

Sparkassen Immobilien AG

An Investment for Life



Annual Report 2005

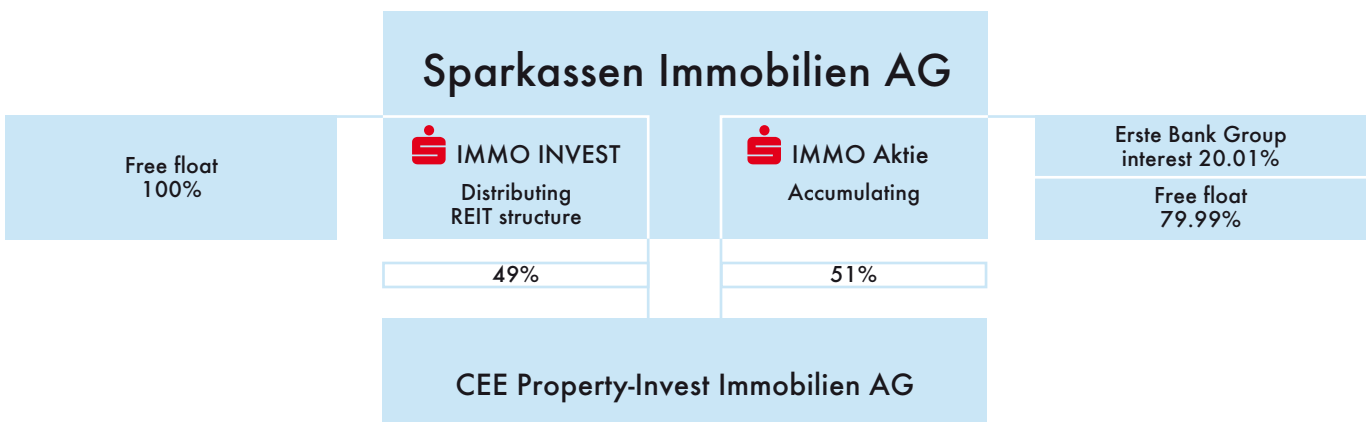
Mission Statement

We create lasting value for future generations.

For our shareholders, to deliver stable growth and consistent performance over time. For our tenants, to provide enduring quality and excellent service. For our partners, to be a trustworthy and far-sighted partner.

We focus long-term on markets with price/yield ratios that are both attractive and fair. We contribute to society by adding value to our properties and preserving the integrity of the townscape.

Group structure



Key Financial data

EUR m	2005	2004	Change
GROUP			
Revenues	42.2	35.3	+20%
EBITDA	32.4	23.9	+36%
EBIT	16.1	12.9	+25%
EBT	10.1	6.6	+53%
Equity ratio ¹	72%	78%	
Number of properties ²	63	56	+13%
Property portfolio (NAV)	758.8	472.7	+61%
Total lettable space ²	548,194 m ²	424,773 m ²	+29%
Market capitalisation	803.6	473.3	+70%
s IMMO AKTIE (the share)			
Revenues	23.8	21.2	+12%
EBITDA	18.9	14.5	+30%
EBIT	9.9	7.6	+31%
EBT	9.1	6.2	+47%
Equity ratio	70%	72%	
Number of properties ^{2,3}	42	37	+14 %
Property portfolio (NAV)	402.6	308.1	+31%
Total lettable space ²	300,393 m ²	261,361 m ²	+15%
Market capitalisation	436.1	271.3	+60%
Closing price (EUR)	8.70	8.12	+7%
Earnings per share (EUR) ⁴	0.44	0.43	+2%
s IMMO GENUSSSCHEIN (participation certificate)			
Revenues	18.3	14.1	+30%
EBITDA	13.5	9.5	+42%
EBIT	6.2	5.4	+15%
EBT	6.9	5.2	+33%
Equity ratio	67%	75%	
Number of properties ^{2,3}	37	31	+19%
Property portfolio (NAV)	356.2	164.6	+116%
Total lettable space ²	247,801 m ²	163,412 m ²	+52%
Market capitalisation	367.5	202	+55%
Closing price (EUR)	95.2/94	90	+6%/+4%
Earnings per share (EUR) ⁴	4.9	4.0	+23%
Distribution per participation certificate	4.36	4.36	

¹ Including participation capital

² Including development projects

³ Including 50.01% CEE. 50% Germany

⁴ Fair Value Model

Financial highlights 2005

Healthy earnings

- _ Operating profit (EBIT) up 25% to EUR 16m
- _ Profit before tax (EBT) up 53% to EUR 10m
- _ Rental income up 19.4% to EUR 42.2m
- _ Total assets almost doubled, to EUR 920.5m

Major portfolio growth and extended investment range

- _ Volume of new investment up 136% to EUR 288m
- _ Total of 548,194 m² lettable space up to 29%
- _ Germany to become new focus of investment

Success in the capital markets

- _ Substantial increases in value:
 - s IMMO shares up 7.1%,
 - s IMMO INVEST (second tranche) up 9.5%,
 - s IMMO INVEST (first tranche) up 10.8%.
- _ Issue proceeds of EUR 290m to fund future growth
- March 2005: s IMMO Invest participation certificate issue proceeds of EUR 20.2m, chiefly placed with Austrian and international institutional investors.
- June 2005: a second capital increase for s IMMO INVEST raises EUR 127m for further acquisitions in Austria and CEE.
- November/December 2005: two successfully placed capital increases for s IMMO Aktie, generating proceeds of EUR 144m.
- _ Market capitalisation up 70% to EUR 803.6m.

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Letter from the Management Board



Ernst Vejdovszky, Holger Schmidmayr

Dear investors,

For you a successful year means a good performance from your investment, for our customers it means continuity and equitable business relationships and for our partners it means successfully managed projects. For our employees, what is important is challenging and satisfying work, salaries that reflect the contribution they make and the business health which provides job security.

As Management Board of Sparkassen Immobilien AG, we see a good year as being more than the sum of its individual achievements – short-term measurements of financial success seem much in vogue at the moment, but we have longer time horizons. For over 20 years, the Group has focused on consistent long-term growth, security and sustainability. We are proud to have fulfilled this responsibility to the benefit of our business partners, who have entrusted their funds to us. Returns on some investments can mushroom suddenly, but quality property yields do not. We keep our feet planted firmly on the ground and concentrate on our core business – generating sustainable, stable earnings from substantial properties with Austrian and international tenants. As cornerstones of our strategy, we maintain a well balanced geographical and industrial mix, and an exceptionally sound equity ratio. Our acquisitions policy goes beyond flashy successes and quick returns and looks for something more substantial – which is what enables us to offer a stable, sustainable investment.

Your support, as existing or prospective shareholders, demonstrates that you value the prudence of our policies as much as we do.

But more importantly: 2005 was of course another year of excellent results. Revenues were up 20% to EUR 42.2m and EBIT was up 25% to EUR 16m. An important contribution came from our new acquisitions during the year – we spent a total of EUR 288m, double our outlay in 2004.

We have added a number of excellent properties to our s IMMO Aktie and s IMMO INVEST participation certificate portfolios, and we have entered a new and promising market. From our perspective Germany is an interesting prospect, both now and over the longer term, and it will therefore be a new focus for future investment.

And as far as investments are concerned, our capital markets policy continues to reflect our strategy, „What you see is what you get.“ We tell our investors exactly which properties we are acquiring with the money they have entrusted to us. This puts us in the enviable position of not subsequently being forced to invest speculatively acquired capital under pressure and at correspondingly higher prices.

And while on the subject of speculation: the s IMMO shares and participation certificates are anything but speculative investments. They are suited to investors who – like us – plan for the longer term and know the value of stable and sustainable performance. In 2005 our investors enjoyed a return of 7.14% on the s IMMO share and 9.5% or 10.8% (tax-advantaged first tranche) on the s IMMO INVEST participation certificate. On a price/cash earnings and net asset value basis, the s IMMO share was, moreover, one of the most attractive property shares at Vienna Stock Exchange in 2005: for shareholders this means more property for less money.

Not even we can guarantee absolute security. But what we can offer our investors is our 20 years' of experience in real estate investment and our ties to one of Central Europe's largest financial services providers, Erste Bank Group. We have the necessary background to be able to continue to profit from market opportunities. We shall continue to grow at a respectable rate, and our activities will continue to be aligned to match the interests of our customers, our shareholders, our partners and our staff.

Our especial thanks go to all our staff, and to our colleagues at IMMORENT – it is their exceptional dedication and expertise that has meant that we have more than achieved our objectives over the past year.

And finally, a big thank you to our shareholders, customers and partners for their faith in us and their support over the past year, which has been a major factor in the Group's successful performance.

Your Management Board team



Holger Schmidtmayr



Ernst Vejdovsky

Management bodies

Management Board

ERNST VEJDOVSZKY
Member of the Management Board

HOLGER SCHMIDTMAYR
Member of the Management Board

Supervisory Board

MARTIN SIMHANDL
Chairman

KLAUS BRAUNEGG
First deputy chairman

FRANZ KERBER
Second deputy chairman

CHRISTIAN AHLFELD

GERALD ANTONITSCH

REINHARD AUMANN (until 31 May 2005)

REINHOLD SCHÜRER-WALDHEIM

KURT STÖBER (until 31 May 2005)

PETER TICHATSCHEK

RICHARD WILKINSON

Supervisory Board report

In the exercise of our responsibility to advise the Management Board and to supervise its management of the Group's operations, we, the Supervisory Board, received regular, timely and comprehensive reports from the Management Board, and all matters requiring to be put before the Supervisory Board were submitted to us. Between our meetings, we received written information from the Management Board on important activities.

The Management Board reported regularly on corporate policies and other fundamental issues of corporate strategy, planning and management, on the earnings and financial performance of the Group, on the management of risk, and on business transactions of material significance to Sparkassen Immobilien Aktiengesellschaft. Topics and decisions of current interest were the subject of regular discussions between the Management and Supervisory Boards.

The annual financial statements, in accordance with the Austrian Commercial Code (HGB), and the consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS), have been audited by the independent auditors appointed by the Annual General Meeting, Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH, Vienna, and awarded an unqualified audit opinion. The auditors have also confirmed that the operating review for the Company is consistent with the annual financial statements and that the Group operating review is consistent with the consolidated financial statements.

The auditors attended the meeting of the Supervisory Board to consider the financial statements and gave explanations.

We have inspected the reports by the auditors and accept the outcomes.

We have approved the financial statements prepared by the Management Board, which in accordance with section 125 (2) Austrian Companies Act are therefore adopted.



Martin Simhandl, Chairman

The Supervisory Board would like to thank the Management Board and the staff of Sparkassen Immobilien Aktiengesellschaft for their efforts and dedication during the past year.

Vienna, April 2006

The Supervisory Board

A handwritten signature in black ink, appearing to read 'Simhandl' with a stylized flourish at the end.

Martin Simhandl
Chairman

Corporate strategy

Two separate products for two separate investment needs

Investors can reap the benefits of Sparkassen Immobilien AG's expert knowledge of the property market in several ways:

1. By investing in the accumulating s IMMO Aktie, where investors can realise tax free profits after a one year qualifying period.
2. By investing in s IMMO INVEST's distributing participation certificates, which are Austria's only security with a tax-structure that corresponds to a Real Estate Investment Trust (REIT).

With s IMMO Aktie and s IMMO INVEST, Sparkassen Immobilien AG has taken into account the differing tax positions and individual demands of private and institutional investors.

Long-term investment and portfolio strategy

Sparkassen Immobilien AG pursues a selective acquisitions policy based on security and sustainability. Only properties that satisfy the following criteria are of interest: prime locations in major European cities, top quality building fabrics, long-term tenants of impeccable financial standing and yields that provide our shareholders with long-term growth.

Another major consideration is the price one pays for property quality, i.e., the price per square metre. Sparkassen Immobilien AG's long-term investment strategy does not include high short-term yields bought expensively. Sparkassen Immobilien AG is not prepared to buy yields at any price – it is more important to protect shareholders' interests and to ensure that values are sustainable. When expanding into new markets we invest in markets we know, such as Germany and Eastern Europe. Here we can use the expertise of Erste Bank specialists who generally have many years of local, on-the-ground experience. As part of Erste Bank Group, Sparkassen Immobilien AG benefits from synergies when making acquisitions in new markets.

Lease agreements are mainly concluded in euro, so that Sparkassen Immobilien AG's exposure to exchange rate risks is minimal. The properties are managed by our in-house experts, ensuring high levels of customer and tenant satisfaction.

The optimum portfolio mix

Different regions and sectors experience different cycles. Sparkassen Immobilien AG's policy is therefore to maintain a regional balance, with a backbone of stable yields in Austria and Germany complemented by higher yielding CEE-EU properties with capital growth potential. The CEE proportion is to be expanded until it represents about half the portfolio, and Austria and Germany will make up most of the other half. The portfolio currently consists predominantly of office property; it will in future be further diversified by adding residential and retail properties to improve the mix, until the ideal balance of property types is achieved.

Security through equity funding

Sparkassen Immobilien AG's focus is on long-term security, and it will therefore maintain a respectable equity ratio of at least 50%, so as to continue to be able to take advantage of opportunities in the property markets without being affected by interest rate risks.

Healthy growth

The basis of our further measured growth will be reliable rental incomes and judicious acquisitions, in order to gradually expand our portfolio. Sparkassen Immobilien AG's philosophy is to pursue growth vigorously and consistently, while being fully aware of all the risks. Expansion will be financed by regular capital issues. We aim to achieve market capitalisation well in excess of EUR 1 bn during 2006, and the investment portfolio will pass the EUR 1 bn mark.

Clear-cut property valuations and substantial reserves

Appropriate and understandable property valuations are important, because they enable investors to have an overall grasp of a business's performance. Here, too, we are extremely conservative. Our property valuations err on the side of prudence, so that substantial undisclosed reserves are built up. For the sake of maximum transparency and impartiality, Sparkassen Immobilien AG employs internationally respected valuers such as CB Richard Ellis or DTZ. In the financial statements, the cost model is used to account for the property portfolio, which produces the more conservative results. For comparative purposes, the results using the fair value model are also shown.

Specialist skills under management agreement

As Erste Bank Group's property investment company, we can draw on the skills and expertise of the many specialists employed in the Group, which gives our investors even greater security. As examples: there are professionals in financing we call on, and experts with local knowledge of the markets in the individual countries of Central and Eastern Europe. Sparkassen Immobilien AG has a management agreement with IMMO-RENT AG to provide the acquisition expertise, administration and infrastructure, so as to have direct and immediate access to the necessary skills and resources. The members of Sparkassen Immobilien AG's Management Board have contracts of employment directly with Sparkassen Immobilien AG.

Diversification through foreign subsidiaries

Sparkassen Immobilien AG has grouped its holdings outside Austria in wholly owned subsidiaries. CEE Property-Invest Immobilien AG is the Central European holding company for all activities in Bulgaria, Croatia, the Czech Republic, Hungary, Romania and Slovakia. The advantage of this is that the activities are better managed separately, and separate disclosure of the results makes for greater transparency. Investors see the benefits of portfolio diversification.

Management Board report

Economic climate

EUROZONE, AUSTRIA, CZECH REPUBLIC, GERMANY, HUNGARY, AND SLOVAKIA

Eurozone growth slower than that of global economy and growth engine USA

Real economic growth in the eurozone of 1.5% in 2005 compared with 2.1% in 2004 was disappointing in comparison with global growth, although performance within the eurozone varied considerably. The eurozone interest base rate of 2.25% was significantly lower than the base rate of 4.25% in the USA, where an end to interest rate increases is however in sight. The ECB increased the base rate in December 2005 for the first time in five years, on the grounds that the economic outlook was improving.

Austria eurozone growth leader

Austria outperformed the eurozone for the fourth year in succession in 2005, with growth of 1.7%. GDP per capita of EUR 29,800 was among the highest in the European Union. Unemployment fell back to 5.1%, significantly lower than the eurozone average of 8.5%. Inflation increased slightly, to 2.2%.

Germany on track for modest growth

While the overall economic climate did not improve in 2005, the German economy advanced by 1.1% thanks to strong exports. Unemployment of 11.5% remains far above the European average. Inflation rose to 2.0%, due to increased energy prices.

Growth in Eastern Europe again stronger

In 2005, the Czech Republic had the fastest growing economy of all the new EU countries. GDP was up 5.0% thanks to increased exports, while domestic demand was positive but muted. At EUR 9,600, GDP per capita was among the highest in Central and Eastern Europe. This positive development was reflected in unemployment, which fell to 7.9%. Slovakia's economic performance was also encouraging, with growth of 5.7% and GDP per capita of EUR 6,900. As private consumption remained stable, unemployment fell from 18.1% in 2004 to 16.4%. Progress was also made in the fight against inflation, which halved to 2.7%.

The Hungarian economy also posted respectable growth, with GDP of 3.7% and GDP per capita of EUR 8,700. Growth was driven by strong domestic demand in the form of private consumption and increased investment. Unemployment increased slightly to 7% while inflation fell to 3.7%.

REAL ESTATE TRENDS

Austria and Central Europe

Rents for office property in Vienna remained stable, resulting in average returns of between 5.5% and 6.5%. Vacancy rates continued low at 6.5%, and no major changes in the situation are expected in 2006. A number of moves by government offices in 2005 meant that new lettings increased significantly: volumes were up by roughly 40%. Up until 2004, it was mainly German funds investing heavily in Viennese office space; 2005 saw Austrian investors clearly leading the field, particularly in residential property.

Germany

In the German office and residential property market in 2005 there were pronounced regional differences in major cities such as Frankfurt, Hamburg, Munich and Berlin with respect to rentals and yields. The generally low level of domestic demand contrasts markedly with the growing interest of international investors in residential property, which led to a slight increase in prices. The commercial property market (office and retail property) was characterised throughout by low rents and high vacancy rates, although yields were in general considerably higher than in Austria.

CEE EU countries

The interest of property investors in the Czech Republic, Hungary, Poland and Slovakia was concentrated on commercial property.

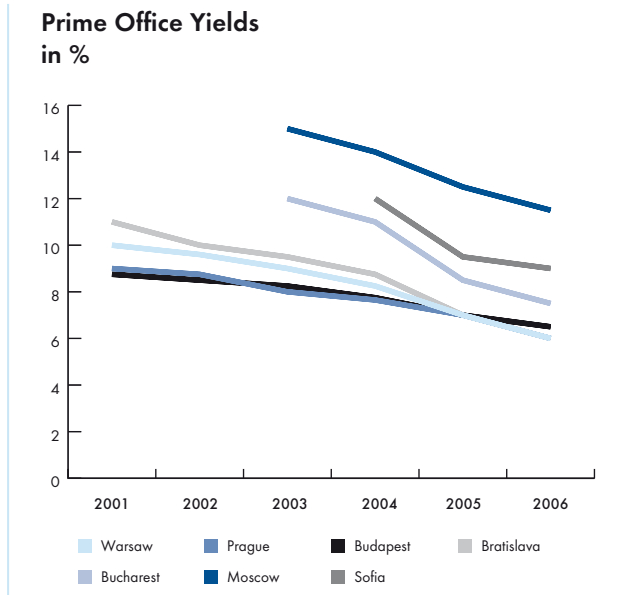
Although yields in the Czech property market have now almost reached Austrian levels, international investors continue to be very interested. Rising vacancy rates have however increased the pressure on the level of rents. Rents in Slovakia continued to decline, as a result of the large amount of new space available. Yields on office property were still somewhat higher than in Budapest or Prague. In the meantime rents in Budapest have stabilised at low levels, while vacancy rates fell to 11%. At present projects and new development are again on the increase. In Poland rent levels fell as a result of exchange rate fluctuations of the euro and the dollar and the increased amount of space on offer.

CEE EU candidate countries: Bulgaria and Romania

Overall, there are few suitable investment properties on the market in either country, even though there is a considerable shortage of Western-standard lettable office space to be made good. Rents fell slightly, and yields were almost 8.5%.

Emerging markets: Serbia and Ukraine

The almost total absence of office space from the market has pushed rents up to very high levels. There are currently many projects in the pipeline, but the practical effect on rent levels will not be felt for two or three years. At present yields are still around 11%, but liable to fall sharply.



Source: DTZ Research, January 2006

Performance of the Group

Sparkassen Immobilien AG has posted nothing but profits since its beginnings almost 20 years ago. In 2005 the Company continued its record of success, surpassing 2004's already excellent result and exceeding all its internal budgetary targets for 2005 by a significant margin.

The following summary presents an overview of the consolidated results for the Group. Summaries of the two separately accountable parts – s IMMO Aktie and s IMMO INVEST – are on pages 18 and 28.

Revenues increased by nearly 20%

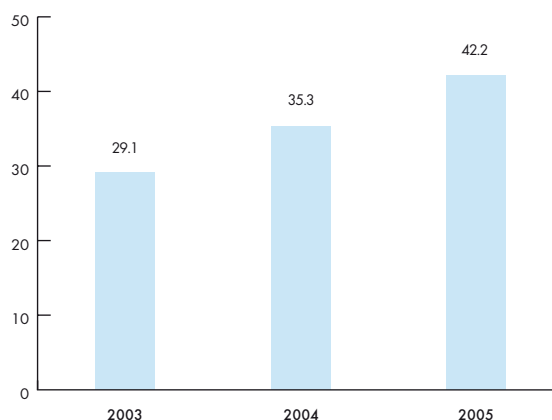
In comparison with 2004, revenues were up 19.4%, from EUR 35.3m to EUR 42.2m, and rental income rose by 16.5% to EUR 34.2m. Operating revenue, which also includes the results of Hotel Marriott in Budapest, climbed by 38.2% to EUR 51.8m. This above average increase was principally attributable to the new acquisitions, combined with the established portfolio of secure, long-term lease agreements and the additional lettings both in Austria and abroad. The Central European portfolio contributed 40.3% of total rental income of EUR 13.8m.

Excellent earnings

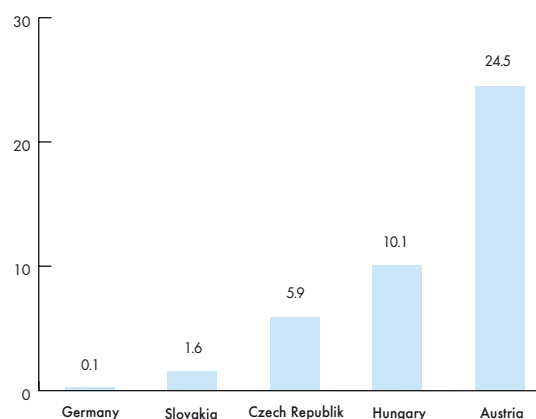
Operating profit (EBIT) climbed by 25% compared with last year, from EUR 12.9m to EUR 16.1m. This increase, which exceeded what we had budgeted internally, was primarily attributable to increased rental income in connection with new acquisitions, gains on the sale of properties and a disproportionately low increase in expenses. The regular revenues from the core Austrian portfolio have come to be matched by the high income CEE properties, which in 2005 contributed more than 50% of operating profit. Sparkassen Immobilien AG's EBITDA for 2005 was EUR 32.4m (2004: EUR 23.9m), and consolidated profit before tax amounted to EUR 6.8m (2004: EUR 5.0m).

Total assets of EUR 920.5m have nearly doubled in comparison with last year, mainly as a result of the increase of 58% in the property portfolio from EUR 446m to EUR 707m. Following capital issues in June and November-December, the Group's capital and reserves have risen by 62%, to EUR 387.7m. Despite all our investments in the property portfolio, the equity ratio at balance sheet date still stands at 72%. Our policy is gradually to reduce the ratio by further acquisitions, to around 50%, which will still be above other institutions' benchmark rate.

Revenues
EUR m



Portfolio by region
EUR m



Summarised balance sheet as at 31 December 2005

EUR m	2005	2004	Change
ASSETS			
Non-current assets	717.6	454.7	+58%
Current assets	202.6	23.7	
Accruals and prepayments	0.3	1.7	
Total assets	920.5	480.1	+92%
EQUITY AND LIABILITIES			
Capital and reserves	387.7	224.7	+73%
Participation certificates	276.8	147.9	+87%
Non-current liabilities	207.9	71.9	
Current liabilities	43.3	33.6	
Deferred income	4.8	2.0	
Total equity and liabilities	920.5	480.1	+92%

Summarised income statement for the year ended 31 December 2005

EUR m	2005	2004	Change
Revenues	42.2	35.3	+19%
Other operating income	7.6	2.1	
Gains on property disposals	2.0	0.0	
Operating income	51.8	37.5	+38%
Other operating expenses	-19.4	-13.5	
EBITDA	32.4	23.9	+35%
Depreciation and amortisation	-16.3	-11.0	
Operating profit (EBIT)	16.1	12.9	+25%
Financial expenses	-6.0	-6.3	
Consolidated profit before tax (EBT)	10.1	6.6	+52%
Taxes on income	-1.6	-1.6	
Profit after tax	8.5	5.0	+69%
— whereof interests of shareholders in parent company	6.8	5.0	
— whereof minority interests	1.7	0.0	

PROPERTIES

New investments doubled

During 2005 Sparkassen Immobilien AG completed property investments totalling EUR 287.9m, double the amount we invested in 2004. Some 69% went into properties in Austria, 12% was invested in Germany, and 19% was channelled through our wholly owned subsidiary, CEE Property-Invest, into CEE countries. The total number of properties rose to 63 and the total lettable space rose by 29% to 548,194 m².

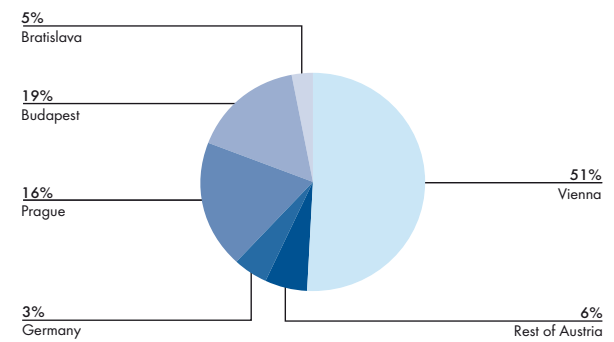
Acquisition costs	287.9 EUR m
Total lettable space	548,000 m ²
Occupancy rate	93%

Eight new properties were acquired. The most important acquisitions in Austria included a majority interest in Vienna's two most renowned department stores, Steffl and Herzmansky, and the building that houses the Social Insurance Fund for Farmers, in Vienna's 3rd District.

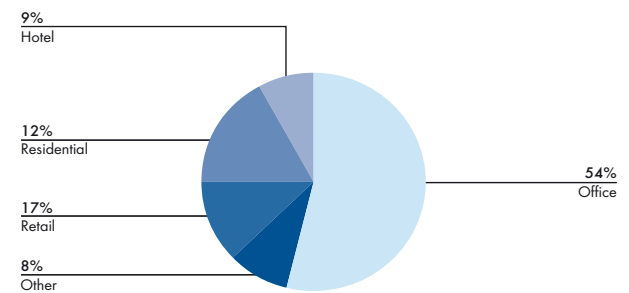
Sparkassen Immobilien AG made its first purchase in the German property market by acquiring two office buildings in Hamburg which satisfy our strict investment criteria and have attractive price/yield ratios. The Group's meticulous preparations also enabled it to buy or initiate development of some exceptional properties in the otherwise somewhat overheated markets of Budapest and Bratislava. Unit II of the Galvaniho development project in Bratislava was largely completed and rented in 2005. During the year, we received planning permission for a total of 40,000 m² of office space for another development project, the Office Center Pankrac in Prague. Construction on the Brünner Strasse project in Vienna's 21st District is proceeding according to plan. The 10,000 m² of commercial space is already fully let and will be opening in the third quarter of 2006. In 2005 we invested a total of EUR 2.5m in maintaining the fabric of our properties, in line with our value and quality strategy, and in support of the long-term capital growth of the portfolio.

The average occupancy rate for the Group in 2005 was 92%. In Austria it was 93%, but for CEE Property-Invest Immobilien AG it fell back to 89%, principally because of the departure of

Total lettable space by region



Total lettable space by sector



a major tenant from the Palac Karlin property in Prague. In the meantime, re-letting is successfully under way.

Four capital issues in 2005 and the buoyancy of the stock market pushed up the value of our shares and the market capitalisation of the Company by 70%, to EUR 803.6m, at 31 December 2005. Sparkassen Immobilien AG's objective is to reach the EUR 1 bn mark in 2006.

INVESTOR RELATIONS

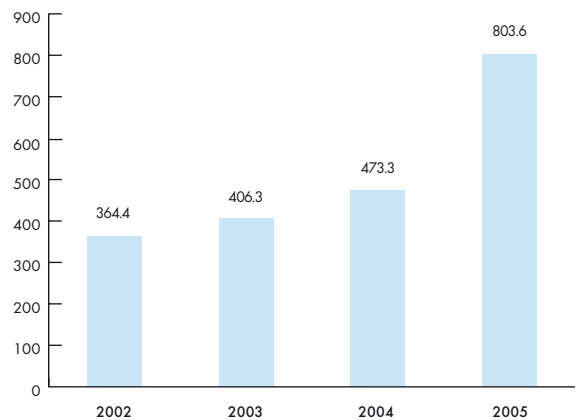
In 1987 we launched Immobiliengewinnschein Nr. 1, the first listed real estate security on the Vienna Stock Exchange, in the process creating a new market segment. Since the very beginning, Sparkassen Immobilien AG has always espoused open and proactive communications policies as an important part of its corporate culture. Investor relations plays a key role here: important corporate information is regularly made available to all market participants at the same time in the form of annual and quarterly reports, stock exchange announcements and press releases, and current information on our website, www.sparkassenimmobilienag.at.

During the last year we have also met with institutional investors in a series of roadshows in Austria and internationally. For private investors, we publicise our Group and its products at information events, such as Vienna Stock Exchange's Tag der Aktie, Gewinn-Messe, etc. We maintain a regular exchange of information with Erste Bank's and Sparkassen securities experts and advisers and build up direct cooperation on a personal level. In order to be included in regular coverage by analysts, in 2005 Sparkassen Immobilien AG intensified its contacts with financial analysts in Austria and internationally.

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Market capitalisation since 2002
 EUR m



Corporate governance

The Management of Sparkassen Immobilien AG recognises and accepts the majority of the principles of voluntary good conduct embodied in the Austrian Corporate Governance Code as a guideline for good corporate management. We too believe in maximum possible transparency in the interests of our shareholders, and we comply with all the statutory regulations ("L rules") for listed companies embodied in the Corporate Governance Code. The implementation of "C" and "R" rules is currently under consideration by Management and the Supervisory Board, and will be introduced as appropriate. We are constantly in contact with our Supervisory Board, with which all strategic decisions are discussed in detail before decisions are made.

RISK MANAGEMENT

In the interests of its stakeholders, Sparkassen Immobilien AG recognises a clear duty to deal seriously and responsibly with the risks to which it is exposed in its business activities: risk assessment and monitoring forms an integral part of its business processes. The major risks involved are market risks, strategic and operational risks, and financing and exchange risks.

Market risk

Property markets are commonly exposed to the cyclical fluctuations of different industries and countries. Sparkassen Immobilien AG avoids potential exposure to such trends by a broad spread of property portfolio investments, both sectorally and geographically, and is shortly planning even more extensive diversification. Last year's expansion into the German real estate market was in both respects a major step in this direction, and plans for the future include greater emphasis on the acquisition of hotel and residential property in Germany. An additional safety factor is the regular market monitoring, which makes possible a more accurate assessment of price trends in the regions of the Group's existing and prospective investments.

Strategic risk management

Sparkassen Immobilien AG has clearly defined investment guidelines in relation to legal requirements, markets, locations, tenants and pricing policies. All proposed acquisitions are checked by in-house experts and on the basis of analysis by our international business partners to ensure that they comply with these guidelines, before being presented to the Supervisory Board for approval. The primary function of the investment guidelines is to protect the durable, sustainable long-term growth in portfolio value and to increase it wherever possible.

Operational risk management

The basis of stable, sustainable income from real estate management is rental income, which is why Sparkassen Immobilien AG prefers to make longer-term lease agreements with provision for indexation. The majority of agreements are with

large, international tenants with top credit ratings, so that the risk of tenants defaulting is reduced to a minimum. And in order to enhance customer satisfaction, long-term tenant loyalty and high occupancy rates the Group uses its own experts to manage the properties.

Financing and exchange risks

With a respectable equity ratio (including participating capital) of 72%, Sparkassen Immobilien AG has created the preconditions which provide stability even in economically troubled times and make continuity possible. This is the best possible insurance against rising interest rates. Use is of course also made of refinancing instruments such as fixed interest loans and – predominantly – variable term borrowing combined with long-term interest rate caps. The finance specialists of core shareholder Erste Bank play a key role in advising and agreeing on financing questions. Sparkassen Immobilien AG's exposure to exchange risks is minimal, since tenancy agreements are as a general rule concluded in euro.

Sparkassen Immobilien AG offers its investors sustainable returns through investment in two stock exchange listed property securities: s IMMO Aktie, an accumulation share with long-term value growth and tax-free capital gains, and s IMMO INVEST, a participation certificate which offers the investor annual dividends by participating in the surpluses.

The two securities are accounted for separately, for legal reasons.

Vienna – Steffl department store



The heart of Vienna's main shopping street





As a Sparkassen Immobilien AG investor I decided to see some of our properties for myself. After all, our portfolio features distinguished and highly profitable properties. This year I decided to focus on properties in the capital cities of our key investment markets. My journey began in Vienna and took me to Prague and finally Budapest. And here are my findings.

Saturday, 11 February 2006: Kärntnerstrasse 19, Vienna. I am standing in front of this up-market department store, in Vienna's busiest shopping street. Sparkassen Immobilien AG's managers acquired the property for us in 2005. The impressive façade makes the building stand out from its surroundings. Inside, the design is immediately convincing – the building was remodelled when the department store was extended in 1997. Almost 40 different tenants of all kinds are spread across the 11-floor 20,400 m² property. It seems as though the architecture with its many levels and visual interruptions is well received, since the building is full and the customers are buying. Mr Mooswalder, our man on the ground, treats me to a peek behind the scenes. State-of-the art air conditioning, centralised security systems – it's all there. By 17.59 I am convinced. This is a superb property with excellent yields in a great location.

s IMMO Aktie (the share)

Key indicators – s IMMO Aktie

	2005	2004
Earnings per share (EUR) ¹	0.44	0.43
Cash-flow/share (EUR)	0.46	0.40
DPS (Accumulating)	0.0	0.0
Net Asset Value (EUR)	8.1	7.7
Gearing	-2%	24%
P/E ¹	19.7	19.0
P/CE	19.0	20.0
P/NAV	107%	106%

¹ Fair Value Model

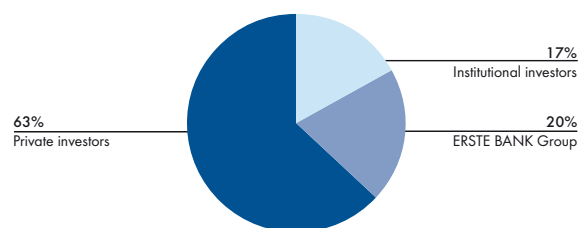
Stock exchange information (31 Dec 2005)

ISIN code	AT000 0652250
Reuters code	SIAG.VI
Bloomberg	SPI.AV
Number of shares 31 December 2005	50,118,518
Market capitalisation	436.1 EUR m
High	8.73 EUR
Low	8.15 EUR

Performance (31 Dec 2005)

1 year	7.1%
3 years, p. a.	6.3%

s IMMO Aktie shareholders



PROFILE

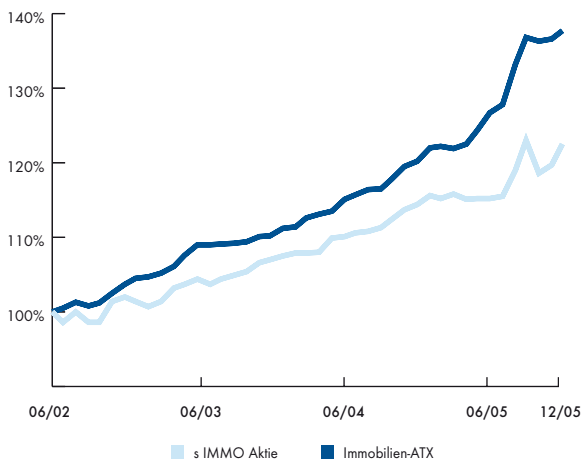
s IMMO Aktie is invested for maximum security. The broad diversification of its portfolio, both geographically and sectorally, and its strong equity basis make it an investment with stable, long-term returns. Provided the shares are held for at least a year, capital gains are tax free.

Based on its cash earnings and NAV indicators for 2005, s IMMO Aktie was particularly attractively valued relative to investments in all other listed property companies. The share is an attractive core investment for any balanced property securities portfolio.

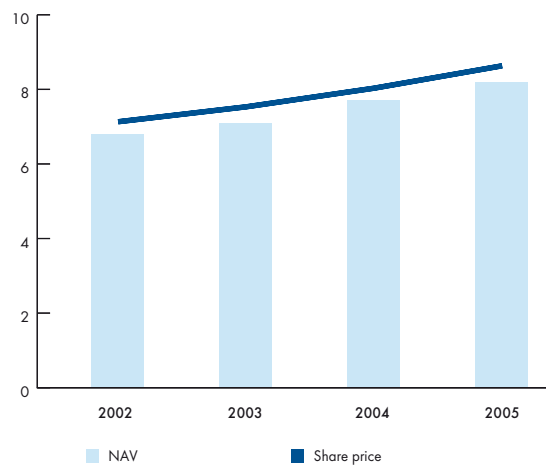
Success in the capital markets: performance up 7.1%, market capitalisation up 60%

While global leading indexes ended 2005 slightly down or with minor gains (Dow Jones Industrial Index -0.6%, Nasdaq +1.4%), Vienna's ATX Index recorded a recent all-time high, with an increase of 50.8%, making the Vienna Stock Exchange one of the world's best performers. One of the principal factors in this above-average performance were the climbing profits of those listed companies which have successfully positioned themselves in the growth markets of Central and Eastern Europe. The extremely satisfactory development of the 14 stocks making up the Vienna Exchange's Real Estate Securities Index (IATX) also played an important part: during 2005 the IATX

**Share price against IATX
 (Real Estate Securities Index)**



Share price against NAV



climbed 14%, and s IMMO Aktie’s performance in the capital markets paralleled it. At the beginning of 2005 the share price stood at EUR 8.24, and it closed the year at a high of EUR 8.70.

Demand for Austrian property stocks continued strong throughout the year, and the Group took the opportunity to raise fresh capital, placing two new issues with institutional investors in Austria and internationally, and with Austrian private investors. With a free float of 79.99% at 31 December 2005, we have significantly broadened our shareholder base. In November and December we issued 16,706,239 new shares in two tranches at a price of EUR 8.40, and with the rise in share price our market capitalisation reached new heights, with an increase of 60% over the figure of EUR 271.3m at the end of 2004. Earnings per share (EPS) based on the fair value model were EUR 0.44, as compared with EUR 0.43 for last year. s IMMO Aktie’s net asset value (NAV per share) rose in 2005 by 5.7%, from EUR 7.70 to EUR 8.10. With a price/cash earnings ratio of 19.0 the stock was one of the best bargains among Vienna listed property companies.

With an equity ratio of 70% (2004: 72%), s IMMO Aktie is one of Austria’s property shares with the strongest equity backing. Our target in the medium term is an equity ratio of 50–60%.

Property portfolio grows to EUR 403 million

During 2005 we purchased a total of seven properties in which s IMMO Aktie has an interest. This brings the assets attributable to the s IMMO Aktie portfolio to EUR 402.6m and the total lettable space to 300.393 m².

Sparkassen Immobilien AG has a clear-cut investment strategy for s IMMO Aktie: a mixture of Austrian properties (residential, commercial, office, hotel) provide the basic security, while the current 35% high yield portion of total lettable space is properties in Central and Eastern Europe.

In terms of square metres, the Austrian portion of the portfolio at the year end was 62%; with its average yield of 6% for 2005, it compares well with the domestic property market and represents the portfolio's backbone of stable and assured revenues. The dynamic 35% part of the portfolio is provided by CEE markets. The CEE portfolio as a whole, in which s IMMO Aktie has a more than 50% interest through CEE Property-Invest, showed an average return of 8.5%, boosting the overall yield on s IMMO Aktie's property portfolio. The remaining 3% of total lettable space is in Germany, the Group's new investment area.

s Immo Aktie's average rental yield in 2005 was 6.8%, at the same level as last year. Occupancy rates for s IMMO Aktie in 2005 were an average of 91%, slightly higher than the industry average.

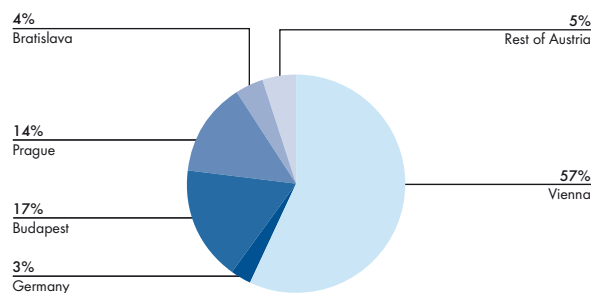
As in previous years, property valuations were carried out by a number of well-known international property firms such as CB Richard Ellis and DTZ. Our policy of prudence extends to valuations as well.

Total lettable space (m²) ¹	300,393
Austria	186,218
Central Europe ²	105,800
Germany ³	8,375

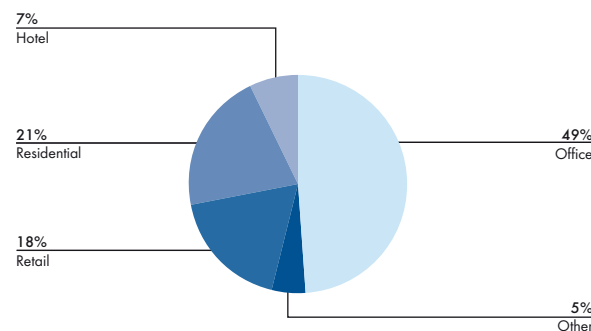
Market value of rental property (EUR m)	402.6
Austria	270.8
Central Europe ²	114.6
Germany ³	17.2

Average yield of rental properties	6.8 %
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Regional distribution ¹



Primary use



As at 31 December 2005
¹ Including development property
² Proportionate 50.01% share
³ Proportionate 50% share

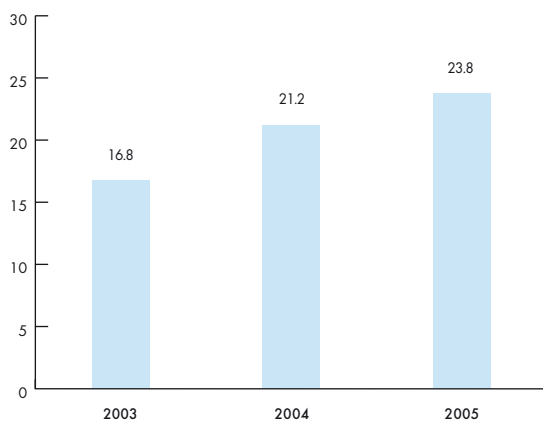
Consolidated balance sheet s IMMO share as at 31 December 2005

EUR ,000	2005	2004	Change
ASSETS			
A. Non-current assets			
I. Intangible assets	37	26	+42%
II. Property, plant and equipment	376,952	293,685	+28%
III. Financial assets	120	167	
IV. Long-term receivables	2,347	1,312	+79%
	379,455	295,190	+29%
B. Current assets			
I. Receivables and other assets	32,139	12,502	
II. Marketable securities and investments	6,176	0	
III. Cash and cash equivalents	120,537	2,488	
	158,852	14,990	
C. Accruals and prepayments	203	1,096	
	538,509	311,275	+73%
EQUITY AND LIABILITIES			
A. Shareholders' equity			
I. Share capital	366,925	224,657	+63%
II. Minority interests	11,958	0	
	378,883	224,657	+69%
B. Non-current liabilities	114,693	49,939	+130%
C. Current liabilities	41,575	34,686	+20%
D. Deferred income	3,358	1,993	+68%
	538,509	311,275	+73%

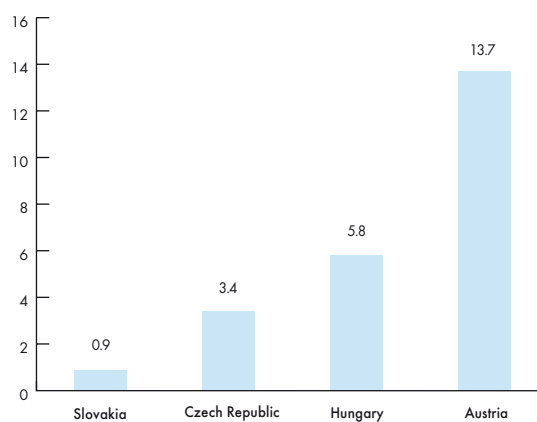
Consolidated income statement for the year ended 31 December 2005

EUR ,000	2005	2004	Change
Revenues	23,812	21,205	+12%
whereof: rental income	19,127	17,360	+10%
Other operating income	4,532	1,696	
Gains on property disposals	1,192	0	
Operating revenue	29,536	22,903	+29%
Depreciation and amortisation	-8,939	-6,909	+29%
Other operating expenses	-10,670	-8,439	+26%
Operating profit/EBIT	9,927	7,554	+31%
Expenses of participating certificates	-3,196	-1,931	
Other financing expenses	2,344	557	
Net financing cost	-852	-1,375	
Profit before tax/EBT	9,075	6,179	+47%
Taxes on income	-1,366	-1,142	
Profit after tax	7,709	5,037	+53%
Interests of shareholders in parent company	6,806	5,037	
Minority interests	-903	0	

Revenues EUR m



Revenues by region EUR m



Revenues up by 12%

Revenues for s IMMO Aktie rose in 2005 by 12%, from EUR 21.2m to EUR 23.8m, mainly as a result of new acquisitions and the consistently high occupancy rate of 91%. Around 58% of the revenue (EUR 13.7m) arose in Austria, while the Czech Republic and Hungary contributed 42%, or EUR 10.1m.

EBIT up by 31%

EBITDA in 2005 was EUR 18.9m compared with EUR 14.5m in 2004, and operating profit (EBIT) rose by 31%, from EUR 7.6m to EUR 9.9m, largely as a result of increases in rental income. The consolidated profit after tax also rose again – by 35%, from EUR 5m to EUR 6.8m.

Net Asset Value (NAV)

EUR m	31.12.2005	31.12.2004
Capital and reserves	366.9	224.7
Undisclosed reserves in property portfolio	41.0	31.3
Net Asset Value	407.9	256.0
Number of shares	50,118,718	33,412,479
NAV/share EUR	8.1	7.7
Share price	8.7	8.12
Share price/NAV	107%	106%

s IMMO Aktie – Fair value model reconciliation

EUR ,000	Cost model 2005	Adjustment	Fair value model 2005
Revenues	23,812		23,812
Revaluation of properties (IAS 40)	0	5,650	5,650
Other operating income	4,532	-550	3,982
Income from the sale of property	1,192	-1,192	0
Operating income	29,536	3,908	33,444
Depreciation and amortisation	-8,939	8,608	-331
Other operating expenses	-10,670	-350	-11,020
Operating profit (EBIT)	9,927	12,166	22,093
Financial expenses	-852	0	-852
Profit for before tax (EBT)	9,075	12,166	21,241
Taxes on income	-1,366	-3,243	-4,609
Profit after tax	7,709	8,923	16,632
whereof interests of shareholders in parent company	6,806	8,483	15,289
whereof minority interests	903	439	1,342
Average number of shares in circulation	34,630,642		34,630,642
Earnings per share	0.20		0.44

Earnings under IAS 40

Sparkassen Immobilien AG's accounting policy is to use the cost model as described in IAS 40: properties are recognised at cost of acquisition or construction less accumulated depreciation and impairment losses. The alternative under IAS 40, the fair value model, is gaining increasing acceptance. This method recognises all changes in the market value of the property in the income statement. For the sake of completeness and transparency, Sparkassen Immobilien AG presents the income statement for s IMMO Aktie under the fair value method as well.

s IMMO Aktie property portfolio

as at 31 December 2005	Acquisition	Use	Area in m ²	Market value EUR m	Yield/ market value
Rental property					
1010 Vienna, Kärntner Straße 19, Kaufhaus Steffl (37.5% interest)	2005	commercial	6,400	33.0	7.2%
1010 Vienna, Ballgasse 4	1990	residential	1,410	3.6	3.5%
1040 Vienna, Theresianumgasse 7	2003	office and residential	5,507	8.2	5.7%
1050 Vienna, Bräuhausgasse 3-5	1989	office	2,277	2.7	5.9%
1050 Vienna, Schönbrunnerstraße 108	2000	office	3,072	5.6	6.4%
1050 Vienna, Schönbrunnerstraße 131	2000	office	2,901	4.7	6.7%
1060 Vienna, Mariahilfer Straße 103	2004	office and residential	11,181	18.8	5.1%
1070 Vienna, Mariahilfer Straße 26-30, Kaufhaus Herzmansky (37.5% interest)	2005	commercial	7,450	30.5	5.7%
1070 Vienna, Burggasse 51	1998	residential	11,303	13.4	4.5%
1070 Vienna, St. Ulrichsplatz 4	2000	residential	2,433	3.7	5.7%
1070 Vienna, Stuckgasse 9	1990	residential (condominium)	652	0.4	2.5%
1070 Vienna, Schottenfeldgasse 29	2004	office	9,355	10.9	7.7%
1090 Vienna, Otto Wagner Platz 5	2004	office	9,067	16.6	6.9%
1100 Vienna, Hasengasse 56	1999	industrial	7,781	7.7	4.3%
1130 Vienna, Amalienstraße 48	1990	office	2,078	3.2	6.5%
1150 Vienna, Meiselstraße 8	1996	commercial and residential	17,107	23.4	6.1%
1160 Vienna, Lerchenfeldergürtel 43	2000	industrial (site)	5,804	7.5	5.8%
1160 Vienna, Lobmeyrgasse 5-7	1992	commercial and residential	16,691	14.7	6.2%
1180 Vienna, Kreuzgasse 72-74	1999	commercial and residential	19,735	27.4	6.1%
1190 Vienna, Heiligenstädterstraße 181	1996	residential	2,012	2.6	5.9%
1220 Vienna, Am Kaisermühlendamm 87	1993	office and residential	10,923	14.3	6.3%
1230 Vienna, Ketzergasse 6-8	1989	office	2,334	2.4	4.1%
2700 Wr. Neustadt, Prof.-Dr.-Stefan-Koren-Str. 8a	1991	office and commercial	2,604	2.8	5.1%
4020 Linz, Rainerstraße 6-8	1988	commercial and office	5,836	7.0	6.2%
4061 Linz-Pasching, Schárdinger Straße 5	1990	industrial	2,800	1.1	5.3%
5020 Salzburg, Ernst-Grein-Straße 5	1991	office	1,240	1.7	4.6%
9020 Klagenfurt, Siriusstraße 3	1988	office	2,191	3.1	6.5%
			172,144	270.8	6.0%
Development property					
1210 Vienna, Brünner Straße 72 a	2005	commercial	14,074		
			14,074		
Total lettable space – Austria			186,218		
Central Europe CEE Property-Invest Immobilien AG					
Rental property					
11000 Prague, Narodni 41, (Areal)	2003	office	2,781	7.7	7.7%
11000 Prague, Wenzelsplatz 22 (Hotel Julis)	2004	hotel and commercial	6,870	20.0	9.8%
11000 Prague, Wenzelsplatz 41, (Luxor)	2002	hotel and commercial	8,767	20.0	8.2%
18600 Prague, Thámova 13, (Palác Karlín)	2001	office	16,043	23.6	3.7%
1051 Budapest, Bajcsy-Zsilinszky út. 12, (City Center) – ECE Buda	2001	office	10,749	17.5	8.5%
1134 Budapest, Váci út. 35, (The River Estates) – CEE Kft	2001	office	29,325	43.0	7.6%
1138 Budapest, Váci út. 202, (Unilever HQ) – Bank Garasz	2001	office	14,371	16.0	8.8%
1122 Budapest, Maros utca 19-21 (Maros Utca Business Center)	2004	office	8,758	12.4	8.6%
1016 Budapest, Hegyalja út. 7-13 (Buda Center)	2005	office	7,580	8.0	7.3%
1052 Budapest, Apaczai Csere János u. 2-4 (Budapest Marriott Hotel)	2005	Hotel	30,000	48.3	9.9%
82104 Bratislava 2, Galvaniho 7 (Galvaniho Business Center Unit I)	2004	office	11,374	12.7	9.0%
			146,617	229.2	8.5%
Development property					
82104 Bratislava 2, Galvaniho 7 (Galvaniho Business Center Unit II)	2005	office	13,940		
14000 Prague, Na Pankraci 127/1683	2003	office	approx. 51,000		
			64,940		
Total lettable space – Central Europe	31.12.2005		211,557	229.2	
Germany					
Rental property					
20457 Hamburg, Großer Burstah 18-30 + 32-34	2005	office	16,750	34.4	6.6%
			16,750	34.4	6.6%
Total lettable space – Germany	31.12.2005		16,750	34.4	
Total Austria			186,218	270.8	
Central European property held through CEE Property-Invest Immobilien AG (50.01%)			105,800	114.6	
German property held through Beteiligung Aramisto Immobilien GmbH (50%)			8,375	17.2	
Total lettable space – s IMMO Aktie	31.12.2005		300,393	402.6	6.8%

Prague – Palác Karlín



Interplay between history and modern architecture





Monday, 13 February 2006: Prague. I leave my hotel in central Prague for the district known locally as Karlín. Within ten minutes I am among the imposing, old industrial and commercial buildings that are typical of this part of the city. There is really something going on here! Old buildings are being lovingly restored, small shops and restaurants are springing up. At the heart of this bustling activity is the Palác Karlín office complex. The building, owned by Sparkassen Immobilien AG since 2001, makes a powerful impression thanks to its meticulously renovated façade. I enter the building and stand in the huge atrium absolutely speechless. I really didn't expect this: a stylish modern reception area, offices with state-of-the-art equipment and top of the range security systems! The total of 16,000 m² of office space is split across five levels. Only a few offices are still unoccupied, and the last free office units are well on the way to being rented. I hope that even more properties like this one will be added to our portfolio soon.

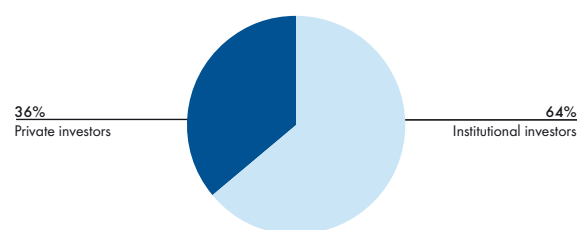
s IMMO INVEST participation certificate

Key indicators s IMMO INVEST

	2005	2004
Earnings per share (EUR) ¹	4.9	4.0
Cash-Flow/share (EUR)	4.2	4.4
DPS	4.4	4.4
Net Asset Value (EUR)	84.5	81.0
Gearing	17 %	14 %
P/E ¹	19.4/19.1	22.3
P/CE	22.6/22.3	20.5
P/NAV	113 %/111 %	111 %

¹ Fair Value Model

s IMMO INVEST shareholders



Stock exchange information (31 Dec 2005)

ISIN code	AT000 079573 7/AT000 63069 4
Reuters code	SIIG.VI
Bloomberg	SPIG.AV
Certificates in issue	2,040,000/1,843,398 (2 nd tranche)
Market capitalisation	367.5 EUR m
Distribution	June 2006
High	EUR 96.10/97.40
Low	EUR 91.20/90.68

Performance (31 Dec 2005)

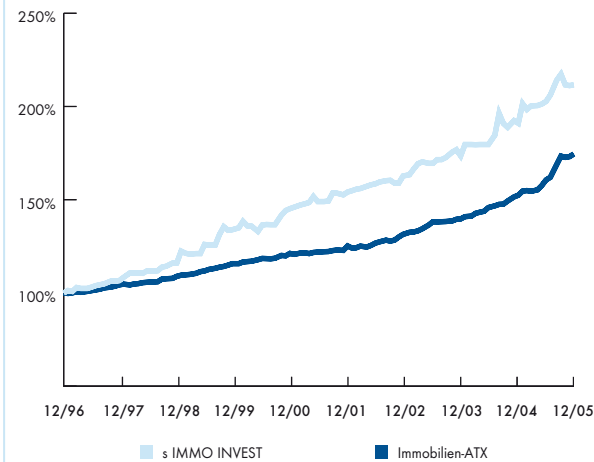
1 year	10.8%
3 years, p. a.	9.2%
Since issue, p. a.	8.7%

PROFILE

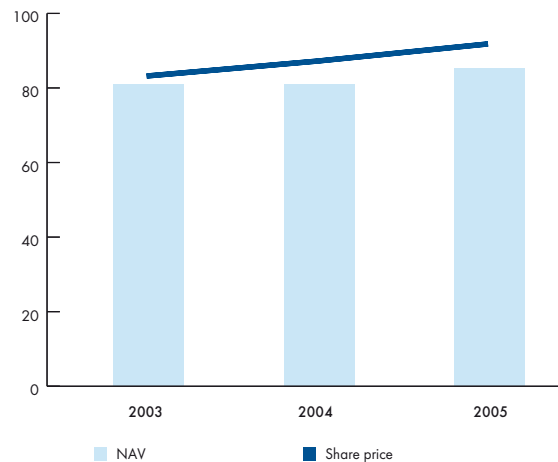
The s IMMO INVEST participation certificate is the only property security listed on the Vienna Stock Exchange – participating bond in the meaning of section 174 Austrian Companies Act (AktG) – to make distributions out of profit. It aims to generate long-term capital growth on a widely diversified property portfolio. s IMMO INVEST gives investors the right to participate in the company's profits. We concentrate on office and commercial properties, and our investors also benefit from our 49% interest in CEE Property-Invest Immobilien AG's Central and Eastern European growth portfolio. Since December 2005, about 3% of s IMMO INVEST's total lettable space has been accounted for by Germany.

Distribution-oriented and, in particular, institutional investors value s IMMO INVEST's tax optimised structure: it is currently the only Austrian property security structured as a real estate investment trust (REIT), an investment vehicle in widespread use around the world. It allows the net cash flows to be distributed to the investors so that earnings are not taxed in the hands of the company. For individual investors, the tax paid is limited to the investment income tax deducted at source.

**Price against IATX
 (Real Estate Securities Index)**



Share price against NAV



Success in the capital markets: performance up 10.8%, market capitalisation up 55%

At the start of 2005 the market price of the s IMMO INVEST participation certificate was EUR 90.00, and EUR 90.70 for the first tranche, which was issued in 1996. The closing market prices were EUR 94.00 and EUR 95.20. This represents a performance of 10.8% and 8.7% p.a. respectively.

In March and June 2005 we increased the capital in order to drive forward growth of the s IMMO INVEST property portfolio. We placed a total of 1,639,399 new participation certificates at an issue price of EUR 90, generating issue proceeds of EUR 127.4m. With this issue we have tapped a group of major international investors for the first time. The s IMMO INVEST participation certificate is intended to be held entirely by the public, with a free float of 100%. At balance sheet date market capitalisation of EUR 367.5m was up 55%, as a result of constant value growth and the capital increase.

s IMMO INVEST participation certificates distribution for 2005

(Clause 5 Participating Certificates Agreement)

EUR ,000	2005	2004
Attributable profit	2,669	5,207
+ Depreciation and amortisation	3,507	1,939
Issuing costs	-7,508	-
Premium (for distribution)	13,286	-
Allocation to reserves (clause 5)	-1,813	-942
Income from investments	6,791	3,579
Distribution	16,932	9,783
Distribution/certificate (EUR)	4.36	4.36

Earnings per participation certificate calculated on the basis of the fair value model were up to EUR 4.90, following EUR 4.00 in 2005. This increase is chiefly attributable to a revaluation of virtually all properties in the s IMMO INVEST portfolio. Significant capital appreciation, particularly in Central and Eastern Europe, confirms the correctness of our investment strategy. The price/cash earnings ratio of 22.4 (22.1) is excellent in comparison with that of its peers. Net asset value per participation certificate was up 4.4% to EUR 84.50, reflecting the long-term value growth. Following the issue in 2005, participation certificate capital increased from EUR 147.9m to EUR 277.4m, so that at balance sheet date there were 3,883,398 participation certificates were in circulation. The proposed distribution is unchanged at EUR 4.36 per certificate (before investment income withholding tax) and is expected to be paid in June 2006.

At balance sheet date the proportion of s IMMO INVEST securities funded by external borrowings as a proportion of total assets amounted to just 33.1%. As with s IMMO Aktie, the aim is to increase the proportion to 50–60%.

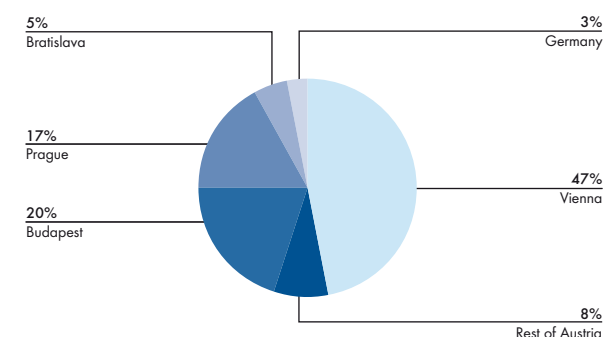
Property portfolio doubled to EUR 356.2m

As a result of ongoing acquisitions the total value of s IMMO INVEST's property portfolio has doubled, from EUR 164.6m to EUR 356.2m. In 2005 we acquired a total of seven properties with a total lettable space of 247,801 m². This is the largest expansion of the property portfolio since its initial listing in 1996.

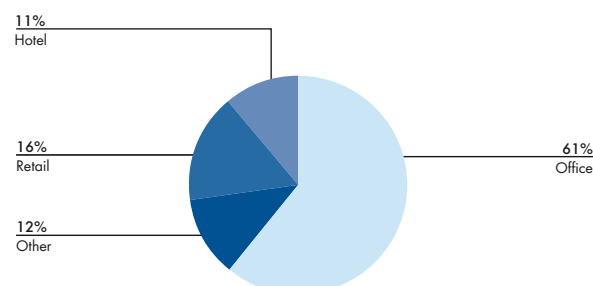
s IMMO INVEST's investment strategy places greater emphasis on CEE investments than that of s IMMO Aktie, and its portfolio contains no residential properties, with their low yields. At 31 December 2005 the proportion of lettable space in Central and Eastern Europe (including Germany) amounted to 42%, compared with 41% in 2004. Of this, 61% was invested in office property, 16% in retail space and 11% in hotel space.

Total lettable space (m ²) ¹	247,801
Austria	133,668
Central Europe ²	105,758
Germany ³	8,375
Market value of rental property (EUR m)	356.2
Austria	224.4
Central Europe ²	114.6
Germany ³	17.2
Average yield of rental properties	7.2%

Regional distribution ¹

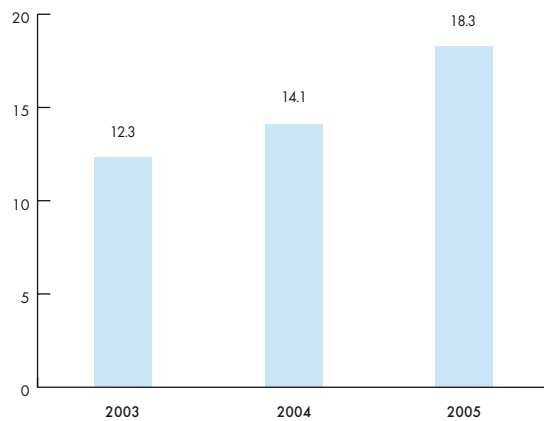


Primary use

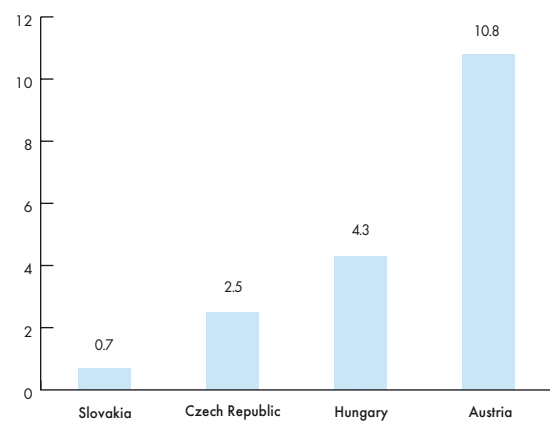


As at 31 December 2005
¹ Including development property
² Proportionate 49.99% share
³ Proportionate 50% share

**Revenues
 EUR m**



**Revenues by regions
 EUR m**



The average rental yield on the Austrian portfolio in 2005 was 6.6%, slightly down on the 7.3% achieved in 2004, but still significantly higher than the industry average of 5.8%. As a result of lively demand, the estimated values of the properties making up the CEE portfolio have risen. The ratio of rental revenues to these higher valuations is now 8.5%, compared with 9.1% last year. We expect demand to continue strong, and prices in these markets to rise. As this trend continues, we see further medium-term increases in the value of our CEE portfolio of the order of 20–30%. Occupancy rates for the s IMMO INVEST portfolio are at a consistently high level of 94% and were slightly higher than in 2004 (93%).

The market value of the s IMMO INVEST property portfolio was reviewed by international property experts including CB Richard Ellis and DTZ on an earnings basis. The valuation revealed that at 31 December 2005 s IMMO INVEST had undisclosed reserves on its property portfolio (including indirect holdings) of EUR 37.1m.

Revenues up by 30%

Rapid expansion of the property portfolio caused revenues for 2005 to advance by 30% to EUR 18.3m. About 59% of revenues came from the Austrian portfolio and 41% from the CEE portfolio. Excluding revenues from new acquisitions, revenues performed counter to market trends and maintained their constant high level in both Austria and Central and Eastern Europe, thanks to efficiencies in properties management.

EBIT up 15%, EBT up 33%

EBITDA was up 42% on the previous year at EUR 13.5m. Operating profit (EBIT) was up 15% to EUR 6.2m. EBT was up 33% to EUR 6.9%. The successful outcomes of 2004 were repeated in 2005.

Consolidated balance sheet s IMMO INVEST as at 31 December 2005

EUR ,000	2005	2004	Change
ASSETS			
A. Non-current assets			
I. Intangible assets	13	1	
II. Property, plant and equipment	335,394	153,705	+118%
III. Financial assets	5,918	5,836	
IV. Long-term receivables	0	1	
	341,324	159,543	+114%
B. Current assets			
I. Receivables and other assets	39,750	34,325	+16%
II. Marketable securities and investments	6,176	0	
III. Cash and cash equivalents	45,562	1,849	
	91,488	36,173	
C. Accruals and prepayments	133	607	
	432,945	196,322	+121%
EQUITY AND LIABILITIES			
A. Shareholders' equity	11,958	0	
B. Non-current liabilities			
I. Participating certificates	277,435	147,931	+88%
II. Long-term liabilities to banks	85,693	17,255	
III. Provisions	5,151	3,818	
IV. Other liabilities	2,371	904	
	370,650	169,908	+118%
C. Current liabilities	48,861	26,360	+85%
D. Deferred income	1,475	54	
	432,945	196,322	+121%

Consolidated income statement for the year ended 31 December 2005

EUR ,000	2005	2004	Change
Revenues	18,342	14,107	+30%
whereof: rental income	15,065	11,992	+26%
Other operating income	3,055	398	
Gains on property disposals	843	44	
Operating revenue	22,240	14,549	+53%
Depreciation and amortisation	-7,370	-4,126	+79%
Other operating expenses	-8,706	-5,078	+71%
Operating profit/EBIT	6,163	5,345	+15%
Other financing expenses	-2,517	-1,238	
Financial income	3,295	1,097	
Net financing cost	778	-141	
Profit before tax/EBT	6,941	5,204	+33%
Taxes on income	-219	-439	
Minority interest	-783	0	
Profit after taxes	5,939	4,765	
Dividends on participating certificates	-16,932	-9,784	

Our accounting policy is to use the cost model as described in IAS 40: properties are recognised at cost of acquisition or construction less accumulated depreciation and impairment losses. The alternative under IAS 40, the fair value model, is gaining increasing acceptance. This method recognises all changes in the market value of the property in the income statement. For the sake of completeness and transparency, we present the income statement for s IMMO INVEST under the fair value method as well.

Net Asset Value

EUR m	31.12.2005	31.12.2004
Participating capital	277.4	147.9
Distribution entitlement of participation certificates	16.9	9.8
Undisclosed reserves on property portfolio	34.0	23.9
Net asset value	328.3	181.6
Number of shares	3,883,398	2,243,999
NAV/share EUR	84.5	80.9
Share price	95.2	90
Share price/NAV	113%	111%

s IMMO INVEST – Fair value model reconciliation

EUR ,000	Cost model 2005	Adjustment	Fair value model 2005
Revenues	18,342		18,342
Revaluation of properties (IAS 40)	0	7,067	7,067
Other operating income	3,055	-550	2,505
Income from the sale of property	843	-843	0
Operating income	22,240	5,674	27,914
Depreciation and amortisation	-7,370	7,187	-183
Other operating expenses	-8,706	350	-8,356
Operating profit (EBIT)	6,163	13,212	19,375
Financial expenses	778	0	778
Profit before tax (EBT)	6,941	13,212	20,153
Taxes on income	-219	-3,380	-3,599
Minority interests	-783	-439	-1,222
Consolidated net profit	5,939	9,392	15,332
Average number of certificates in circulation	3,119,798		3,119,798
Earnings per certificate	1.9		4.9

s IMMO INVEST property portfolio

as at 31 December 2005	Acquisition	Use	Area in m ²	Market value EUR m	Yield/ market value
Rental property					
1010 Vienna, Kärntner Straße 19, Kaufhaus Steffl (37.5% interest)	2005	commercial	6,400	33.0	7.2%
1010 Vienna, Parkring 12a	2003	office and commercial (condominium)	2,896	6.4	5.9%
1010 Vienna, Parkring 12a, hotel Marriott (28.2% interest)	2003	hotel	5,530		
1020 Vienna, Franzensbrückenstraße 5	2001	office	2,959	4.7	7.1%
1030 Vienna, Franzosengraben 12	1990	office and industrial	5,992	8.2	6.5%
1031 Vienna, Ghogastraße 1	2005	office	24,001	27.9	6.6%
1030 Vienna, Obere Viaduktgasse 36	1990	office	1,533	3.0	9.9%
1060 Vienna, Mariahilfer Straße 121 b	2001	office and commercial	5,485	12.3	6.3%
1060 Vienna, Windmühlgasse 22-24	1989	office	4,646	7.3	6.8%
1060 Vienna, Mariahilfer Straße 41-43 (21.6% interest)	1989	office and commercial	2,141		
1070 Vienna, Mariahilfer Straße 26-30, Kaufhaus Herzmannsky (37.5% interest)	2005	commercial	7,450	30.5	5.7%
1120 Vienna, Meidlinger Hauptstraße 73	2002	office and commercial	18,886	34.2	6.4%
1140 Vienna, Scheringgasse 2	2004	office and industrial	10,498	8.3	4.8%
1150 Vienna, Gasgasse 1-7	2002	office	7,358	16.0	7.1%
1210 Vienna, Gerasdorferstraße 151	2004	office	9,099	12.9	7.1%
2384 Breitenfurt, Hauptstraße 107	1987	commercial	850	0.8	13.8%
2500 Baden, Viennaer Straße 9	1988	school	745	0.6	14.4%
2500 Baden, Viennaer Straße 97-99	1990	commercial	800	1.7	8.3%
5020 Salzburg, Sterneckerstraße 50-52	1994	office and commercial	5,596	5.0	4.9%
8020 Graz, Ankerstraße 2	1989	commercial	900	1.0	9.7%
8020 Graz, Karlauer Gürtel 1	1988	office and commercial	5,503	6.3	6.1%
8020 Graz, Lazarettgürtel 81	1988	office	2,400	2.5	9.7%
9560 Feldkirchen, Eppensteinerstr. 14	1987	commercial	2,000	1.9	8.6%
			133,668	224.4	6.6%
Total lettable space – Austria			133,668		
Central Europe CEE Property-Invest Immobilien AG					
Rental property					
11000 Prague, Narodni 41, (Areal)	2003	office	2,781	7.7	7.7%
11000 Prague, Wenzelsplatz 22 (Hotel Julis)	2004	hotel and commercial	6,870	20.0	9.8%
11000 Prague, Wenzelsplatz 41, (Luxor)	2002	hotel and commercial	8,767	20.0	8.2%
18600 Prague, Thámova 13, (Palác Karlín)	2001	office	16,043	23.6	3.7%
1051 Budapest, Bajcsy-Zsilinszky út. 12, (City Center) – ECE Buda	2001	office	10,749	17.5	8.5%
1134 Budapest, Váci út. 35, (The River Estates) – CEE Kft	2001	office	29,325	43.0	7.6%
1138 Budapest, Váci út. 202, (Unilever HQ) – Bank Garasz	2001	office	14,371	16.0	8.8%
1122 Budapest, Maros utca 19-21 (Maros Utca Business Center)	2004	office	8,758	12.4	8.6%
1016 Budapest, Hegyalja út. 7-13 (Buda Center)	2005	office	7,580	8.0	7.3%
1052 Budapest, Apaczai Csere János u. 2-4 (Budapest Marriott hotel)	2005	hotel	30,000	48.3	9.9%
82104 Bratislava 2, Galvaniho 7 (Galvaniho Business Center Unit I)	2004	office	11,374	12.7	9.0%
			146,617	229.2	8.5%
Development property					
14000 Prague, Na Pankraci 127/1683	2003	office	approx. 51,000		
82104 Bratislava 2, Galvaniho 7 (Galvaniho Business Center Unit II)	2005	office	13,940		
			64,940		
Total lettable space – Central Europe			31.12.2005	211,557	229.2
Germany					
Rental property					
20457 Hamburg, Großer Burstah 18-30 + 32-34	2005	office	16,750	34.4	6.6%
			16,750	34.4	6.6%
Total lettable space – Germany			31.12.2005	16,750	34.4
Total Austria			133,668	224.4	
Central European property held through CEE Property-Invest Immobilien AG (49.99%)			105,758	114.6	
German property held through Beteiligung Aramisto Immobilien GmbH (50%)			8,375	17.2	
Total lettable space – s IMMO Invest			31.12.2005	247,801	7.2%

Budapest – Hotel Marriott



Imposing building in prime location





Tuesday, 14 February 2006, 17.30: Budapest. For the last stop in this year's property tour, I drive straight to Budapest city centre where Sparkassen Immobilien AG's new acquisition, the Hotel Marriott, awaits me. What a location: right next to the Danube, opposite the Fisherman's Bastion and next to the chain bridge. The hotel's commercial director, Herbert Wiesinger, tells me that there are 362 excellently appointed rooms –all of which are being renovated and refurbished – reaching up 10 floors. He's right about the standards! My room is on the eighth floor and has a breathtaking view, balcony and everything else you could ask for. Together the rooms, meeting rooms, restaurants and lobby account for a total of 30,000 m² of lettable space. The hotel's PR boss, Éva Trembácz, outlines plans for further investments, including renewing the exterior, the restaurant and public areas. They have a lot to do, and after two days I am in a position to sum it up: great location, great people and a great property, which means a great investment for us shareholders.

Additions to Group portfolio

Social Insurance Fund for Farmers – Vienna

The headquarters of the Social Insurance Fund for Farmers has 12 floors and comprises a total of 19,900 m² of lettable office space. The entire building is leased to the Social Insurance Fund for Farmers for a minimum of ten years. Conveniently located next to the Stadtautobahn, it will also be served by the U2 underground line in a few years' time.

Steffl and Herzmansky – Vienna

Sparkassen Immobilien AG has acquired a majority of the renowned Steffl and Herzmansky department stores, which are located on Kärntner Strasse and Mariahilfer Strasse, two of Vienna's busiest shopping streets. The historically famous Herzmansky department store was partially replaced with a new construction in 1957. Since 1998 it has flourished as part of Peek and Cloppenburg, the German fashion chain. In total the facility covers 21,600m² spread over eight floors. In 1997 Steffl was rebuilt and extended on a larger scale, so that it now has 11 floors and gross lettable space of 20,400 m². It houses an ideal mixture of retailers, restaurants and cafés run by 37 tenants, many of them international.

Brünner Strasse development project – Vienna

In the up-and-coming residential 21st District, Sparkassen Immobilien AG is erecting a commercial property, with some 10,100 m² of lettable space and parking or garage space for 250 cars. The development is scheduled for completion in the third quarter of 2006, and is already let to two major chains, Media Markt and Kastner & Öhler.

Buda Center – Budapest

The Buda Center office building is at a prime location in Budapest's 1st District. This architecturally interesting building has a total of around 5,800 m² of lettable space on five floors. There are also 65 parking spaces. This superbly equipped centre's long-term tenants include major international companies, such as Citibank and HVB Leasing.

Budapest Marriott

The Budapest Marriott is one of the city's largest five star hotels. It has a prime location directly on the bank of the Danube in the centre of Budapest. The hotel has a total of 30,000 m² of lettable space and a total of 362 excellently appointed rooms commensurate with its classification. The building has an impressive view of the Danube and the famous Fisherman's Bastion. The 10 floor property also includes an underground parking garage and all the facilities, including shops, that you would expect in a five star hotel. The hotel is being completely renovated, with particular emphasis on technical services and conference facilities: the total investment will come to roughly EUR 25m. An additional 6,000 m² of office and commercial space on the site is being developed at the same time – it will cost approximately EUR 16m, and is scheduled for completion in 2008.

Grosser Burstah – Hamburg

To launch its expansion into Germany, Sparkassen Immobilien AG has acquired an office and retail property in one of the most sought after office locations in the centre of Hamburg. The six and eight floor properties are in the immediate vicinity of the City Hall and cover a total of 15,900 m² of lettable space. Both properties are fully let, and the main tenant, Deutsche Bank, has a long-term lease in both properties. The retail areas are also fully occupied, thanks to its location close to Hamburg's main shopping district.

Outlook for the Group

According to the latest forecasts, Austria's economy is set to grow again in 2006. At between 2.3% and 2.4%, economic growth will be considerably ahead of the rest of the eurozone, chiefly driven by exports and investment activities. The friendly investment environment and continuing low interest rates combine to create a fundamentally good climate for property investors.

We expect property in premium locations in Vienna to continue to fetch high prices. Competition for properties of this nature will further intensify, as demand remains high. At the same time, we do not expect upward pressure on rental prices to abate substantially. We will continue to apply a highly selective investment policy in Vienna.

Economic growth in Central and Eastern Europe on the other hand will be stronger than ever: currently, growth of between 4% and 6.5% is forecast. A combination of positive economic data, the continued increase in demand for property, a resulting increase in availability of lettable space and the still markedly higher yields means that these markets will continue to provide attractive investments for Sparkassen Immobilien AG during 2006 and beyond.

Currently prevailing prices mean that Sparkassen Immobilien AG will continue to concentrate more of its investment in Germany. The German share of lettable space will in the medium term be increased to a quarter.

Additions to the property portfolio

We plan to invest about EUR 500m in 2006. The money will be used to expand the property portfolio so that growth continues. The current focus of investments in Central and Eastern Europe will be progressively extended, but only after careful reviews. Activities will concentrate to a greater extent on Bulgaria, Romania and Ukraine, where we have been getting to know the markets and inspecting suitable properties for some time. Germany will continue to be an investment focus in 2006 on the basis of forecasts that price/yield ratios will continue to be attractive. At the moment Sparkassen Immobilien AG is evaluating a number of projects in Berlin, Hamburg and Munich. Higher prices in Austria mean that we will only be involved in a small number of carefully selected projects.

Positive revenue and earnings indicators

In 2006 Sparkassen Immobilien AG will continue to build on the strong growth achieved in earlier years. In its expansion, it will take advantage of low interest rates and make increased use of external financing. s IMMO Aktie's equity ratio will not however fall below 50% for a major period of time, in order to ensure that interest rate risk remains relatively low. Our aim is to offer s IMMO Aktie shareholders attractive and sustainable long-term returns of between 6.5% and 8% and to keep annual distributions from s IMMO INVEST at their present level. Management expects the planned expansion of the property portfolio to lead to a significant increase in rental income in 2006 and a comparable improvement in all key indicators to that achieved in 2005.

Significant events after balance sheet date

Purchase agreements for three properties in Germany were concluded after balance sheet date.

In the centre of Munich, an office property with about 6,000 m² of lettable space has been acquired for approximately EUR 9m plus incidental expenses. The main tenant, Siemens, has a long-term tenancy agreement.

Sparkassen Immobilien AG has bought Ikaruspark for roughly EUR 11m plus incidental expenses. The park is in an industrial zone in Western Munich with excellent transport connections and comprises over 8,000 m² of office space and about 6,000m² of warehouse space. The property is fully let to a wide range of German and international companies.

A new 15,000 m² five floor office building in top condition has been acquired in Halle on the Saale for about EUR 34m plus incidental expenses. The majority of the building is let to Kaufhof AG, a wholly owned Metro Group subsidiary.

In January 2006 the purchase of the property at Szegedi út. 35-37 in Budapest was concluded for around EUR 7m plus incidental expenses. The tenant is Strabag Hungaria.

A purchase agreement for an approximately 1.200 m² plot of land in Prague's 8th district for EUR 2.5m was concluded in February 2006.

Also in February 2006, Sparkassen Immobilien AG disposed of an office property at Siriusstrasse 3, 9020 Klagenfurt, Austria for about EUR 3m. Profit on the sale amounted to around EUR 1m.

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Consolidated balance sheet as at 31 December 2005

EUR ,000	Notes	2005	2004
ASSETS			
A. Non-current assets	15, 16		
I. Intangible assets			
Other		50	26
II. Property, plant and equipment			
Property		706,999	446,147
Other		2,187	1,242
III. Financial assets			
Associates		231	200
Group interests		5,806	5,802
IV. Long-term receivables			
Deferred tax assets	20	2,347	1,312
		717,620	454,729
B. Current assets			
I. Receivables and other assets	17		
Trade receivables		3,406	1,466
Finance receivables and advances		7,190	9,754
Other receivables and assets		13,511	8,135
		24,107	19,355
II. Marketable securities and investments	18	12,352	0
III. Cash and cash equivalents	19	166,098	4,337
		202,557	23,692
C. Accruals and prepayments		335	1,703
		920,512	480,124

EUR ,000	Notes	2005	2004
EQUITY AND LIABILITIES			
A. Shareholders' equity			
	21, 22		
I. Share capital		363,768	224,657
II. Minority interests		23,915	0
		387,683	224,657
B. Non-current liabilities			
	23		
Participating certificates		276,774	147,931
Long-term liabilities to banks		174,602	45,087
Provisions			
a) Deferred taxes	20, 24	3,459	2,003
b) Other	24	6,941	4,074
		10,400	6,076
Other liabilities	25		
a) Construction costs and tenants' financing		11,918	11,946
b) Housing construction subsidies		6,602	7,091
c) Undisclosed interests		2,000	0
d) Other		2,387	1,715
		22,906	20,752
		484,682	219,846
C. Current liabilities			
Liabilities to banks		4,466	6,475
Trade payables		9,425	1,654
Other		29,423	25,444
		43,314	33,573
D. Deferred income			
		4,833	2,047
		920,512	480,124

Consolidated income statement for the year ended 31 December 2005

EUR ,000	Notes	2005	2004
Revenues	7	42,154	35,312
— whereof: rental income		34,192	29,351
Other operating income	8	7,587	2,095
Gains on property disposals	9	2,035	44
Operating revenue		51,776	37,451
Depreciation and amortisation	15	-16,309	-11,035
Other operating income	10	-19,378	-13,517
Operating profit /EBIT		16,090	12,899
Expenses of participating certificates	11	-5,939	-4,765
Other financing expense	12	-4,505	-2,746
Financial income	13	4,432	1,230
Net financing cost		-6,012	-6,280
Profit before tax /EBT		10,078	6,619
Taxes on income	14	-1,585	-1,582
Profit after tax		8,493	5,037
— Interests of shareholders in parent company		6,806	5,037
— Minority interests		1,687	0

Consolidated cash flow statement

EUR ,000	2005	2004
Profit before tax/EBT	10,078	6,619
Depreciation and amortisation	16,309	11,035
Reversal of impairment write-down	-1,100	0
Gains on property disposals	-2,035	-44
Accrued interest	-374	-686
Net financing expense	6,012	6,280
	28,890	23,204
Changes in net current assets		
Receivables and other assets	-15,736	9,857
Provisions and other long-term liabilities	5,021	32
Current liabilities and deferred income	12,527	11,149
Cash flow from operating activities	30,702	44,242
Cash flow from investing activities		
Purchase of investment properties	-288,557	-120,597
Purchase of office equipments and intangible assets	-1,673	-542
Investment in financial assets	-75	-920
Proceeds of property disposals	739	70
Proceeds of disposal of property holding companies	3,422	0
Net interest on financial investments	3,784	389
Net cash flow from investing activities	-282,360	-121,600
Cash flow from financing activities		
Proceeds of share issue	140,332	24,148
Change in minority interests	23,915	0
Proceeds of issue of participating certificates	147,322	17,951
Dividend paid by s IMMO INVEST	-9,784	-8,894
Issuing costs of shares and participating certificates	-16,223	-2,627
Net increase in long-term liabilities to banks	129,515	8,484
Interest paid	-1,658	-3,974
Net cash flow from financing activities	413,419	35,088
Change in cash and cash equivalents	161,761	-42,270
Cash and cash equivalents at 1 January 2005	4,337	46,607
Cash and cash equivalents at 31 December 2005	166,098	4,337
	161,761	-42,270

Changes in consolidated equity

	Share capital	Capital reserves	Revenue reserves	Minority interests	Total	2004
EUR ,000						
Balance 1 January 2005	121,404	73,174	30,079	0	224,657	196,491
Capital increase	60,702	79,630	-6,553	0	133,779	22,999
Acquisitions	0	0	0	22,944	22,944	0
Profit after tax	0	0	6,806	1,687	8,493	5,037
Exchange differences	0	0	-1,474	-716	-2,190	130
Balance 31 December 2005	182,106	152,804	28,858	23,915	387,683	224,657

Details of share capital

EUR ,000	31.12.2005	31.12.2004	Change
Total share capital	182,106	121,404	60,702
Treasury shares (nominal)	0	0	0
	182,106	121,404	60,702

Changes in share capital

	2005	2004
Issued share capital at 1 January 2005	33,412,479	30,375,000
Shares issued during year	16,706,239	3,037,479
Treasury shares sold	0	0
Issued share capital at 31 December 2005	50,118,718	33,412,479
Treasury shares	0	0
Total shares in issue	50,118,718	33,412,479

Notes to the consolidated financial statements

1. REPORTING UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The consolidated financial statements of Sparkassen Immobilien Aktiengesellschaft (s Immobilien AG), Vienna, for the year ended 31 December 2005 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

2. GENERAL

2.1. Business

s Immobilien AG Group is a real estate group (acquisition, development and letting of property) with activities in Austria and elsewhere in Central Europe. The parent company, s Immobilien AG, is headquartered in Windmühlgasse 22-24, A-1060 Vienna, Austria. The Company has subsidiaries in Austria, the Czech Republic, Germany, Hungary and Slovakia. Companies have recently been formed for the future expansion of business activities into Bulgaria and Romania. The parent company is a public limited liability company (Aktiengesellschaft). It is registered in the commercial register of the Commercial Court of Vienna under reference 58358x.

2.2. Accounting policies

The consolidated financial statements comply with all International Financial Reporting Standards, including the interpretations of the International Financial Reporting Interpretations Committee“ (“IFRIC”, formerly “SIC”) the application of which was mandatory as of 31 December 2005.

The accounting policies of the companies included in consolidation are based on the uniform accounting regulations of s Immobilien AG Group. The consolidated financial statements are presented rounded to the nearest 1,000 euro. The totals of rounded amounts and the percentages may be affected by rounding differences caused by software.

3. CONSOLIDATED GROUP

In addition to the accounts of s Immobilien AG, the consolidated financial statements include the accounts of the following companies (property holding or intermediary holding companies) which are directly or indirectly owned by s Immobilien AG:

Company	Location	Country	Nominal capital	%	Currency	Initial consolidation
CEE Immobilien GmbH	Vienna	A	35,000	100	EUR	
CEE PROPERTY-INVEST _ Immobilien AG	Vienna	A	48,000,000	100	EUR	
CEE CZ Immobilien GmbH	Vienna	A	35,000	100	EUR	
Aramisto Immobilien GmbH	Vienna	A	35,000	100	EUR	1.1.2005
Hotel DUNA Beteiligungs _ Gesellschaft m.b.H.	Vienna	A	145,346	100	EUR	1.6.2005
Gerngross Kaufhaus Aktiengesellschaft	Vienna	A	21,801,850	75	EUR	31.12.2005
Areal CZ spol. s.r.o.	Prague	CZ	100,000	100	CZK	
ELTIMA PROPERTY _ COMPANY s.r.o.	Prague	CZ	100,000	100	CZK	
Palác Karlin Property a.s	Prague	CZ	96,500,000	100	CZK	
Palác Karlin s.r.o.	Prague	CZ	1,200,000	100	CZK	
Vila Property s.r.o.	Prague	CZ	1,200,000	100	CZK	
REGA Property Invest s.r.o.	Prague	CZ	200,000	100	CZK	
Bank-garázs Ingatlanfejlesztési _ és Vagyonhasználó Kft.	Budapest	H	100,100,000	100	HUF	
CEE Property-Invest Ingatlan Kft.	Budapest	H	100,000,000	100	HUF	
Maros utca Építési és _ Ingatlanhasználó Kft.	Budapest	H	477,000,000	100	HUF	
Buda Kereskedelmi Központ Kft.	Budapest	H	3,000,000	100	HUF	1.4.2005
Duna Szálloda Zrt.	Budapest	H	3,392,600,000	51	HUF	1.6.2005
Galvaniho 1, s.r.o.	Bratislava	SK	200,000	100	SKK	
Galvaniho Business Centrum, s.r.o.	Bratislava	SK	200,000	100	SKK	1.12.2005
SIAG Burstah Immobilien GmbH	Hamburg	D	25,000	100	EUR	1.11.2005

CEE PROPERTY-INVEST Immobilien AG acquired the shares in Buda Kereskedelmi Központ Kft at the end of the first quarter of 2005 for EUR 1.1m. The liabilities assumed amounted to EUR 4.8m.

With effect from 1 June 2005, it also acquired the shares in Hotel DUNA Beteiligungs Gesellschaft m.b.H., which owns a 51% interest in Duna Szálloda Zrt., Hungary, for a price of EUR 1.9m together with liabilities of EUR 50.3m. Duna Szálloda Zrt. is owner and operator of Hotel Marriott in Budapest. Operating management is provided by Marriott, under a management agreement. The company employs 283 staff. CEE PROPERTY-INVEST Immobilien AG also secured the right to acquire the remaining 49% of the shares in July 2006 by paying EUR 0.1m for the option. The purchase price will be EUR 1.1m. The profit for the period since initial consolidation was EUR 3.4m.

Aramisto Immobilien GmbH acts as an intermediary holding company for the property ownership companies in Germany. In November four ready-made companies were acquired for a total of EUR 0.1m. One of them, SIAG Burstah Immobilien GmbH, acquired two properties in Hamburg at the end of the year.

In December the shares in Galvaniho 1, s.r.o., Slovakia, were transferred within the Group to Galvaniho Business Centrum, s.r.o., from which point this intermediary holding company was included in consolidation.

At the year end s Immobilien AG acquired the majority of the shares in Gerngross Kaufhaus Aktiengesellschaft, Austria, for a provisional price of EUR 62.1m. The company has bank balances of EUR 52.6m, liabilities to banks of EUR 93.7m and other liabilities and provisions of EUR 7.5m.

The transaction was accounted for using the purchase method for initial consolidation, in accordance with IFRS 3.

In March the Hungarian property ownership company ECE-Buda Ingatlanhasznosító és Ingatlanforgalmazó Kft. was merged into Bank-garázs Ingatlanfejlesztési és Vagyonhasznosító Kft. In August the Czech intermediary holding company

GAMA Immorent S.R.O. and the property ownership company REAL-UNION a.s. were merged to form REGA Property Invest s.r.o.

In September the Austrian property ownership companies Gartenbau-Grundstücksverwertung Gesellschaft m.b.H., EBB Immobilienverwaltung GmbH und Arcade Meidling Errichtung und Verwaltung GmbH were merged into S Immo AG. They were acquired by the Group at the beginning of 2005. The purchase price was EUR 4.1m, and the liabilities taken over amounted to EUR 32.0m.

4. BASIS OF CONSOLIDATION

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

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

5. FOREIGN CURRENCY TRANSLATION

Translation of financial statements in foreign currencies

The Group reporting currency is the euro. Annual financial statements prepared in foreign currencies (Czech crowns, Slovak crowns and Hungarian forints) are translated using the modified closing rate method. Investment property is translated at historical rates. As a general rule, income statement items are translated using average exchange rates; depreciation and amortisation of property is an exception – historical rates are used. Gains and losses on currency translation are not treated as income or expense but included under revenue reserves.

6. ACCOUNTING AND VALUATION POLICIES

Intangible assets

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

Investment property, plant and equipment

In accounting for investment property, and other plant and equipment, advantage is taken of the option under IAS 40 to apply the cost model: assets are recognised at cost of acquisition or construction, less scheduled depreciation and provision for any impairment losses. Non-refundable investment grants are treated as reductions in acquisition costs. The costs of acquisition or construction do not contain any material financing costs.

The properties, the majority of which are rented, were valued in 2004 and 2005 on the basis of current market conditions, largely by independent, professional, court-recognised experts. The valuations were based on earnings, calculated on the basis of expected sustainable future rental yields and market interest rates (Austria: 3.5%–8%; elsewhere: 7.75%–9%). In one case, specific features of the property meant that asset values were also used. Properties purchased close to balance sheet date were valued on the basis of acquisition costs.

Property subject to wear and tear and other plant and equipment is depreciated on a straight-line basis over its expected useful life, which is as follows:

	Expected useful lives (years)	
	from	to
Buildings	33	50
Other plant and equipment	3	10

Where there are losses in value that are expected to be permanent, impairment losses are recognised. The carrying values of the properties are subjected to impairment tests, in which the carrying values are compared with the fair values of the properties. As a rule, impairment losses are recognised where the carrying values are higher, although this is not done if the higher carrying value is solely the result of incidental acquisition costs, such as property transfer tax, registration fees, etc. In 2005 impairment losses amounting to EUR 2,339,000 were recognised, and write-ups of EUR 1,100,000 were made to reflect permanent reversals of impairment losses.

Investments and securities

Shares in associated companies and investments for which fair values can not be established without disproportionate expense are recognised at acquisition cost, reduced by impairment losses where the loss in value is expected not to be merely temporary.

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

Receivables and other assets

Trade receivables and other receivables are disclosed at their nominal value, less any provisions necessary. Other current assets are recognised at cost of acquisition.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and of bank deposits with a term of less than three months.

Taxes

The tax expense disclosed for the financial year comprises income tax on the taxable income of the individual companies at the rate applicable in the relevant country (actual tax) together with the changes in tax provisions affecting income or expense.

In accordance with IAS 12, all temporary accounting and valuation differences between the tax bases of assets and liabilities and their carrying amounts in the balance sheet and any tax loss carryforwards are reflected in the provisions for deferred taxation. In calculating the provisions necessary, the local tax rates used are those expected to apply to each Group company when the differences reverse: Austria 25%, Czech Republic 24%, Germany 26%, Hungary 16% and Slovakia 19%.

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

Deferred taxes assets are provided on tax loss carryforwards to the extent that it is probable that the losses will be able to be offset against future taxable profits.

Financial liabilities

Financial liabilities are recognised at the amount repayable, with the exception of the participating certificates, which are valued in accordance with the Fund rules.

Provisions

The provision for deferred taxation is calculated using the liability method, using the tax rates which at balance sheet date are expected to be in force when the temporary differences reverse. Other provisions are for liabilities of uncertain amount, in which case the amount provided is the amount considered most likely to become payable.

Trade payables and other liabilities

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

Derivatives

s Immobilien AG Group uses interest rate caps to reduce the risks attendant on interest rate increases; these are the only derivative financial instruments the Group uses. The caps are generally measured at cost of acquisition: at 31 December 2005 their positive market value was EUR 349,000.

Income recognition

Rental income is recognised evenly over the term of the rental agreement.

Income from services is recognised in proportion to the services rendered at Group balance sheet date.

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

CONSOLIDATED INCOME STATEMENT

7. REVENUES AND SEGMENT REPORTING

Segment reporting is by region, based on where the property is situated (primary segmentation), and by type of use (secondary segmentation).

The primary segmentation is as follows (EUR '000):

	Austria		Hungary		Czech Republic		Slovakia		Germany		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenues	24,545	18,478	10,055	8,334	5,890	7,872	1,569	628	95	0	42,154	35,312
Other operating income	820	1,299	5,607	93	1,150	697	11	5	0	0	7,587	2,095
Income from the sale of property	-73	44	0	0	2,108	0	0	0	0	0	2,035	44
Operating income	25,292	19,821	15,662	8,427	9,148	8,569	1,580	633	95	0	51,776	37,451
Depreciation and amortisation	-10,186	-6,272	-3,437	-2,167	-2,317	-2,471	-298	-125	-71	0	-16,309	-11,035
Other operating expenses	-13,439	-8,655	-3,319	-2,688	-2,095	-2,120	-510	-54	-15	0	-19,378	-13,517
Profit from operating activities	1,667	4,894	8,906	3,572	4,736	3,978	772	454	9	0	16,090	12,899
Expenses of participating certificates	-2,611	-3,400	-2,092	-1,015	-1,124	-306	-113	-44	0	0	-5,939	-4,765
Finance costs	-1,395	-751	-1,806	-484	-1,309	-1,456	4	-54	0	0	-4,505	-2,746
Finance income	4,225	1,170	5	13	201	47	2	0	0	0	4,432	1,230
Finance profit/loss	219	-2,981	-3,893	-1,486	-2,232	-1,715	-107	-98	9	0	-6,012	-6,280
Consolidated net profit before tax	1,886	1,913	5,013	2,086	2,504	2,263	665	356	9	0	10,078	6,619
Non-current assets	463,382	275,649	135,633	82,592	72,708	84,655	11,541	11,834	34,358	0	717,620	454,729
Current assets	174,922	17,215	8,801	1,529	18,327	4,662	400	285	107	0	202,557	23,692
Non-current liabilities	421,435	178,474	25,568	15,786	37,441	25,346	223	241	15	0	484,682	219,846
Current liabilities	32,792	24,390	5,727	5,380	3,437	3,634	98	170	1,261	0	43,314	33,573

Segmentation by property type:

	Revenues 2005 EUR '000	%	Revenues 2004 EUR '000	%
Offices	27,509	65	28,683	81
Residential	4,463	11	4,229	12
Commercial	10,182	24	2,400	7
	42,154	100	35,312	100

Revenues were made up as follows:

EUR '000	2005	2004
Rental income	34,192	29,351
Service charges	7,748	5,810
Other	214	151
	42,154	35,312

8. OTHER OPERATING INCOME

Other operating income of EUR 7,587,000 (2004: EUR 2,095,000) includes the gross operating profit from the Hotel Marriott in Budapest (EUR 5,458,000), a write-up to the carrying value of the property of Palac Karlin a.s. (EUR 1,100,000), and the release of a proportion of the housing construction subsidies (EUR 489,000).

The Hotel Marriott group operating profit is made up as follows:

EUR '000	6-12/2005
Revenues	10.718
Directly attributable costs	- 6.189
Other costs	- 1.149
Earnings of prior periods	2.078
	5.458

At 31 December 2005 Duna Szálloda Zrt. employed 283 staff. Staff costs of the hotel employees are included in directly attributable costs.

9. INCOME FROM THE SALE OF PROPERTY

EUR '000	2005	2004
Disposal proceeds (including liabilities extinguished)	15,054	71
Book value of disposals	-13,019	-27
	2,035	44

Disposal proceeds for 2005 are from the disposal of a Czech office property (gain of EUR 2,108,000 on disposal of property ownership company Duha Property s.r.o.) and an Austrian office and commercial property (loss of EUR 73,000).

10. OTHER OPERATING EXPENSES

EUR '000	2005	2004
Expenses directly attributable to property		
Operating costs	8,074	6,365
Specific provisions on receivables	200	328
Maintenance costs	2,505	812
Commissions	568	545
Provision for project risks	1,000	0
Other	502	502
	12,849	8,552
General management expenses		
Management fees and administration expenses	3,202	2,898
Staff costs	146	0
Legal, audit, valuation and consultancy costs	1,119	866
Other taxes and charges	630	380
Marketing, advertising and hospitality expenses	390	146
Other	1,042	675
	6,529	4,965
	19,378	13,517

s Immobilien AG had no employees before 30 September 2005. Management services are provided by IMMORENT AG under a management agreement. With effect from 1 October 2005 there are contracts of employment for the two members of the Management Board.

As a result of the acquisition of Gerngross Kaufhaus Aktiengesellschaft, at 31 December 2005 s Immobilien AG had 22 of its own staff, in addition to the employees in hotel operations.

A provision of EUR 1,000,000 was made in connection with projects now in liquidation.

11. EXPENSES OF PARTICIPATING CERTIFICATES

EUR '000	2005	2004
Distribution	-16,932	-9,784
Release of premium	18,479	3,127
Issue costs	-7,486	-1,095
Valuation adjustment	0	2,987
	-5,939	-4,765

Under the rules of the s IMMO INVEST Participating Certificates Fund, the unit holders were entitled to a distribution of EUR 16,932,000 for 2005, which will be paid to unit holders in 2006.

EUR 18,479,000 of the premium on the capital issue was released during the year.

12. FINANCE COSTS

EUR '000	2005	2004
Bank loan interest	3,944	1,722
Other finance costs	561	1,024
	4,505	2,746

13. FINANCE INCOME

EUR '000	2005	2004
Bank interest	1,254	127
Other interest income (in particular, on cash deposits)	2,169	415
Income from investments	400	522
Other	609	166
	4,432	1,230

14. TAXES ON INCOME

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

EUR '000	2005	2004
Current tax expense	349	755
Deferred tax expense	1,236	827
	1,585	1,582

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

EUR '000	2005	2004
Consolidated net profit before tax	10,078	6,619
Income tax expense at the standard Austrian tax rate of 25% (2004: 34%)	2,520	2,250
Effect of differing tax rates	-516	-802
Reductions in tax relating to tax free or tax exempt income	-802	-85
Increases in tax relating to expenses not deductible for tax purposes	697	571
Prior years' taxes	-314	-352
Tax expense as disclosed	1,585	1,582

The effect of differing tax rates consists of the effects of lower foreign tax rates. Tax credits of EUR 252,000 in 2004 related to the reduction in the standard rate of Austrian corporate income tax from 34% to 25% with effect from 1 January 2005.

CONSOLIDATED BALANCE SHEET

15. NON-CURRENT ASSETS MOVEMENT SCHEDULE

	Acquisition costs	Additions	Disposals	Additions to consolidated Group	Acquisition costs
EUR '000	1.1.2005	(+)	(-)		31.12.2005
Intangible assets					
— a) Other intangible assets	30	34	0	0	64
Property, plant and equipment					
— a) Investment property	530,234	67,447	-13,372	221,110	805,419
— b) Other plant and equipment	2,075	1,673	-224	0	3,524
Financial assets					
— a) Associates	196	75	-40	0	231
— b) Group interests	5,806	0	0	0	5,806
Total	538,341	69,229	-13,636	221,110	815,044

	Accumulated depreciation	Write-downs/ write-ups	Disposals	Accumulated depreciation	Book values	Book values
EUR '000	1.1.2005			31.12.2005	1.1.2005	31.12.2005
Intangible assets						
— a) Other intangible assets	-5	-9	0	-14	25	50
Property, plant and equipment						
— a) Investment property	-84,087	Add. 1,100 -15,786	353	-98,420	446,147	706,999
— b) Other plant and equipment	-832	-514	9	-1,337	1,243	2,187
Financial assets						
— a) Associates	0	0	0	0	196	231
— b) Group interests	0	0	0	0	5,806	5,806
Total	-84,924	Add. 1,100 16,309	362	-99,771	453,417	715,273

The additions to investment property (including additions to the consolidated Group) consist of Austrian properties to the value of EUR 198.6m, Hungarian properties of EUR 55.3m, German properties of EUR 34.4m and Czech properties of EUR 0.2m.

The carrying value of investment property at balance sheet date consisted of developed rental properties amounting to EUR 689,610,000 (2004: EUR 421,579,000) (Austria, EUR 450,235,000; Hungary, EUR 134,432,000; Czech Republic, EUR 59,044,000; Slovakia, EUR 11,541,000; Germany,

EUR 34,358,000 and of properties under development for rental of EUR 17,390,000 (2004: EUR 24,568,000) (Austria, EUR 4,325,000; Hungary, EUR 33,000; Czech Republic, EUR 13,032,000).

Properties with carrying values of EUR 315,369,000 (2004: EUR 117,910,000) are subject to liens and charges. The carrying values of land and buildings are shown net of building grants of EUR 3,717,000 (2004: EUR 3,801,000).

A very limited number of facilities are used by the Group for its own purposes (included under other plant and equipment).

Investments in associates included under financial assets represent the companies not included in consolidation (note 3, Consolidated Group).

The Group interests consist of a 22.08% limited partnership interest in BGM-IMMORENT Aktiengesellschaft & Co KG with a carrying value of EUR 2,080,000 and a silent partnership in PCC- Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co. KG with a carrying value of EUR 3,722,000.

16. FAIR VALUES OF DEVELOPED RENTAL PROPERTIES

EUR '000	Carrying values	Fair values
s Immobilien AG (own account)		
Austria	245,358	274,224
Hungary	67,216	72,609
Czech Republic	29,522	35,635
Germany	17,179	17,214
Slovakia	5,771	6,348
	365,046	406,030
2004	278,072	308,063
s IMMO INVEST Participating Certificates Fund		
Austria	204,877	227,969
Hungary	67,216	72,609
Czech Republic	29,522	35,635
Germany	17,179	17,214
Slovakia	5,770	6,348
	324,564	359,775
2004	143,507	164,588
Total		
Austria	450,235	502,193
Hungary	134,432	145,218
Czech Republic	59,044	71,270
Germany	34,358	34,428
Slovakia	11,541	12,696
	689,610	765,805
2004	421,579	472,651

The undisclosed reserves of EUR 1,121,000 are attributable to minority interests. For details of how fair values are calculated, see note 6.

For details of s IMMO Invest Participating Certificates Fund, see note 23.

17. RECEIVABLES AND OTHER ASSETS

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

Receivables and other assets are made up as follows:

EUR '000	2005	2004
Present value of rental guarantee	2,307	2,538
Construction loan subsidies outstanding	867	1,031
Current tax credits	2,072	1,104
Property management agents — clearing accounts	1,740	823
Accrued interest and interest rate caps	3,419	643
Sundry	3,106	1,996
	13,511	8,135

Default risks on receivables are limited.

18. SHARES AND SECURITIES

The securities consist of investment certificates.

19. CASH AND CASH EQUIVALENTS

These consist of funds with banks available on demand and term deposits.

EUR '000	2005	2004
Erste Bank der oesterreichischen Sparkassen AG	108,668	1,583
Other banks in the Erste Bank Group	2,230	931
Other banks	55,169	1,819
Cash in hand	31	4
	166,098	4,337

20. DEFERRED TAX ASSETS AND LIABILITIES

EUR '000	Deferred tax assets		Deferred tax liabilities	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Tax loss carryforwards	4,649	4,318	1,043	529
Investment properties	-2,302	-2,986	-2,831	-1,963
Other	0	-20	-1,671	-569
	2,347	1,312	-3,459	-2,003

Deferred tax liabilities are shown under non-current liabilities. Deferred tax assets and liabilities are calculated on a company by company basis.

21. SHAREHOLDERS' EQUITY

The issued share capital of the Group's parent company amounts to EUR 182,106,000 and consists of 50,118,518 no par value bearer shares and 200 no par value registered shares. The holders of the registered shares numbered 1 to 7 are entitled to appoint up to a third of the members of the Supervisory Board. The issued share capital is fully paid up.

The shares are listed on the Vienna Stock Exchange.

The Management Board is authorised to increase the issued share capital by up to EUR 60,702,000 by the issue of new bearer shares for contributions in cash or in kind, and without subscription rights to existing shareholders in the case of subscriptions in kind (authorised capital).

An increase in share capital of EUR 45,526,000 (12,529,680 shares) was entered in the commercial register on 2 December 2005, and an increase of EUR 15,176,000 (4,176,559 shares) on 24 December 2005. The value of both issues together was EUR 140,332,000, and after deducting costs and taking the tax reliefs (EUR 2,184,000) into account the net proceeds were EUR 133,779,000.

22. MINORITY INTERESTS

In 2005 interests of 51% in Duna Szálloda, Zrt., Budapest and 75% Kaufhaus Aktiengesellschaft, Vienna were acquired. The minority interests disclosed in the financial statements of EUR 23,915,000 consisted of EUR 2,747,000 in respect of Duna Szálloda Zrt. (49% minority interest) and EUR 21,168,000 in respect of Gerngross Kaufhaus Aktiengesellschaft (25% minority interest).

23. NON-CURRENT FINANCIAL LIABILITIES

EUR '000	2005				2004			
	< 1 year	1-5 years	> 5 years	Total	< 1 year	1-5 years	> 5 years	Total
Participating certificates	0	0	276,774	276,774	0	0	147,931	147,931
Long-term liabilities to banks	5,982	30,629	137,991	174,602	5,202	14,920	24,965	45,087

The participating certificates are shares in the IMMO INVEST Participating Certificates Fund, a property fund managed and owned by s Immobilien AG and accounted for as a separate entity.

The participating certificates document an entitlement to a share of the annual profit or loss from the property assets and represent a secured interest in the properties belonging to s IMMO INVEST Participating Certificate Fund. There is however no provision for a minimum distribution.

The certificates carry no entitlements to a share in the share capital of s Immobilien AG, or to a share of the Company's annual profits or any surplus on liquidation, and they confer no shareholder rights.

EUR '000	Nominal	Valuation adjustment	Issue premium	Book value
1 January 2005	163,078	-15,147	0	147,931
Capital increase	119,140		28,182	147,322
Release of premium			-18,479	-18,479
31 December 2005	282,218	-15,147	9,703	276,774

During 2005 1,639,399 s IMMO INVEST participating certificates were issued, bringing the total outstanding to 3,883,398. In accordance with the Fund rules, the valuation adjustment remained unchanged. In accordance also with the Fund rules, the premium on the issue of new certificates was released.

The distribution of EUR 16,932,000 for 2005 is included under other current liabilities.

Long-term liabilities to banks include mortgage loans of EUR 166,139,000 (2004: EUR 73,129,000) and other investment loans of EUR 8,463,000 (2004: EUR 9,859,000).

Details of the mortgage loans were as follows:

Lending institution	Amount EUR '000	Currency	Interest rate at yearend	Repayment
Fixed rate				
HVB Czech Republic	5,000	EUR	5.988%	in 2005 interest only
HVB Czech Republic	5,000	EUR	6.455%	in 2005 interest only
Erste Bank	8,325	EUR	5.52%	quarterly
Erste Bank	2,998	EUR	4.18%	quarterly
Raiffeisenlandesbank Wien , NÖ	9,095	EUR	3.0%	quarterly
Raiffeisenlandesbank Wien , NÖ	12,700	EUR	5.52%	half yearly
Raiffeisenlandesbank Wien , NÖ	7,077	EUR	3.44%	quarterly
Volksbank	11,040	EUR	3.03%	quarterly
	61,235			
Variable rate				
Erste Bank	10,153	EUR	2.9%	in 2005 interest only
Eurohypotheckenbank	39,237	EUR	4.49%	quarterly
Raiffeisenlandesbank OÖ	1,009	EUR	5.0%	quarterly
BA CA	54,505	EUR	2.45%	on maturity
	104,904			

The fair value of the fixed rate mortgage loans, based on current market rates, is approximately EUR 1,795,000 more than the book value.

The fair values of the variable rate mortgage loans corresponds to the book values.

24. PROVISIONS

Changes in provisions were as follows:

	1.1.2005	Additions to consolidated Group	Utilised	Released	Additions	31.12.2005
Current income taxes	294	1,139	-274	0	5	1,164
Deferred income taxes	2,003	592	0	0	864	3,459
Other taxes and charges	1,962	0	-1,546	0	0	416
Project risks	1,800	800	0	0	1,000	3,600
Pensions	0	627	0	0	0	627
Sundry	17	853	-17	0	281	1,134
	6,076	4,011	-1,837	0	2,150	10,400

There is a provision of EUR 3,600,000 in connection with projects now in liquidation.

25. OTHER NON-CURRENT LIABILITIES

In the case of four properties, the contributions to construction costs and financing required under section 69 of Vienna's Housing Construction Subsidies and Rehabilitation Act (WWFSG 1989) amounting to EUR 11,918,000 (2004: EUR 11,946,000) were paid by the tenants. These contributions, the value of which is indexed, must be repaid to the tenants when their tenancies cease, the amount to be repaid being reduced by 2% for each year of tenancy.

The subsidies themselves, amounting to EUR 6,602,000 (2004: EUR 7,091,000), must be repaid if the conditions attaching to them are breached, and are secured by charges on the subsidised properties.

The remaining term of the contributions to construction and financing costs and of the housing construction subsidies is generally in excess of five years.

S-Tourismusfonds Management Aktiengesellschaft, Vienna, has an undisclosed interest in Duna Szálloda Zrt.

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

OTHER INFORMATION

26. OTHER OBLIGATIONS AND CONTINGENT LIABILITIES

Pending litigation

There are no material legal disputes that are unresolved or outside the ordinary course of business.

27. MATERIAL AGREEMENTS

The tenancy agreements concluded by the Group generally contain clauses specifying that rents and other fees are tied to the euro, and capital values linked to international indices.

28. CASH FLOW STATEMENT

The cash flow statement shows how the Group's funds change over time as a result of inflows and outflows. The statement distinguishes between cash flows from operating activities, investing activities and financing activities. The liquid assets shown in the statement consist of cash in hand and funds at banks.

29. RELATED PARTY DISCLOSURES

Until October 2005 s Immobilien AG was a subgroup within the parent Group, Erste Bank der oesterreichischen Sparkassen AG. The s Immobilien AG Group is no longer consolidated with the Erste Bank Group but included at equity instead because, as a result of rationalisation of the holding structures for organisational, financial and functional reasons, Erste Bank der oesterreichischen Sparkassen AG no longer has a controlling interest.

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

EUR '000	2005	2004
Receivables		
Financial receivables/cash deposits	0	7,740
Other receivables	432	0
Bank deposits	110,898	2,515
	111,330	10,255
Liabilities		
Non-current liabilities	25,294	15,618
Current financial liabilities	1,605	1,850
Trade payables	321	0
Other liabilities	13,064	1,527
	40,284	18,995

In financial 2005 there were the following material income and expenses in connection with Erste Bank Group:

EUR '000	2005	2004
Expenses		
Advertising	217	85
Commissions	362	165
Consultancy fees	185	331
Management fees IMMORENT AG	3,108	2,898
Issuing costs - participating certificates	5,910	907
Bank loan interest and charges	1,527	681
Other expenses	194	0
	11,503	5,067
Income		
Rent and service charges	288	281
Bank interest	939	127
Interest income from securities	0	36
Other interest income	807	282
	2,034	726

There were also costs of EUR 6,811,000 incurred by Erste Bank Group in connection with the issue of new shares, which have been charged directly against equity.

The shares in Hotel DUNA Beteiligungs Gesellschaft m.b.H. (see note 3) were acquired by S Tourismus Services GmbH. Like S-Tourismusfonds Management Aktiengesellschaft, which has the undisclosed interest in Duna Szálloda Zrt., this is an Erste Bank associated company. Under an agreement of 11 November 2005 Sparkassen Immobilien AG has acquired a plot of land at Brünnerstrasse 72a, 1210 Vienna, from S-Invest Beteiligungsgesellschaft m.b.H. for EUR 4,103,000.

Under an agreement dated 14 January 2003 IMMORANT AG has given Sparkassen Immobilien AG a rental guarantee for the property at Gasgasse 1-7, 1150 Vienna. The fee charged for this guarantee was EUR 3,000,000, its fair value at balance sheet date was EUR 2,307,000.

Properties management for the majority of the Austrian properties is provided by IMMORANT S-Immobilienmanagement GesmbH, Vienna, a member of the Erste Bank Group.

30. SHARE RATIOS

Earnings per share

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

	2005	2004
Equity share of consolidated net profit (EUR '000)	6,806	5,037
Average number of shares in circulation	34,630,642	30,842,304
Earnings per share (EUR)	0.20	0.16
Diluted earnings per share (EUR)	0.20	0.16

Cash flow per share

Cash flow per share is calculated by dividing the consolidated cash flow from operating activities by the average number of shares in circulation during the year.

	2005	2004
Consolidated cash flow (after tax) (EUR '000)	30,702	44,242
Average number of shares in circulation	34,630,642	30,842,304
Cash flow per share (EUR)	0.89	1.43
Diluted cash flow per share (EUR)	0.89	1.43

31. EVENTS AFTER BALANCE SHEET DATE

Purchase agreements for three properties in Germany were concluded after balance sheet date.

In the centre of Munich, an office property with about 6,000 m² of lettable space has been acquired for approximately EUR 9m plus incidental expenses. The main tenant, Siemens, has a long-term tenancy agreement.

Ikaruspark in West Munich has been bought for roughly EUR 11m plus incidental expenses. The park is in an industrial zone with excellent transport connections and comprises over 8,000 m² of office space and about 6,000 m² of warehouse space. The property is fully let to a wide range of German and international companies.

A new 15,000 m² five-floor office building in top condition has been acquired in Halle on the Saale for about EUR 34m plus incidental expenses. The majority of the building is let to Kaufhof AG, a wholly owned Metro Group subsidiary.

In January 2006 the purchase of the property at Szegedi út. 35-37 in Budapest was concluded for the price of around EUR 7m plus incidental expenses. The tenant is Strabag Hungary.

A purchase agreement for an approximately 1.200 m² plot of land in Prague's 8th district for EUR 2.5m was concluded in February 2006.

Also in February 2006, Sparkassen Immobilien AG disposed of an office property at Siriusstrasse 3, 9020 Klagenfurt, Austria for about EUR 3m. Profit on the sale amounted to around EUR 1m.

32. ADDITIONAL INFORMATION

The consolidated financial statements for the year ended 31 December 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS).

The principal differences between the Austrian Commercial Code (HGB) and IFRS regulations are explained in section 245a HGB; those of relevance to the present financial statements are set out below.

Basic principles

Austrian accounting principles and International Financial Reporting Standards are in part based on fundamentally different accounting philosophies. While for HGB the principle of prudence and the protection of creditors are of primary importance, IFRS puts more emphasis on the provision of relevant information for investors.

Goodwill arising on consolidation

Under IFRS 3, goodwill is capitalised and subjected to an annual impairment test; application of this Standard is mandatory for all business acquisitions after 31 March 2004. Goodwill under HGB may be offset directly against reserves, with no effect on the income statement.

Investment property

IAS 40 offers the option of measuring properties using the fair value model (fair value at balance sheet date), or the cost model (original acquisition or construction cost less accumulated depreciation and impairment losses, if applicable). Under HGB, properties may only be measured at acquisition or construction cost less accumulated depreciation and any applicable impairment losses.

Securities forming part of current assets

Under HGB, securities must be measured at the lower of acquisition cost and market value. Securities forming part of current assets are measured at fair values under IFRS.

Deferred tax

Under IFRS, deferred taxes are calculated and disclosed on the basis of temporary differences: the carrying values of the individual assets and liabilities in the balance sheet are compared with their base values for tax purposes. The differences between these two values are temporary and – depending on the timing of their reversal – give rise to deferred tax assets or liabilities. Under IFRS, deferred tax assets and liabilities must be recognised, while under Austrian HGB recognition of deferred tax assets in the individual financial statements is optional. Under HGB, provisions for deferred tax may only be recognised in respect of temporary differences between the accounting profit and the profit for tax purposes to the extent that there was an actual tax charge before taking tax losses brought forward into account. Deferred tax assets may not be recognised on tax loss carryforwards.

Other provisions

The treatment of provisions under IFRS is based on a different approach to the principle of prudence than under HGB. IFRS sets stricter requirements for the probability of the relevant events and the measurability of the amounts that should be provided.

Treasury shares

Treasury shares under HGB are disclosed under current assets and with a matching entry in the form of a reserve (gross presentation). Under IFRS, treasury shares must be deducted from equity (net presentation).

Foreign currencies

There is a difference between the two systems in the treatment of unrealised gains on the measurement of foreign currencies at balance sheet date. Under HGB the treatment is asymmetrical, and only losses are recognised, while under IFRS unrealised gains must also be recognised.

33. MANAGEMENT BODIES

Supervisory Board

Martin SIMHANDL, Vienna (Chairman)
Klaus BRAUNEGG, Vienna (first deputy chairman)
Franz KERBER, Vienna (second deputy chairman)
Christian AHLFELD, Vienna
Gerald ANTONITSCH, Vienna
Reinhard AUMANN, Vienna (until 31 May 2005)
Michael BUHL, Vienna (until 31 December 2004)
Reinhold SCHÜRER-WALDHEIM, Vienna
Kurt STÖBER, Bruck an der Leitha (until 31 May 2005)
Peter TICHATSCHEK, Vienna
Richard WILKINSON, Vienna (from 31 May 2005)

Management Board

Holger SCHMIDTMAYR
Ernst VEJDOVSZKY

Authorised signatories

Peter GRÖLL
Christof RAUCHENSCHWANDTNER

With respect to compensation of the Management Board, advantage is taken of the exemption afforded by section 266 (7) HGB. Compensation paid to members of the Supervisory Board (including members of the supervisory board of a Group company) amounted to EUR 18,000. Members of the Management Board received neither loans nor advances, and no guarantees were given on their behalf.

Vienna, March 2006

Management Board

Holger Schmidmayr m.p.

Ernst Vejdovszky m.p.

Auditors' report

We have audited the consolidated financial statements of Sparkassen Immobilien AG, Vienna for the fiscal year from January 1, 2005 to December 31, 2005. The Company's management is responsible for the preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and for the preparation of the management report for the group in accordance with Austrian regulations. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to state whether the management report for the group is in accordance with the consolidated financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement and whether we can state that the management report for the group is in accordance with the consolidated financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment of the group as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and disclosures in the consolidated financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements are in accordance with legal requirements and present fairly, in all material respects the financial position of the group as of December 31, 2005 and of the results of its operations and its cash-flows for the fiscal year from January 1, 2005 to December 31, 2005 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The management report for the group is in accordance with the consolidated financial statements.

Vienna, March 21, 2006

Eidos Deloitte
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH

Erich Kandler m.p.	p.p. Wolfgang Arndorfer m.p.
Auditor and tax advisor	Auditor and tax advisor

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

Sparkassen Immobilien AG's Markets



