Management report

Group fundamentals

Business activities and corporate structure

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, Czech Republic, Hungary, Romania and Croatia). The property portfolio consists of office buildings, retail properties, hotels and residential properties. S IMMO AG does not conduct research and development.

In addition to its registered office in Vienna, S IMMO Group has its own employees in Germany, Hungary, Romania and Bulgaria. The German-based property management company Maior Domus is part of the Group. The subsidiaries have their own staff and are responsible for local asset management and letting activities, among other things.

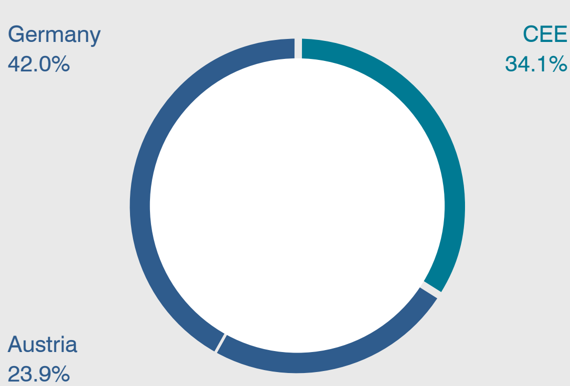
In addition, the Group holds numerous project, property and holding companies (please refer to section 2.2.4. of the notes). S IMMO AG has been listed on the Vienna Stock Exchange since 1987 and was included in the ATX, the Austrian benchmark index, in September 2017.

S IMMO had an annual average number of employees of 102 (annual average in 2016: 101), as calculated on the basis of full-time equivalents. Including hotel staff, the Group employed 577 (annual average in 2016: 575) people.

Property portfolio

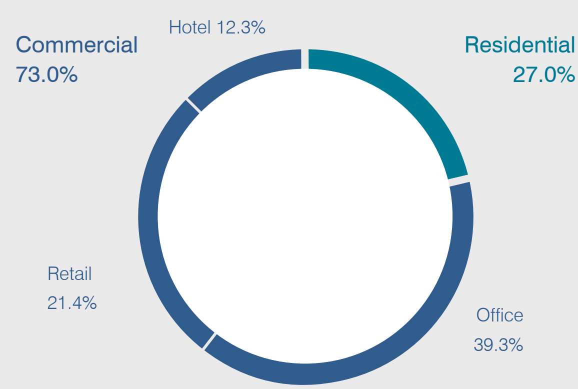
As of 31 December 2017, S IMMO Group's property portfolio consisted of 241 (31 December 2016: 194) properties with a book value of EUR 1,839.7m (31 December 2016: EUR 2,063.9m) and a total area of around 1.2 million m² (31 December 2016: 1.3 million m²). Most of the properties are located in capital cities within the European Union.

Book value by region[1]



[1] Including book value of land bank

Book value by use type[1]



[1] Including book value of land bank

Based on book value, properties in Austria accounted for 23.9% (31 December 2016: 30.7%) and for 42.0% (31 December 2016: 32.0%) in Germany. The properties in CEE accounted for 34.1% (31 December 2016: 37.3%).

Based on the main use type, the portfolio broke down into 39.3% offices (31 December 2016: 45.4%), 21.4% retail properties (31 December 2016: 24.8%), 27.0% residential properties (31 December 2016: 19.3%) and 12.3% hotels (31 December 2016: 10.5%) as at 31 December 2017. The occupancy rate of the entire portfolio was 94.8% (31 December 2016: 93.9%). The calculation of the occupancy rate includes all investment properties for which no development potential has currently been identified. The overall rental yield was 6.1% (31 December 2016: 6.2%).

Overview of rental yields [1]

in %	31 December 2017	31 December 2016
Germany	4.9	5.1
Austria	5.1	5.0
CEE	8.2	8.2
Total	**6.1**	**6.2**

[1] The rental yield is the ratio of annual rental income generated to the property value. The calculation includes all investment properties for which no development potential has currently been identified. With regard to additions in the course of the year, the rent is annualised.

Strategy and objectives

S IMMO AG has been pursuing a sustainable and prudent business policy for almost three decades with the aim of constantly improving its results and creating value for its shareholders. The company applies a robust business model and makes use of property cycles.

S IMMO acquires buildings with potential and is currently focusing on office properties in Berlin as well as on residential properties in economically up-and-coming German cities in the company's sphere of action such as Leipzig or Kiel. S IMMO makes these purchases in attractive market niches with little competition. The purchased buildings are refurbished and repositioned with innovative concepts. In-depth knowledge of the local markets is a key factor here. These measures facilitate increased occupancy rates, rents and customer satisfaction.

Project development and renovation are currently taking place in all regional segments. Great emphasis is placed on modern technologies and high property standards in these activities. All current development projects will be certified according to internationally recognised standards such as BREEAM.

Value-creating purchases and sales

> Purchases with high asset value as well as potential for high cash flow and value enhancement
> Opportunistic, strategic or cycle-oriented sales

Development

> New construction of properties
> Creation of prime properties in central locations
> Attractive development projects in Vienna, Berlin, Bratislava and Bucharest

Robust business model

Asset management

> Active management of properties
> Increase in occupancy rate and tenant satisfaction
> Increase in rents, yields and value

Leveraging potentials

> Investment in and repositioning of properties
> Restructuring
> Creative, innovative marketing concepts

The sale of properties is part of our cyclically oriented strategy. In the 2017 financial year, the sale of – amongst others – both office properties in Vienna's Viertel Zwei as well as the Serdika Center shopping centre with its related office building in Sofia was very successful.

In addition, the company invests in shares of listed Austrian real estate companies (CA Immobilien Anlagen AG and Immofinanz AG) and currently holds over 10% of Immofinanz AG and 5% of CA Immobilien Anlagen AG.

On the capital market, S IMMO has positioned its share as a reliable dividend-paying share and extended its international shareholder base. In September 2017, the S IMMO share was included in the ATX index. In February 2018, S IMMO successfully issued a six-year and a twelve-year bond. The company also cancelled the S IMMO INVEST profit participation certificates effective from 31 December 2017 in the reporting year, thus simplifying the financial structure of the Group.

Management and control

During the reporting period, the Management Board consisted of two members who work closely together and are in constant contact with each other. The basis for this is the statutory provisions, the articles of incorporation and the rules of procedure. The Management Board pursues a responsible and stable management approach aimed at enhancing earnings and increasing the Group's value on a long-term basis. In addition, the Management Board works closely with the Supervisory Board, which consisted of seven members at the end of the year (for further details, please refer to section 5.6. of the notes).

Economic overview

According to the International Monetary Fund (IMF), the global economy expanded by 3.7% in 2017, thus achieving higher growth than anticipated. The forecasts for 2018 and 2019 were each revised upward to 3.9%, as well.

In the euro area and the European Union (EU), the gross domestic product (GDP) increased by 2.4% last year according to the European Commission. The positive output is expected to continue in both the euro area and the EU in 2018 and 2019, with growth rates of 2.3% and 2.0%, respectively. Growth is being driven by the stronger economic conditions in Europe as well as an upswing in the global economy and international trade.

The economy of the CEE region saw particularly robust growth of 4.6% in 2017, benefiting from the high export demand in the euro area and loose fiscal policy. Higher minimum wages and lower social insurance contributions supported private consumption, which also had a positive impact on the economy.

According to the Institute for Advanced Studies (IHS), Austria's GDP grew by 3.1%, the highest rate since 2007. Economic activity was driven primarily by investments and exports, which benefited from the solid global economic conditions. Private consumption was supported by a marked rise in employment. Due to the rapidly expanding global economy and the robust domestic economic conditions, Austria's economic output is expected to continue growing in the coming years, albeit at a slightly slower pace.

Real estate market overview

Austria

Office space on the Vienna market expanded by 154,000 m² in 2017, an increase of 137% over the previous year. By contrast, the total take-up declined to 192,000 m². However, this trend is expected to change in 2018 due to the strong demand and positive economic conditions. Rents for modern office space in prime locations rose by 3% on average.

Vienna's hotel industry set a new record with 15.5 million overnight stays, which represents growth of 3.7%. Room revenues delivered an impressive gain of EUR 709.5m, an increase of 7%.

Germany

Amidst the low interest rate policy and solid economic development, the German market for owner-occupied flats enjoyed another outstanding year. The transaction volume increased by 11% compared with the previous year, totalling EUR 15.2bn. Prices are being driven higher and higher by the persistently rising demand and heightened competition.

The German office market continues to dominate market developments. The low unemployment rate and corporate expansions are leading to persistently high demand. The office employment rate is currently expected to increase by 1.5% per year until 2022. Berlin set a new record for revenues, surpassing the record set in the previous year by 4%. Moreover, peak rents rose by 9.1% to EUR 30.

Real estate market overview[1]

	Prime rents (EUR/m²/month)				Prime gross yields (%)				Total leasing activity (m²)		Vacancy rate (%)	
	Q4 2017	Q4 2016	Q4 2017	Q4 2016	Q4 2017	Q4 2016	Q4 2017	Q4 2016	2017	2016	Q4 2017	Q4 2016
	Office	Office	Retail	Retail	Office	Office	Retail	Retail	Office	Office	Office	Office
Berlin	30.00	27.50	320.00	335.00	3.10	3.40	3.25	3.40	925,500	888,300	3.2	4.9
Bratislava	16.50	16.00	65.00[2]	60.00[2]	6.25	6.90	5.75[2]	6.00[2]	116,798	148,764	6.2	6.6
Bucharest	18.50	18.50	50.00	50.00	7.50	7.50	7.75	8.00	252,188	284,141	9	11.7
Budapest	22.00	22.00	135.00	120.00	6.00	6.75	5.75	6.00	337,596	284,194	7.5	9.5
Vienna	26.00	26.00	310.00	310.00	3.90	4.00	3.30	3.40	192,000	327,115	4.9	5.3
Zagreb	14.75	14.00	60.00	60.00	8.00	8.00	6.75	6.75	36,993	26,450	5.7	14.4

[1] Source: Local CBRE Market Views Q4 2017
[2] Data for shopping centres; data for remainder of the locations is for high street retail.

Berlin's office market expanded by 182,200 m² in 2017, while the vacancy rate dropped to 3.1%. An additional 404,000 m² of office space are currently expected to be completed over the course of 2018.

CEE

Budapest's office market registered a leasing activity of 144,365 m² in the fourth quarter of 2017, a decline of 13% compared with the previous year. In addition, four new office buildings with a total area of 67,920 m² came onto the market during this period. Nevertheless, the vacancy rate fell to a record low of 7.5%.

The Budapest hotel sector is considered to be one of the strongest in the region. The number of guest arrivals in Budapest grew by 10% year-on-year in the first half of 2017. Furthermore, average overnight stays saw an increase to 76% and revenue per available room improved by 20%.

Prague's hotel market also continues to develop well, especially in the luxury segment. Overnight stays are expected to increase by 1.7% year-on-year and revenue per available room by 5.5% year-on-year in 2018.

The Bratislava office market turned in an outstanding performance in 2017, with total leasing activity reaching 111,300 m². This led to a historically low vacancy rate of 6.2%. At the end of 2017, a total of 11 projects were under development, seven of which are scheduled to be completed in 2018. This will add a further 187,000 m² of lettable space to the market.

The total office stock in Zagreb amounts to approximately 1 million m² of space. Leasing activity was primarily driven by relocations, but the vacancy rate still dropped to 5.7%. At the same time, prime rents rose to EUR 14.75 per m².

In Bucharest, seven office properties with 120,000 m² of space came onto the market in 2017, 90% of which was leased. This represents a total take-up of 100,700 m². Furthermore, a total of 900,000 m² are scheduled to be completed in the period from 2018 to 2020. The vacancy rate reached a new record of 9%.

The retail market in Romania continued to boom, driven by industrial production and strong domestic consumption, which can be attributed to a 13.4% increase in net income. Revenue rose by 10% between January and November 2017. The retail sector is currently an attractive investment segment and has enjoyed outstanding development over the past two years. This trend may diminish to a certain extent, but stable performance is still expected.

Sources: Budapest Research Forum, CBRE, Cushman & Wakefield, IMX December 2017 – Der Immobilienindex von ImmobilienScout24, JLL, Vienna Research Forum, www.b2b.wien.info, www.europa.eu/info, www.focus-economic.com, wwww.ihs.ac.at, www.imf.org, www.pwc.com/hospitality, www.trend.at

Business development and performance

In the 2017 financial year, S IMMO achieved the second-best annual result in the company's history after its record result in the previous year. Its consolidated net profit totalled EUR 133.5m (2016: EUR 204.3m), which brought the book value per share to EUR 14.21 as of 31 December 2017 (31 December 2016: EUR 12.02).

A significant component of income was the revaluation result, which was very positive once again at EUR 127.6m (2016: EUR 194.0m). The strong revaluation result was mainly driven by the ongoing dynamic positive development of the German property market, but the positive and partially recognised valuations in Austria and CEE also had a favourable influence.

Despite the sales in 2016 and 2017, EBITDA remained at approximately the same level as in the previous year and totalled EUR 9.6m (2016: EUR 92.5m). EBIT totalled EUR 208.1m (2016: EUR 278.7m) and EBT came to EUR 160.7m (2016: EUR 216.5m). Although both figures remained below the record level of 2016, they once again came in at high levels – also driven by improvements in the financial result.

Total tax expenses increased to EUR -27.3m (2016: EUR -12.1m) in comparison to the previous year, which was affected by positive one-off effects from the disposal of part of the German property portfolio. Earnings per share amounted to EUR 1.97 (2016: EUR 2.98).

Earnings situation

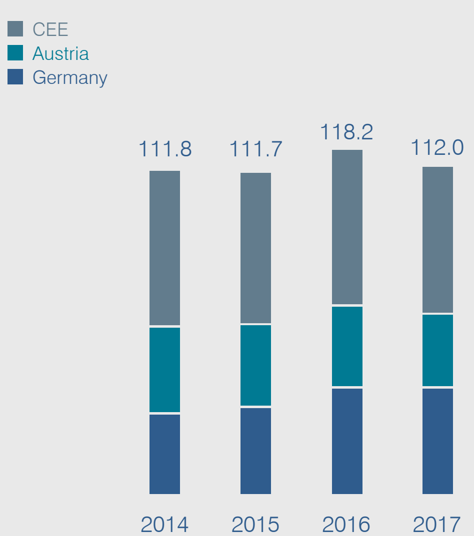
Total revenues for the 2017 financial year came to EUR 191.4m (2016: EUR 198.8m). The rental income included in this figure amounted to EUR 112.0m (2016: EUR 118.2m) and reflected the sales compared with the previous year. The drop in rent due to the sales in the 2016 and 2017 financial years was partially offset by a positive like-for-like performance and ongoing acquisitions in Germany.

Broken down by region, rental income for the reporting period was as follows: Austria and Germany contributed 22.1% and 32.7% respectively (2016: 23.7% and 31.4% respectively) – in total 54.8% (2016: 55.1%) and CEE 45.2% (2016: 44.9%). In terms of main use type, commercial properties (office, retail and hotel) contributed 80.2% (2016: 79.5%) and residential properties 19.8% (2016: 20.5%) of the rental income.

Revenues from hotel operations (revenues from the Vienna Marriott and Budapest Marriott Hotels, both operated under management agreements) rose to EUR 46.0m (2016: EUR 42.9m). After around half of the available rooms in the Vienna Marriott Hotel were renovated in the first half of 2016, the first half of 2017 was affected by the renovation of the remaining space. In the second half of 2017, all rooms were once again available to let in a fully renovated state.

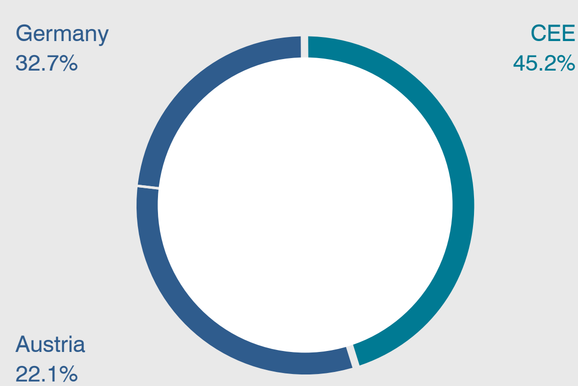
Total rental income [1]

in EURm



[1] Not including Vienna Marriott Hotel and Budapest Marriott Hotel

Rental income by region [1]



[1] Not including Vienna Marriott Hotel and Budapest Marriott Hotel

The improvement in property management expenses from EUR 64.2m to EUR 59.9m is partly due to lower revenue and the smaller property portfolio. Gross profit came to EUR 98.2m (2016: EUR 106.0m).

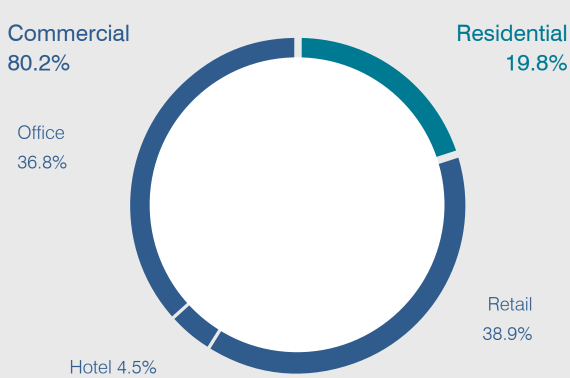
Successful property transactions

In the 2017 financial year, S IMMO sold the office buildings 'Hoch Zwei' and 'Plus Zwei' in Vienna and the Serdika Center shopping centre along with its associated office property in Sofia and two properties in Berlin as well as a property in Austria. The profit on disposals of EUR 10.3m (2016: EUR 5.1m) stems largely from the sale of the Serdika property. After this property was sold, S IMMO no longer owns any leased properties in Bulgaria.

At the same time, S IMMO was also active in terms of acquisitions in 2017. German properties representing a transaction volume of around EUR 64m were added to the S IMMO portfolio in the reporting period.

Management expenses remained at the same level in year-on-year comparison at EUR 19.0m (2016: EUR 18.6m). EBITDA for the 2017 financial year decreased to EUR 89.6m (2016: EUR 92.5m), mainly due to sales in 2016 and 2017.

Rental income by property use type[1]



[1] Not including Vienna Marriott Hotel and Budapest Marriott Hotel

Significantly positive revaluation result

The revaluation result developed very positively once again and at EUR 127.6m (2016: EUR 194.0m), it achieved the second-highest level in the company's history. Asset management measures aimed at increasing the value of properties and in particular the ongoing generally positive development on the German property market played a considerable part here. The Germany segment accounted for EUR 70.0m (2016: EUR 136.7m) of the revaluation results, the Austria segment for EUR 37.1m (2016: EUR 38.1m) and CEE for EUR 20.5m (2016: EUR 19.2m).

In comparison to the record year of 2016, EBIT of EUR 208.1m (2016: EUR 278.7m) mainly reflects the difference in the revaluation result.

Financial result

The financial result including participating certificates improved to EUR -47.4m (2016: EUR -62.2m). In particular, ongoing interest payments fell due to favourable refinancing options and the restructuring of the derivatives portfolio. Financial income from dividend payments of listed equity instruments of EUR 4.3m (2016: EUR 0.8m) and non-cash derivative valuation effects also had a positive influence on the financial result. Cost of funding (based on the variable and fixed-rate financial liabilities as of 31 December 2017, including bonds and derivatives) came to 2.67% (31 December 2016: 3.09%).

Development of EBT, net profit for the period and earnings per share

EBT decreased to EUR 160.7m (2016: EUR 216.5m) due to lower results from property valuations year-on-year.

Tax expenses amounted to EUR -27.3m (2016: EUR -12.1m). This increase stems primarily from the sales – in particular, the Serdika property in Sofia and the Viertel Zwei property in Vienna – but also from one-off effects from the previous year, where deferred tax liabilities were reversed without corresponding tax payment in connection with the disposals of part of the German property portfolio. All in all, net income amounted to EUR 133.5m (2016: EUR 204.3m), the second-highest level in the company's history.

Consolidated statement of financial position

As of 31 December 2017, S IMMO Group's total assets amounted to EUR 2,272.3m (31 December 2016: EUR 2,278.9m) and showed little change in comparison to the previous year: The disposals of properties in the financial year were almost entirely offset by investments and positive valuations. Cash and cash equivalents were slightly up on the previous year at EUR 73.4m (31 December 2016: EUR 66.0m). As of 31 December 2017, a German property with a fair value of EUR 6.3m (31 December 2016: EUR 0.0m) was held for sale.

In the 2017 financial year, equity investments were continued and the reporting threshold of 5% each for the listed companies Immofinanz AG and CA Immobilien Anlagen AG was exceeded. In Q1 2018, the reporting threshold of 10% for Immofinanz AG was exceeded.

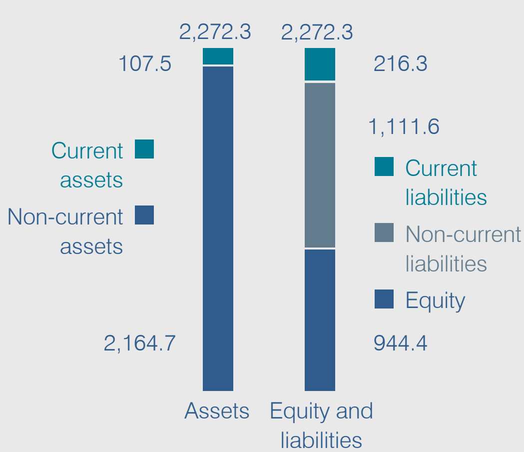
As of 31 December 2017, equity increased to EUR 944.4m (31 December 2016: EUR 824.3m) despite dividend payments. In this context, there were also disposals from minorities in equity as part of the sale of the Serdika property. The equity ratio therefore improved to 41.6% (31 December 2016: 36.2%) and the book value per share increased to EUR 14.21 (31 December 2016: EUR 12.02).

Financial management

All of S IMMO's loan liabilities are denominated in euros. As of 31 December 2017, 20% (31 December 2016: 13%) of loans were fixed-rate and 80% (31 December 2016: 87%) were variable-rate loans. S IMMO reduces the risk of rising interest rates on variable-rate financing with interest rate hedges such as swaps and caps.

Balance sheet structure

in EUR m



Breakdown of financial liabilities

in EUR m	2017	2016
Subordinated participating certificate capital	56.7	58.1
Issued bonds	287.5	287.2
Other non-current financial liabilities	686.6	770.7
Other current financial liabilities	113.4	184.1
Total	**1,144.2**	**1,300.1**

Net debt from secured financing is calculated from total financial liabilities of EUR 1,144.2m (2016: EUR 1,300.1m) less subordinated participating capital of EUR 56.7m (2016: EUR 58.1m), bond liabilities of EUR 287.5m (2016: EUR 287.2m), derivative liabilities of EUR 17.1m (2016: EUR 30.3m) and utilised credit lines of EUR 0m (2016: EUR 35.0m). As a result, net debt from secured financing totalled EUR 782.9m (2016: EUR 889.4m).

The ratio between this figure and property investments of EUR 2,138.2m (2016: EUR 2,151.3m) represents the loan-to-value ratio for secured financing. In the reporting period, this figure fell to 36.6% (31 December 2016: 41.3%).

Net debt from unsecured financing results from the following items: subordinated participating capital, bond liabilities and utilised credit lines. The available cash and cash equivalents of EUR 73.4m (2016: EUR 66.0m) are deducted from this. As a result, unsecured financing totalled a net amount of EUR 270.8m (2016: EUR 314.3m).

The loan-to-value ratio for unsecured financing in relation to total property investments therefore amounted to 12.7% in the reporting period (31 December 2015: 14.6%).

Thus, the total loan-to-value ratio (secured and unsecured) was reduced to below 50% and came to 49.3% (31 December 2016: 55.9%).

Total bond liabilities of EUR 287.5m are divided into four bonds maturing in 2019 (nominal value of EUR 100.0m), 2021 (nominal value of EUR 89.7m), 2025 (nominal value of EUR 34.0m) and 2027 (nominal value of EUR 65.0m). This division is based on the company's risk-optimising efforts to keep maturities from unsecured financing within a manageable range at all times.

In the first quarter of 2018, two further bonds were issued with a volume of EUR 100m for the bond with a tenor of six years and a volume of EUR 50m for the bond with a tenor of twelve years. Both bonds have fixed interest rates: 1.75% p.a. for the six-year bond and 2.875% p.a. for the twelve-year bond.

In the 2017 financial year, S IMMO exercised its right and cancelled all participating certificates as of 31 December 2017, with an impact on cash in the first half of 2018. Further details about the participating certificate liability are provided in the notes (section 3.1.13.).

As of 31 December 2017, S IMMO's liabilities to banks were spread among 23 (2016: 22) individual banks. The average maturity of liabilities to banks was 6.4 years (2016: 5.7 years).

Related party disclosures

More information on related parties can be found in the notes to the consolidated annual financial statements in section 5.6.

Non-financial performance indicators and corporate responsibility

Details on the non-financial performance indicators and on corporate responsibility can be found in the non-financial report starting on page 44.

Information in accordance with section 243a para 1 Austrian Commercial Code (UGB)

The following information must be disclosed pursuant to section 243a para 1 Austrian Commercial Code (UGB):

1. As of 31 December 2017, the issued share capital of S IMMO AG was EUR 243,143,569.90, divided into 66,917,179 no par value bearer shares. All shares have the same rights.

2. S IMMO AG's articles of incorporation restrict the voting rights of each shareholder at the Annual General Meeting to a maximum of 15% of the issued share capital. For this purpose, shares held by companies that together constitute a group for the purposes of section 15 Austrian Stock Corporation Act (AktG) are to be aggregated, as are shares held by third parties for the account of the relevant shareholder or the account of a company forming part of a group with that shareholder. Holdings of shares by shareholders exercising their voting rights in concert in virtue of an agreement or as part of coordinated behaviour are also to be aggregated. The Management Board of S IMMO AG is not aware of any agreements applying to limitations of voting rights or the transfer of shares (with the exception of the joint voting policy between Erste Asset Management GmbH and ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.; see item 3)

3. The company has been notified under section 91 et seq. Austrian Stock Exchange Act (BörseG) as amended of the following holdings in excess of 10% (corresponding to section 130 et seq. of the BörseG 2018):

On 20 April 2009, the company was notified that Sparkassen Versicherung Aktiengesellschaft (FN 82351 f; now Sparkassen Versicherung AG Vienna Insurance Group), a company forming part of Vienna Insurance Group, for the purposes of section 91 para 1

Austrian Stock Exchange Act (BörseG), had increased its interest in Sparkassen Immobilien Aktiengesellschaft (now S IMMO AG) to 7,000,000 shares, which was about 10.27% of the issued share capital at the time, and following the cancellation of treasury shares on 19 December 2013 constituted about 10.46% of the reduced share capital.

On 04 May 2017, S IMMO AG received notification under section 91 et seq. of the BörseG from Ronny Pecik that the two affiliated companies Pavus Immobilien GmbH & Co KG (FN 466427y) and Everest Investment GmbH & Co KG (FN 469572y) have shares in S IMMO AG. Pavus Immobilien GmbH & Co KG (FN 466427y) acquired an 8.00% share and Everest Investment GmbH & Co KG (FN 469572y) a 3.35% share.

On 28 December 2017, S IMMO AG received notification under section 91 et seq. of the BörseG from Ronny Pecik that RPR Privatstiftung (FN 191884h) had acquired 6,832,561 more shares in S IMMO AG from Erste Group Bank AG (FN 33209m) via its indirect subsidiary Theos GmbH (FN 421950s) (held by the direct subsidiary Luxury Living GmbH – in future: Theola Invest GmbH; FN 456014i) as the purchaser by way of a share purchase agreement dated 28 December 2017 (corresponding to the value date) and that the RPR Group therefore holds a total of 14,629,756 shares, i.e. around 21.86% in S IMMO AG, via its indirect subsidiaries Theos GmbH, Everest Investment GmbH & Co KG and Pavus Immobilien GmbH & Co KG.

On 28 December 2017, S IMMO AG received notification under section 91 et seq. of the BörseG from Familie Benko Privatstiftung (FN 209416s) that Familie Benko Privatstiftung had purchased an option to acquire all shares in Luxury Living GmbH (in future: Theola Invest GmbH) via SIGNA Holding GmbH (FN 191343m), which it controls.

According to the notifications in accordance with section 91 et seq. of the BörseG dated 28 December 2017 from Familie Benko Privatstiftung and Ronny Pecik, RPR Privatstiftung, Theola Invest GmbH, Theos GmbH, Everest Investment GmbH & Co KG and Pavus Immobilien GmbH & Co KG respectively concluded agreements with SIGNA Holding GmbH on 28 December 2017. These agreements stipulate that (i) SIGNA Holding GmbH shall finance the acquisition of 6,832,561 more shares in S IMMO AG with participation rights from capital investment of Theola Invest GmbH. (ii) From 15 January 2018 to 15 December 2019, SIGNA Holding GmbH has the right to acquire 2,443,770 shares in S IMMO AG held by Everest Investment GmbH & Co KG and 5,353,425 shares in S IMMO AG held by Pavus Immobilien GmbH & Co KG, and the right to acquire the entire stake in Theola Invest GmbH, which indirectly holds 6,832,561 shares in S IMMO AG via Theos GmbH. (iii) From 30 September 2018 to 30 June 2019, SIGNA Holding GmbH is obligated, upon the joint request of Everest Investment GmbH & Co KG and Pavus Immobilien GmbH & Co KG, to acquire 2,443,770 shares held by the former and 5,353,425 shares held by the latter in S IMMO AG. (iv) From 15 January 2020 to 30 June 2020, upon the request of Theos GmbH, SIGNA Holding GmbH is obligated to acquire 6,832,561 shares in S IMMO AG and upon request of RPR Privatstiftung to acquire the shares held by it in Theola Invest GmbH, which holds 6,832,561 shares in S IMMO AG indirectly via Theos GmbH. Reference was made to the fact that in accordance with section 13 (3) of the articles of association of the issuer, the voting rights of each shareholder at the Annual General Meeting of the issuer is limited to 15% of the issued shares.

Notification under section 91 para 1 Austrian Stock Exchange Act (BörseG) was received from Erste Asset Management GmbH on 30 November 2011 that it and its subsidiaries RINGTURM Kapitalanlagegesellschaft m.b.H. and ERSTE-SPARINVEST Kapitalanlagesellschaft m.b.H. pursue a joint voting policy, and that the voting decisions of the managed funds are therefore submitted in aggregate. The three companies therefore reported that as of 29 November 2011, they held 8,130,557 shares in aggregate, which was about 11.94% of the issued share capital at the time, and following the cancellation of treasury shares on 19 December 2013 constituted about 12.15% of the reduced share capital. RINGTURM Kapitalanlagegesellschaft m.b.H. was merged into Erste Asset Management GmbH with effect from 31 December 2015.

For clarification purposes, S IMMO AG states that it has learned of the existence of the above-mentioned equity interests greater than 10% based on notifications under section 91 et seq. of the BörseG in the respective amended version (corresponding to section 130 et seq. of the BörseG 2018), and that it therefore cannot guarantee the completeness or correctness of the above information. Moreover, notifications in accordance with the Austrian Stock Exchange Act (BörseG) are only required upon reaching, exceeding or falling below the relevant thresholds, so that the actual current extent of the interests may differ from those listed in the notifications.

4. There are no shares with special control rights.

5. Employees who are shareholders exercise their voting rights at the Annual General Meeting directly, if appropriate.

6. The Management Board consists of two, three or four members.

The members of the Management Board are appointed by the Supervisory Board by a three-quarters majority of the votes cast. The Supervisory Board may at the same time appoint a member of the Management Board as Chairman and another member as Deputy Chairman.

This resolution also requires a three-quarters majority of the votes cast. Appointment to the Management Board is open only to those under the age of 65 at the time of appointment.

The Supervisory Board consists of a maximum of 10 members elected by the Annual General Meeting. Resolutions proposing increases in share capital are passed by a simple majority of the votes cast at the Annual General Meeting and by a simple majority of the shareholders voting on a resolution.

7. At the 27th Annual General Meeting of 03 June 2016, the Management Board was authorised under the provisions of section 65 para 1 item 8 Austrian Stock Corporation Act (AktG) for a period of 30 months from the date of the passing of the resolution, that is, until 03 December 2018, with the approval of the Supervisory Board, to acquire shares in the company up to the statutory maximum of 10% of the company's share capital on one or more occasions, and if appropriate to cancel them. The company currently holds 525,421 treasury shares, which corresponds to 0.7852% of the current share capital. The Management Board was also authorised for a period of five years from the date of the passing of the resolution, that is, until 03 June 2021, with the approval of the Supervisory Board, to dispose of treasury shares in a manner other than through the stock exchange or through a public offer and under exclusion of shareholders' subscription rights.

8. The 4.5% S IMMO bond 2014–2021 issued in June 2014 (volume of around EUR 90m), the 3% S IMMO bond 2014–2019 issued in October 2014 (volume of EUR 100m), the 3.25% S IMMO bond 2015–2025 issued in April 2015 (volume of around EUR 34m), the 3.25% S IMMO bond 2015–2027 issued in April 2015 (volume of EUR 65m), the 1.75% S IMMO bond 2018–2024 issued in February 2018 (volume of EUR 100m) and the 2.875% S IMMO bond 2018–2030 (volume of EUR 50m) contain change-of-control clauses. Under the terms and conditions of the bonds issued in 2014 and 2015, in the event of a change of control, the bond creditors are entitled to cancel the partial debenture and can demand immediate repayment. Under the terms and conditions of the bonds issued in February 2018, in the event of a change of control, the bond creditors are entitled to cancel the partial debenture provided this change of control leads to a significant limitation on the ability of the issuer to fulfil the obligations under the partial debentures.

Under the terms and conditions of the bonds, a change of control occurs if, at any time, one person or several persons acting jointly or a third party or third parties acting for said person or persons directly or indirectly acquire (i) more than 50% of the voting rights associated with the shares of the issuer (irrespective of the maximum voting right) or (ii) the right to designate the majority of members of the Management Board of the issuer and/or the shareholder representatives on the Supervisory Board of the issuer.

9. There are no special compensation agreements between the company and members of the Management and Supervisory Boards or the company's employees that would take effect in the event of a public takeover offer.

Risk management report

As an international real estate group, S IMMO Group faces a host of risks and opportunities that impact operating activities and strategic management. By identifying, analysing, managing and monitoring risks and opportunities, the Group strives to detect negative developments and potential risk factors in good time and take them into account in its decision making processes. S IMMO engages in long-term property investments by developing, buying, letting, operating, renovating and selling properties in Austria, Germany and CEE. The portfolio contains commercially used properties (office, retail and hotel) and a complementary set of residential properties. Other activities of the Group therefore include:

- real estate project development
- the operation of hotels and shopping centres
- the refurbishment of portfolio properties
- asset management

Moreover, S IMMO AG invests in shares of listed Austrian property companies (CA Immobilien Anlagen AG and Immofinanz AG) and currently holds over 10% of Immofinanz AG and over 5% of CA Immobilien Anlagen AG.

In addition to internal regulations and guidelines, risk management at S IMMO comprises ongoing reports in the context of regular meetings with the Management Board. Furthermore, there are control measures implemented by the Group for the purpose of the early detection, management and monitoring of risks. The Management Board takes the key risk-relevant decisions. Investment projects above a specific volume also require approval from the Supervisory Board. Both management bodies are regularly informed with regard to risks and the Internal Control System. The risk groups set out in this section have been analysed and assessed retrospectively for the financial year 2017 and also with regard to business activities in 2018.

Internal Control System

An Internal Control System (ICS) is in place for all key business processes. Aspects such as the reliability of financial reporting are monitored and controlled by this system. In conjunction with the Internal Audit department and compliance with (stock exchange) regulations, the ICS constitutes S IMMO Group's internal monitoring system. Core processes – in particular those relating to the Group's financial reporting – are set out in the internal processes database. This includes a risk management matrix in which the processes, potential individual risks and the assigned control steps are defined.

Key features of the accounting-specific ICS are:

- Clear division of tasks between finance and accounting as well as other areas of responsibility (e.g. treasury)
- Guidelines on the application of uniform accounting and valuation methods in the consolidated financial statements
- Assessment of risks that could lead to a material misstatement of transactions (e.g. incorrect allocation to balance sheet or profit and loss items)
- Appropriate control mechanisms in the automated preparation of the consolidated financial statements
- Reports to internal recipients (Management Board and Supervisory Board) include quarterly, segment and liquidity reports as well as additional individual analyses as required.
- Within the preparation process for the consolidated financial statements, the respective Accounting departments of the individual companies are required to prepare reporting packages by each reporting date on the basis of the group-wide accounting manual and to send these to headquarters for further processing. The various subsidiaries use external service providers to prepare the reporting packages on behalf and under the responsibility of the respective management. In the context of the process-specific control activities, Group Accounting performs regular reviews of the completeness and accuracy of the reported data. Various deviation analyses are also performed in ongoing coordination with the Management Board. These include a review of the data of all Group companies at headquarters together with the specialist departments (e.g. Asset Management and Tax), with the involvement of the Accounting departments of the individual companies. When preparing the consolidated financial statements, Group Accounting uses a validated consolidation software package. The effectiveness of risk management is assessed each year on the basis of the critical self-assessment of the Group and on a voluntary basis of the Group's auditor in line with the requirements of C Rule no. 83 of the Austrian Code of Corporate Governance (ÖCGK). The Management Board, Supervisory Board and Audit Committee are made aware of the results of this audit.

Internal Audit

S IMMO's Internal Audit department coordinates audits of significant business processes of the Group parent company and its Austrian and foreign subsidiaries with regard to their effectiveness, existing risks and control weaknesses as well as potential improvements in efficiency. The audits take place in cycles of several years and are based on the annual audit plan approved by the Management Board. In addition, special audits are commissioned as required. Only external experts are commissioned to perform the audits. The results of the audits are reported to the Management Board. The Audit Committee of the Supervisory Board is regularly informed regarding the audit plan and the results of the audits.

Risk overview

Corporate strategy risks	Property-specific risks	Financial risks	Other risks
Business environment and industry risk Investment risk Capital market risk	Property portfolio risk Letting and rental default risk Property development risk Construction risk Property valuation risk	Liquidity risk Interest rate risk Financing risk Exchange rate risk Tax risks	Environmental risk Risks related to the matters of the NaDiVeG Legal risk and regulatory risks

Explanations on individual risks

Corporate strategy risks

Strategic risks are closely related to S IMMO's business strategy and could strongly influence it.

Business environment and industry risk

The development of an industry is heavily dependent on external factors such as the economy or the prevailing technological, political and legal situation. As the economic environment is constantly changing, the resulting risks are hard to forecast. A deterioration of the economic situation in a market can affect purchase and sale prices as well as the value of and return on a property. In addition, rent reductions, rental defaults or a termination of rental agreements by tenants may occur. To counter these risks, S IMMO owns properties in different regions with various use types. Careful asset management and constant monitoring also contribute to reducing the described risks. At present, the situation on the markets where S IMMO operates is as following: The good economic situation and the completion of numerous projects could lead to a rise in the leasing activity on the Vienna office market. It is expected that rents in particular of modern and centrally-located office spaces will increase. The ongoing demand and shortage of space on the Berlin office market could increase rental prices again and ensure a continuously decreasing vacancy rate. Conversely, a stagnation of prices is expected for the German residential property market. The economic growth in several CEE markets is increasing the demand for office properties.

Investment risk

S IMMO faces risks in investments in property development projects as well as property purchases. These are often caused by factors beyond S IMMO Group's control, for example delays in the completion of property projects or the subsequent deterioration of the local economic situation. Therefore, the Group's strategy is oriented towards reducing potential investment risks through careful selection, planning and execution of property projects and purchases. There are set investment volume limits above which the approval of the Supervisory Board is required. Nevertheless, a residual amount of investment risk always remains with any investment, particularly in properties, and it can negatively influence cash flows and valuations.

S IMMO holds a significant amount of shares of Immofinanz AG and CA Immobilien Anlagen AG. As property investment companies and property developers, both of these companies are exposed to similar risks to those of S IMMO, particularly all risks associated with the purchase, development, operation and sale of properties as well as general business risk. For information on the particular risks of these companies, please refer to the corresponding financial reports of the two companies. The shares of Immofinanz and CA Immo are listed in the Austrian ATX benchmark index and are subject to market price risks that could have a negative impact on S IMMO's equity.

Capital market risk

The capital market is very important to S IMMO in terms of raising equity and debt. Unstable capital markets can impair the Group's financing options. The management works on strengthening investors' confidence in the securities issued by S IMMO AG through transparent, reliable information and prompt communication.

Property-specific risks

S IMMO is exposed to all risks associated with the purchase, development, operation and sale of properties.

Property portfolio risk

S IMMO counters property portfolio risk with a balanced portfolio mix. The portfolio contains offices, retail and residential properties as well as hotels. In geographical terms, the properties are divided between Austria, Germany and CEE. The Group focuses on capital cities and metropolises within the European Union. The value of a property depends largely on its location and intended use. Therefore, the attractiveness of the location or the potential use can significantly affect S IMMO's financial situation. The property portfolio risk was not identical in all regions and use types in the financial year 2017: Through diversification within the portfolio, the risks of one market can often be cushioned by positive developments in another market.

Letting and rental default risk

Letting risk is closely linked to the general economic situation in the individual markets, and therefore involves associated uncertainty in terms of forecasting. In the current year, there is again a letting risk – also regarding contract extensions – due to the various political and economic developments in the individual markets. The competitive situation can also have an impact on the letting rate and contract extensions. Competition between owners for prestigious tenants is intense. Rents are under pressure in some markets in which S IMMO operates. This might imply accepting rents that are lower than originally forecasted. In addition, S IMMO is exposed to rental default risk. If the Group is unable to extend expiring rental agreements on favourable terms or find suitable creditworthy tenants who are willing to enter into a long-term lease, this impairs the market value of the properties concerned. There may also be long-term vacancies. Particularly in times of economic and political uncertainty, S IMMO may be forced to accept rent reductions in order to maintain its letting rate. The credit rating of a tenant can decrease in the short or medium term, particularly during an economic downturn. In addition, there is the potential risk of a tenant becoming insolvent or otherwise being unable to fulfil its payment obligations under the rental agreement.

Property development risk

In the area of property development, risks may arise in connection with construction cost overruns, construction delays, (construction) quality defects, letting or delays in receiving official approvals. S IMMO counters these risks with regular cost, quality and deadline checks as well as deviation analyses.

Construction risk

Construction risk is the risk of damage to newly constructed properties and portfolio properties, which S IMMO reduces through industry-standard construction contracts with experienced construction firms, warranty periods and guarantees. To limit risks in this area as much as possible, detailed inspections are arranged before the end of the warranty periods so that any damage can still be rectified at the construction firm's expense. To safeguard against conventional damage to portfolio buildings, such as fire or water, S IMMO takes out insurance policies at usual market conditions.

Property valuation risk

Property valuation depends on various macro-economic conditions – which are beyond the Group's control – and on property-specific factors. In this respect, property valuation risk describes the risk of negative fluctuations in the value of the property portfolio. Beyond the expected rental income, condition and the historical letting level, property experts can also take into account other factors such as taxes on land and property, operating costs, third-party claims on the basis of environmental risks or risks associated with specific construction materials. Any change in the value of a property can have a negative impact on the Group's net profit or loss and, as a further consequence, its equity and therefore also its share price and creditworthiness. The Group recognises investment properties at fair values, and generally has them valued once a year by external experts.

Financial risks

For the S IMMO Group, the management of financial risks mainly involves the consideration of liquidity, interest rate, financing and exchange rate risks.

Liquidity risk

On the basis of continuous liquidity planning, the Finance department coordinates the Group's cash flows in cooperation with Project Development, Asset Management and Acquisition department, checks them for plausibility and constantly adjusts them in order to ensure liquidity. The Group has fluctuating holdings of cash and cash equivalents that are invested in accordance with the respective operational and strategic requirements and objectives. Furthermore, it conducts hedging transactions, especially to hedge against changes in interest rates and the associated fluctuations in its financing costs. These hedging transactions could prove to be inefficient or unsuitable for meeting the set targets, and could lead to losses that impact income. In addition, the Group is exposed to the risk of its contracting partners failing to fulfil their contractual obligations under the hedging or investment transactions (counterparty risk). S IMMO Group counters this risk by concluding investment and hedging transactions only with respectable banks with a sound credit rating. Stricter equity and liquidity regulations for banks and resultant increased lending restrictions and reduced lending levels may lead to problems with refinancing. Despite its mainly long-term loan agreements, S IMMO may be affected primarily in the event of loan extensions and refinancing (see also financing risk). This risk may arise primarily when loan extensions or refinancing are delayed or are granted at a lower level than expected. If S IMMO were to be unable to utilise suitable and appropriate external borrowings for project developments and acquisitions or refinancing of expiring external borrowings on time or at all, this could significantly impair its ability to fulfil its obligations under project development contracts or in acquisition projects. There is also the risk of being unable to repay bonds at the end of the term. All these consequences or an inability to fulfil the obligations under existing financing agreements and partial debentures due to lack of availability of free liquidity may lead to a significantly adverse impact on the Group's net assets, financial position and earnings situation and impair the Group's credit rating.

Interest rate risk

The vast majority of S IMMO Group's financing agreements provide for a variable interest rate, resulting in the risk of a changing interest rate level. The costs of interest payments increase if the respective reference interest rate rises. However, the European Central Bank is currently expected to keep the base rate at a very low level for the time being. S IMMO Group reduces interest rate risk on a long-term basis by hedging the interest rates of its variable-rate loans. As of 31 December 2017, 20% (31 December 2016: 13%) of loans were fixed-rate and 80% (31 December 2016: 87%) were variable-rate loans – mostly pegged to the three-month Euribor. S IMMO generally hedges its variable-rate loans with the following derivative financial instruments: swaps and caps. At the end of the year, most of the variable-rate financing portfolio was hedged. The extent to which the Group uses instruments of this kind depends on the assumptions and market expectations of the management and the responsible employees at S IMMO with regard to the future interest rate level as well as the development of borrowing levels. If these assumptions prove to be incorrect, this may lead to a significant rise in interest expenses. The stress tests, which include the existing bonds (please refer to section 5.2.1. of the notes for details), show that S IMMO Group is exposed to interest rate changes to a limited extent. An Euribor of 1.0% p.a. increases the cost of funding by 15 basis points. This means that despite hedging with derivative financial instruments, the Group would be exposed to higher financing costs if interest rates were to rise.

Financing risk

Market conditions for property financing are constantly changing. After the financial and economic crisis, a steady and significant improvement in the refinancing situation has been observed for some years now. Refinancing – including large volumes – was concluded at further reduced margins due to the investment pressure on many banks, particularly in Germany and Austria. Borrowing conditions have also further improved in CEE depending on the asset class, location and loan volume. The attractiveness of various types of financing depends on several factors, some of which are beyond the Group's control. These factors include in particular market interest rates, tax-related aspects and the assessment of the value and realisation potential of properties that serve as collateral, as well as the assessment of the general economic situation by the financing partners. In times of highly volatile property markets, lenders may sometimes be unwilling to extend maturing loans under terms that are acceptable to S IMMO Group. This can lead in particular to higher margins, lower lending levels and the need to provide further collateral, it might also generally lead to a lack of refinancing options. If the Group is unable to generate liquidity or external funds to the required extent at the required time or to borrow under acceptable terms, its ability to fulfil its obligations under financing agreements could be impaired. S IMMO Group strives to reduce this risk by spreading its borrowing among different lenders (23 individual banks as of the reporting date of 31 December 2017). Borrowing is monitored on the basis of approvals on a staggered basis by the Management Board and Supervisory Board. As of 31 December 2017, non-current liabilities to banks had an average weighted residual term of 6.4 years. This long-term financing is standard industry practice. In addition, there is the risk that it may not be possible to comply with financial covenants (clauses in loan agreements regarding the permitted indebtedness and the debt service cover ratio) or other contractual terms, guarantees or conditions in financing agreements. This may limit flexibility in financing future business activities. Compliance with financial covenants is constantly monitored by S IMMO Group in close contact with lending financial institutions. Covenant infringements may constitute a default incident. The Group is committed to a balanced ratio between financing and the book value of the property portfolio (loan-to-value ratio). As of 31 December 2017, the Group-wide loan-to-value ratio for secured financing stood at 36.6% (31 December 2016: 41.3%). In addition, the Group has unsecured financing (utilised credit lines, loans and subordinated participating capital) that was equivalent to 12.7% (31 December 2016: 14.6%) of the property assets. Despite close monitoring of financing instruments and the relevant parameters, S IMMO could be confronted with risks in the area of refinancing if the economy and the financing environment deteriorate sufficiently.

Exchange rate risk

S IMMO Group's borrowings are entirely denominated in euros and rental agreements are linked mainly to the euro. Therefore, the direct cash-effective exchange rate risk is regarded as low. A changed situation for another currency could indirectly have an impact on the purchasing power of customers locally, which would have a medium-term effect on property valuations. In accounting terms, short-term, non-cash exchange rate effects could have an impact on the profit and loss account. This may be the case in particular with the Budapest Marriott Hotel depending on how the Hungarian forint develops against the euro.

Tax risks

As an international property group with companies in nine European countries, S IMMO Group is exposed to a large number of different, constantly changing national tax systems. Changes in local taxation conditions (e.g. property-related taxes, sales taxes or income taxes) and uncertainty or different interpretations of the often complex tax regulations may lead to unplanned tax charges and therefore always constitute a risk to earnings. By working with local experts at all times, S IMMO attempts to identify possible consequences early on so that they can be reflected in decision-making, and in order to ensure that adequate accounting provisions are made for all known risks (in connection with Group audits and other fiscal procedures).

Other risks

Environmental risk

S IMMO is potentially affected by various environmental risks such as natural or man-made disasters. Environmental risks may arise in connection with portfolio properties as well as development projects. For example, amended laws or renovation obligations as a result of environmental or safety regulations may require the removal or replacement of materials. Environmentally harmful substances at a development site may also have to be disposed of. New or stricter environmental, health and safety legislation may also give rise to additional costs. Natural disasters or extreme weather conditions such as floods, storms and hail may cause significant damage to properties under construction or portfolio properties. Man-made disasters such as nuclear incidents or accidents may also cause damage. Serious material damage to buildings is covered by appropriate building insurance policies, supplemented by special insurance policies such as against earthquake damage in Romania. S IMMO strives to reduce environmental risks by performing thorough location analyses and obtaining written guarantees when making acquisitions and investments.

Risks related to the matters of the NaDiVeG

The Austrian Sustainability and Diversity Act (NaDiVeG) requires a discussion on the key risks, which could have negative effects on the following considerations (environment, employees, society, combating corruption and bribery and observing human rights). Significant risks in conjunction with the issues mentioned in the non-financial report and measures for identifying, evaluating, avoiding and limiting the risks are described in the following section of the risk report.

S IMMO is aware of its responsibility towards the environment. The construction of new buildings results in an increase in CO_2 emissions and the greenhouse effect is accelerated by the additional energy consumption. Furthermore, hazardous waste could be released into the environment during new construction projects or renovation work by using harmful construction materials that contain pollutants. To counter these risks, S IMMO handles portfolio properties and development projects responsibly by monitoring CO_2 emissions determined by real consumption and by paying attention to energy-efficient construction methods and the use of high-quality and ecological materials. The energy situation will be considered in both new construction projects and renovations and conversion work is always performed in accordance with the economic conditions. If possible, it is ensured that renewable energies are used in the countries' electricity mix. In new construction projects, efforts are made to obtain green building certificates. In this respect, several S IMMO buildings have already received sustainability certificates.

In addition to environmental management, S IMMO is also responsible for safety on construction sites when commissioning new buildings and conversion work. A lack of quality and breaching safety regulations could jeopardise the safety and health of workers. A lack of care on construction sites can also lead to complaints from residents regarding noise and dust. S IMMO therefore chooses its partners carefully and works exclusively with serious general contractors with high quality standards.

There is always the risk of corruption cases in day-to-day business. Some of the countries in which S IMMO operates have a poor ranking according to the Corruption Perceptions Index, which can lead to penalties or disciplinary action in the event of breaching the compliance guidelines.

Furthermore, S IMMO has a high level of social responsibility along the supplier chain and therefore ensures compliance with all statutory provisions when choosing its partners. Core values such as transparency and fair and sustainable corporate management are deeply enshrined in S IMMO's corporate culture. This is also evidenced by S IMMO's commitment to the Austrian Code of Corporate Governance (please refer to the corporate governance report from page 36 for details).

S IMMO also deals with challenges and potential risks which may arise in connection with its employees. For S IMMO, it is therefore a matter of course to reduce negative effects on the health of its employees to a minimum. Adequate work-life balance and the balance between fostering and challenging employees are also taken into account. Only through specialist qualifications and training our employees are in the position to carry out the tasks they have been assigned independently. In addition, an extensive health programme is offered to employees at S IMMO.

There are no risks which could arise as a result of S IMMO's activities that may have a negative impact on human rights.

Legal risk and regulatory risks

S IMMO is exposed to a large number of legal risks as a result of its business activities. These stem mainly from legal disputes in connection with S IMMO's business operations (for example disputes arising from property transactions or with construction firms) and regulatory risks. If applicable, provisions in accordance with IFRS requirements are formed for ongoing legal disputes. As the outcomes of arbitration or legal proceedings are generally hard to predict, expenses may exceed the allocated provisions. Significant risks may also arise from changes in the law, particularly as S IMMO operates in a highly regulated environment and in different jurisdictions.

The Group operates in a regulatory environment in which the regulations – in particular market abuse, data protection and antitrust legislation – are and will be enforceable with severe penalties. The measures taken by the company may prove insufficient to prevent breaches of legislation and may therefore entail the imposition of substantial fines.

Overall statement on risks and opportunities

S IMMO AG's business activities are subject to a large number of risks and are heavily dependent on the economic situation in the markets in which the Group operates. The European Commission expects stable growth of the Monetary Union, forecasting economic growth of 2.3%. In addition to the uncertain consequences of Brexit, one of the major uncertainties on a political level is the increasing tendency towards protectionism in many countries, such as in the United States.

In the reporting year, S IMMO benefited from the dynamics on the property markets and the disposal of some properties as a result. Although numerous new properties will be completed in S IMMO's markets in 2018, the company expects that they will be met with high demand and that sale and rental prices will remain stable. If the economic situation in the markets were to deteriorate, the Group would have to expect an increase in industry, property portfolio, property valuation, letting and rental default risk.

Liquidity and financing are another risk. While the property sector is currently continuing to benefit from persistently low interest rates, the Group is expecting a moderate increase in interest rates in the medium term. S IMMO prepared itself prior to the change in the interest rate situation and hedged the low interest rates of recent years in the long term using derivatives.

As the price adjustments on the stock exchanges showed at the beginning of 2018, volatility is a risk factor on the capital markets. The performance of the S IMMO share is currently very solid and moved upwards in 2017.

The company counters all risks with careful risk monitoring and a responsible risk policy. In addition, sufficient accounting provisions are made for potential risks.

In addition to the risks mentioned above, there are also opportunities. The increased population influx in major European cities and conurbations is leading to a rise in demand for residential and office properties. S IMMO is leveraging this demographic development, moving forward with its development projects and examining opportunities for purchases and sales.

Outlook

Significant events after the balance sheet date

In February 2018, S IMMO AG issued two corporate bonds. The six-year tranche (ISIN AT0000A1Z9D9) was issued with a volume of EUR 100m and a fixed-rate coupon of 1.75% p.a. The 12-year tranche (ISIN AT0000A1Z9C1) was issued with a volume of EUR 50m and a coupon of 2.875% p.a. The subscription period was from 01 February to 05 February 2018.

In the first quarter of 2018, the Group increased its interest in the listed company Immofinanz to 11.82%.

Expected economic development

The global economy continued to grow in 2017. Despite various risk factors, the European Commission is optimistic regarding the future development of the economy in the European Union (EU) and in the euro area. Growth is expected to come in at 2.3% for the euro area and the EU in 2018 and 2.0% in the subsequent year.

The Austrian economy significantly outpaced the forecasts of the European Commission and grew twice as fast in 2017 as in 2016. After totalling 1.5% in 2016, growth improved to 3.1% last year. The favourable conditions on the labour market and the resulting stable trend in purchasing power also support a positive forecast for the coming years. The European Commission projects growth of 2.9% in 2018 and 2.3% in 2019.

Germany also experienced an economic upswing in 2017. Growth reached a six-year high at 2.2%. Much like in Austria, the improvement in growth in Germany is being driven primarily by the positive domestic developments. The European Commission forecasts robust growth of 2.3% in 2018, followed by 2% in 2019.

Although the European Commission expects the economic growth to continue, there are numerous challenges at the moment. The risks include the uncertainty surrounding the outcome of the Brexit negotiations, the trend towards protectionist policies in certain countries and the global geopolitical tensions.

Expected developments on the real estate markets

Despite rising price levels, Vienna's real estate market is considered to be stable – prices are at a moderate level in international comparison. Roughly 280,000 m² of office space will be completed on the Vienna office market in 2018, which is similar to the levels seen prior to the economic crisis.

Conditions on the Berlin office market are still very positive. Due to high demand and limited available space, rents will likely continue to rise and vacancy will continue to fall in 2018. By contrast, rents and prices on the German residential market are expected to stagnate, as they are already at very high levels, especially in Berlin.

Due to the positive economic development in several of S IMMO's markets in the CEE region, a large volume of new office space will come onto the market in the coming years. The increased supply will be met with strong demand, especially for large spaces.

Expected business development

S IMMO is benefiting from the positive economic developments in all of its markets as well as the low-interest environment and the high price levels in many real estate markets. S IMMO took advantage of these conditions to complete sales in 2017 and sold commercial properties in Vienna and Sofia, for example. In addition, the company made purchases in German cities such as Leipzig, Rostock and Kiel. These cities offer a great deal of potential due to their demographic and economic conditions.

From an operational standpoint, the company will concentrate on project developments and investments in portfolio properties. One development project is located on Siebenbrunnengasse in Vienna. The property is made up of four structural elements and is currently used for office and commercial space. The existing building was purchased by S IMMO in 2015 and will undergo an extensive renovation starting in 2018. Following the completion of the renovation, about two thirds of the useable area will be used as apartments.

One of the key projects in Berlin is the renovation of a former department store in Berlin's Neukölln borough. S IMMO purchased the six-storey building along with the accompanying parking garage in 2015. The property with the project name 101 Neukölln will offer offices as well as retail and restaurant space in the future.

In addition, the construction of two office buildings will be completed in Eastern Europe in 2018. The Einsteinova Business Center office project in Bratislava will be finished in the second quarter of 2018. A modern, sustainable office building offering 23,500 m² of lettable space is being built on the site, which encompasses 11,600 m². The building is being constructed in accordance with the highest green building standards and is expected to receive BREEAM certification with a level of 'excellent'. Renowned international tenants such as UNIQA, Datalan and Tempest were already secured for the property in an early construction phase, and the building is almost fully let before it has even been completed.

The second project is the office building The Mark in Bucharest, which will be completed before the end of 2018. The elegant tower will offer roughly 25,500 m² of lettable space. S IMMO seeks to obtain a BREEAM sustainability certificate at the 'excellent' level for this project as well.

Vienna, 20 March 2018

The Management Board:

Ernst Vejdovszky

Friedrich Wachernig

Consolidated financial statements

Consolidated statement of financial position as of 31 December 2017

Assets EUR '000	Notes	31 December 2017	31 December 2016
Non-current assets			
Investment properties			
Rental properties	3.1.1.	1,668,405	1,917,303
Properties under development and undeveloped land	3.1.1.	37,100	20,801
		1,705,505	1,938,104
Owner-operated properties	3.1.2.	127,875	125,768
Other plant and equipment	3.1.2.	4,655	6,340
Intangible assets	3.1.2.	230	193
Interests in companies measured at equity	3.1.3.	12,237	10,241
Group interests	3.1.4.	842	777
Loans to companies measured at equity	3.1.3.	10,946	10,372
Other financial assets	3.1.4.	300,175	90,394
Deferred tax assets	3.1.16.	2,277	5,807
		2,164,742	2,187,996
Current assets			
Inventories	3.1.5.	530	606
Trade receivables	3.1.6.	8,447	10,412
Other financial assets	3.1.6.	6,607	4,241
Other assets	3.1.7.	12,239	9,616
Cash and cash equivalents	3.1.8.	73,390	66,029
		101,213	90,904
Assets held for sale	3.1.9.	6,300	0
		107,513	90,904
		2,272,255	**2,278,900**

Equity and liabilities EUR '000

	Notes	31 December 2017	31 December 2016
Shareholders' equity			
Share capital	3.1.10.	240,544	240,544
Capital reserves	3.1.10.	68,832	68,832
Other reserves	3.1.10.	631,439	486,229
		940,815	795,605
Non-controlling interests	3.1.11.	3,611	28,737
		944,426	824,342
Non-current liabilities			
Subordinated participating certificate capital	3.1.13.	0	58,131
Issued bonds	3.1.14.	287,518	287,221
Other financial liabilities	5.2.2.	686,589	770,602
Provisions	3.1.15.	2,334	2,143
Other liabilities		7	15
Deferred tax liabilities	3.1.16.	135,128	105,645
		1,111,576	1,223,757
Current liabilities			
Subordinated participating certificate capital	3.1.13.	56,717	0
Financial liabilities	5.2.2.	113,398	184,096
Income tax liabilities		4,666	3,666
Provisions	3.1.15.	0	162
Trade payables	5.2.2.	7,363	9,298
Other liabilities		34,109	33,579
		216,253	230,801
		2,272,255	**2,278,900**

Consolidated income statement

for the financial year 2017

EUR '000	Notes	2017	2016
Revenues			
Rental income	3.2.1.	112,020	118,174
Revenues from operating costs	3.2.1.	33,435	37,657
Revenues from hotel operations	3.2.1.	45,966	42,923
		191,421	198,754
Other operating income		2,866	3,405
Property operating expenses	3.2.2.	-59,877	-64,152
Hotel operating expenses	3.2.2.	-36,232	-32,037
Gross profit		98,178	105,970
Income from property disposals	3.2.3.	470,251	229,882
Book value of property disposals	3.2.3.	-459,910	-224,749
Gains on property disposals	3.2.3.	10,341	5,133
Management expenses	3.2.4.	-18,963	-18,635
Earnings before interest, tax, depreciation and amortisation (EBITDA)		89,556	92,468
Depreciation and amortisation	3.2.5.	-8,999	-7,823
Results from property valuation	3.2.6.	127,592	194,035
Operating result (EBIT)		208,149	278,680
Financing cost	3.2.7.	-51,055	-58,358
Financing income	3.2.7.	6,021	2,769
Results from companies measured at equity	3.2.7.	3,597	292
Participating certificates result	3.1.13.	-5,964	-6,912
Net income before tax (EBT)		160,748	216,471
Taxes on income	3.1.16.	-27,278	-12,148
Consolidated net income		**133,470**	**204,323**
of which attributable to shareholders in parent company		130,091	198,459
of which attributable to non-controlling interests		3,379	5,864
Earnings per share			
undiluted = diluted	3.2.8.	1.97	2.98

Consolidated statement of comprehensive income

for the financial year 2017

EUR '000	Notes	2017	2016
Consolidated net income		133,470	204,323
Change in value of cash flow hedges	5.1.2.	-197	-4,053
Income taxes on cash flow hedges	5.1.2.	20	1,041
Reclassification of derivative valuation effects	5.1.2.	13,991	5,921
Reserve for foreign exchange rate differences	3.1.10.	165	-829
Valuation of financial instruments available for sale	3.1.10.	39,738	-5,144
Income taxes from measurement of financial instruments available for sale	3.1.10.	-10,893	1,286
Recycling for financial instruments available for sale (including income taxes)	3.1.10.	66	0
Other comprehensive income for the period (realised through profit or loss)		42,890	-1,778
Remeasurement of post-employment benefit obligations		-220	-158
Income taxes on remeasurement of post-employment benefit obligations		54	40
Other comprehensive income for the period (not realised through profit or loss)		-166	-118
Total comprehensive income		**176,194**	**202,427**
of which attributable to shareholders in parent company		170,564	196,425
of which attributable to non-controlling interests		5,630	6,002

Consolidated cash flow statement

for the financial year 2017

EUR '000	Notes	2017	2016
Net income before tax (EBT)		160,748	216,471
Results from property valuation	3.2.6.	-127,592	-194,035
Depreciation and amortisation on intangible assets and equipment	3.2.5.	8,999	7,823
Gains/losses on property sales	3.2.3.	-10,341	-5,133
Taxes on income paid	3.1.16.	-1,920	-996
Participating certificates result	3.1.13.	5,964	6,912
Financing result	3.2.7.	41,437	55,297
Operating cash flow		77,295	86,339
Changes in net current assets			
Receivables and other assets		-2,561	-9
Provisions, other financial and non-financial liabilities		184	-491
Current liabilities		-2,250	4,415
Cash flow from operating activities		72,668	90,254
Cash flow from investing activities			
Investments in property portfolio		-116,435	-87,253
Investments in intangible assets		-142	-89
Investments in equipment and machinery		-653	-2,947
Disposal of equity instruments of other companies	3.1.4.	1,527	0
Acquisition of equity instruments of other companies	3.1.4.	-172,913	-92,582
Investments in financial assets		-319	0
Disposals of financial assets		405	1,577
Investments/Deinvestments in companies measured at equity		317	-6,133
Net cash flow from disposal of subsidiaries and other business units	2.2.4.	336,036	111,927
Net cash flow from initial consolidations	2.2.4.	264	-12,776
Net cash flow from additions/disposals of non-controlling interests		1,847	2,109
Disposals of properties		31,000	45,568
Dividends from companies measured at equity		50	398
Interest received and other financial income	3.2.7.	4,148	1,042
Cash flow from investing activities		85,132	-39,159

EUR '000	Notes	2017	2016
Consolidated cash flow statement continued			
Cash flow from financing activities			
Purchase of own participating certificates	3.1.12. | 3.1.13.	-5,180	-1,863
Purchase of treasury shares	3.1.10.	0	-5,107
Bond issues	3.1.14.	0	0
Cash flows from decreases in non-controlling interests		-29,623	-1,488
Increases in financing	3.1.12.	159,073	185,489
Decreases in financing	3.1.12.	-209,877	-139,304
Dividend payment	3.1.10.	-26,481	-20,018
Distribution to participating certificates	3.1.12. | 3.1.13.	-2,400	-2,429
Interest paid		-35,951	-51,030
Cash flow from financing activities		-150,439	-35,750
Cash and cash equivalents 01 January		66,029	50,684
Net change in cash and cash equivalents		7,361	15,345
Cash and cash equivalents 31 December [1]		**73,390**	**66,029**

[1] 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	AFS-reserve	Other reserves	Sub-total S IMMO share-holders	Non-con-trolling interests	Total
As of 01 January 2017	240,544	68,832	-17,365	-17,585	-3,858	525,037	795,605	28,737	824,342
Consolidated net income	0	0	0	0	0	130,091	130,091	3,379	133,470
Other comprehensive income	0	0	165	11,563	28,911	-166	40,473	2,251	42,724
Repurchase of treasury shares	0	0	0	0	0	0	0	0	0
Change in non-controlling interests[1]	0	0	0	0	0	1,127	1,127	-30,756	-29,629
Distribution for 2016 to shareholders[1]	0	0	0	0	0	-26,481	-26,481	0	-26,481
As of 31 December 2017	**240,544**	**68,832**	**-17,200**	**-6,022**	**25,053**	**629,608**	**940,815**	**3,611**	**944,426**
As of 01 January 2016	242,453	72,030	-16,536	-20,356	0	345,673	623,264	23,331	646,595
Consolidated net income	0	0	0	0	0	198,459	198,459	5,864	204,323
Other comprehensive income	0	0	-829	2,771	-3,858	-118	-2,034	138	-1,896
Repurchase of treasury shares	-1,909	-3,198	0	0	0	0	-5,107	0	-5,107
Change in non-controlling interests	0	0	0	0	0	1,041	1,041	-596	445
Distribution for 2015 to shareholders	0	0	0	0	0	-20,018	-20,018	0	-20,018
As of 31 December 2016	**240,544**	**68,832**	**-17,365**	**-17,585**	**-3,858**	**525,037**	**795,605**	**28,737**	**824,342**

[1] The change is mainly due to distributions of earnings generated by the sale of Serdika which are attributed to the minorities of the Einkaufs-Center Sofia G.m.b.H. & Co. KG.
[2] The dividend distribution of kEUR 26,481 in 2017 corresponds to a dividend of EUR 0.40 (2016: EUR 0.30) per share, and was effected on 16 June 2017.

Notes to the consolidated financial statements

as of 31 December 2017

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, 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, Bulgaria and Denmark. As of 31 December 2017, S IMMO Group owned properties in all the above countries except Denmark. 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, Czech Republic, Hungary, Romania and Croatia).

2. Accounting and valuation policies

2.1. Accounting policies

The consolidated financial statements comply with the International Financial Reporting Standards (IFRS), including the interpretations of the IFRS Interpretations Committee, the application of which is mandatory in the European Union at the balance sheet date, as well as supplementary provisions according to para 245a section 1 Austrian Commercial Code (UGB).

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

The consolidated 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.

All receivables and liabilities and all income and expenses between companies in the scope of consolidation are eliminated as part of debt consolidation and the consolidation of income and expenses. Interim results from intercompany transfers of properties are likewise eliminated.

2.2. Consolidation group and basis of consolidation

2.2.1. Subsidiaries

The consolidated financial statements include all the companies (subsidiaries) over which the parent company has a controlling influence through full consolidation. A controlling interest exists where the parent company is directly or indirectly in a position to have the power of disposition over the associated subsidiary and determine the financial and business policies of the subsidiary in such a way that the yield level can be influenced (risk exposure by or claims related to fluctuating yields). A subsidiary is consolidated from the time when the controlling influence is acquired, and deconsolidated when that influence ceases to exist.

The acquisition date is the date on which control of the new acquisition is acquired. Costs incurred by S IMMO Group in the course of acquisition, such as fees for due diligence reviews, measurements and other consulting services, are recognised as expenses in the period in which they have incurred.

If acquisitions result in business combinations as defined by IFRS 3, they are recognised according to the acquisition method. Assessing whether a transaction includes the acquisition of a business requires a detailed analysis of the relevant structures and processes.

If the company obtains control of a business through an acquisition, the acquisition costs are offset against the attributable fair value of the identifiable net assets acquired to determine any difference. A positive difference is recognised as goodwill. If the amount is negative, it is recognised by the S IMMO Group in profit or loss after a further critical review of the recognition and measurement of the assets and liabilities acquired.

If there are no business combinations as defined by IFRS 3, the assets and liabilities acquired are recognised at the proportionately attributable acquisition costs. Typically, hidden reserves recognised as part of share deals are mostly or exclusively attributable to properties.

Changes to interests in subsidiaries that do not lead to the establishment or loss of control are classified as equity transactions. The book values of the interests held by the Group and accordingly those held by the controlling shareholders are adjusted in such a way that they reflect the changes to the ownership interests appropriately. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received is recognised under equity and allocated to the shareholders of S IMMO AG.

In the event of loss of control over a subsidiary, the attributable assets and liabilities and the related non-controlling interests are derecognised on the basis of the fictitious stand-alone disposal. The remeasurement of any retained interests at fair value as of the date of the loss of control is performed via the income statement and represents the starting point for the future measurement as an associate, joint venture, or equity investment. Obtaining control over an existing joint venture or associate is treated as a sale and subsequent acquisition to which the above principles apply.

2.2.2. Non-controlling interests

As a general rule, S IMMO Group recognises non-controlling interests as the proportionate share of identifiable net assets of the subsidiary.

Transactions with non-controlling interests not resulting in loss of control are treated in the same way as transactions with the Group's shareholders. Any difference between the consideration given and the relevant share of the book value of the net assets of the subsidiary arising from the acquisition of a non-controlling interest is recognised in equity. Gains and losses on the disposal of non-controlling interests are also recognised in equity.

Changes to the shareholdings of the non-controlling interests that do not lead to a loss of control of the S IMMO Group are recognised as set out in 2.2.1.

2.2.3. Associates and joint ventures

Companies over whose business and financial policies the parent company can directly or indirectly exercise a significant influence (as a rule, through a direct or indirect interest ranging from 20% to 50% of the share capital) and joint companies are included in the consolidated financial statements at equity.

Interests in companies included at equity are initially recognised at cost of acquisition. For associated companies and jointly controlled companies included at equity, differences resulting from consolidation are calculated in the same way as for fully consolidated companies. The goodwill resulting from the acquisition of a company included at equity is part of the book value and is not subject to depreciation and amortisation. As part of the investment in the company included at equity, the goodwill is reviewed for impairment. S IMMO AG's interest in the profit or loss of an at equity consolidated company after the date of acquisition is included in the consolidated income statement. The share of other comprehensive income is recognised directly in the item other comprehensive income in the consolidated statement of comprehensive income. The cumulative share of such changes increases or reduces the book value of the interest. If S IMMO AG's attributable share of the accumulated losses of a company consolidated at equity exceeds the book value of the interest, excess shares of losses are not recognised, except to the extent that they give rise to obligations. In the event of distributions, the book value of the interest is reduced by the proportionate amount. Intercompany profits and losses between S IMMO AG and at equity consolidated companies are eliminated on consolidation.

If the ownership interest in companies recognised at equity changes and the equity method continues to be applied, the proportion of the gain or loss previously recognised in other comprehensive income attributed to the reduction in ownership interest is to be reclassified to profit or loss if this gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

2.2.4. Consolidation scope

Apart from S IMMO AG, the consolidated financial statements include 76 (2016: 74) companies (property holding and intermediary holding companies) that are fully consolidated and directly or indirectly owned by S IMMO AG, and 12 (2016: 11) companies included at equity.

The previously consolidated Austrian company S IMMO Property Drei GmbH was sold in the first quarter of 2017. The previously fully consolidated companies Viertel Zwei Hoch GmbH & Co KG, Viertel Zwei Plus GmbH & Co KG, CEE PROPERTY BULGARIA EOOD and HANSA IMMOBILIEN OOD were sold in the third quarter of 2017. The shopping centre, which is part of the Serdika property complex in Einkaufs-Center Sofia GmbH & Co KG, was also sold as 'other business unit'. The following figures contain the sum of all the above-mentioned disposals in each case.

The payment received consisted entirely of cash in the amount of kEUR 339,230. The companies sold or business units had the following book values at the time of the disposal:

EUR '000	Book value
Current assets	
Investment property	428,910
Other current assets	1,097
Cash and cash equivalents	3,194
Total assets	**433,201**
Non-current liabilities	101,052
Current liabilities	2,685
Total book value of disposals	**103,737**

Changes in the consolidation group in the financial year 2017

In the third quarter of 2017, S IMMO Group Finance GmbH (Austria) and S IMMO Property Fünf GmbH (Austria), were respectively fully consolidated in the consolidated financial statements of S IMMO AG for the first time. In the fourth quarter of 2017, S IMMO Property Sechs GmbH (Austria), S IMMO Property Sieben GmbH (Austria), S IMMO Property Acht GmbH, (Austria), S IMMO Berlin I GmbH (Germany) and S IMMO Berlin V GmbH (Germany) followed. A business combination as per IFRS 3 did not occur for any of the newly consolidated companies, as the definition of a business according to IFRS 3 was not met.

In addition, QBC Omega SP Immomanagement GmbH (Austria) and QBC Immobilien GmbH & Co Omega KG (Austria) were included in the consolidated financial statements of S IMMO AG as associated companies. In the fourth quarter of 2017, the associated enterprise QBC Immobilien GmbH & Co Gamma KG was sold.

Overview of the consolidation group 2017 on a company basis

Company	Location	Nominal capital 2017	Nominal capital 2016	Group share % 2017	Group share % 2016	Currency 2017	Currency 2016	Consolidation type 2017	Consolidation type 2016
CEE Immobilien GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
CEE PROPERTY-INVEST Immobilien GmbH	A, Vienna	48,000,000	48,000,000	100	100	EUR	EUR	FC	FC
CEE CZ Immobilien GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
German Property Invest Immobilien GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
Hotel DUNA Beteiligungs Gesellschaft m.b.H.	A, Vienna	145,346	145,346	100	100	EUR	EUR	FC	FC
AKIM Beteiligungen GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
SO Immobilienbeteiligungs GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
CEE Beteiligungen GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
E.V.I. Immobilienbeteiligungs GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
SIAG Berlin Wohnimmobilien GmbH	A, Vienna	3,982,500	3,982,500	99.74	99.74	EUR	EUR	FC	FC
E.I.A. eins Immobilieninvestitionsgesellschaft m.b.H.	A, Vienna	36,336	36,336	100	100	EUR	EUR	FC	FC
PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co KG	A, Vienna	8,299,238	8,299,238	74.69	74.61	EUR	EUR	FC	FC
PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H.	A, Vienna	36,336	36,336	100	100	EUR	EUR	FC	FC
Neutorgasse 2–8 Projektverwertungs GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
H.S.E. Immobilienbeteiligungs GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
A.D.I. Immobilien Beteiligungs GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
QBC Management und Beteiligungen GmbH & Co KG	A, Vienna	35,000	35,000	35	35	EUR	EUR	E	E
QBC Immobilien GmbH	A, Vienna	60,000	60,000	21.02	21.02	EUR	EUR	E	E

Company	Location	Nominal capital 2017	Nominal capital 2016	Group share % 2017	Group share % 2016	Currency 2017	Currency 2016	Consoli-dation type 2017	Consoli-dation type 2016
QBC Management und Beteiligungen GmbH	A, Vienna	35,000	35,000	35	35	EUR	EUR	E	E
QBC Alpha SP Immomanagement GmbH	A, Vienna	35,000	35,000	35	35	EUR	EUR	E	E
QBC Gamma SP Immomanagement GmbH	A, Vienna	35,000	35,000	35	35	EUR	EUR	E	E
QBC Omega SP Immomanagement GmbH	A, Vienna	35,000	N/A	35	N/A	EUR	EUR	E	N/A
QBC Immobilien GmbH & Co Alpha KG	A, Vienna	10,000	10,000	35	35	EUR	EUR	E	E
QBC Immobilien GmbH & Co Zeta KG	A, Vienna	10,000	10,000	21.02	21.02	EUR	EUR	E	E
QBC Immobilien GmbH & Co Omega KG	A, Vienna	10,000	N/A	35	N/A	EUR	EUR	E	N/A
BGM-IMMORENT Aktiengesellschaft & Co KG	A, Vienna	4,360,370	4,360,370	22.83	22.83	EUR	EUR	E	E
S IMMO Property Invest GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
S Immo Immobilien Investitions GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
S IMMO Beteiligungen GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
Siebenbrunnengasse 21 GmbH & Co KG	A, Vienna	300	300	100	100	EUR	EUR	FC	FC
S IMMO Property Eins GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
S IMMO Property Zwei GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
S IMMO Property Vier GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
S IMMO Property Fünf GmbH	A, Vienna	35,000	N/A	100	N/A	EUR	EUR	FC	N/A
S IMMO Property Sechs GmbH	A, Vienna	35,000	N/A	100	N/A	EUR	EUR	FC	N/A
S IMMO Property Sieben GmbH	A, Vienna	35,000	N/A	100	N/A	EUR	EUR	FC	N/A
S IMMO Property Acht GmbH	A, Vienna	35,000	N/A	100	N/A	EUR	EUR	FC	N/A
Viertel Zwei Hoch GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
Viertel Zwei Plus GmbH	A, Vienna	35,000	35,000	100	100	EUR	EUR	FC	FC
S IMMO Group Finance GmbH	A, Vienna	35,000	N/A	100	N/A	EUR	EUR	FC	N/A
WASHINGTON PROEKT EOOD	BG, Sofia	45,000	45,000	100	100	BGN	BGN	FC	FC
ELTIMA PROPERTY COMPANY s.r.o.	CZ, Prague	100,000	100,000	100	100	CZK	CZK	FC	FC
REGA Property Invest s.r.o.	CZ, Prague	200,000	200,000	100	100	CZK	CZK	FC	FC
Lützow-Center GmbH	D, Berlin	25,000	25,000	100	100	EUR	EUR	FC	FC
Ikaruspark GmbH	D, Berlin	25,000	25,000	100	100	EUR	EUR	FC	FC
S IMMO Germany GmbH	D, Berlin	25,000	25,000	100	100	EUR	EUR	FC	FC
S Immo Geschäftsimmobilien GmbH	D, Berlin	25,000	25,000	100	100	EUR	EUR	FC	FC
Markt Carree Halle Immobilien GmbH	D, Berlin	25,000	25,000	100	100	EUR	EUR	FC	FC
Tölz Immobilien GmbH	D, Berlin	25,000	25,000	99.74	99.74	EUR	EUR	FC	FC
Einkaufs-Center Sofia G.m.b.H. & Co KG	D, Hamburg	87,000,000	87,000,000	65	65	EUR	EUR	FC	FC

Company	Location	Nominal capital 2017	Nominal capital 2016	Group share % 2017	Group share % 2016	Currency 2017	Currency 2016	Consoli-dation type 2017	Consoli-dation type 2016
SIAG Deutschland Beteiligungs-Verwaltungs GmbH	D, Berlin	25,000	25,000	100	100	EUR	EUR	FC	FC
SIAG Deutschland Beteiligungs GmbH & Co. KG	D, Berlin	100,000	100,000	94.90	94.90	EUR	EUR	FC	FC
SIAG Leipzig Wohnimmobilien GmbH	D, Berlin	750,000	750,000	99.74	99.74	EUR	EUR	FC	FC
Maior Domus Hausverwaltungs GmbH	D, Berlin	25,000	25,000	100	100	EUR	EUR	FC	FC
SIAG Property I GmbH	D, Berlin	25,000	25,000	100	100	EUR	EUR	FC	FC
SIAG Property II GmbH	D, Berlin	25,000	25,000	100	100	EUR	EUR	FC	FC
S IMMO Berlin I GmbH	D, Berlin	25,000	N/A	100	N/A	EUR	EUR	FC	N/A
S IMMO Berlin II GmbH	D, Berlin	25,000	25,000	100	100	EUR	EUR	FC	FC
S IMMO Berlin III GmbH	D, Berlin	25,000	25,000	93	93	EUR	EUR	FC	FC
S IMMO Berlin IV GmbH	D, Berlin	25,000	25,000	93	93	EUR	EUR	FC	FC
S IMMO Berlin V GmbH	D, Berlin	25,000	N/A	100	N/A	EUR	EUR	FC	N/A
H.W.I. I ApS	DK, Århus	7,000,000	7,000,000	100	99.72	DKK	DKK	FC	FC
H.W.I. IV ApS	DK, Århus	1,000,000	1,000,000	100	99.72	DKK	DKK	FC	FC
GPI I ApS	DK, Århus	125,000	125,000	100	99.71	DKK	DKK	FC	FC
GPI II ApS	DK, Århus	60,000	60,000	100	99.71	EUR	EUR	FC	FC
GPI III ApS	DK, Århus	125,000	125,000	100	99.71	DKK	DKK	FC	FC
Bank-garázs Kft.	H, Budapest	3,000,000	3,000,000	100	100	HUF	HUF	FC	FC
CEE Property-Invest Kft.	H, Budapest	110,000,000	110,000,000	100	100	HUF	HUF	FC	FC
Maros utca Kft.	H, Budapest	3,000,000	3,000,000	100	100	HUF	HUF	FC	FC
BUDA Kft.	H, Budapest	3,000,000	3,000,000	100	100	HUF	HUF	FC	FC
Duna Szálloda Zrt.	H, Budapest	5,000,000	5,000,000	100	100	HUF	HUF	FC	FC
City Center Irodaház Kft.	H, Budapest	44,370,000	44,370,000	100	100	HUF	HUF	FC	FC
Szegedi út Kft.	H, Budapest	3,000,000	3,000,000	100	100	HUF	HUF	FC	FC
Nagymezö Kft.	H, Budapest	462,590,000	462,590,000	100	100	HUF	HUF	FC	FC
CEE Property-Invest Hungary 2003 Kft.	H, Budapest	3,000,000	3,000,000	100	100	HUF	HUF	FC	FC
S IMMO APM Hungary Kft.	H, Budapest	20,000,000	20,000,000	100	100	HUF	HUF	FC	FC
SOCIETATE DEZVOLTARE COMERCIAL SUDULUI (SDCS) SRL	RO, Bucharest	157,642,390	334,676,390	100	100	RON	RON	FC	FC
VICTORIEI BUSINESS PLAZZA SRL	RO, Bucharest	18,852,144	18,852,144	100	100	RON	RON	FC	FC
DUAL CONSTRUCT INVEST SRL	RO, Bucharest	80,732,000	80,732,000	100	100	RON	RON	FC	FC
ROTER INVESTITII IMOBILIARE SRL	RO, Bucharest	4,472,020	4,472,020	100	100	RON	RON	FC	FC
CII CENTRAL INVESTMENTS IMMOBILIARE SRL	RO, Bucharest	1,816,000	1,816,000	47	47	RON	RON	E	E
Galvániho Business Centrum, s.r.o.	SK, Bratislava	6,639	6,639	100	100	EUR	EUR	FC	FC
GALVÁNIHO 2, s.r.o.	SK, Bratislava	6,639	6,639	100	100	EUR	EUR	FC	FC
IPD -International Property Development, s.r.o.	SK, Bratislava	33,194	33,194	51	51	EUR	EUR	E	E
SIAG Fachmarktzentren, s.r.o.	SK, Bratislava	6,639	6,639	100	100	EUR	EUR	FC	FC
SIAG Hotel Bratislava, s.r.o.	SK, Bratislava	6,639	6,639	100	100	EUR	EUR	FC	FC
GALVÁNIHO 4, s.r.o.	SK, Bratislava	33,195	33,195	100	100	EUR	EUR	FC	FC
EUROCENTER d.o.o.	HR, Zagreb	20,000	20,000	100	100	HRK	HRK	FC	FC

The following subsidiaries were not included in the consolidation group due to their immateriality for the consolidated financial statements as of 31 December 2017. They had a book value in the amount of kEUR 307 as of 31 December 2017 (31 December 2016: kEUR 157). The non-consolidated subsidiaries include Einkaufs-Center Sofia Verwaltungs G.m.b.H., Germany, Hamburg (nominal capital kEUR 25, Group share 65%), SIAG Multipurpose s.r.o., Slovakia, Bratislava (nominal capital kEUR 7, Group share 100%), and the S IMMO Property Neun GmbH, Austria, Vienna (nominal capital kEUR 35, Group share 100%).

2.3. Reporting currency and currency translation

The Group's reporting currency is the euro. The functional currency of individual Group companies is determined by the respective economic environment in which they mainly operate.

For those Group companies for which the local currency is equivalent to the functional currency, functional currencies are translated into the reporting currency in accordance with IAS 21 as follows:

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

Foreign currencies have been translated using the following exchange rates:

	Czech Republic CZK	Hungary HUF	Bulgaria BGN	Romania RON	Croatia HRK
Closing rate 31 December 2017	25.535	310.330	1.956	4.659	7.440
Average rate in 2017	26.289	309.310	1.956	4.574	7.457
Closing rate 31 December 2016	27.021	309.830	1.956	4.539	7.560
Average rate in 2016	27.042	311.909	1.956	4.493	7.536

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date or, in the case of revaluations, on the valuation date. Gains and losses resulting from the settlement of such transactions or from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate prevailing on the balance sheet date are recognised in the income statement.

2.4. New mandatory accounting regulations

2.4.1. New standards and interpretations

In the preparation of the consolidated financial statements, the following amendments of the existing IAS, IFRS and interpretations, and the newly issued standards and interpretations, to the extent that they were published in the Official Journal of the European Union until 08 February 2018 and effective by that date, have been taken into account:

Standard	Contents	Applicable as of
IAS 12	Amendments to IAS 12 'Income Taxes': Clarification regarding the questions on the recognition of deferred tax assets to temporary differences from unrealised losses	January 2017
IAS 7	Amendments to IAS 7 'Statement of Cash Flows': Disclosure initiative	January 2017
AIP 2014-2016: IFRS 12	Amendments to IFRS 12 'Disclosure of Interests in Other Entities'	January 2017

Amendments to IAS 12:The amendments provide clarifications on the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. In particular, the amendments confirm that:

- Reductions in the IFRS book value, which result from the fair value measurement, while the tax book value remains unchanged, always result in a temporary difference. This applies regardless of the intention the entity has with the asset (for sale, hold to maturity) after that.
- The IFRS book value is only for determining temporary differences and is not relevant for the estimate of future taxable income.
- In determining taxable income, the realisation of a value above the current IFRS book value is also conceivable, if it is probable. If the sources in taxable income are limited in the tax law against which the reversal of deductible temporary differences can be implemented, in assessing whether and to what extent deferred tax assets are to be recognised, these differences are to be taken into account only in combination with other deductible temporary differences of the same kind. To determine future taxable income, which is based on the evidence of the long-term value of deductible temporary differences, income before the reversal of possible deductible differences must be used.

Amendments to IAS 7: The amendments aim to improve information on the entity's financing activities. According to the amendments, additional disclosures are now to be provided on the development of financial liability items in the statement of financial position during the reporting period for which cash flows associated with these financial liabilities were or will be presented in the cash flow statement as cash flows from financing activities. In addition, corresponding additional disclosures must be made on the development of the book value of financial assets for which payments associated with these items are also presented in the cash flow from financing activities.

In particular, enclosed are:

- Changes in cash and cash equivalents from changes in the cash flows from financing activities,
- Changes from the acquisition or loss of control in subsidiaries or other operations (business),
- The effects of changes in foreign exchange rates,
- Changes which arise from changes in fair values and
- other changes.

In addition, sufficient information is to be provided to relate to the information provided in the reconciliation with the values listed in the balance sheet and the statement of changes in financial position.

AIP 2014-2016 (Amendments to IFRS 12): The annual amendments to the IFRS (2014-2016 Cycle) issued on 08 December 2016 regarding the amendments to IFRS 12 'Disclosure of Interests in Other Entities' clarify that the disclosure requirements of IFRS 12 also apply to interests that are classified as held for sale in accordance with IFRS 5 except combined financial information in accordance with IFRS 12.B10-B16.

If specifically applicable, the listed provisions were implemented in the consolidated financial statements. The amendments to IAS 7 result in additional disclosures for the Group. The amendments to IAS 12 and the amendments to IFRS 12 did not result in any significant effects on the presentation of the assets, financial performance and cash flows.

2.4.2. New standards not yet required to be applied at the balance sheet date

Until 08 February 2018, the following standards and interpretations were introduced or amended, which however were not yet effective for the 2017 financial year. Early adoption is not planned.

Standard	Contents	Adopted and applied from
IFRS 9	Financial instruments	January 2018
IFRS 15	Revenue from contracts with customers	January 2018
IFRS 15	Clarification on Revenue from Contracts with Customers	January 2019
IFRS 16	Leases	January 2018
IFRS 4	Application of IFRS 9 along with IFRS 4	January 2018
AIP 2014-2016 (IFRS 1, IAS 28)	Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 28 'Investments in Associates and Joint Ventures'	January 2018

Standard	Contents	Not adopted and applied from
IFRS 2	Classification and measurement of share-based payment transactions	January 2018
IAS 40	Transfers of investment properties	January 2018
IFRIC 22	Transactions in foreign currency and considerations paid in advance	January 2018
IFRS 9	Prepayment options with negative prepayment penalties	January 2019
IAS 28	Long-term investments in associates and joint ventures	January 2019
AIP 2015-2017	Amendments and clarifications to the different IFRS	January 2019
IFRIC 23	Uncertainty regarding the income tax treatment	January 2019
IFRS 17	Insurance contracts	January 2021
IFRS 14	Regulatory deferred income	The final IFRS Standard is still to come
IAS 28 IFRS 10	Investments in associates/consolidated financial statements: Sale or contribution of assets between an investor and an associate or joint venture	Postponed indefinitely
IAS 19	Amendments to IAS 19: Plan amendments, curtailments and settlements	January 2019

However, standards and interpretation which have already been adopted by the EU, were not adopted early

IFRS 9 'Financial Instruments' deals with the classification, recognition and measurement of financial assets and financial liabilities. The complete version of IFRS 9 was published in July 2014. This Standard replaces IAS 39, 'Financial Instruments: Recognition and Measurement', with the exception of the option to retain hedge accounting under IAS 39 (provisionally). In addition, the requirements of IFRIC 9 'Reassessment of Embedded Derivatives' were integrated in IFRS 9.

Classification and assessment

IFRS 9 retains the mixed measurement model with simplifications and creates three measurement categories for financial assets:

- amortised cost,
- fair value through other comprehensive income,
- fair value through profit or loss.

The classification is based on the business model of the reporting entity and the characteristics of the contractual cash flows of the financial asset. Investments in equity instruments are generally required to be measured at fair value through profit or loss. Only at initial recognition is there an irrevocable option to present changes in their fair value in other comprehensive income. The only exception relates to liabilities designated as fair value through profit or loss, for which changes in the fair value resulting from entity's own credit risk are to now be recognised in other comprehensive income. The fact that the 'hold to collect' business model shall not be applied for trade receivables that are sold as part of factoring and fulfil criteria for derecognition in accordance with IFRS 9 shall be enclosed. In those circumstances, one of two business models may be appropriate, depending on the particular circumstances: 'hold to collect and sell' and 'selling'. If a portfolio can be subdivided to show which receivables are sold as part of factoring and which are not, two business models 'hold to collect' and 'selling' are applied. The Group is not selling any trade receivables as part of factoring.

The Group has checked its financial assets and liabilities and is expecting the following effects of the new Standard as of 01 January 2018:

The other financial assets include the Group's equity instruments that are currently classified as AFS and for which there exists an option in the future in accordance with IFRS 9 to classify them as FVOCI, but without the possibility of recycling. As of 31 December 2017, shares held by S IMMO in two listed real estate companies are included in this category, for which the accounting as FVOCI continues to be applied.

Accordingly, the new standard has no significant effects on the classification and assessment of these financial assets. However, gains or losses from selling financial assets, which are classified as FVOCI, are no longer reclassified to gains and losses but in the future directly to retained earnings. In the financial year 2017, kEUR 66 (including deferred taxes) was reclassified from the AFS reserve to the income statement in connection with the disposal of financial assets, which are classified as AFS. In addition, in accordance with IFRS 9, the previous exemption – equity instruments of private companies is attributable to the fulfilment of requirements measured at cost less any write-down losses – is being omitted. As a result of this change, there was a remeasurement of an investment in the amount of kEUR 1,970 (reporting date 31 December 2017) to its fair value.

No effects on the Group's financial liabilities are expected, as there are no liabilities assigned to the FVPL category. With the regulations on disposals in IAS 39 having been retained in IFRS 9, no changes are anticipated here, either.

Hedge accounting

IFRS 9 facilitates hedge accounting. An economic relationship between the hedged item and the hedging instrument is required. In addition, the hedging relationship must correspond to what the management actually uses for risk management purposes. Simultaneous documentation is still required, but differs from the documentation currently prepared in accordance with IAS 39. In addition, potential sources of ineffectiveness are now enclosed in hedge documentation. It should be noted that based on hedge accounting there is an option between IFRS 9 regulations and IAS 39 regulations. A consistent decision is to be made. At the start of each financial year after initial application, there is the possibility to change the exertion of the option and to apply IFRS 9 to all hedging relationships. However, in the event of hedge-accounting in accordance with IAS 39 being retained, application of the other rules of IFRS 9 or the disclosures in the notes required by IFRS 7 is mandatory.

The new hedge accounting regulations align the accounting for hedging relationships more closely with the Group's risk management activities. More hedges may be eligible for hedge accounting, as IFRS 9 introduces a principle-based approach.

The Group intends to make use of the option of continuing to apply the rules of IAS 39 for the purposes of hedge accounting.

Impairment losses (expected credit losses)

In addition, there is a new impairment model based on expected losses that replaces the IAS 39 model based on 'incurred losses' principle. The categorisation and measurement of financial liabilities generally have not changed. The new impairment model requires impairment to be recognised on the basis of expected credit losses (expected credit loss model) instead of using the incurred loss model in accordance with IAS 39. This regulation applies to financial assets measured at amortised cost, debt instruments measured at FVOCI, contract assets within the scope of IFRS 15, lease receivables, loan commitments and certain financial guarantees.

The Group uses the simplified model for trade receivables without significant financing components and contract assets as per IFRS 15 and calculates the loss allowance accordingly at an amount equal to lifetime expected losses. The expected credit loss is therefore determined based on a provision matrix, in which the financial assets are reorganised according to maturity structure and the respective default rates are determined for different maturity bands. To prepare a provision matrix, historical information about actually incurred defaults are first taken into account. However, in addition to the historical perspective, the Group takes a range of forward-looking information and expectations into account. In this respect, the Group is not expecting any or only insignificant effects on the consolidated financial statements.

The new standard also specifies additional disclosure requirements and changes in the presentation, which are expected to change the nature and extent of the Group's disclosures regarding the financial instruments at the date of first-time adoption of IFRS 9. The Group will apply the new Standard retrospectively from 01 January 2018, taking into account the practical relief in accordance with IFRS 9. The corresponding figures for 2017 are not adjusted accordingly.

IFRS 15 'Revenue from Contracts with Customers' governs revenue recognition and thus supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue', SIC 31 'Revenue – Barter Transactions Involving Advertising Services', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for the Construction of Real Estate' and IFRIC 18 'Transfers of Assets from Customers'. The objective of IFRS 15 is to create principles that an entity must apply in reporting information that is useful for decision-making purposes to users of the financial statements with regard to the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. In accordance with IFRS 15, revenue must be recognised when the customer obtains control over the agreed goods and services and can derive benefits from them. The new standard provides a five-step model framework for determining the revenue to be recognised. IFRS 15 also includes several disclosure requirements regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In the property sector, the impact of IFRS 15 is mainly felt in the development of property for disposal (properties held for sale). In contrast to the previous revenue recognition principles, for property development projects of this kind, revenue from the sale will be recognised in future at the time of signing (time-period related revenue recognition) and no longer on the date the benefits/encumbrances are transferred (date-related revenue recognition). As of 31 December 2017, the S IMMO Group has no project developments of this kind and is not therefore expecting any significant impact from application of the new standard.

It is intended to adopt the new standard using the modified retrospective approach. As a result, all cumulative effects at the time of application are recognised in retained earnings and the corresponding figures are not adjusted.

Clarification regarding IFRS 15 'Revenue from Contracts with Customers': In this clarification, information and examples regarding the following sectors are revised and new examples are included.

No significant effects on the consolidated financial statements are expected.

IFRS 16 'Leases' governs the recognition, measurement, presentation and disclosure requirements for leases in financial statements. The standard stipulates a single accounting model for lessees. Under this model, lessees must recognise all assets and liabilities from leases in the statement of financial position, unless the term is twelve months or less or the asset in question is a low-value asset. The simplifications represent options. Lessors continue to distinguish between finance and operating leases for accounting purposes. The accounting model in IFRS 16 does not differ significantly from that in IAS 17.

The standard will primarily affect the accounting for the Group's operating leases. As of the reporting date, the Group has non-cancellable operating lease obligations of kEUR 11,422.

In relation to multi-component agreements, a separation and separate accounting of individual leasing and non-leasing components is to be taken into account in accordance with IFRS 16. While the separation in operating lease agreements in particular has had barely any practical relevance to date due to being unrecognised, effects on balance sheet figures may occasionally arise in Group as lessee as part of on-balance accounting in accordance with IFRS 16. The expense of recognised leasing components and unrecognised service components is therefore of additional significance for the Group within the scope of IFRS 16. If several components meet the definition of leasing, the accounting policies of IFRS 16 are to be applied to each separately identifiable component and represented separately from non-leasing components.

However, the lessee has the option to waive the separate accounting of leasing and non-leasing components. This option can be exercised consistently at the level of asset classes of underlying leased items. If the option is drawn, the leasing components and the related non-leasing components are combined and consistently accounted for as leasing components in accordance with IFRS 16. However, the separation of individual components of the agreement are mandatory for lessors, meaning, there is no option similarly to lessees to waive the allocation, as detailed knowledge of the individual components is provided for lessors to perform a fair (individual) pricing. The allocation of the consideration received on the components of the agreement is to be performed using the provisions for sales recognition in IFRS 15.73–15.90 (IFRS 16.17). In accordance with IFRS 15, the allocation of the transaction price focuses on the separate performance obligations on the each stand-alone selling price. At first, the market price is to be used to determine the stand-alone selling price. In the case that the stand-alone selling price is not directly observable, an estimate can be used.

However, the Group has not yet disclosed which further adjustments are necessary, for example due to the change in the definition of the lease term, the different treatment of variable lease payments and renewal and termination options. Therefore it is not yet possible to estimate the amount of the rights of use and corresponding leasing liabilities which is to be recognised at the time of application of the new standard and how this will impact consolidated profit and the classification of cash flow.

The Group will not apply the standard early. The Group plans to apply simplified provisions and not enclose any comparative values of the prior-period.

AIP 2014-2016 (IFRS 1, IAS 28): The annual amendments to the IFRS (2014-2016 Cycle) issued on 08 December 2016 included amendments to the following IFRS Standards, which have already been adopted by the EU, but were not adopted early:

- IFRS 1 'First-time Adoption of International Financial Reporting Standards'

Short-term exemptions in connection with the transitions of IFRS 7, IAS 19 and IFRS 10 for first-time adopters were deleted in line with this amendment. These transitions were available to companies for past reporting periods and are therefore no longer applicable.

- IAS 28 'Long-term Investments in Associates and Joint Ventures'

In accordance with IAS 28, venture capital organisations, mutual funds, unit trusts and similar entities are measured their investments in associates and joint ventures in accordance with IFRS 9 in profit or loss at fair value. It is explicitly clarified that this option is to be separate in the initial recognition for each associate or joint venture.

No significant effects on the Group's net assets, financial position and earnings situation are currently anticipated.

Standards and interpretation which have yet not been adopted by the EU

From the aforementioned other new versions and amendments, no significant effects on the Group's net assets, financial position and earnings situation are currently anticipated.

2.5. Changes in accounting and valuation policies

Apart from the new standards described under 2.4.1., there were no changes in accounting and valuation policies or in the presentation of the financial statements in the financial year 2017.

2.6. Accounting and valuation policies

2.6.1. Properties held as financial investments

It is industry practice to measure investment properties using the fair value model, under the option available in IAS 40. The Group classifies properties leased or rented out for the purpose of generating income or held for capital appreciation, together with undeveloped land as investment properties. Properties acquired for disposal, used by the Group or sold after development are not supposed to fall under the scope of IAS 40 and fall under the scope of IAS 2.

The application of the fair value model means that rental properties and undeveloped land are measured at fair value at the balance sheet date. The resulting changes in book values before revaluation are recognised as a profit or loss under the result from property valuation.

Properties are recognised as assets of each company in their relevant functional currency.

The diversity of the properties to which the fair value model is applied necessitates a careful choice of appropriate valuation models and different parameters for each individual property, so that factors such as location, use type, market environment and building quality are taken into account.

Costs of regular maintenance are recognised in profit or loss immediately. Costs are capitalised when the expenditure results in increased future benefits and the costs can be reliably measured. The capitalised costs are not subject to depreciation and amortisation because no depreciation and amortisation is applied in general pursuant to the fair value model selected according to IAS 40.

Where construction finance can be directly associated with these properties, the borrowing costs of qualifying properties during the period of construction are capitalised as part of acquisition and construction cost.

2.6.2. Inventories

Properties held for sale in the ordinary course of business are not subject to IAS 40, but are to be treated as inventories under IAS 2. Properties held for sale are recognised at cost of acquisition or construction and subsequently measured at the lower of cost or net realisable value. The net realisable value is the estimated proceeds of sale less the estimated costs of completion and the estimated selling costs. The net realisable value is recalculated in every subsequent period. The costs of acquisition or construction include not only the direct costs of acquisition but also incidental and other costs.

2.6.3. Owner-operated properties, other plant and equipment

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 properties) and are therefore to be treated as tangible non-current assets under IAS 16.

Under IAS 16, owner-operated properties (including owner-managed hotels) and other non-current tangible assets are valued using the cost model. The properties are recognised on initial capitalisation at costs of acquisition or construction and written down in subsequent years to reflect depreciation and amortisation and any impairment losses (please refer to section 2.6.6.1. of the notes).

Retroactive acquisition or construction costs are only recognised as part of the acquisition or construction costs of an asset or, if applicable, as a separate asset when it is probable that the Group will receive an economic benefit from the asset in the future and the costs can be reliably measured. The book value of the parts that were replaced is derecognised. Repair and maintenance expenses that do not represent a material replacement investment (day-to-day servicing) are recognised as expenses in the income statement in the financial year in which they are incurred.

Gains and losses on disposals of tangible non-current assets are measured as the difference between the disposal proceeds and the book values and in the case of properties are reported under gains on property disposals.

Where construction finance can be directly associated with these properties, the borrowing costs of qualifying properties during the period of construction are capitalised as part of acquisition and construction cost.

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

	Useful life in years	
	from	to
Owner-operated hotels/buildings	10	30
Other property, plant and equipment/ machinery and equipment	3	10

2.6.4. Intangible assets

Intangible assets for the purpose of IAS 38 are identifiable non-monetary assets without physical substance. To qualify for recognition, an intangible asset must be identifiable and be under the control of the entity. It must be probable that the entity will receive future economic benefits from the asset and its cost must be capable of being measured reliably.

Intangible assets with a limited useful life are subject to depreciation and amortisation, calculated on the basis of the following useful lives:

	Useful life in years	
	from	to
Software	3	6

As required under IAS 36, the assets are also reviewed for impairment.

Intangible assets acquired for consideration are recognised at acquisition cost less straight-line depreciation and amortisation and provision for any impairment losses.

S IMMO Group has not capitalised any internally generated intangible assets.

2.6.5. Financial instruments

2.6.5.1. Primary financial instruments

In accordance with IAS 39, S IMMO Group as a general rule classifies its financial instruments as follows:

- Financial assets and liabilities measurable at fair value through profit or loss,
- Loans and receivables,
- Financial assets held to maturity,
- Financial assets available for sale,
- Financial liabilities at amortised cost.

Classification is based on the purpose for which the individual instrument is acquired and takes place at the time of acquisition.

S IMMO Group as a general rule classifies financial instruments into the following categories:

- Group interests,
- Trade receivables,
- Loans to companies measured at equity,
- Other financial assets,
- Cash and cash equivalents,
- Subordinated participating certificate capital,
- Issued bonds,
- Other financial liabilities (non-current),
- Current financial liabilities,
- Trade payables.

The category *financial instruments* and *liabilities measurable at fair value through profit or loss* includes financial instruments held for trading purposes, financial instruments classified as such at the time of acquisition and all derivative financial instruments except those serving as hedges.

The assets classified under *loans and receivables* are financial instruments with fixed or determinable payment flows not traded in an active market. This category mainly includes trade receivables and other financial assets. Where their remaining maturities are less than twelve months, they are disclosed under current assets, and otherwise under non-current assets.

Financial assets with fixed or determinable payment flows are disclosed under *financial assets held to maturity.*

Financial assets available for sale comprise all financial assets not included in any of the above categories or deliberately classified as available for sale. These financial instruments are disclosed as non-current assets unless it is the management's intention to dispose of them within the next twelve months.

Financial instruments for which a fair value cannot be reliably determined are recognised at the cost of acquisition less any impairment.

The category *financial liabilities at amortised cost* comprises trade payables and other financial liabilities.

Additions to and disposals of financial instruments are recognised as of the applicable settlement dates. Financial assets in all categories are measured at fair value at the time of acquisition and – with the exception of those recognised *at fair value through profit or loss* – including transaction costs.

The other financial liabilities are measured at amortised cost.

The fair value of stock market listed financial instruments is their market price at the balance sheet date. For financial assets for which there is no active market, the fair value is calculated with the aid of valuation models. This can involve the derivation of fair value from current transactions in similar financial instruments or from present values of future payment streams (discounted cash flow models), or the use of mathematical models.

2.6.5.2. Derivatives

S IMMO Group currently uses derivative financial instruments – interest rate caps and swaps – to reduce the risks attendant on interest rate increases. The derivative financial instruments are measured at fair value. To a limited extent, corresponding adjustments on CVAs (Credit Value Adjustment) and DVAs (Debit Value Adjustment) have been taken into account in the valuation of derivatives. The fair value measurement of derivatives is based on estimates made by external experts.

S IMMO Group's business purpose includes the acquisition and development of properties for rental or subsequent sale with the aim of generating positive net cash flows. Business activities are financed through equity, and also through long-term borrowings in the form of mortgage loans and other financial liabilities. The bulk of the external financing consists of variable-rate borrowings, with interest rates linked to the 3-month or 6-month Euribor as the base rate.

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

Hedged risk
The hedged interest rate risk is a market interest rate, the Euribor, which is an identifiable component of the interest rate risk on interest-bearing financial liabilities that can be separately assessed.

Hedging instruments
S IMMO Group uses as hedging instruments only derivatives that, because they move in the opposite direction of the underlying transactions, convert the potential changes in cash flows, in particular from increases in interest rates, into fixed payment streams. The hedging instruments used at the moment are interest rate swaps. The effective portion of the change in fair value of these derivatives is recognised not through profit or loss but under other comprehensive income, the ineffective portion is recognised through profit or loss as part of the financing results.

The changes in the valuation of cash flow hedges recognised under equity are transferred to the income statement in the period in which the hedged underlying transaction affects profit or loss or when the requirements for recognition as a cash flow hedge are no longer met. In the financial year 2017, derivative valuation effects of kEUR 13,991 (2016: kEUR 5,921) were reclassified from equity to the income statement according to the provisions of IAS 39.

In order to meet the requirements for hedge accounting, at the time of the derivative transaction S IMMO Group documents the hedging relationship between the hedging instrument and the underlying transaction, the goals of its risk management and the underlying hedging strategy. The effectiveness of the hedge is regularly assessed using both a priori and a posteriori tests.

2.6.6. Impairment of assets

2.6.6.1. Non-financial assets
For properties used by the owner (at present these are hotels) and for other tangible assets and intangible assets where there is evidence of impairment, the recoverable amount is ascertained in accordance with IAS 36. The recoverable amount is the higher of the fair value less costs to sell (net realisable value) and the value in use.

The fair value is the amount that would be obtained by the sale of the asset in an arm's length transaction between knowledgeable, willing and independent parties.

The value in use is the present value of the estimated future payment flows that can be expected from the continued use of an asset and its disposal at the end of its useful life.

If the recoverable amount is less than the book value of the asset, an impairment write-down is applied to the recoverable amount through profit or loss.

The impairment test for hotels is a two-stage process. The book value is first compared with the independent assessment of the hotel's fair value. If the book value exceeds the fair value, the question is then whether the value in use differs substantially from the fair value. If this is not the case, then the book value is written down to correspond to the fair value.

If the impairment subsequently disappears, the impairment loss is reversed through profit or loss, up to the lower of the new recoverable amount or the depreciated original cost of acquisition or construction. The Group had no such reversals of impairment losses in 2017 or the previous year.

2.6.6.2. Financial instruments

S IMMO Group reviews all its financial assets, with the exception of those measured at fair value through profit or loss, at every balance sheet date for any objective indications that any asset or group of assets may have suffered impairment.

For assets recognised in the available-for-sale category (currently, mainly the shares held in listed property holding companies), fluctuations in value, which are not classified as impairment, are recognised in other comprehensive income with no impact on profit or loss. In the event of impairment, a corresponding impairment charge must be recognised in the income statement.

As a result of the disposal of available-for-sale securities, a reclassification from the AFS reserve to the income statement had to be effected by the end of 2017. Recycling of this kind will not be permissible when IFRS 9 becomes effective on 01 January 2018 and instead a reclassification within equity directly to retained earnings will be required.

For debt instruments of all kinds except those measured at fair value through profit or loss, an impairment is recognised if, as a result of one or more events occurring after the initial recognition of the asset, there is objective evidence that S IMMO Group will no longer be in a position to collect the payments relating to the asset. The amount of the impairment is calculated as the difference between the book value of the financial asset and the present value of the future cash flows, calculated using the original rate of interest on the asset. A subsequent disappearance of the factors causing the impairment and a recovery in value entails a reversal of the impairment loss.

Trade receivables

Where there are objective indications that individual receivables cannot be recovered in full, provisions are raised for the amounts expected to be irrecoverable. General provisions for doubtful individual debts are made on the basis of experience.

The outstanding balances are constantly monitored by the responsible asset managers, so that appropriate measures can be taken in good time.

2.6.7. Other assets

Other assets are measured at cost less any impairment losses, which are recognised through profit or loss.

2.6.8. Cash and cash equivalents

Cash and cash equivalents comprise cash and sight deposits together with bank deposits with a maturity of up to three months at the time of the original deposit.

2.6.9. Properties held for sale

Property held for sale is not considered to be investment property within the scope of IAS 40 but is treated as held for sale if the corresponding book value will be realised by sale and not by continuing use. This means that the corresponding long-term assets and disposal groups in their present condition are available for immediate sale and that a sale is very likely. For property to be considered as held for sale, the sale must be concluded within a year of the property being classified as such.

In accordance with IFRS 5, property held for sale is as a general rule measured at the lower of book value and fair value less costs to sell. IFRS 5 provides for an exception with respect to the measurement of properties held as financial investments: They are measured at market value. However, the special disclosure requirements under IFRS 5 are applicable, so that properties held for sale must be shown under current assets.

The Group intended to dispose of a German property at the end of the reporting period (31 December 2017).

2.6.10. Other provisions

Other provisions are made where S IMMO Group has legal or constructive obligations to other parties arising from past events, where it is probable that the obligation will lead to an outflow of resources and where the amount of the obligation can be estimated reliably.

Provisions are made in the amounts representing the best possible estimates of the expense of meeting the obligations. Where the present value of the provision calculated using a market rate of interest differs materially from the nominal value, the present value is recognised.

Appropriate provisions have been made for unresolved legal disputes and other legal proceedings.

A provision is made for onerous contracts (provision for project and transaction risks) when the expected revenues from a contract are exceeded by the unavoidable costs of meeting the obligations under the contract. The amount of the provision is the lower of the cost of withdrawing from the contract and the net cost of completing it. Before separate provision is made for an onerous contract, impairments on assets connected with the contract are recognised.

2.6.11. Taxes

The individual companies in the Group raise liabilities for current tax liabilities.

In accordance with IAS 12, deferred taxes are recognised on the temporary differences between the book value of an asset or liability in the consolidated financial statements and the book value for tax purposes of the Group's subsidiaries. Deferred tax liabilities on the property portfolio have been provided for in full, and even if under appropriate conditions – for example, in the case of a share deal – it would be possible that disposals would be treated as not being subject to taxes on income. Countervailing deferred tax assets on loss carryforwards are recognised to the extent that the management believes they will be realisable. Deferred tax assets on loss carryforwards are as a general rule recognised up to the amounts of deferred tax liabilities. Beyond that limit, active deferred taxes are recognised on the basis of tax planning with a planning horizon of five years. Deferred taxes are calculated using the applicable tax rates at the balance sheet date, or where changes in tax law have already been adopted, at the rates applicable in future.

Deferred tax assets and deferred tax liabilities within a taxable entity are only netted off where this entity has a legally enforceable right to set tax assets and liabilities against each other, and where the deferred taxes relate to taxes on income assessable by the same tax authority on the same tax entity or where there is a right of set-off within a tax group, as in Austria.

2.6.12. Leasing

The determination as to whether an agreement constitutes or contains a lease is based on the economic substance of the agreement at the inception – whether fulfilment of the agreement depends on the use of a given asset and whether the agreement confers a right of use for the asset. Under IAS 17, allocation of the lease to the lessor or lessee depends on where the risks and rewards of ownership lie.

A lease is classified as a finance lease if it substantially transfers all the risks and rewards incident to the ownership of an asset. For finance leases, assets and liabilities are initially recognised at the lower of fair value and the present value of the minimum lease payments. The asset is depreciated on a straight-line basis over the expected useful life or the term of the agreement, if shorter. The minimum lease payments are divided between financing costs and capital repayments. Financing costs must be spread over the lifetime of the lease so as to achieve a constant rate of interest on the outstanding capital balances. Properties from finance leasing are recognised at fair value pursuant to IAS 40.

With operating leases, economic ownership remains with the lessor, and the lease payments are as a general rule divided proportionately over the term of the lease and recognised as expense.

2.6.13. Revenues

2.6.13.1. Rental income

Rental income is recognised in a straight line over the term of the rental agreement. One-time payments and waivers of rent as well as any other kind of rental incentive are spread over the minimum rental (according to SIC 15).

2.6.13.2. Revenues from operating costs

Revenues from operating costs accrue from invoicing operating costs to tenants of portfolio properties and comprise revenues for the invoicing of electricity, the cleaning of buildings and the like. Typically, the composition of operating costs incurred and that can be invoiced varies depending on the type of use and jurisdiction.

2.6.13.3. Revenues from hotel operations

Revenues from hotel operations consist largely of room rental income and catering income. Income is recognised in proportion to the services rendered until the balance sheet date.

2.6.13.4. Income and costs from financial instruments

Income from financial instruments includes interest, dividends and capital gains from the investment of funds and from investments in financial assets, together with reversals of impairment losses. Dividends are recognised at the time the resolution authorising the dividend distribution is passed.

Financial expenses include interest and similar expenses on external borrowings, incidental costs, losses on the disposal of financial assets, impairment losses, current hedging results and exchange rate gains and losses on the valuation of monetary assets and liabilities at the individual company level.

Interest is accrued using the effective interest rate method.

The valuation of derivatives reflects among others gains and losses on the disposal or revaluation of interest caps and swaps, which have not been recognised in equity and are shown in the income statement as part of the financial results.

Where applicable, short-term exchange gains or losses on the valuation of financial instruments are disclosed here.

2.7. Hierarchy of fair value measurement

The following analysis classifies financial instruments measured at fair value on the basis of the method of valuation. A hierarchy consisting of three levels has been defined for this purpose:

Level 1:	Quoted prices for identical assets or liabilities listed on an active market (without adjustment)
Level 2:	Inputs for assets or liabilities that are observable either directly (e.g. prices) or indirectly (e.g. derived from prices) other than Level 1 inputs
Level 3:	Inputs for assets or liabilities not based on observable market data

31 December 2017 in TEUR	Level 1	Level 2	Level 3	Total
Properties held as financial investments				
Rental properties	0	0	1,668,405	1,668,405
Properties under development and undeveloped land	0	0	37,100	37,100
Other financial assets				
Listed equity instruments	298,560	0	0	298,560
Derivatives	0	1,170	0	1,170
Financial liabilities				
Derivatives	0	-17,130	0	-17,130

31 December 2016 in TEUR	Level 1	Level 2	Level 3	Total
Properties held as financial investments				
Rental properties	0	0	1,917,303	1,917,303
Properties under development and undeveloped land	0	0	20,801	20,801
Other financial assets				
Listed equity instruments	87,437	0	0	87,437
Derivatives	0	2,580	0	2,580
Financial liabilities				
Derivatives	0	-30,347	0	-30,347

2.8. Estimation and assumption uncertainties

The preparation of consolidated financial statements in accordance with IFRS requires estimates and assumptions by the management about future developments. These can have a material influence on the recognition and measurement of assets and liabilities, on information about other obligations at the balance sheet date and on disclosure of income and expenses during the financial year.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Estimates and underlying assumptions are subject to ongoing review. Actual outcomes may differ from the assumptions and estimates made if developments in the business environment turn out differently than expected. Changes are reflected in profit or loss as soon as the altered circumstances become known, and the assumptions are adjusted accordingly.

The following assumptions entail a not insignificant risk that they may result in a material adjustment of assets and liabilities in the next financial year:

2.8.1. Properties held as financial investments

The calculation of the fair value of properties held as financial investments was mainly based on expert valuations by internationally recognised valuers such as CBRE, Colliers International, EHL and Dr. Heinz Muhr. The valuations were prepared in compliance with International Valuation Standards and the rules of IFRS 13. The values of these properties depend to a significant extent on present estimates of future rental trends and vacancy levels, and on the interest rates used for discounting purposes. Fair values for accounting obtained from external experts were examined separately by KPMG in context of a fairness opinion.

Properties held as financial investments had a book value of kEUR 1,705,505 (31 December 2016: kEUR 1,938,104). A property held as an investment property with a book value of kEUR 6,300 (31 December 2016: kEUR 0) is shown under the assets held for sale because the company plans to sell it in 2018.

2.8.1.1. Valuation methods in connection with properties held as financial investments

The following measurement methods were used in calculating hierarchy level 3 fair values: capitalised earnings method, discounted cash flow method (DCF method), residual value method and sales comparison approach.

The capitalised earnings method uses the following key input factors for the measurement: adjusted sustainable rent, total operating costs, remaining useful life, capitalisation rate and land value.

The discounted cash flow method works with the following key input factors: net rental income, discount rate and capitalisation rate.

The residual value method is based on investment considerations and calculates the residual value based on an earnings value or net capital value derived from discounted cash flow analysis on the assumption that the property is already completed, which remains when the property is sold at the current measurement date, taking account of any outstanding construction, development costs, market financing costs for completion and marketing costs, allowing from an appropriate profit for the developer.

In the sales comparison approach, purchase prices that are actually achieved or achieveable for comparable properties are included as comparative values. Differing characteristics of the properties to be compared are taken into account in the form of premiums or discounts on the value.

Measurement of fair value on the basis of unobservable inputs (hierarchy level 3)

Different valuation methods were used in the various asets classes. In Austria, the fair value of kEUR 379,470 was in the majority of cases calculated using the capitalised earnings method, while in Germany, the fair value of kEUR 765,855 was calculated mainly using the DCF method. In the CEE segment, the DCF method, the capitalised earnings method, the sales comparision approach and the residual value method were used to calculate the fair value of kEUR 560,180.

The significant parameters per segment and valuation method applied are as follows:

	Book value as of 31 December 2017 EUR '000	Valuation method	Input factors	Range[1]
Austria	379,470	Capitalised earnings method	Capitalisation rate	3.10% to 6.20%
			Remaining useful life	42 years (weighted average)
Germany	765,855	Discounted cash flow	Capitalisation rate	2.75% to 7.35%
			Discount rate	3.65% to 8.60%
		Residual value method	Capitalisation rate	4.00%
			Construction costs	EUR 1,045.00/m² or 1,569.00/m²
Central Europe	560,180	Discounted cash flow	Capitalisation rate	4.90% to 8.00%
			Discount rate	6.80% to 9.00%
		Capitalised earnings method	Capitalisation rate	4.00% to 8.50%
			Remaining useful life	35 years (weighted average)
		Residual value method	Capitalisation rate	5.00% to 7.75%
			Construction costs	EUR 1,200.00/m² or 1,460.00/m²
		Sales comparison approach	Sales comparison approach	EUR 24.14/m²

[1] Across all use types

Overview of the average rental yields[1]

in %	31 December 2017	31 December 2016
Austria	5.1	5.0
Germany	4.9	5.1
CEE	8.2	8.2
	6.1	**6.2**

[1] The ratio between the generated annual rent and the property value. The calculation includes investment properties for which no development potential has currently been identified. With regard to additions in the course of the year, the rent is annualised.

A reduction in the expected annual rentals leads to a reduction in the fair value, as does an increase in discount and capitalisation rates. There are interdependencies between the rates, because these are partly based on market values.

The expert valuations are carried out once a year by independent, professional experts for the purpose of preparing the annual financial statements as of 31 December. The professional experts are provided with the necessary information, such as current rentals, by the company's Asset Management department. The market assumptions and valuation methods used in preparing the expert valuations are agreed with the appointed professional experts.

2.8.1.2. Information on non-observable input factors underlying valuation (Level 3)

The following tables show the sensitivity of the fair value of rented properties held as financial investments to changes in sustainable rental yields and interest rates. There has been significant progress with the construction of an office property in Romania in the financial year compared with the previous year, which is why this property was now included in the sensitivity analysis from 2017. Since the design of the agreement with the general contractors meant the total investment costs are relatively insensitive, the sustainable rent and the interest rate were also viewed as key input factors for this development project.

Change in sustainable rent

EUR '000	2017 -10%	2017 Output value	2017 +10%	2016 -10%	2016 Output value	2016 +10%
Austria	341,530	379,470	415,710	519,105	574,808	632,748
Germany	679,490	765,855	842,520	595,432	660,044	723,052
CEE	491,311	557,480	624,940	602,543	682,451	763,878
	1,512,331	**1,702,805**	**1,883,170**	**1,717,080**	**1,917,303**	**2,119,678**

Change in interest rate

EUR '000	2017 -10%	2017 Output value	2017 +10%	.2016 -10%	.2016 Output value	.2016 +10%
Austria	405,120	379,470	354,780	625,903	574,808	532,425
Germany	837,510	765,855	664,050	740,652	660,044	594,582
CEE	619,036	557,480	506,677	759,005	682,451	619,830
	1,861,666	**1,702,805**	**1,525,507**	**2,125,560**	**1,917,303**	**1,746,837**

2.8.2. Intangible assets and property, plant and equipment

Estimates of the long-term value of tangible and intangible assets are based on assumptions about the future. The calculation of recoverable amounts for the purpose of impairment tests is based on several assumptions, for example, about future net cash flows and discount rates. The book value of intangible assets amounted to kEUR 230 (31 December 2016: kEUR 193), that of other non-current assets to kEUR 4,655 (31 December 2016: kEUR 6,340). Owner-operated properties had a book value of kEUR 127,875 (31 December 2016: kEUR 125,768).

2.8.3. Financial instruments

In estimating the value of financial instruments (in particular, derivatives) for which no active market exists, alternative valuation methods based on investment mathematics are employed. The parameters on which estimates of fair value are based depend in part on assumptions about the future. The book values of financial instruments are detailed in note 5.1.

2.8.3.1. Valuation of derivatives

S IMMO Group's derivative financial instruments are measured at fair value. The fair values of the swaps or caps are determined using a discounted cash flow method according to IFRS 13. The future payment flows are determined by means of interest modelling using the Hull White one-factor model, specifically using a Monte Carlo simulation. The model is calibrated using swaption and caplet volatilities. The material input parameters are determined for the reporting date. They consist of the specified euro interest yield curve, historical Euribor fixings and caplet and swaption volatility matrices. Market data are obtained from Thomson Reuters and Bloomberg.

For the determination of credit value adjustments/debit value adjustments (CVA/DVA) credit spreads were first defined to estimate the probability of default. Then, the share of the default risk was estimated on the basis of theoretical considerations and extrapolated for multiple maturities using an approximate formula to generate a CDS spread curve.

2.8.3.2. Derivatives – sensitivity analysis

The fair values of the derivatives change as follows when the interest rates shift by +100 BPS or -50 BPS:

+100 BPS EUR '000	31 December 2017 Nominal	Fair value before interest rates shift	Change EUR '000	Change in %
Swaps	414,035	-16,809	29,382	174.80
Caps	195,000	849	1,297	152.80
Total	**609,035**	**-15,960**	**30,679**	

-50 BPS EUR '000	31 December 2017 Nominal	Fair value before interest rates shift	Change EUR '000	Change in %
Swaps	414,035	-16,809	-14,096	-83.86
Caps	195,000	849	-347	-40.85
Total	**609,035**	**-15,960**	**-14,443**	

+100 BPS EUR '000	31 December 2016 Nominal	Fair value before interest rates shift	Change EUR '000	Change in %
Swaps	508,997	-28,754	33,258	115.66
Caps	227,460	988	1,495	151.40
Summe	**736,457**	**-27,766**	**34,753**	

-50 BPS EUR '000	31 December 2016 Nominal	Fair value before interest rates shift	Change EUR '000	Change in %
Swaps	508,997	-28,754	-17,502	-60.87
Caps	227,460	988	-490	-49.58
Summe	**736,457**	**-27,766**	**-17,992**	

2.8.4. Deferred taxes

The recognition of deferred tax assets for tax loss carryforwards is based on the assumption that sufficient taxable income will be available in the future to enable existing loss carryforwards to be utilised. Deferred tax assets for tax loss carryforwards of kEUR 10,989 (31 December 2016: kEUR 31,495) have been recognised. Further information on deferred taxes can be found in note 3.1.16.

2.8.5. Post-employment benefit obligations

The actuarial computation of entitlements to pension and severance benefits and long-service bonuses requires assumptions about various parameters. The following tables show the sensitivity of the significant assumptions:

Change in interest rate

	2017			2016		
EUR '000	-0.30%	Output value	+0.30%	-0.30%	Output value	+0.30%
Pensions	1,784	1,708	1,636	1,605	1,533	1,467
Severance payments	962	948	934	927	915	903
Long-servie bonuses	385	376	368	342	335	328

Change in valorisation

	2017			2016		
EUR '000	-0.20%	Output value	+0.20%	-0.20%	Output value	+0.20%
Pensions	1,706	1,708	1,710	1,521	1,533	1,547
Severance payments	940	948	956	907	915	922
Long-servie bonuses	372	376	381	331	335	339

2.8.6. Obligations arising from liabilities not included in the consolidated statement of financial position

Obligations arising from sureties, guarantees and other liabilities not included in the consolidated statement of financial position are regularly reviewed to ensure that they are not required to be recognised and included.

3. Notes on the consolidated statement of financial position and consolidated income statement

3.1. Statement of financial position

3.1.1. Properties held as financial investments

EUR '000	Rental properties	Properties under development and undeveloped land
As of 01 January 2016	1,826,403	16,201
Additions	117,340	11,250
Disposals	0	-5,305
Other changes	-245	0
Changes in fair value (realised through profit or loss)	195,380	-1,345
Reclassifications as properties held for sale	-221,575	0
As of 31 December 2016	**1,917,303**	**20,801**
whereof pledged as security	1,806,978	0
Additions	90,941	17,168
Disposals	-1,741	0
Other changes	-2,148	0
Changes in fair value (realised through profit or loss)	128,316	-869
Reclassifications as properties held for sale	-464,266	0
As of 31 December 2017	**1,668,405**	**37,100**
whereof pledged as security	1,606,715	31,670

The value of the other changes in the amount of kEUR -2,148 (31 December 2016: kEUR -245) consists primarily of retroactive acquisition cost reductions.

Additions by operating segments were as follows:

Rental properties

EUR '000	31 December 2017	31 December 2016
Austria	3,812	3,301
Germany	73,051	96,640
CEE	14,078	17,399
	90,941	**117,340**

Properties under development and undeveloped land

EUR '000	31 December 2017	31 December 2016
Austria	0	0
Germany	0	0
CEE	17,168	11,250
	17,168	**11,250**

Consisting of:

Rental properties

EUR '000	31 December 2017	31 December 2016
Austria	379,470	574,808
Germany	765,855	660,044
CEE	523,080	682,451
	1,668,405	**1,917,303**

The measurement of the fair value of rental properties totalling kEUR 1,668,405 in the financial year 2017 was based on hierarchy level 3.

Properties under development and undeveloped land

EUR '000	31 December 2017	31 December 2016
Austria	0	0
Germany	0	0
CEE	37,100	20,801
	37,100	**20,801**

The measurement of the fair value of development projects and undeveloped land totalling kEUR 37,100 (2016: kEUR 20,801) in the financial year 2017 was based on hierarchy level 3. This relates to land reserves and projects for which significant construction or project development measures are already in progress as of the reporting date and for which generating rental income is already of only minor significance.

Purchasing obligations for properties in the amount of kEUR 55,355 result from the purchasing contracts concluded in the financial year 2017.

S IMMO capitalises borrowing costs that serve the purpose of acquiring, purchasing or manufacturing a qualifying asset also if the qualifying asset is measured at fair value. Capitalising borrowing costs in accordance with IAS 23 was immaterial in the 2017 financial year, as in the 2016 financial year.

3.1.2. Owner-operated properties, other plant and equipment and intangible assets

Changes in the acquisition costs of owner-operated properties, other plant and equipment and intangible assets were as follows:

EUR '000	Owner-operated properties	Other plant and equipment	Intangible assets	Total
Costs of acquisition as of 01 January 2016	183,440	14,540	745	198,725
Currency translation	0	195	35	230
Additions	14,091	2,898	89	17,078
Disposals	0	-1,313	-2	-1,315
As of 31 December 2016	**197,531**	**16,320**	**867**	**214,718**
Currency translation	0	-17	-3	-20
Additions	9,794	653	142	10,589
Disposals	0	-3,493	-43	-3,536
As of 31 December 2017	**207,325**	**13,463**	**963**	**221,751**

The development in the accumulated depreciation and amortisation of owner-operated properties, other plant and equipment and intangible assets was as follows:

EUR '000	Owner-operated properties	Other plant and equipment	Intangible assets	Total
Accumulated depreciation and amortisation as of 01 January 2016	65,396	9,375	535	75,306
Currency translation	0	189	33	222
Depreciation and amortisation	6,367	1,348	108	7,823
Disposals	0	-932	-2	-934
As of 31 December 2016	**71,763**	**9,980**	**674**	**82,417**
Currency translation	0	-16	-3	-19
Depreciation and amortisation	7,687	1,209	103	8,999
Disposals	0	-2,365	-41	-2,406
As of 31 December 2017	**79,450**	**8,808**	**733**	**88,991**
Book value as of 01 January 2016	**118,044**	**5,165**	**210**	**123,419**
Book value as of 31 December 2016	**125,768**	**6,340**	**193**	**132,301**
Book value as of 31 December 2017	**127,875**	**4,655**	**230**	**132,760**

3.1.3. Interests in companies measured at equity

The book value of the companies measured at equity came to kEUR 12,237 as of 31 December 2017 (31 December 2016: kEUR 10,241). The companies recognised according to the equity method are shown in the table depicting the scope of consolidation in section 2.2. These are mostly companies that develop properties.

The companies recognised according to the equity method were valued as follows on the reporting date:

Associated companies

EUR '000	31 December 2017	of which AT	of which CEE	31 December 2016	of which AT	of which CEE
Non-current assets	83,578	49,823	33,755	77,292	42,708	34,584
Current assets	11,205	9,886	1,319	5,574	5,506	68
Non-current liabilities	71,700	41,631	30,069	67,245	36,738	30,507
Current liabilities	1,566	1,253	313	2,073	2,039	34
Net assets	21,517	16,825	4,692	13,548	9,437	4,111
Group interest in net assets	6,865	4,660	2,205	4,181	2,249	1,932

EUR '000	2017	of which AT	of which CEE	2016	of which AT	of which CEE
Revenues	5,252	2,429	2,823	5,242	2,420	2,822
Net income for the period	11,274	10,693	581	-1,168	-1,958	790
Group share of the profit for the period	3,815	3,542	273	-533	-904	371

Joint ventures

EUR '000	31 December 2017	of which CEE	31 December 2016	of which CEE
Non-current assets	29,411	29,411	7,965	7,965
Current assets	1,086	1,086	3,063	3,063
Non-current liabilities	14,405	14,405	101	101
Current liabilities	5,894	5,894	1,302	1,302
Net assets	10,198	10,198	9,625	9,625
Group interest in net assets	5,201	5,201	4,909	4,909

EUR '000	2017	of which CEE	2016	of which CEE
Revenues	0	0	0	0
Net income for the period	574	574	-385	-385
Group share of the profit for the period	293	293	-197	-197

Companies measured at equity:

EUR '000	2017	2016
As of 01 January	10,241	5,112
Current profits	3,295	1,681
Current losses	-6	-1,387
Additions	16	5,233
Disposals	-1,259	0
Withdrawals/dividends	-50	-398
As of 31 December	**12,237**	**10,241**

In the financial year 2017, there were proportional losses from companies included at equity amounting to kEUR 169 (2016: kEUR 1,153) that were not recognised. A cumulative total of kEUR 171 (2016: kEUR 1,153) was not realised as losses for companies measured at equity.

Loans to associated companies amounted to kEUR 10,946 (2016: kEUR 10,372) as of 31 December 2017.

3.1.4. Group interests and other financial assets

The book value of other non-current financial assets largely correspond to their fair values. Other financial assets mainly include shares in the companies Immofinanz and CA Immo that are accounted for as available-for-sale securities according to the rules of IAS 39. The valuation of available-for-sale financial instruments reported in the consolidated statement of comprehensive income relates entirely to these equity instruments. Dividends of kEUR 4,302 were detected in the reporting period effective in the financial results (2016: kEUR 779).

3.1.5. Inventories

Inventories exist to a minor extent and are measured at cost of acquisition and construction. The net realisable value of inventories does not exceed their book values.

3.1.6. Trade receivables and other accounts receivable

Trade receivables include rents receivable from tenants less any specific provisions required. These consist mainly of provisions against receivables in CEE in the amount of kEUR 6,170 (2016: kEUR 12,640). As in 2016, there were no other impairments that had to be recognised. There is not a concentration of credit risk because the Group generally has a large number of customers (particularly tenants) in the countries in which it operates.

The book value of current accounts receivable corresponds to the time value in essence.

3.1.6.1. Changes in provisions

Provisions for trade receivables developed as follows:

EUR '000	2017	2016
As of 01 January	13,597	17,400
Utilisation	-46	-178
Reversal	-7,088	-4,657
Increase	728	1,032
As of 31 December	**7,191**	**13,597**

Potential tenants are generally subject to a credit check. Tenants in the shopping centres and in the properties let as hotels include internationally active chains.

3.1.6.2. Receivables – maturities

The non-adjusted but due claims have the following maturities:

	2017		2016	
EUR '000	Trade receivables	Other financial assets	Trade receivables	Other financial assets
Less than 3 months past due	1,095	386	1,346	134
3 to 12 months past due	325	0	135	0
Over 1 year past due	30	0	158	0
Total	**1,450**	**386**	**1,639**	**134**

3.1.6.3. Other current financial assets

EUR '000	31 December 2017	31 December 2016
Property management agent clearing accounts	1,677	1,201
Receivables from disposals of properties and property holding companies	1,244	1,080
Deposits	738	724
Finance receivables	116	92
Other assets	2,832	1,144
	6,607	**4,241**

3.1.7. Other assets

The other assets of kEUR 12,239 (31 December 2016: kEUR 9,616) consisted mainly of prepaid expenses, tax receivables and prepayments.

3.1.8. Cash and cash equivalents

EUR '000	31 December 2017	31 December 2016
Bank balances	73,114	65,726
Cash in hand	276	303
	73,390	**66,029**

3.1.9. Properties held for sale

Properties are held for sale, if it is Management's intention to dispose of the property in the near future. It is intended to dispose to the deadline of one property located in Germany.

EUR '000	Austria	Germany	CEE	Total
As of 01 January 2016	0	0	0	0
Reclassification	0	221,575	0	221,575
Disposals	0	-221,575	0	-221,575
As of 31 December 2016	**0**	**0**	**0**	**0**
Reclassification	234,322	37,244	192,700	464,266
Disposals	-234,322	-30,944	-192,700	-457,966
As of 31 December 2017	**0**	**6,300**	**0**	**6,300**

3.1.10. Equity

The nominal capital of the Group's parent company amounted to kEUR 243,144 (2016: kEUR 243,144) and is fully paid up. In the financial year 2017, no shares were cancelled.

As of 31 December 2017, S IMMO held 715,424 treasury shares (2016: 715,424 shares).

Details of share capital

EUR '000	2017	2016
Total share capital	243,144	243,144
Treasury shares (nominal)	-2,600	-2,600
	240,544	**240,544**

Changes in number of shares

	2017	2016
Number of shares as of 01 January	66,201,755	66,727,176
Repurchase of treasury shares	0	-525,421
Issue of new shares	0	0
Treasury shares sold	0	0
Issued share capital as of 31 December	**66,201,755**	**66,201,755**

The shares are listed in the Prime Market segment of the Vienna Stock Exchange. S IMMO was included in the Austrian ATX benchmark index for the first time on 18 September 2017.

The nominal share capital is divided into 66,917,179 ordinary bearer shares that are fully paid up and have no par value.

The bearer shares confer on the shareholders the usual rights provided for under the Austrian Stock Corporation Act (AktG). These include the right of a dividend payment approved by the Annual General Meeting and the right to vote at the Annual General Meeting.

The capital reserves of kEUR 68,832 (31 December 2016: kEUR 68,832) are restricted reserves in the meaning of section 229 (5) Austrian Commercial Code (UGB).

The other reserves of kEUR 629,608 (31 December 2016: kEUR 525,037) shown in the statement of changes in consolidated equity consist mainly of reversed capital reserves together with accumulated retained earnings. The foreign currency reserve of kEUR -17,200 (31 December 2016: kEUR -17,365) is made up of the currency translation differences in accordance with IAS 21. The hedge accounting reserve of kEUR -6,022 (31 December 2016: kEUR -17,585) comprises the measurement differences on cash flow hedges recognised under equity. The AFS reserve of kEUR 25,053 (31 December 2016: kEUR -3,858) relates to the equity instruments described in note 3.1.4. and results from the revaluation to fair value.

For the financial year 2017, the company intends to propose distribution of a dividend of EUR 0.40 per share entitled to dividends at the next Annual General Meeting.

Additional information on capital management
S IMMO Group manages its capital with the aim of maximising its returns by optimising the relationship between equity and debt. At the same time, care is taken to ensure that all Group companies can operate on a going concern basis.

The Group's capital consists of bank and financial liabilities including bonds, equity provided by the shareholders of the parent company and subordinated participating certificates, which are described in more detail in note 3.1.12. There are no provisions in the articles of incorporation concerning the capital structure.

The equity attributable to the shareholders of the parent company consists of the shares in circulation, capital and other reserves and the consolidated net profit, as shown in the statement of changes in consolidated equity.

The capital structure is constantly monitored, and the costs of capital and the risks associated with each type of capital are taken into account. The Group will continue to optimise the capital structure by issuing and repaying debt and issuing and repurchasing shares as appropriate.

The Group is not managed according to individual parameters. However, the equity ratio is not allowed to fall significantly below 30% over the long term.

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3.1.11. Non-controlling interests

The minority interests of kEUR 3,611 (31 December 2016: kEUR 28,737) primarily relate to Einkaufscenter Sofia G.m.b.H. & Co KG (35% interest). The change in the amount of kEUR -30,756 (2016: kEUR -596) shown in the statement of changes in consolidated equity are due primarily to distributions of revenues from the sale of the Serdika property to non-controlling interests.

3.1.12. Financial liabilities

Financial liabilities are as follows:

		Changes in cash and cash equivalents		Non-cash changes		
in kEUR	01 January 2017	New loans/re-payments	Change in the scope of consolidation	Changes in market value	Other non-cash changes	31 December 2017
Other non-current financial liabilities	770,602	15,749	-96,127	-4,366	731	686,589
Other current financial liabilities	184,096	-71,718	-4,725	0	5,745	113,398
Subtotal other non-current and current financial liabilities	954,698	-55,969	-100,852	-4,366	6,476	799,987
of which recognised in cash flow from financing activities		-50,804	0	0	0	
Bonds	287,221	0	0	0	297	287,518
of which recognised in cash flow from financing activities		0	0	0	0	
Subordinated participating certificate capital	58,131	-7,378	0	0	5,964	56,717
of which recognised in cash flow from financing activities		-7,580[1]	0	0	0	
Total	**1,300,050**	**-63,347**	**-100,852**	**-4,366**	**12,737**	**1,144,222**

[1] Repurchase price differs from participating certificate liability

3.1.13. Subordinated participating certificate capital

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

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

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

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 financial year 2017, the profit for the year was kEUR 4,858 (2016: kEUR 6,735).

As of 31 December 2017, there were 550,781 participating certificates in circulation. The total entitlements of participating certificate holders as of that date were EUR 102.98 (2016: EUR 96.15) per certificate, which break down as follows:

EUR '000	Participating certificate capital	Profit brought forward	Profit for the period	Share of undisclosed reserves on property portfolio	Total
Participating certificates capital 01 January 2017	43,937			1,133	45,070
Profit brought forward 01 January 2017		6,326			6,326
Income entitlements of participating certificate holders from 2016			6,735		6,735
Distribution 04 May 2017			-2,400		-2,400
Change in profit brought forward pursuant to section 5 (6), Participating Certificates Agreement		4,335	-4,335		0
Repurchase and retirement of 53.821 participating certificates	-3,912	-966		-100	-4,978
Income entitlements of participating certificate holders			4,858		4,858
Allocation of undisclosed reserves on property portfolio				1,106	1,106
Participating certificates capital as of 31 December 2017	**40,025**	**9,695**	**4,858**	**2,138**	**56,717**
Per participating certificate (EUR)	**72.67**	**17.60**	**8.82**	**3.88**	**102.98**

Figures of 2016:

EUR '000	Participating certificate capital	Profit brought forward	Profit for the period	Share of undisclosed reserves on property portfolio	Total
Participating certificates capital 01 January 2016	45,839			998	46,837
Profit brought forward 01 January 2016		4,671			4,671
Income entitlements of participating certificate holders from 2015			4,452		4,452
Distribution 25 May 2016			-2,429		-2,429
Change in profit brought forward pursuant to section 5 (6), Participating Certificates Agreement		2,023	-2,023		0
Repurchase and retirement of 26,177 participating certificates	-1,902	-368		-41	-2,311
Income entitlements of participating certificate holders			6,735		6,735
Allocation of undisclosed reserves on property portfolio				176	176
Participating certificates capital as of 31 December 2016	**43,937**	**6,326**	**6,735**	**1,133**	**58,131**
Per participating certificate (EUR)	**72.67**	**10.47**	**11.14**	**1.87**	**96.15**

The participating certificates had an original term until 31 December 2029. With effect from 31 December 2017, the terms of the participating certificate agreements provide for a cancellation option both for the holders and for the company.
In the second quarter of 2017, S IMMO exercised this cancellation right and cancelled all participating certificates it had issued effective 31 December 2017. As a result, there was a reallocation from non-current liabilities to current liabilities in the consolidated financial statements.

In calculating the participating certificate liability as of 31 December 2017, the hidden reserves as defined in the terms of the Participating Certificates Agreement were calculated for the last time. The income entitlements calculated in the financial year 2017 will probably be paid out together with the repayment of the participating certificate capital.

3.1.14. Issued bonds

In June 2014, S IMMO AG issued a bond (ISIN AT0000A177D2) with a total nominal value of kEUR 89,739.5. The bond is divided into 179,479 units with a nominal value of EUR 500 each, and was issued in exchange for participating certificates. At the beginning of October 2014, S IMMO AG issued a bond (ISIN AT0000A19SB5) with a total nominal value of kEUR 100,000 divided into 200,000 shares with a nominal value of EUR 500 each.

In April 2015, S IMMO AG issued two more bonds. The bond with the ISIN AT0000A1DBM5 followed a voluntary public offer pursuant to section 4 et seqq. Austrian Takeover Act (ÜbG) issued in March 2015 to the holders of the S IMMO INVEST participating certificates with the ISIN AT0000795737 and the ISIN AT0000630694 for the purchase of these participating certificates by way of an alternative exchange and cash offer. Also in April 2015, S IMMO AG issued a further bond (ISIN AT0000A1DWK5) with a total nominal value of kEUR 65,000 divided into 130,000 shares with a nominal value of EUR 500 each.

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

ISIN	Total nominal value EUR '000	Coupon	Effective interest rate	Maturity	Market values [1]
AT0000A177D2	89,739.5	4.50%	4.66%	16 June 2021	111.10
AT0000A19SB5	100,000	3.00%	3.13%	02 October 2019	104.33
AT0000A1DBM5	33,993.5	3.25%	3.36%	08 April 2025	108.50
AT0000A1DWK5	65,000	3.25%	3.31%	20 April 2027	110.60

[1] The market values are based on the most recent transactions before 31 December 2017.

All of the bonds are listed in the Corporates Prime segment of the Vienna Stock Exchange. The market value of the bond liabilities as of 31 December 2017 is kEUR 312,804 (31 December 2016: kEUR 311,423).

3.1.15. Provisions

The non-current provisions developed as follows:

EUR '000	As of 01 January 2017	Accumulation	Reclassification	Reversal	Increased	As of 31 December 2017
Employee provisions	2,143	0	0	0	191	2,334
	2,143	**0**	**0**	**0**	**191**	**2,334**

The employee provisions as of 31 December 2017 include provisions for pension entitlements (kEUR 1,010; 31 December 2016: kEUR 893), provisions for severance benefits (kEUR 948; 31 December 2016: kEUR 915) and provisions for long-service entitlements (kEUR 376; 31 December 2016: kEUR 335). The following parameters were taken as a basis for the actuarial calculation:

	31 December 2017	31 December 2016
Actuarial interest rate	0.30% to 1.50%	1.00% to 1.70%
Expected raise in salaries	1.00% to 2.58%	1.00% to 2.58%
Blanket fluctuation allowance	0.00% to 26.10%	7.00% to 26.10%

Please refer to section 2.8.5. of the notes for information about the sensitivity of assumptions for the calculation of post-employment, termination and anniversary benefits.

The present values of pension, severance and long-service entitlements developed as follows:

EUR '000	Pension	Severance payment	Anniversary
Present value of obligation at 01 January 2016	1,421	706	484
Current service costs	66	21	84
Interest expense	35	8	8
Payments	0	-92	-21
Remeasurement of benefit obligations	11	272	-220
Present value of obligation on 31 December 2016	1,533	915	335
Plan assets on 31 December 2016	640	0	0
Provisions on 31 December 2016	**893**	**915**	**335**
Present value of obligation at 01 January 2017	1,533	915	335
Current service costs	68	20	32
Interest expense	25	11	5
Payments	0	-163	-29
Remeasurement of benefit obligations	82	165	33
Present value of obligation on 31 December 2017	1,708	948	376
Plan assets on 31 December 2017	698	0	0
Provisions on 31 December 2017	**1,010**	**948**	**376**

The obligation to form a provision for severance benefits is based on labour law. For persons whose employment started before 01 January 2003 in Austria, S IMMO Group is required under the statutory provisions to make a one-time severance payment to any employee whose employment is terminated by the employer or who reaches the age of retirement while employed. The benefit entitlements are dependent on the number of years of service and the level of remuneration at the time the entitlement arises, and amount to between two and 12 months' salary. The pension obligations shown on the balance sheet date relate to current staff. Payments for Group employees are made to an external pension fund. The plan assets resulting from these contributions amounts to about kEUR 698 as of 31 December 2017 (31 December 2016: kEUR 640).

The current provisions developed in the financial year 2017 as follows:

EUR '000	As of 01 January 2017	Reclassification	Reversal	Utilised	Increased	As of 31 December 2017
Other provisions	162	-13	-8	-144	3	0

3.1.16. Taxes on income

3.1.16.1. Current and deferred taxes on income

Tax expense was made up as follows:

EUR '000	2017	2016
Current taxes	-8,495	-3,813
Deferred taxes	-18,783	-8,335
	-27,278	**-12,148**

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

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

EUR '000	01–12/2017	01–12/2016
Net income before tax	160,748	216,471
Income tax expense at the standard Austrian income tax rate of 25%	-40,187	-54,118
Effects of differing foreign tax rates	11,380	17,793
One-off effects of sales	-953	23,558
Taxes from previous years	-1,657	1,735
Decreases relating to non-taxable income	6,358	3,121
Increases relating to non-deductible expenses	-2,219	-4,237
Tax expense as disclosed	-27,278	-12,148
Effective tax rate	**16.97%**	**5.60%**

The reconciliation item 'One-off effects of sales' in the previous year relates to the reversal of deferred taxes that did not take effect in the sales process; in the financial year 2017, the item resulted from the sale of the Serdika property.

3.1.16.2. Deferred tax liabilities

In accordance with IAS 12, the provision for deferred taxation is calculated using the balance sheet liability method: Deferred tax must be provided for all temporary differences between the values for balance sheet purposes in the IFRS consolidated statement of financial position and the current values for tax purposes for the individual companies. Temporary differences can be either:

- *taxable temporary differences,* which will result in taxable amounts in the calculation of taxable income or tax loss in future periods when the book value of the asset is realised or the liability is settled, or
- *deductible temporary differences,* which will result in tax deductible amounts in the calculation of taxable income or tax loss in future periods when the book value of the asset is realised or the liability is settled.

As a general principle, a deferred tax asset or liability must be recognised for all taxable temporary differences. There are exceptions for the recognition of goodwill in an initial consolidation or the initial recognition of an asset or liability in a business transaction which is not a business combination and which at the time of the transaction does not affect the profit or loss either under IFRS or for tax purposes.

Temporary differences between values in the IFRS consolidated statement of financial position and the corresponding values for tax purposes had the following effects on deferred taxes as shown in the consolidated statement of financial position:

EUR '000	2017 Assets	2017 Liabilities	2016 Assets	2016 Liabilities
Properties	2,106	-139,575	5,684	-143,556
Financial instruments	3,977	-9,607	5,993	0
Other items	1,193	-1,934	2,155	-1,609
Tax loss carryforward	10,989		31,495	0
Subtotal	18,266	-151,116	45,327	-145,165
Netting	-15,989	15,989	-39,520	39,520
Deferred tax assets (+)/liabilities (-)	**2,277**	**-135.128**	**5,807**	**-105,645**

Of these totals, deferred tax assets of kEUR 1,663 (2016: kEUR 5,039) from derivatives valuation were recognised under other comprehensive income. No deferred tax assets have been recognised for tax loss carryforwards totalling kEUR 62,389 (31 December 2016: kEUR 95,940).

In accordance with IAS 12.39, no deferred taxes were recognised for temporary differences relating to interests in affiliated companies, joint ventures and associated companies, as the profits accrued at subsidiaries remain invested indefinitely or are not subject to taxation on disposal.

Assuming that the fair values of the properties were to change uniformly by +/-10% across the portfolio, the deferred property taxes would change as follows given identical book values for tax purposes:

EUR '000	+10%	Output value for deferred taxes in 2017(offset)	-10%	+10%	Output value for deferred taxes in 2016 (offset)	-10%
Deferred taxes on properties	168,970	137,469	108,333	172,633	137,872	103,297

3.1.16.3. Measurement

Deferred taxes are calculated on the basis of the tax rates in force or expected to apply in the relevant countries at the time of realisation. Changes in the tax legislation in force or approved at the balance sheet date are taken into account. The tax rates used in calculating deferred taxes were as follows:

	Applicable tax rate in 2018	Applicable tax rate in 2017
Austria	25.00%	25.00%
Germany	15.83%	15.83%
Czech Republic	19.00%	19.00%
Slovakia	21.00%	21.00%
Hungary	9.00%	9.00%
Croatia	18.00%	18.00%
Romania	16.00%	16.00%
Bulgaria	10.00%	10.00%

3.2. Income statement

3.2.1. Rental income and revenues from operating costs an revenues from hotel operations

Rental income EUR '000	2017	2016
Office	41,205	43,405
Residential property	22,181	24,247
Retail	43,535	45,741
Hotel	5,099	4,781
	112,020	**118,174**

The rental income and revenues from operating costs result almost entirely from investment properties. The revenues from hotel operations amount to kEUR 45,966 (2016: kEUR 42,923).

3.2.2. Operating costs and expenses from properties and hotel operations

The expenses presented in the following table are almost exclusively expenses related to investment properties.

EUR '000	2017	2016
Operating costs	-40,584	-42,043
Maintenance expenses	-13,781	-14,492
depreciation and amortisation and loss allowance	1,099	-710
Commissions	-1,519	-2,562
Other	-5,092	-4,345
	-59,877	**-64,152**

Expenses of kEUR 165 were attributable to properties not yet generating income (2016: kEUR 167).

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

3.2.3. Gains on property disposals

EUR '000	2017	2016
Income from property disposals		
Properties held as financial investments	1,741	2,564
Properties held for sale	468,510	225,950
Inventories	0	1,368
	470,251	**229,882**
Book value of property disposals		
Properties held as financial investments	-1,741	-2,314
Properties held for sale	-458,169	-221,603
Inventories	0	-832
	-459,910	**-224,749**
Gains on property disposals		
Properties held as financial investments	0	250
Properties held for sale	10,341	4,347
Inventories	0	536
	10,341	**5,133**

The two office buildings in Vienna's Viertel Zwei, the Serdika Center shopping centre and the Serdika Offices office building in Bulgaria, two properties in Berlin and a plot of land in Austria were sold in the 2017 financial year. Apart from the properties in Berlin, all sales were executed in the form of share deals or as sale of a business. In the course of this transaction, assets other than properties and liabilities were also transferred. The remuneration for these sales (excluding Germany) completely consisted of cash and in total amounted to EUR 339.2m.

The properties held for sale include properties that were recognised as held for sale in the interim financial reports.

3.2.4. Management expenses

Management expenses are expenses not directly attributable to properties; they were made up as follows:

EUR '000	2017	2016
Staff costs	-8,796	-8,916
Legal, audit, consulting and estimated costs	-4,310	-3,365
Servicing fees and administration costs	-355	-655
Corporate communications and investor relations	-1,298	-1,620
Other taxes and duties	-640	-899
Other	-3,564	-3,180
	-18,963	**-18,635**

Fees for the Group's auditor for 2017 totalled kEUR 237 (2015: kEUR 252). This amount is divided into the following fields of activity:

EUR '000	2017	2016
Audit of the consolidated financial statements	63	58
Other audit-related services	174	194
Tax consultation services	0	0
Other consultation services	0	0
	237	**252**

The average number of employees in 2017 was 577 (2016: 575), including hotel staff. Personnel expenses for the hotels are disclosed under hotel operations.

The personnel expenses disclosed here are salaries of the Group's employees other than the hotel staff. The amount also includes performance-related bonuses paid to certain employees under individual agreements.

Defined contribution plans

As required by law, S IMMO Group pays 1.53% of the relevant monthly salaries into an employees' severance pay and pension fund for all employees who joined the Group after 31 December 2002. Personnel expenses included contributions of kEUR 58 (2016: kEUR 56) paid into the fund. For other defined contribution plans, kEUR 125 (2016: kEUR 116) were recognised in profit or loss.

3.2.5. Depreciation and amortisation

This item comprises and depreciation and amortisation and impairments on owner-operated properties, other plant and equipment, and intangible assets. Depreciation and amortisation were made up as follows:

EUR '000	2017	2016
Owner-operated properties	-7,687	-6,367
Other plant and equipment	-1,209	-1,348
Intangible assets	-103	-108
	-8,999	**-7,823**

3.2.6. Results from property valuation

Gains and losses on valuation include all increases and decreases in value on properties held as financial investments, and were made up as follows:

EUR '000	2017	2016
Changes in fair value		
Increases	141,309	204,978
Reductions	-13,848	-11,073
Others	131	130
	127,592	**194,035**

In the reporting period, other operating income from property valuations consisted of the change in provisions for project and transaction risks and building cost settlements.

The split between valuations attributable to properties sold in the financial year and valuations for properties still held in the portfolio as of the reporting date is as follows:

EUR '000	2017	2016
Properties held in the portfolio	81,001	143,605
Properties held for sale	2,610	0
Properties sold	43,981	50,430
	127,592	**194,035**

Gains and losses on valuation break down by region as follows:

EUR '000	2017	2016
Austria	37,101	38,167
Germany	70,005	136,698
CEE	20,486	19,170
	127,592	**194,035**

3.2.7. Financing result

EUR '000	2017	2016
Bank interest expense (incl. derivatives accounted for)	-24,029	-29,065
Effects arising from hedge accounting and the measurement of derivatives through profit or loss	-14,234	-16,407
Result from foreign exchange differences	-584	-584
Bond interest	-10,553	-10,541
Result from the repurchase and collection of participating certificates	-203	49
Other financing and interest expenses	-1,453	-1,761
Bank interest revenue	3	30
Income from equity investments	4,763	981
Results from companies measured at equity	3,597	292
Other financing and interest income	1,256	1,709
	-41,437	**-55,297**

3.2.8. Earnings per share

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

		2017	2016
Own share in consolidated net profit	EUR '000	130,091	198,459
Average number of shares in issue	Number	66,201,755	66,645,014
Basic earnings	EUR	1.97	2.98
Diluted earnings	EUR	1.97	2.98

Diluted and basic earnings per share are the same, since there are no potentially dilutive financial instruments in issue.

4. Operating segments

An operating segment is defined as having the following characteristics:

- It engages in business activities in which it may earn revenue and incur expenses.
- Its operating results are reported regularly to the enterprise's chief operating decision maker, who uses the information to allocate resources to it and to review its performance.
- Separate financial information is available for the segment.

Based on these characteristics, segment reporting occurs by region at S IMMO Group. Since 01 January 2017, the assessment and analysis of the regional structure has followed the new strategic direction, which differentiates between Austria, Germany and CEE. The new approach manifested itself in the disposal of a key portion of the properties in Bulgaria among other things.

The regions are as follows:

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

Germany: The Germany operating segment includes the German subsidiaries and also the subsidiaries in Denmark, which held properties in Germany up until 31 December 2016, and the Austrian companies, which hold properties solely in Germany.

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

The segment reporting is based on the internal reporting system for management purposes.

Each segment is operationally independent of the others, since each must take the local market and business environment into account. The Group's CEO has been nominated as the chief operating decision maker with responsibility for segment operations. He is responsible for the allocation of resources to the individual segments and for reviewing their performance. Quarterly management reports are prepared for each operating segment and submitted to the CEO.

In preparing and presenting the segment information, the same accounting and valuation policies are applied as for the consolidated financial statements. The book value of the interests in companies that are recognised according to the equity method breaks down to kEUR 4,832 for the segment of Austria (31 December 2016: kEUR 3,401), and kEUR 7,405 (31 December 2016: kEUR 6,840) for the segment of CEE.

	Austria		Germany		CEE[1]		Total	
EUR '000	2017	2016	2017	2016	2017	2016	2017	2016
Rental income	24,745	28,074	36,684	37,069	50,591	53,031	112,020	118,174
Revenues from operating costs	6,236	6,916	11,776	11,626	15,423	19,115	33,435	37,657
Revenues from hotel operations	22,095	21,178	0	0	23,871	21,745	45,966	42,923
Total revenues	53,076	56,168	48,460	48,695	89,885	93,891	191,421	198,754
Other operating income	1,597	664	759	1,491	510	1,250	2,866	3,405
Property operating expenses	-11,195	-12,147	-23,238	-27,088	-25,444	-24,917	-59,877	-64,152
Hotel operating expenses	-19,604	-17,555	0	0	-16,628	-14,482	-36,232	-32,037
Gross profit	23,874	27,130	25,981	23,098	48,323	55,742	98,178	105,970
Gains on property disposals	3,587	536	0	4,347	6,754	250	10,341	5,133
Management expenses	-10,088	-10,691	-5,531	-5,551	-3,344	-2,393	-18,963	-18,635
EBITDA	17,373	16,975	20,450	21,894	51,733	53,599	89,556	92,468
Depreciation and amortisation	-4,963	-3,900	-97	-96	-3,939	-3,827	-8,999	-7,823
Results from property valuation	37,101	38,167	70,005	136,698	20,486	19,170	127,592	194,035
EBIT	**49,511**	**51,242**	**90,358**	**158,496**	**68,280**	**68,942**	**208,149**	**278,680**
Non-current assets as of 31 December	759,947	742,766	766,720	660,385	638,075	784,845	2,164,742	2,187,996
Non-current liabilities as of 31 December	512,973	635,178	275,996	262,310	322,607	326,269	1,111,576	1,223,757

[1] adjusted

Major customers

Because of the large number of customers, no single customer is responsible for more than 10% of S IMMO Group's total revenues.

5. Other information

5.1. Financial instruments

5.1.1. Categories

S IMMO Group classifies its financial instruments as follows:

31 December 2017

Book values EUR '000	Derivatives	Available for sale	Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Total
Assets						
Non-current assets						
Group interests		842				842
Loans to companies measured at equity				10,946		10,946
Other financial assets	1,170	298,560	445			300,175
Current assets						
Trade receivables				8,447		8,447
Other financial assets				6,607		6,607
Cash and cash equivalents				73,990		73,990
Total assets	**1,170**	**299,402**	**445**	**99,990**	**0**	**401,007**
Equity and liabilities						
Non-current liabilities						
Issued bonds					287,518	287,518
Other financial liabilities	17,130				669,459	686,589
thereof finance lease					7,040	
Current liabilities						
Subordinated participating certificate capital I					56,717	56,717
Financial liabilities [1]					113,398	113,398
thereof finance lease					2,120	
Trade payables					7,363	7,363
Total equity and liabilities	**17,130**	**0**	**0**	**0**	**1,134,455**	**1,151,585**

[1] including bond interest accrued

31 December 2016

Book values EUR '000	Derivatives	Available for sale	Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Total
Assets						
Non-current assets						
Group interests		777				777
Loans to companies measured at equity				10,372		10,372
Other financial assets	2,580	87,437	377			90,394
Current assets						
Trade receivables				10,412		10,412
Other financial assets				4,241		4,241
Cash and cash equivalents				66,029		66,029
Total assets	**2,580**	**88,214**	**377**	**91,054**	**0**	**182,225**
Equity and liabilities						
Non-current liabilities						
Subordinated participating certificate capital					58,131	58,131
Issued bonds					287,221	287,221
Other financial liabilities	30,347				740,255	770,602
thereof finance lease					9,160	
Current liabilities						
Financial liabilities [1]					184,096	184,096
thereof finance lease					2,099	
Trade payables					9,298	9,298
Total equity and liabilities	**30,347**	**0**	**0**	**0**	**1,279,001**	**1,309,348**

[1] including bond interest accrued

The bond liabilities had a fair value of kEUR 312,804 as of 31 December 2017 (31 December 2016: kEUR 311,423). The fair value of the participating certificate liabilities as of 31 December 2017 is kEUR 54,094 (31 December 2016: kEUR 54,414). The book values indicated for the other financial liabilities largely correspond to the fair values.

The individual categories of financial instruments recognised in the income statement can be assigned as follows:

EUR '000	2017 Current financial result	2017 Valuation effects	2016 Current financial result	2016 Valuation effects
Derivatives	-8,199	-14,234	-8,264	-16,430
Available for sale	4,763		981	
Loans and receivables		1,099		-710
Financial liabilities at amortised cost	-32,018		-38,231	

5.1.2. Derivatives

The company currently uses swaps and caps to manage the interest rate risk in connection with variable-rate property financing.

Derivatives disclosed under other current and non-current financial assets (kEUR 1,170; 31 December 2016: kEUR 2,580) and under non-current and current financial liabilities (kEUR 17,130; 31 December 2016: kEUR 30,347).

	31 December 2017				31 December 2016			
EUR '000	Nominal	Positive fair value	Negative fair value	Maturity	Nominal	Positive fair value	Negative fair value	Maturity
Swaps	0	0	0	< 1 year	0	0	0	< 1 year
	3,000	0	-98	1–5 years	116,580	0	-9,410	1–5 years
	411,035	322	-17,032	> 5 years	392,417	1,264	-20,608	> 5 years
Caps	5,000	0	0	< 1 year	0	0	0	< 1 year
	50,000	65	0	1–5 years	62,460	34	-329	1–5 years
	140,000	783	0	> 5 years	165,000	1,283	0	> 5 years
Summe	**609,035**	**1,170**	**-17,130**		**736,457**	**2,581**	**-30,347**	

5.2. Risk management

Since S IMMO Group's rental contracts are mostly linked to the euro and almost all of its loans are denominated in euro, the exchange rate risk is considered to be low.

5.2.1. Exchange and interest rate risk

At 31 December 2017, around 80% (31 December 2016: 87%) of the Group's credit portfolio consisted of variable-rate loans and roughly 20% (31 December 2016: 13%) were fixed-rate loans. The current and non-current financial liabilities include fixed-rate loans in the amount of kEUR 155,767 (31 December 2016: kEUR 114,447). Of the variable-rate loans, roughly 97% are based on the three-month Euribor with quarterly adjustment (31 December 2016: approx. 97%), roughly 3% on the six-month Euribor with bi-annual adjustment (31 December 2016: approx. 2%) and none on the one-month Euribor (31 December 2016: 1%). In the 2014 and 2015 financial years, the company issued fixed-rate bonds. More details can be found in section 3.1.14.

The variable-rate loans are protected with hedging instruments such as caps and swaps.

The cost of funding (based on variable and fixed interest finance liabilities as of 31 December 2017) is 2.67% (31 December 2016: 3.09%).

The stress test (based on the variable- and fixed-rate financial liabilities as of 31 December 2017) shows that increases in the base rate (Euribor) have only a small effect on the Group's financing costs. For example, a 100 bp increase in the three-month Euribor increases financing costs by 15 bp.

Stress test as of 31 December 2017

Interest rate (3M Euribor)	Cost of funding	Difference cost of funding	Interest sensitivity
Interest rate 4%	3.25%	58 BP	15%
Interest rate 3%	3.19%	52 BP	17%
Interest rate 2%	3.05%	38 BP	19%
Interest rate 1%	2.82%	15 BP	15%
Interest rate 0.5%	2.70%	4 BP	7%
Interest rate -0.5%	2.68%	1 BP	-3%

Stress test as of 31 December 2016

Interest rate (Euribor)	Cost of funding	Difference cost of funding	Interest sensitivity
Interest rate 4%	3.99%	87 BP	22%
Interest rate 3%	3.87%	75 BP	25%
Interest rate 2%	3.67%	55 BP	28%
Interest rate 1%	3.39%	27 BP	27%
Interest rate 0.5%	3.25%	13 BP	27%
Interest rate -0.5%	3.17%	5 BP	-9%

5.2.2. Liquidity and lender risks

S IMMO Group manages liquidity and lender risks actively. As part of managing and monitoring liquidity, all maturities are subject to continual review, and appropriate adjustments are made as part of the rolling budget process if necessary. In order to minimise liquidity risks, the Group ensures that a balanced relationship is maintained between the amounts of loans and the market values of the individual properties.

In 2016, the loan to value ratio for secured financing amounted to 36.6% (2016: 41.3%) and for unsecured financing to 12.7% (2016: 14.6%). To keep lender risks to a minimum, S IMMO Group works with a total of 23 different, well-known financial institutions in Austria and Germany.

	Share in liabilities to banks
Erste Group	17%
Savings banks	10%
Other Austrian banks	28%
Insurance	19%
German Banks	26%

Maturity analysis of financial liabilities

The maturities of the undiscounted payment flows for future periods are as follows:

31 December 2017 EUR '000	Subordinated participating certificate capital	Issued bonds	Other financial liabilities [1]	Trade payables
Remaining maturity less than 1 year	56,717	10,256	126,600	7,363
Remaining maturity between 1 and 5 years	0	217,724	359,521	0
Remaining maturity over 5 years	0	112,871	394,542	0

[1] Thereof finance lease less than 1 year: kEUR 2,199; between 1 and 5 years: kEUR 7,148; over 5 years: kEUR 0

31 December 2016 EUR '000	Subordinated participating certificate capital	Issued bonds	Other financial liabilities [1]	Trade payables
Remaining maturity less than 1 year	0	10,256	209,742	9,298
Remaining maturity between 1 and 5 years	58,131	224,762	523,196	0
Remaining maturity over 5 years	0	116,088	313,974	0

[1] Thereof finance lease less than 1 year: kEUR 2,199; between 1 and 5 years: kEUR 8,797; over 5 years: kEUR 550

5.2.3. Borrower risks

The amounts disclosed as assets represent the maximum default risk since there are no significant netting agreements.

Provisions are formed for default risks on receivables from tenants and purchasers of properties to the extent that such risks are recognised. The criteria for the formation of these provisions are explained in note 2.6.6.2.

5.3. Rental agreements

The tenancy agreements concluded by S IMMO Group are classified as operating leasing under IFRS. These tenancy agreements are as a rule protected by linking the rents to the euro and to international indices.

Total future minimum leasing payments (nominal value) from operating leasing agreements are as follows:

EUR '000	2017	2016
In the following year	75,539	93,189
For the next 4 years	165,917	226,138
Over 5 years	105,655	116,974
	347,111	**436,301**

5.4. Leasing – Group as lessee

Total future minimum lease payments from operating leases are as follows:

EUR '000	2017	2016
In the following year	332	482
For the next 4 years	1,293	1,889
Over 5 years	9,797	11,565
	11,422	**13,936**

The investment property assets include properties from finance leases in the amount of kEUR 44,740 (2016: kEUR 42,110).

Finance leases are concluded for a term of 15 years. The interest rates upon which the contracts are based are variable and linked to the three-month Euribor.

The obligations from finance leases are shown in the following tables:

EUR '000	In the following year	For the next 4 years	Over 5 years	31 December 2017
Amount of future minimum lease payments	2,199	7,148	0	9,347
Interest amount	79	108	0	187
Present value of minimum lease payments	2,120	7,040	0	9,160

EUR '000	In the following year	For the next 4 years	Over 5 years	31 December 2016
Amount of future minimum lease payments	2,199	8,797	550	11,546
Interest amount	101	186	0	287
Present value of minimum lease payments	2,098	8,611	550	11,259

5.5. Pending litigation

S IMMO Group was involved in a number of open legal disputes at the balance sheet date. However, the amounts involved were not significant and even in total the amount was not material in the management's estimation.

5.6. Related party disclosures

For S IMMO Group related parties are as follows:

- S IMMO Group's managing bodies,
- Erste Group,
- Vienna Insurance Group,
- RPR Privatstiftung,
- Familie Benko Privatstiftung,
- Arealis Liegenschaftsmanagement GmbH,
- Associated companies and joint venture companies of the Group.

By share purchase agreement dated 28 December 2017, RPR Privatstiftung acquired 6,832,561 S IMMO AG shares (around 10.21% of the share capital) from Erste Group Bank AG. The RPR Privatstiftung Group therefore increased its interest in S IMMO AG to around 21.86%. Thus at the end of the reporting period, Vienna Insurance Group and RPR Privatstiftung Group are S IMMO AG's core shareholders.

Via SIGNA Holding GmbH which it controls, Familie Benko Privatstiftung concluded agreements on financing the above share purchase as well as buy/sell options for the acquisition of shares in S IMMO AG held by the RPR Privatstiftung Group.

In the financial year 2017, there were no related-party transactions with the new shareholders.

As of the reporting date, Erste Group is still represented on the S IMMO AG Supervisory Board.

Areal Liegenschaftsmanagement GmbH is a joint subsidiary of Erste Group and the Vienna Insurance Group.

S IMMO Group's managing bodies are as follows:

S IMMO AG Management Board
Ernst Vejdovszky, Vienna
Friedrich Wachernig, MBA, Vienna

S IMMO AG Supervisory Board
Martin Simhandl, Vienna (Chairman)
Ralf Zeitlberger, Vienna (first deputy chairman)
Franz Kerber, Graz (second deputy chairman)
Andrea Besenhofer, Vienna
Christian Hager, Krems
Erwin Hammerbacher, Vienna (until 08 June 2017)
Michael Matlin, MBA, New York (until 30 November 2017)
DI Manfred Rapf, Wien (since 08 June 2017)
Wilhelm Rasinger, Vienna

The remuneration of the Management Board breaks down as follows:

EUR '000	2017	2016
Fixed	559	529
Variable	430	350
	989	**879**

In addition to the amounts specified above, other benefits consisted primarily of contributions to pension funds in the amount of kEUR 57 (2016: kEUR 53) and contributions to the staff benefit fund in the amount of kEUR 15 (2016: kEUR 14). The allocable service cost from pension entitlements comes to kEUR 67 (2016: kEUR 66).

In 2017, members of the Supervisory Board received remuneration amounting to kEUR 172 (2016: kEUR 176). Members of subsidiaries' supervisory boards received no remuneration. Neither members of the Management Board nor Supervisory Board members received either loans or advances, and no guarantees have been provided on their behalf.

Erste Group mainly provided S IMMO Group with administrative, intermediary and financial services, while Vienna Insurance Group mostly provided financial and insurance services. In the following tables, Erste Group is still cited as a related party despite the disposal of the stake shortly before the end of the year.

There were the following receivables and payables with Erste Group and Vienna Insurance Group as of 31 December 2017 and as of 31 December 2016:

EUR '000	31 December 2017	31 December 2016
Other receivables	3,830	2,925
Bank balances	60,405	48,244
Receivables	**64,235**	**51,169**

Bank balances consist mainly of current account balances at interest rates of up to 0.01%.

EUR '000	31 December 2017	31 December 2016
Non-current bank and financial liabilities	346,095	351,514
Current bank and financial liabilities	49,368	121,673
Trade payables	61	51
Other liabilities	1,224	19
Liabilities	**396,748**	**473,257**

The financial liabilities and liabilities to banks were subject to interest rates of between 0.75% and 3.5% and had an average residual maturity of 6.8 years.

From 01 January 2017 until 31 December 2017 and from 01 January 2016 until 31 December 2016, the following material expenses were incurred and income generated in connection with Erste Group and Vienna Insurance Group:

EUR '000	2017	2016
Commissions	-49	-79
Management fees	-287	-539
Bank loan interest, other financing expenses and charges	-16,592	-26,298
Other expenses	-1,436	-1,235
Expenses	**-18,364**	**-28,151**

EUR '000	2017	2016
Rent and revenues from operating costs	576	437
Bank interest	0	1
Other interest income	178	273
Income	**754**	**711**

Property management for the majority of the Austrian properties is provided by Arealis Liegenschaftsmanagement GmbH, Vienna, in which Erste Group and Vienna Insurance Group each hold a 50% interest.

The S IMMO Group award loans to associated companies recognised according to the equity method. As of 31 December 2017, there were receivables of kEUR 10,946 (31 December 2016: kEUR 10,372) resulting from these loans. Other than this, no transactions were conducted with associated companies or joint ventures that are recognised according to the equity method.

5.7. Significant events after the balance sheet date

In the first quarter of 2018, the Group increased its interest in the listed company Immofinanz to 11.82%.

Two corporate bonds with a volume of EUR 100m in a six-year tranche and a volume of EUR 50m in a twelve-year tranche were also issued in the first quarter of 2018. Both bonds are fixed-rate and have coupons of 1.75% p.a.(six-year) and 2.875% p.a. for the twelve-year tranche.

These consolidated financial statements were prepared by the Management Board on 20 March 2018 and approved for submission to the Supervisory Board.

Vienna, 20 March 2018

The Management Board

Ernst Vejdovszky m.p.

Friedrich Wachernig, MBA m.p.