

# Q2 2019



S IMMO  
Interim Report  
as of 30 June 2019



# Key figures

		<b>01.01. – 30.06.2019</b>	<b>01.01. – 30.06.2018</b>
Revenues	EUR m	101.0	91.0
EBITDA	EUR m	43.3	39.6
EBIT	EUR m	173.3	54.4
EBT	EUR m	170.8	53.1
Net income for the period	EUR m	147.9	47.9
Total assets	EUR m	3,024.5	2,517.8
Equity	EUR m	1,242.1	957.9
Liabilities <sup>1</sup>	EUR m	1,782.4	1,559.8
Equity ratio	in %	41	38
Operating cash flow	EUR m	39.9	37.0
Cash flow from investing activities	EUR m	-36.7	-234.8
Cash flow from financing activities	EUR m	62.8	187.9
Cash and cash equivalents as of 30 June	EUR m	133.7	56.6
NOI ratio	in %	51.2	52.5
FFO I	EUR m	39.0	34.4
FFO II	EUR m	41.2	36.7
Earnings per share	EUR	2.23	0.72
EPRA NAV per share	EUR	24.27	17.96
Share price discount to EPRA NAV per share	in %	-22	-7
Operating cash flow per share	EUR	0.60	0.56
Property assets <sup>1</sup>	EUR m	2,300.5	1,932.6
whereof properties under construction	EUR m	42.4	47.1

<sup>1</sup> Including held for sale

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Dear Shareholders,



Friedrich Wachernig, Ernst Vejdovszky

We enjoyed considerable success once again in the first half of the current financial year. The impressive development of FFO I was particularly outstanding, clearly demonstrating the operating strength with which we manage our portfolio. FFO I increased to EUR 39.0m in the first half-year. The results from property valuation, chiefly attributable to the Germany segment, were also remarkable. We buy the right properties, are able to leverage potential and achieve increases in value. All this led to highly positive effects on the income statement, with key indicators improving significantly. EBITDA improved by around 10%, EBIT increased by more than three times year-on-year due to the result from property valuation and net income for the period rose to EUR 147.9m – this results in earnings per share of EUR 2.23.

### Capital market

We can also look back on an extremely strong first half-year on the capital market. The S IMMO share gained 33.4% in the first six months, thus delivering the best year-to-date performance of any ATX stock. As of 30 June 2019, our security was trading at EUR 19.04. Compared with the EPRA NAV of EUR 24.27, the share continues to show great potential.

In addition, at the 30<sup>th</sup> Annual General Meeting on 14 June 2019, a dividend of EUR 0.70 per share was approved and distributed on 25 June 2019 – a significant improvement over the figures of previous years. Enabling you, our esteemed investors, to participate in the company's success through consistently higher dividends is extremely important to us.

### Outlook

As you can see midway through the year, there are lots of reasons to look towards the next few months with real optimism. On the purchasing side, we will continue to pursue our acquisition strategy. Promising cities such as Leipzig remain a focal point here. At the same time, we have bought over a million square metres of land in Berlin's commuter belt in recent months. We see great potential in this region and have plans for several exciting projects. However, we are also looking at some very interesting investment opportunities in our other markets at the moment.

These acquisitions enable ongoing income, secure the value-enhancement potential of our portfolio and are likely to ensure stable earnings development in the years ahead. We work intensively on and with our properties so that we can give you long-term added value. Finally, we would like to thank you for the trust you have placed in us.

The Management Board

A stylized, handwritten signature in black ink, consisting of a large, looped initial 'E' followed by a few vertical strokes.

Ernst Vejdovszky

A handwritten signature in black ink, featuring a large, stylized 'F' followed by several loops and a horizontal line at the end.

Friedrich Wachernig

# S IMMO in the capital market

## Capital market environment

The slowdown of the global economy continued in the second quarter of 2019. Among other factors, the uncertainties include the trade war between the US and China, the unresolved Brexit situation and the tensions between the US and Iran. At the end of July, the Federal Reserve (Fed) lowered the federal funds rate by 25 basis points to a range of 2% to 2.25%. Interest rates in the euro area remain at a historic low. A change in the European Central Bank's monetary policy is unlikely in 2019.

In the first half-year of 2019, international capital markets developed positively. The Dow Jones Industrial Average (DJIA) grew by 14.0% and stood at 26,599 points as of 30 June 2019. The more broadly based S&P 500 Index closed at 2,942 points, up 17.3%. The German benchmark index, the DAX, saw a similar price rise, growing by 17.4% in the first half-year and reaching 12,399 points at the end of the quarter. The Austrian benchmark index, the ATX, closed the first half-year at 2,978 points, up 8.4%. The IATX index for Austrian property shares gained 19.3% in the reporting period and reflects the excellent development of Austrian property shares.

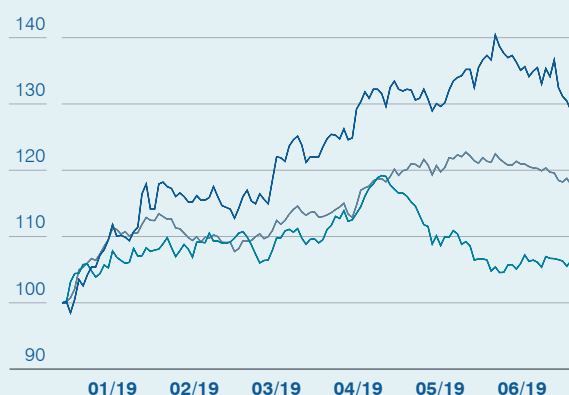
## S IMMO AG securities

The S IMMO share achieved a considerable price increase of 33.4% in the first half-year and was therefore the top performer in the ATX. The long-term performance of the S IMMO share is also impressive: the security has generated a price gain of 149.9% over three years (30 June 2016 to 30 June 2019) and a whopping 326.6% over five years (30 June 2014 to 30 June 2019). The excellent development of the share compared with the relevant indices for S IMMO confirms the strategy and investment policy of the company.

## Share price development

indexed 01 January 2019 to 30 June 2019

■ S IMMO share ■ ATX ■ IATX



The trading volume of the S IMMO share was kept at the high level seen in the previous year, reflecting the high degree of investor interest in the share. As of the end of the first half-year, S IMMO had a market capitalisation of approximately EUR 1.3bn.

The sustainable dividend policy was continued in 2019. On account of the excellent consolidated net income for the financial year 2018 and the significant increase in FFO I, the highest dividend in the company's history of EUR 0.70 per share was proposed to the Annual General Meeting. The distribution was executed on 25 June 2019 and equated to a dividend yield of 3.6% based on the closing price on the dividend payment date.

In May 2019, S IMMO AG once again issued a new corporate bond (ISIN AT0000A285H4) with a volume of EUR 150m and a term of seven years. The coupon of the fixed-rate bond is 1.875% p.a.

## Performance as of 30 June 2019

### S IMMO share

One year	13.88%
Three years, p.a.	31.36%

### S IMMO share information

ISIN	AT0000652250/SPI
Ticker symbols	Reuters: SIAG.VI/Bloomberg: SPI:AV
Market	Vienna Stock Exchange
Market segment	Prime Market
Index	ATX/IATX/GPR General
Market capitalisation (30 June 2019)	EUR 1,274.10m
Number of shares (30 June 2019)	66,917,179
Market makers	Erste Group/Hauck & Aufhäuser/Baader Bank/Raiffeisen Centrobank

in EUR	Share price AT0000652250	ATX	IATX
30 June 2018	16.720	3,255.96	337.98
31 December 2018	14.540	2,745.78	311.94
30 June 2019	19.040	2,977.68	371.99

### S IMMO bonds

ISIN	Maturity	Coupon	Total nominal value in kEUR
AT0000A19SB5	02 October 2019	3.00%	66,931.50
AT0000A177D2	16 June 2021	4.50%	89,739.50
AT0000A1DBM5	08 April 2025	3.25%	33,993.50
AT0000A1DWK5	20 April 2027	3.25%	65,000.00
AT0000A1Z9D9	06 February 2024	1.75%	100,000.00
AT0000A1Z9C1	06 February 2030	2.875%	50,000.00
AT0000A285H4	22 May 2026	1.875%	15,000.00

## Annual General Meeting

The 30<sup>th</sup> Annual General Meeting of S IMMO AG was held on 14 June 2019 at the Vienna Marriott Hotel. The agenda and all voting results are accessible on the company's website [www.simmoag.at](http://www.simmoag.at).

## Share data

		30 June 2019	30 June 2018
Closing price	EUR	19.040	16.720
Average daily turnover in the last 100 days	shares <sup>1</sup>	167,010	181,882
Earnings per share (EPS) for the first half-year	EUR	2.23	0.72
Book value per share	EUR	18.72	14.44
Share price premium to book value per share	in %	2	16
EPRA NAV per share	EUR	24.27	17.96
Share price discount from EPRA NAV per share	in %	-22	-7
EPRA NNNAV per share	EUR	20.32	15.37
FFO I per share for the first half-year	EUR	0.59	0.52
FFO II per share for the first half-year	EUR	0.62	0.56
Dividend per share <sup>2</sup>	EUR	0.70	0.40

<sup>1</sup> Double counting

<sup>2</sup> The dividend distributed in 2019 and 2018 corresponds to the respective preceding financial year.

## Investor relations activities

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In the second quarter, the management and the Investor Relations team joined banks, brokers and analysts at numerous international investor conferences and roadshows – including in Budapest and on several occasions in London. In addition, S IMMO took part in an event organised by the Austrian Ministry of Finance in cooperation with the Austrian Economic Chamber (WKO) and the Vienna Stock Exchange in New York, where S IMMO presented itself to US investors. Subsequently, potential investors were also visited in Boston, Chicago and Minneapolis. In Austria, S IMMO held discussions at Raiffeisen Centrobank's capital market conference in Zürs, among other events.

The German private bank Hauck & Aufhäuser – which has been S IMMO's market maker for years – published its first analysis of the S IMMO share at the end of June 2019. The property analyst published a price target of EUR 23.00 and expressed a buy recommendation. The S IMMO share is currently covered by seven analysts. At the time this report went to press, the analysts' average price target was EUR 20.89.



# Interim Management Report

## Economic overview

European economic growth slowed considerably in the second quarter of 2019. According to Eurostat, gross domestic product (GDP) rose by just 0.2% compared with the first quarter in both the euro area and the EU-28. In year-on-year terms, GDP increased by 1.1% in the euro area and 1.3% in the EU-28. The International Monetary Fund (IMF) expects the euro area economy to expand by 1.3% by the end of the year and projects somewhat higher growth of 1.6% for 2020. The IMF has revised its 2019 growth forecast for the global economy from 3.3% to 3.2%.

According to Oesterreichische Nationalbank (OeNB), economic output also weakened slightly in the EU member countries of Central, Eastern and Southeastern Europe (CESEE region) in the second quarter. The GDP growth projection for the CESEE region is approximately 3.5% for 2019.

Austria's economy is currently in a phase of moderate growth. According to the Austrian Institute of Economic Research (WIFO), Austria's GDP expanded by 0.3% quarter-on-quarter in the second quarter of 2019. Growth totalled 0.4% in the first quarter of 2019. Thus, Austria's average economic growth for 2019 will reach 1.7%. The Institute for Advanced Studies (IHS) and OeNB forecast economic growth of 1.6% for 2020.

## Real estate market overview

### Austria

In the second quarter of 2019, the Viennese office market recorded a total take-up of 60,000 m<sup>2</sup>, which is around 15% more than in the prior-year period. With regard to the breakdown of leasing activity, pre-lets accounted for 61% and new leases for 39%. The vacancy rate decreased slightly to 4.3%.

The Viennese hotel market reached a new sales record in the first half-year. Overnight stays amounted to around eight million and thus rose by 9.9% compared to the same period of the prior year. Net room revenues increased by around 11% in the period between January and May 2019.

### Germany

In Germany, average housing prices continued to increase in the first half of 2019. Prices in the densely populated surrounding regions of the metropolises also rose by 4.3% for houses and by 1.7% for owner-occupied apartments. Owing to the limited availability, existing properties saw higher growth than new buildings in direct comparison. In June, a rent cap for Berlin was passed and is expected to go into force at the beginning of next year.

Berlin's office market is still dominated by consistently high demand and scarce supply. In the first half-year, the take-up totalled 170,600 m<sup>2</sup>. The vacancy rate fell to a record low of 1.4%. Prime rents amounted to EUR 35/m<sup>2</sup>/month and thus saw an increase of 11% in comparison to the prior-year period. Around 80,800 m<sup>2</sup> of new office space were delivered to the market and another 308,200 m<sup>2</sup> are expected to be delivered during the remainder of the year.

## Overview of the real estate market<sup>1</sup>

	Prime rents (EUR/m <sup>2</sup> /month)				Prime gross yields (%)				Total leasing activity (m <sup>2</sup> )		Vacancy rate (%)	
	HY 2019	HY 2018	HY 2019	HY 2018	HY 2019	HY 2018	HY 2019	HY 2018	HY 2019	HY 2018	HY 2019	HY 2018
	Office	Office	Retail	Retail	Office	Office	Retail	Retail	Office	Office	Office	Office
Berlin	35.00	31.50	320.00	310.00	3.10	3.10	3.10	3.10	170,600	369,300	2.1	2.7
Bratislava	17.00	17.00	67.00 <sup>2</sup>	65.00 <sup>2</sup>	6.00	6.25	5.50 <sup>2</sup>	5.50 <sup>2</sup>	14,660	68,018	8.1	5.8
Bucharest	18.50	18.50	55.00	55.00	7.00	7.25	7.50	7.50	63,700	118,443	8.8	8.0
Budapest	26.00	23.00	135.00	135.00	5.50	6.00	5.50	5.75	127,500	173,821	6.3	7.6
Vienna	25.50	25.50	310.00	310.00	3.65	3.80	3.15	3.30	110,000	122,034	5.0	5.1
Zagreb	15.50	15.00	60.00	60.00	8.00	8.00	6.75	6.75	n/a	17,931	5.0	5.0

<sup>1</sup> CBRE Research

<sup>2</sup> Data for shopping centres. Data for the remainder of the locations is for high street retail.

## CEE

Three office buildings encompassing an area of 31,700 m<sup>2</sup> were delivered to the Budapest office market in the second quarter of 2019. The total demand remained strong and amounted to 163,400 m<sup>2</sup>. Take-up totalled 127,500 m<sup>2</sup>, which represents an increase of 19% versus the prior-year period. There are 506,100 m<sup>2</sup> currently under construction, of which 107,000 m<sup>2</sup> are scheduled to be completed this year. Prime rents climbed to EUR 14.9/m<sup>2</sup>/month. The vacancy rate continued to decrease and came to 6.3% at the end of the second quarter.

The hotel market in the CEE region is developing extremely well. There are currently 3,000 rooms under construction in Hungary, of which 85% are located in Budapest. From January to May 2019, the number of overnight stays increased by 7.6%. The average daily turnover rate in Budapest stood at EUR 149 and thus increased by 4.4%. The occupancy rate amounted to 74% at the end of the quarter. The outlook for the Prague hotel market also remains highly promising with a stable occupancy rate of around 80%. The average daily turnover rate is expected to advance by 1.7%.

The solid economic development in Bratislava is keeping the demand on the office market stable. The total take-up equalled 79,000 m<sup>2</sup> in the first half-year. Around 78,000 m<sup>2</sup> are scheduled to be completed by the end of the year. The vacancy rate amounted to roughly 8%.

The office market in Bucharest enjoyed dynamic development in the first half-year. Three office buildings with a total area of 40,000 m<sup>2</sup> were completed. The demand totalled 93,000 m<sup>2</sup>. Companies from the telecommunications and technology sector remain the main drivers on the market. Prime rents remained stable at EUR 19/m<sup>2</sup>/month. The completion of another 175,000 m<sup>2</sup> is scheduled for this year. As a consequence, the vacancy rate might increase to 9.2%.

In May, Romania's retail market rose by 8.5% compared to the prior-year period. One trend that is being observed is the enormous expansion of retail parks.

Sources: CBRE, Cushman & Wakefield, ImmobilienScout24, Vienna Research Forum, www.b2b.wien.info, www.business-review.eu, www.imf.org, www.ihs.ac.at, www.oenb.at, www.pwc.com, www.wifo.ac.at

## Business development and performance

### Property portfolio

As of 30 June 2019, S IMMO's property portfolio consisted of 317 (31 December 2018: 284) properties with a book value of EUR 2,300.5m including properties held for sale (31 December 2018: EUR 2,121.4m) and a total area of around 1.2 million m<sup>2</sup> (31 December 2018: 1.2 million m<sup>2</sup>). In the reporting period, the occupancy rate of the portfolio was 95.6% (31 December 2018: 95.8%). The overall rental yield was 5.5% (31 December 2018: 5.7%).

The properties are located in Austria, Germany and the CEE region. Based on book value, properties in Austria made up 21.0% (31 December 2018: 22.1%) and properties in Germany 47.0% (31 December 2018: 45.4%). The properties in CEE accounted for 32.0% (31 December 2018: 32.5%) of the portfolio.

According to main type of use, the property portfolio broke down into 38.2% (31 December 2018: 36.6%) office buildings, 18.1% (31 December 2018: 17.9%) retail properties, 28.7% (31 December 2018: 29.3%) residential properties and 15.0% (31 December 2018: 16.2%) hotels.

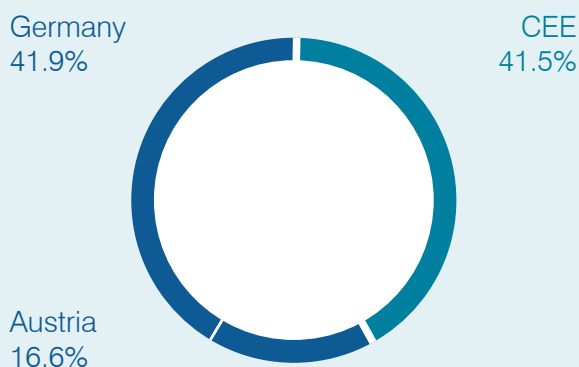
### Increase in revenues and gross profit

In the first half of 2019, revenues saw an increase of 11.0% compared with the same period last year and amounted to EUR 101.0m (HY 2018: EUR 91.0m). The increase in total revenues was driven by a rise in rental income to EUR 58.1m (HY 2018: EUR 50.4m) as well as an increase in hotel income to EUR 26.7m (HY 2018: EUR 24.1m).

On the one hand, the improvement in rental income reflects the acquisitions in the Germany segment and the good like-for-like performance. On the other, the increase in the amount of EUR 2.3m is a result of the first-time adoption of accounting regulations that require parts of the revenues from operating costs to be reclassified within revenues and to be recognised as rental income. Excluding the shift between revenues from operating costs and rental income, the increase in rental income amounted to EUR 5.4m, or roughly 10.6%.

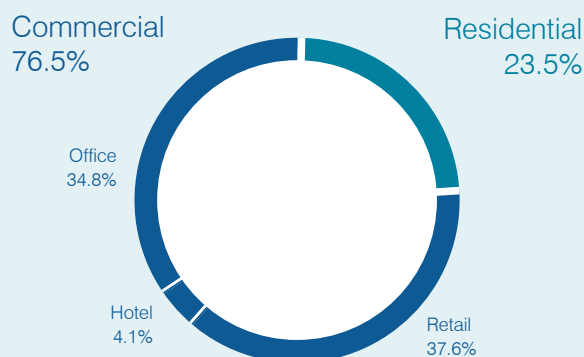
Broken down by region and not including the reclassification of parts of revenues from operating costs, rental income in the first half of 2019 was as follows: Austria and Germany contributed 58.5% (HY 2018: 58.1%) and CEE 41.5% (HY 2018: 41.9%). In terms of main type of use and not including the reclassification within revenues, commercial properties contributed 76.5% (HY 2018: 76.0%) of the rental income. Residential properties contributed 23.5% (HY 2018: 24.0%).

#### Rental income by region<sup>1</sup>



<sup>1</sup> Not including Vienna Marriott Hotel and Budapest Marriott Hotel and not including the reclassification of parts of revenues from operating costs

#### Rental income by type of use<sup>1</sup>



<sup>1</sup> Not including Vienna Marriott Hotel and Budapest Marriott Hotel and not including the reclassification of parts of revenues from operating costs

Property management expenses increased to EUR 31.0m (HY 2018: EUR 26.2m). This was primarily due to higher operating expenses. Overall, gross profit improved to EUR 52.7m (HY 2018: EUR 48.8m) – an increase of around 8.0%.

### Property transactions

In the first half of 2019, S IMMO was also active in terms of acquisitions and purchased properties with a total value of roughly EUR 35.0m (HY 2018: EUR 57.9m). These acquisitions include properties in Germany and Budapest and one centrally located plot of land in Bucharest.

The holdings of shares in CA Immobilien Anlagen AG and IMMOFINANZ AG did not change due to purchases or sales in the first half of 2019.

### Increase in EBITDA and significant rise in the results from property valuation

In the first half of 2019, a property that was already held for sale as of 31 December 2018 was successfully sold in Germany. At EUR 9.4m (HY 2018: EUR 9.2m), management expenses were in line with the prior-year level, which meant EBITDA improved by around 9.4% year-on-year and amounted to EUR 43.3m (HY 2018: EUR 39.6m).

In the first half of 2019, the result from property valuation amounted to EUR 134.1m (HY 2018: EUR 18.6m). The majority of positive valuations is attributable to the Germany segment. However, satisfying increases in valuations were also seen in the Austria and CEE segments.

Due to the operating successes and the excellent results from property valuation in the first half of 2019, EBIT increased by more than 200% from EUR 54.4m to EUR 173.3m.

### Development of financial results

In the first six months of the year, S IMMO earned dividend income of EUR 17.0m (HY 2018: EUR 14.3m) for its shares in IMMOFINANZ AG and CA Immobilien Anlagen AG. On the expense side, non-cash derivative expenses increased to EUR -8.4m (HY 2018: EUR -0.5m) due to the recent decline in interest rates. In addition, there was a slight increase in interest paid in connection with the property investments made and another bond issue in the first half of 2019.

The result from companies measured at equity amounted to EUR 7.8m (HY 2018: EUR 2.4m) and contributed to the financial results.

The cost of funding including bond interest and derivatives decreased from 2.53% as of 31 December 2018 to 2.44% as of 30 June 2019. The cost of funding excluding bonds amounted to 2.26% as of 30 June 2019 (31 December 2018: 2.28%).

### Significant increase in EBT and earnings per share

EBT rose by a considerable 221.4% and amounted to EUR 170.8m (HY 2018: EUR 53.1m) despite the higher non-cash derivative expenses. Net income for the period increased by EUR 100.0m to EUR 147.9m (HY 2018: EUR 47.9m). Consequently, earnings per share (EPS) also increased to a very gratifying EUR 2.23 (HY 2018: EUR 0.72).

### Consolidated statement of financial position

S IMMO Group's total assets increased from EUR 2,720.1m as of 31 December 2018 to EUR 3,024.5m as of 30 June 2019. Investment property rose from EUR 1,954.3m as of 30 December 2018 to EUR 2,124.6m as of 30 June 2019. This development is attributable to acquisitions in the Germany and CEE segments and the positive valuation result in all segments. The "other financial assets" item increased to EUR 508.6m (31 December 2018: EUR 453.0m), primarily due to the positive valuations of the shares in IMMOFINANZ AG and CA Immobilien Anlagen AG.

Cash and cash equivalents totalled EUR 133.7m as of the end of the second quarter of 2019 (31 December 2018: EUR 73.3m). This increase is partly attributable to the issue of a seven-year corporate bond with a volume of EUR 150m and a fixed coupon rate of 1.875% p.a. in the second quarter of 2019.

### Significant equity increase despite substantially higher dividend distribution

In the second quarter, a much higher dividend of EUR 0.70 per share was distributed (2018 dividend for the financial year 2017: EUR 0.40 per share). Nevertheless, the equity ratio increased compared with the level at the end of the year and came to 41.1% as of 30 June 2019 (31 December 2018: 40.9%). In the first half of 2019, equity not including minority shares climbed to EUR 1,239.4m (31 December 2018: EUR 1,108.9m). As a result, the EPRA NAV per share rose to EUR 24.27 (31 December 2018: EUR 21.25). To calculate the EPRA NAV, the book value per share is adjusted for revaluation of other non-current investments, derivative valuations and deferred taxes.

In total, operating successes and the significantly improved valuation result led to an increase in the book value per share to EUR 18.72 (31 December 2018: EUR 16.75 per share).

### Financing

A key figure for the assessment of the financing structure is the loan-to-value ratio (LTV ratio), which is the ratio between the book values of financing instruments (not including the fair values of derivatives) and the reported property investments. S IMMO distinguishes between two types of this key figure: the LTV ratio for financing secured with properties (mortgages) and the LTV ratio for unsecured financing. The latter largely comprises bonds issued by S IMMO AG. S IMMO's reported property investments including properties held for sale and the investments in shares in IMMOFINANZ AG and CA Immobilien Anlagen AG amounted to EUR 2,808.7m as of 30 June 2019 (31 December 2018: EUR 2,573.4m). The LTV ratio for financing secured with properties decreased to 33.9% compared to 36.3% as of 31 December 2018.

S IMMO has unsecured financing as well. The LTV ratio for unsecured financing less cash and cash equivalents increased to 14.9% in the reporting period (31 December 2018: 14.1%), primarily due to the bond issue in the second quarter. In total, the company's LTV ratio was 48.8% (31 December 2018: 50.4%).

### Related party disclosures

Please refer to section 6. of the notes of the consolidated interim financial statements for information about related party disclosures.

### Risk management report

S IMMO AG is exposed to all industry-specific risks in connection with its business activities (purchase, letting, development and sale of properties across various regions and types of use). These include among others strategic, property-specific, financial and other risks. By identifying, analysing, managing and monitoring risks and opportunities, the company strives to detect potential success factors and negative developments in good time and to take them into account in its decision-making processes.

Potential risks for the current financial year and the risk management of S IMMO AG are set out in detail in the 2018 Annual Report (starting on page 54).

The probability of occurrence of risks depends on a large number of factors such as economic development in the markets in which the company operates or the cyclical fluctuations to which the property industry is exposed. S IMMO invests in properties and property companies within the European Union (EU) and its portfolio is diversified by region and type of use.

Economic growth in the European Union lost momentum in the second quarter, totalling just 0.2%. The International Monetary Fund (IMF) forecasts that the economy in the euro area will grow by 1.3% by the end of the year. Economic growth in the EU member states of Central, Eastern and Southeastern Europe (CESEE region) also declined. For 2019 as a whole, the GDP forecast for the CESEE region is around 3.5%.

The uncertainty factors of the previous quarters largely remain. Tensions that exist in global business relations, the uncertain outcome of the Brexit negotiations and the above-mentioned slowdown of economic growth in some EU states could have a negative impact on S IMMO's business operations.

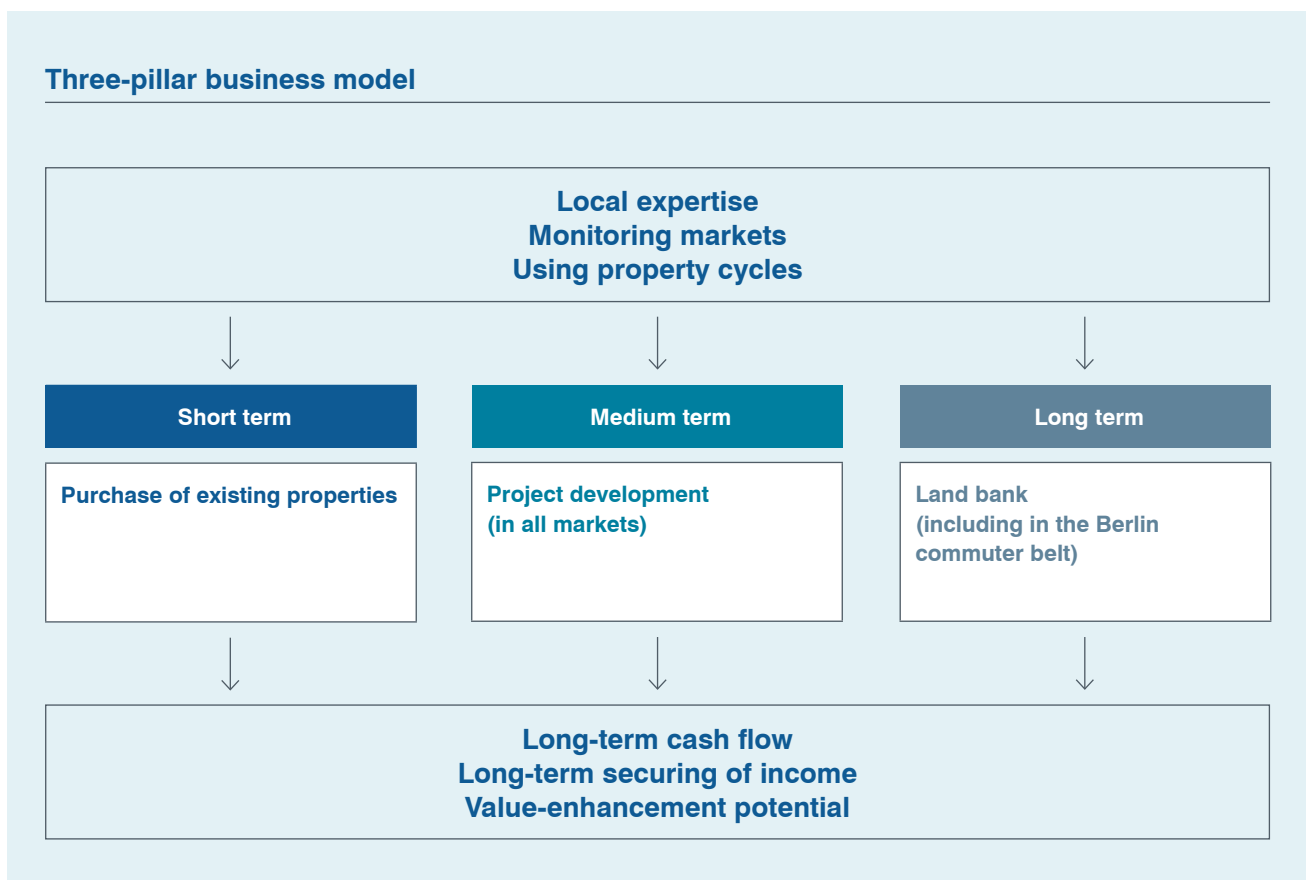
As far as the property markets are concerned, the company continues to expect strong development on the German property market, particularly in the office sector and for apartments in cities such as Leipzig, Erfurt and Kiel. In mid-June, the Senate of Berlin adopted a rent cap that is intended to come into force at the beginning of 2020 and prevent rent increases on Berlin's housing market for five years. Legislation of this kind would push down rent levels in Berlin and, in particular, make maintenance and renovation much harder. In the CEE region, the positive economic development ensures strong demand on the office markets.

If the economic situation in the markets were to deteriorate unexpectedly, the Group would have to expect an increase in industry, property portfolio, property valuation, letting and rental default risk.

In addition to the risks associated with its operating activities, S IMMO is exposed to the market risk in the capital markets as a listed company. The risk of volatility affects the S IMMO share as well as the securities of companies in which S IMMO holds a stake. Price declines would have a negative impact on S IMMO's equity.

In addition to internal regulations and guidelines, risk management at S IMMO comprises ongoing reports to the Management Board in the context of regular meetings. Furthermore, there are control measures for the purpose of the early detection, management and monitoring of risks. Key decisions relevant to risk are made by the Management Board. An Internal Control System (ICS) is in place for all key business processes. In addition, accounting provisions are made for potential risks.

## Strategy and outlook



S IMMO applies a robust three-pillar business model. Under this model, the management takes decisions that are intended to benefit the company and consequently its shareholders in the short, medium and long term. These include cash flow-generating portfolio properties as well as land and properties with development potential. Furthermore, the company combines various markets in different phases. To this end, the company continuously monitors its markets and attempts to identify when purchases and sales are advisable.

At present, the management believes that prices are relatively high in most of S IMMO's markets. However, price levels are attractive for purchases in up-and-coming major German cities such as Leipzig and Erfurt. These cities have a good demographic profile and growth potential as a result of their population influx. Purchasing properties with stable returns and low rent levels ensures a sustainable cash flow while creating value-enhancement potential.

In addition, the company is continuing to buy large plots of land in the area surrounding Berlin, known as the commuter belt. S IMMO currently holds space of around a million square metres. Most of these plots in the area surrounding Berlin have good connections to small-town structures while being situated close to the countryside. At the same time, some very interesting investment opportunities are currently being assessed in all other markets.

# Consolidated interim financial statements

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# Consolidated statement of financial position

as of 30 June 2019

<b>Assets</b> EUR '000	Notes	30 June 2019	31 December 2018
<b>Non-current assets</b>			
Investment properties			
Rented properties	3.1.1.	2,082,233	1,880,507
Properties under development and undeveloped land	3.1.1.	42,352	73,750
		<b>2,124,585</b>	1,954,257
Owner-operated properties	3.1.2.	125,234	126,789
Other plant and equipment		4,632	4,469
Intangible assets		203	208
Interests in companies measured at equity		33,534	25,704
Group interests		2,431	2,448
Loans to companies measured at equity		5,507	4,214
Other financial assets	3.1.3.	508,647	452,981
Deferred tax assets		1,062	1,534
		<b>2,805,835</b>	2,572,604
<b>Current assets</b>			
Inventories		262	531
Trade receivables		11,648	10,641
Other financial assets		8,076	10,440
Other assets		13,798	12,256
Cash and cash equivalents	3.1.4.	133,683	73,281
		<b>167,467</b>	107,149
Assets held for sale	3.1.5.	51,206	40,381
		<b>218,673</b>	147,530
		<b>3,024,508</b>	<b>2,720,134</b>

**Equity and liabilities** EUR '000

	Notes	30 June 2019	31 December 2018
Shareholders' equity			
Share capital		240,544	240,544
Capital reserves		68,832	68,832
Other reserves		930,059	799,478
		<b>1,239,435</b>	1,108,854
Non-controlling interests			
		2,702	2,720
		<b>1,242,137</b>	1,111,574
Non-current liabilities			
Issued bonds	3.1.6.	486,250	336,910
Other financial liabilities	3.1.7.	841,582	861,335
Provisions for employee benefits		1,303	1,368
Other liabilities		3	6
Deferred tax liabilities		194,674	162,173
		<b>1,523,812</b>	1,361,792
Current liabilities			
Issued bonds	3.1.6.	66,909	99,902
Financial liabilities	3.1.7.	151,356	93,239
Income tax liabilities		1,682	1,791
Provisions for employee benefits		84	0
Trade payables		5,702	8,884
Other liabilities		29,459	42,952
		<b>255,192</b>	246,768
Liabilities in connection with assets held for sale	3.1.5.	3,367	0
		<b>258,559</b>	246,768
		<b>3,024,508</b>	<b>2,720,134</b>

# Consolidated income statement

for the six months ended on 30 June 2019

EUR '000	Notes	01-06/2019	01-06/2018
<b>Revenues</b>			
Rental income	3.2.1.	58,105	50,403
Revenues from operating costs		16,178	16,467
Revenues from hotel operations	3.1.2.	26,711	24,140
		<b>100,994</b>	91,010
<b>Other operating income</b>			
		<b>978</b>	958
Property operating expenses	3.2.2.	-30,995	-26,175
Hotel operating expenses	3.2.2.	-18,320	-17,040
Gross profit		<b>52,657</b>	48,753
Income from property disposals		6,510	6,641
Book value of property disposals		-6,510	-6,641
Result from property disposals	3.2.3.	<b>0</b>	0
Management expenses		-9,372	-9,178
Earnings before interest, tax, depreciation and amortisation (EBITDA)		<b>43,285</b>	39,575
Depreciation and amortisation		-4,098	-3,746
Results from property valuation	3.2.4.	134,108	18,564
Operating income (EBIT)		<b>173,295</b>	54,393
Financing costs	3.2.5.	-27,853	-19,218
Financing income <sup>1</sup>	3.2.5.	17,504	15,530
Results from companies measured at equity	3.2.5.	7,830	2,436
Financial result		<b>-2,519</b>	-1,252
Earnings before taxes (EBT)		<b>170,776</b>	53,141
Taxes on income	3.2.6.	-22,865	-5,268
<b>Consolidated net income for the period</b>		<b>147,911</b>	<b>47,873</b>
of which attributable to shareholders in parent company		147,587	47,825
of which attributable to non-controlling interests		324	48
<b>Earnings per share</b>			
undiluted = diluted		2.23	0.72

<sup>1</sup> of which dividend income from shareholdings in listed real estate companies: Q2 2019: EUR 17.0m; Q2 2018: 14.3m

# Consolidated statement of comprehensive income

for the six months ended on 30 June 2019

EUR '000	01 – 06 / 2019	01 – 06 / 2018
Consolidated net income for the period	147,911	47,873
Change in value of cash flow hedges	-12,909	-1,151
Income taxes on cash flow hedges	2,336	166
Reclassification of derivatives valuation effects	426	623
Reserve for foreign exchange rate differences	239	2,214
Other comprehensive income for the period (realised through profit or loss)	-9,908	1,852
Valuation of financial assets FVOCI	56,135	-10,016
Income taxes from measurement of financial assets FVOCI	-16,891	161
Other comprehensive income for the period (realised not through profit or loss)	39,244	-9,855
Other comprehensive income for the period	29,336	-8,003
of which attributable to shareholders in parent company	29,336	-8,003
of which attributable to non-controlling interests	0	0
<b>Total comprehensive income for the period</b>	<b>177,247</b>	<b>39,870</b>
of which attributable to shareholders in parent company	176,923	39,822
of which attributable to non-controlling interests	324	48

# Consolidated income statement

for the three months ended on 30 June 2019

EUR '000	Notes	04-06/2019	04-06/2018
<b>Revenues</b>			
Rental income	3.2.1.	29,694	25,812
Revenues from operating costs		7,812	7,530
Revenues from hotel operations	3.1.2.	15,644	14,126
		<b>53,150</b>	47,468
<b>Other operating income</b>			
		<b>568</b>	405
Property operating expenses	3.2.2.	-15,296	-11,737
Hotel operating expenses	3.2.2.	-9,758	-8,971
Gross profit		<b>28,664</b>	27,165
Income from property disposals		1,810	6,641
Book value of property disposals		-1,810	-6,641
Result from property disposals	3.2.3.	<b>0</b>	0
Management expenses		-4,907	-4,858
Earnings before interest, tax, depreciation and amortisation (EBITDA)		<b>23,757</b>	22,307
Depreciation and amortisation		-2,009	-1,972
Results from property valuation	3.2.4.	124,167	9,208
Operating income (EBIT)		<b>145,915</b>	29,543
Financing costs	3.2.5.	-14,307	-12,253
Financing income <sup>1</sup>	3.2.5.	17,118	14,576
Results from companies measured at equity	3.2.5.	4,328	3,146
Financial result		<b>7,139</b>	5,469
Earnings before taxes (EBT)		<b>153,054</b>	35,012
Taxes on income	3.2.6.	-20,244	-1,838
<b>Consolidated net income for the period</b>		<b>132,810</b>	<b>33,174</b>
of which attributable to shareholders in parent company		132,531	33,148
of which attributable to non-controlling interests		279	26
<b>Earnings per share</b>			
undiluted = diluted		2.00	0.50

<sup>1</sup> of which dividend income from shareholdings in listed real estate companies: HY 2019: EUR 17.0m; HY 2018: 14.3m

# Consolidated statement of comprehensive income

for the three months ended on 30 June 2019

EUR '000	04-06/2019	04-06/2018
Consolidated net income for the period	132,810	33,174
Change in value of cash flow hedges	-5,373	-1,592
Income taxes on cash flow hedges	976	266
Reclassification of derivatives valuation effects	213	311
Reserve for foreign exchange rate differences	238	1,988
Other comprehensive income for the period (realised through profit or loss)	-3,946	973
Valuation of financial assets (FVOCI)	11,106	-1,238
Income taxes from measurement of financial assets (FVOCI)	-5,633	-2,034
Other comprehensive income for the period (not realised through profit or loss)	5,473	-3,272
Other comprehensive income for the period	1,527	-2,299
of which attributable to shareholders in parent company	1,527	-2,299
of which attributable to non-controlling interests	0	0
<b>Total comprehensive income for the period</b>	<b>134,337</b>	<b>30,875</b>
of which attributable to shareholders in parent company	134,058	30,849
of which attributable to non-controlling interests	279	26

# Consolidated cash flow statement

for the six months ended on 30 June 2019

EUR '000	01-06/2019	01-06/2018
Earnings before taxes (EBT)	170,776	53,141
Results from property valuation	-134,108	-18,564
Depreciation and amortisation on intangible assets and equipment	4,098	3,746
Results from property sales	0	0
Taxes on income paid	-3,427	-2,619
Financial result	2,519	1,252
Operating cash flow	<b>39,858</b>	36,956
Changes in net current assets		
Receivables and other assets	-595	-5,920
Provisions, other financial and non-financial liabilities	-68	-984
Current liabilities	-4,588	163
Cash flow from operating activities	<b>34,607</b>	30,215
Cash flow from investing activities		
Investments in property portfolio (rented properties, developing projects, undeveloped land, owner-operated properties)	-47,498	-89,973
Investments in intangible assets	-57	-60
Investments in other fixed assets	-635	-1,875
Disposal of equity instruments of other companies	0	0
Acquisition of equity instruments of other companies	0	-162,661
Investments in financial assets	-28	0
Disposals of financial assets	18	0
Investments in companies measured at equity	-1,114	-1,059
Divestments in companies measured at equity	0	0
Net cash flow from deconsolidations of subsidiaries and other business units less cash and cash equivalents	0	218
Net cash flow from initial consolidations	-4,902	34
Net cash flow from changes in companies measured at equity	0	590
Disposals of properties	1,810	6,300
Dividends from companies measured at equity	0	501
Dividends received	15,468	12,968
Income from equity investments	158	153
Interest received	109	30
Cash flow from investing activities	<b>-36,671</b>	-234,834

EUR '000	01-06/2019	01-06/2018
Consolidated cash flow statement continued		
Cash flow from financing activities		
Purchase of own participating certificates	0	-550
Bond issues	149,281	148,882
Buyback of bond	-34,044	0
Distribution of minority shares	-343	-1,351
Increases in financing	34,403	159,328
Decreases in financing	-19,321	-18,940
Dividend payment	-46,341	-26,481
Repayment of participating certificates	0	-54,331
Distribution to participating certificates	0	-1,630
Interest paid	-20,810	-17,039
Cash flow from financing activities	62,825	187,888
Cash and cash equivalents 01 January	73,281	73,390
Reclassification of cash and cash equivalents as properties held for sale	-359	-66
Net change in cash and cash equivalents	60,761	-16,731
<b>Cash and cash equivalents 30 June<sup>1</sup></b>	<b>133,683</b>	<b>56,593</b>

<sup>1</sup> The effects of currency translation differences on the cash and cash equivalents were immaterial and are therefore not shown separately.

# Changes in consolidated equity

EUR '000	Share capital	Capital reserves	Foreign currency translation reserve	Hedge accounting reserve	Equity instruments reserve	Other reserves	Subtotal S IMMO share-holders	Non-controlling interests	Total
As of 01 January 2019	240,544	68,832	-15,872	-8,636	17,113	806,873	1,108,854	2,720	1,111,574
Consolidated net income for the period	0	0	0	0	0	147,587	147,587	324	147,911
Other comprehensive income	0	0	239	-10,147	39,244	0	29,336	0	29,336
Change in non-controlling interests	0	0	0	0	0	0	0	-343	-343
Distribution <sup>1</sup>	0	0	0	0	0	-46,341	-46,341	0	-46,341
<b>As of 30 June 2019</b>	<b>240,544</b>	<b>68,832</b>	<b>-15,633</b>	<b>-18,783</b>	<b>56,357</b>	<b>908,118</b>	<b>1,239,435</b>	<b>2,702</b>	<b>1,242,137</b>
As of 01 January 2018	240,544	68,832	-17,200	-6,022	25,053	629,608	940,815	3,611	944,426
Changeover effects of the first-time application of IFRS 9	0	0	0	0	1,478	0	1,478	0	1,478
Total after adjustment due to first-time application of IFRS 9	240,544	68,832	-17,200	-6,022	26,531	629,608	942,293	3,611	945,904
Consolidated net income for the period	0	0	0	0	0	47,825	47,825	48	47,873
Other comprehensive income	0	0	2,214	-362	-9,855	0	-8,003	0	-8,003
Change in non-controlling interests	0	0	0	0	0	0	0	-1,351	-1,351
Distribution	0	0	0	0	0	-26,481	-26,481	0	-26,481
<b>As of 30 June 2018</b>	<b>240,544</b>	<b>68,832</b>	<b>-14,986</b>	<b>-6,384</b>	<b>16,676</b>	<b>650,951</b>	<b>955,633</b>	<b>2,308</b>	<b>957,941</b>

<sup>1</sup> The dividend distribution of kEUR 46,341 in 2019 corresponds to a dividend of EUR 0.70 (2018: EUR 0.40) per share and was effected on 25 June 2019.

# Notes to the consolidated interim financial statements

(condensed)

## 1. The Group

S IMMO Group (S IMMO AG and its subsidiaries) is an international real estate group. The ultimate parent company of the Group, S IMMO AG, has its registered office and headquarters at Friedrichstrasse 10, 1010 Vienna, Austria. The company has been listed on the Vienna Stock Exchange since 1987 and since 2007 in the Prime Market segment. S IMMO was included in the Austrian ATX benchmark index for the first time on 18 September 2017. It has subsidiaries in Austria, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Romania and Bulgaria. As of 30 June 2019, S IMMO Group owned properties in all the above countries. S IMMO Group is an international real estate group that engages in buying, selling, real estate project development, letting, asset management, and operating hotels and shopping centres as well as in revitalising and renovating properties in Austria, Germany and CEE (Slovakia, the Czech Republic, Hungary, Romania, Bulgaria and Croatia).

## 2. Accounting and valuation policies

### 2.1. Accounting policies

The consolidated interim financial statements for the six months ended on 30 June 2019 have been prepared in accordance with IAS 34 and do not contain all the information required to be disclosed in a full set of IFRS consolidated financial statements. The interim financial statements should therefore be read in conjunction with the IFRS consolidated financial statements for the year ended on 31 December 2018.

In preparing the consolidated interim financial statements for the six months ended on 30 June 2019, the accounting and valuation policies applied in the consolidated financial statements for the year ended on 31 December 2018 have been applied continuously.

The financial statements for the six months ended on 30 June 2019 have neither been audited nor reviewed by independent auditors.

The accounting policies of all companies included in the consolidation are based on the uniform accounting regulations of S IMMO Group. The financial year for all companies is the year ending on 31 December.

In the first half-year of 2019, Berlin VI GmbH (Germany) and SMART OFFICE DOROBANTI S.R.L. (Romania) were fully consolidated in the consolidated financial statements of S IMMO AG for the first time. A business combination as per IFRS 3 did not occur for the two newly consolidated companies, as the definition of a business according to IFRS 3 was not met.

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

### 2.2. New mandatory accounting regulations

The new standards and interpretations required to be applied with effect from 01 January 2019 did not have a material impact on the present consolidated interim financial statements (see also the disclosures contained in the IFRS consolidated financial statements for 2018).

The effects of IFRS 16 "Leases", which is required to be applied for the first time with effect from 01 January 2019, are discussed in detail below due to the complexity of lease accounting.

The first-time application of IFRS 16 took place in accordance with the modified retrospective approach in line with the transitional provisions of IFRS 16. The recognised right-of-use was calculated at the value of the leasing liability. The previous year's figures have not been adjusted.

With the first-time application of IFRS 16, the Group recognised leasing liabilities for leases that were previously classified as operating leases under IAS 17. These liabilities are measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate as of 01 January 2019. The weighted average incremental borrowing rate applied to leasing liabilities as of 01 January 2019 was 6.4%.

The Group as lessee recognised right-of-use assets of kEUR 4,654 and leasing liabilities of kEUR 4,767 in connection with the first-time application of IFRS 16. Of this figure, kEUR 4,496 (right-of-use) and kEUR 4,609 (leasing liabilities) relates to rights-of-use or to leasing liabilities in connection with construction rights that are classified as investment property and measured at fair value in accordance with IAS 40. The remaining leases in the amount of kEUR 157 relate to other plant and equipment.

The resulting transition effects as of 01 January 2019 are presented in detail in the following table:

### Effects of first-time application

EUR '000	01 Jan. 2019
Operating lease liabilities reported as of 31 December 2018	11,333
Discounted using the incremental borrowing rate at the date of first-time application of IFRS 16	4,791
+ (plus) Finance lease liabilities reported as of 31 December 2018	7,041
- (minus) Current leases from hotel operations expensed on a straight-line basis	-22
- (minus) Leases for low-value assets which are recognised as management expenses on a straight-line basis	-1
± (plus/minus) Adjustment due to differing assessments of renewal and termination options	0
± (plus/minus) Adjustments due to changes in indices or interest rates affecting variable payments (based on indices or instalments)	0
<b>Leasing liabilities reported on 01 January 2019</b>	<b>11,808</b>
of which current leasing liabilities	2,524
of which non-current leasing liabilities	9,284

There were no onerous leases as of the date of first-time application of IFRS 16, meaning that no corresponding write-downs of right-of-use assets were necessary.

Amendments to accounting policies had the following impact on balance sheet items as of 01 January 2019:

EUR '000	01 Jan. 2019
Other plant and equipment (right-of-use assets)	157
Properties held as financial investments (right-of-use assets)	4,496
Financial liabilities (leasing liabilities)	4,767
Other liabilities	-113

The interest and repayment component were shown in the cash flow from financing activities.

The Group applied the following simplifications when applying IFRS 16 for the first time:

- Leases with a remaining term of less than twelve months as of 01 January 2019 are recognised as current leases.
- Initial direct costs are not included in the measurement of right-of-use assets at the date of first-time application.
- The retrospective determination of the term of leases with renewal or termination options (use of hindsight)
- Application of a single discount rate to a portfolio of leases with similar terms
- As of 01 January 2019, leases classified as finance leases under IAS 17 were measured at the carrying amount resulting from the measurement of the leased asset and the leasing liability in accordance with IAS 17 immediately prior to this date.

For leases concluded prior to the transition date, the Group has decided not to re-examine whether a contract is or contains a lease at the date of first-time application, but instead to retain the previous assessment in accordance with IAS 17 and IFRIC 4.

The Group elects not to recognise an asset and a corresponding liability for short-term leases and leases where the underlying asset has a low value in accordance with IFRS 16.5. The Group's portfolio includes leases of low-value assets in accordance with IFRS 16 (Group as lessee) to an immaterial extent.

### Accounting policies in connection with IFRS 16

The Group primarily leases property for subletting (including land with construction rights). Rental contracts are typically concluded for fixed periods but may include renewal options. The rental conditions are negotiated individually and contain a range of different terms.

Up to and including 2018, leases were classified either as finance leases or operating leases. Payments in connection with operating leases were recognised in profit or loss on a straight-line basis over the lease term.

Since 01 January 2019, leases have been recognised as a right-of-use asset and a corresponding leasing liability from the date on which the leased asset is made available to the Group for use. Each lease payment is divided into repayment and financing costs. Financing costs are recognised in income over the term of the lease so as to achieve a constant periodic rate of interest on the remaining amount of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life and the term of the lease.

Property (excluding construction rights) is classified as a finance lease in accordance with IAS 17, whereas land in which the Group has a construction right is classified as an operating lease. Since 01 January 2019, construction rights are classified as investment property and measured at fair value in accordance with IFRS 16.34 in the same way as for property.

Leasing liabilities are recognised at the present value of the lease payments, which is composed as follows:

- Fixed payments (including de facto fixed payments, less any lease incentives receivable)
- Variable lease payments based on an index or (interest) rate
- Expected residual payments under residual value guarantees of the lessee
- The exercise of a purchase option if exercise by the lessee is reasonably certain

Lease payments are measured using the Group's incremental borrowing rate, i.e. the interest rate that the Group would be required to pay to raise the funds to acquire an asset with a comparable value and comparable conditions in a comparable economic environment. Right-of-use assets are carried at cost, which is composed as follows:

- The amount of the leasing liability upon first-time recognition
- All lease payments on or prior to provision, less any lease incentives received
- All initial direct costs incurred by the lessee
- The estimated costs incurred by the lessee for dismantling or removing the underlying asset, restoring the site at which the asset is located or returning the underlying asset to the condition required under the terms of the lease

Payments for current leases and leases of low-value assets are expensed on a straight-line basis. Current leases are leases with a term of twelve months or less.

## 2.3. Reporting currency and currency translation

The Group's reporting currency is the euro. The functional currency is determined as per the criteria of IAS 21 and has been identified as being the euro for the majority of S IMMO Group's companies.

## 3. Selected notes to the consolidated interim financial statements

### 3.1. Statement of financial position

#### 3.1.1. Investment properties

EUR '000	Rented properties	Properties under development and undeveloped land
As of 01 January 2018	1,668,405	37,100
Additions	140,439	26,420
Disposals	-281	-383
Other changes	0	0
Changes in fair value (realised through profit or loss)	154,335	10,613
Reclassifications as properties held for sale	-82,391	0
<b>As of 31 December 2018</b>	<b>1,880,507</b>	<b>73,750</b>
of which pledged as security	1,794,157	63,600
IFRS 16 first-time application effect	3,099	1,397
Additions	38,933	6,887
Disposals	-238	-1,810
Reclassifications	62,792	-62,792
Changes in fair value (realised through profit or loss)	108,952	24,920
Reclassifications as properties held for sale	-11,812	0
<b>As of 30 June 2019</b>	<b>2,082,233</b>	<b>42,352</b>
of which pledged as security	2,027,433	24,800

In addition, a change in the fair value of properties held for sale of kEUR 236 (HY 2018: kEUR 0) was recognised through profit or loss.

Consisting of:

### Rented properties

EUR '000	30 June 2019	31 December 2018
Austria	381,090	380,080
Germany	1,040,085	946,847
CEE	661,058	553,580
	<b>2,082,233</b>	<b>1,880,507</b>

### Properties under development and undeveloped land

EUR '000	30 June 2019	31 December 2018
Austria	0	0
Germany	35,792	7,350
CEE	6,560	66,400
	<b>42,352</b>	<b>73,750</b>

The measurement methods for the first half of 2019 correspond to level 3 of the IFRS 13.86 fair value hierarchy. The valuation result for the investment properties in the first half-year of 2019 are mainly based on valuations from external experts and apply to all segments.

### 3.1.2. Owner-operated properties

Owner-operated properties consist of hotels operated by S IMMO Group. The business of these hotels includes the rental of rooms and catering activities. These hotels are operated under management agreements for the most part, and consequently the risks associated with occupancy rates are borne by S IMMO Group. Hotels of this kind are outside the scope of IAS 40 (investment property) and are therefore to be treated as tangible non-current assets under IAS 16.

### 3.1.3. Other financial assets

Other financial assets mainly include shares in the companies IMMOFINANZ AG and CA Immobilien Anlagen AG that are accounted for as FVOCI (fair value through OCI, level 1 of IFRS 13.86 hierarchy level). In the first half of 2019, there were no transactions in the equity instruments mentioned above; all valuation effects are recognised in other comprehensive income. Dividend income totalling kEUR 17,000 was recorded through profit or loss in the reporting period (HY 2018: kEUR 14,332).

### 3.1.4. Cash and cash equivalents

EUR '000	30 June 2019	31 December 2018
Bank balances	133,467	72,931
Cash in hand	216	350
	<b>133,683</b>	<b>73,281</b>

### 3.1.5. Assets held for sale and liabilities in connection with assets held for sale

Properties are treated as "held for sale" if it is the intention of the Group's management to dispose of them in the near future. This was intended for one property in Austria and in Germany as of 30 June 2019.

#### Assets held for sale

EUR '000	30 June 2019	31 December 2018
Rented properties	50,717	40,381
Intangible assets	0	0
Other plant and equipment	0	0
Deferred taxes	0	0
Inventories	0	0
Trade receivables	98	0
Other financial assets	0	0
Other assets	32	0
Cash and cash equivalents	359	0
	<b>51,206</b>	<b>40,381</b>

#### Liabilities with assets held for sale

EUR '000	30 June 2019	31 December 2018
Deferred taxes	1,852	0
Financial liabilities	0	0
Income tax liabilities	0	0
Trade payables	750	0
Other liabilities	765	0
	<b>3,367</b>	<b>0</b>

### 3.1.6. Issued bonds

In May 2019, S IMMO AG issued one bond (ISIN AT0000A285H) with a total nominal value of kEUR 150,000 divided into 300,000 shares with a nominal value of EUR 500. The new bond was issued partly in exchange for the bond ISIN AT0000A19SB5.

As a consequence, the nominal value of the bond (ISIN AT0000A19SB5) decreased from kEUR 100,000 as of 31 December 2018 to kEUR 66,931.5 as of 30 June 2019.

The following table shows the key data for the corporate bonds issued:

ISIN	Total nominal value in EUR '000	Coupon	Effective interest rate	Maturity
AT0000A177D2	89,739.5	4.500%	4.66%	16 June 2021
AT0000A19SB5	66,931.5	3.000%	3.13%	02 October 2019
AT0000A1DBM5	33,993.5	3.250%	3.36%	08 April 2025
AT0000A1DVK5	65,000	3.250%	3.31%	20 April 2027
AT0000A1Z9D9	100,000	1.750%	1.90%	06 February 2024
AT0000A1Z9C1	50,000	2.875%	2.93%	06 February 2030
AT0000A285H4	150,000	1.875%	1.96%	22 May 2026

All of the bonds are listed in the Corporates Prime segment of the Vienna Stock Exchange.

### 3.1.7. Other financial liabilities

Other current and non-current financial liabilities amounted to kEUR 992,938 (31 December 2018: kEUR 954,574) and include primarily mortgage loans, derivatives and leasing liabilities.

### 3.1.8. Derivatives

The S IMMO Group currently uses swaps and caps to manage the interest rate risk in connection with property financing at variable interest rates. These derivatives were disclosed under other financial assets (30 June 2019: kEUR 57; 31 December 2018: kEUR 508) and under financial liabilities (30 June 2019: kEUR 42,035; 31 December 2018: kEUR 21,697). The fair value measurement of derivatives is based on estimates made by external experts. There were no changes to the applied measurement methods or key input parameters compared with the 2018 annual financial statements. The measurement falls under level 2 of the IFRS 13 fair value hierarchy. CVAs/DVAs were applied for the measurement of derivatives in analogy to the methods as of 31 December 2018.

Due to valuation effects in the first half-year 2019, expenses of kEUR 12,909 were recognised in other comprehensive income (HY 2018: expenses of kEUR 1,151). Valuation and OCI recycling effects had a negative effect in the consolidated income statement amounting to kEUR 8,448 (HY 2018: negative effect in the consolidated income statement of kEUR 469).

#### 30 June 2019

EUR '000	Nominal	Positive fair value	Negative fair value
Swaps	612,412	0	-42,035
Caps	190,000	57	0
<b>Total</b>	<b>802,412</b>	<b>57</b>	<b>-42,035</b>

#### 31 December 2018

EUR '000	Nominal	Positive fair value	Negative fair value
Swaps	589,479	97	-21,697
Caps	190,000	411	0
<b>Total</b>	<b>779,479</b>	<b>508</b>	<b>-21,697</b>

## 3.2. Consolidated income statement

### 3.2.1. Rental income

As a result of new effective IFRS regulations, revenues (building tax and building insurance billed to tenants) that were shown as revenues from operating costs until 31 December 2018 will be reported as rental income for the first time in the 2019 financial year. The previous year's figures have not been adjusted.

Because this is solely a reclassification within revenues, they remain unchanged overall in methodological terms compared to the previous years.

Rental income under the old regulations and broken down by the type of use of the properties is shown below, along with the cumulative change in presentation:

EUR '000	01-06/2019	01-06/2018
Office	19,376	16,515
Residential	13,100	12,116
Retail	20,989	19,366
Hotel	2,305	2,406
Subtotal "old"	55,770	50,403
Reclassification of former operating costs	2,335	n/a
<b>Rental income according to the consolidated income statement</b>	<b>58,105</b>	<b>50,403</b>

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

These expenses are almost exclusively expenses related to investment properties. They consist mainly of operating costs, valuation allowances for rents receivable, maintenance expenses and commissions.

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

The number of employees in the Group in the first half of 2019 averaged 612 (HY 2018: 591), including hotel staff. Personnel expenses for the hotels are disclosed under hotel operations.

### 3.2.3. Result from property disposals

EUR '000	01-06/2019	01-06/2018
<b>Income from property disposals</b>		
Investment properties	1,810	341
Properties held for sale	4,700	6,300
	<b>6,510</b>	<b>6,641</b>
<b>Book value of property disposals</b>		
Investment properties	-1,810	-341
Properties held for sale	-4,700	-6,300
	<b>-6,510</b>	<b>-6,641</b>
<b>Gains on property disposals</b>		
Investment properties	0	0
Properties held for sale	0	0
	<b>0</b>	<b>0</b>

### 3.2.4. Results from property valuation

The Germany segment accounted for kEUR 93,268 (HY 2018: kEUR 12,865) of the revaluation results, the Austria segment for kEUR 12,830 (HY 2018: kEUR 1,400) and CEE for kEUR 28,010 (HY 2018: kEUR 4,299).

### 3.2.5. Financial result

Net financial result consisted of the following:

EUR '000	01-06/2019	01-06/2018
Financing expense	-27,853	-19,218
Financing income	17,504	15,530
Results from companies measured at equity	7,830	2,436
	<b>-2,519</b>	<b>-1,252</b>

### 3.2.6. Taxes on income

EUR '000	01-06/2019	01-06/2018
Current tax expense	-2,733	-2,516
Deferred tax income/expense	-20,132	-2,752
	<b>-22,865</b>	<b>-5,268</b>

## 4. Operating segments

Segment reporting for S IMMO Group is based on geographical regions. The assessment and analysis of the regional structure follows the strategic direction, which differentiates between Austria, Germany and CEE. The regions are as follows:

**Austria:** This operating segment includes all of the Group's Austrian subsidiaries, apart from those with properties in Germany.

**Germany:** This operating segment includes the German subsidiaries and also subsidiaries in Austria (under Austrian company law) holding properties in Germany.

**CEE:** The CEE segment includes the subsidiaries in Slovakia, the Czech Republic, Hungary, Bulgaria, Croatia and Romania.

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

Each division operates independently of every other division. The chief operating decision maker for the divisions is the CEO.

EUR '000	Austria		Germany		CEE		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Rental income	9,500	9,271	24,552	19,992	24,053	21,140	58,105	50,403
Revenues from operating costs	2,065	2,305	5,281	5,801	8,832	8,361	16,178	16,467
Revenues from hotel operations	13,812	12,296	0	0	12,899	11,844	26,711	24,140
<b>Total revenues</b>	<b>25,377</b>	<b>23,872</b>	<b>29,833</b>	<b>25,793</b>	<b>45,784</b>	<b>41,345</b>	<b>100,994</b>	<b>91,010</b>
Other operating income	206	448	372	431	400	79	978	958
Property operating expenses	-4,201	-3,547	-13,869	-12,246	-12,925	-10,382	-30,995	-26,175
Hotel operating expenses	-10,065	-9,563	0	0	-8,255	-7,477	-18,320	-17,040
<b>Gross profit</b>	<b>11,317</b>	<b>11,210</b>	<b>16,336</b>	<b>13,978</b>	<b>25,003</b>	<b>23,565</b>	<b>52,657</b>	<b>48,753</b>
Gains on property disposals	0	0	0	0	0	0	0	0
Management expenses	-5,718	-5,380	-2,957	-2,707	-697	-1,091	-9,372	-9,178
<b>EBITDA</b>	<b>5,599</b>	<b>5,830</b>	<b>13,379</b>	<b>11,271</b>	<b>24,306</b>	<b>22,474</b>	<b>43,285</b>	<b>39,575</b>
Depreciation and amortisation	-2,267	-2,192	-84	-94	-1,747	-1,459	-4,098	-3,745
Results from property valuation	12,830	1,400	93,268	12,865	28,010	4,299	134,108	18,564
<b>EBIT</b>	<b>16,162</b>	<b>5,037</b>	<b>106,563</b>	<b>24,042</b>	<b>50,570</b>	<b>25,313</b>	<b>173,295</b>	<b>54,393</b>
	<b>30 June 2019</b>	<b>31 December 2018</b>	<b>30 June 2019</b>	<b>31 December 2018</b>	<b>30 June 2019</b>	<b>31 December 2018</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Non-current assets	976,856	915,053	1,078,464	955,457	750,515	702,095	2,805,835	2,572,604
Non-current liabilities	718,302	612,470	448,086	411,983	357,424	337,339	1,523,812	1,361,792

## 5. Other obligations and contingent liabilities

In S IMMO Group there were a number of open legal disputes as of 30 June 2019. However, in management's opinion, neither the individual amounts involved nor the total are material.

## 6. Related party disclosures

S IMMO Group's related parties are as follows:

- S IMMO Group's managing bodies and their close family members
- IMMOFINANZ AG
- Subsidiaries, associated companies and joint venture companies of the Group

S IMMO Group's managing bodies are as follows:

### S IMMO AG Management Board

- Ernst Vejdovsky, Vienna (CEO)
- Friedrich Wachernig, MBA, Vienna

### S IMMO AG Supervisory Board

- Martin Simhandl, Vienna (Chairman)
- Franz Kerber, Graz (First Deputy Chairman)
- Wilhelm Rasinger, Vienna (Second Deputy Chairman)
- Andrea Besenhofer, Vienna
- Hanna Bomba, Vienna
- Christian Hager, Krems
- Manfred Rapf, Vienna
- Karin Rest, MBA, Vienna

As of 31 December 2018 and 30 June 2019, there were no receivables or payables in connection with IMMOFINANZ AG. In the financial year 2018 and in the first half of 2019, there were no expenses or income in connection with IMMOFINANZ AG except for the dividends received.

S IMMO Group awards loans to associated companies. As of 30 June 2019, there were receivables of kEUR 5,507 (31 December 2018: kEUR 4,214) resulting from these loans. The members of the Management and Supervisory Board did not receive any loans or advances, and no guarantees were entered into on behalf of these persons.

## 7. Significant events after the balance sheet date

In the period after the 30 June 2019, a sales contract for the property Siebenbrunnengasse in Vienna was closed.

Vienna, 27 August 2019

Management Board

Ernst Vejdovsky m. p.

Friedrich Wachernig, MBA m. p.

# Declaration of the Management Board

pursuant to section 125 (1) item (3) Austrian Stock Exchange Act (Börsegesetz)

## Statement of all legal representatives

“We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group Management Report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial


statements, of the principal risks and uncertainties for the remaining six months of the financial year, and of the major related party transactions to be disclosed.”

Vienna, 27 August 2019

The Management Board



Ernst Vejdovsky



Mag. Friedrich Wachernig, MBA

# Financial calendar 2019

27 August 2019 Results for the first half-year 2019

26 November 2019 Results for the first three quarters 2019



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# Publication details

## Conception and design

Berichtsmanufaktur GmbH, Hamburg

## Photography

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Cover

fotolia



This Interim Report has been prepared and proofread with the greatest possible care and the information in it has been checked. Nevertheless, the possibility of rounding errors, errors in transmission or typesetting errors cannot be excluded. Apparent arithmetical errors may be the result of rounding errors caused by software. In the interests of simplicity and readability, the language of this Interim Report is as far as possible gender neutral. Therefore, the terms used refer to people of both genders. This Interim Report contains information and forecasts relating to the future development of S IMMO AG and its subsidiaries. These forecasts are estimates based on the information available to us at the time the Interim Report was prepared.

Should the assumptions on which the forecasts are based prove to be unfounded, or should events of the kind described in the risk report of the annual report occur, then the actual outcomes may differ from those currently expected. This Interim Report neither contains nor implies a recommendation either to buy or to sell shares or other financial instruments of S IMMO AG. Past events are not a reliable indicator of future developments. This Interim Report has been prepared in the German language, and only the German language version is authentic. The Interim Report in other languages is a translation of the German report.

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