICCA global city rankings. The city also continues to be served by a wide range of international airlines, including low cost carriers from Germany, the United Kingdom and Ireland. The Prague hotel market benefits from its balanced mix of business and holiday tourists which can be seen in the comparatively high occupancy rates. The year started positively for the Prague hotel market in 2008, but actively slowed down in the second quarter. This was due to the economic slowdown in Western Europe, but also due to the strength of the Czech koruna.

SLOVAKIA

Economic review

2008 was another excellent year for the Slovak economy, even though growth slowed down towards the end of the year, in line with the weakening global economy. Real GDP growth for 2008 is estimated at 6.8%, while per capita GDP exceeded EUR12,000. However, with Germany and other major trading partners either in or approaching recession, foreign demand for Slovak goods and services has decreased. As domestic demand also weakened, GDP grew significantly less than in the record growth year of 2007, although Slovakia still had one of the highest growth rates in the European Union. The worsening economic circumstances have contributed to the significant, but manageable current account deficit. Slovakia successfully adopted the euro on 1 January 2009.

Property review

Prime office rents in Bratislava remained stable at EUR18/sq m/month, although average Inner City and Outer City rents decreased slightly. Vacancy rates also increased to 8.9%, partially due to an 18% year-on-year increase in office stock, which totalled 1.2 million sq m by the end of the year. Meanwhile demand for office stock also rose to 37,800 sq m in Q4.

HUNGARY

Economic review

Hungary's economy was hit hard by the global financial crisis. Previous austerity packages launched in 2006 have already increased the tax burden on individuals and corporations, which in turn led to lower private consumption. Export performance started to suffer in the final quarter of 2008, mainly due to the decline in global demand. Overall, Hungary's GDP grew only 0.9%. The unemployment rate increased to 8.0%. However, Hungary has managed to reign in its budget deficit to 3.3% of GDP as a result of the austerity measures. National bank base rates rose continuously until October (11.5%); however, the last quarter of the year saw two rate cuts and by year- end the base rate stood at 10.0%. The introduction to the euro could happen earlier than expected.

Property review

Budapest office rents have been stable throughout 2008 with prime grade A headline rents ranging between EUR17–20/sq m/month and the majority of transactions signed at headline rents between EUR12–14/sq m/month. Total office stock increased by 13% to 2.1 million sq m in 2008 with a take-up of 330,000 sq m which is a 3% increase on the 2007 record. However, vacancy levels also rose in 2008 to 18.8%, representing a 4.6% increase. Prime office yields moved out 100 bps over the year to 6.75%.

The Budapest hotel market is, together with Prague, the most mature hotel market in CEE and was ranked 6th in ICCA global city rankings. The city also continues to be served by a wide range of international airlines, including budget carriers from Germany, the United Kingdom and Ireland. Budapest still has comparatively low average daily room rates, which increased slightly in 2008. However, with a fall in occupancy levels in the second part of the year, overall revenue per average room (RevPAR) declined year-on-year. Given the high competition, location and quality became the most important criteria for successful hotel projects.

CROATIA

Economic review

In line with the global economic slowdown, real GDP growth of the Croatian economy slowed down significantly to 2.3% in 2008. At the same time per capita GDP grew to EUR9,400.

Growth was driven by investments and government consumption. The growth of the economy was also supported by the stable performance of the tourist sector. The unemployment rate fell further to 8.9%. The current account deficit continued to rise as a result of higher imports and low exports. After peaking in July at an annualised rate of 8.4%, inflation pressures eased towards the end of the year, given the moderation in oil and food prices. The exchange rate during the year was influenced by one-off effects but the kuna stabilised in the range of 7.2–7.3 against the euro.

Property review

With limited grade A office space available, the Zagreb market remained strong throughout 2008, with vacancy levels at a 5 year low below 5%, even though take-up fell to 50,000 sq m. As a result of low vacancy and generally stable demand, prime rents rose 6% in 2008 to EUR18/sq m/month.

ROMANIA

Economic review

The Romanian economy continued to grow strongly in 2008, although – in line with international developments – growth slowed down towards the end of the year. Real GDP growth still came in at an estimated 7.6%, driven by investments and a good performance in the agriculture, construction and energy sectors. As a result, per capita GDP grew to EUR6,400.

Inflationary pressures eased significantly during the course of the year as a result of lower commodity prices, but this was not enough to push down average consumer price inflation below last year's luvel. While the country's trade and current account deficits narrowed in relation to GDP, the imbalances still remained in the double digits, requiring substantial external financing.

Despite the fact that private sector debt stood at only 41% of GDP, concerns about the country's reliance on external financing led to a decline in the Romanian lei, which depreciated by about 10% against the euro during the course of the year. The decline would have been more pronounced had the national bank not intervened in the market and raised the interest rate to 10.25%. Romania followed a very prudent fiscal policy over recent years, but this trend came unstuck as spending increased ahead of the parliamentary elections in November and revenues fell short of expectations in the final quarter of the year. While the budget deficit – at 4.8% of GDP – was highest it has been in more than 10 years, public debt remained at manageable levels, especially compared to developed Western economies.

Property review

Investment activity only slowed down by 7% in the first two quarters of 2008, but closed the year 64% lower than 2007 with a total of EUR1bn.

The retail market continued to perform well throughout 2008 as a result of strong economic growth, with 14.3% retail growth recorded in the first 11 months of the year. Shopping centre and high street retail rents stayed stable, with prime high street retail rents at around EUR130/sq m/month, even though retailers became more cautious and were taking up less space. After extreme yield compression was witnessed over the last years, yields moved out from 6.75–7.0% in 2007 to 8.0–8.5% in 2008.

Office rents in Bucharest continued to rise in 2008. The lack of availability of space in the central or sub-central areas (with 0% vacancy rates) has underpinned prime rents of EUR16–26/sq m /month. Rents in the periphery range from EUR13–16/sq m/month. Bucharest has an overall vacancy rate of 2.8%. By the end of 2008 total office stock stood at 825,000 sq m, with 190,000 sq m coming to the market in 2008. In 2008 a record 230,000 sq m of office space was leased or pre-leased. However, yields moved out significantly from 6.25–6.5% in 2007 to 8.0–8.5% in 2008.

Bucharest's hotel market is still emerging. Although supply increased by 2,360 rooms in 2008, there is still a shortage of international brands in the mid-range segments. Foreign overnight stays started to decrease in the second quarter of 2008 and fell by 6.3% year-on-year. This fall was also reflected in Bucharest's revenue per average room (RevPAR) which fell by 14.2%.

BULGARIA

Economic review

Bulgarian GDP grew by 7.1% in the first half of the year and witnessed a slowdown in the last two quarters. Annual GDP growth fell from 6.2% in 2007 to 5.9% in 2008. Meanwhile per capita GDP grew to EUR4,500 and unemployment fell from 6.9% to 6.3% year-on-year. Consumer Price Index figures fell sharply from 12.5% in 2007 to 7.8% in 2008 and foreign direct investment fell from 22.6% of GDP in 2007 to 14.6% of GDP in 2008. As a result of substantial fiscal revenue buffers accumulated during the boom years, the Bulgarian economy was able to inject a large stimulus package into the economy in the last two months of 2008 as well as boosting liquidity in the banking system.

Property review

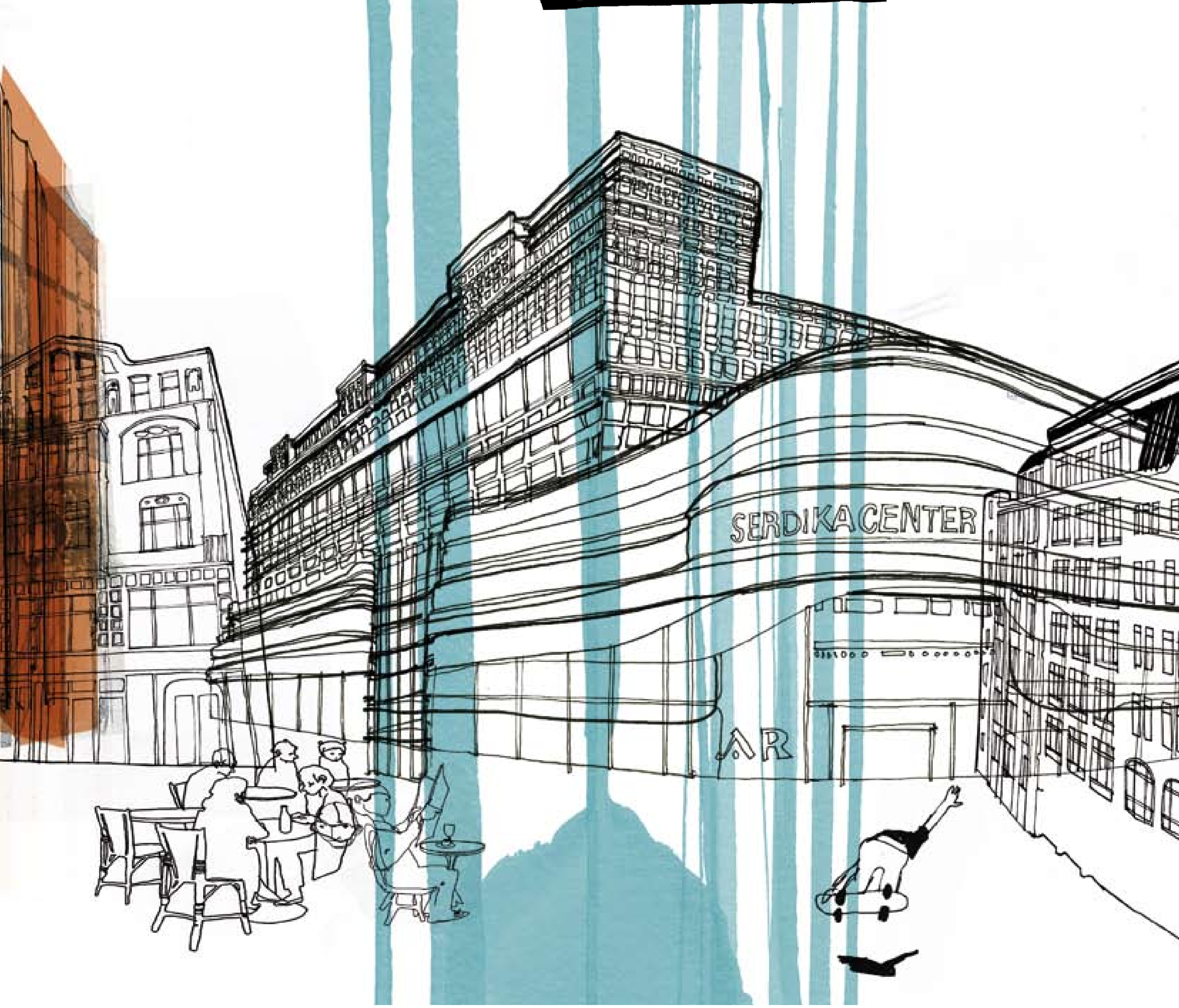
With only 10 existing shopping centers and malls in the whole of Bulgaria, the retail market is still characterised by undersupply with only 22 sq m per 1,000 inhabitants. Total shopping center stock in Bulgaria reached 170,000 sq m in 2008. An expectation of delay or cancellation of several larger projects has helped to keep rents unchanged in Sofia. Shopping center rents in Sofia ranged from EUR30–60/sq m/month by the end of 2008, with demand still driven by large, international retailers.

Office stock in Sofia increased 15% in 2008, with a total of 874,000 sq m of contemporary grade A and B space. Although net absorption (take-up) increased in the second half of 2008, year-on-year take-up fell by 38%, driven by the economic slowdown in Bulgaria as well as the overall crisis. Vacancy rates rose to 9.1% (80,000 sq m). Consequently, asking rents fell by a modest 3% in the CBD, by 10% in the Broad Center to an average of EUR15.7/sq m/month and by 13% to EUR13.8/sq m/month in the suburban area in 2008.

Source: Erste Bank Research, UniCredit Research, Deutsche Bank Research, Colliers International, CB Richard Ellis, Cushman & Wakefield, DTZ, Jones Lang LaSalle


GEMINI

property portfolio



Property Portfolio

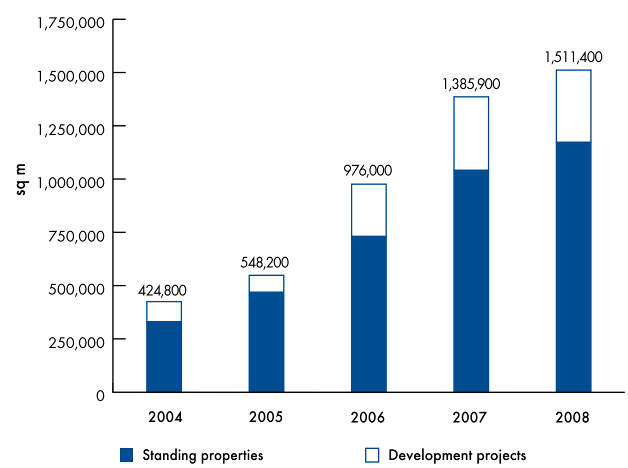
Sparkassen Immobilien AG's property portfolio grew by 125,400 sq m (9%) in 2008 and consisted of 263 properties on 31 December 2008. Including development projects, it comprises 1,511,400 sq m lettable area in total. The value of the portfolio at year end compared to the previous year increased by 15%, to EUR1.78bn. Development projects represented 16% of the total portfolio value. They are recognised at cost in the financial statements. With the exception of an office building in Croatia, all the properties are situated in EU states.

In 2008 an additional 34 standing properties in Berlin, Leipzig und Rostock were purchased, with a total lettable area of 60,200 sq m. Sparkassen Immobilien AG also acquired two commercial properties in Slovakia, the Eurocenter office building in Zagreb, Croatia and two residential and commercial properties in Austria, as well as increasing its interest in Marriott Vienna to roughly 80%. Total investment into the acquisition of standing investments totalled EUR164.3m.

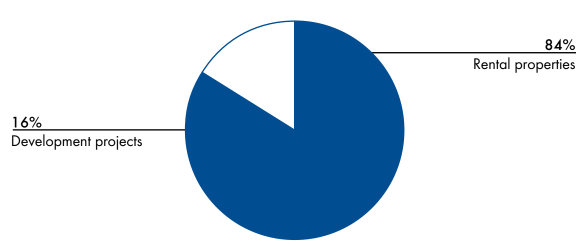
Construction of the Austrian and CEE development projects in 2008 progressed according to plan. The expected lettable area of the projects under construction amounts to some 305,000 sq m. Investments into development projects totalled roughly EUR160.8m in 2008.

The portfolio of standing properties breaks down into 44% residential properties, 28% offices, 17% retail properties and 7% hotels. Over half of the assets are located in Germany, 27% in Austria. The remaining 22% are located in Slovakia, the Czech Republic, Croatia, Romania and Hungary. By market value 36% of the properties are located in Germany, 34% in Austria, 13% in Hungary, 7% in the Czech Republic und 5% in Slovakia. By value 5% are located in Croatia and Romania.

Growth of portfolio 2004–2008 (by area)

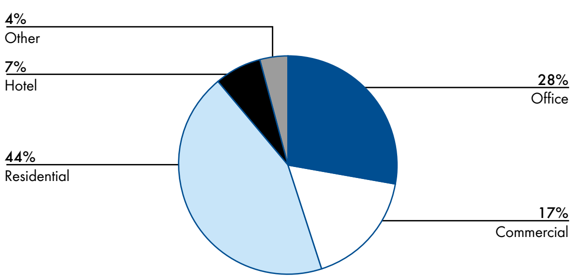


Total lettable area by standing properties and development projects

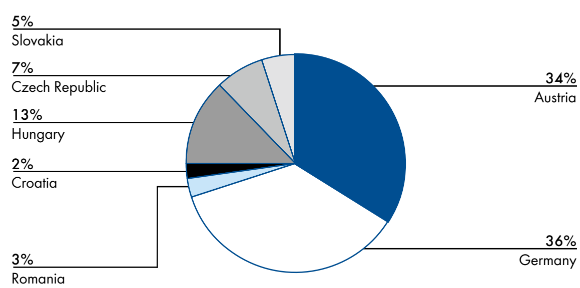


PORTFOLIO BY PROPERTY USE TYPE AND COUNTRY

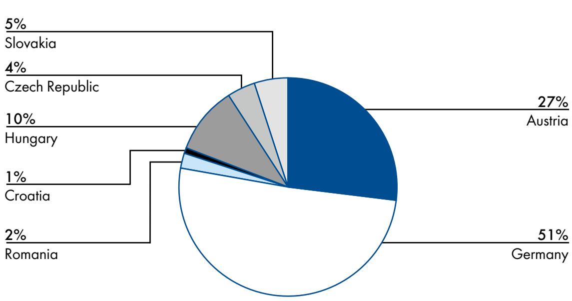
Standing properties by use type (by area)



Value of standing properties by country



Standing properties by country (by area)



In the year under review eight properties with a total value of EUR53m and total lettable area of 26,900 sq m were sold. The average sale price was 19% above the estimated value (IFRS book value). A total gain of EUR8.3m was realised. This not only highlights the conservatism of Sparkassen Immobilien AG's valuation policies, but is also a demonstration that even in a difficult market environment the group is able to take advantage of opportunities as they arise.

The occupancy rate of the rental portfolio at the balance sheet date remained stable, at 91%. Further details on the individual properties can be found on page 90 and 91.

Number of properties	**263**
Total lettable area (sq m)	**1,511,400**
Austria	339,900
Germany	602,700
CEE	568,800
Occupancy rate of standing properties	
Total	91%
Austria	95%
Germany	87%
Romania	100%
Croatia	100%
Hungary	93%
Czech Republic	95%
Slovakia	100%

Major investments in development projects

The total investment in development projects in 2008 amounted to EUR281.4m. The following are currently under construction: a residential and office building on Neutorgasse (Vienna), a student residence on Sechshauser Strasse (Vienna), shopping centers Sun Plaza (Bucharest) and Serdika Center (Sofia), the Galvaniho 4 office building (Bratislava) and Hotel Vysoká (Bratislava).

Neutorgasse, Vienna – Centrally located in Vienna's first district, 35 freehold apartments and 5,000 sq m of office space situated on the ground, 1st, 2nd and 3rd floors are being created. The apartments are on the 4th, 5th, 6th and loft floors of the building. Offers already exist for most of the apartments, which have between two and five rooms. A rental agreement for two-thirds of the office space, with a term of 15 years, has already been concluded. The building is being developed together with Immorent AG, and is scheduled for completion in the second quarter of 2010.

Sechshauser Strasse, Vienna - In Vienna's fifteenth district, a 7,100 sq m, partly subsidised building with a senior citizens' day center, a student residence and facilities for a university foundation course is being developed. The day care center occupies the ground floor with the remaining six floors let to an ÖAD subsidiary. The building is fully let, and will be completed in the second half of 2009. The total investment amounts to around EUR12m.

Sun Plaza, Bucharest, Romania – This shopping centre will comprise over 110,000 sq m of retail and office space. The total investment will amount to about EUR200m. Completion of the retail space is expected at the end of 2009. Development partner is the Franco-Romanian developer EMCT. Sun Plaza is located in the south of Bucharest and has direct access to the underground, as well as excellent road connections. A total of 84% of the space is already pre-let. The main tenants are a hypermarket, a DIY centre, a furniture store, a cinema complex and numerous international chains, which together constitute an outstanding tenant mix.

Serdika Center, Sofia, Bulgaria – This inner city shopping center will have over 91,000 sq m of retail and office space, and is scheduled to open in 2010. The total investment by Sparkassen Immobilien AG amounts to some EUR210m and is being developed together with ECE, one of Europe's most successful shopping center developers. Over 80% of the retail space is pre-let.

Galvaniho 4, Bratislava, Slovakia – This six-storey office building is located in an established office and business district in Bratislava, only 2 km from the airport and with direct access to the motorway. Galvaniho 4 is situated next to Galvaniho 1 and 2, which are well-let standing properties in Sparkassen Immobilien AG's portfolio. The building has over 29,000 sq m of lettable space, and will be completed in the fourth quarter of 2009. The total investment amounts to around EUR48m.

Given the current state of the market, further projects are only being brought forward as far as the granting of building permission. Construction contracts will only be awarded when conditions change and the economic environment improves.

Valuation and rental yields

The valuation of the standing properties reflects the currently unfavourable market environment, with significantly higher yields in most markets. In total, devaluations amounting to around EUR101.7m have been made. Other valuation gains compensated for these devaluations in part, with a total revaluation result of EUR-30.7m. The gains were largely due to the completion of the Gemini office building in Prague, and the associated change in valuation from at cost to fair value as well as other valuation gains attributed to profitable asset management measures, such as the redevelopment of the Novotel hotel in Bucharest.

During 2008 Sparkassen Immobilien AG realised profits of EUR8.3m on the disposal of eight properties, which were sold on average 19% above estimated value.

The results of the most recent revaluation were as follows:

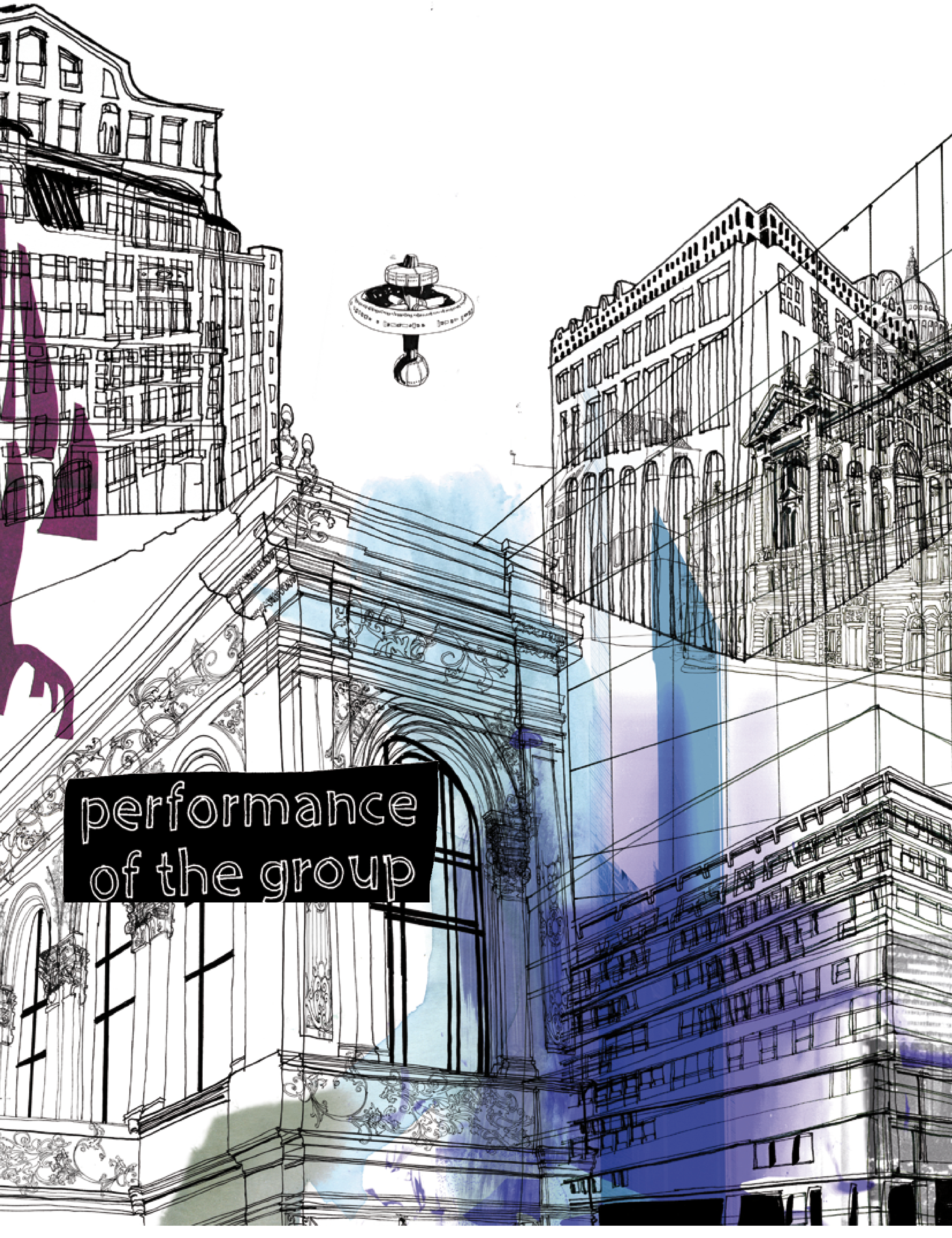
Austria	EUR	-0.8m	-0.2%
Germany	EUR	-47.0m	-8.0%
CEE	EUR	-36.8m	-13.5%
Project gains	EUR	+53.9m	+53.0%
Total	**EUR**	**-30.7m**	**-2.2%**

Rental yields following revaluation were as follows:

Rental yield

Austria	6.4%
Germany	6.5%
Slovakia	7.5%
Czech Republic	6.9%
Hungary	7.3%
Romania*	6.0%
Croatia	8.4%
Total	**6.7%**

*Casino redevelopment of Hotel Novotel not taken into account yet.


performance
of the group

Performance of the Group

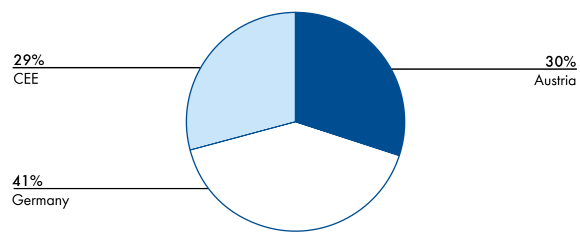
The year 2008 was undoubtedly difficult, but despite the increasing deterioration of the economic environment Sparkassen Immobilien AG succeeded in significantly increasing its revenues, and closed the financial year with a profit. All property sales during the year were concluded at prices well in excess of their estimated values. Our conservative valuation policies over the past years have proved themselves under present market conditions. Writedowns to the property portfolio amounted to EUR101.7m. These were to a considerable extent compensated for by other valuation gains, so that the net writedown came out at EUR-30.7m. This was principally attributable to completion of the Gemini office property in Prague and the resulting valuation change from at cost to fair value, together with valuation gains resulting from profitable asset management activities, such as the redevelopment of Hotel Novotel in Bucharest.

Revenues and rental income increased

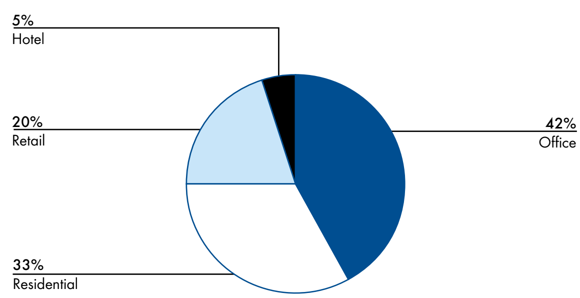
Revenues in financial 2008 amounted to EUR109.2m, an increase of 14% year on year. Rental income also grew by 14%, to EUR85.7m. This improvement is the result of the purchase of additional properties, new lettings and increases in occupancy rates. Analysis of rental income by region shows that the majority of the rents (71%) continued to come from Germany and Austria. Rental income from CEE states amounted to 29%.

By property use type, rental income from residential property has shown the greatest increase. As a result of the acquisition of additional residential buildings in Germany the proportion of residential rental income increased from 22% in the previous year to 33% in the year under review. Rental income from office buildings fell slightly, from 44% to 42%, while the retail share is now 20% (2007: 26%). Income from the hotel assets came to 5% (not including the Marriott Budapest. The Gross Operating Profit (GOP) generated forms part of "other operating income" due to the management agreement).

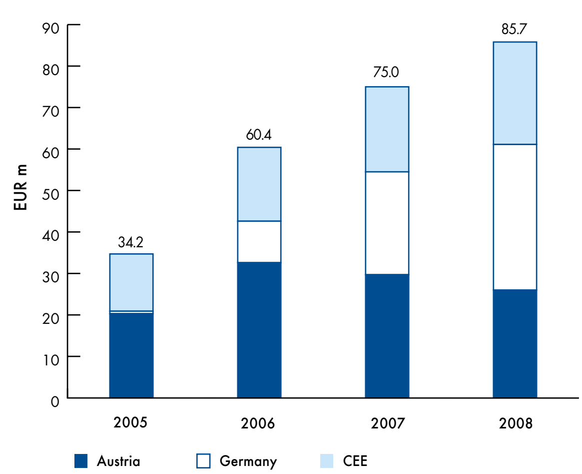
Rental income by region



Rental income by property use type



Total rental income



Other operating income increased by 66% to EUR6.5m, mainly as a result of completion of the conversion of Hotel Marriott in Budapest, taking gross operating profit from EUR1.0m in 2007 to EUR3.9m in 2008.

The sale of eight properties from the property portfolio in 2008 resulted in gains of EUR8.3m. The sales were all achieved in excess of the estimated values.

In the year under review other operating expenses rose from EUR49.6m to EUR64.8m. This was largely attributable to increased operating costs and higher maintenance expense caused by increases in the number of residential properties and the refurbishments activities in Germany. As a consequence of first lettings in the Gemini office building and new lettings in the German portfolio, agents' fees also rose significantly. The internalisation process has meant that management fees and administrative costs have fallen significantly, since management functions are now carried out within Sparkassen Immobilien AG. As a result of this, staff costs increased by a substantial 68%, but the total expense of both items was reduced by EUR250,000.

Earnings performance

EBITDA fell from EUR78.9m by 25% to EUR59.2m. EBIT in 2008 were EUR23.8m, a drop of 76% in comparison with the previous year. This was principally attributable to negative valuation results (2007: valuation gains of EUR41.1m). Even though financing expense was up by 29% to EUR-38.7m as a result of higher borrowings, the net financing cost improved from EUR-20.5m to EUR-9.6m, reflecting the increased financial income. These consisted of bank interest, currency income and income from interests.

Since the income attributable to participating certificates is dependent on EBIT, participating certificate expense dropped significantly, from EUR-44.2m to EUR-6.4m.

EBT fell from EUR35.4m to EUR7.8m. Taxes on income were EUR2.1m, the bulk of which consisted of deferred taxes. The consolidated net profit for the year ended 31 December 2008 came to EUR5.7m, with earnings per share falling from EUR0.38 to EUR0.09.

Sparkassen Immobilien AG's net operating income (NOI) rose by 5% from EUR64.5m to EUR67.9m. The NOI margin (NOI / revenues) stood at 60%. This is largely a reflection of the increase in operating costs as a result of the expanded residential portfolio, and in particular of the costs of the refurbishment programme in Germany, which will in the longer term lead to higher occupancy rates and increased rental income.

Operating cash flow increased from EUR49.4m to EUR50.0m. Funds from operations (FFO) fell by 22%, and for the year under review amounted to EUR34.2m (2007: EUR43.8m).

NOI by region

EUR m	2008
Austria	
Revenues	31.4
Rental income	26.0
Net Operating Income	22.0
NOI margin	70%
Germany	
Revenues	46.6
Rental income	35.1
Net Operating Income	19.9
NOI margin	43%
Slovakia	
Revenues	6.5
Rental income	4.9
Net Operating Income	4.6
NOI margin	71%
Czech Republic	
Revenues	7.0
Rental income	5.9
Net Operating Income	4.0
NOI margin	58%
Hungary	
Revenues	16.8
Rental income	13.4
Net Operating Income	13.6
NOI margin	81%
Romania	
Revenues	2.4
Rental income	2.4
Net Operating Income	2.0
NOI margin	83%
Croatia	
Revenues	2.5
Rental income	2.0
Net Operating Income	2.0
NOI margin	80%

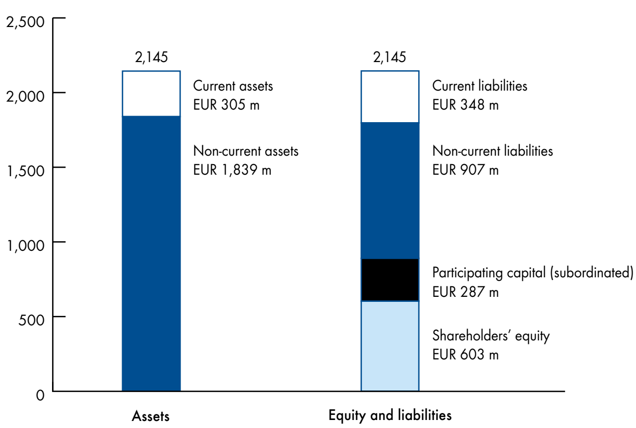
Revenues and earnings

EUR '000	Year ended 31.12.2008	Year ended 31.12.2007	Change
Revenues	109,211	95,891	14%
whereof rental income	85,737	74,992	14%
Revaluation of properties	-30,682	41,119	–
Other operating income (including GOP Marriott Budapest)	6,483	3,906	–
Gains on property disposals	8,318	12,593	–
Operating revenue	**93,330**	**153,509**	**-39%**
EBITDA	59,211	78,912	–
EBIT	**23,792**	**100,037**	**-76%**
Finance costs	-9,552	-20,470	–
Participating certificate expense	-6,442	-44,166	–
EBT	**7,798**	**35,401**	**-78%**
Consolidated net profit	**5,726**	**28,652**	**-80%**
Minority interests	87	-2,742	–
Interests of shareholders in parent company	**5,813**	**25,910**	**-78%**

Assets and finances

As at 31 December 2008 Sparkassen Immobilien AG's total assets were some EUR2.1bn (31 December 2007: EUR1.7bn). Non-current assets rose from EUR1.5bn to EUR1.8bn. Current assets increased by 69% to EUR305.4m. Cash and cash equivalents were EUR243.5m as at 31 December 2008.

Healthy balance sheet



Sparkassen Immobilien AG's consolidated equity at 31 December 2008 amounted to EUR603.1m. In line with the group's strategy, long-term liabilities to banks rose from EUR468.5m at the end of 2007 to EUR668.8m at the end of 2008. The average maturity was 13 years, with an average interest rate of 4.5%. In total, 11% of the long-term bank liabilities have fixed interest rates, with the rest at variable rates and hedged with corresponding interest rate derivatives. At the balance sheet date the loan to value ratio was 47%.

Sparkassen Immobilien AG's financing comes from more than 22 banks and credit institutions, with 39% provided by Erste Group companies (including Immorent AG and several of the regional Sparkassen savings banks). Another 52% is provided by other Austrian credit institutions, with 9% coming from German banks. Properties with a total book value of EUR641.0m do not have loans secured against them.

Financing – key figures

EUR m	31.12.2008	31.12.2007
Long-term bank and financing liabilities	819.6	544.5
Current bank and financial liabilities	260.5	149.0
Total liabilities to banks	1,080.0	693.5
Cash and cash equivalents and securities	243.5	118.2
Net bank debt	836.5	575.3
Loan to value ratio	47%	37%

NAV performance

The net asset value (NAV) of s IMMO Share fell from EUR9.7 per share last year to EUR8.9 at the end of 2008. The NAV calculation includes only standing properties and undisclosed reserves on hotels under management. Development projects are recognised at cost of acquisition or construction (at cost). The total entitlements of participating certificate holders were EUR88.96 per participation certificate.

NAV

EUR m	31.12.2008
Equity not including minorities	577.0
Deferred tax liabilities	23.6
Undisclosed reserves	4.7
Net asset value (NAV)	**605.3**
NAV per share (EUR)	**8.9**

Personnel

Sparkassen Immobilien AG's employees are among its most valuable assets. Their knowledge and skills, their many years of experience and excellent contacts in our markets underwrite the quality of our property portfolio and the long-term focus of the group's strategy.

In the year under review, we internalised Sparkassen Immobilien AG's most important management functions: since May 2008, staff in key business functions – property acquisition, project development, strategic asset management, controlling and finance, risk management, legal and compliance, and corporate communications and investor relations are now employed by the company. The Management Board was already employed directly prior to the internalisation process.

In order to make use of synergies, several corporate functions are still sourced externally through management agreements. Administrative functions such as IT, personnel, cash management, investments management, and parts of asset management are provided by Immorent AG, a wholly owned subsidiary of Erste Group.

It should be highlighted that there were no cancellation fees payable to Immorent AG, as previous provider of the services, in connection with bringing key management functions in-house and revising the management agreement. The internalisation was therefore concluded at no cost to the shareholder.

In our new headquarters in Akademiehof on Karlsplatz, a Viennese office building that forms part of our own portfolio, we employed 24 staff as at 31 December 2008. All major management functions are carried out from here. Bringing staff together in one place has noticeably improved efficiency, and greatly simplified our day-to-day work and communications.

Outside Austria Sparkassen Immobilien AG had 44 own staff as of the year-end, with its own subsidiaries in Germany and Hungary. The Management Board was already employed directly by Sparkassen Immobilien AG.

Employees participated in an extensive range of training and further education courses, in order to be equipped with the necessary expertise to meet the challenges of the future. Per employee, an average of EUR1,000 was spent on training and development activities during the year.

Corporate Social Responsibility

As a real estate investor, Sparkassen Immobilien AG is intimately linked to the wider economy and the society it serves. This means obligations – to our investors, our clients, our business partners and our staff, but also to the environment and society in general. For us, Corporate Social Responsibility is accepting our obligations for social and environmental issues on a voluntary basis and integrating them into our business activities and our relationships with our shareholders. Issues such as ethics, the environment, corporate governance, working conditions and other contributions to the common good are also a fundamental part of our corporate strategic alignment. Sparkassen Immobilien AG consciously chooses to behave responsibly, thus contributing to the wellbeing of society and the creation of sustainable added value. The long-term focus of our investment strategy, our realistic market assessments and our conservative property valuations represent unchanging elements in the group's investment and management decision-making throughout its 21-year history.

Environment

By the very nature of its core activity – investing in and developing real estate – Sparkassen Immobilien AG is focused on sustainability, and our long-term business strategy means that we pay particular attention to the substance and durable value of our properties. Nearly half our properties have been in our portfolio for more than 10 years, and their values have steadily increased. Over this period, we have continued to invest in the fabric of our properties, and the application of our high standards has resulted in significantly improved energy efficiency, among other things. Our annual investments of around EUR20m have increased the value of properties and their surroundings in Austria, Germany and CEE. This has created jobs and improved living and working conditions, and overall has led to beneficial long-term changes in cities and their environments.

In order to make an active contribution to environmental protection, Sparkassen Immobilien AG and its partners apply the highest possible standards in selecting environmentally friendly materials and construction methods. In CEE countries we apply Austrian standards as well – they are often much more demanding than local standards. For our development projects, we ensure that where possible we exceed existing environmental requirements. As an example, in the façades of our new projects considerations of energy efficiency are always of equal importance with the architectural aesthetics, in order to avoid excessive heating and cooling requirements and the associated CO_2 emissions. Another major consideration in our development projects is the choice of site, and good connections with the public transport network. The Gemini office property in Prague is close to a metro line, and Sun Plaza, the combined shopping center and office complex in Bucharest, is directly linked to the cities' subway systems.

In the process of renovating our German property portfolio and converting the Marriott Hotel in Budapest, better insulating building envelopes and improved heating systems were installed. Our renovation work generates enormous increases in efficiency: conversion of a building with separate, individual heating systems to central heating results in reductions in energy consumption of up to 30%, and reductions in emissions of up to 50%. Modern air-conditioning and heating technology as well as state-of-the-art heat and sound insulation not only increase property yields but also reduce energy consumption significantly.

Sparkassen Immobilien AG complies with all statutory building requirements in respect to disabled access and facilities. Wherever possible, we attempt to take all current norms into account at the design stage. In CEE countries, where the needs of the disabled are taken considerably less seriously, we consistently adhere to the Austrian standards.

Customers and partners

Sparkassen Immobilien AG believes that clear and detailed information, mutual respect and communication on terms of equality are the basis of healthy, long-term relationships with customers and partners. We condemn all agreements which may detract from fair competition, in particular where unethical business practices may be involved. We have drawn up appropriate internal ethical guidelines for all employees.

Employees

Sparkassen Immobilien AG is an international enterprise, and its staff are highly diverse – men and women differing widely in lifestyle, language, culture, religion and age. We value this diversity for the creativity and innovation it promotes. The continuing professional development of our staff and the appropriate balance between work and private life are among our major concerns. We provide a comprehensive range of services for our staff, ranging from health care promotion to work-life balance and sport.

Social commitment

Corporate social responsibility involves voluntary contributions by business to sustainable development, over and above any statutory requirements. Sparkassen Immobilien AG supports several projects focusing on homelessness and promotion of the arts: just as having a roof over one's head is the core requirement for decent human existence, culture and the arts provide a necessary haven for the soul. In all the projects we sponsor, we prefer long-term, sustainable collaborative arrangements, with special activities supported as appropriate.

We have been supporting the Caritas Socialis benefit concert for many years, to raise money for the continuing development of the Mother-Child Hostel in Vienna. This involves close cooperation with "Kunst hilft", an association which supports a variety of social and cultural projects.

We supported the Vienna Arts Supermarket ("Wiener Kunstsupermarkt") for the second time this year: it takes place in a property owned by Sparkassen Immobilien AG on Mariahilferstrasse 103 and promotes contemporary artists from Austria and abroad. Its goal is to make art affordable for all, and it offers original works at reasonable prices. With 230 square metres of space available, there was room to display over 3,000 works of art, the majority of which were sold. Works by selected artists are also displayed in Sparkassen Immobilien AG's offices.

A long-term collaborative project with Caritas started in 2008: Sparkassen Immobilien AG is supporting three specific sheltering projects in Romania, Bulgaria and Ukraine, providing support for children, young people and the elderly.

Occasional projects in 2008 included support for a special teaching center through Vienna's school sports programme, several small-scale sporting and cultural events and a Greek-German poetry reading, "Brücken der Seelen". When selecting projects for sponsorship, we attach great importance to the links with our core real estate business and to the involvement of our own staff. They played a major role in the selection of additional projects for 2009, and are involved in their implementation on an ongoing basis.

Research and development

For property companies active in several markets and segments, and in addition involved in developing their own properties, research largely consists of market research, analysis and studies, with the aim of actively anticipating developments in changing markets.

Local market peculiarities and developments, different types of property use, the occupational market environment in general, availability of financing, construction costs, construction methods and microeconomic and macroeconomic considerations form the basis for all major operational decisions. Research is carried out on an ongoing basis by the company itself, and with the help of business partners and consultants. All acquisitions, sales and development projects, together with the relevant financing and risk management, are based on exhaustive market research and evaluation of the latest trends.

The relevant tools and applications are continually refined to reflect state-of-the-art developments, so as to ensure the long-term success of the group.

Case Study: Development of asset management software

External consultants were used to help develop a controlling and reporting package for property (ICRS), to provide detailed, focused analysis of the portfolio and to enable rental income to be optimised. The instant display of strengths, weaknesses, opportunities and threats makes it possible to react quickly to market changes.

Case Study: Casino in Novotel Bucharest

Sparkassen Immobilien AG acquired Hotel Novotel in Bucharest in 2006. The price reflected the market's opinion at the time that around 2,000 sq m of space inside the hotel was of limited use, and that the target rents would be correspondingly lower. After a comprehensive market study and sensitivity analysis, an optimal solution was found: the space that was supposedly difficult to use was ideally suited for use as a casino. The necessary licence was obtained, a rental agreement was concluded with an internationally respected casino operator, and in 2008 the space was redeveloped for its new use. The outcome of this process was a considerable increase in the value of the property, achieved with our skills and expertise.

Risk Management

Sparkassen Immobilien AG's business activities across various geographical markets and property use types expose it to a wide variety of risks. These could impact earnings negatively and prevent the group from achieving its strategic goals if not managed appropriately.

However, Sparkassen Immobilien AG's deliberate diversification also helps to minimise possible risks. Diversification also provides the group with a plethora of opportunities. These risks and chances are put together to form the "Risk Universe" of the group; an important tool used in the entire risk management process.

Risk management system

An enterprise risk management system has been implemented for the entire group. It is the goal of this risk management system not only to identify potential strategic and operational risks and to take the needed action, but also to recognise chances and opportunities for the group. The risk management function is a staff function reporting directly to the Management Board. The Risk Management department uses the most state-of-the-art tools to identify, measure, control and monitor risks. Regular workshops are held with the management to identify risk areas and then take appropriate steps to limit our exposure to these risks.

The effectiveness of our risk management policies and procedures are reviewed annually by our external auditors, who report directly to the Supervisory Board.

Strategic risk

Strategic risk is directly tied to the markets and segments the company invests in. It implies that the goals and targets set by the Management Board are in themselves subject to various risks, which need to be managed so that Sparkassen Immobilien AG's objectives can be reached. Therefore, it is part of our strategic planning process to consider the relevant risks at an early stage. In order to avoid the "unknown" risks of new markets, it is a matter of principle that we restrict our investments to areas where our team has experience and where we can utilise our partners' network and expertise.

Sparkassen Immobilien AG only accepts risks if they are quantifiable. Risks such as legal, political, market environment and stability must meet predetermined guidelines before investment in a region is considered. The only non-EU country Sparkassen Immobilien AG is currently invested in is Croatia, which is an EU candidate. The group's activity in Croatia is limited to a single office building in Zagreb.

Every acquisition is independently monitored by the Risk Management department, and the underlying investment strategy is put under critical and rigorous analysis. The results of this testing, together with the potential risks and rewards are then exhaustively discussed with the Supervisory Board before approval is granted.

Market risk

Market risk refers to the risks within the markets in which Sparkassen Immobilien AG is currently active. These include changes in a country's overall economy, the strength of its financial sector, the behaviour of the occupational and investment market and subsequent impact on market rents and yields.

Having a diversified portfolio that undergoes different cycles provides good defence against negative impacts on the aforementioned factors. Furthermore, the assets which Sparkassen Immobilien AG acquires and holds are generally high-quality assets in grade A locations. These assets are more resilient to negative changes in the investment and occupational markets, as we have seen with our successful divestments.

Every property purchase or sale is preceded by a thorough review of expected micro and macro market developments. The analysis also identifies regional and structural cluster risks.

We can maximise our gains by obtaining an in-depth understanding of the various market risks in each local market. That is why we also heavily rely on local management partners or our own teams to provide the necessary local knowledge and guidance in our decision making process. Being aware of local and regional developments allows us to adjust to our strategic and operational planning in a timely manner. This has, for example, allowed us to restructure the weighting of the portfolio and sell assets at the top of their respective markets.

Real estate and asset risks

Real estate risk refers to individual locations, which can affect both the specific location and the surrounding environment. Asset risks are associated with the structure and condition of the building and the letting situation.

The most important instrument in counteracting these risks is the performance of a comprehensive due diligence review before every acquisition. This review covers all the relevant topics, and in particular the legal, property market, economic, tax, social policy and technical aspects of a property.

By only investing in investment grade properties in central locations, we already reduce negative risks to a large extent. Properties which do not meet these criteria are only purchased in exceptional circumstances.

Asset-related risks associated with our existing properties are monitored and controlled by our local asset management teams and partners in all our markets, and through a close cooperation with our asset management partners. Regular reports on the commercial and technical position of every property are provided. Standardised management software supplies all the key figures and serves as an "early warning system" for all risk management functions. In coordination with Risk Management, the externally provided Internal Audit of Sparkassen Immobilien AG conducts regular reviews of the asset management teams and processes.

Development risk

The development portfolio is generally exposed to greater risk than the portfolio of standing investments. Naturally these higher risks command higher returns. As part of our risk-return strategy, the ratio of development projects to standing investments is kept low to ensure that the vast majority of earnings comprise rental income derived from standing investments. Therefore, there is less dependency on the income and valuation gain generated from new developments. Development projects comprise about 16% of the value of the portfolio.

At the pre-development stage, rigorous analysis and sensitivity testing by our project managers ensure that the project remains profitable even if key variables change. The pre-development stage also serves to ensure that planning permission and zoning is granted and costs are kept low. Sparkassen Immobilien AG only works with development partners with an excellent track record and reputation.

In order to limit our risks in the construction stage, our contracts ensure that incentives between parties are aligned and that risks (such as letting or construction cost) are shared. Sparkassen Immobilien AG also ensures that we have extensive rights of control. An integrated project risk management process independently accompanies our project managers and partners throughout the project life cycle. This makes it possible to identify risks at an early stage and facilitates timely management intervention.

Furthermore, financing in the development phase of projects has become increasingly challenging. Although we endeavour to secure the lowest cost of capital for each project, we are not reliant on development financing to complete the projects and finance the majority with our equity.

Finally, as a real estate investment company, Sparkassen Immobilien AG has a flexible holding period for the development projects, rather than having to sell on completion. This allows us to benefit from the high rental income the assets produce during the holding period and only sell when the market conditions are favourable.

Exchange and interest rate risk
Sparkassen Immobilien AG has minimal exchange rate risk, because nearly all leases are euro denominated.

The majority of the group's borrowings consist of long-dated variable rate loans. The interest rate risk is 100% hedged with interest rate swaps, caps and collars with an average duration of six to eight years.

Regularly conducted stress tests show that as a result of our hedging strategies, even a sharp rise in interest rates would have only a minor and insignificant effect on our financing costs. We do however continue to participate to some extent in falling interest rates as a result of the collar instruments. The hedging process is independently monitored by the Risk Management department.

Liquidity and lender risks
Sparkassen Immobilien AG minimises liquidity risk through a sustainable Loan to Value ratio, long-dated debt obligations and a sufficient amount of cash reserves.

Day-to-day management of liquidity enables us to ensure that sufficient loans and credit facilities are available when needed, so that obligations can be met and opportunities can be taken advantage of as they arise.

Another advantage of our conservative approach to risk is that roughly 36% of the property portfolio is unmortgaged and can be used as security when required. Sparkassen Immobilien AG's own liquidity and financial management team control the entire financial planning and structuring. This is independently monitored by the Risk Management department, which conducts regular sensitivity analysis of the liquidity planning. This provides an additional insight to group management concerning liquidity risks.

Larger commitments (in particular development projects) are only authorised after completion of a satisfactory liquidity review.

Third-party risks with our lenders are minimised through a diversified debt portfolio comprising smaller loans with a large selection of banks. In addition to this, Sparkassen Immobilien AG prides itself on its long established relationship with banks, which has made it possible to secure long-term loans even when lending was very restrictive.

Operational risks

Operational risks are reduced to a minimum by organisational separation of business processes: execution, back office and risk management functions are distinct and all major business transactions are subject to strict internal control. Sparkassen Immobilien AG's local internal management works closely with external lawyers and auditors in all countries in which we operate.

In addition, the group's Internal Audit function, with the support of international auditors, conduct multiple internal audits throughout the group each year. As part of the group's rolling three year Audit Plan, system audits of various group entities are conducted. The internal audit department also focuses on the group's internal control system (ICS). This system is based on the standards defined in the COSO – Internal Control and Enterprise Risk Managing Frameworks of the Committee of Sponsoring Organisations of the Treadway Commission, a proven international guideline for internal control procedures. Through a very detailed and transparent group internal control structure, operational risks have been identified, assessed and are subject to constant monitoring. Following predetermined and implemented group policies and procedures is paramount to the success of the ICS. This includes segregation of duties, formal guidelines and regulations and roles and responsibilities for all group employees. Detailed risk and control matrices (RCMs) are used to test the integrity of the ICS system in all major processes.

The legal framework varies across the countries in which Sparkassen Immobilien AG is invested. The lack of legal certainty or the inability to obtain effective legal remedies in a timely manner could have a material adverse effect on our financial position, operating results and prospects. Agreements concluded with international or local partners and service providers for the ownership, development, construction and management of properties in these countries are generally subject to the law of the countries in which the properties are situated. The legal systems in CEE have undergone dramatic positive changes in recent years. The interpretation and procedural safeguards of the new legal and regulatory systems are still being developed. Such changes may result in inconsistent application of existing laws and regulations. In some jurisdictions, there may be uncertainties relating to property titles, including the ability to rely upon titles acquired from previous owners, or compensation rights in the event of compulsory purchase. Detailed legal due diligence minimises the potential for such a risk to occur and is the most effective way to manage it.

We face risks in connection with unanticipated changes in applicable laws or regulations. Changes in the economic and political conditions of the countries in which we operate may lead to changes in building and safety at work regulations and rental, environmental, tax, labour, data protection and other laws affecting real estate development, ownership and use. Again, these risks are managed through constant monitoring and close relationships with those on the ground.

Sparkassen Immobilien AG's rigorous approach to Risk Management enables us to make considered decisions that are in the interest of its shareholders.

Risks stemming from the financial crisis of 2008
The global financial crisis of 2008 has had a profound impact on both the real estate and financial sectors in which Sparkassen Immobilien AG is active. Although our conservative strategy has for the most part proven beneficial in helping us weather these stormy waters, we are without doubt affected by this crisis. In particular we would like to address two areas of risk: rental income and financing.

Due to the fact that no geographical area has been spared from the global financial crisis, we must assume that some of our tenants will be negatively affected by the crisis, which could have a negative impact on rental income. Rents could fall, units could remain vacant for longer periods of time and leases may only be renewed in part. These risks are managed as far as possible by our Asset Management teams. Through constant dialogue Sparkassen Immobilien AG will be made aware of potential difficulties and can act accordingly.

Secondly, we must address the fact that financing has become more difficult since the downturn in the global economy. Banks and other lending institutions have become much more ristrictive in their lending, loans are more expensive and the process takes longer. A continued worsening in the condition of larger national and international financial institutions could make financing for Sparkassen Immoblien AG more problematic, and could have a negative impact on the results of the group. This risk is reduced however through low refinancing needs in the next few years, smaller loans with many different banks, low loan to value (LTV) requirements and our established and successful cooperation with lending institutions.

Outlook

With the general economic situation deteriorating further in the fourth quarter of 2008, improvement over the short term – or even the medium term – is not foreseeable at the moment. Economic forecasts have been revised downwards on numerous occasions, and there is no consensus regarding important parameters such as inflation, deflation, interest rates, capital markets and above all the point in time at which an economic turnaround will occur in the areas where Sparkassen Immobilien AG is invested.

Overall, there are varying views on the outlook for market developments in general, but also on the future of the real estate markets in particular. Growth potential in the Central and Eastern European countries was viewed in a positive light until recently, but then negative sentiment toward the region took hold. Declining interest rates and increasing real estate yields are beginning to make real estate investments more interesting again, partially as a result of long-term inflation concerns. While some investors are poised to return to the markets, the supply of capital is generally still low and a reluctance to provide financing remains. Both of these factors are keeping the volume of transactions at a low level.

As a result of the extremely volatile situation on the financial and real estate markets, it does not make sense to make concrete forecasts regarding earnings. Regardless of this, Sparkassen Immobilien AG is very well positioned to continue along the path it has chosen despite the current uncertainty on the market. We have a very well diversified portfolio with a broad range of property use types, a mix of different geographic locations and various investment lot sizes, made up of high-quality real estate in prime locations with a stable tenant profile. One third of rental income comes from residential properties, and over 70% of income is generated in Germany and Austria, making our portfolio very robust in general. In light of the current situation, we have revised and reduced our plans for expansion. Sparkassen Immobilien AG's real estate portfolio will grow to roughly EUR2bn in 2010. In addition, the extremely streamlined organisational structure at Sparkassen Immobilien AG will allow us to boost efficiency and optimise costs.

The strategic focus in 2009 will be on enhancing and optimising our existing portfolio, active asset management, completing the development projects currently under construction and concentrating on favourable opportunities to purchase and sell properties. The consequences for Sparkassen Immobilien AG's further development are as follows:

–With the completion of projects, we will increase our cash flow significantly in 2009 and 2010.

–We will take advantage of favourable purchasing opportunities, such as the acquisition of OMV's new head office in Vienna, in order to strengthen our portfolio in the long term.

–We will maintain our stable, conservative financing policies.

Significant events after balance sheet date

Purchase agreements were concluded in Vienna for OMV's new head office and the Marriott Courtyard hotel, both part of the Viertel Zwei complex. Located between Prater and Krieau, Viertel Zwei is close to the Vienna Exhibition Centre and is one of the most promising office locations in Vienna. The OMV head office has 40,000 sq m of office rental space and was awarded the DIVA Award for its outstanding design concept. The four-star Marriott Courtyard hotel has 251 beds and a superb location, in direct proximity to the Vienna Exhibition Centre and the surrounding office locations.

At the same time as the decision was made to purchase OMV's new head office, an agreement was reached regarding the sale of OMV's previous headquarters, located at Otto-Wagner-Platz in Vienna's ninth district, to BLM-IG Bauträger GmbH.

The transactions are expected to be completed in the first half of 2009.

Consolidated Financial Statements

Consolidated Balance Sheet
as at 31 December 2008

EUR'000	Notes	31.12.2008	31.12.2007
ASSETS			
A. Total non-current assets			
I. Intangible assets			
1. Other		296	285
II. Property, plant and equipment			
1. Properties	15, 16		
a) Rental properties		1,377,997	1,209,788
b) Rental properties held for disposal		0	31,600
c) Hotels under management		148,276	90,390
d) Properties under construction		281,389	196,674
		1,807,662	1,528,451
2. Other plant and equipment			
a) Other		11,123	5,032
III. Financial investments	17		
1. Associates		209	227
2. Group interests		2,911	6,597
IV. Non-current receivables			
1. Deferred tax assets	20	16,951	1,577
		1,839,152	**1,542,168**
B. Current assets			
I. Receivables and other assets	18		
1. Trade receivables		9,575	8,994
2. Financial receivables and advances		2,617	22,921
3. Other receivables and assets		47,700	29,431
		59,892	61,346
II. Marketable securities, loans and investments		2	87,144
III. Cash and cash equivalents	19	243,541	31,010
		303,435	**179,500**
C. Accruals and prepayments		**1,958**	**1,080**
		2,144,545	**1,722,748**

EUR'000	Notes	31.12.2008	31.12.2007
EQUITY AND LIABILITIES			
A. Shareholders' equity	21, 22		
I. Share capital		247,509	247,509
II. Reserves		323,676	329,489
III. Consolidated net profit		5,813	25,910
IV. Minority interests		26,088	16,694
		603,086	**619,602**
B. Participating certificates (subordinated)	23	**286,879**	**297,094**
C. Total non-current liabilities			
1. Long-term liabilities to banks	24	668,807	468,475
2. Provisions	20, 25		
a) Deferred tax liabilities		40,566	34,406
b) Other		17,794	8,613
		58,360	43,019
3. Other liabilities	26		
a) Other long-term financial liabilities		150,753	76,014
b) Construction costs and tenants' financing		11,739	11,699
c) Housing construction subsidies		5,136	5,624
d) Other		12,143	5,489
		179,771	98,826
		906,938	**610,320**
D. Current liabilities			
1. Bank and Financial liabilities	24	260,457	148,983
2. Trade payables		22,281	12,563
3. Other liabilities		57,525	29,770
		340,263	**191,316**
E. Deferred income		**7,379**	**4,416**
		2,144,545	**1,722,748**

Consolidated Income Statement
for the year ended 31 December 2008

EUR'000		Notes	1-12/2008	1-12/2007
1.	Revenues	7	109,211	95,891
	whereof rental income		85,737	74,992
2.	Revaluation of properties	8	-30,682	41,119
3.	Other operating income	9	6,483	3,906
4.	Gains on property disposals	10	8,318	12,593
5.	**Operating revenue**		**93,330**	**153,509**
6.	Depreciation and amortisation	16	-4,737	-3,894
7.	Other operating expenses	11	-64,801	-49,578
8.	**Operating profit (EBIT)**		**23,792**	**100,037**
9.	Finance costs	12	-9,552	-20,470
10.	Participating certificates expense	13	-6,442	-44,166
11.	**Profit before tax (EBT)**		**7,798**	**35,401**
12.	Taxes on income	14	-2,072	-6,749
13.	**Consolidated net profit**		**5,726**	**28,652**
14.	Minority interests		87	-2,742
15.	**Interests of shareholders in parent company**		**5,813**	**25,910**

Earnings per share

Earnings per share compares the consolidated net profit with the average number of shares in circulation.

		1-12/2008	1-12/2007
Equity share of consolidated net profit	EUR'000	5,813	25,910
Average number of shares in circulation		68,118,718	68,118,718
Consolidated earnings per share	**EUR**	**0.09**	**0.38**

Consolidated Cash Flow Statement

EUR'000	2008	2007
Profit before tax (EBT)	**7,798**	**35,401**
Revaluation of properties	30,682	-41,119
Depreciation and amortisation	4,737	3,894
Gains on property disposals	-8,318	-12,593
Taxes on income paid	-874	-861
Net interest	9,552	43,254
Participating certificates expense	6,442	21,382
Cash flow from operations	**50,019**	**49,358**
Changes in working capital		
Receivables and other assets	-4,714	-11,956
Provisions and other non-current liabilities	26,433	78,560
Current liabilities and deferred income	151,909	139,592
Cash flow from operating activities	**223,647**	**255,554**
Cash flow from investing activities		
Acquisition of investment properties	-330,626	-487,620
Purchase of office equipment and intangible assets	-6,102	-3,510
Sale/purchase of financial investments	6	-224
Disposal proceeds of properties and property holding companies	52,975	164,977
Net interest on financial investments	29,171	8,768
Net cash flow from investing activities	**-254,576**	**-317,610**
Cash flow from financing activities		
Proceeds of share issue	0	0
Purchase of own participating certificates	-2,039	-61,746
Increase in minority interests	10,920	-885
Dividend paid to s IMMO INVEST	-14,174	-16,714
Net increase in long-term liabilities to banks	200,332	207,500
Interest paid	-38,723	-28,533
Net cash flow from financing activities	**156,316**	**99,622**
Change in cash and cash equivalents	**125,387**	**37,566**
Cash and cash equivalents at 1 January 2008	**118,154**	**80,588**
Cash and cash equivalents at 31 December 2008	**243,541**	**118,154**
	125,387	**37,566**

Changes in Consolidated Equity

EUR'000	Share capital	Capital reserves	Capital reserves	Minority interests	Total
1 January 2008	**247,509**	**241,301**	**114,098**	**16,694**	**619,602**
Cash flow hedges	0	0	-41,850	0	-41,850
Income taxes thereon	0		10,127	0	10,127
Net loss recognised directly in equity	**0**	**0**	**-31,723**	**0**	**-31,723**
Consolidated net profit	0	0	5,813	-87	5,726
Total income and expense	**0**	**0**	**-25,910**	**-87**	**-25,997**
Acquisitions	0	0	0	10,920	10,920
Disposals	0	0	0	-1,439	-1,439
31 December 2008	**247,509**	**241,301**	**88,188**	**26,088**	**603,086**

EUR'000	Share capital	Capital reserves	Capital reserves	Minority interests	Total
1 January 2007 (at cost)	**247,509**	**241,301**	**35,863**	**33,430**	**558,103**
Change in accounting policy	0	0	52,989	1,123	54,112
1 January 2007 (fair values)	**247,509**	**241,301**	**88,852**	**34,553**	**612,215**
Financial instruments – available-for-sale	0	0	4,271	0	4,271
Exchange differences	0	0	-3,742	-77	-3,819
Income taxes thereon	0	0	-1,193	0	-1,193
Net loss recognised directly in equity	**0**	**0**	**-664**	**-77**	**-741**
Consolidated net profit	0	0	25,910	2,742	28,652
Total income and expense	**0**	**0**	**25,246**	**2,665**	**27,911**
Acquisitions	0	0	0	5,529	5,529
Disposals	0	0	0	-26,053	-26,053
31 December 2007	**247,509**	**241,301**	**114,098**	**16,694**	**619,602**

Details of Share Capital

EUR'000	31.12.2008	1.1.2008	Change
Issued share capital	247,509	247,509	0
Treasury shares	0	0	0
	247,509	**247,509**	**0**

Changes in the Number of Shares

Units	31.12.2008	1.1.2008
Issued share capital – 1 January 2008	68,118,718	68,118,718
Capital increase	0	0
Treasury shares sold	0	0
Issued share capital – 31 December 2008	**68,118,718**	**68,118,718**
Treasury shares	0	0
Total shares in issue	**68,118,718**	**68,118,718**

The shares are listed on the Vienna Stock Exchange.

Capital Reserves

The capital reserves of EUR 147,110,000 (31.12.2007: EUR 192,020,000) are restricted reserves in the meaning of section 130 (1) AktG.

Notes to the Consolidated Financial Statements

SPARKASSEN IMMOBILIEN AKTIENGESELLSCHAFT

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 2008 have been prepared in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards ("IAS Regulation"); this regulation requires publicly traded companies inside the European Union to prepare and publish their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for all financial years beginning after 1 January 2005. Article 3(1) of the IAS Regulation requires the application of the standards implemented in European Union legislation under Article 6(2) of the Regulation, in line with the comitology procedure. The International Financial Reporting Standards (IFRS) adopted by the European Union are directly binding on the Member States and do not require transposition into national legislation. For the purposes of Community law, the authentic texts are the International Financial Reporting Standards (IFRS) published in each of the official languages of the Community. Section 245a(1) Austrian Business Code (UGB) establishes the general obligation to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) in the meaning of Article 4(1) of the IAS Regulation.

1.1. New and revised Standards and Interpretations not yet mandatorily applicable

At the time these financial statements were authorised for publication, the following revisions and interpretations had been published by IASB and in part already transposed into EU law. They were not, however, mandatorily applicable for financial year 2008.

a) Transposed into EU law and published in the Official Journal of the EU:

_IFRS 8 Operating Segments (applicable for financial years beginning on or after 1 January 2009): this Standard replaces IAS 14. It requires segment reports to be prepared on the same basis as internal reports to the enterprise's chief decision maker used for the purposes of assessing performance and allocating resources (management approach).

_Amended version of IAS 23 Borrowing Costs (applicable in connection with qualifying assets capitalised on or after 1 January 2009): the major change is that the benchmark method hitherto applied will no longer be permissible, i.e., borrowing costs may no longer be recognised immediately in expense without taking into account the purpose of the borrowing. The amendment will have no effects on the Group's accounting and valuation policies, since borrowing costs arising in connection with qualifying assets are already capitalised.

_Amended version of IFRS 2 Share-based Payment (applicable for financial years beginning on or after 1 January 2009): the changes mainly concern clarification of the terms "vesting conditions" and "cancellations".

_IFRIC 12 Service Concession Agreements (applicable in principle for financial years beginning on or after 1 January 2008, but transposed into EU law with mandatory applicability for financial years beginning after 29 March 2009): this Interpretation contains guidelines for accounting for agreements whereby a government or other public sector body contracts with a private operator for the provision of public services.

_IFRS 13 Customer Loyalty Programmes (applicable for financial years beginning on or after 1 July 2009): this Interpretation addresses accounting by enterprises that provide their customers with award credits (loyalty points or flight miles) for the purchase of other goods or services.

_IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable for financial years beginning on or after 1 January 2009): this Interpretation provides general guidelines for determining the maximum amount of a pension fund surplus that can be treated as an asset for the purposes of IAS 19.

_Amended version of IAS 1 Presentation of Financial Statements (applicable for financial years beginning on or after 1 January 2009): this revision deals principally with formal aspects of IAS 1 and is the result of the first phase of IASB's and FASB's convergence project to improve and harmonise the presentation of information in financial statements.

_Changes in IAS 32 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements in relation to puttable instruments and obligations arising on liquidation (applicable for financial years beginning on or after 1 January 2009): as a result of the changes some financial instruments that currently satisfy the definition of financial liabilities will be classified as equity, because they represent a subordinated claim on the net assets of the enterprise.

_Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements with respect to the calculation of acquisition costs for an investment in separate financial statements (applicable for financial years beginning on or after 1 January 2009): in the first-time application of IFRSs in separate financial statements by a first-time adopter, the amendments are intended to simplify the determination of acquisition costs for investments in subsidiaries, jointly controlled enterprises and associates. In addition, dividends received from such companies must in future be recognised in their entirety as income in the income statement, whether the distribution is out of profits from before or after the point of acquisition.

_Improvements to IFRSs, a collection of 35 amendments to various Standards (in principle applicable for financial years beginning on or after 1 January 2009, although different dates apply for some amendments): this document is the product of the first Annual Improvements Project, created by IASB to deal with minor, non-urgent amendments to existing Standards.

b) Not yet transposed into EU law:

_Revised versions of IFRS 3 Business Combinations and IFRS 27 Consolidated and Separate Financial Statements (both applicable for financial years beginning on or after 1 July 2009): the major changes relate primarily to business combinations other than 100% acquisitions (e.g., new provisions governing balance sheet presentation of minority interests, revaluation through income of existing interests on initial acquisition of control, changes in percentage interests in subsidiaries without loss of control not affecting income).

_Revised version of IFRS 1 First-time Adoption of International Financial Reporting Standards (applicable for enterprises adopting IFRS for the first time for financial years beginning on or after 1 January 2009): the changes relate exclusively to the formal structure of IFRS 1; the contents remain unchanged. The new structure is intended to make the Standard easier to understand and apply.

_Amendment of IAS 39 Financial Instruments: Recognition and Measurement with respect to risk positions eligible for hedge accounting (applicable for financial years beginning on or after 1 July 2009): the amendment clarifies how the principles of hedge accounting embodied in IAS 39 are to be applied in two specific situations – one-sided risk in a hedged transaction and inflation in a hedged financial transaction.

_IFRIC 15 Agreements for the Construction of Real Estate (applicable for financial years beginning on or after 1 January 2009): this Interpretation standardises accounting practice for the recognition of revenue from the sale by developers of units, such as apartments and flats, “off plan” (before construction is complete).

_IFRIC 16 Hedges of a Net Investment in a Foreign Operation (applicable for financial years beginning on or after 1 October 2008): this Interpretation clarifies what is to be considered as risk in the hedging of a net investment in a foreign operation and where within the group the instrument hedging the risk may be held. It also explains how the amounts to be reclassified from equity to profit or loss on the disposal of the investment should be determined.

_IFRIC 17 Distribution of Non-cash Assets to Owners (applicable for financial years beginning on or after 1 July 2009): this Interpretation clarifies how non-cash assets distributed as dividends to owners should be valued and accounted for.

_IFRIC 18 Transfers of Assets from Customers (applicable for transfers of assets from customers taking place on or after 1 July 2009): this Interpretation clarifies the requirements of IFRSs for agreements in which an enterprise receives from a customer an item of property, plant, equipment that the enterprise must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

_Various amendments to IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures and IFRIC 9 Reassessment of Embedded Derivatives (applicable for financial years beginning on or after 1 July 2008 and on or before 30 June 2009).

s IMMOBILIEN AG does not consider earlier application of the above revisions and interpretations appropriate. Management is currently analysing the possible consequences of the revised Standards and Interpretations in the applicable years of initial application.

In particular IFRS 8 Operating Segments, the amended IAS 23 Borrowing Costs and and the amended provisions of IAS 40 relating to property held as a financial investment can be expected to have an impact on s IMMOBILIEN AG in future years.

2. GENERAL

2.1. Business

Sparkassen Immobilien AG has been listed on the Vienna Stock Exchange since 1992, and since 2007 the stock is listed in the Prime Segment. The Company's principle 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. Sparkassen Immobilien AG is headquartered in Friedrichstrasse 10, A-1010 Vienna, Austria. It has properties in Austria, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Romania and Bulgaria. It also has subsidiaries in Denmark, Cyprus and Ukraine. The Company 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 at balance sheet date.

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 70 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	
AKIM Beteiligungen GmbH	Vienna	A	35,000	100	EUR	
IMMIN Beteiligungen GmbH	Vienna	A	35,000	100	EUR	
WO Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	
SO Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	
CEE Beteiligungen GmbH	Vienna	A	35,000	100	EUR	
API Holding AG	Salzburg	A	100,000	98	EUR	
E.V.I. Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	
SIAG Berlin Wohnimmobilien GmbH	Vienna	A	3,982,500	99.74	EUR	
E.I.A. eins Immobilieninvestitionsgesellschaft m.b.H.	Vienna	A	36,336	100	EUR	
PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co. KG	Vienna	A	8,299,238	70	EUR	31.12.2008 *
PCC-Hotelerrichtungs- und Betriebsgesellchaft m.b.H.	Vienna	A	36,336	100	EUR	31.12.2008
Neutorgasse 2–8 Projektverwertungs GmbH	Vienna	A	35,000	100	EUR	01.01.2008
Hansa Immobilien EOOD	Sofia	BG	5,000	77	BGN	
CEE PROPERTY BULGARIA EOOD	Sofia	BG	20,000	100	BGN	
SIAG HOLDING LIMITED	Nicosia	CY	3,000	100	EUR	
Areal CZ spol. s.r.o.	Prague	CZ	100,000	100	CZK	
Eltima Property Company 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	200,000	100	CZK	
SIAG Burstah Immobilien GmbH	Berlin	D	25,000	100	EUR	
Lützow-Center GmbH	Berlin	D	25,000	100	EUR	
Ikaruspark GmbH	Berlin	D	25,000	100	EUR	
SIAG Deutschland Betriebsgesellschaft mbH	Berlin	D	25,000	100	EUR	
S Immo Geschäftsimmobilien GmbH	Berlin	D	25,000	100	EUR	
S Immo Wohnimmobilien GmbH	Berlin	D	25,000	100	EUR	
Markt Carree Halle Immobilien GmbH	Berlin	D	25,000	100	EUR	
Tölz Immobilien GmbH	Berlin	D	25,000	100	EUR	
Einkaufs-Center Sofia G.m.b.H. & Co KG	Hamburg	D	27,522,000	65	EUR	
SIAG Deutschland Beteiligungs-Verwaltungs GmbH	Berlin	D	25,000	100	EUR	

Company	Location	Country	Nominal capital	%	Currency	Initial consolidation
SIAG Deutschland Beteiligungs GmbH & Co. KG	Berlin	D	100,000	99.74	EUR	
SIAG Leipzig Wohnimmobilien GmbH	Berlin	D	750,000	99.74	EUR	
Maior Domus Hausverwaltung GmbH	Berlin	D	25,000	75.00	EUR	
SIAG Property I GmbH	Berlin	D	25,000	100	EUR	01.01.2008
K.J. Ejendomme Syd APS	Arhus	DK	1,000,000	100	EUR	
H.W.I. I ApS	Arhus	DK	7,000,000	100	DKK	
H.W.I. III ApS	Arhus	DK	30,000,000	100	DKK	
H.W.I. IV ApS	Arhus	DK	1,000,000	100	DKK	
GERMAN PROPERTY INVESTMENT I APS (GPI I APS)	Aarup	DK	125,000	99.71	DKK	
GERMAN PROPERTY INVESTMENT II APS (GPI II APS)	Aarup	DK	125,000	99.71	DKK	
GERMAN PROPERTY INVESTMENT III APS (GPI III APS)	Aarup	DK	125,000	99.71	DKK	
Bank-garázs Ingatlanfejlesztési és Vagyonhasznosító Kft.	Budapest	H	500,000	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 Holding Kft.	Budapest	H	500,000	100	HUF	01.07.2008**
Maros Holding Kft.	Budapest	H	500,000	100	HUF	01.07.2008**
s Immo Hungary Kft.	Budapest	H	98,600,000	100	HUF	01.07.2008**
Szegedi ut Ingatlankezelö Kft.	Budapest	H	10,000,000	100	HUF	
Nagymezo utcai Projektfejlesztesi Kft.	Budapest	H	462,590,000	100	HUF	
CEE Property-Invest Hungary 2003 Ingatlan Kft.	Budapest	H	3,000,000	100	HUF	
CEE PROPERTY INVEST ROMANIA SRL	Bucharest	RO	1,000	100	RON	
Societate Dezvoltare Comercial Sudului (SDCS) S.R.L.	Bucharest	RO	1,000	100	RON	
VICTORIEI BUSINESS PLAZZA S.R.L.	Bucharest	RO	18,852,144	100	RON	
DUAL Construct Invest S.R.L.	Bucharest	RO	2,000	82	RON	
ROTER INVESTITII IMOBILIARE S.R.L.	Bucharest	RO	4,472,020	100	RON	
Galvaniho Business Centrum, s.r.o.	Bratislava	SK	200,000	100	SKK	
Galvaniho 2, s.r.o.	Bratislava	SK	200,000	100	SKK	
IPD - International Property Development, s.r.o.	Bratislava	SK	1,000,000	100	SKK	
SIAG Fachmarktzentren s.r.o.	Bratislava	SK	200,000	100	SKK	
SIAG Hotel Bratislava, s.r.o.	Bratislava	SK	200,000	100	SKK	01.07.2008
Galvaniho 4, s.r.o.	Bratislava	SK	200,000	100	SKK	01.01.2008
Austria Real Invest Ukraine LCC	Kiev	UA	66,382	100	UAH	
Eurocenter, d.o.o.	Zagreb	HR	20,000	100	HRK	01.01.2008

* Nominal capital = general and limited partners' capital
** Split up as of 01.07.2008

As of 1 January 2008 all the shares of Neutorgasse 2–8 Projektverwertungs GmbH, the sole proprietor of EUROCENTER drustvo s ogranicenom odgovornoscu, Zagreb, were acquired. The purchase price was around EUR0.1m, and the liabilities taken over amounted to EUR33.5m.

During the year under review an office property, Galvaniho 4 s.r.o., in Bratislava, was added to the portfolio. The property is being developed as a business centre with a total of 21,800 sq m of lettable office space and a further 1,900 sq m of lettable space for retail businesses and a restaurant. The purchase price was around EUR7.3m, and the liabilities taken over amounted to EUR10.2m.

SIAG Hotel Bratislava, s.r.o., a newly formed subsidiary of CEE CZ Immobilien GmbH, was first consolidated in the third quarter 2008.

In the last quarter of 2008 partnership shares in PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co KG were acquired for a provisional price of EUR23.3m. The acquisition included provisions and liabilities amounting to a total of EUR26.3m. The partnership is the owner, developer and operator of Hotel Marriott in Vienna's First District.

All the shares in PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H. were also acquired.

SIAG Property I GmbH is a subsidiary of s IMMOBILIEN AG included in consolidation as of 1 January 2008, which acquired residential properties in Germany in 2008.

4. BASIS OF CONSOLIDATION

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 individual financial statements in foreign currencies

The Group reporting currency is the euro (EUR). Annual financial statements prepared in foreign currencies are translated using the modified closing rate method. As a general rule, assets are translated at historical rates. Revaluation of rented properties is exclusively in euro. Income statement items are translated using the average rates for the period.

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.

PROPERTY, PLANT AND EQUIPMENT

Rental properties

As of 1 January 2007, rental properties are valued in accordance with IAS 40 at fair value.

The properties, the majority of which are rented, are generally valued annually, on the basis of current market conditions, by independent, professional, court-recognised experts. The valuations are based on earnings, calculated on the basis of expected sustainable future rental yields and market interest rates (Austria, 2.5%–5.5%; elsewhere, 5.3%-9.2%). Properties purchased close to balance sheet date are valued on the basis of acquisition costs.

Rental properties held for disposal
This item consists of the carrying values of the properties that the Group's Management is planning to sell in the near future.

Hotels under management, other plant and equipment
Hotel properties operated by the Group are valued at depreciated original acquisition or construction cost, in accordance with IAS 16. This valuation method is also applied to other plant and equipment.

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

	Expected useful lives (years)	
	from	to
Hotels under management	25	33
Other plant and equipment	3	10

Where there are reductions in value that are expected to be permanent, impairment losses are recognised. Where there are indications of impairment, the values of the properties are subjected to impairment tests, in which the carrying values of the properties are compared with the fair values. Where the carrying values are higher, impairment losses are recognised.

Properties under construction
These are projects being developed by s IMMOBILIEN AG. Properties under construction are recognised at cost of acquisition and construction, including financing costs. As at 31 December 2008, external financing costs totalling EUR6,049,000 have been capitalised.

Investments and securities
Financial investments for which fair values can not be established – due to the lack of a stock exchange listing – are recognised at acquisition cost, reduced by any impairment losses.

Shares and securities held as current assets as available for sale are carried at market values, in accordance with IAS 39.

Receivables and other assets
Trade receivables and other receivables are disclosed at their nominal value, less any provisions necessary. Other current assets are measured 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 remaining terms of less than three months.

Taxes
The tax expense for the period comprises income tax on the taxable income of the individual companies at the rate applicable in the relevant country (expected effective tax rate for the full year) together with changes in tax provisions affecting income or expense.

No provisions for deferred tax liabilities have been made with respect to temporary differences in connection with undisclosed reserves arising on initial consolidation of properties owned by foreign subsidiaries, since such properties can as a rule be disposed of without incurring liability to tax by selling the property ownership or intermediary holding companies, e.g., in Austria under section 10(2) Austrian Corporate Income Tax Act (KStG). Provision has been made for deferred tax liabilities in respect of any expected partial realisations on differences arising on initial consolidation of Austrian subsidiaries, using the applicable tax rates and the values for tax purposes.

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

Financial liabilities
Financial liabilities are recognised at the amount repayable.

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 include provisions for liabilities of uncertain amount.

Trade payables and other liabilities

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

Derivatives

s IMMOBILIEN AG Group uses derivative financial instruments – interest rate caps, collars and swaps – to reduce the risks attendant on interest rate increases. Derivatives are initially measured at cost of acquisition, and at balance sheet date they are measured at market value. As at 31 December 2008, EUR1,481,000 was disclosed under other receivables (31.12.2007: EUR6,769,000) and EUR35,354,000 under other liabilities (31.12.2007: EURnil).

EUR'000	Volume	Positive market value	Negative market value
Swaps	415,087		-26,907
Caps	245,000	1,481	
Collars	200,000		-8,447
Total	**860,087**	**1,481**	**-35,354**

In financial 2008 the resulting expense was EUR41,850,000, which was recognised under equity with no effect on the income statement, and income of EUR1,208,000, which was recognised under finance income.

s IMMOBILIEN AG's objects include the acquisition and development of property for rental or subsequent sale for the purpose of generating positive net cash flows. Business activities are financed out of equity and by long-term borrowings in the form of mortgage loans and other financial liabilities. The bulk of the financing consists of variable rate loans, with interest rates linked to 3-month, 6-month and 12-month Euribor as base rate. In line with s IMMOBILIEN AG's risk strategy, agreed lines of credit which will be called down in instalments as construction of development projects progresses are fully hedged with derivatives from the time the agreements are signed. The instalment payments represent the expected cash flows.

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

Hedged risk

The interest rate risk hedged is a market interest rate, the Euribor, which is an identifiable component – that can be separately assessed – of the interest rate risk on interest-bearing financial liabilities. The risk premium is not taken into account.

Hedging instruments

s IMMOBILIEN AG uses as hedging instruments only derivatives that, because they move in the opposite direction to the underlying transactions, convert the potential changes in cash flows from increases in interest rates into fixed payment streams. The hedging instruments used are interest rate derivatives such as interest rate caps, collars and swaps. For the non-linear interest rate options used as hedges, only the intrinsic value is designated as a hedge. The time value, as ineffective, is recognised in the income statement. For the collars, care is taken to ensure that there is no net call position.

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 balance sheet date.

Purchases and sales of securities are recognised as of the transaction date.

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

NOTES ON THE 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 type of use (secondary segmentation).

The primary segmentation was as follows:

	Austria		Germany	
EUR'000	1–12 2008	1–12 2007	1–12 2008	1–12 2007
Revenue	31,440	36,343	46,559	33,079
Revaluation of properties	4,045	29,273	-47,003	-7,441
Other operating income (incl. gains on disposal)	4,137	3,510	5,894	864
Operating revenue	**39,622**	**69,126**	**5,450**	**26,502**
Depreciation and amortisation	-64	-29	-95	-61
Other operating expenses	-19,685	-22,627	-31,842	-15,072
Operating income	**19,873**	**46,470**	**-26,487**	**11,369**
Non-current assets At 31 December	550,709	451,730	541,898	571,225
Long-term liabilities (incl. participating capital in Austria) At 31 December	674,278	541,585	275,804	210,269

	Slovakia		Czech Republic		Hungary		Bulgaria		Romania		Ukraine		Croatia		Total	
	1–12 2008	**1–12 2007**	**1–12 2008**	**1–12 2007**	**1–12 2008**	**1–12 2007**	**1–12 2008**	**1–12 2007**	**1–12 2008**	**1–12 2007**	**1–12 2008**	**1–12 2007**	**1–12 2008**	**1–12 2007**	**1–12 2008**	**1–12 2007**
	6,486	4,246	7,007	6,491	12,856	12,747	0	0	2,351	2,985	0	0	2,512	0	109,211	95,891
	-15,785	1,835	33,720	1,777	-15,968	15,675	0	0	7,838	0	0	0	2,471	0	-30,682	41,119
	8	11	767	10,908	4,072	1.100	-197	16	0	90	97	0	23	0	14,801	16,499
	-9,291	**6,092**	**41,494**	**19,176**	**960**	**29,522**	**-197**	**16**	**10,189**	**3,075**	**97**	**0**	**5,006**	**0**	**93,330**	**153,509**
	-55	-54	-77	-102	-3,336	-2,488	-49	0	-1,055	-1,160	-6	0	0	0	-4,737	-3,894
	-2,284	-1,438	-3,401	-3,660	-4,545	-3,983	-401	-324	-1,750	-2,313	-222	-161	-671	0	-64,801	-49,578
	-11,630	**4,600**	**38,016**	**15,414**	**-6,921**	**23,051**	**-647**	**-308**	**7,384**	**-398**	**-131**	**-161**	**4,335**	**0**	**23,792**	**100,037**
	117,894	65,053	169,155	105,646	194,609	205,121	109,860	59,389	130,851	83,960	38	44	24,138	0	1,839,152	1,542,168
	28,369	7,858	44,875	71,095	123,738	76,607	8	0	32,872	0	2	0	13,871	0	1,193,817	907,414

Revenues were made up as follows:

EUR'000	1-12/2008	1-12/2007
Rental income	85,737	74,992
Operating costs	23,474	20,899
	109,211	**95,891**

Segmentation by property type:

	Rental income by category 1-12/2008		Rental income by category 1-12/2007	
Property type	EUR'000	%	EUR'000	%
Office	35,764	41.71	33,138	44.19
Residential	28,599	33.36	16,363	21.82
Commercial	17,377	20.27	19,436	25.92
Hotel	3,997	4.66	6,055	8.07
	85,737	**100.00**	**74,992**	**100.00**

8. REVALUATION OF PROPERTIES

EUR'000	1-12/2008	1-12/2007
Change in fair values	-17,474	41,119
Writedowns on assets under construction, provisions for contingent losses	-13,208	0
	-30,682	**41,119**

9. OTHER OPERATING INCOME

EUR'000	1-12/2008	1-12/2007
Gross operating profit (hotel operations)	3,896	975
Release of housing construction subsidies	489	489
Other	2,098	2,442
	6,483	**3,906**

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

EUR	1-12/2008	1-12/2007
Revenues	16,471	11,018
Directly attributable costs	-11,700	-8,831
Other costs	-875	-1,212
	3,896	**975**

At 31 December 2008 Duna Szálloda Zrt. employed 223 staff (2007: 223). Staff costs of the hotel employees are included in the directly attributable costs.

10. GAINS ON PROPERTY DISPOSALS

EUR'000		1-12/2008	1-12/2007
Disposal proceeds:			
Rental properties	16,271		
Properties held for disposal	36,704	52,975	182,594
Carrying value of disposals:			
Rental properties	-13,057		
Properties held for disposal	-31,600	-44,657	-170,001
		8,318	**12,593**

The gains on disposals of properties consist of the gains on the sale of five properties and interests in two properties in Austria and one property in Germany.

11. OTHER OPERATING EXPENSES

EUR'000	1-12/2008	1-12/2007
Expenses directly attributable to property		
Operating costs	27,496	21,693
Specific provisions on receivables	4,259	525
Maintenance costs	10,463	6,251
Commissions	2,154	575
Other	835	3,348
	45,207	**32,392**
General management expenses		
Management fees and administration expenses	3,487	5,135
Staff costs	3,477	2,077
Legal, audit, valuation and consultancy costs	6,541	4,879
Other taxes and charges	985	632
Marketing, advertising and hospitality expenses	1,075	1,145
Provision for transaction risks	0	1,900
Other	4,029	1,418
	19,594	**17,186**
	64,801	**49,578**

The members of the Management Board are s IMMOBILIEN AG employees. The expense for the remuneration of Management Board members serving in 2008 amounted to EUR770,000 (2007: EUR848,000). This included premiums of EUR150,000 (2007: EUR200,000), expenses for pensions of EUR48,000 (2007: EUR343,000) and contributions to the employee severance pay and pensions fund of EUR10,000 (2007: EUR1,000).

During 2008, the Group had an average of 58 (2007: 38) own staff and one free-lance employee, in addition to the employees in hotel operations. Some individual services are outsourced to IMMORENT AG.

Compensation paid to Supervisory Board members (including members of supervisory boards of Group companies) amounted to EUR77,000 (2007: EUR71,000). Neither members of the Management Board nor Supervisory Board members received either loans or advances, and no guarantees have been given on their behalf.

Finance income

EUR'000	1-12/2008	1-12/2007
Bank interest	5,086	5,739
Other interest income (in particular, on cash deposits)	2,046	2,408
Income from investments	14,194	1,358
Income from exchange differences	6,304	0
Sundry	1,541	0
	29,171	**9,505**

In connection with the acquisition of partnership interests with a nominal value of EUR5,812,000 and the ensuing initial consolidation of PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co KG (including the typical participating loan to the company) there was income from investments of EUR13,722,000.

12. FINANCE COSTS

EUR'000	1-12/2008	1-12/2007
Finance expense	-38,723	-29,975
Finance income	29,171	9,505
	-9,552	**-20,470**

Finance expense

EUR'000	1-12/2008	1-12/2007
Bank loan interest	-36,962	-23,515
Other interest expenses	-628	-2,282
Preparation costs of capital increase	0	-1,055
Other finance costs	-1,133	-3,123
	-38,723	**-29,975**

The other finance costs are mainly made up of incidental expenses of borrowing.

13. EXPENSES OF PARTICIPATING CERTIFICATES

EUR'000	1-12/2008	1-12/2007
Income entitlements of participating certificates	-4,543	-22,784
Expense for proportionate share of undisclosed reserves allocated to certificates	-1,679	0
Expense for certificates retired	-220	-10,808
Expense of changing Participating Certificates Agreement	0	-10,574
	-6,442	**-44,166**

14. TAXES ON INCOME

EUR'000	1-12/2008	1-12/2007
Current tax expense	1,354	468
Deferred tax expense	6,230	9,982
Deferred tax credit relating to prior years	-5,512	-3,701
	2,072	**6,749**

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.

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

EUR'000	1-12/2008	1-12/2007
Consolidated net profit before tax	7,798	35,401
Income tax expense at standard Austrian tax rate of 25%	1,950	8,850
Effects of differing foreign tax rates	5,175	-2,168
Reductions / increases in tax relating to tax free or tax exempt income	459	3,768
Prior years' taxes	-5,512	-3,701
Tax expense as disclosed	**2,072**	**6,749**

The income from adjustment of prior years' taxes results in particular from the application of previously unutilised tax loss carryforwards in Austria and from recognition of the one-seventh investment allowance under section 12(3)(2) KStG.

BALANCE SHEET

15. RENTAL PROPERTIES

Changes in rental properties were as follows:

EUR'000	1-12/2008	1-12/2007
Carrying values as at 1 January – fair value	1,209,788	844,641
Additions	198,740	373,141
Disposals	-13,056	-1,835
Reclassifications	0	-31,600
Revaluation increases	71,004	52,190
Impairment writedowns	-88,479	-26,749
Carrying values as at 31 December	**1,377,997**	**1,209,788**

Additions to rental property by country were as follows:

EUR'000	1-12/2008	1-12/2007
Austria	11,569	34,118
Germany	50,632	338,225
Czech Republic	70,002	194
Hungary	481	604
Slovakia	41,525	0
Romania	2,962	0
Croatia	21,569	0
	198,740	**373,141**

All properties:

Rental properties

EUR'000	31.12.2008	31.12.2007
Austria	451,121	440,963
Germany	541,278	537,650
Czech Republic	163,610	59,280
Hungary	115,668	131,155
Slovakia	71,480	40,740
Romania	10,800	0
Croatia	24,040	0
	1,377,997	**1,209,788**

Rental properties held for disposal

Germany	0	31,600
	0	**31,600**

Properties with a carrying value of EUR1,041,084,000 are subject to mortgages to secure long-term bank borrowings.

16. HOTELS UNDER MANAGEMENT, ASSETS UNDER CONSTRUCTION AND UNDEVELOPED LAND

Hotels under management

EUR'000	31.12.2008	31.12.2007
Austria	59,803	0
Hungary	65,178	63,093
Romania	23,295	27,297
	148,276	**90,390**

Assets under construction and undeveloped land

Austria	18,890	2,452
Germany	121	1,486
Romania	96,605	56,514
Bulgaria	109,736	59,382
Czech Republic	2,818	46,096
Slovakia	46,127	24,023
Hungary	7,092	6,721
	281,389	**196,674**

The fair values of hotels under management amounted to EUR167,804,000 (2007: EUR122,760,000).

Property, plant and equipment (not including properties held as financial investments) and intangible assets were as follows:

EUR'000	Acquisition costs 1.1.08	Additions (+)	Disposals (-)	Additions to consolidated Group	Acquisition costs 31.12.08
Intangible assets					
a) Other intangible assets	326	96	-4	19	437
Property, plant and equipment					
a) Hotels under management	96,097	4,256	-3,042	59,804	157,115
b) Other plant and equipment	7,073	6,825	-281	821	14,438
Financial investments					
a) Associated companies	227	7	-25	0	209
b) Group interests	6,597	0	-3,686	0	2,911
Total	**110,320**	**11,184**	**-7,038**	**60,644**	**175,110**

EUR'000	Accumulated depreciation and amortisation 1.1.08	Charges for the year	Disposals	Accumulated depreciation and amortisation 31.12.08	Carrying values 1.1.08	Carrying values 31.12.08
Intangible assets						
a) Other intangible assets	-41	-101	1	-141	285	296
Property, plant and equipment						
a) Hotels under management	-5,707	-3,227	95	-8,839	90,390	148,276
b) Other plant and equipment	-2,041	-1,409	135	-3,315	5,032	11,123
Financial investments						
a) Associated companies	0	0	0	0	227	209
b) Group interests	0	0	0	0	6,597	2,911
Total	**-7,789**	**-4,737**	**231**	**-12,295**	**102,531**	**162,815**

Previous year:

EUR'000	Acquisition costs 1.1.07	Addition (+)	Disposals (-)	Addition to consolidated Group	Acquisition costs 31.12.07
Intangible assets					
a) Other intangible assets	57	238	0	31	326
Property, plant and equipment					
a) Hotels under management	75,881	20,216	0	0	96,097
b) Other plant and equipment	3,666	4,231	-929	105	7,073
Financial investments					
a) Associated companies	141	142	-56	0	227
b) Group interests	6,886	792	-1,081	0	6,597
Total	**86,631**	**25,619**	**-2,066**	**136**	**110,320**

EUR'000	Accumulated depreciation and amortisation 1.1.07	Charges for the year	Disposals	Accumulated depreciation and amortisation 31.12.07	Carrying values 1.1.07	Carrying values 31.12.07
Intangible assets						
a) Other intangible assets	-21	-20	0	-41	36	285
Property, plant and equipment						
a) Hotels under management	-2,608	-3,099	0	-5,707	73,273	90,390
b) Other plant and equipment	-1,895	-776	630	-2,041	1,771	5,032
Financial investments						
a) Associated companies	0	0	0	0	141	227
b) Group interests	0	0	0	0	6,886	6,597
Total	**-4,524**	**-3,895**	**630**	**-7,789**	**82,107**	**102,531**

17. FINANCIAL INVESTMENTS

Investments in associated companies disclosed under financial investments comprise companies not included in consolidation because they are not of material importance.

Group interests

	Interest %	31.12.2008 EUR'000
BGM-IMMORENT Aktiengesellschaft & Co KG	22.83	2,285
ERSTE Immobilien Kapitalanlagegesellschaft mbH	11.5	621
Other		5
		2,911

18. RECEIVABLES AND OTHER ASSETS

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

Other receivables and assets were made up as follows:

EUR'000	31.12.2008	31.12.2007
Present value of rental guarantee	1,615	1,846
Construction loan subsidies outstanding	586	708
Current tax credits	19,939	10,084
Property management agents clearing accounts	1,059	717
Accrued interest and interest rate caps and collars	1,498	9,339
Sundry	23,003	6,737
	47,700	**29,431**

19. CASH AND CASH EQUIVALENTS

These consist of balances with banks at call, and term deposits.

EUR'000	31.12.2008	31.12.2007
Erste Bank Group	214,161	18,924
Other banks	29,264	11,998
Cash in hand	116	88
	243,541	**31,010**

20. DEFERRED TAX ASSETS AND LIABILITIES

Temporary differences	Deferred tax assets		Deferred tax liabilities	
EUR'000	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Tax loss carryforwards	10,792	3,879	178	386
Property	-2,168	-2,302	-39,117	-32,601
Derivatives	8,294	0	0	-1,517
Other	33	0	-1,627	-674
	16,951	**1,577**	**-40,566**	**-34,406**

Deferred tax liabilities are included under non-current provisions. 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 EUR247,509,000 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 EUR123,755,000 by the issue of new bearer shares for contributions in cash or in kind (authorised capital).

There was no increase in share capital during the financial year.

Additional information on capital management

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

The Group's capital consists of bank and financial liabilities, cash and cash equivalents, equity provided by the shareholders in the parent company and subordinated participating bonds, described in more detail in Note 23. There are no provisions in the articles of incorporation concerning capital structure.

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

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

The Group's overall strategy in 2008 is the same as in 2007.

22. MINORITY INTERESTS

Minority interests of EUR26,088,000 disclosed in the financial statements consist of EUR25,755,000 invested in Hansa Immobilien EOOD / Einkaufscenter Sofia G.m.b.H. & Co KG (35% interest), EUR167,000 in DUAL Construct Invest S.R.L. (18% interest), EUR165,000 in SIAG Deutschland Beteiligungs GmbH & Co. KG (0.26% interest), and EUR1,000 in API Holding AG (2% interest).

23. PARTICIPATING CERTIFICATES (SUBORDINATED)

The terms of the agreement for s IMMO INVEST participating certificates were changed retroactively with effect from 1 January 2007 and the s IMMO INVEST Participating Certificates Fund was dissolved (resolution of the meeting of the holders of the participating certificates of 11 June 2007 and resolution of the Annual General Meeting of 12 June 2007).

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

$$\text{(Participating certificate capital profit brought forward)} \ * \ \frac{\text{Consolidated EBIT}}{\text{Average property portfolio (excl. properties under construction)}}$$

To the extent that the interest under the terms of the Participating Certificates Agreement is not paid out, it is added to the profit carried forward into the next year.

For financial 2008 the total income entitlement was EUR4,543,000.

As at 31 December 2008 there were 3,224,884 participating certificates in issue. The total entitlements of participating certificate holders at that date were EUR88.96 per certificate, calculated as follows:

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

Previous year:

	Participating certificates capital EUR'000	Profit brought forward EUR'000	Profit for periode EUR'000	Total EUR'000
Participating certificate capital	278,573			
Profit brought forward 1 January 2007		44,889		
Repurchase of 582,509 participating certificates in July and September 2007	-42,331	-6,821		
Income entitlements of participating certificate holders			22,784	
Participating certificate capital as at 31 December 2007	236,242	38,068	22,784	297,094

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.

For 2008 a distribution of EUR14,060,000 is planned in the first half of 2009.

24. LIABILITIES TO BANKS

	Less than 1 year EUR'000	1 to 5 years EUR'000	More than 5 years EUR'000	Total EUR'000
Long-term liabilities to banks		112,000	556,807	668,807
Short-term liabilities to banks	22,509			22,509

Long-term liabilities to banks amounting to EUR88,864,000 (2007: EUR64,185,000) were at fixed rates. The remaining liabilities were at variable interest rates, usually tied to Euribor. The interest on variable interest rate debt was protected, in particular against rising interest rates, with hedge transactions.

Short-term liabilities to banks are disclosed under current bank and finacial liabilities.

25. PROVISIONS

Changes in provisions were as follows:

	1.1.2008	Changes in consolidated Group	Utilised	Released	Additions	31.12.2008
Current income taxes	457	0	-457	0	1,140	1,140
Deferred income taxes	34,406	1,655	-647	0	5,152	40,566
Projekt and transaction risks	7,400	0	0	-2,800	7,600	12,200
Sundry	756	0	-722	-34	4,454	4,454
	43,019	**1,655**	**-1,826**	**-2,834**	**18,346**	**58,360**

There was a provision of EUR12,200,000 in connection with projects now in liquidation.

Sundry provisions contained a provision of EUR549,000 for pension benefits for a member of the Management Board.

26. OTHER NON-CURRENT LIABILITIES

Long-term liabilities to banks were all to Erste Bank Group. They included variable interest rate liabilities secured by mortgages.

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 EUR11,739,000 (2007: EUR11,699,000) 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 repayable being reduced by 2% for each year of tenancy.

The subsidies themselves, amounting to EUR5,136,000 (2007: EUR5,624,000), 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 was generally in excess of five years.

S-Tourismusfonds Management Aktiengesellschaft, Vienna, increased its participating loan interest in Duna Szálloda Zrt by EUR2,000,000.

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

OTHER INFORMATION

27. OTHER OBLIGATIONS AND CONTINGENT LIABILITIES

Pending litigation
There were no material legal disputes that were unresolved or not in the ordinary course of business.

28. MATERIAL AGREEMENTS

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

tied to the euro,
and that capital values are linked to international indexes.

29. 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 operating activities, investing activities and financing activities. The liquid assets shown in the statement consist of cash in hand and funds at banks.

30. RELATED PARTY DISCLOSURES

s IMMOBILIEN AG is included in the consolidated financial statements of Erste Bank der oesterreichischen Sparkassen AG at equity. The interest of Erste Bank Group at balance sheet date was 9.03%.

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

EUR'000	31.12.2008	31.12.2007
Receivables		
Other receivables	220	1,573
Marketable securities, loans and investments	0	39,504
Bank deposits	214,161	22,438
	214,381	**63,515**
Liabilities		
Long-term liabilities to banks	274,339	95,093
Long-term financial liabilities	85,575	76,014
Current financial liabilities	5,043	38,001
Trade payables	1,914	2,739
Other liabilities	492	82
	367,363	**211,929**

In financial 2008 there were the following material income and expenses in connection with Erste Bank Group:

EUR'000	2008	2007
Expenses		
Advertising	0	2
Commissions	1,351	9
Consultancy fees	1,281	228
Management fees IMMORENT AG	3,078	5,004
Bank loan interest and charges, other interest	15,220	7,432
Other expenses	314	705
	21,244	**13,380**
Income		
Rent and service charges	930	916
Bank interest	2,222	470
Other interest income	3,502	498
	6,654	**1,884**

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 EUR3,000,000, its fair value at balance sheet date was EUR1,615,000.

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

31. 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.

	1-12/2008	1-12/2007
Equity share of consolidated net profit EUR'000	5,813	25,910
Average number of shares in circulation	68,118,718	68,118,718
Consolidated earnings per share EUR	0.09	0.38
Diluted earnings per share EUR	0.09	0.38

32. EVENTS AFTER BALANCE SHEET DATE

Purchase agreements were concluded in Vienna for OMV's new head office and the Courtyard by Marriott hotel, both part of the Viertel Zwei complex. Located between Prater and Krieau, Viertel Zwei is close to the Vienna Exhibition Centre and is one of the most promising office locations in Vienna. The OMV head office has 40,000 m² of office rental space and was awarded the DIVA Award for its outstanding design. The four-star Courtyard by Marriott hotel has 251 beds and a superb location, in direct proximity to the Vienna Exhibition Centre and the surrounding office locations.

At the same time as the decision was made to purchase OMV's new head office, an agreement was reached regarding the sale of OMV's previous headquarter, located at Otto-Wagner-Platz in Vienna's ninth district, to BLM-IG Bauträger GmbH.

The transactions are expected to be completed in the first half of 2009.

33. RISK REPORT

Sparkassen Immobilien AG's business activities across various geographical markets and property use types expose it to a wide variety of risks. These could impact earnings negatively and prevent the Group from achieving its strategic goals if not managed appropriately.

However, Sparkassen Immobilien AG's deliberate diversification also helps to minimise possible risks. Diversification also provides the group with a plethora of opportunities. These risks and chances are put together to form the "Risk Universe" of the Group, an important tool used in the entire risk management process.

Risk Management System

An enterprise risk management system has been implemented for the entire Group. It is the goal of this risk management system, not only to identify potential strategic and operational risks, and to take the needed action, but also to recognise chances and opportunities for the Group. The risk management function is a staff function reporting directly to the Management Board. The Risk Management department uses the most state-of-the-art tools to identify, measure, control and monitor risks. Regular workshops are held with the management to identify risk areas and then take appropriate steps to limit our exposure to these risks.

The effectiveness of our risk management policies and procedures are reviewed annually by our external auditors, who report directly to the Supervisory Board.

Strategic Risk

Strategic risk is directly tied to the markets and segments the company invests in. It implies that the goals and targets set by the Management Board, are in themselves subject to various risks, which need to be managed so that Sparkassen Immobilien AG's objectives can be reached. Therefore, it is part of our strategic planning process to consider the relevant risks at an early stage. In order to avoid the "unknown" risks of new markets, it is a matter of principle that we restrict our investments to areas where our team has experience and where we can utilise our partners' network and expertise.

As a matter of principle, Sparkassen Immobilien AG only accepts risks if they are quantifiable. Risks such as legal, political, market environment and stability must meet predetermined guidelines before investment in a region is considered. The only non-EU country Sparkassen Immobilien is currently invested in is Croatia, which is an EU-candidate. The Group's activity in Croatia is limited to a single office building in Zagreb.

Every acquisition is independently monitored by the Risk Management department, and the underlying investment strategy is put under critical and rigorous analysis. The results of this testing, together with the potential risks and rewards are then exhaustively discussed with the Supervisory Board before approval is granted.

Market Risk

Market risk refers to the risks within the markets in which Sparkassen Immobilien AG is currently active. These include changes in a country's overall economy, the strength of its financial sector, the behaviour of the occupational and investment market and subsequent impact on market rents and yields.

Having a diversified portfolio that undergoes different cycles provides good defence against negative impacts on the aforementioned factors. Furthermore, the assets which Sparkassen Immobilien AG acquires and holds are generally high quality assets in Class A locations. These assets are more resilient to negative changes in the investment and occupational markets, as we have seen with our successful divestments.

Every property purchase or sale is preceded by a thorough review of expected micro- and macro market developments. The analysis also identifies regional and structural cluster risks.

We can maximise our gains by obtaining an in-depth understanding of the various market risks in each local market. That is why we also heavily rely on local management partners or our own teams, to provide the necessary local knowledge and guidance in our decision making process. Being aware of local and regional developments allows us to adjust to our strategic and operational planning in a timely manner. This has, for example, allowed us to restructure the weighting of the portfolio and sell assets at the top of their respective markets.

Real Estate and Asset Risks

Real estate risk refers to individual locations, which can affect both the specific location and the surrounding environment. Asset risks are associated with the structure and condition of the building and the letting situation.

The most important instrument in counteracting these risks is the performance of a comprehensive due diligence review before every acquisition. This review covers all the relevant topics, and in particular the legal, property market, economic, tax, social policy and technical aspects of a property.

By only investing in investment grade properties in prime locations, we already reduce negative risks to a large extent.

Asset related risks associated with our existing properties are monitored and controlled by our local asset management teams and partners in all our markets, and through a close cooperation with our asset management partners. Regular reports on the commercial and technical position of every property are provided. Standardised management software supplies all the key figures and serves as an "early-warning-system" for all risk management functions. In coordination with Risk Management, the Internal Audit department of Sparkassen Immobilien AG, conducts regular reviews of the asset management teams and processes.

Development Risk

The development portfolio is generally exposed to greater risk than the portfolio of standing investments. Naturally these higher risks command higher returns, as measured by high profit on cost and development yield requirement for any development. As part of our risk-return strategy, the ratio of development projects to standing investments is kept low to ensure that the vast majority of earnings comprise rental income derived from standing investments. Therefore there is less dependency on the income and valuation gain generated from new developments. Development projects comprise about 16% of the value of the portfolio.

At the pre-development stage, rigorous analysis and sensitivity testing by our project managers ensure that the project remains profitable, even if key variables change. The pre-development stage also serves to ensure that planning permission and zoning is granted and costs are kept low. Sparkassen Immobilien AG only works with development partners with an excellent track record and reputation.

In order to limit our risks in the construction stage, our contracts insure that incentives between parties are aligned and that risks (such as letting or construction cost) are shared. Sparkassen Immobilien AG also ensures that we have extensive rights of control. An integrated project risk management process, independently accompanies our project managers and partners throughout the project life cycle. This makes it possible to identify risks at an early stage and facilitates timely management intervention.
Furthermore, financing in the development phase of projects has become increasingly challenging. Although we endeavour to secure the lowest cost of capital for each project, we are not reliant on development financing to complete the projects.

Finally, as a real estate investment company, Sparkassen Immobilien AG has a flexible holding period for the development projects, rather than having to sell on completion. This allows us to benefit from the high rental yield the assets produce during the holding period and only sell when the market conditions are favourable.

Exchange and Interest Rate Risk

Sparkassen Immobilien AG has minimal exchange rate risk, because nearly all leases are euro denominated.

The majority of the Group's borrowings consist of long-dated variable rate loans. The interest rate risk is 100% hedged with interest rate swaps, caps and collars with an average duration of 6/8 years.

Regularly conducted stress tests show that as a result of our hedging strategies, even a sharp rise in interest rates has only a relatively minor and insignificant effect on our financing costs. We do however continue to participate to some extent from falling interest rates as a result of the collar instruments. The hedging process is independently monitored by the Risk Management department.

Liquidity and Lender Risks

Sparkassen Immobilien AG minimises liquidity risk through a sustainable Loan to Value ratio, long dated debt obligations and a sufficient amount of cash reserves.

Day-to-day management of liquidity enables us to ensure that sufficient loans and credit facilities are available when needed, so that obligations can be met and opportunities can be taken advantage of as they arise.

Another advantage of our conservative approach to risk is that roughly 36% of the property portfolio is unmortgaged and can be used as security whenever required. Sparkassen Immobilien AG's own liquidity and financial management team control the entire financial planning and structuring. This is independently monitored by the Risk Management department, who conducts regular sensitivity analysis of the liquidity planning. This provides an additional insight to Group management concerning liquidity risks.

Larger commitments (in particular development projects) are only authorised after completion of a satisfactory liquidity review.

Third party risks with our lenders are minimised through a diversified debt portfolio comprising smaller loans with a large selection of banks. In addition to this, Sparkassen Immobilien AG prides itself on its long established relationship with banks, which have made it possible to secure long term loans even when lending was very restrictive.

Operational Risks

Operational risks are reduced to a minimum by organisational separation of business processes: execution, back office and risk management functions are distinct and all major business transactions are subject to strict internal control. Sparkassen Immobilien AG's local internal management works closely with external lawyers and auditors in all countries in which we operate.

In addition, the Group's Internal Audit function, with the support of international auditors, conduct multiple internal audits throughout the Group each year. As part of the Group's rolling three year Audit Plan, system audits of various Group entities are conducted. The internal audit department also focuses on the Group's internal control system (ICS). This system is based on the standards defined in the COSO – Internal Control and Enterprise Risk Managing Frameworks of the Committee of Sponsoring Organizations of the Treadway Commission, a proven international guideline for internal control procedures. Through a very detailed and transparent Group internal control structure, operational risks have been identified, assessed and are subject to constant monitoring. Following predetermined and implemented Group policies and procedures is paramount to the success of the ICS. This includes segregation of duties, formal guidelines and regulations and roles and responsibilities for all Group employees. Detailed risk and control matrixes (RCM's) are used to test the integrity of the ICS system in all major processes.

The legal framework varies across the countries in which Sparkassen Immobilien AG is invested in. The lack of legal certainty or the inability to obtain effective legal remedies in a timely manner could have a material adverse effect on our financial position, operating results and prospects. Agreements concluded with international or local partners and service providers for the ownership, development, construction and management of properties in these countries are generally subject to the law of the countries in which the properties are situated. The legal systems in CEE have undergone dramatic positive changes in recent years. The interpretation and procedural safeguards of the new legal and regulatory systems are still being developed.

Such changes may result in inconsistent application of existing laws and regulations. In some jurisdictions, there may be uncertainties relating to property titles, including the ability to rely upon titles acquired from previous owners, or about rights to compensation in the event of compulsory purchases. Detailed legal due diligence minimises the potential for such a risk to occur and is the most effective way to manage it.

We face risks in connection with unanticipated changes in applicable laws or regulations. Changes in the economic and political conditions of the countries in which we operate may lead to changes in building and safety at work regulations, and rental, environmental, tax, labour, data protection, and other laws affecting real estate development, ownership and use. Again, these risks are managed through constant monitoring and close relationship with those on the ground.

Sparkassen Immobilien AG's rigorous approach to Risk Management enables us to make considered decisions, that are in the interest of its shareholders.

Risks stemming from the Financial Crisis 2008

The global financial crisis of 2008 has had a profound impact on both the real estate and financial sectors in which Sparkassen Immobilien AG is active. Although our conservative strategy has for the most part proven beneficial in helping us weather these stormy waters, we are without doubt, affected by this crisis. In particular we would like to address two areas of risk: rental income and financing.

Due to the fact that no geographical area had been spared from the global financial crisis, we must assume that part of our rental customers will be negatively affected by the crisis. This could lead to a variety of negative impacts on the rental income of Sparkassen immobilien AG. In an effort to reduce costs globally, some local, as well as international organisations may be forced to negotiate new reduced rental terms with Sparkassen Immobilien AG. This could lead to lower rents or reduced rental space. In the worst case, this could lead to rental terminations and higher vacancy quotas in our commercial and office portfolios. Both of these situations would have a negative effect on our rental incomes. It is therefore very important for our Asset Management department to proactively be in contact with our largest renters, in order to assess the situation as soon as possible and prepare for eventual problems.

Secondly, we must address that fact that financing has become more difficult since the downturn in the global economy. Banks and other lending institutions have become much more limited in their abilities to lend money, even for mortgage backed loans. This has made the process of securing financing longer, more tedious, and eventually more expensive than in the past. A continued worsening in the condition of larger national, as well as international financial institutions could make financing for the Sparkassen Immoblien AG even more problematic, and could have a negative impact on the results of the group. We have therefore, intensified our contact with current lending institutions, and are in the process of building ties to new ones.

34. MANAGEMENT BODIES

Supervisory Board

Martin SIMHANDL, Vienna (Chairman)
Klaus BRAUNEGG, Vienna (first deputy chairman), deceased January 2009
Franz KERBER, Vienna (second deputy chairman)
Christian AHLFELD, Vienna (until 27 May 2008)
Gerald ANTONITSCH, Vienna
Manfred RAPF, Vienna (until 27 May 2008)
Reinhold SCHÜRER-WALDHEIM, Vienna
Richard WILKINSON, Vienna
Erwin HAMMERBACHER, Vienna (from 28 May 2008)
Peter NEMSCHAK, Vienna (from 28 May 2008)

Management Board

Holger SCHMIDTMAYR
Ernst VEJDOVSZKY
Friedrich WACHERNIG

Vienna, 3 April 2009

Management Board

Holger Schmidtmayr m.p.
Ernst Vejdovszky m.p.
Friedrich Wachernig m.p.

Property portfolio s IMMOBILIEN AG

Property	Acquisition date	Use type	Year of Construction	Total area (sq m)	Main lettable area (sq m)
PROPERTIES IN AUSTRIA					
1010 Vienna, Getreidemarkt 2–4, Akademiehof	2007	Office	1996	5,862	5,462
1010 Vienna, Parkring 12a	2003	Office and Retail	1991	2,563	1,814
1020 Vienna, Franzensbrückenstrasse 5	2001	Office	1992	2,948	2,088
1030 Vienna, Franzosengraben 12	1990	Office	1992	5,992	4,767
1030 Vienna, Obere Viaduktgasse 36	1990	Office	1993	2,240	2,040
1031 Vienna, Ghegastrasse 1	2005	Office	1985	24,859	19,909
1040 Vienna, Theresianumgasse 7	2003	Office and Residential	1990	5,496	3,524
1050 Vienna, Bräuhausgasse 3–5	1989	Office	1989	2,277	1,852
1050 Vienna, Schönbrunnerstrasse 108	2000	Office	2002	3,050	2,675
1050 Vienna, Schönbrunnerstrasse 131	2000	Office	2002	2,901	2,226
1060 Vienna, Mariahilferstrasse 121 b	2001	Office	1989	5,438	4,238
1060 Vienna, Mariahilferstrasse 103	2004	Office	1910/1995	11,256	7,793
1060 Vienna, Windmühlgasse 22–24	1989	Office	1993	4,646	4,646
1070 Vienna, Schottenfeldgasse 29	2004	Office	1992	9,305	7,105
1090 Vienna, Otto Wagner Platz 5	2004	Office	1930	9,067	8,567
1100 Vienna, Hasengasse 56	1999	Office and Commercial	before 1945/1999	7,790	6,316
1130 Vienna, Amalienstrasse 48	1990	Office	before 1945/1991	2,122	1,605
1150 Vienna, Gasgasse 1–7	2002	Office	1996	7,358	6,008
1160 Vienna, Lerchenfeldergürtel 43	2000	Office	2003	5,829	4,284
1210 Vienna, Gerasdorferstrasse 151	2004	Office	1987	9,099	8,928
1230 Vienna, Ketzergasse 6–8	1989	Office	1993	2,309	1,799
2700 Wiener Neustadt, Prof.Dr.Stefan-Koren-Strasse. 8a	1991	Office	1993	2,608	2,261
4020 Linz, Rainerstrasse 6–8	1988	Office	1993	5,836	4,111
5020 Salzburg, Sterneckstrasse 50–52	1994	Office	1993	5,591	3,079
Total rental yield (on market value)					**6.1%**
Total market value (EUR m)					**236.5**
1010 Vienna, Ballgasse 4	1990	Residential	1785	1,410	1,410
1010 Vienna, Neutorgasse 2	2008	Residential and Office	ca. 1890	4,225	4,225
1070 Vienna, Burggasse 51	1998	Residential	1874	11,303	11,303
1070 Vienna, St. Ulrichsplatz 4	2000	Residential	19th century	2,433	2,380
1070 Vienna, Stuckgasse 9	1990	Residential	ca. 1900	572	416
1150 Vienna, Meiselstrasse 8	1996	Residential	1998	17,107	14,007
1160 Vienna, Lobmeyrgasse 5–7	1992	Residential	1992	16,690	14,256
1180 Vienna, Kreuzgasse 72–74	1999	Residential	2001	19,735	14,676
1190 Vienna, Heiligenstädterstrasse 181	1996	Residential	1996	2,012	1,512
1220 Vienna, Am Kaisermühlendamm 87	1993	Residential	1994/96	10,900	8,268
Total rental yield (on market value)					**5.0%**
Total market value (EUR m)					**124.8**
1010 Vienna, Parkring 12a, Hotel Marriott (80% interest)	2003	Hotel	1985	19,631	19,631
1060 Vienna, Mariahilferstrasse 41–43 (22,8% interest)*	1989	Retail and Office	1975	2,453	1,778
1120 Vienna, Meidlinger Hauptstrasse 73, Arcade Meidling	2002	Retail and Office	2004	18,886	14,436
1140 Vienna, Scheringgasse 2	2004	Office and Commercial	1971	10,465	10,465
1210 Vienna, Brünner Strasse 72 a	2005	Retail	2006	14,074	8,724
1210 Vienna, Franz-Jonas-Platz 2–3	2007	Retail and Office	1989	14,773	10,327
2384 Breitenfurt, Hauptstrasse 107	1987	Retail	1984	850	850
4061 Linz-Pasching, Schärdinger Strasse 5	1990	Retail	1985	2,800	2,800
9560 Feldkirchen, Kindergartenstrasse 2	1987	Retail	1987	2,000	2,000
Total rental yield (on market value)					**8.0%**
Total market value (EUR m)					**149.6**
Total area Austria (sq m)				**318,800**	**260,600**
Total rental yield Austria					**6.4%**
PROPERTIES IN GERMANY					
20457 Hamburg, Mönkedamm 5–8	2007	Office	1996	7,977	6,594
10787 Berlin, Wichmannstrasse 7 (Lützow-Center)	2006	Office	1968-72	50,507	37,932
10179 Berlin, Neue Jakobstrasse 6+7, Finanzamt Berlin Mitte	2007	Office	1900/1980	13,104	13,104
10117 Berlin, Mauerstrasse 76	2006	Office	1905	2,069	2,069
04109 Leipzig, Nikolaistrasse 39–45	2008	Office	1912	5,103	5,103
82178 München/Puchheim, (Ikarus Park)	2006	Office	1993	14,680	14,680
81379 München, Tölzer Strasse 35	2006	Office	1973/74	6,552	5,579
28195 Bremen (Lloydhof)	2007	Retail	1981	18,577	15,527
06108 Halle an der Saale, Marktplatz 22–24 (Markt Carrée)	2006	Retail, Offfice, Residential	2004	14,720	14,720
06112 Halle an der Saale, Delitzscher Strasse 65 A	2006	Retail	1997	10,135	10,135
Total rental yield (on market value)					**6.5%**
Total market value (EUR m)					**177.8**
Hamburg, GPI Portfolio (7 economic units)	2007	Residential	1893-1990	15,058	14,733
Hamburg, Notabenus Portfolio (16 economic units)	2006	Residential	1928-1999	55,650	51,400
Berlin, Portfolio 2006 (15 economic units)	2006	Residential	1880, 1978	32,315	32,315
Berlin, Portfolio 2007 (68 economic units)	2007	Residential	ca. 1900	313,473	313,473
Berlin, Portfolio 2008 (2 economic units)	2008	Residential	1910, 1952	5,147	5,147
Halle an der Saale, Kellnerblock (1 economic unit)	2006	Residential	2000	5,074	4,674
Rostock Portfolio 2008 (14 economic units)	2008	Residential	1904-1937	8,376	8,293
Leipzig Portfolio 2007 (18 economic units)	2007	Residential	ca. 1900	21,437	21,437
Leipzig Portfolio 2008 (2 economic units)	2008	Residential	ca. 1900	2,709	2,709
Total rental yield (on market value)					**6.5%**
Total market value (EUR m)					**363.5**
Total area Germany (sq m)				**602,700**	**579,600**
Total rental yield Germany					**6.5%**

Property	Acquisition date	Use type	Year of Construction	Total area (sq m)	Main lettable area (sq m)
PROPERTIES IN HUNGARY					
1134 Budapest, Váci út. 35, (The River Estates)	2001	Office	1998	29,449	19,488
1051 Budapest, Bajcsy-Zsilinszky út 12, (City Center)	2001	Office	1989	10,842	8,178
1138 Budapest, Váci út. 202, (Unilever Headquarter)	2001	Office	2002	14,475	9,184
1122 Budapest, Maros utca 19–21 (Maros Utca Business Center)	2004	Office	1992	8,758	6,649
1065 Budapest, Nagymezö u. 44, (Süba Trade Center)	2006	Office	1991/92	7,950	5,719
1016 Budapest, Hegyalja út 7–13 (Buda Center)	2005	Office	1990	7,307	5,474
1138 Budapest, Szegedi út 35–37 (Twin Center)	2006	Office	1971	8,184	5,663
1052 Budapest, Apaczai Csere Janos u. 2–4 (Budapest Marriott)	2005	Hotel	1968	30,000	28,000
Total rental yield (on market value)					**7.3%**
Total market value (EUR m)					**195.7**
Total area Hungary (sq m)				**117,000**	**88,400**
PROPERTIES IN CZECH REPUBLIC					
14000 Prague, Na Pankraci 127/1683 (Gemini) phase A	2008	Office	2008	26,537	19,203
11000 Prague, Narodni 41	2000	Office	1999	2,780	2,364
11000 Prague, Wenceslas Square 41 (Luxor)	2002	Hotel and Retail	2002	8,768	8,768
11000 Prague, Wenceslas Square 22 (Hotel Julis)	2004	Hotel and Retail	2002	6,871	6,871
Total rental yield (on market value)					**6.9%**
Total market value (EUR m)					**109.2**
Total area Czech Republic (sq m)				**45,000**	**37,200**
PROPERTIES IN SLOVAKIA					
82104 Bratislava 2, (Galvaniho Business Center II)	2006	Office	2006	21,440	13,026
82104 Bratislava 2, (Galvaniho Business Center I)	2004	Office	2003	11,375	8,553
Trencin, retail center	2007	Retail	2007	12,167	12,167
Prievidza, retail center	2007	Retail	2008	13,736	13,736
Total rental yield (on market value)					**7.5%**
Total market value (EUR m)					**71.5**
Total area Slovakia (sq m)				**58,700**	**47,500**
PROPERTIES IN CROATIA					
10000 Zagreb, Zelinska 3 (Eurocenter Zagreb)	2008	Office	2004/2005	11,283	8,208
Total rental yield to market value					**8.4%**
Total market value (EUR m)					**24.0**
PROPERTIES IN ROMANIA					
Bucharest, Calea Victorei 37B, (Novotel Bucharest)	2006	Hotel	2006	17,298	13,798
Bucharest, Calea Victorei 37B, (Casino in Hotel Novotel)	2008	Retail	2008	1,998	1,998
Total rental yield (on market value)					**6.0%**
Total market value (EUR m)					**38.8**
Total area Romania (sq m)				**19,300**	**15,800**
PROPERTIES UNDER CONSTRUCTION					
1150 Vienna, Sechshauser Strasse 31–33	2006	Student Accomodation	2009	7,300	7,100
1010 Vienna, Neutorgasse 4–8	2008	Residential and Office	2010	13,800	11,000
14000 Prague, Na Pankraci 127/1683 (Gemini), phase B	2003	Office	2009	25,000	19,000
Bratislava, Hotel Vysoká	2008	Hotel	2009	17,000	12,000
Bucharest, Piata Sudului (Sun Plaza)**	2006	Retail and Office	2009/2010	110,000	110,000
Sofia, Sidnakova Blv., (Serdika Center) (interest: 65% retail, 100% office)**	2006	Retail and Office	2010	91,000	91,000
82104 Bratislava, Galvaniho 4 s.r.o. (Galvaniho Business Center IV)	2008	Office	2009	41,000	29,000
LAND BANK				Size of development plot (sq m)	
Bratislava, IPD International (Einsteinova)	2007	Office			11,600
Sofia, Project Washington (50% interest)	2007	Office			1,600
Bucharest/Jilava, (Roter Investi)	2007	Retail			97,000
Prague 8, Karlin, Pobrezni-Thamova, River Star Karlin	2006	Hotel			1,200
Bucharest, Calea Grivitei Nr. 94, 1. Sektor (Grivitei) (82% interest)	2006	Office			6,800
Total area (sq m)				**1,511,400**	**1,347,800**

* areas provided represent the Sparkassen Immobilien AG interest and not the whole area of the property
** areas provided exclude the internal underground car parking

Management Board Affidavit

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

a) Annual financial statements (the Company)

To the best of our knowledge, the annual financial statements of the Company for the year ended 31 December 2008 have been prepared in accordance with the Austrian Business Code (UGB), and give as true and fair a view as possible of the assets, finances and earnings of the Company. The Company management report to the best of our knowledge presents the Company's activities and their results so as to give as true and fair a view as possible of the Company's assets, finances and earnings and to describe the material risks and uncertainties to which the Company's business is exposed.

b) Consolidated financial statements (the Group)

To the best of our knowledge, the consolidated financial statements of the Group for the year ended 31 December 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU, and give as true and fair a view as possible of the aggregated assets, finances and earnings of the companies included in consolidation (the Group). The Group management report to the best of our knowledge presents the Group's activities and their results so as to give as true and fair a view as possible of the assets, finances and earnings of the companies included in consolidation (the Group) and to describe the material risks and uncertainties to which the Group's business is exposed.

Vienna, 3 April 2009

Management Board

Auditors' Report

We have audited the accompanying consolidated financial statements of Sparkassen Immobilien Aktiengesellschaft, Vienna, for the financial year from January 1, 2008, to December 31, 2008. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2008, and the consolidated income statement, statement of changes in stockholders' equity and cash flow statement for the year ended December 31, 2008, 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 control 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 applicable in Austria and in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. 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 judgement, including the assessment of the risks 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of 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 present fairly, in all material respects, the financial position of the Group as of December 31, 2008, and of its financial performance and its cash flows for the financial year from January 1, 2008 to December 31, 2008, in accordance with International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Laws and regulations applicable in Austria require us to perform audit procedures to determine whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not 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, 3 April 2009

Deloitte Audit Wirtschaftsprüfungs GmbH

(as legal successor of Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH)

Walter Müller m.p.	ppa. Wolfgang Arndorfer m.p
Certified Public Accountant	Certified Public Accountant

Glossary

Accumulation
With accumulating securities all earnings are reinvested, so that the investor receives no distributions of profits. Instead, the investor benefits from the increase in value through reinvestment, as reflected in the rising share price.

Cash earnings per share (CEPS)
Cash earnings consist of the cash surplus generated by an enterprise's commercial day-to-day operating activities, divided by the average number of shares in circulation.

Corporate governance
Rules for the proper management and control of enterprises, codified for Austria in the Austrian Code of Corporate Governance. Implementation of the Code is voluntary.

Earnings before interest and tax (EBIT)
Earnings before interest and taxes are calculated in the income statement. "Operating profit" and "profit from operating activities" are commonly used as synonyms.

Earnings before interest, tax, depreciation and amortisation (EBITDA)
EBITDA is a measure of an enterprise's operating performance, before taking into account its cost of capital and its use of capital assets.

Earnings before tax (EBT)
EBIT is the company's annual consolidated profit after all costs and expenses and extraordinary items, but before tax.

Earnings per share (EPS)
Annual consolidated net profit divided by the average number of shares in circulation.

Fair value
The amount for which willing parties to a transaction would be prepared to exchange an asset under normal market conditions.

Funds from operations (FFO)
Corresponds to operating cash flow – annual profit plus depreciation and amortisation, minus revaluations, plus deferred taxes on income.

International Accounting Standards (IAS)
International accounting standards, whose purpose is to ensure the international comparability of enterprises' financial statements. The purpose of financial statements is to provide the stakeholders in an enterprise with information about its assets, finances and earnings.

International Financial Reporting Standards (IFRS)
International financial reporting standards, now gradually replacing IAS.

Leasehold
Leasehold is a form of property tenure where one party buys the right to occupy land or a building for a given length oftime.

Leverage
The change in return on equity resulting from borrowing costs which differ from the return on capital without borrowing.

Loan to value ratio
Ratio of net bank debt to real estate assets, expressed as a percentage.

Market value
The value of a property which could be realised at a given time in the normal course of business (arm's length transaction).

Net asset value (NAV)
A measure of the intrinsic or underlying value of a real estate share.

Net bank debt
Total liabilities to banks and other financial liabilities minus liquid assets and securities.

Net operating income (NOI)
Rental income minus the expenses directly attributable to the properties, including service charges. A measure of earnings from operations.

Yield
Measure of the income generated by a property, the net income as a percentage of the market value.

Yield compression
The process of decreasing yields caused by an increase in the market value of property.

Operating costs
Operating costs include all costs incurred in the day-to-day operation of a property (water, electricity, heating, waste disposal, etc.).

Operating revenue
Total of sales revenues, other revenues, revenues from property disposals and gains on property revaluations.

Price/cash flow ratio
Ratio of a company's share price to its cash flow per share: the price/cash flow ratio is a measure of cash earnings performance used in peer group comparisons.

Price/NAV ratio
Company's current stock market price divided by its net asset value (NAV) per share. A useful measure of how expensive a property company's share is.

Rental yield
Annual rental income divided by the current estimated value of the property.

Return on equity (ROE)
Measure of a company's earnings performance, calculated as the ratio of annual profit to equity capital.

Shareholder value
Management approach which aims to increase the value of a company for its owners (shareholders).

Undisclosed reserves
Difference between the value of equity as disclosed in the financial statements and its real value. Undisclosed reserves result from under-valuation of assets or over-valuation of liabilities.

Valuation of real estate
The valuation of real estate (land and buildings) is subject to statutory regulations. Its purpose is to arrive at a value for a property on the basis of recognised business, legal and property construction principles and expertise. The process is carried out by certified appraisers.

Publication Details

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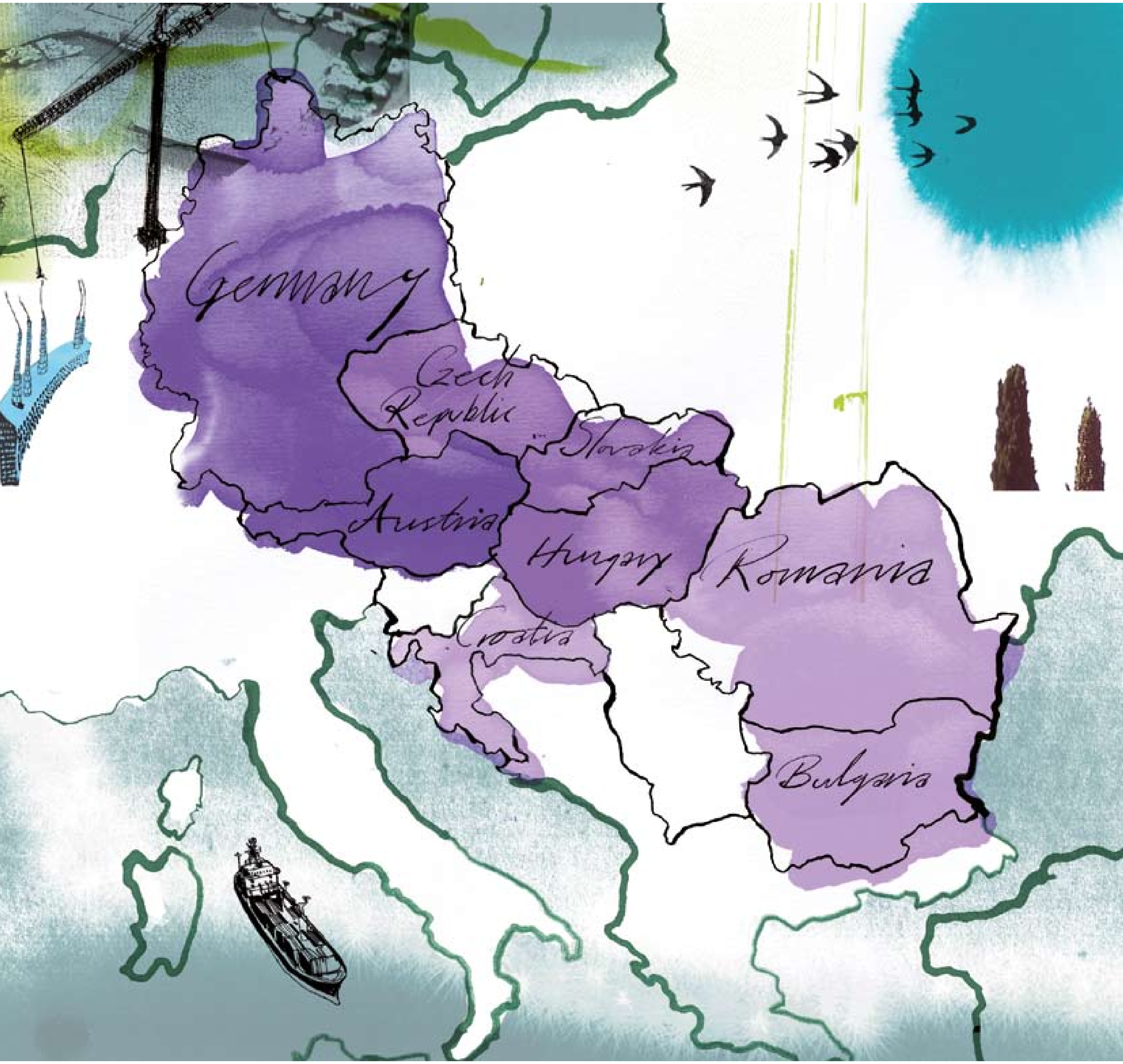
This Annual Report has been prepared and proofread with the greatest possible care and have thoroughly checked the data presented in it. The possibility of rounding errors, errors in translation, typesetting or printing errors can not however be excluded. Apparent arithmetical errors may be the result of rounding errors caused by software. The English language Annual Report is a translation. Only the German version is definitve.

In the interest of simplicity and readability the language of this Annual Report is as far as possible gender neutral. The terms used, therefore, refer to people of both genders.

This Annual Report contains information and forecasts relating to the future development of Sparkassen Immobilien AG and its subsidiaries. These forecasts are estimates, based on the information available to us at the moment. Should the assumptions on which the forecasts are based prove to be unfounded, or should events of the kind described in the risk report occur, then the actual outcomes may differ from those currently expected. This Annual Report neither contains nor implies either a recommendation to buy or a recommendation to sell shares in Sparkassen Immobilien AG. Past events are not a reliable guide to the future.

Sparkassen Immobilien AG's Markets

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