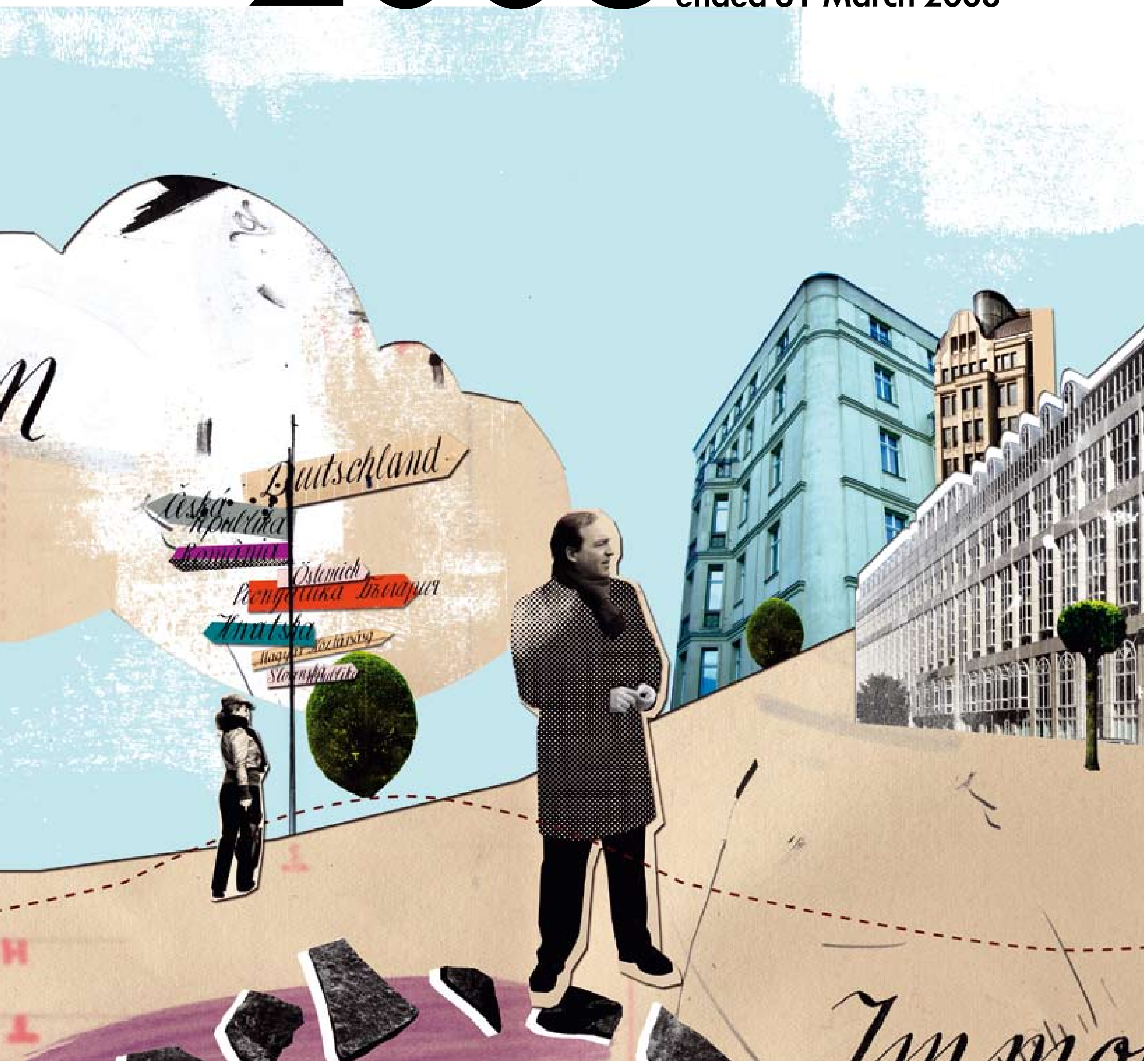
IMMOBILIEN AG

2008

Interim Report for three months ended 31 March 2008



Key Financial Data

Key indicators, Group

EUR m	1.1.–31.3.2008	1.1.–31.3.2007	Change
Revenues	26.9	22.1	+22 %
whereof rental income	21.2	17.4	+21 %
EBITDA	19.9	11.5	+74 %
Operating profit (EBIT)	18.9	26.2	-28 %
Consolidated net profit before tax (EBT)	7.6	13.2	-43 %
Consolidated net profit	6.2	10.6	-42 %
Cash flow from operating activities	14.3	11.3	+26 %
Shareholder's equity	616.3	626.2	-2 %
Loan-to-value-ratio in %	34%	45%	
Market capitalisation at 31 March 2008	775.0	1,404.3	
whereof s IMMO share	469.3	961.8	
whereof s IMMO INVEST	305.7	442.5	

Key indicators, property portfolio

	1.1.–31.3.2008	1.1.–31.3.2007	Change
Number of properties	252	107	+136 %
Property portfolio (market value) EUR m	1,622	1,270	+28 %
Total lettable space in m²	1,433,400	1,052,300	+36 %
Gross rental yield in %	6.4 %	6.4 %	
Occupancy rate in %	91 %	94 %	

Key indicators, share

	31.3.2008	31.3.2007	Change
Earnings per share (EPS)	0.09	0.15	-40 %
Cash flow per share	0.12	0.05	+120 %
NAV per share	9.6	9.1	+5 %
Price/cash flow ratio (P/CE)	14	64	
Price/NAV ratio in %	72 %	155 %	
Number of shares	68,118,718	68,118,718	
Year end close	6.89	14.12	

Financial calendar 2008

Results – financial year 2007	17 April 2008
Results – first quarter 2008	20 May 2008
Annual General Meeting, Kursalon Hübner, Vienna	28 May 2008, 3 pm
Results – first half 2008	20 August 2008
Results – first three quarters 2008	18 November 2008

Contents

Letter to the shareholders

Dear shareholders,

In April of this year we were proud to announce Sparkassen Immobilien AG's best annual operating results since the founding of the Group more than 20 years ago – a very satisfactory achievement in a turbulent environment. The world's capital markets are currently experiencing hard times, but our operational activities continue to be very successful. And for the first quarter of 2008, we also have positive news.

The unfortunate news, however, is that s IMMO Aktie proved not to be immune to negative developments in the capital markets and unfavourable environmental factors, such as the high price of oil and the difficulties of financial markets. At 31 March 2008 the price of the share was 30% lower than its underlying net asset value (NAV) of EUR 9.6 – which can of course be seen as an excellent opportunity to acquire the stock. On the basis of the fundamentals, we see no reason at all for this discount, even if other European real estate securities have been marked down still more savagely. We believe that in the medium term this gap will close and the price of the share will converge with its NAV.

Undoubtedly 2008 will be a challenging year for the industry as a whole, and Sparkassen Immobilien AG will be no exception, but the results for the first quarter are absolutely in line with our forecast for the year. Revenues are EUR 26.9m and rental income is EUR 21.2m, increases of 22% and 21% respectively in comparison with the first quarter of 2007. EBIT is EUR 18.9m, and the consolidated net profit is a satisfactory EUR 6.2m.

With these results, we are well on the way to achieving our guidance for 2008: as announced at the time the annual results for 2007 were published, we are expecting revenues and rental income for 2008 to be slightly higher than last year, at EUR 99m and EUR 78m respectively, and EBIT to come out at EUR 78m.

This year we shall be further improving the quality of our residential property in Germany: raising standards as appropriate should help to push up occupancy levels, and hence rental income. We shall also be taking advantage of favourable opportunities to add to our German portfolio, in order to lock in the attractive yields.

In line with its policy of active asset management, Sparkassen Immobilien AG also intends to sell properties as occasion offers, in order to realise profits that have accrued. And we wish to acquire development land in good locations for future projects.

Our highest priority at the moment, however, is to continue the development of our existing projects to the highest possible standards, and to ensure they are completed on time and let to reputable tenants. The focus of these activities is in Romania, Bulgaria, the Czech Republic and Slovakia. Beginning in 2009 and then mainly in 2010, these projects are expected to make substantial contributions to earnings, in the form of rental income and revaluation surpluses. We are convinced that the outcome will be even more impressive than the record achievements of 2007.

The Management Board team

Holger Schmidtmayr   Ernst Vejdovszky   Friedrich Wachernig

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

Business development

Developments in property markets

Opportunities in CEE property markets still attractive, rents for office property in Vienna and residential property in Berlin rising

In past months, the US real estate crisis has cast a cold shadow over the financial markets of the world. Recently, the increasing shortage of liquidity had begun to affect real estate investment markets, with the withdrawal of several international investors from the scene. Rents in the markets in which Sparkassen Immobilien AG is invested, however, are still performing positively.

In Vienna's office property market the continuing fall in vacancy rates has meant that rents of up to EUR 24/m^2 for prime locations can be achieved, while prices in the residential market are holding steady.

The residential property market in Berlin shows greater diversity, although rents are rising in more and more districts. The average rent in Berlin is now EUR 6.5/m^2, and in prime locations up to EUR 9/m^2. Compared to last year, the average increase is in the 5–8% range.

In Bucharest and Sofia the rents for office and particularly retail properties continue to rise: demand for the latter far exceeds supply. The average rent for shopping centre space in Bucharest is between EUR 30/m^2 and EUR 35/m^2, rising to EUR 100/m^2 for top locations. Prices for retail space in Sofia are between EUR 25/m^2 and EUR 28/m^2, with up to EUR 75/m^2 achievable for smaller units.

Rents in the Class A office segment go as high as EUR 22/m^2 in Bucharest, while the top rents paid in Sofia reach around EUR 18/m^2. Prime segment rents in Prague are stable at EUR 21/m^2, and rents in the central business districts have moved up as high as EUR 17/m^2.

A general cooling of real estate investment activity is observable, and as a result of the international financial crisis there have been significantly fewer transactions in the first quarter than last year – this is true for all the property segments discussed above.

In excellent locations the prices are still mostly stable, whereas in medium locations the purchase yields have risen by up to 50 base points – especially in the more mature CEE markets such as Prague and Budapest.

The withdrawal of several international investors as a consequence of lower liquidity has also had some positive effects: prices for development land have fallen back slightly. Another positive turn for Sparkassen Immobilien AG is the fact that fewer projects than originally planned will be realised, meaning less competition for our own developments. Assuming the economic situation remains favourable, there should therefore be no glut of retail space in the medium term.

Performance for first three months of 2008

Revenues and rental income up by roughly 20%

The first quarter of 2008 saw revenues and rental income once again higher. Compared with the same period last year, revenues were up by 22%, to EUR 26.9m, and rental income rose 21%, to EUR 21.2m. Austrian properties contributed 30% of rental income, 42% came from German properties, while CEE properties, which make up 35% of the portfolio (including development projects), produced 28% of the rental income. Net operating income (NOI) grew from EUR 15.1m to EUR 17.9m, and the NOI margin (NOI/revenues) was 67%.

Compared to first quarter 2007, gains on portfolio revaluation were down to EUR 112,000 (Q1 2007: EUR 15.6m), this was attributable to the current market situation and the fact that, in our valuations, our policy is to err on the side of caution.
On the bright side, the sale of a German property brought us a EUR 5m profit. The property – an office building in the centre of Hamburg with lettable space of just under 17,000 m^2 – sold for 15% more than its most recent valuation: on average, our other recent sales have shown similar percentage gains.

EBITDA for the first three months of 2008 was up by 74%, to EUR 19.9m, compared with EUR 11.5m for the same period last year. Due to the lower valuation gains EBIT was down to EUR 18.9m from EUR 26.2m for first quarter 2007.

As a result of lower costs for the s IMMO INVEST participating certificates and despite higher financing costs of EUR 9.4m (Q1 2007: EUR 4.4m) caused by an increase in investment in development projects, net finance costs were down to EUR 11.4m (Q1 2007: EUR 13m). The profit before tax (EBT) came to EUR 7.6m, as against EUR 13.2m in the same period last year. Consolidated net profit came out at EUR 6.2m for the three-month period, compared with EUR 10.6m for first quarter 2007. After deduction of minority interests the balance attributable to shareholders in the parent company was EUR 6.2m. For the first three months of 2008 earnings per share amounted to EUR 0.09 (Q1 2007: EUR 0.15).

FFO doubled

Cash flow from operating activities came to EUR 14.3m, compared with EUR 11.3m in the same period last year, and funds from operations (FFO), was even up 120% to EUR 8.2m, as compared with EUR 3.7m.

Consolidated balance sheet

Total assets of Sparkassen Immobilien AG as at 31 March 2008 increased to EUR 1.8bn (31 December 2007: EUR 1.7bn), of which the non-current assets made up EUR 1.6bn. Equity fell back slightly, from EUR 619.6m at the end of 2007 to EUR 616.3m as at 31 March 2008. This was caused by a short-term fall in interest rates towards the end of the quarter, which in its turn led to a drop in the value of the derivatives used to hedge external debt.

Compared with the position as at 31 December 2007, long-term liabilities to banks rose by a moderate 8% to EUR 507.6m. The loan-to-value ratio (net debt to banks divided by total property portfolio) at balance sheet date was 40%, which leaves us with ample leeway to finance future growth and planned investments – particularly in development projects – without having to issue new shares. Net asset value was steady, and at 31 March 2008 stood at EUR 9.6 per share. The NAV reflects revaluations only of completed properties and undisclosed reserves from hotels under management. Development projects are carried at cost in the balance sheet and only included in revaluation after completion.

Outlook

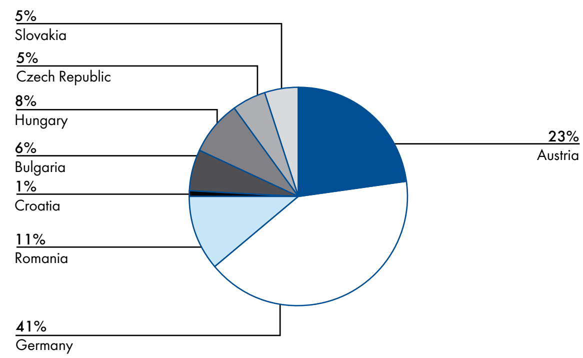
The prevailing state of financial markets and the resulting repercussions on the real estate industry lead Management to expect 2008 to be a challenging year in Sparkassen Immobilien AG's business. Rising financing costs for ongoing investment activities and lower gains from revaluations will be the most significant factors. Sparkassen Immobilien AG is nevertheless well set to meet its guidance for 2008: revenues of approximately EUR 99m, rental income of about EUR 78m and an EBIT in the region of EUR 72m.

Real estate portfolio expanded to EUR 1.62bn

New acquisitions brought our real estate portfolio to EUR 1.62bn at the end of first quarter 2008, compared with EUR 1.3bn a year earlier. At balance sheet date the portfolio was made up of 252 properties with total lettable space of 1,443,400 m², an increase of 36% compared with 31 March 2007: 23% of the lettable space was in Austria, 41% in Germany, and 36% in CEE countries (including development projects). As at 31 March 2008 the portfolio's average gross rental yield was 6.4%, with 6.1% in Austria, 6.1% also in Germany due to the higher vacancy rate, and an average of 7.1% for CEE countries. The occupancy rate for the portfolio as a whole was 91%, with 93% in Austria, 97% in CEE countries and 88% in Germany. Rehabilitation measures already under way are expected to reduce the vacancy rate in Germany significantly by the end of 2008.

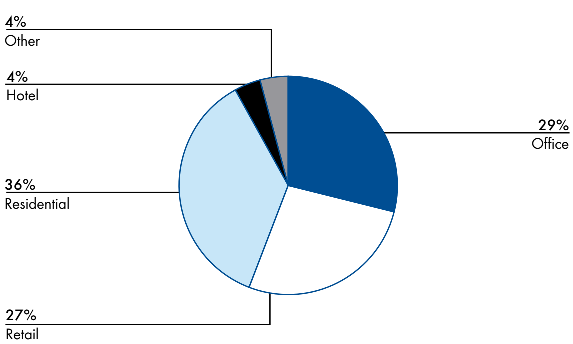
Total lettable space by region*

* including properties under development.



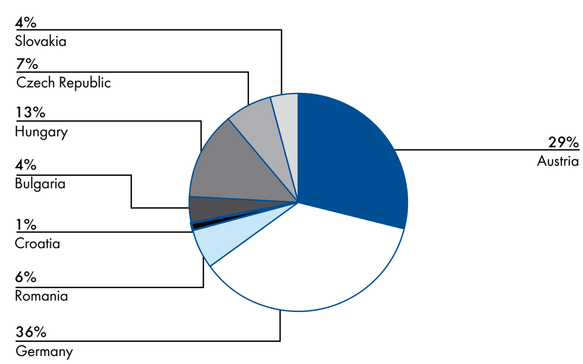
Total lettable space by property type*

* including properties under development.



Property portfolio by region*

* Valuations for existing properties, book values for projects under development.



Rental yields

Austria	6.1%
Germany	6.1%
Czech Republic	7.1%
Slovakia	7.4%
Hungary	7.1%
Romania	5.6%
Croatia	9.3%

Changes in portfolio: first quarter 2008

In the first quarter of 2008 Sparkassen Immobilien AG invested a total of EUR 110m whereof EUR 80m in completed properties and EUR 30m in development projects.

The investment focus for completed properties was still on Germany, where we acquired a further 20 properties with total lettable space of 50,600 m^2 for a total of EUR 38.4m during the period. This included 17 residential properties in Berlin with lettable space of 44,000 m^2 and an average rental yield of approximately 7%, a mixed use property in Leipzig with lettable space of 5,100 m^2 and two residential properties in Rostock with a total of 24 apartments.

In January a fully let office building in the financial district of Zagreb was added to Sparkassen Immobilien AG's portfolio. This property has 8,200 m^2 of lettable space and was acquired for EUR 21.6m.

Development projects with excellent pre-letting

New building in the centre of Vienna is rare, but at the beginning of 2008 work began on a development project in Neutorgasse – a mixed residential/office/retail property. Completion is scheduled for 2009 and the office space is already fully let. Immorent is our partner in this development project. The planned total investment will be EUR 51m.

In the first quarter we completed the first phase of the Gemini office development project in Prague's Fourth District, with 80% of the available space already let. The second construction phase is due for completion by the end of 2008, and the total investment amounts to EUR 65m. For our Sun Plaza development project, which will be one of Bucharest's largest shopping centres, we received planning permission for an extra 10,000 m^2 of office space on the same site, the retail space is 65% pre-let. Together with our development partner ECE, we have signed the contract with the general contractor for the Serdika Center development project in Sofia, and construction of the high-rise block has begun, pre-letting of the shopping centre is also already at 40%. In March of this year, Bucharest City Council approved our development plan for a 5,600 m^2 plot of land in the centre of the city, where 40,000 m^2 of retail space will be constructed. We recently also received development permission for a mixed use project in Bratislava on a 17,500 m^2 site.

Events after balance sheet date

The following major transactions were completed after balance sheet date.

On 1 April and 1 May a total of three properties in Rostock and Leipzig were added to the German portfolio. The properties are all residential, with total lettable space of 2,400 m^2. The purchase price was EUR 1.7m.

Sparkassen Immobilien AG also acquired nine residential properties in Rostock with total lettable space of 4,700 m^2 for a purchase price of EUR 3.8 m. The expected transfer of ownership is in May. Another residential property in Leipzig was acquired with total lettable space of 1,400 m^2 at a price of EUR 1m.

s IMMO share

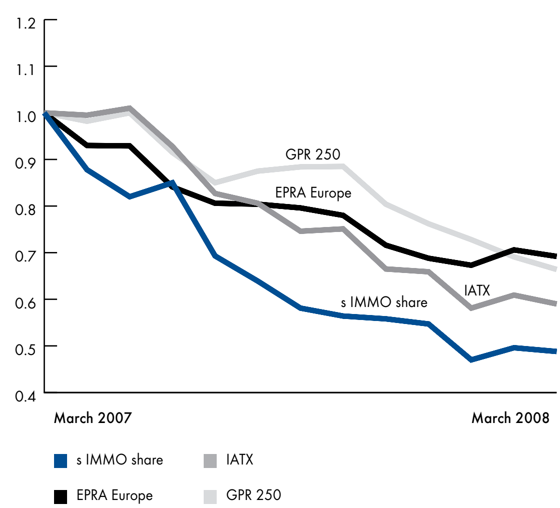
The volatile performance of capital markets around the world continued in 2008. Negative news on the US economy and mounting fears of recession, new record losses posted by major US banks and the narrowly averted bankruptcy of Bear Stearns leading to massive injections of liquidity by the FED inflicted double-digit losses on the American and European stock markets as well. The ATX (Austrian Traded Index) continued its downward course in the first quarter of this year, and had lost almost 16% by 31 March 2008. The real estate ATX (IATX) partook in the fall, with a year-to-date drop of 10.43%, while the GPR 250 was down 12.0% and the EPRA down 12.9% at the end of the quarter.

s IMMO Aktie was unable to decouple itself from international trends in the first quarter, so that at the end of the period its quoted price stood at EUR 6.89, 10.9% lower than at the start of 2008. A combination of factors – moving to the continuous trading sector, adoption of IFRS fair value accounting, intensified international road show activities – had resulted in the stock reaching its all-time high of EUR 14.64 in March 2007. The year-on-year decline in its share price at 31 March 2008 was therefore 51.2%.

The first months of 2008 saw Management presenting Sparkassen Immobilien AG's results for 2007 to international investor conferences and in road shows in New York, Chicago, London, Brussels and Amsterdam. In the process, they were also explaining the Group's strategy and its views on the progress of its activities and the outlook for the real estate investment industry, especially the property markets in which the Group is involved.

Volatility and liquidity are two issues that are currently receiving close attention: for the first time we have visited potential investors in the Middle East – Abu Dhabi, Kuwait and Oman – and the initial interest has been encouraging, not only in s IMMO share, but also in possible joint ventures in CEE countries.

Performance s IMMO share March 2007–March 2008



Stock exchange and performance data

ISIN code	AT0000652250
Bloomberg	SPI AV
Reuters	SIAG VI
Application of profits	Accumulation
Initial listing	28 June 2002

Market price (31 March 2008)	EUR 6.89
Performance	
1 year	- 51.2%
Year to date	- 10.9%
3 years	- 5.7%
Since initial listing	-2.9%

Key indicators – share

	31.3.2008	31.3.2007	Change
Earnings per share (EPS) in EUR	0.09	0.15	-40%
Cash flow per share (EUR)	0.12	0.05	+120%
Net asset value (NAV) per share (EUR)	9.6	9.1	+5%
Price / cash flow ratio	14	64	
Price / NAV ratio	72%	155%	
Number of shares	68,118,718	68,118,718	
Price at end of quarter (EUR)	6.89	14.12	- 52%

Financial calendar 2008

Results – financial year 2007	17 April 2008
Results – first quarter 2008	20 May 2008
Annual General Meeting, Kursalon Hübner, Vienna	28 May 2008, 3 pm
Results – first half 2008	20 August 2008
Results – first three quarters 2008	18 November 2008

s IMMO INVEST

Stock exchange and performance data

ISIN code	AT0000795737 / AT0000630690 (2nd tranche)
Bloomberg	SPiG AV
Reuters	SIMIg VI
Application of profits	Annual distribution
Initial listing	29 December 1996/10 November 2004

Market price (31 March 2008)	EUR 93.00 / 92.00
Performance	
1 year	-15.1% / -5.6%
Three years, p.a.	4.0% / 4.4%
Since initial listing (p.a.)	7.4% / 5.6%

Consolidated Financial Statements

Consolidated Balance Sheet
as at 31 March 2008

EUR '000	Notes	31.3.2008	31.12.2007
ASSETS			
A. Total non-current assets			
I. Intangible assets			
1. Other		268	285
II. Property, plant and equipment			
1. Properties	12,13		
a) Rental properties		1,289,895	1,209,788
b) Rental properties held for disposal		0	31,600
c) Hotels under management		89,593	90,390
d) Properties under construction		225,710	196,674
		1,605,198	1,528,451
2. Other plant and equipment			
a) Other		4,919	5,032
III. Financial investments	14		
1. Associates		208	227
2. Group interests		6,593	6,597
IV. Non-current receivables			
1. Deferred tax liabilities		3,710	1,577
		1,620,895	**1,542,168**
B. Current assets			
I. Receivables and other assets			
1. Trade receivables		10,096	8,994
2. Financial receivables and advances		13,235	22,921
3. Other receivables and assets		31,866	29,431
		55,197	61,346
II. Marketable securities, loans and investments		80,041	87,144
III. Cash and cash equivalents		73,974	31,010
		209,212	**179,500**
C. Accruals and prepayments		**1,342**	**1,080**
		1,831,449	**1,722,748**

EUR '000	Notes	31.3.2008	31.12.2007
EQUITY AND LIABILITIES			
A. Shareholders' equity			
I. Share capital		247,509	247,509
II. Reserves		344,673	329,489
III. Consolidated net profit		6,211	25,910
IV. Minority interests		17,878	16,694
		616,271	**619,602**
B. Participating certificates (subordinated)	15	**286,746**	**297,094**
C. Total non-current liabilities			
1. Long-term liabilities to banks	16	507,590	468,475
2. Provisions			
a) Deferred tax liabilities		35,900	34,406
b) Other		9,121	8,613
		45,021	43,019
3. Other liabilities			
a) Other long-term financial liabilities		77,862	76,014
b) Construction costs and tenants' financing		12,079	11,699
c) Housing construction subsidies		5,502	5,624
d) Other		5,373	5,489
		100,816	98,826
		653,427	**610,320**
D. Current liabilities			
1. Financial liabilities		212,452	148,983
2. Trade payables		11,212	12,563
3. Other liabilities		47,631	29,770
		271,295	**191,316**
E. Deferred income		**3,710**	**4,416**
		1,831,449	**1,722,748**

Consolidated Income Statement

for the three months ended 31 March 2008

EUR '000		Notes	1–3/2008	1–3/2007
1.	Revenues	7	26,929	22,101
	whereof rental income		21,180	17,440
2.	Revaluation of properties	12	112	15,596
3.	Other operating income		512	219
4.	Gains on property disposals	8	5,025	0
5.	**Operating revenue**		**32,578**	**37,916**
6.	Depreciation and amortisation		-1,092	-821
7.	Other operating expenses	9	-12,580	-10,862
8.	**Operating profit (EBIT)**		**18,906**	**26,233**
9.	Finance costs	10	-11,355	-13,003
10.	**Profit before Tax (EBT)**		**7,550**	**13,230**
11.	Taxes on income	11	-1,397	-2,638
12.	**Consolidated net profit**		**6,153**	**10,592**
13.	Minority interests		58	-439
14.	**Interest of shareholders in parent company**		**6,211**	**10,153**

Earnings per share

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

	1–3/2008	1–3/2007
Equity share of consolidated net profit in EUR'000	6,211	10,153
Average number of shares in circulation	68,118,718	68,118,718
Consolidated earnings per share in EUR	**0.09**	**0.15**

Consolidated Cash Flow Statement

for the three months ended 31 March 2008

EUR '000	1–3/2008	1–3/2007
Profit before taxes (EBT)	**7,550**	**13,230**
Revaluation of properties	-112	-15,596
Depreciation and amortisation	1,092	821
Gains on property disposals	-5,025	0
Taxes on income paid	-586	-171
Net interest	11,355	13,003
Cash flow from operations	**14,274**	**11,287**

Changes in consolidated equity

EUR '000	Share capital	Capital reserves	Revenue reserves	Minority interests	Total
1 January 2008	**247,509**	**241,301**	**114,098**	**16,694**	**619,602**
Capital increase	0	0	0	0	0
Acquisitions	0	0	0	1,225	1,225
Disposals	0	0	0	0	0
Consolidated net profit	0	0	6,211	-58	6,153
Other changes	0	0	-10,726	17	-10,709
whereof: Cash-Flow-Hedges and available-for-sale securities	0	0	-11,714	0	-11,714
whereof: deferred taxes	0	0	2,876	0	2,876
whereof: exchange differences	0	0	-1,888	17	-1,871
31 March 2008	**247,509**	**241,301**	**109,583**	**17,878**	**616,271**

Details of share capital

EUR '000	31.3.2008	1.1.2008	Change
Total share capital	247,509	247,509	0
Treasury shares (nominal)	0	0	0
	247,509	**247,509**	**0**

Changes in number of shares

Units	31.3.2008	1.1.2008
Issued share capital – 1 January	68,118,718	68,118,718
Capital increase	0	0
Treasury shares sold	0	0
Issued share capital at 31 March 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.

Notes to the consolidated financial statements

SPARKASSEN IMMOBILIEN AKTIENGESELLSCHAFT

1. REPORTING UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The interim financial statements of Sparkassen Immobilien Aktiengesellschaft (s Immobilien AG), Vienna, Austria, for the three months ended 31 March 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

2. GENERAL

2.1. Business

s Immobilien AG is a real estate group (acquisition, development and letting of property) with activities in Austria and elsewhere in Central Europe. The parent company, s Immobilien AG, is headquartered in Windmühlgasse 22-24, A-1060 Vienna, Austria. It has subsidiaries in Austria, Bulgaria, Cyprus, the Czech Republic, Denmark, Germany, Hungary, Romania, Slovakia and Ukraine. The parent company is a public limited liability company (Aktiengesellschaft). 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 of 31 March 2008, and in particular with IAS 34 Interim Financial Reporting.

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.

The accounting and valuation policies applied in the consolidated financial statements for the year ended 31 December 2007 have been retained.

3. CONSOLIDATED GROUP

In addition to the accounts of s Immobilien AG, the consolidated financial statements include the accounts of 65 companies (property holding or intermediary holding companies), which are directly or indirectly owned by s Immobilien AG. The following companies were first included in consolidation in the first quarter of 2008:

Company	Location	Country	Nominal capital	%	Currency	Initial consolidation
Neutorgasse 2-8 Projektverwertungs GmbH	Vienna	A	35,000.00	100.00	EUR	1.1.2008
EUROCENTER drustvo s ogranicenom odgovornoscu	Zagreb	HR	20,000.00	100.00	HRK	1.1.2008
SIAG Property I GmbH	Berlin	D	25,000.00	100.00	EUR	1.1.2008

As of 1 January 2008 all the shares of Neutorgasse 2-8 Projektverwertungs GmbH, the sole proprietor of EUROCENTER drustvo s ogranicenom odgovornoscu, were acquired. The purchase price was EUR 0.1m, and the liabilities taken over amounted to EUR 54.5m.

SIAG Property I GmbH, a subsidiary of s Immobilien AG so far not included in consolidation, acquired four German properties in the first quarter of 2008.

4. BASIS OF CONSOLIDATION

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

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

5. FOREIGN CURRENCY TRANSLATION

Translation of financial statements in foreign currencies

The Group reporting currency is the euro (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. Revaluations of rented properties are always in euro. Income statement items are translated using average exchange rates for the period; revaluation and depreciation and amortisation of property used by the Group for its own purposes are an exception – historical rates or euro are used. Gains and losses on currency translation are not treated as income or expense but are included under revenue reserves.

6. ACCOUNTING AND VALUATION POLICIES

Intangible assets

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

Property, plant and equipment:

Rental properties

The valuation of rented properties is carried out using the fair value method (in accordance with IAS 40).

The properties, the majority of which are rented, are generally valued annually on the basis of current market conditions, and largely 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: 4.25% – 7.75%). 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 the Group's Management is planning to sell in the near future.

Hotels under management, other plant and equipment

Properties operated by the company, in particular hotel properties, are valued using the cost model (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. 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 generally recognised.

Properties under construction

These are projects being developed by s Immobilien AG. Properties under construction are recognised at construction cost, which does not include any material financing costs.

Investments and securities

Shares in associated companies and 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 impairment losses where the loss in value is expected other than merely temporary.

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

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

Taxes
The tax expense for the financial year 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 liability to tax by the sale of property ownership companies 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 taxes assets are recognised in connection with tax loss carry forwards 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 are for liabilities of uncertain amount, where the amount provided is the amount considered most likely to become payable.

Trade payables and other liabilities
Trade payables and other liabilities are recognised at the amount 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. They are disclosed under other receivables (EUR 4,797,000) and other liabilities (EUR 9,742,000).

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.

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 is as follows (EUR ’000):

	Austria		Germany	
EUR ’000	1–3 2008	1–3 2007	1–3 2008	1–3 2007
Revenues	7,918	10,207	11,591	5,375
Revaluation of properties	275	0	-94	554
Other operating income	327	344	5,452	150
Operating revenue	**8,520**	**10,551**	**16,949**	**6,079**
Depreciation and amortisation	-13	-26	-27	-11
Other operating expenses	-4,993	-6,166	-4,998	-2,182
Profit from ordinary activities	**3,514**	**4,359**	**11,924**	**3,886**
EUR ’000	31.3 2008	31.12 2007	31.3 2008	31.12 2007
Total non-current assets	481,951	451,730	582,321	571,225
Total non-current liabilities (incl. participating certificates in Austria)	566,821	541,585	208,542	210,269

Slovakia		Czech Republic		Hungary		Bulgaria		Romania		Ukraine		Croatia		Total	
1–3 2008	1–3 2007	1–3 2008	1–3 2007	1–3 2008	1–3 2007	1–3 2008	1–3 2007	1–3 2008	1–3 2007	1–3 2008	1–3 2007	1–3 2008	1–3 2007	1–3 2008	1–3 2007
1,334	1,033	1,664	1,938	3,297	3,021	0	0	528	527	0	0	597	0	26,929	22,101
-2	0	-1	-75	-66	15,117	0	0	0	0	0	0	0	0	112	15,596
5	11	3	12	-44	-298	-206	0	0	0	0	0	0	0	5,537	219
1,337	**1,044**	**1,666**	**1,875**	**3,187**	**17,840**	**-206**	**0**	**528**	**527**	**0**	**0**	**597**	**0**	**32,578**	**37,916**
-14	-14	-20	-34	-725	-469	0	0	-290	-267	0	0	-3	0	-1,092	-821
-422	-350	-482	-657	-1,085	-987	-89	-80	-316	-440	-64	0	-131	0	-12,580	-10,862
901	**680**	**1,164**	**1,184**	**1,377**	**16,384**	**-295**	**-80**	**-78**	**-180**	**-64**	**0**	**436**	**0**	**18,906**	**26,233**
31.3 2008	**31.12 2007**	**31.3 2008**	**31.12 2007**	**31.3 2008**	**31.12 2007**	**31.3 2008**	**31.12 2007**	**31.3 2008**	**31.12 2007**	**31.3 2008**	**31.12 2007**	**31.3 2008**	**31.12 2007**	**31.3 2008**	**31.12 2007**
70,212	65,053	109,148	105,646	207,952	205,121	60,876	59,389	86,715	83,960	43	44	21,677	0	1,620,895	1,542,168
3,786	7,858	76,455	71,095	70,490	76,607	0	0	0	0	0	0	14,079	0	940,173	907,414

Segmentation by property type:

Property type	Revenues 1-3/2008 EUR '000	%	Revenues 1-3/2007 EUR '000	%
Office	9,505	44.9	9,728	55.8
Residential	6,540	30.9	2,072	11.9
Commercial	4,088	19.3	4,596	26.3
Hotel	1,047	4.9	1,044	6.0
	21,180	**100.0**	**17,440**	**100.0**

Revenues were made up as follows:

EUR '000	1-3/2008	1-3/2007
Rental income	21,180	17,440
Operating costs	5,749	4,661
	26,929	**22,101**

8. GAINS ON PROPERTY DISPOSALS

EUR '000		1-3/2008	1-3/2007
Disposal proceeds		37,364	0
Carrying value of disposals			
Rental properties	-739		
Properties held for disposal	- 31,600	-32,339	0
		5,025	**0**

The gains on disposals are mainly made up of the proceeds from the sale of one German property.

9. OTHER OPERATING EXPENSES

EUR '000	1-3/2008	1-3/2007
Expenses directly attributable to property	8,927	7,342
General management expenses	3,653	3,520
	12,580	**10,862**

10. FINANCE COSTS

EUR '000	1-3/2008	1-3/2007
Income entitlements of participating certificates	3,826	9,630
Finance expense	9,368	4,387
Finance income	-1,839	-1,014
	11,355	**13,003**

11. TAXES ON INCOME

EUR '000	1-3/2008	1-3/2007
Current tax expense	586	171
Deferred tax expense	811	2,467
	1,397	**2,638**

BALANCE SHEET

12. RENTAL PROPERTIES

Changes in rental properties were as follows:

EUR '000	1-3/2008	1-12/2007
Carrying values as at 1 January – fair value	1,209,788	844,641
Additions	80,734	373,141
Disposals	-739	-1,835
Reclassification	0	-31,600
Revaluation increases	275	52,190
Impairment writedowns	-163	-26,749
Carrying values as at 31 March	**1,289,895**	**1,209,788**

Additions to rental property broken down by country were as follows:

EUR '000	1-3/2008	1-12/2007
Austria	7,225	34,118
Germany	38,408	338,225
Czech Republic	0	194
Hungary	266	604
Slovakia	13,266	0
Croatia	21,569	0
	80,734	**373,141**

All properties:

Rental properties

EUR '000	31.3.2008	31.12.2007
Austria	447,722	440,963
Germany	575,965	537,650
Czech Republic	59,280	59,280
Hungary	131,355	131,115
Slovakia	54,004	40,740
Croatia	21,569	0
	1,289,895	**1,209,748**

Rental properties held for disposal

Germany	0	31,600

As at balance sheet day no properties were earmarked for sale.

13. HOTELS UNDER MANAGEMENT, OTHER PLANT AND EQUIPMENT

Hotels under management

EUR '000	31.3.2008	31.12.2007
Hungary	62,583	63,093
Romania	27,010	27,297
	89,593	**90,390**

Properties under development for rental

Austria	23,929	2,452
Germany	6,011	1,486
Romania	59,622	56,514
Bulgaria	60,802	59,382
Czech Republic	49,404	46,096
Slovakia	15,935	24,023
Hungary	10,007	6,721
	225,710	**196,674**

The fair value of hotels under management amounted to EUR 78,090,000 (Hungary) and EUR 44,670,000 (Romania).

14. 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 in %	31.3.2008 EUR '000
BGM-IMMORENT Aktiengesellschaft & Co KG	22.2	2,117
PCC- Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co. KG Participating loan		3,722
ERSTE Immobilien Kapitalanlagegesellschaft mbH	15.0	750
Other		4
		6,593

15. PARTICIPATING CERTIFICATES

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:

$$\left(\textbf{Participating certificate capital + profit brought forward}\right) * \frac{\textbf{Consolidated EBIT}}{\textbf{Average property portfolio (excl. properties under development)}}$$

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 the first three months of 2008 the total income entitlement is EUR 3,826,000.

As at 31 March 2008 there were 3,250,889 participating certificates were in issue. The total entitlements of participation certificate holders (principal and interest) as of that date were as follows:

EUR '000	Participating certificates capital	Profit brought forward	Profit for period	Total
Participating certificates capital as at 31.12.2007	236,242			236,242
Profit brought forward 31.12.2007		38,068		38,068
Income entitlements of participating certificate holders from 2007			22,784	22,784
Approved distribution			-14,174	-14,174
Increase of profit brought forward pursuant to Clause 5(6), Participating Certificates Agreement		8,610	-8,610	0
Income entitlements of participating certificate holders for 1st quarter 2008			3,826	3,826
Participating certificates capital as at 31 March 2008	236,242	46,678	3,826	286,746
Per unit in EUR	72.67	14.36	1.18	88.21

In the event of repayment of the participating certificates, the holders are also entitled to a proportionate share of the undisclosed reserves on the property portfolio.

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.

The proposed distribution amounting to EUR 14,174,000 (EUR 4.36 per participating certificate) is disclosed under other liabilities at balance sheet date and was paid out in April 2008.

16. LONG-TERM LIABILITIES TO BANKS

The long-term liabilities to banks are predominantly mortgage loans, as follows:

Lender

EUR '000	31.3.2008	31.12.2007
Erste Bank der oesterreichischen Sparkassen AG	142,814	142,500
Austrian banks	302,318	263,00
German banks	62,458	62,975
	507,590	**468,475**

17. EVENTS AFTER BALANCE SHEET DATE

The following major transactions were completed after balance sheet date.

On 1 April and 1 May a total of three properties in Rostock and Leipzig were added to the German portfolio. The properties are all residential, with total usable space of 2,400 m^2. The purchase price was EUR 1.7m.

Sparkassen Immobilien AG also acquired nine residential properties in Rostock with total usable space of 4,700 m^2 for a purchase price of EUR 3.8 m. The expected transfer of ownership is in May. Another residential property in Leipzig was acquired with total usable space of 1,400 m^2 for a price of EUR 1m.

Vienna, 20 May 2007

Management Board

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

Contact

Sparkassen Immobilien Aktiengesellschaft
Windmühlgasse 22-24
A-1060 Vienna, Austria
Tel: +43 (0) 50100-27867
investor@s-immoag.at

Institutional investors: Elke Koch
E-Mail: elkepetra.koch@s-immoag.at
Tel: +43 (0) 50100-27402

Private investors: Andreas Feuerstein
E-Mail: andreas.feuerstein@s-immoag.at
Tel: +43 (0) 50100 – 27556

Ingeburg Hörmaier
E-Mail: ingeburg.hoermaier@immorent.at
Tel: +43 (0) 50100 – 27552

www.sparkassenimmobilienag.at

Publication Details

Publisher and copyright owner
Sparkassen Immobilien AG, Windmühlgasse 22-24,
A-1060 Vienna, Austria

Concept, design an production:
Schoeller Corporate Communications, Hamburg/Vienna

Illustration:
Rinah Lang, Berlin

Translation:
Fox Coffey KEG

Printer:
SPV-Druck Ges.m.b.H, Vienna

Printed on FSC certified paper Arctic the Volume

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

www.sparkassenimmobilienag.at