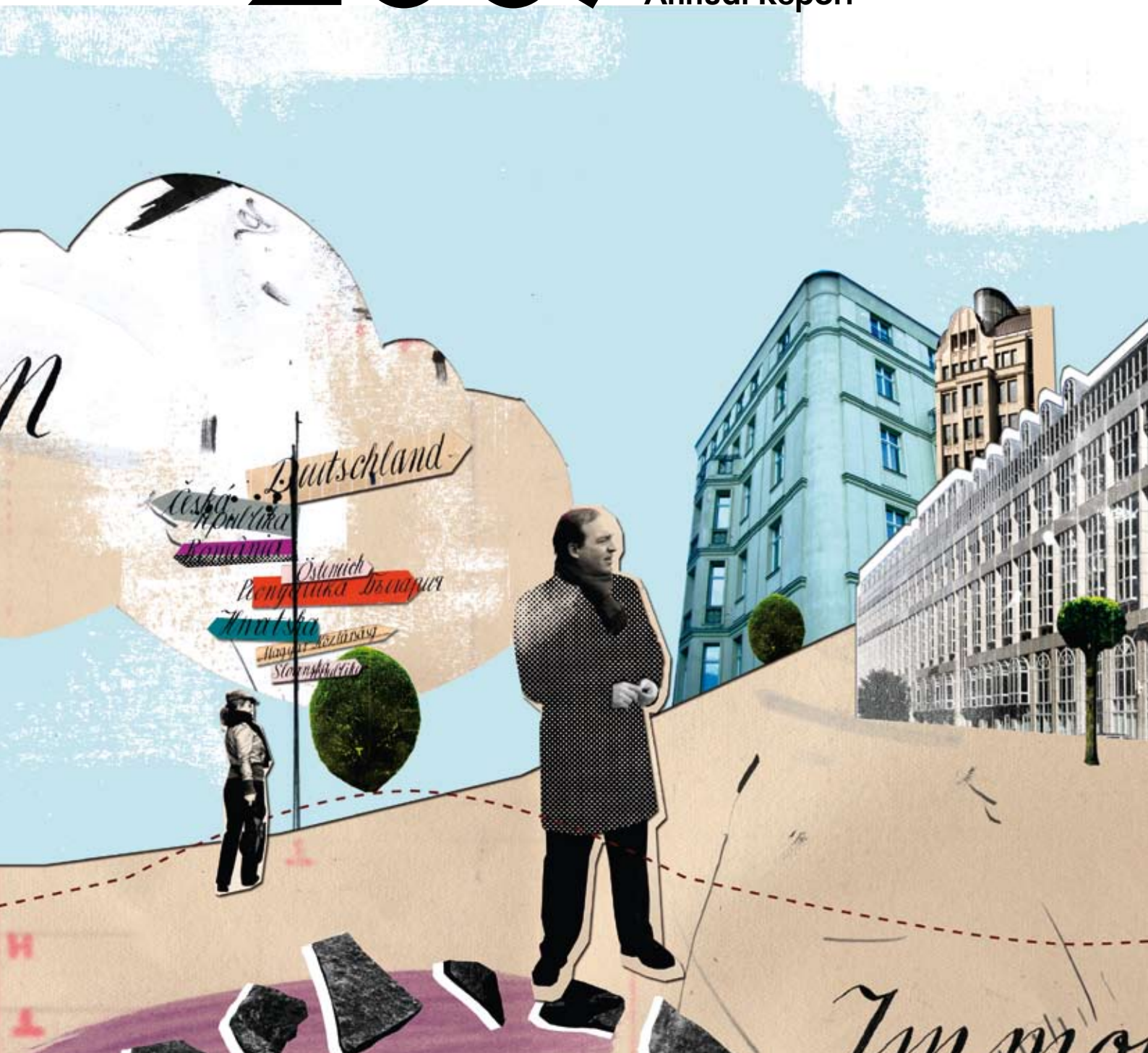


2007

Annual Report





For more than 20 years Sparkassen Immobilien AG has consistently pursued its overarching goal: the long-term, durable increase in the Group's value. Our guidelines along the way have always been risk-aware management, maximum yield from the existing portfolio and sensible growth.

In this Annual Report Rinah Lang, an artist from Berlin, has interpreted and illustrated our way to success. Rinah Lang studied illustration in the Netherlands and Great Britain, and has been working as an independent artist for well-known international customers since 2000.

Follow the story of our progress in 2007 in the pages of this Annual Report.

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Highlights

Record operating results in 2007

- _Revenues and rental income up by 30% and 24% respectively
- _EBIT up 32% to EUR 100m
- _Consolidated net profit of EUR 28.7m, earnings per share of EUR 0.38

Property portfolio

- _Property portfolio up to EUR 1.55bn
- _Total lettable space up to 1,386,000 m²
- _Investments of EUR 484.8m, of which EUR 390.3m in completed properties
- _Increase in development projects as proportion of total assets to 11%

Significant events

- _Formation of Ukrainian subsidiary in Kiev in second-quarter 2007
- _Clearer capital structure with restructured participating certificates in first-half 2007
- _Restructured management services agreement in financial 2008

Capital markets

- _Inclusion in GPR 250 Global & Europe Index in March 2007
- _Move to Vienna Stock Exchange's Prime Market in July 2007

Financial calendar 2008

Publication of financial statements 2007	17 April 2008
Results - first quarter 2008	20 May 2008
Annual General Meeting	28 May 2008
Results - first half 2008	20 August 2008
Results - first three quarters 2008	18 November 2008

Key Financial Data

Key indicators, Group

EUR m	2007	restated 2006	Change
Revenues	95.9	73.6	30%
whereof rental income	75.0	60.4	24%
EBITDA	78.9	48.8	62%
Operating profit (EBIT)	100.0	75.8	32%
Consolidated net profit before tax (EBT)	35.4	45.7	-22%
Consolidated net profit	28.7	38.1	-25%
Cash flow from operating activities	49.4	46.5	6%
Shareholder's equity	619.6	612.2	1%
Loan-to-value-ratio in %	37	18	-
EV/EBITDA	18	24	-
FFO	43.8	26.9	63%
Market capitalisation at 31 December 2007	828.7	1,050.0	-21%
whereof s IMMO share	526.6	668.3	-21%
whereof s IMMO INVEST	302.1	381.7	-21%

Key indicators, property portfolio

	2007	2006	Change
Number of properties ¹	231	100	131%
Property portfolio (market value)	1,552.5	1,185	31%
Total lettable space in m ² ¹	1,386,000	976,000	42%
Gross rental yield in %	6.0	6.6	-
Occupancy rate in %	91	93	-

¹ Including development projects

Key indicators, share

	2007	2006	Change
Earnings per share (EPS)	0.38	0.62	-
Net asset value (NAV) per share	9.7	8.9	-
Price/earnings ratio (P/E)	20	16	-
Price/cash flow ratio (P/CE)	12	24	-
Price/NAV ratio in %	80	110	-
Number of shares	68,118,718	68,118,718	-
Year end close	7.73	9.81	-

Letter from the Management Board

Dear investors,

we should like to take this opportunity to look back on 2007, the most successful year in our 20 years of activity. The progress we have made is plainly reflected in the figures in the annual report. But this is only one side of the picture – the other side of the story is that 2007 was one of the most difficult years in the capital markets that we have ever had to negotiate.

In this respect, we were compelled to recognise our limitations. Nonetheless it was a year in which we repeatedly demonstrated one thing: that our strategy and our more than 20 years of experience in property continue to bear fruit in our core business of investing in real estate – in successfully managing existing properties and new acquisitions. This is borne out not only by our excellent rental yield of 6.0%, but also by the substantial improvements in rental income, which advanced by 24% to EUR 75m.

We stuck to our tried-and-tested strategy in 2007, and built up our property portfolio with appropriate acquisitions to EUR 1.55bn, a year-on-year increase of 31%. Germany continued to be the focus of our investment, accounting for around EUR 400m of the new additions. We acquired a quantity of excellent value residential real estate in Berlin at extremely reasonable prices. We have increased our involvement in development projects to take advantage of rapid growth in emerging markets, and will continue to do so in future.

Quite independently of operating performance, the market environment began to deteriorate in April, particularly for property stocks. In the financial and liquidity crisis triggered by the US subprime debacle, many investors sold real estate securities in order to cover losses sustained in other segments or on other types of investments. This ignored the successful operating performances of property companies such as ours, which continue to do business in markets which are not affected, where the potential for growth is still excellent.

Even the enormous amounts of liquidity injected by the Fed and the ECB, and rate cuts by the Fed, failed to stem the slide. As uncertainty and faltering confidence took hold, psychological factors saw evaluation of fundamentals take a back seat.

This had a considerable negative impact also on s IMMO share performance, despite all our efforts in numerous one-on-one meetings and investor events to highlight our successful key performance indicators and put across the company's equity story. We have not invested in subprime-related instruments such as CDOs, and we have no investments in the beleaguered US real estate market. This said, at 31 December 2007 s IMMO share was down significantly, listing at 20% of its net asset value. Since the same time last year, this is a decline of 21.2%. The relevant indices and its Austrian peers, suffered even heavier losses. The I-ATX dropped some 30%. Net asset value will continue to be – as it has been in the past – the key to realistic pricing of real estate shares in the capital markets. In our view, current discounts are exaggerated, and prices will not linger at these low levels in the longer term.

We are certain that this turbulent phase will come to an end, as cycles in capital and real estate markets always do, but we can not at present tell when that end will come. Although painful, every crisis has salutary effects: in this case, a renewed attention to companies' core data. This is a process that sorts the wheat from the chaff. Indicators such as rental yields, cash flows and property valuation policies, which over the past year and half had been pushed into the background, are coming to the fore again. And we have identified another encouraging development – real estate investors who were tempted into CEE markets at any price by the enormous amounts of liquidity available are pulling back again. As a result, the prices for new properties and land are settling down, and we are seeing fewer, but higher quality property developments.

Supervisory Board Report

Corporate Strategy

Investor Relations

Corporate Governance

Management Report

Consolidated Financial Statements



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

Increasingly, there are voices warning of potential saturation of property markets in Eastern and South Eastern Europe, with the suggestion that prices may begin to fall. We have our own teams in all the countries in which we invest, and we have many years' and daily hands-on experience of the markets we serve. It is our view that the potential is far from exhausted: rental levels, demand and occupancy rates – all the indicators are sending a very clear message. It goes without saying that we make very clear distinctions about different stages of development. Prague and Budapest are more mature markets, where we are already reaping the rewards of early entry with a number of extremely lucrative disposals. In Bucharest and Sofia, on the other hand, we are seeing a repeat of the convergence experienced by other countries, such as Ireland, Spain and Portugal. Even against the backdrop of slower economic growth predicted for these countries, this still means 4–7% increases and continuing potential for at least ten years.

One of the most momentous changes during 2007 was the restructuring of the s IMMO INVEST participating certificate, Sparkassen Immobilien AG's second stock exchange listed real estate security. This move has created a more transparent and easily understandable capital structure. The broad diversification of the property portfolio across regions and segments brings advantages for participating certificate holders and shareholders alike. While the participating certificates will continue to pay an annual dividend, the shares remain an accumulating security. For Sparkassen Immobilien AG, this means a more straightforward capital structure, and simplifies accounting and reporting. The tax advantages of the s IMMO INVEST distribution at company level have been preserved. The process of restructuring, and the repurchase of participating certificates which it entailed in the second quarter, are reflected in a one-time charge which also had an impact on profit for the year. Ignoring this non-recurring item, consolidated net profit after tax was EUR 50m. This represents an increase of 31% on 2006. Taking the non-recurring charge into account, consolidated net profit for the year was EUR 28.7m.

Given the change in the economic climate, many investors in the property sector are again preferring real estate companies with prudent financing and valuation policies. We see this as an undeniable advantage for our Company. It confirms the correctness of our emphasis on combining sustainable growth with sustainable worth. We will continue to make the most of opportunities in South Eastern Europe and emerging markets such as Ukraine where the projected returns justify the potential risks. On the one hand we do see higher rental levels as originally projected on the other hand we are faced by rising construction costs. While we are still at present able to counteract this trend with higher prices for prelets, we can not entirely rule out the possibility in future of shelving some projects that do not meet our profitability requirements. We firmly believe that over the long-term the quality of real estate investors is also seen in the acquisitions or developments they choose to turn down.

Financial 2008 will be a great challenge for us all, in the light of the continued tensions in capital markets and European money markets. Additional equity will be hard to come by, so it will be even more important to be selective in the use of available resources. This situation is expected to persist until 2010, when our major development projects will start to be completed, and we plan to hold dividend payments until then. We shall continue to adhere to our well defined strategy of growth, albeit at a reduced pace to reflect the current conditions. We expect our property portfolio to amount to EUR 2.5bn by 2010. We remain in a healthy position financially. As at 31 December 2007 our loan to value ratio (net bank debts to property assets) was 37%. This will permit us to continue to grow in the medium term without the need for fresh equity.

We are well equipped to meet present and future challenges, with sound financial foundations, a high-yield and conservatively valued portfolio and a strategy aimed at securing long-term lasting growth. At the same time, we can make the most of opportunities as they arise by drawing on the closely knit network of in-house teams and Erste Bank employees deployed

in the most attractive markets. We can rely on experienced project development partners, and our flat hierarchies allow us to respond rapidly and adapt to changes. The most important contribution comes from our employees, and we should like to take this opportunity to thank them and our colleagues in Immorent AG. None of these successes would have been possible without their impressive dedication and ongoing commitment. We should also like to express our gratitude to the Supervisory Board for the productive discussions and their valuable support along the way. And not least, we thank you – our shareholders, business partners and customers – for the trust you have placed in us. We invite you to continue with us along this path of sustainable growth.

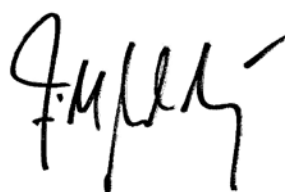
The Management Board team



Holger Schmidtmayr



Ernst Vejdovszky



Friedrich Wachernig



Management Bodies

Management Board

ERNST VEJDOVSZKY

Member of the Management Board

Born 1953

Appointment until 31 January 2010

Responsibilities:

Finance, controlling, asset management, risk management

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

HOLGER SCHMIDTMAYR

Member of the Management Board

Born 1966

Appointment until 31 January 2010

Responsibilities:

Acquisition/divestments standing assets, investor relations, corp. communications, legal

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

FRIEDRICH WACHERNIG

Member of the Management Board

Born 1966

Appointment until 14 November 2010

Responsibilities:

Project development, acquisition/divestment project developments and plots of land, organisation, IT, personnel

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



Supervisory Board

MARTIN SIMHANDL

Chairman of the Supervisory Board

Born 5 November 1961

**Appointment until 2010 Annual General Meeting,
 first appointed 24 June 2004**

Member of management board of Vienna Insurance Group/Wiener Städtische Allgemeine Versicherung; member of supervisory boards of Donau Allgemeine Versicherungs-Aktiengesellschaft; Ringturm Kapitalanlagegesellschaft m.b.H. Sparkassen Versicherung AG; Bank Austria Creditanstalt Versicherung AG.

KLAUS BRAUNEGG

Deputy chairman of the Supervisory Board

Born 17 September 1935

**Appointment until 2010 Annual General Meeting,
 first appointed 4 December 1997**

Emeritus Partner Braunegg, Hoffmann & Partner, lawyers; member of supervisory boards of DIE ERSTE österreichische Sparkasse Privatstiftung, Immorent AG.

FRANZ KERBER

Member of the Supervisory Board

Born 20 June 1953

**Appointment until 2010 Annual General Meeting, first
 appointed 24 June 2004**

Member of management board of Steiermärkische Bank und Sparkassen AG; Member of the supervisory boards of Bankhaus Krentschker & Co. AG, Sparkasse Hartberg-Vorau AG.

MAG. CHRISTIAN AHLFELD

Member of the Supervisory Board

Born 28 July 1956

**Appointment until 2010 Annual General Meeting,
 first appointed 6 October 2003**

Division Manager Credit Risk Management Erste Bank der oesterreichischen Sparkassen AG; member of the supervisory

board of ERSTE Immobilien Kapitalanlagegesellschaft m.b.H., Sparkasse Voitsberg-Köflachdate: ERSTE Immobilien Kapitalanlagegesellschaft m.b.H., Sparkasse Voitsberg-Köflach.

GERALD ANTONITSCH

Member of the Supervisory Board

Born 11 April 1956

**Appointment until 2010 Annual General Meeting,
 first appointed 18 June 2002**

Member of management board of Immorent AG; member of supervisory boards of Immorent-Bank GmbH, ERSTE Immobilien Kapitalanlagegesellschaft m.b.H., advisory board s REAL Immobilienvermittlung GmbH .

MANFRED RAPF

Member of the Supervisory Board

Born 29 August 1960

**Appointment until 2010 Annual General Meeting,
 first appointed 3 May 2006**

Member of management board of Sparkassen Versicherung AG.

REINHOLD SCHÜRER-WALDHEIM

Member of the Supervisory Board

born 25 March 1944

**Appointment until 2010 Annual General Meeting,
 first appointed 23 April 1990**

Partner at "Nordost" Treuhand- und Organisationsgesellschaft m.b.H., auditors and tax consultants; member of the supervisory board of Filmcasino & Polyfilm Betriebs GmbH.

RICHARD WILKINSON

Member of the Supervisory Board

Born 28 April 1964

**Appointment until 2010 Annual General Meeting,
 first appointed 31 May 2005**

Division Manager Group Real Estate & Leasing Erste Group; member of the supervisory boards of Capexit Beteiligungsmanagement AG, ERSTE Immobilien Kapitalanlagegesellschaft m.b.H., Immorent AG.

Supervisory Board Report

Dear shareholders,

In 2007 the Supervisory Board and the Management Board met five times to discuss the Company's affairs and its strategic direction. On these occasions we discharged our duties under the law and the Company's articles of incorporation. At each meeting the Management Board reported to the Supervisory Board in detail on the state of the Company's affairs and its finances. In addition, regular and comprehensive written and oral reports were submitted as required. Topics and decisions of current interest were the subject of personal discussions between Management and Supervisory Boards. The Supervisory Board received additional information on important activities, and experts were invited to supply in-depth information on certain subjects.

One of the Supervisory Board's main responsibilities was to evaluate the opportunities for growth available to the Group in the real estate markets of Central and Eastern Europe, together with the related process of expansion and the sustainable added value strategy. The Management Board and the Risk Manager reported regularly on the progress of existing projects in Austria and CEE.

Meetings of the Supervisory Board

During financial 2007 there were five Supervisory Board meetings in total. All members were present at half the meetings at least, and the average attendance was 80%. Two members of the Supervisory Board were each excused for two meetings, and three other members were excused for one meeting each.

Major topics of discussion were as follows: In the first meeting of the Supervisory Board on 27 March 2007 the consolidated financial statements and the management report for 2006 were discussed with the Company's external auditors in attendance. On the recommendation of the audit committee, made up of Martin Simhandl, Gerald Antonitsch, Klaus Braunegg, Manfred Rapf, Christian Ahlfeld and Reinhold Schürer-Waldheim, the annual financial statements 2006 were adopted.

In several meetings we discussed capital market strategy at length, with reference to the much changed situation in the world's capital markets. Medium and long-term strategies, as well as short-term changes in plan in response to the prevailing economic conditions were also reviewed, as was the effect on investment strategy.

In five meetings of the investment committee, made up of Klaus Braunegg, Franz Kerber, Christian Ahlfeld, Gerald Antonitsch and Richard Wilkinson, further planned acquisitions in Germany were discussed, prepared and resolved, together with the acquisition of plots of land and the start of development projects in Central and Eastern Europe.

In October we unanimously agreed to form the working committee as a successor to the investment committee; the new committee was invested with additional powers of authorisation in accordance with article 11(4) of the Rules and Procedures of the Supervisory Board. The working committee will only exercise the Supervisory Board's power of authorisation where for reasons of time referring issues to the full Board would be impractical. The purpose of its three meetings was to evaluate and decide on specific acquisitions and divestments. The working committee consists of Klaus Braunegg, Christian Ahlfeld, Franz Kerber, Gerald Antonitsch and Richard Wilkinson.

In the Supervisory Board meeting on 10 May 2007 the main topic for discussion and agreement was the restructuring of the participating certificates and the necessary changes to the Participating Certificates Agreement. Prior preparatory work involved the Supervisory Board in discussions with external advisers (auditors, lawyers and representatives of investment banks Merrill Lynch and Goldman Sachs). We also resolved on the implementation of the Austrian Corporate Governance Code.

In its meetings on 19 June and 28 September, the Supervisory Board resolved on the following extensions of appointments and new appointments: Holger Schmidtmayr's appointment to the Management Board was extended until 31 January 2010. In order to be able to exploit the full potential of project development business and deal with the increased demand for resources involved, the meeting of 28 September appointed Friedrich Wachernig as third member of the Management Board with effect from 15 November 2007. With his appointment we have acquired an acknowledged expert with proven expertise in Eastern Europe. The committee for management board matters, which is made up of Martin Simhandl, Klaus Braunegg and Franz Kerber, dealt with the details of the Management Board's employment.

In the Supervisory Board's meetings on 28 September and 12 December agreement was reached on further investment projects in Germany and Central and Eastern Europe.

Annual financial statements

The annual financial statements including the management report together with the consolidated financial statements and Group management report have been audited by the independent auditors appointed by resolution of the Annual General Meeting, Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH, Vienna, and awarded an unqualified audit opinion. Having inspected the reports by the auditors and on the basis of our review, we accept the outcomes of their audit.

The auditors attended the meeting of the Audit Committee to report on the financial statements, and provided explanations.

We have approved the financial statements, the management report and the proposed distribution of profits submitted by the Management Board and have taken note of the Group management report. In accordance with section 125(2) Austrian Stock Companies Act the financial statements are therefore adopted.

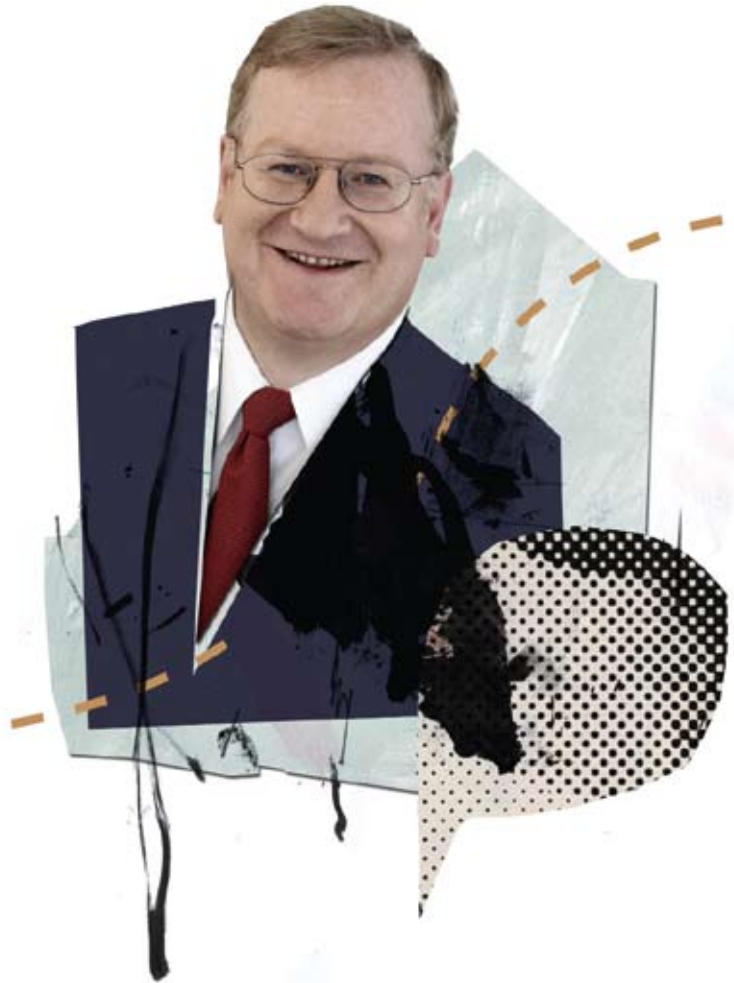
The Supervisory Board thanks the Management Board and the staff for their efforts and dedication during the past year, especially in the light of the currently challenging situation.

Vienna, 28 March 2008

The Supervisory Board



Martin Simhandl
Chairman







Strategy

Corporate Strategy

For more than 20 years Sparkassen Immobilien AG has consistently pursued a single goal: the durable, long-term increase in the Company's value for the benefit of its shareholders. Our guidelines along the way have always been risk-aware management, maximum yield from the existing portfolio and sensible growth. Thanks to its lean management, Sparkassen Immobilien AG can react quickly and flexibly to new developments and can where necessary make strategic adjustments.

Clearly defined investment strategy

Sparkassen Immobilien AG portfolio strategy is based on risk diversification: this means both a broad geographic spread and a mix of different segments of property. It combines the stability and long-term outlook of more mature markets such as Vienna, Hamburg, Berlin, Prague or Budapest with the rapid growth and high yields of the expanding markets of Bucharest, Kiev or Sofia. This gives us the best possible cushion against cyclical fluctuations. Based on many years of experience and having the appropriate resources, with local teams in place Sparkassen Immobilien AG can successfully implement this portfolio strategy in the various countries and market segments.

Clear-cut focus of investment strategy

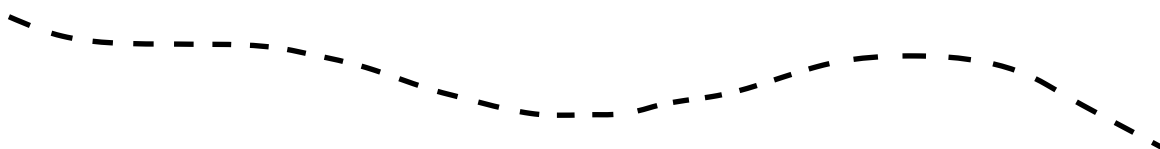
In countries with durable value at affordable prices per square metre, such as Germany, we will continue to acquire standing properties in order to achieve ongoing returns with long-term stability. At present, 65% of Sparkassen Immobilien AG's investments are in Austria and Germany, and in the medium term the target is 50%. In the future we will also be making more bargain purchases. The intention will not be to hold these properties long term, but to realise the value relatively quickly through resale.

For the last one and a half years, Sparkassen Immobilien AG has sharpened its focus on high-yield project development business in South Eastern Europe, primarily in Romania and Bulgaria, and in future also in Ukraine. These countries are experiencing long-term convergence: despite a possible temporary dip in growth rates, the size of the economic gap to be closed means considerably more robust economic growth

than in the EU-15 countries. And this in turn means enormous demand in all real estate segments. Sparkassen Immobilien AG is taking advantage of this growth scenario and – together with renowned, long-established development partners with many years of experience – will be developing its own projects. Due to their rapid appreciation, these properties show considerably higher yields than can be achieved in other markets. Especially with office and retail space, rents are rising, and medium-term demand is high. Sparkassen Immobilien AG generally holds a majority stake in these projects. The project partners have a share in the profits, but in return bear certain risks, such as the letting risk. Projects under construction currently account for 11% of total assets, in the medium term this should increase to 15–20%.

Active portfolio management

In the past, Sparkassen Immobilien AG has been a traditional buy-and-hold investor, frequently retaining properties in the portfolio for more than ten years. With its early entry into markets such as Prague, Bratislava and Budapest in 1999, Sparkassen Immobilien AG has, to a large extent, locked yield compression into its portfolio early: the value of its properties in these markets has increased an average 25% since their acquisition or development. This has also led to a significant increase in the value of the property portfolio. Through our sales in these markets, we have already realised attractive profits. While in past years real estate sales made only a small contribution to the added value strategy, we have significantly increased the proportion in 2007. We are planning to reinforce this value adding strategy. In developed markets such as Vienna, Prague or Budapest we will boost our real estate sales, so as to realise the potential value for the shareholders. In future we are planning to turn over roughly 10% of our property portfolio every year. The proceeds of these sales are to be invested in properties with higher yields.



Transparent property valuation

At this time, the use of IFRS fair value accounting in property valuation is more crucial to the assessment of the performance of property investment companies than ever before. Fair value accounting entails revaluing properties every year through external appraisers, with gains or losses on revaluation being disclosed in the income statement. The transparency and sustainability of property valuations has increasingly come under discussion. Sparkassen Immobilien AG has a clear-cut policy: the values we use are fair, and when in doubt we err on the side of caution – especially in markets such as Prague and Budapest, where prices have already caught up with the high Viennese levels and no further yield compression can be expected. Renowned international appraisers such as CB Richard Ellis, DTZ or PriceWaterhouseCoopers take turns in carrying out the valuations. That our valuations are conservative becomes very clear when properties are sold: sales proceeds are well above the most recent estimates of value.

During 2007 we had the entire portfolio completely externally revalued. In the process, the figure for potential appreciation in various countries was raised, but the policy of cautious valuation is being maintained. Shareholders in Sparkassen Immobilien AG will still be able to rely on one thing: the main contributors to operating profits will be rental income and gains on sales. A further point is that we only revalue completed properties: development projects, i.e., properties under construction, are included in the accounts at cost of acquisition and construction, and only revalued at market prices on completion.

Sound financial strategy

Sound financial strategy has been part of Sparkassen Immobilien AG's corporate culture for 20 years, and a high equity ratio has always been one of our goals. In view of the current

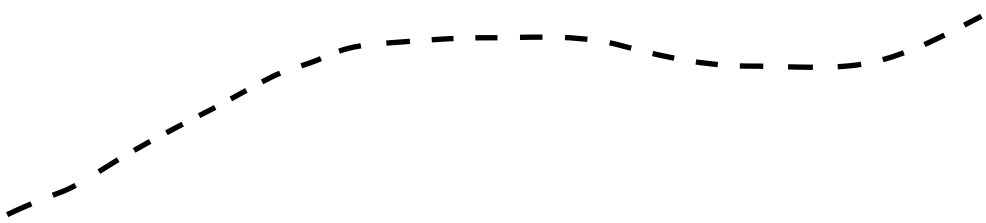
finance and liquidity crisis, a financial strategy that underwrites long-term growth while taking the necessary security into account is especially important. This is our reason for maintaining a reasonable ratio between net bank debt and the property portfolio – at present around 37%, and planned to reach 62% in the medium term. In addition, we protect debt exposure long-term with the appropriate interest rate hedges. At the moment 100% of the interest is fixed long-term (8–10 years) or hedged with caps or collars.

Pursuit of growth, with risk awareness

Naturally, the expansion of the real estate portfolio is at the centre of our growth strategy. A balanced portfolio that consistently delivers high rental income and shows a sound potential in increase in value – especially on completion of development projects – is especially important. The prevailing situation in the capital markets means that the availability of equity is limited, while the proportion of external borrowings should not exceed a certain level. These factors dictated an adaption in growth strategy. By 2010 our property portfolio should reach EUR 2.5bn.

Streamlined, transparent management structure

Sparkassen Immobilien AG was founded by Erste Bank and the Sparkassen in 1987, to provide a real estate investment product inside Erste Bank Group that was suitable for private investors.



This structure has been very successful so far. Sparkassen Immobilien AG has a management services agreement with Immorent AG, Erste Bank's real estate competence centre and wholly owned subsidiary. It covers all necessary resources, including staff, and infrastructure such as office space. Sparkassen Immobilien AG's Management Board is independent of this agreement, and appointed to represent the Company's interests. The salaries and bonuses of the Board's members depend directly on the success of Sparkassen Immobilien AG, thus protecting the interests of the shareholders and underwriting the independence of the management decisions. For these services, the terms are very favourable: annual charges of 0.2% of value of the real estate portfolio and 0.25% of the market capitalisation. In 2007 the total cost of this management services agreement came to no more than EUR 5.2m.

There have been ongoing discussions for some time now concerning the structure of Austrian property companies and their management contracts. As a result, Sparkassen Immobilien AG, together with Immorent AG and Erste Bank, has decided to locate all important management and decision functions critical to property companies – principally, acquisitions, project development, controlling, risk management, legal, investor

relations and communications – inside Sparkassen Immobilien AG. The new team will consist of 15 people. Property management and management of the local teams will still be covered by the management services agreement with Immorent AG. This arrangement guarantees continuing access to extensive resources, including the unrivalled local skills and expertise in the different countries. A property company of Sparkassen Immobilien AG's size could only otherwise acquire such assets at great cost. As it is, Sparkassen Immobilien AG can still call on the know-how of 322 employees in CEE.

This structure maintains the old advantages while at the same time fulfilling the capital market's requirement. The interests of the shareholders are and will be paramount: they need have no concerns about excessive fees eating into the Company's profits.

In all the countries in which Sparkassen Immobilien AG operates, the presence of the Erste Bank network is an enormous advantage. It is a source of interesting real estate projects, it supplies local knowledge and its presence as a long-term investor provides added credibility.

Investor Relations

US mortgage crisis causes volatility

The performance of stock markets worldwide in 2007 was impacted by the continuing finance and loan crisis in the USA. Drastic falls in earnings, losses in the quarterly results of the large American banks brought about by billion dollar write-downs, the involvement of European banks in the US subprime crisis, and fears of a global liquidity crisis hit share prices hard and led to increasing uncertainty among investors even in Europe. Neither the three successive cuts in key US interest rates since September nor interventions by the Federal Reserve Board (Fed), the European Central Bank (ECB) and other central banks to increase liquidity in the money markets succeeded in reassuring financial markets.

All European property stocks registered massive falls in prices: one of the most important global real estate indexes, the GPR 250 Global, which includes s IMMO share, lost 17%. The GPR 250 Europe dropped 32%, while the EPRA/NAREIT Europe Index fared even worse, with a cut of 34%. Starting in April 2007, Austrian property shares also had to accept significant losses. Capital markets were focusing on a crisis of a different kind and in another part of the world, and were surprised at the extent to which Austrian property shares were pulled down in its wake.

The Immobilien-ATX (I-ATX), comprising eight Austrian property stocks, lost 30% in 2007, while the ATX managed to put on a bare 1.1%. After an all-time high in mid-March of EUR 14.64, starting at the end of April s IMMO share could not escape the general collapse. The year had begun well: moving to the continuous trading segment as of 1 January 2007 and intensive roadshow activities in the UK and the USA during the first quarter of 2007 boosted the share to its peak.

Nonetheless, by the end of the year the stock was down by 21%. This represents a discount of 20% on net asset value (NAV), which stood at EUR 9.7 as at 31 December 2007. Despite this fall in price, s IMMO share succeeded in outperforming the I-ATX index and all its Austrian peers.

Due to its inclusion in the GPR 250 index, the move to the prime segment of the Vienna Stock Exchange on 23 July and increased interest on the part of international institutional investors, trading volumes rose sharply: In 2007 an average of 292,000 shares were traded daily, more than double the daily

average volume in 2006, resulting in a daily turnover of EUR 3.1m. The fall in quoted price combined with the unchanged number of shares in issue meant that the market capitalisation of s IMMO share was down to EUR 526.56m after EUR 668.24m at the end of 2006.

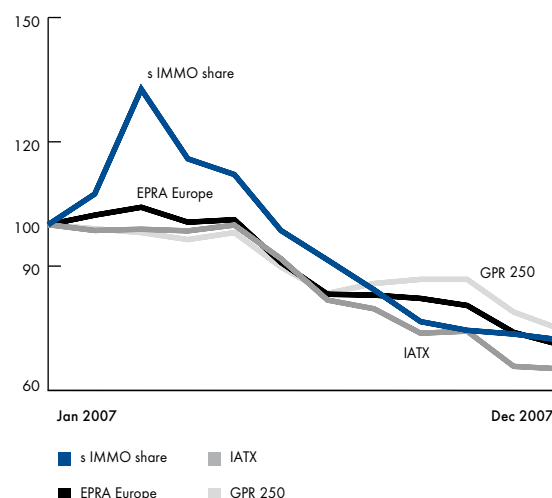
Like all Austrian property shares originally, s IMMO share is an accumulation share, where capital gains are tax-free for investors provided the shares are held for at least a year. s IMMO INVEST is the Company's listed distributing real estate security. Until capital intensive development projects are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

Performance (p.a.)

1 year	-21.2%
3 years	-4.8%
Since initial listing* (2002)	1.6%

*s IMMO share - formerly Erste Immo Aktie

Share price s IMMO share (indexed) against I-ATX, EPRA/NAREIT Europe, GPR 250 Europe



Stock exchange information (31 December 2007)

ISIN	AT0000652250
Reuters	SIAG VI
Bloomberg	SPI AV
Number of shares (31 December 2007)	68,118,718
Average number of shares	68,118,718
Market capitalisation	EUR 526.56m
High	EUR 14.64
Low	EUR 7.32
Closing	EUR 7.73

Key indicators – s IMMO share

	2007	2006
NAV/share	EUR 9.7	EUR 8.9
Earnings per share	EUR 0.38 ¹	EUR 0.62
Dividend	0	0
P/E ratio	20	16
Price / cash flow ratio	12	24
P/NAV	80%	110%

¹ including effect from restructuring participating certificate

Financial calendar 2008

Publication of financial statements 2007 (annual results press conference)	17 April 2008
Annual General Meeting	28 May 2008, 3 pm
Results – first quarter 2008	20 May 2008
Results – first half 2008	20 August 2008
Results – first three quarters 2008	18 November 2008

s IMMO INVEST

The s IMMO INVEST certificate is a participating bond for the purposes of section 174 Austrian Companies Act (AktG), and as a stock exchange listed certificate it entitles the holder to distributions out of profit. The income is not taxed in the hands of the company. For individual investors, the tax paid is limited to the investment income tax deducted at source.

Performance (p.a.) s IMMO INVEST

AT0000795737 / AT0000630690 (2nd tranche)	
1 year	-7.8%/3.9%
3 years	4.4%/6.0%
Since initial listing	7.4%/7.0%

Stock exchange information (31 December 2007)

ISIN	AT0000795737 / AT0000630690 (2nd tranche)
Reuters	SIMlg VI
Bloomberg	SPIG AV
Participating certificates in issue	2,040,000/1,260,889
Market capitalisation	EUR 302.1m
High	EUR 115.00/EUR 113.99
Low	EUR 90.00/EUR 94.00
Closing	EUR 90.00/EUR 94.00

Distribution under clause 5, Participating Certificates Agreement

EUR	
Income entitlements (clause 4)	22,784,000
+/- Proportionate change in value (clause 2)	-5,698,000
+/- Change in reserves (clause 3)	-2,912,000
+/- Retained profit released (clause 4)	-
Distribution	14,174,000
Number of certificates in issue	3,250,889
Distribution per participating certificate (EUR)	4.36

Investor Relations

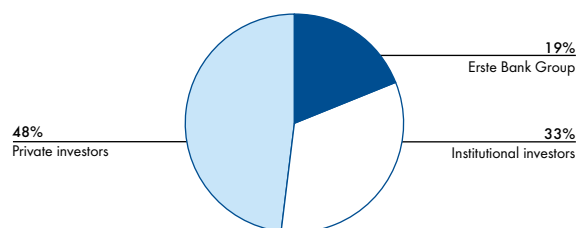
In 2007 the main focus of investor relations activities was on broadening the institutional investors base and getting our equity story better known. Two roadshows in the USA – on the East Coast and on the West Coast – and two roadshows in the UK to publicise the yearly or quarterly results were the highlights of these activities: the Management Board held more than 60 meetings in 6 cities. In 2007 Management also accepted invitations from international investment houses

such as KBC, Merrill Lynch, Kempen, Lehman Brothers, Sal. Oppenheim and Erste Bank to attend general and special focus real estate conferences. On these occasions the Management Board made numerous presentations to international investors on Sparkassen Immobilien AG's strategy and positioning. At the beginning of 2008 the management took a roadshow to Dubai, in the United Arab Emirates, for the first time, as well as to Oman, Kuwait and Bahrain. The aim was to recruit new investors for s IMMO share, and to find new equity partners for joint projects in Eastern Europe. Other appointments with analysts were handled in conference calls or in individual discussions.

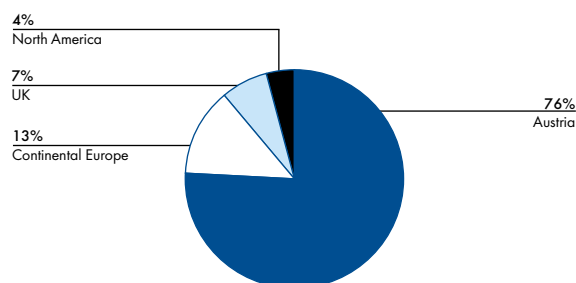
During 2007 we held numerous events for private investors, frequently in cooperation with Sparkassen and Erste Bank branches. We also attended fairs and events for private investors, such as GEWINN-Messe, for talks and presentations. The aims then and now are the same: to explain the discrepancy between the company's successful operating results and the falling share price and to highlight the still positive performance of the real estate markets in which Sparkassen Immobilien AG is invested. s IMMO share should be seen as a reliable investment with solid asset backing and a successful record of property management. In support of these aims we provide comprehensive and timely information on our website, in numerous press releases and via a hotline for shareholders. The quality of content and presentation of our annual reports has been recognised with several awards: In the world's largest competition for annual reports, the Annual Report Competition in New York, our report received a Bronze award. In the internationally renowned competition of the American League of Communications Professionals, our annual report won a Gold award in the category "Real Estate".

Sparkassen Immobilien AG is an entirely publicly owned company with about 20,000 shareholders and a strong leading shareholder, Erste Bank, one of the leading banks of Central and Eastern Europe. The company, and consequently its shareholders, benefit from Erste Bank's network in all the countries it invests in.

Shareholder structure s IMMO share



Shareholder structure s IMMO share by countries



Contact

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 E-mail: investor@s-immoag.at
 Windmühlgasse 22-24, A-1060 Vienna, Austria

Corporate Governance

Clear commitment to Austrian Corporate Governance Code

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

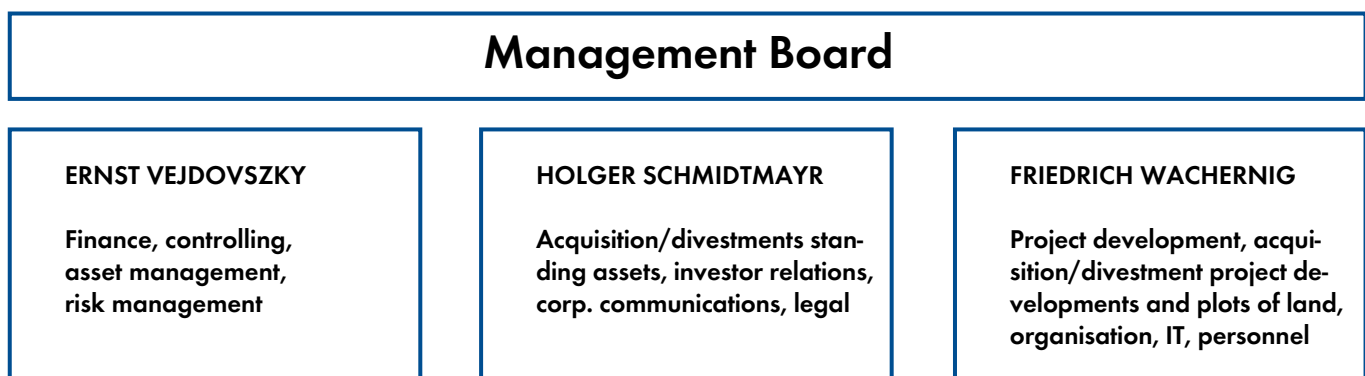
The Austrian Corporate Governance Code was amended in 2005 and 2006, and most recently in June 2007. As amended, it includes all the recommendations of the European Commission regarding responsibilities and remuneration of company directors.

In addition to compliance with the mandatory "L rules" (legal requirements), it also includes "C rules" (comply or explain), which call for explanation or justification of non-compliance with international norms. "R rules" (recommendations) are recommendations that extend beyond these requirements and which can be adopted voluntarily.

Sparkassen Immobilien has been committed to the Corporate Governance Code since July 2007 and has adhered to all "L rules" and almost all "C rules". The exceptions are published and explained on the Sparkassen Immobilien AG website (www.sparkassenimmobilienag.at/investorrelations).

Sparkassen Immobilien AG is listed on the Vienna Stock Exchange. At 31 December 2007 there were 68,118,718 bearer shares in circulation, 81% of which were in the free float. Erste Bank Group holds 18.91% of the bearer shares and no registered shares. There are no preference shares or restrictions on bearer shares.

Organisation chart



Management Board

Since 15 November 2007 Sparkassen Immobilien AG's Management Board has consisted of three members, whose responsibilities are shown in the organisation chart. Information about the members of the Management Board is shown starting on page 6. How their responsibilities are integrated is governed by the rules and procedures agreed with the Supervisory Board. The remuneration of the members of Management Board consists of a fixed and a profit-related variable component, which in 2007 represented app. 40% of salary. Profit participation is dependent on the achievement of quantitative and qualitative targets, such as EBIT, cash flow and occupancy rates.

Pension contributions of between 2.5% and 6% of annual emoluments are paid into a pension fund on behalf of each member of the Management Board. It is intended that on retirement at the age of 65 a pension of up to 40% of the average annual fixed salary during the last 5 years of employment shall be payable. Should the appointment of a board member be terminated before this time for reasons unconnected with the individual, then appropriate supplementary payments shall be made into the fund on behalf of that individual. Since January 2008, under a new statutory provision, 1.53% of a board member's monthly compensation is also paid into an employees' severance pay and pensions fund for the member's benefit.

At present Sparkassen Immobilien AG has no stock option plan.

The total compensation of Management and Supervisory Boards is disclosed in the Notes, on page 72.

Directors' dealings

In accordance with the Austrian Corporate Governance Code, transactions of members of the Management and Supervisory Boards (directors' dealings) are published on Sparkassen Immobilien AG's website in the form of a link to the website of the Austrian Financial Market Authority.

Supervisory Board

The Supervisory Board, which at 31 December 2007 consisted of 8 members, advises the Management Board on strategy issues and business plans. It participates in decision-making as provided by statute and in the Company's articles of incorporation and internal rules and procedures. As provided in Article 7(1), it has formed internal committees: details of the committees and their members are shown on pages 8 and 9, as part of the report of the Supervisory Board.

Sparkassen Immobilien AG's Supervisory Board adopted the Corporate Governance Code in June 2007, and in this connection took as its criteria for independence the guidelines set out in Annex 1 to the Code. They are published on Sparkassen Immobilien AG's website, www.sparkassenimmobilienag.at.

Of the eight members of the Supervisory Board, the following qualify as independent in the meaning of clauses 53–54 of the Code and satisfy the Supervisory Board's independence requirements:

Martin Simhandl

Klaus Braunegg

Franz Kerber

Christian Ahlfeld

Manfred Rapf

Reinhold Schürer-Waldheim

Richard Wilkinson

The members of the Supervisory Board and their other offices and appointments are shown on page 7.

Auditors

In accordance with the statutory provisions, Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH has been appointed as auditor by resolution of the Annual General Meeting since the financial year 1987.

Österreich

Deutschland

*Economic
climate*





Management Report

Economic climate

Austria

For the sixth year in succession, Austrian economic growth rates were above the eurozone average. Gross domestic product (GDP) rose by 3.3% in 2007, as in 2006. GDP per capita reached the record level of EUR 32,700. As in previous years, the increase was mainly driven by domestic demand, although exports also made a significant contribution. Unemployment remained moderate, falling to a little over 4%, which was below the eurozone average. The strong performance of the economy was reflected in a rise in inflation to around 2%. Following the outbreak of the subprime crisis in the USA and the consequent shortages of liquidity, short-term interest rates rose to 4.4%. Austria's current account improved, thanks to strong export performance, with the balance of trade surplus rising to 2.1% of GDP.

Germany

Following a strong recovery in 2006, German economic growth remained exceptionally lively in 2007. Real GDP increased by 2.6% and was primarily driven by strong foreign trade growth – exports jumped 8%, compared with a rise of only 5% in imports. This performance is remarkable, bearing in mind the sharp rise in the euro exchange rate and the downturn in the US economy. The German economy benefited from strong demand for capital goods from other eurozone countries and the emerging markets, although German domestic investment Germany was also high, rising 5.1% year-on-year. In contrast, private consumption fell by 0.5%. This is partly attributable to a sharp rise in inflation, which peaked at 3.1% in November 2007. The fall in unemployment from 9.6% to 8.4% during 2007 gave particular cause for optimism.

Czech Republic

The exceptional performance of the Czech economy continued in 2007, with real GDP reaching an estimated 6.1%. This was mainly driven by exports and a remarkable increase in domestic demand. At EUR 12,400, GDP per capita was among the highest in Central and Eastern Europe. Unemployment fell below 7%, thanks to the favourable macroeconomic climate. Inflation remained at moderate levels, while the Czech crown made gains against the euro in both nominal and real terms.

An improvement in the current account balance rounded off a generally satisfactory picture. This was directly attributable to strong export performance, which in turn had a positive impact on the trade balance.

Slovakia

Slovakia recorded impressive economic growth of 8.9% in 2007, an improvement even on the outstanding achievement of 8.2% in the previous year. High levels of exports in the car and electronics industries were the main factors behind this success, although private consumption also made a significant contribution to the booming economy. GDP per capita reached a new high of EUR 10,100. Disposable real income also rose, and for the first time since the collapse of Communism, the country recorded single-digit unemployment. In 2004, it was roughly 20%. Inward investment played a major part in Slovakia's economic performance. The strict monetary policy pursued by the Slovak central bank resulted in a fall in inflation in 2007, following the record level of 4% in the previous year. The benchmark interest rate peaked at 4.75% in March, since which the central bank has loosened its controls, cutting the interest rate to 4.25% with the planned introduction of the euro in 2009 in mind. The value of the Slovak crown nonetheless jumped sharply during 2007.

Hungary

As a result of the austerity package, which increased the tax burden on private individuals and companies, the Hungarian economy experienced a marked slowdown in 2007. Although the government succeeded in reducing the budget deficit by a third, private consumption fell for the first time in several years, as a result of the drop in disposable income. Domestic demand showed clear signs of an approaching recession, but rapid export growth kept the economy afloat. Real GDP growth was flatter, at 2.2%, which was reflected in GDP per capita of EUR 9,700. Unemployment rose slightly in line with the economic slowdown, moving up from 7.5% to 7.7%. A speedy recovery in GDP is predicted, although the extent of the improvement may fail to meet expectations. In contrast to the real economy, the Hungarian forint remained fairly stable against the euro.

Croatia

Croatia experienced an acceleration in real economic growth in 2007, as GDP rose by 5.9% and reached a per capita level of around EUR 8,500. For the first time in many years, unemployment fell below 10%, while economic growth was also driven by strong domestic demand. Average inflation continued to fall despite rises in prices of agricultural produce and food, and real wages increased in line with rising productivity levels. In fiscal policy terms, 2007 saw a drop in the overall budget deficit to an estimated 2.3% of GDP, but the current account deficit remained high, at 8.1%, as a result of the negative balance of trade. The impact of this was to a certain extent compensated for by record direct foreign investment in connection with an increasing number of privatisations and cross-border takeovers.

Romania

In 2007, attention focused increasingly on the performance of Romania's economy and the prospects for future development. Economic analysts and observers were particularly concerned by growing external imbalances, in particular the country's trade deficit and exchange rate developments. Despite doubts about the sustainability of Romania's growth rates, 2007 produced a number of positives: GDP growth reached 6%, while GDP per capita rose even more quickly, to an estimated EUR 5,500. The stable economic situation also resulted in a drop in unemployment to less than 5%, according to figures from the Romanian National Institute of Statistics. The persistent deflationary trend of recent years slowed in 2007.

Bulgaria

Bulgaria joined the European Union in 2007, but will not enjoy the full benefits of membership until its legal system has been reformed and a solution is found to the country's corruption problems. Estimated real GDP growth was 6% in 2007, and per capita GDP stood at EUR 3,871. The second half of the year saw a rise in average inflation to 8.4% as a consequence of high food prices. The trade deficit for 2007 is estimated at over 22% of GDP, which illustrates the country's increasing sensitivity to external factors. The rising deficit in the trade in goods was mainly responsible for the negative balance of trade.

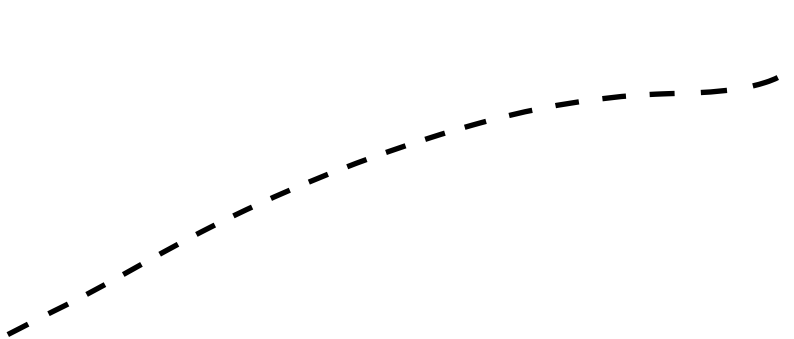
Real estate markets

Despite the crisis in the US real estate industry and its serious implications for financial markets, the boom in Eastern European property markets continued in 2007. The situation in the USA had little impact, although investment demand fell back slightly in the final quarter. However, this had no impact on prices, and demand continues to be exceptionally strong, with construction booming and rents high. Unlike several Western European countries, the real estate market in Austria was untouched by the effects of the crisis.

Austria/Vienna

Stable and prosperous already, the office real estate market in Vienna continue to perform well in 2007, with occupancy levels reaching a new record of 390,000 m². Upgrading to modern, large-scale properties close to the city centre is an ongoing trend. Larger offices in very good and top locations are in very short supply, and this has led to sharp price hikes in high-quality areas such as Vienna's First District. In general, quality is a significant factor in the way office rents are developing, and the gap in price between very high quality properties in central locations and rather second-rate properties has widened, which is an indication of a mature and well developed market. The vacancy rate continued its slight downward trend, finishing the year at around 6%.

In the residential market, demand is still on the rise and prices have remained high, especially for apartment blocks. Demand is coming mainly from institutional investors who have chosen to concentrate their investment in this sector. However, private investors also appear to see apartment buildings as an attractive long-term investment. The continuing high demand in the rental market is mainly being driven by the general desire to improve the residential situation. Even properties in less attractive locations are selling for EUR 1,000/m². The market is expected to be more subdued in 2008, as a result of a potential short-term reduction in liquidity and higher incidental expenses which could be passed on to owners in the future.



Real estate investment in Austria reached a new high last year, rising by EUR 0.4bn to EUR 2.8bn. Austrians were responsible for 68% of this spending, followed by German and British investors. There are beginning to be general indications of the buyers' market becoming a sellers' market.

Germany

In Germany growth of investment in office and residential property was down slightly in 2007. Germany's real estate market remains healthy, with very good medium to long-term prospects, as prices are still very low compared to other European countries. In office real estate, Frankfurt and Hamburg with its very high price levels stand out, together with Munich, which is making good progress. As high quality cities, they are among the most highly sought-after locations, which is reflected in their very low vacancy rates of less than 5%. Berlin, on the other hand, continues to face the problem of relatively high vacancy levels following the large increase in the supply of office space over the last ten years. However, the demand from non-German-speaking investors, particularly from Ireland and Spain, remains high.

Berlin leads the field in residential property, with rents still lower than in other capital cities, an indicator of the future potential of the market. Future changes in the value of investment properties will be determined by location. Prices in some areas have risen by 7.6%, but other less attractive locations have seen falls of up to 4%. Berlin is a pure rental market, with over 90% of the population living in rented properties. Berlin, too, is experiencing something already seen in other cities – gentrification, where rather down-at-heels areas are gradually transformed into desirable neighbourhoods. Artists and students settle in previously low-cost districts such as Friedrichshain, and are followed in the medium term by higher earners who push up price levels. Overall, prices in the residential market tended to rise more slowly in 2007.

Secondary cities like Leipzig and Rostock are also gaining in attractiveness; as prices in these cities are still fairly low, considerable increases in the value of very good locations can be expected.

CEE EU countries

The boom in CEE real estate markets continued in 2007: although the increase in volume was slightly lower than in 2006, new investment nevertheless totalled more than EUR 14.2bn. The Czech Republic, Poland and Hungary together accounted for the bulk of the investments – almost 70%. Yields in Prague, Bratislava and Budapest are now in line with or slightly higher than those in Vienna. There is still strong demand for modern office properties, which is mainly due to the movements of local businesses and public authorities in search of better locations. In cities like Prague and Budapest, which have similar populations to Vienna but only a fifth of its available office space, new space is relatively quickly absorbed. Some investors are expected to dispose of more assets in 2008, leading to a slight increase in yields, but the rise will be less noticeable in prime locations. More development activity is also underway in smaller, secondary cities, particularly in the retail sector.

New CEE EU countries and emerging CEE countries

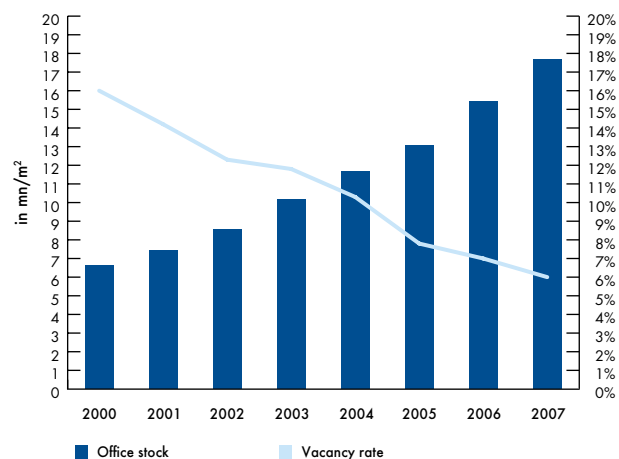
The previous two years saw a tremendous boom in construction in Bulgaria and Romania, the new CEE EU countries, and the trend continued in 2007. In total, EUR 3.2bn has been invested in Romania, and EUR 1.9bn in Bulgaria. In a few cases, yields have already reached the levels seen in established CEE markets such as Prague and Budapest, and yield compression in Romania and Bulgaria has been squeezed into four years. It is estimated that, in Bucharest alone, 600,000 m² of new office space will have come onto the market by the end of 2009. Despite the constrained supply situation, it is not clear whether all of this space will be quickly absorbed. In Bucharest, demand for office space between the city centre and the airport is particularly strong, and retail space is under development around the city.

There is an enormous amount of catching up to be done, particularly with respect to shopping centres, but if all planned development projects are completed, there will be a glut in about five years. Given the liquidity constraints many investors are facing, this scenario seems somewhat unrealistic, however, especially since project financing usually depends on completing pre-letting agreements. In the long run, only high quality properties in prime locations are likely to be successful. Prices for all types of property are high and stable, and properties are

fully occupied. Investment in retail projects is increasingly concentrating on secondary cities with sufficiently large populations and almost non-existent retail infrastructure, and in these locations yields are even higher.

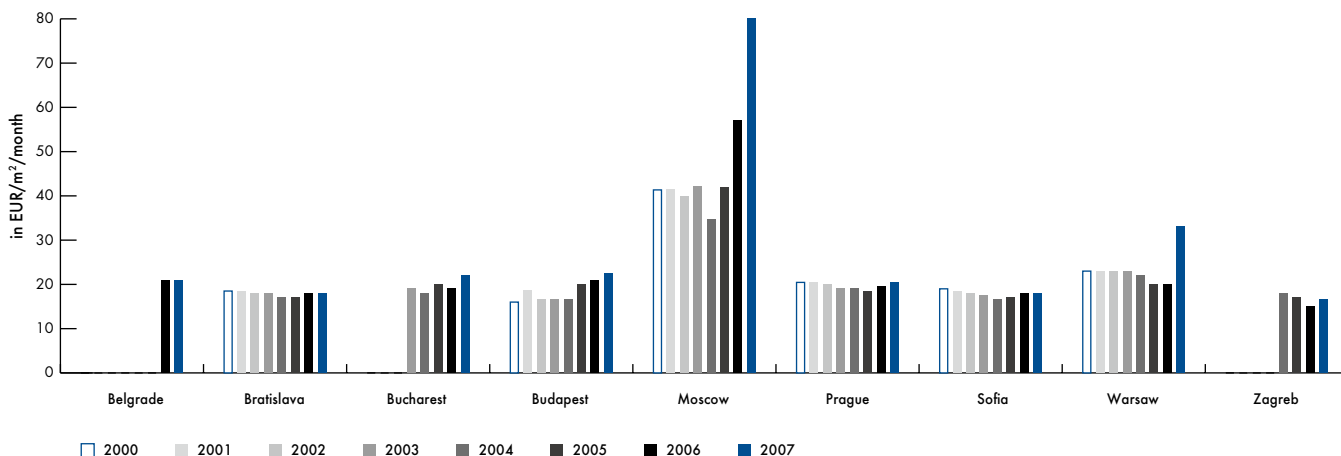
Russia, Serbia and Ukraine will be the most attractive growth and high-yield markets in 2008. Within the CEE region, Kiev is expected to be a special case for the foreseeable future, due to Ukraine's geographical location at the crossroads between Russia and the European Union. Even if yield compression can be expected, the drop is unlikely to be as fast or as large as in other CEE countries, and prices in Kiev are already far higher than in cities like Prague and Budapest. However, large profits involve serious risks, including uncertainties surrounding property ownership, difficulties in obtaining planning permission and the lack of building regulations. Domestic investors are currently most active in the residential segment, and the proportion of international investors involved in ongoing office construction projects also remains low. Potential for investment in the Serbian market is largely restricted to office property. Political complications are also having an impact on the economy, and therefore on the real estate market.

CEE office space and vacancy rates, 2000–2007



Source: CB Richard Ellis

Top CEE office rents (by country, 2000–2007)



Source: CB Richard Ellis





Property portfolio

ables

Property portfolio

Sparkassen Immobilien AG expanded its real estate portfolio in 2007 by 31%, thanks mainly to the acquisition of a large number of completed properties in Germany. With a total of 559,100 m², Germany now makes up the largest proportion of the portfolio. This has resulted in a temporary reduction in the CEE share, which stood at 37% at 31 December 2007 (in terms of square metres), but should increase by 2010, by which time further development projects will be taken on and completed. There is a special reason for the increase in investment in completed properties in Germany – they are particularly good value for money. On top of which, the effects of residential property appreciation in Berlin and cities such as Leipzig and Rostock are likely to make themselves felt in the medium term.

At 31 December 2007 the real estate portfolio consisted of 220 rental properties and 11 development projects with total lettable space of 1,385,900 m², a 42% year-on-year increase in terms of space.

At the balance sheet date, the occupancy rate stood at 91%, compared with 93% at the end of 2006. This can be attributed to the increased proportion of German residential real estate, for which occupancy was only around 88%. We took this into account at the time of acquisition, because with appropriate measures we can significantly raise occupancy levels and rental income.

New acquisitions and the revaluation of properties pushed up the value of the portfolio by 31% to EUR 1.55bn, compared with EUR 1.2bn at the end of the previous year.

Average rental yields (rents / market value) across the whole Group at 31 December 2007 were 6.0%. This is less than the 6.6% achieved in 2006, but only as a result of portfolio revaluations and higher residential portion in Germany, and still compares extremely well with the performances of our peers.

Rental yields

Austria	6.0%
Germany	6.0%
Czech Republic	7.1%
Slovakia	7.3%
Hungary	5.7% ¹
Romania	5.5% ²

¹ Refurbishment Hotel Marriott.

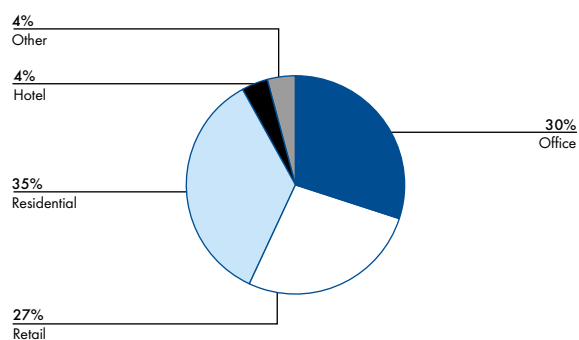
² Unlet retail space in Hotel Novotel.

Number of properties¹	231
Total lettable space	1,385,900 m²
Austria	316,700 m ²
Germany	559,100 m ²
CEE	510,100 m ²
Group occupancy rate	91%
Austria	93%
Germany	88%
CEE	97%

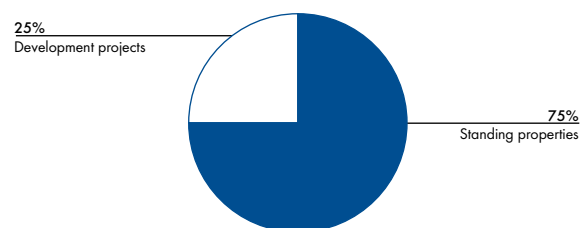
¹ including development projects

Details of the property portfolio (addresses, market value, yields) can be found on pages 86 and 87.

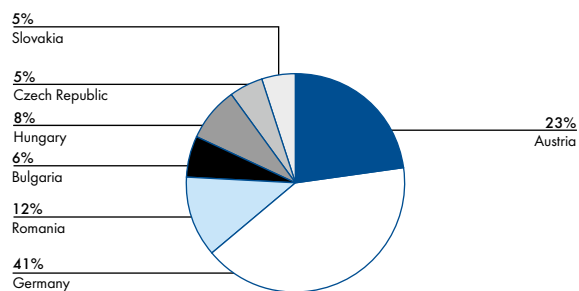
Total lettable space by property type¹



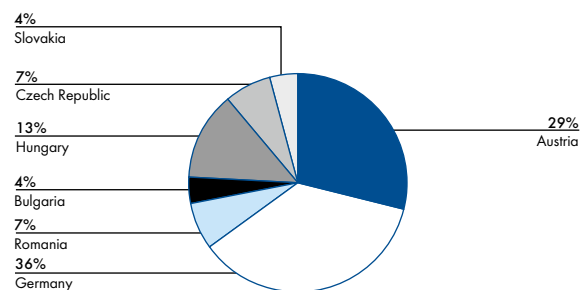
Total lettable space by standing properties and development projects



Total lettable space by region¹

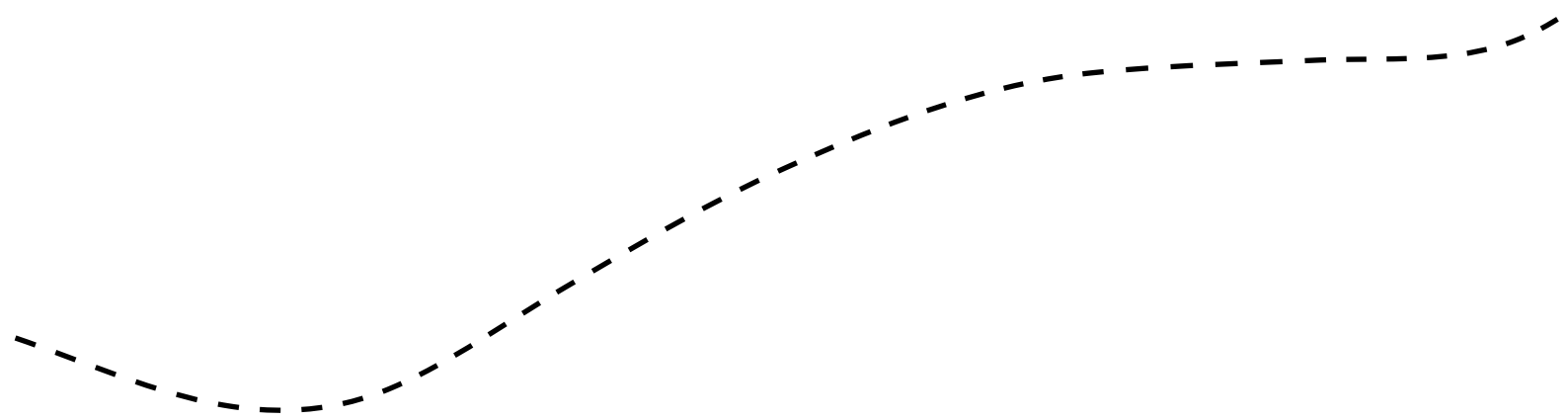


Property portfolio by region²



¹ including development projects

² Valuations for standing properties, book values for development projects



INVESTMENTS

In 2007, Sparkassen Immobilien AG's investments came to EUR 484.8m in total: EUR 390.2m was invested in completed properties and EUR 94.6m in development projects. The large number of projects which have already been agreed means that, over the next two to three years, the proportion invested in project development will continue to rise.

MAJOR INVESTMENTS IN RENTAL PROPERTIES IN 2007

Vienna

In 2007 the company bought an office and retail property in Vienna's 21st District with total lettable space of 14,400 m² for EUR 14.6m. Additional investments of EU 3m in the retail space are planned, and a new letting strategy will be devised. The Akademiehof office building with its prime city centre location was also acquired. The building's main long-term tenant occupies 5,800 m². The purchase price, a two million digit, was not disclosed.

Germany

Sparkassen Immobilien AG's investment activities in 2007 focused once again on Germany, principally on completed residential properties in Berlin, Hamburg and Leipzig. With prices well below the cost of completed properties in CEE, what made these properties attractive was their intrinsic value, excellent locations and considerable potential for appreciation. Additional investment in reducing vacancy levels and increasing rental income should increase the potential further.

Berlin, Leipzig

In spring 2007 we announced the purchase of a parcel of nearly 50 apartment buildings in excellent locations in Berlin: we took over 32 properties with total lettable space of around 97,000 m² in the course of 2007, with another 11 following at the start of 2008. These properties were acquired at very attractive prices. As some of the rents are below the Berlin rent index, Sparkassen Immobilien AG will be investing considerable amounts in these properties in order to improve occupancy rates and increase rents in line with the index, in order to benefit from the potential appreciation. A further package of residential real estate was purchased for EUR 185m – 2,200 apartments in 88 properties in very good locations in Berlin

and Leipzig. For EUR 13.3m, 11 more residential properties with 17,600 m² in central Berlin were added to the German portfolio. In the first half of 2007 we also bought another parcel of 9 residential buildings with a total of 11,000 m² of lettable space in the trendy, up-and-coming districts of Prenzlauer Berg, Friedrichshain and Kreuzberg. A long-term infrastructure investment property with 13,100 m² of lettable space and in top condition was also acquired, with the Berlin-Mitte Tax Office as the main tenant.

Hamburg, Bremen

In Hamburg, one of the Germany's most attractive office locations, Sparkassen Immobilien AG acquired a city centre office building for EUR 17.6m. The single, long-term tenant of the 8,000 m² property is Deutsche Bank. A series of properties were added to the existing Hamburg residential portfolio, including four properties in leafy surroundings close to the centre with 8,400 m² of lettable space, and another three with a total of around 6,500 m² in a similarly attractive location. Sparkasse Immobilien AG also acquired an 18,600 m² mixed-use office and retail building right in the centre of Bremen. The main, long-term tenant is the City of Bremen.

Comprehensive and detailed management of a portfolio is what produces attractive long-term returns. Particularly in Berlin, residential rents are determined by the rent index, which sets the maximum prices for particular locations. This type of regulation closely resembles the Vienna rental market. Sparkassen Immobilien AG has over 20 years of experience in the residential segment, which it will use to ensure the optimum management of the Berlin portfolio.



SALES OF RENTAL PROPERTIES

During 2007, Sparkassen Immobilien AG generated attractive profits from the disposal of selected properties from the real estate portfolio. As a result of the Company's prudent valuation policies, proceeds were on average 15% higher than the most recent estimated fair values at balance date. This process will be continued in 2008. These portfolio management activities focus on properties in more mature markets such as Prague and Budapest, where the process of yield compression is now complete and no additional appreciation is to be expected.

This is the reason for the sale to the other shareholder of our 75% stake in the Steffl department store on Kärntner Strasse in Vienna. The price was not disclosed. Sparkassen Immobilien AG purchased Steffl, which consists of 12,500 m² of retail and 1,400 m² of restaurant, café and office space, in December 2005.

We also disposed of the Herzmansky department store on Vienna's Mariahilfer Strasse to a project company owned by the main tenant, the Peek & Cloppenburg group. The purchase price for this transaction was also not disclosed. The total lettable space amounts to 18,200 m², of which 16,300 m² is retail space – in Vienna's major shopping street – with the remaining 1,900 m² consisting of office and other space.

In central Prague, the 16,000 m² Palac Karlín office complex was sold to an international investor for EUR 38m.

As part of the general process of portfolio consolidation, we also disposed of a small office building in Salzburg with 1,200 m² of lettable space.

MAJOR INVESTMENTS IN DEVELOPMENT PROJECTS IN 2007

In future, development projects will have a far greater influence on growth and earnings at Sparkassen Immobilien AG. The potential for increases in value remains particularly high in South Eastern Europe, despite the speed with which yields are converging with those in established CEE markets.

Development projects currently account for 11% of the Company's total assets, but the figure should rise to 15–20% by 2010. Retail space makes up the largest proportion in this segment, with around 62% of the total. Although development projects have much higher earnings potential than completed properties in other CEE countries, the associated risks are also greater. These include the different economic and business environment in each country, and in particular the legal and regulatory risks of property ownership and construction, which no amount of due diligence and rigorous preparation can entirely preclude, and factors such as building costs, which change constantly. Because of massive construction booms in countries like Romania and Bulgaria, the available resources of reputable, professional building firms are severely constrained. Rising building costs can be partially recouped in the form of higher rental costs. Here the project development partners and the main contractor are of crucial importance. We work exclusively with experienced partners with a large number of successfully completed reference projects to their name in the particular segment or country, in order to ensure professional and efficient implementation within budget. The Erste Bank network is also a key player when it comes to cooperation with local authorities. As a major investor with a long track record, the Erste Bank Group is seen as a trustworthy and credible partner in local markets, which is also true for Sparkassen Immobilien AG.



The major Sparkassen Immobilien AG development projects are currently as follows.

Sun Plaza, Bucharest: Construction work on one of Bucharest's largest shopping centres is currently underway in the south of the city. Bucharest's 4th District is directly accessible by underground and other public transport. Total investment in the project amounts to EUR 185m. The 112,500 m² site will provide 85,000 m² of lettable space featuring shops, cafes, restaurants, a kindergarten and a sports hall. Our Franco-Romanian development partner EMCT already has experience of shopping centre construction projects, both in Romania and elsewhere. Work began at the end of 2007, and the first floor has already been completed. Pre-letting agreements for 60% of the space have already been concluded with international companies, including Baumax, Cora and Mobexpert. Completion is planned for 2009.

Gemini, Prague: A twin building with 47,100 m² of office space in Prague's most sought-after office location, the 4th District is being built. The EUR 65m property is served by the underground, and has excellent connections to the airport and motorway. Three-quarters of the space has already been let, and the building should open in mid-2008.

Serdika Center, Sofia: One of Sofia's largest shopping centres with office space is being built just 2.5 km away from the city centre. The property offers 75,700 m² of lettable space, and the 47,000 m² of shopping space will mainly feature a range of international fashion stores. The property's large catchment area and its motorway and public transport links are what make it so attractive. Sparkassen Immobilien AG's partner in this EUR 210m development project is Germany's ECE Group, Europe's largest shopping centre developer and operator. The site excavation work has already been finished, and completion of the project is planned for 2010.

Galvaniho 4, Bratislava: Sparkassen Immobilien AG already owns two completed office buildings close to the airport which have been fully let to international companies, and work is now underway on a additional EUR 40m office complex providing around 24,000 m² of lettable space. The pre-letting process has started, and completion of the building is planned for 2009.

In Bucharest, development activities have begun for a mixed-use office and retail property with over 15,600 m² of lettable space on a 5,900 m² site. In cooperation with the City Council, an architectural competition for this city centre project is being organised, and the planned investment amounts to EUR 45m. The project is scheduled for completion in the second half of 2011.

A retail property with 45,000 m² of lettable space is planned for the south of Bucharest. The development process is in full swing, construction work should begin in 2008 and the first letters of intent have already been signed by potential tenants.

Sparkassen Immobilien AG owns a 50% stake in a site in Sofia (the remaining 50% is held by Immorent AG). A 5,000 m² hotel or office complex is planned, and the development process has started.

A 3 star hotel is being developed on a 1,200 m² site by the banks of the Vltava, in Prague's splendid 8th District. An investment of around EUR 20m is planned for the "River Star" complex.

In Bratislava, plans are in place for a 16-floor, 24,200 m² mixed-use property next to the Exhibition Centre and a shopping centre. The building will also include garages, outdoor parking spaces and a multi-level car park.

VALUATION

Under IFRS, potential gains on revaluation are recognised directly in the income statement and therefore have an impact on operating profit. Real estate valuation is therefore of critical importance to property companies, and in the interests of shareholders must be handled carefully and responsibly. Sparkassen Immobilien AG has therefore adopted prudent valuation policies.

Our properties are valued independently by external, international and respected appraisors, such as CB Richard Ellis, DTZ and PwC. Their remit always reflects the Sparkassen Immobilien AG philosophy of not taking advantage of every last drop of revaluation potential.

With effect from 1 January 2007, Sparkassen Immobilien AG changed to IFRS Fair Value accounting, involving the revaluation of its entire portfolio. The process was begun in November 2006 for properties in the Czech Republic and Slovakia. The revaluation of real estate in Austria, Germany and other CEE countries took place in 2007, and took into account developments in the various property markets. The results produced a mixed picture. The Austrian portfolio increased in value. Gains on revaluation included gains on the sale of the Herz-mansky department store, as under IFRS the estimated value of booked-for-sale real estate must also be reflected. In contrast, the market value of German properties was revised downwards immediately after acquisition, because occupancy rates were less than ideal and additional investment is needed, although this will be reflected in correspondingly higher rental income in the short to medium term.

Revaluation was carried out in the Czech Republic and Slovakia at the end of 2006 and therefore has no effect on revaluations for 2007. The same applies to Romania, as under IFRS the completed Novotel hotel can only be carried at cost in the balance sheet. The revaluation of real estate in Hungary resulted in a sharp increase in value.

At Sparkassen Immobilien AG valuation is only carried out for completed real estate – in other words, for rental properties. Project developments are carried at cost in the balance sheet and only valued after completion.

The revaluation of properties on a fair value basis produced gains of EUR 41.1m, compared with EUR 29.4m the previous year.

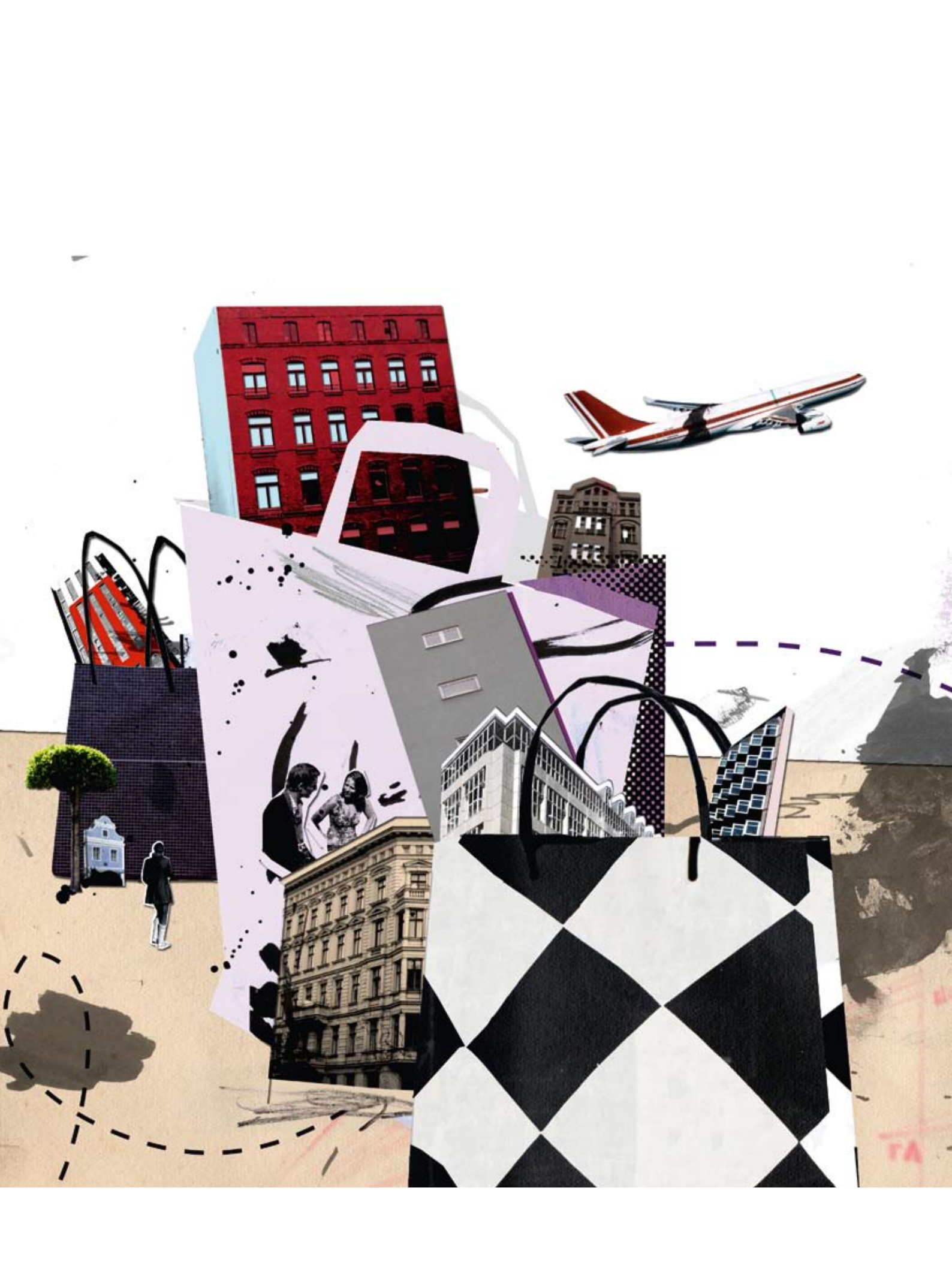
Gains from revaluation at 31 December 2007:

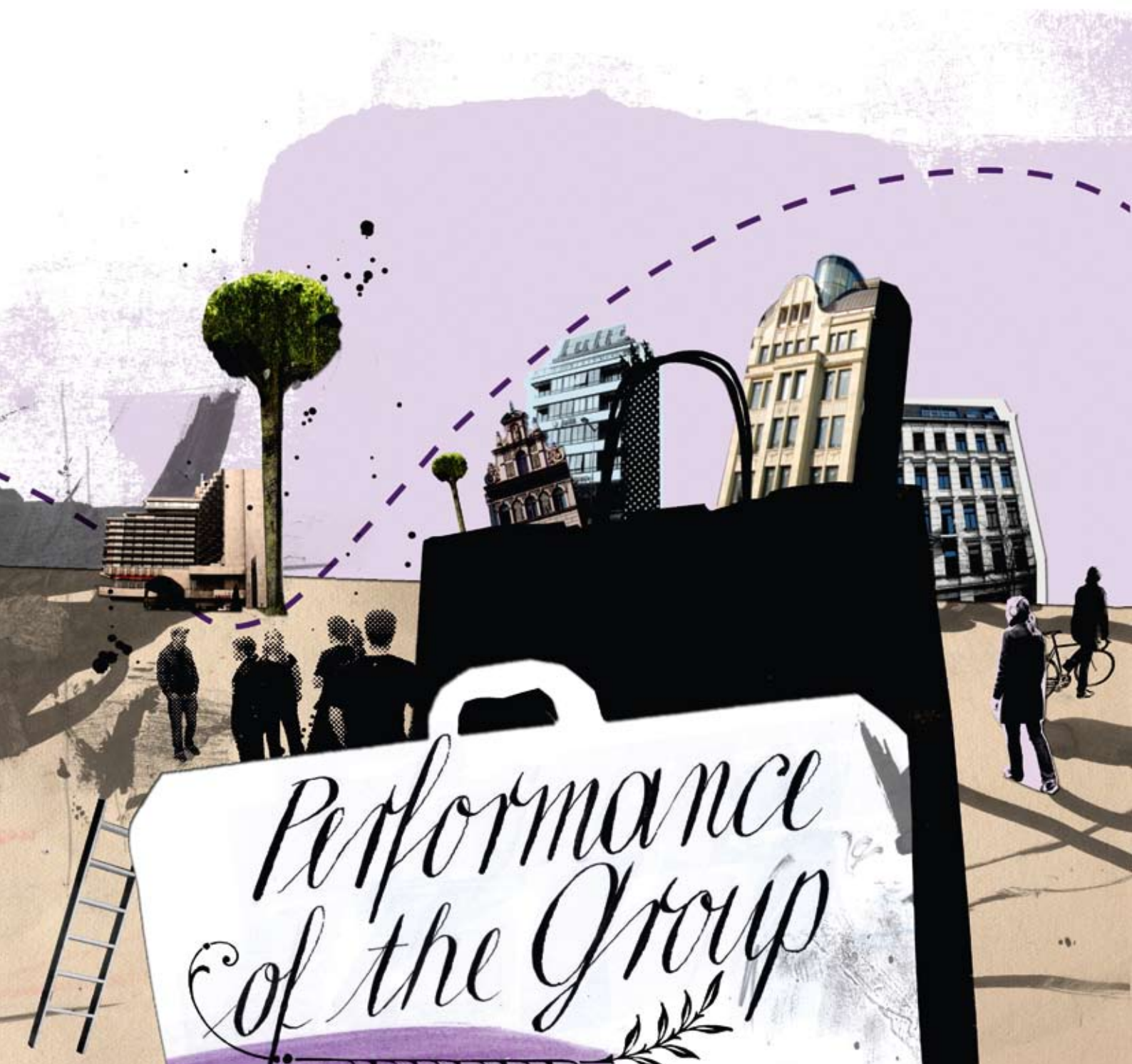
EUR m	2007
Austria	29.3
Germany	-7.4
Slovakia	1.8
Czech Republic	1.8
Hungary	15.7
Bulgaria ¹	0
Romania ²	0
Ukraine ¹	0
	41.1

¹ Currently no rental properties

² Income-generating property: own hotel, in accordance with IFRS revaluation may not be recognised in the income statement







Performance of the Group

Thanks to vigorous growth and an excellent performance, 2007 produced the best operating results since the Group was founded. Despite the deteriorating market environment and the rising cost of finance, we achieved the goal we set ourselves by raising EBIT by 32%. EBT, however, suffered under a double burden: the restructuring costs of the participating certificates and increased financing costs caused by the worsening climate in the capital markets. Which is why consolidated net profit came out below 2006.

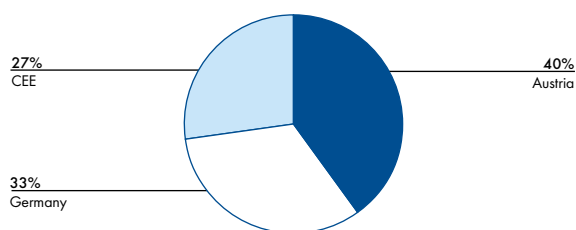
Summarised income statement

Revenues and earnings

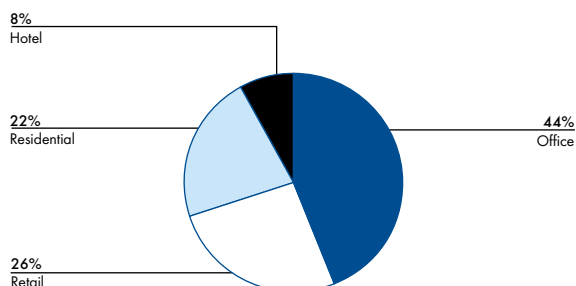
EUR '000	1-12/2007	restated 1-12/2006	Change
Revenues	95,891	73,593	30%
whereof rental income	74,992	60,360	24%
Revaluation of properties	41,119	29,409	40%
Other operating income	3,906	4,822	
Gains on property disposals	12,593	376	
Operating revenue	153,509	108,200	42%
EBIT	100,037	75,758	32%
Finance costs	-43,254	-30,082	44%
Expenses of restructuring the Participating Certificates	-21,382	0	
EBT	35,401	45,676	-22%
Consolidated net profit	28,652	38,058	-25%
Minority interests	-2,742	-1,238	
Interests of shareholders in parent company	25,910	36,820	-30%

Compared with the last year, 2007's revenues of EUR 95.9m were up by 30%, as a result of the new acquisitions in Austria, Germany and Central and Eastern Europe. Sparkassen Immobilien AG's rental income increased by 24% to EUR 75m, compared with EUR 60.4m in 2006. Rental income from the properties acquired in 2007 contributed roughly EUR 9.2m. With EUR 29.7m, Austrian properties made up 40% of the rental income, the German portfolio contributed 33%, and the CEE countries 27%. The main reason for the lower CEE proportion was the focus in that region on development projects, which will only make a significant contribution to revenue and rental income starting in 2010.

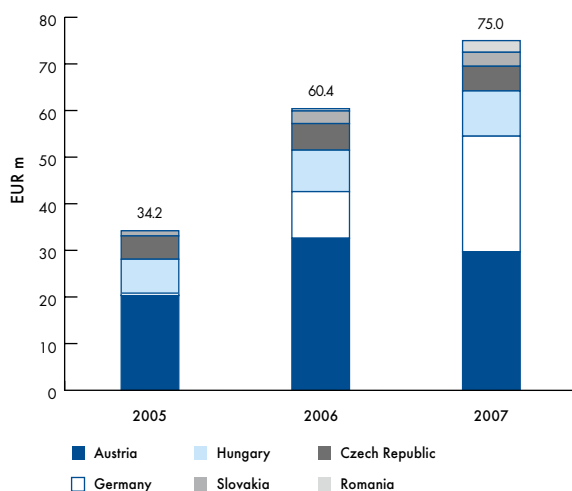
Rental income by region



Rental income by property type

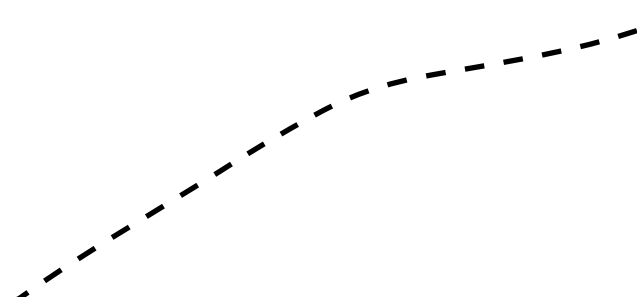


Total rental income



In terms of property segments, 44% of the rental income came from office property. Residential property, mainly German residential property contributed 22% in 2007 (2006: 9%). This increase is also reflected in the somewhat lower proportion of retail properties, which contributed 26% of the rental income. The acquisition of Hotel Novotel in 2007 increased hotel rental income to 8%.

Net operating income (NOI) climbed from EUR 57.7m to EUR 64.5m, an increase of 12% largely attributable to last year's acquisitions in Germany, but also due to our success in better exploiting earnings potential in Hungary and Slovakia. The NOI margin (NOI/revenues) stood at 67%. This is largely accounted for by higher operating costs, as well as by increased expenses and property maintenance costs on the substantially enlarged portfolio in Germany. In this portfolio we see scope for a major increase in earnings at the same time, Berlin rents are to be brought up to the level of the applicable rent index (Mietspiegel).



NOI Analysis

EUR m	2007
Austria	
Revenues	36.3
Rental income	29.7
NOI	24.9
NOI margin	68%
Germany	
Revenues	33.1
Rental income	24.8
NOI	19.9
NOI margin	60%
CEE	
Revenues	27.4
Rental income	21.4
NOI	19.7
NOI margin	72%

Other operating income came to EUR 3.9m (2006: EUR 4.8m): the slight fall year-on-year was caused by the reduced gross operating profit (GOP) of Hotel Marriott in Budapest, which has been undergoing major reconstruction since 2006. From financial 2008 onwards, this figure should see a significant improvement. Other operating income also includes the release of housing construction subsidies.

In 2007, property disposals brought gains of EUR 12.6m. The bulk came from the Viennese retail property Steffl, as well as from an office building in Prague. Sales of retail property Herzmansky, Vienna, in fourth quarter are reflected in revaluations according to IFRS rules.

Property disposals are intended in future to make a larger contribution to profits through more active asset management, an average of 10–15% of the property portfolio is planned.

Sparkassen Immobilien AG's EBITDA was up by 62% to EUR 78.9m. The EBITDA margin was 82%, as a result of the property disposals described above.

Depreciation of EUR 3.9m (2006: EUR 2.4m) related in the main to the hotels: the Budapest Marriott and Hotel Novotel in Bucharest, both operated by Sparkassen Immobilien AG.

Other operating expenses of EUR 49.6m were up by 65% compared with last year. The reason was the higher operating costs, which rose by 54% to EUR 21.7m, as a result of the changed portfolio structure (larger proportion of residential properties in Germany). Higher operating costs are reflected in the service charge income.

In financial 2007 we invested a total of EUR 6.3m in maintaining the fabric of our assets, especially our existing and newly acquired German residential properties. The increase of 107% compared with 2006 is intended to lead to a permanent increase in the properties' value. The expenses directly attributable to properties have also increased to EUR 3.0m. Legal, auditing and consulting expenses were up by 105% to EUR 4.9m. This was attributable to complex tax and legal problems, mainly in the countries of Southeastern Europe, as well as to due diligence reviews of properties that were not in the end acquired.

Other operating expenses also include the yearly management fees of EUR 5.1m (2006: EUR 4.2m) from the management services agreement with Immorent AG. The increase is mainly due to the enlargement of the property portfolio.

Excellent operating results

Financial 2007 saw EBIT jump from EUR 75.8m in 2006 to a record-breaking EUR 100m, in line with guidance. This 32% rise is based on the overall excellent business performance, with the many acquisitions and the profits on property sales, which realised significantly higher prices than the most recent valuations.

Improved financial results

The expenses of the participating certificates (income distributions) decreased to EUR 22.8m in 2007 compared with EUR 25.9m in 2006. This is a reflection of the reduced number of certificates in circulation since the restructuring in June 2007, when 582,509 certificates were repurchased.

Finance costs are an important factor in the financial results. They climbed to EUR 30.0m, after EUR 11.4m in 2006. The reason for this was the increased use of external debt to finance intensified investment in acquisitions and development projects. The increased finance income of EUR 9.5m (2006: EUR 7.2m) from foreign exchange gains on currency hedges for the Gemini development project in Prague were not high enough to compensate. The profit before tax was down 22% to EUR 35.4m, due to one-time expenses of EUR 21.4m in connection with the restructuring of the participating certificates and the repurchase of 582,509 certificates.

Tax expense for 2007 was down from EUR 7.6m last year to EUR 6.7m. The reduction is due to lower consolidated earnings as well as to a prior years' deferred tax credit in respect of the restructuring of the participating certificates. The actual tax charge amounted to EUR 0.5m, which corresponds to an effective tax rate of 1%.

Profit after tax

Consolidated net profit came to EUR 28.7m, compared with EUR 38.1m in 2006; this is mainly a one-time effect related to the restructuring of the participating certificates. Without the cost of restructuring, the consolidated net profit would have been EUR 50m, which would have been an increase of 31% on 2006. Earnings per share amounted to EUR 0.38.

Application of profits

s IMMO share is an accumulating share listed on the Vienna Stock Exchange. It is planned to continue the current distribution policy and level for s IMMO INVEST. For s IMMO share, no change in dividend policy is planned – the earnings are to be re-invested in ongoing development projects, due to be completed in 2010. After that point, a dividend distribution may be considered.

Cash flow statement

EUR '000	2007	restated 2006
Profit before taxes (EBT)	35,401	45,676
Revaluation of properties	-41,119	-29,409
Depreciation and amortisation	3,894	2,442
Gains on property disposals	-12,593	-376
Taxes on income paid	-861	-1,906
Net interest	43,254	30,082
Expenses of participating certificate restructuring	21,382	0
Cash flow from operations	49,358	46,508

Key profitability indicators

	2007	restated 2006
NOI margin	67%	75%
Cash earnings	0.64	0.46
EBITDA margin	82%	66%
EBIT margin	104%	103%

ASSETS AND FINANCES

Summarised consolidated balance sheet

EUR '000	31.12.2007	restated 31.12.2006	Change
A. Non-current assets			
I. Intangible assets	285	36	
II. Property, plant and equipment	1,533,483	1,173,486	31%
whereof properties under construction	196,674	102,121	93%
III. Financial investments	6,824	7,027	
IV. Non-current receivables	1,577	3,145	
	1,542,169	1,183,694	30%
B. Current assets	179,500	127,349	41%
C. Accruals and prepayments	1,080	3,709	
Total Assets	1,722,748	1,314,752	31%
A. Shareholders' equity			
I. Share capital	602,908	577,662	
II. Minority interests	16,694	34,553	
	619,602	612,215	
B. Participating certificates (subordinated)	297,094	314,062	
C. Non-current liabilities			
1. Long-term liabilities to banks	468,475	260,975	80%
2. Provisions	43,019	31,925	
3. Other liabilities	98,826	22,721	
	610,320	315,621	
D. Current liabilities	191,316	68,334	
E. Deferred income	4,416	4,520	
Total Equity and liabilities	1,722,748	1,314,752	31%

In financial 2007 total assets rose by 31% to EUR 1.7bn, mainly due to the increase in property, plant and equipment. This increase was the result of extensive investments in portfolio properties and development projects. Properties under construction went up by 93% to EUR 196.7m. Current assets increased by EUR 52m, or 41%, to EUR 179.5m. This mainly reflects increased liquid assets from property disposals, which were used as security for lines of credit.

At EUR 619.6m, capitals and reserves remained more or less unchanged based on decreased minority interests through the sale of the retail properties Steffl and Herzmansky. Due to increased investment activities and the ensuing higher need for liquid assets, the long-term liabilities to banks increased from EUR 261m to EUR 468.5m. At the same time the short-term liabilities to banks rose from EUR 30.2m to EUR 149m.

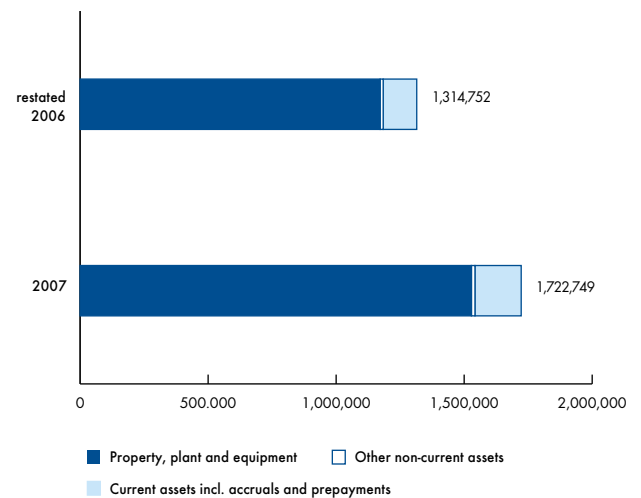
The net asset value (NAV) increased to EUR 660.2m, principally as a result of higher proceeds from property disposals and gains on portfolio revaluations. NAV/share at 31 December 2007 was EUR 9.7, which was 9% higher than a year earlier.

NAV per share

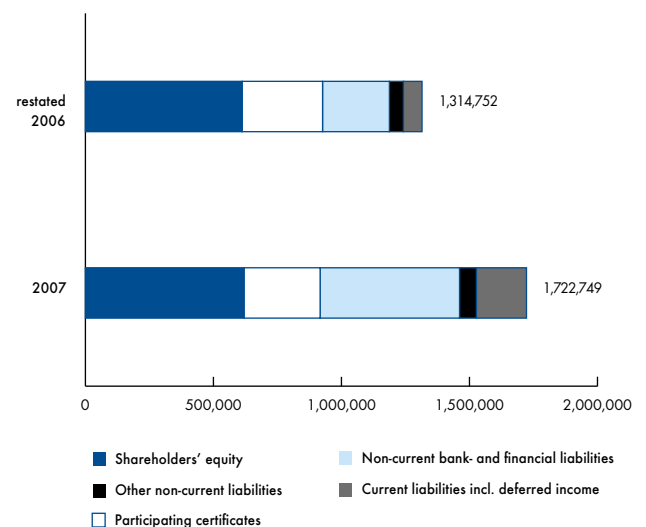
EUR m	31.12.2007
Shareholders' equity without minority interests	602.9
Deferred taxes	32.8
Off balance sheet hidden reserves	24.5
Net Asset Value (NAV)	660.2
NAV/share in EUR	9.7

Balance Sheet structure

Assets



Equity and liabilities



FINANCING STRUCTURE

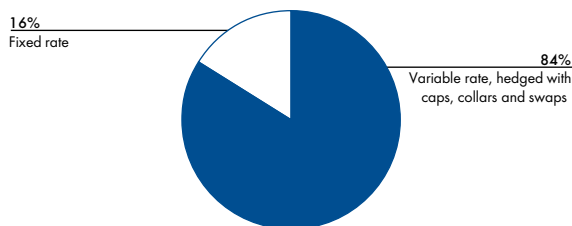
Long-term liabilities to banks as at 31 December 2007

Lending institution (EUR m)	Amount (EUR m)	in % of total assets	Fixed rate	Variable rate
Erste Bank	142.5	8%	0%	100%
Other Austrian banks	263.1	15%	27%	73%
Other German banks	62.9	4%	33%	67%
Total	468.5	27%	20%	80%

Financing – key figures

EUR m	31.12.2007	31.12.2006
Long-term liabilities to banks	544.5	261.0
Current liabilities to banks	149.0	30.2
Total liabilities to banks	693.5	291.2
Cash and cash equivalents and securities	118.2	80.6
Net bank debts	575.3	210.6
Participating certificate capital	297.1	314.1
Loan to value ratio	37%	18%
Gearing	93%	34%

Sparkassen Immobilien AG's corporate strategy, based on long-term durable value, is reflected in its generally conservative financing strategy: finance is in the form of traditional real estate loans, exclusively in euro, and there is no exposure to any kind of ABS or subprime related risks. Generally, these mortgage loans have a maturity of 10–25 years. At 31 December 2007, Sparkassen Immobilien AG had a loan to value ratio of 37% and an equity ratio of 36%. By the end of 2008, the loan to value ratio is planned to reach a maximum of 65%.



Employees

Sparkassen Immobilien AG's operating activities in 2007 were supported by a management services agreement with Immorent AG, a 100% subsidiary of Erste Bank, under which all the resources required by Sparkassen Immobilien AG for the successful performance of its operational activities were provided. Of these, employees are the most important. During 2007, around 50 of Immorent Group's 753 employees in 12 countries were working exclusively for Sparkassen Immobilien AG – in real estate acquisition, project development, asset management, controlling and finance, legal, marketing and advertising, and investor relations. At 31 December 2007 the Sparkassen Immobilien AG subsidiaries in Germany, where Immorent does not have a presence, and in Hungary employed 35 own staff.

In 2008, all staff charged with management functions or functions relating directly and exclusively to Sparkassen Immobilien AG, such as investor relations, will become employees of Sparkassen Immobilien (see Outlook). This move is in response to the expectations of the capital markets and in the interests of the Company's shareholders.

Sparkassen Immobilien AG will in future have significantly more direct access to specialised expertise in project development, legal and assets management, and at senior management level. Management functions will be exercised from the Vienna headquarters, where 31 staff currently work exclusively for Sparkassen Immobilien AG. In Bulgaria, Croatia, the Czech Republic, Romania, Slovakia and Ukraine, the Company employs a total of 6 staff. These employees can also call on the expertise and resources of the Immorent Group in these countries (including accounting, asset management, etc.). The comprehensive training programs offered by Immorent and Erste Bank Group ensure that the knowledge and skills needed to address the challenges of the future will be available. Per

employee, an average of EUR 1,000 is spent on training and development activities each year. For Sparkassen Immobilien AG employees, remuneration generally comprises a significantly larger performance-related component.

In order to protect the interests of shareholders and the independence of the Company, the Management Board are employed directly by Sparkassen Immobilien AG.



Corporate social responsibility

The interests of Sparkassen Immobilien AG, as a real estate investor, are interdependent with the wider economy and the society it serves, and the continuing, sustainable development of its customers, partners, employees and the environment is a paramount concern. Issues such as ethics, the environment, corporate governance, working conditions and other contributions to the common good are also at the core of our corporate social responsibility. Management's aim is to play its part in creating a better society, to behave responsibly, and to generate durable added value in the capital markets. All our investment and management decisions are based on long-term strategy, realistic market assessments and prudent valuation of our real estate assets.

Environment

By the nature of its core activity – investing in and developing real estate – Sparkassen Immobilien AG is geared towards maximising permanent and durable assets from the start, and our strategy focuses specifically on maintaining the quality and therefore the long-term value of our properties. Nearly half our properties have been in our portfolio for more than ten years, and their values have steadily increased. And it goes without saying that during this period we have invested heavily in the fabric and infrastructure of our assets. Air- and heating technology and modern insulation systems produce higher property yields and reduce energy consumption, and also contribute to improvement on the climate scorecard. Our annual investments of around EUR 10m have increased the value of properties and their surroundings in Austria, Germany and CEE. This has created jobs, improved living and working conditions, and overall resulted in beneficial long-term changes to cities and whole regions.

In order to make an active contribution to environmental protection, Sparkassen Immobilien AG and its partners apply the highest possible standards in selecting environmentally friendly materials and construction methods.

The Group naturally also complies with all statutory building requirements relating to disabled access and facilities. Wherever possible, we attempt to take all such norms into account at the design stage, and then incorporate them in construction. In CEE countries, where the needs of the disabled are less strictly regulated, we use the Austrian requirements as a minimum standard.

Customers and partners

Sparkassen Immobilien AG believes that clear, comprehensive information, mutual respect and communication on terms of equality are the basis of healthy, long-term relationships with customers and partners. We condemn all agreements which hinder fair competition – first and foremost corruption and other unethical business practices – and have for this reason drawn up internal ethics guidelines for all employees.

Employees

Sparkassen Immobilien AG is an international enterprise, and its staff are highly diverse – men and women differing widely in language, culture, religion and age. We value this diversity for the creativity and innovation it promotes. Sparkassen Immobilien AG puts great emphasis on employee training and development, but also on maintaining a sensible balance between work and private life. It provides its employees with a comprehensive variety of services to promote health and work-life balance. Staff can take advantage of advice and coaching sessions offered by the work-life balance centre, sporting facilities can be used at reduced rates, and in-house courses are held.

Social commitment and responsibility

Corporate social responsibility involves a voluntary contribution by business to sustainable development, over and above the statutory requirements. To this end, Sparkassen Immobilien AG supports projects dedicated to combating homelessness and promoting the arts. From a financial point of view, the preferred vehicle is long-term cooperation, although on occasion the Group will also sponsor one-off events.

In 2007 for example, we sponsored a benefit concert organised by Caritas Socialis to raise money for the further development of the Mother-Child hostel in Vienna. This involved close cooperation with Kunst hilft, an organisation which promotes a variety of social and cultural projects. Further activities are planned for 2008.

The First Arts Supermarket in Vienna, which was housed in a property owned by Sparkassen Immobilien AG at Mariahilferstrasse 10, provided support for national and international contemporary artists. With the goal of making art affordable for all, the Supermarket offers original works at reasonable prices. Over 2,500 works were on display across 230 m². More than 18,000 visitors attended the exhibition, including employees of Sparkassen Immobilien AG, who were given a special guided tour.

At the beginning of 2008 we entered into a long-term partnership with Caritas. As part of the collaboration, Sparkassen Immobilien AG will be supporting three projects to help homeless children, youths and elderly people in Romania, Bulgaria and Ukraine.

When it comes to selecting projects for sponsorship, a connection to our core real estate business together with involvement opportunities for our employees are important criteria. Staff members played a particularly important role in choosing new projects for 2008 in CEE countries, and also have the opportunity for personal involvement in the Caritas projects in Bulgaria, Romania and Ukraine.

Research and development

Extensive knowledge of the real estate markets in which it is active, gathered over many years, is a cornerstone of Sparkassen Immobilien AG's operating activities. Closely focused market observation, including field research, discussions and analyses, is carried out primarily by the operative units. The insights that they garner are then bundled and managed by the Research department, which draws up conclusions and proposals on which decisions can be based.

Larger Sparkassen Immobilien AG and Immorent AG teams are already in place in existing markets. They use structured processes for ongoing evaluation of the latest property-related, economic, legal and political developments in the relevant markets, and the systems that underlie them. These processes are closely linked to those of risk management. Working with the Vienna team, which also carries out field research in the various markets, the local staff make it possible for more accurate market estimates to be made, and provide the basis for future decisions. Property market reports from international companies, such as CB Richard Ellis and DTZ, are used as complementary information sources. In new markets such as Kiev, we obtain access to local experts, who cultivate the market in conjunction with the acquisitions and development project team. The Erste Bank's extensive network is another critical factor in this context: except in Germany, it provides support in all our markets, and particularly with financing and real estate collateralisation.



Risk management

Sparkassen Immobilien AG's business activities in different geographical markets and property categories expose it to a wide variety of risks. These can impact earnings negatively and prevent the Group from achieving its strategic goals.

Our business model helps us minimise our possible risks through deliberate diversification into different countries and different types of property.

Risk management system

Our aim in risk management is to recognise and assess operational and strategic risk in time to take any necessary remedial action. For this reason risk management is treated as a staff function: it is closely integrated with operational and strategic planning, and reports directly to the Supervisory Board. The most important risk monitoring tools are the planning and controlling processes, together with corporate guidelines and regular reporting from all markets and segments. Regular input comes from the knowledge and skills of our local experts. In addition, we regularly subject our markets to internal stress tests. The effectiveness of our risk management policies and procedures is reviewed annually by our external auditors, who report on them to the Management and Supervisory Boards.

Strategic risk

A major source of strategic risk are our decisions as to which markets and segments to invest in.

As a matter of principle, we restrict our activities to markets and segments that we know at first hand or where the experience of Erste Bank Group suggests that they are transparent, and the potential risks and benefits can be assessed.

In all its geographical markets Sparkassen Immobilien AG will accept only quantifiable risks – the legal framework, the location, the market environment and the tenants must conform to predetermined and regularly updated investment guidelines. Every acquisition is monitored by the risk management department, and the underlying investment strategy together with the potential risks and rewards are discussed exhaustively with the Supervisory Board.

As a result of our careful selection of regions and segments, we have incurred no additional risks in comparison with earlier years. The emphasis we intend to place on project development will, however, change the risk profile of our portfolio. There will be additional risks to monitor and manage (see under development risk). They will however be justified, even in the light of our preference for a prudent approach to risks and rewards, by considerably higher earnings achievable in the medium term.

Market risk

Market risk is the general risk to which markets and market segments are exposed by unexpected developments and changes. These include in particular changes in a country's overall economy, the performance of the property market as a whole, the behaviour of rents and yields, and the risks of the competitive environment. The most important manifestations are changes in achievable yields, and market prices, i.e., the yields when buying or selling.

Our basic defence against these risks is the wide geographical diversification of our portfolio.

Every property purchase is preceded by a thorough review of expected market developments. The analysis also checks for regional or structural cluster risks (overweighting of a particular region or segment).

The in-depth market understanding of local management and experts in the various countries ensures that we are kept abreast of regional developments. This puts us in a position to neutralise risks in good time or to minimise the negative outcomes. As an example, well-timed portfolio restructuring or the sale of specific properties may be an effective counter-measure when the onset of a possible downturn is to be expected.

Real estate risks (asset related)

These are risks specific to individual assets or locations, which can affect both the specific location and the surrounding environment. Asset risks are associated with the building – its fabric and condition, and the letting situation.



The most important instrument in counteracting these risks is the comprehensive due diligence review carried out before every acquisition. This is the responsibility of carefully selected experts and professionals, usually from outside the Group. It covers all the relevant topics, and in particular the legal, economic, tax, social policy and technical aspects. Major tenants are required to undergo an extensive credit rating check.

Our investment strategy also contributes to risk minimisation here: we acquire only first-class, marketable properties in central locations. Properties that do not satisfy these criteria are acquired only in exceptional cases and only where justified by the letting situation. The bulk of our commercial properties are let to international tenants with excellent credit ratings.

Risks associated with existing properties and their operations are kept within limits by local asset management in all our markets, and by close cooperation with Immorent AG, with its extensive range of resources. Regular technical appraisals and proactive tenant relationship management are important tools here. Standardised management software supplies all the key figures needed in asset management on an ongoing basis, together with management indicators for individual properties: it serves as an important early warning system for all the risks and possible deviations from plan.

Given our diversified property mix, any residual risks at the properties level are negligible.

Development risk

Continuing what we began in 2006, we have stepped up our investment in our own development projects in 2007. The significantly improved earnings opportunities are of course matched by greater risks.

The phase leading up to the decision to invest or to realise a project is particularly critical. Independent, international consulting organisations subject the property, the location and the project to detailed due diligence review. The project will only be implemented if the projected yield on which it is based, and which is calculated making extremely cautious assumptions, leaves sufficient margin for later variances in income or costs. All our project partners have many years of experience, and

since in most cases they also have a stake in the success of the project, their commitment to a smooth implementation is assured. Sparkassen Immobilien AG's aim, however, is always to have the majority interest in joint project companies, in order to be able to exercise the maximum influence on the decision-making process.

In every phase of construction, we ensure we have extensive rights of control: ongoing risk management makes possible the identification of risks in their early stages and facilitates timely intervention.

Exchange and interest rate risk

Since the rental agreements are predominantly in euro, and foreign currencies are converted into euro without delay, currency risks from operations are minimal.

The bulk of the Group's borrowings consists of variable rate loans with long maturities. The interest rate risk is 100% hedged with instruments such as interest swaps, caps and collars. In part these derivatives are also already in place for lines of credit not needed until the future. Especially in the current market environment, with capital markets nervous and volatile, these decidedly defensive risk strategies make for smooth and predictable business operations.

Regular stress tests show that because of these hedging strategies even sharply rising interest rates have only a relatively minor and insignificant effect. And we can continue to reap the rewards of any fall in interest rates.

Liquidity risks

Day-to-day management of liquidity enables us to ensure that sufficient loans and other funding are always available, so that we can take advantage of opportunities in the real estate market as they arise. Existing loans and committed lines of credit ensure that projects are completed on schedule and that planned expansion takes place.

Another advantage of our conservative approach to risk is that roughly 45% of the property portfolio is unmortgaged and can be used as security whenever required. Sparkassen Immobilien AG's own liquidity and financial management exercises overall control of the entire funding situation.



The more major commitments (development projects first and foremost) are only authorised after completion of a satisfactory liquidity review.

Operational risks

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

In many CEE countries the legal systems and procedures are still under development. Agreements concluded with international or local partners and service providers for the ownership, development, construction and management of properties in these countries are generally subject to the laws of the countries in which the properties are situated. The legal systems of Central and Eastern Europe have undergone dramatic changes in recent years and the interpretation and procedural safeguards of the new legal and regulatory systems are still being developed, particularly in those Central and Eastern European countries that have not yet joined the European Union. Such changes may result in inconsistent application of existing laws and regulations. In some jurisdictions, there may be uncertainties relating to property titles, including the ability to rely upon titles acquired from previous owners, or about rights to compensation in the event of compulsory purchases. In addition, restrictions on corrupt practices in these countries are not as developed as in some Western European countries, which can have corresponding effects on the business cultures there. Such corrupt practices by our competitors or business partners can negatively affect our business and competitive position. Although institutions and legal and regulatory systems characteristic of parliamentary democracies have been developed in all the Central and Eastern European countries in which we operate, they may lack the institutional history. In some cases, procedural guidelines may not be generally observed. As a result, changes in government policies and regulations tend to be less predictable than for instance in Western Europe. Existing laws may also be subject to further substantial revision in countries that have recently joined or are expected to join the European

Union, in order to bring them in line with new standards. Lack of legal certainty or the inability to obtain effective legal remedies in a timely fashion could have a material adverse effect on our financial position, operating results and prospects.

We face risks in connection with unanticipated changes in applicable laws or regulations. Changes in the economic and political conditions of the countries in which we operate may lead to changes in building and safety at work regulations, and rental, environmental, tax, labour, data protection and other laws affecting real estate development, ownership and use. Such changes, particularly with respect to safety at work and environmental issues, may impose significant additional costs on us. Changes in laws and regulations affecting real estate could result in higher costs for development, redevelopment, ownership, maintenance and rental of real estate.

Outlook

The financial and liquidity crisis triggered by the US subprime debacle is affecting economies worldwide, which makes it very difficult to forecast with any certainty how the markets in which Sparkassen Immobilien AG operates will perform. Attention continues to focus on interest rates, both present and expected, and it remains to be seen whether intervention by the Fed and the ECB will have any lasting impact on the capital markets. Justified fears of recession in the USA will not help to calm turbulence on financial markets in the short term. There are many indicators pointing to a global economic slowdown. However the real estate markets in which we are active are only expected to be impacted by these developments to a limited extent.

From today's perspective, economic growth in Austria and Germany can be expected to slow slightly. The ECB's response to inflationary risk in the eurozone is a restrictive interest rate policy. In countries such as the Czech Republic and Slovakia the economic climate is expected to remain favourable, and even if growth flattens it is still expected to be as high as 7%. Wages will also continue to rise, leading to higher consumer spending. Even the Hungarian economy is expected to resume growing in 2008, following the marked decline in the rate of growth in 2007. Romania, still seen as one of the biggest potential problem areas by many analysts, will also continue to grow, which will be reflected in higher net incomes. The country's rapid development has brought with it the imbalances typically encountered during the transformation of planned into free market economies. Earlier than originally foreseen entry to the EU means that the country's economy has had less time to prepare itself for the removal of customs barriers. The increased attractiveness of the country to strategic investors has led to a sustained flow of direct investments which have directly and indirectly led to a rise in short term import demand. Higher disposable incomes have also boosted demand. As in other CEE countries we will continue to experience these imbalances, albeit to a lesser degree. The same applies to Bulgaria where economic growth is expected to continue at a faster pace than elsewhere in the EU.

Effects of the financial crises on real estate markets are not as yet very noticeable, but there are also positive effects: investors with little understanding of the market and few geographical ties to the region, who had been tempted into buying by abundant liquidity, are now more restrained, or are withdrawing entirely. The removal of these powerful encouragements to rocketing land prices and project development costs means that prices are falling back to more reasonable levels.

Finance in the CEE region is also becoming costlier. Investors who are forced to take up project financing in the country in question – a situation that does not apply to Sparkassen Immobilien AG – are experiencing sharp increases in financing costs. Liquidity will be the main topic over the coming months, especially for real estate projects, and the focus will be on matching financing costs to the cash flows generated by the portfolio. Sparkassen Immobilien AG has sufficient liquidity at its disposal, and its more conservative financing policies mean that it has adequate funds to cover the costs of contractually agreed projects and investments over the coming years. If the situation in the capital markets improves we may consider a capital increase, but not at all costs, or with discounts at their current levels. The Management Board will carefully consider any potential dilutionary effects before coming to a decision.

Yields in Austria and Germany and in the more mature markets such as Prague, Bratislava and Budapest remain relatively unchanged. No further yield compression is expected here, and there may even be minor increases in yields over the coming 12–15 months especially if major international investors' plans for intensified sales push prices down. Prices in countries such as Romania and Bulgaria will either remain stable or increase, despite any levelling off of economic growth.

The consequences for Sparkassen Immobilien AG's further expansion are as follows.

Continued selective acquisition in the German residential property market, where in Sparkassen Immobilien AG's view there is significant scope for value growth, and particularly in Berlin and a few other cities.

_ Concentration on development projects and completion of projects already underway in Bucharest, Sofia, Prague, Bratislava and Kiev.

Based on the assumption that all the development projects already under construction are completed, and that the contractually agreed projects are implemented with the financing volumes envisaged, we are projecting that our property portfolio will reach about EUR 2.5bn in 2010. This is a credible forecast, as our existing portfolio amounts to EUR 1.55bn, and project developments worth a total of EUR 500m are already over 90% contractually agreed. We do not foresee any further interest rate increases in the near future, and in fact we see scope for cautious reductions. Assuming appropriate financing options, we are confident that we will not exceed an LTV of 60–65%.

This intensive use of funds, which is as yet unmatched by corresponding income, will have an impact on earnings in 2008 and 2009. We do not expect significant gains on the revaluation of existing rental properties in mature property markets. So far, we do not have any rental properties in more attractive markets such as Bulgaria and Ukraine that could generate significant valuation gains. From today's perspective, however, an increase in profits should again be noticeable as early as 2009. Some of the completed development projects will by then be making a contribution to rental income and should also be generating valuation gains. All the key revenue and earnings indicators for 2010 are expected to be significantly higher than in financial 2007, because by then our largest development projects should have been completed.

Against this background the Management Board is forecasting revenue and rental income for 2008 of EUR 99m and EUR 78m respectively.

In the interests of increased transparency and clear lines of responsibility, Sparkassen Immobilien AG has decided to insource key positions in order to significantly strengthen the Company's management. For more information see "Employees" on page 43. The existing management services agreement with IMMORENT will be amended accordingly.

We will still cooperate as closely as hitherto, so that all available synergies continue to be exploited to the maximum benefit of shareholders.

Significant events after balance sheet date

The following major transactions were completed after balance sheet date.

In Germany we increased the residential portfolio. In Berlin, 17 properties were acquired with effect from February 1 and March 1 for a purchase price of EUR 31.6m. These centrally located residential properties have a combined total lettable space of 49,000 m² in very good Berlin locations.

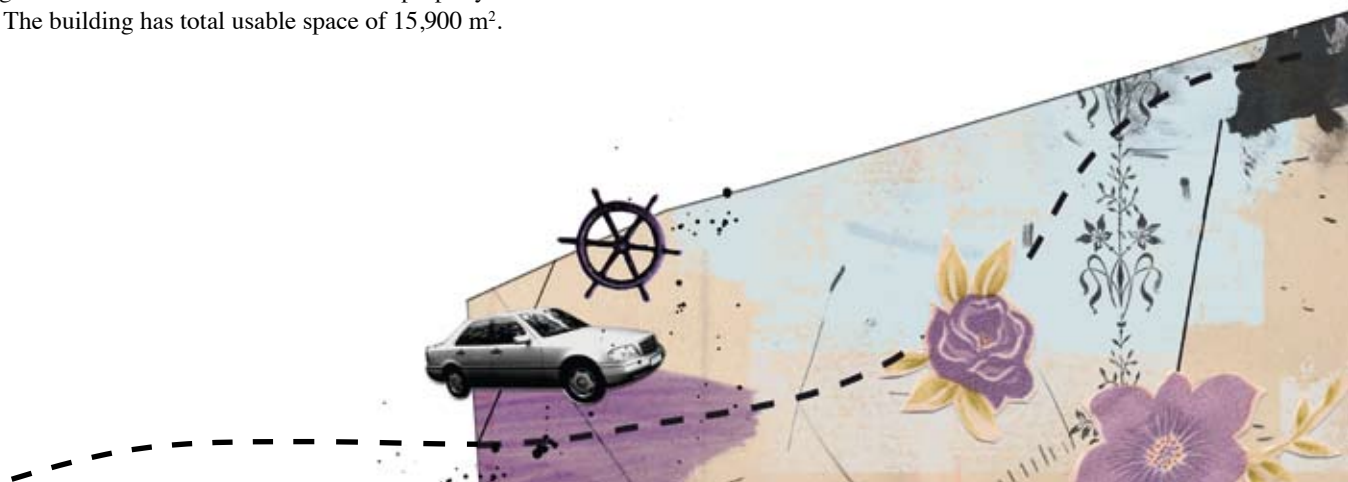
As March Sparkassen Immobilien AG made further additions to its German residential portfolio in Rostock, where it acquired nine properties for EUR 3.8m, with total lettable space of 3,900 m².

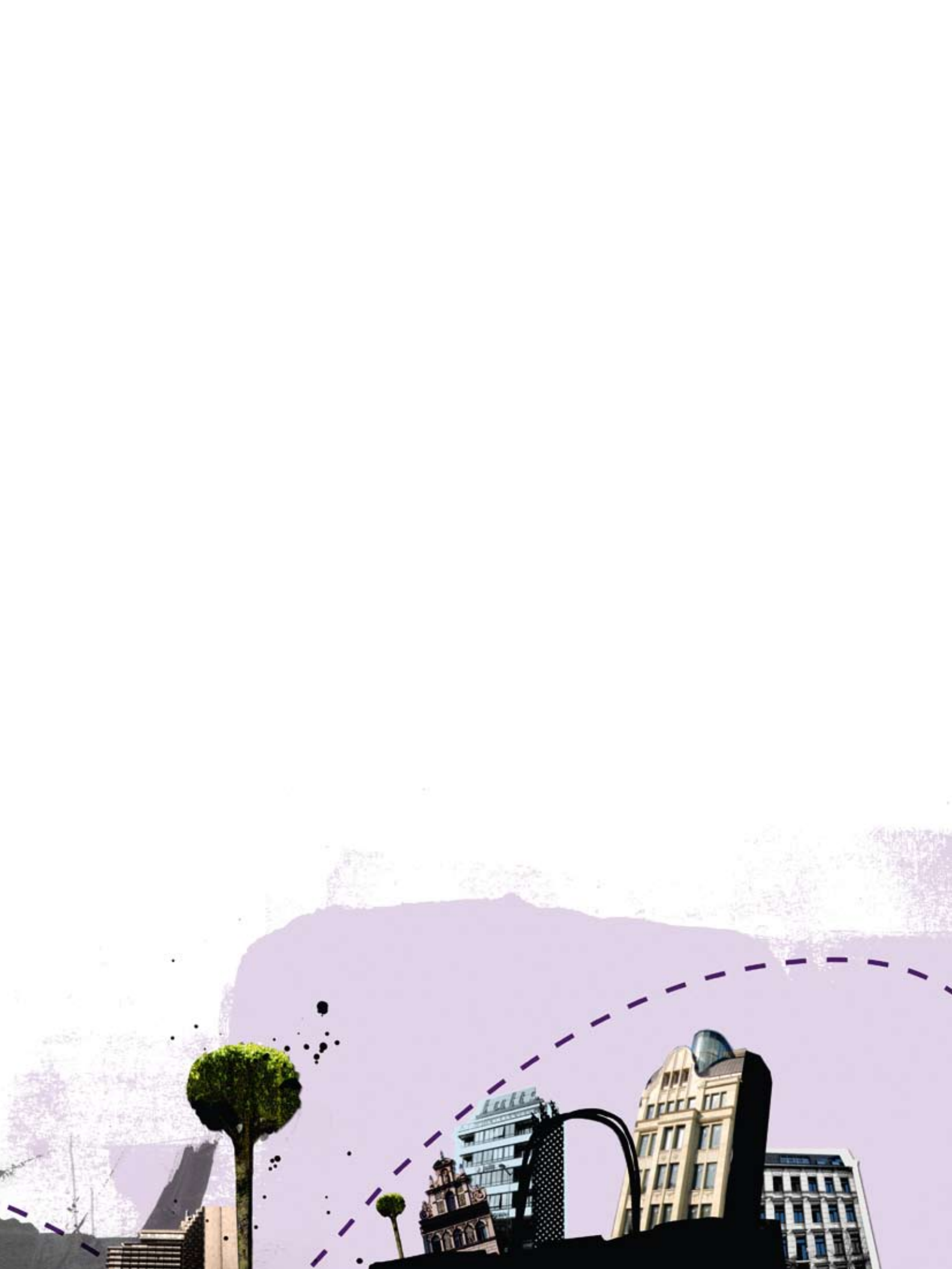
As of 1 January and March 31 we also added residential properties in Leipzig. A residential property with retail space was acquired at the beginning of 2008, the acquisition of two more residential blocks was signed – with a total lettable space of 7,800 m². The purchase price was EUR 8m.

In Austria we acquired a residential as well as a mixed use (retail, office, residential) property under development in Vienna's First District on 1 January 2008. Lettable space will add up to 15,000 m² and planned investment volume is EUR 50m.

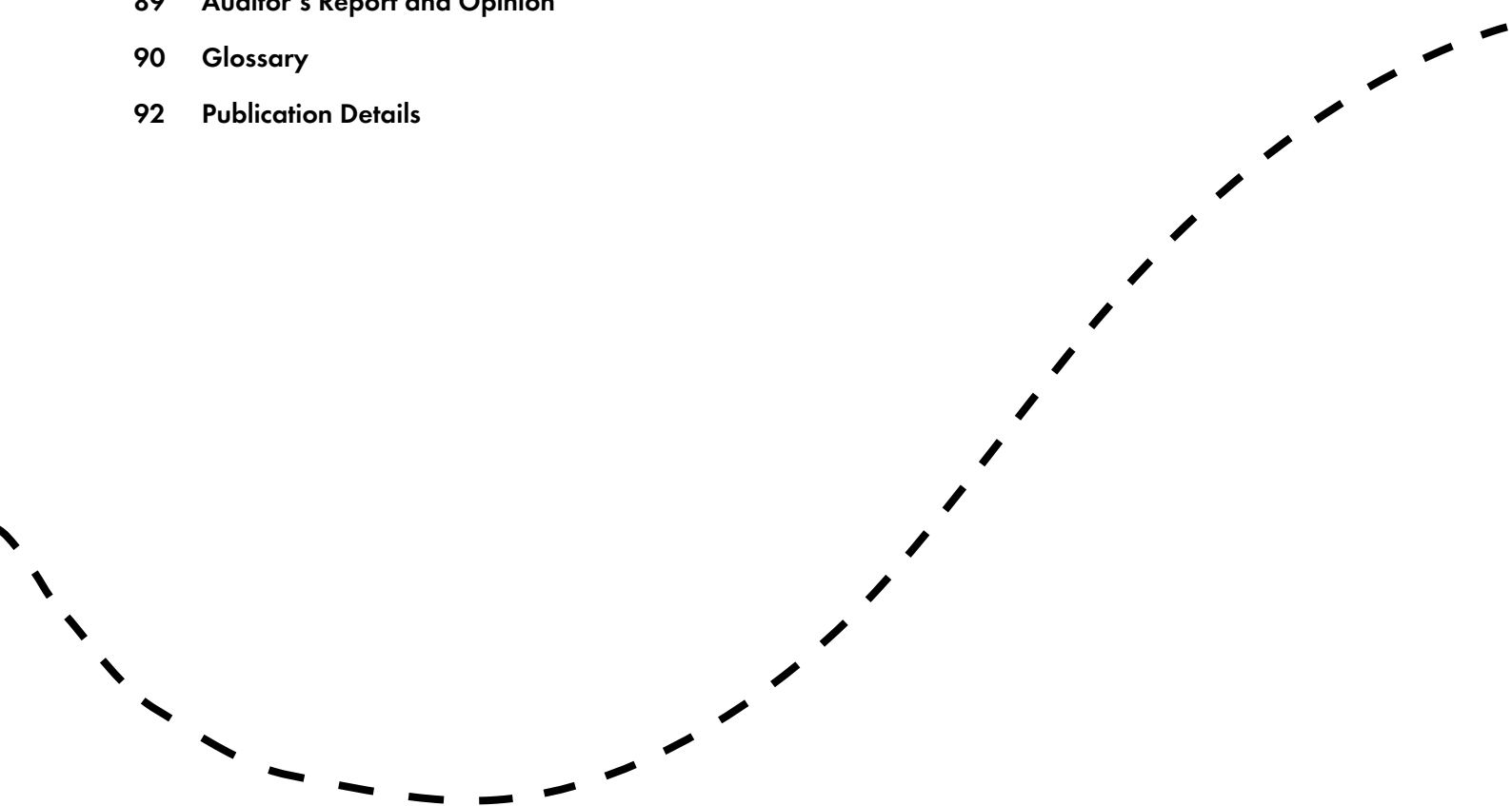
A fully let office building in the centre of Zagreb, Croatia, is another completed property recently acquired: this property has total usable space of 8,100 m² and was bought for EUR 21.6m.

We also signed a contract for the sale of an office property in Hamburg. The building has total usable space of 15,900 m².





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Consolidated Balance Sheet

as at 31 December 2007

EUR '000	Notes	31.12.2007	restated 31.12.2006
ASSETS			
A. Non-current assets			
I. Intangible assets			
1. Other		285	36
II. Property, plant and equipment			
1. Properties	15,16		
a) Rental properties		1,209,788	844,641
b) Rental properties held for disposal		31,600	151,680
c) Hotels under management		90,390	73,273
d) Properties under construction		196,674	102,121
		1,528,451	1,171,715
2. Other plant and equipment			
a) Other		5,032	1,771
III. Financial investments	17		
1. Associates		227	141
2. Group interests		6,597	6,886
IV. Non-current receivables			
1. Deferred tax assets	21	1,577	3,145
		1,542,168	1,183,694
B. Current assets			
I. Receivables and other assets			
1. Trade receivables		8,994	3,676
2. Financial receivables and advances		22,921	22,909
3. Other receivables and assets	18	29,431	20,177
		61,346	46,761
II. Marketable securities, loans and investments	19	87,144	46,574
III. Cash and cash equivalents	20	31,010	34,014
		179,500	127,349
C. Accruals and prepayments			
		1,080	3,709
		1,722,748	1,314,752

EUR '000	Notes	31.12.2007	restated 31.12.2006
EQUITY AND LIABILITIES			
A. Shareholders' equity	22, 23		
I. Share capital		247,509	247,509
II. Reserves		329,489	293,333
III. Profit after tax		25,910	36,820
IV. Minority interests		16,694	34,553
		619,602	612,215
B. Participating certificates (subordinated)	24	297,094	314,062
C. Non-current liabilities			
1. Long-term liabilities to banks	25	468,475	260,975
2. Provisions	21, 26		
a) Deferred tax liabilities		34,406	25,767
b) Other		8,613	6,158
		43,019	31,925
3. Other liabilities	27		
a) Other long-term financial liabilities		76,014	0
b) Construction costs and tenants' financing		11,699	11,665
c) Housing construction subsidies		5,624	6,113
d) Other		5,489	4,943
		98,826	22,721
		610,320	315,621
D. Current liabilities			
1. Financial liabilities		148,983	30,224
2. Trade payables		12,563	6,799
3. Other liabilities		29,770	31,311
		191,316	68,334
E. Deferred income		4,416	4,520
		1,722,748	1,314,752

Consolidated Income Statement

for the year ended 31 December 2007

EUR '000	Notes	2007	restated 2006
1. Revenues	8	95,891	73,593
whereof rental income		74,992	60,360
2. Revaluation of properties	15	41,119	29,409
3. Other operating income	9	3,906	4,822
4. Gains on property disposals	10	12,593	376
5. Operating revenue		153,509	108,200
6. Depreciation and amortisation		-3,894	-2,442
7. Other operating expenses	11	-49,578	-29,999
8. Operating profit (EBIT)		100,037	75,758
9. Finance costs	12	-43,254	-30,082
10. Expenses of restructuring the Participating Certificates Fund	13	-21,382	0
11. Profit before tax (EBT)		35,401	45,676
12. Taxes on income	14	-6,749	-7,618
13. Consolidated net profit		28,652	38,058
14. Minority interests		-2,742	-1,238
15. Interests of shareholders in parent company		25,910	36,820

Earnings per share

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

	2007	restated 2006
Equity share of consolidated net profit (EUR '000)	25,910	36,820
Average number of shares in circulation	68,118,718	59,118,718
Consolidated earnings per share (EUR)	0.38	0.62

Consolidated Cash Flow Statement

EUR '000	2007	restated 2006
Profit before taxes (EBT)	35,401	45,676
Revaluation of properties	-41,119	-29,409
Depreciation and amortisation	3,894	2,442
Gains on property disposals	-12,593	-376
Taxes paid	-861	-1,906
Net interest	43,254	30,082
Expenses of restructuring Participating Certificates Fund	21,382	0
Cash flow from operations	49,358	46,508
Changes in net current assets		
Receivables and other assets	-11,956	-26,028
Provisions and other non-current liabilities	78,560	-968
Current liabilities and deferred income	139,592	27,522
Cash flow from operating activities	255,554	47,034
Cash flow from investing activities		
Acquisition of investment properties	-487,620	-372,425
Purchase of office equipment and intangible assets	-3,510	-666
Sale/purchase of financial investments	-224	91
Disposal proceeds of properties and property holding companies	164,977	11,082
Net interest on financial investments	8,768	7,676
Net cash flow from investing activities	-317,610	-354,242
Cash flow from financing activities		
Proceeds of share issue	0	153,900
Purchase of own participating certificates	-61,746	-4,663
Increase in minority interests	-885	9,515
Dividend paid to s IMMO INVEST	-16,714	-16,714
Issuing costs of shares and participating certificates	0	-9,100
Net increase in long-term liabilities to banks	207,500	86,373
Interest paid	-28,533	-9,965
Net cash flow from financing activities	99,622	209,346
Change in cash and cash equivalents	37,566	-97,862
Cash and cash equivalents at 1 January 2007	80,588	178,450
Cash and cash equivalents at 31 December 2007	118,154	80,588
	37,566	-97,862

Changes in Consolidated Equity

EUR '000	Share capital	Capital reserves	Revenue reserves	Minority interests	Total
Balance as at 1 January 2007 – at cost	247,509	241,301	35,863	33,430	558,103
Change in accounting policy/Restatement	0	0	52,989	1,123	54,112
Balance as at 1 January 2007 – fair values	247,509	241,301	88,852	34,553	612,215
Capital increase	0	0	0	0	0
Acquisitions	0	0	0	5,529	5,529
Disposals	0	0	0	-26,053	-26,053
Profit after tax	0	0	25,910	2,742	28,652
Other changes	0	0	-664	-77	-741
whereof: available-for-sale securities	0	0	4,271	0	4,271
whereof: deferred taxes	0	0	-1,193	0	-1,193
whereof: exchange differences	0	0	-3,742	-77	-3,819
Balance as at 31 December 2007	247,509	241,301	114,098	16,694	619,602

EUR '000	Share capital	Capital reserves	Revenue reserves	Minority interests	Total
Balance as at 1 January 2006 – at cost	182,106	152,804	28,858	23,915	387,683
Change in accounting policy/Restatement	0	0	31,198	527	31,725
Balance as at 1 January 2006 – fair values	182,106	152,804	60,056	24,442	419,408
Capital increase	65,403	88,497	-6,849	0	147,051
Acquisitions	0	0	0	11,184	11,184
Disposals	0	0	0	-2,645	-2,645
Profit after tax	0	0	36,820	1,238	38,058
Other changes	0	0	-1,175	334	-841
whereof: available-for-sale securities	0	0	1,227	-2	1,225
whereof: deferred taxes	0	0	-307	0	-307
whereof: exchange differences	0	0	-2,095	336	-1,759
Balance as at 31 December 2006	247,509	241,301	88,852	34,553	612,215

Details of Share Capital

EUR '000	31.12.2007	1.1.2007	Change
Total share capital	247,509	247,509	0
Treasury shares (nominal)	0	0	0
	247,509	247,509	0

Capital Reserves

The capital reserves of EUR 192,020,000 (2006: EUR 225,386,000) are restricted reserves in the meaning of section 130(1) AktG.

Changes in Number of Shares

Units	31.12.2007	31.12.2006
Issued share capital – 1 January 2007	68,118,718	50,118,718
Capital increase	0	18,000,000
Treasury shares sold	0	0
Issued share capital at 31 December 2007	68,118,718	68,118,718
Treasury shares	0	0
Total shares in issue	68,118,718	68,118,718

The shares are listed on the Vienna Stock Exchange.

Notes to the Consolidated Financial Statements

SPARKASSEN IMMOBILIEN AKTIENGESELLSCHAFT

1. REPORTING UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The consolidated financial statements of Sparkassen Immobilien Aktiengesellschaft (s Immobilien AG), Vienna, for the year ended 31 December 2007 have been prepared in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards; this regulation requires publicly traded companies inside the European Union to prepare and publish their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for all financial years beginning after 1 January 2005. Article 3(1) of Regulation (EC) No 1606/2002 requires the application of the standards implemented in European Union legislation under Article 6(2) of that Regulation, in line with the comitology procedure. The International Financial Reporting Standards (IFRS) adopted by the European Union are directly applicable in the Member States and do not require transposition into national legislation. For the purposes of Community law, the authentic texts are the International Financial Reporting Standards (IFRS) published in each of the official languages of the Community. Section 245a(1) Austrian Business Code (UGB) establishes the general obligation to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) in the meaning of Article 4(1) IAS-VO 1606/2002. The consolidated financial statements prepared by Sparkassen Immobilien Aktiengesellschaft in the past took advantage of the option afforded under section 245a(1) UGB to apply international accounting standards, which provides exemption from the requirement to prepare consolidated financial statements in accordance with Austrian accounting requirements.

2. GENERAL

2.1. Business

Sparkassen Immobilien AG has been listed on the Vienna Stock Exchange since 1992, and since 2007 the stock is listed in the Prime Segment. The company focuses on the acquisition, letting and sale of properties in different regions and market segments in order to achieve a balanced investment portfolio. Another business activity is the development and construction of properties in cooperation with project development partners. Sparkassen Immobilien AG is headquartered in Windmühlgasse 22-24, A-1060 Vienna, Austria. It has properties in Austria, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Romania and Bulgaria. It also has subsidiaries in Denmark, Cyprus and Ukraine. The Company is registered in the commercial register of the Commercial Court of Vienna under reference 58358x.

2.2. Accounting policies

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

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

The accounting and valuation policies applied in the consolidated financial statements for the year ended 31 December 2006 have been retained, with one exception: as of 1 January 2007 the fair value model is used for rented properties instead of the cost model (IAS 40). In the financial statements for financial 2007, last year’s comparative figures have accordingly been restated, so that there may be differences between some of the comparative figures and the figures published for 2006.

In the coming financial years s Immobilien AG’s financial reporting is likely to be affected in particular by IFRS 8,

Operative Segments, and the revised IAS 23, Borrowing Costs. While the effect of using the management approach for segment reporting has still to be analysed in greater detail, it is to be foreseen that the future required capitalisation of borrowing costs for qualifying assets whose construction takes place over a longer period of time will be to increase the carrying values of assets under construction in particular and to reduce financing expense. Subsequently, the capitalised borrowing costs will result in changes in valuation-dependent outcomes once the completed properties have been taken into service.

3. CONSOLIDATED GROUP

In addition to the accounts of s Immobilien AG, the consolidated financial statements include the accounts of 62 companies (property holding or intermediary holding companies), which are directly or indirectly owned by s Immobilien AG.

Company	Location	Country	Nominal capital	%	Currency	Initial consolidation
CEE Immobilien GmbH	Vienna	A	35,000	100	EUR	
CEE PROPERTY-INVEST Immobilien AG	Vienna	A	48,000,000	100	EUR	
CEE CZ Immobilien GmbH	Vienna	A	35,000	100	EUR	
German Property Invest Immobilien GmbH	Vienna	A	35,000	100	EUR	
Hotel DUNA Beteiligungs Gesellschaft m.b.H.	Vienna	A	145,346	100	EUR	
AKIM Beteiligungen GmbH	Vienna	A	35,000	100	EUR	
IMMIN Beteiligungen GmbH	Vienna	A	35,000	100	EUR	
WO Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	
SO Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	
CEE Beteiligungen GmbH	Vienna	A	35,000	100	EUR	
API Holding AG	Salzburg	A	100,000.00	98	EUR	30.4.2007
E.V.I. Immobilienbeteiligungs GmbH	Vienna	A	35,000.00	100	EUR	1.1.2007
„Hermes“ Bau Planungs- und Errichtungsgesellschaft m.b.H.	Vienna	A	36,336.42	100	EUR	30.9.2007
SIAG Berlin Wohnimmobilien GmbH	Vienna	A	3,982,500.00	99.74	EUR	2.7.2007
E.I.A. eins Immobilieninvestitions GmbH	Vienna	A	36,336.41	100	EUR	31.12.2007
Hansa Immobilien EOOD	Sofia	BG	5,000	77	BGN	
CEE Property Bulgaria EOOD	Sofia	BG	20,000.00	100	BGN	1.1.2007
Siag Holding Limited	Nicosia	CY	3,000	100	CYP	
Areal CZ spol. s.r.o.	Prague	CZ	100,000	100	CZK	
Eltima Property Company s.r.o.	Prague	CZ	100,000	100	CZK	
Vila Property s.r.o.	Prague	CZ	1,200,000	100	CZK	
REGA Property Invest s.r.o.	Prague	CZ	200,000	100	CZK	
Tolleson a.s.	Prague	CZ	200,000	100	CZK	
SIAG Burstah Immobilien GmbH	Berlin	D	25,000	100	EUR	
Lützow-Center GmbH	Berlin	D	25,000	100	EUR	
Ikaruspark GmbH	Berlin	D	25,000	100	EUR	
SIAG Deutschland Betriebsgesellschaft mbH	Berlin	D	25,000	100	EUR	
S Immo Geschäftsimmobilien GmbH (former: SIBI Hotel-Immobilien GmbH)	Berlin	D	25,000	100	EUR	
S Immo Wohnimmobilien GmbH	Berlin	D	25,000	100	EUR	
Markt Carree Halle Immobilien GmbH	Berlin	D	25,000	100	EUR	
Tölz Immobilien GmbH	Berlin	D	25,000	100	EUR	
Einkaufs-Center Sofia G.m.b.H. & Co KG	Hamburg	D	27,522,000	65	EUR	
SIAG Deutschland Beteiligungs-Verwaltungs GmbH	Berlin	D	25,000.00	100	EUR	2.7.2007
SIAG Deutschland Beteiligungs GmbH & Co. KG	Berlin	D	100,000.00	99.74	EUR	2.7.2007
SIAG Leipzig Wohnimmobilien GmbH	Berlin	D	750,000.00	99.74	EUR	2.7.2007

Company	Location	Country	Nominal capital	%	Currency	Initial consolidation
Maior Domus Hausverwaltung GmbH	Berlin	D	25,000.00	75.00	EUR	2.7.2007
K.J. Ejendomme Syd ApS	Arhus	DK	1,000,000	100	EUR	
H.W.I. I ApS	Arhus	DK	7,000,000	100	DKK	
H.W.I. III ApS	Arhus	DK	30,000,000	100	DKK	
H.W.I. IV ApS	Arhus	DK	1,000,000	100	DKK	
Immobilienfond Hamburg I ApS	Arhus	DK	125,000	100	DKK	
GERMAN PROPERTY INVESTMENT I APS (GPI I APS)	Aarup	DK	125,000.00	99.71	DKK	31.3.2007
GERMAN PROPERTY INVESTMENT II APS (GPI II APS)	Aarup	DK	125,000.00	99.71	DKK	31.3.2007
GERMAN PROPERTY INVESTMENT III APS (GPI III APS)	Aarup	DK	125,000.00	99.71	DKK	1.7.2007
Bank-garázs Ingatlanfejlesztési és Vagyonhasznosító Kft.	Budapest	H	100,100,000	100	HUF	
CEE Property-Invest Ingatlan Kft.	Budapest	H	100,000,000	100	HUF	
Maros utca Építési és Ingatlanhasznosítási Kft.	Budapest	H	477,000,000	100	HUF	
Buda Kereskedelmi Központ Kft.	Budapest	H	3,000,000	100	HUF	
Duna Szálloda Zrt.	Budapest	H	3,392,600,000	100	HUF	
Szegedi ut Ingatlankezelő Kft.	Budapest	H	10,000,000	100	HUF	
Nagymező utcai Projektfejlesztési Kft.	Budapest	H	462,590,000	100	HUF	
CEE Property-Invest Hungary 2003 Ingatlan Kft.	Budapest	H	3,000,000.00	100	HUF	1.1.2007
CEE PROPERTY INVEST ROMANIA SRL	Bucharest	RO	1,000	100	RON	
Societate Dezvoltare Comercial Sudului (SDCS) S.R.L.	Bucharest	RO	1,000	100	RON	
Victoriei Business Plaza S.R.L.	Bucharest	RO	18,852,144	100	RON	
DUAL Construct Invest S.R.L.	Bucharest	RO	2,000	82	RON	
ROTER INVESTITII IMOBILIARE S.R.L.	Bucharest	RO	4,472,020.00	100	RON	1.1.2007
Galvaniho Business Centrum, s.r.o.	Bratislava	SK	200,000	100	SKK	
Galvaniho 2, s.r.o.	Bratislava	SK	200,000	100	SKK	
IPD - International Property Development, s.r.o.	Bratislava	SK	1,000,000.00	100	SKK	31.12.2007
SIAG Fachmarktzentren s.r.o.	Bratislava	SK	200,000.00	100	SKK	1.12.2007
Austria Real Invest Ukraine LCC	Kiev	UA	66,382.25	100	UAH	21.2.2007

In 2007, the three Danish companies (GPI APSs) were acquired by s Immobilien AG, and they in their turn acquired seven residential properties in Northern Germany with a total value of EUR 16.5m. E.V.I. Immobilienbeteiligungs GmbH, an s Immobilien AG subsidiary not previously included in consolidation, acquired the Lloydhof property in Bremen in the second quarter of 2007 for EUR 21.8m.

At the beginning of the third quarter the entire residential rental property portfolio of Citec Immobilien-Gruppe in Germany with a value of EUR 185m was acquired, together with debts of EUR 119.8m. Sparkassen Immobilien AG is taking over 88 properties with about 2,200 apartments, most of them in prime positions in Berlin and Leipzig. In addition to the two property ownership companies, two holding companies and one property management company were also included in consolidation for the first time.

API Holding AG, Salzburg, and Austria Real Invest Ukraine LCC, Kiev, were formed in first half of 2007 and will be focusing on the Ukrainian market.

An agreement to purchase all the shares in ROTER INVESTITII IMOBILIARE S.R.L., in Bucharest, was signed in mid-January 2007. The company is the sole proprietor of a roughly 97,000 m² plot of land in Jilava, Romania. The purchase price was EUR 7.4m, and no liabilities were assumed.

CEE Property Bulgaria EOOD, a ready-made company already owned by the Group, was consolidated for the first time with effect from 1 January 2007, since it took over project assets during the first quarter of the year.

„Hermes“ Bau Planungs- und Errichtungsgesellschaft m.b.H. was acquired at the end of the third quarter. Its assets consist of one office building worth EUR 1.9m. No material debts were assumed.

The fourth quarter also saw the initial consolidation of two Slovakian companies, IPD - International Property Development, s.r.o. and SIAG Fachmarktzentren s.r.o. While the latter was newly founded, the former was acquired by s Immobilien AG for EUR 3.6m together with liabilities of EUR 0.7m.

At balance sheet date the company E.I.A. eins Immobilieninvestitions GmbH was acquired for a total of EUR 3.7m; this company owns the Akademiehof office building, in Vienna's First District. Liabilities acquired with the sale amount to EUR 15m.

The initial consolidation of these transactions applied the purchase method, in accordance with IFRS 3.

In the third quarter of 2007 the Czech intermediary holding company Palac Karlin s.r.o. and its subsidiary, the property ownership company Palác Karlin Property a.s., were sold. In Austria the 75% interest in Kaufhaus Steffl Betriebs AG was sold. The details of these transactions are shown in note 10.

Also in the third quarter, the remaining 25% holding of shares in Herzmansky Kaufhaus AG was purchased for EUR 6.4m. In the fourth quarter Herzmansky Kaufhaus AG was merged into s Immobilien AG.

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 and then amortised. In calculating goodwill, foreign currencies are translated at the exchange rate ruling on the date of initial consolidation. There is currently no goodwill on consolidation being carried as an asset.

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

5. FOREIGN CURRENCY TRANSLATION

Translation of financial statements in foreign currencies

The Group reporting currency is the euro (EUR). Annual financial statements prepared in foreign currencies are translated using the modified closing rate method. As a general rule, assets are translated at historical rates. Revaluations of rented properties are always in euro. Income statement items are translated using average exchange rates for the period; revaluation and depreciation and amortisation of property used by the company are an exception – historical rates or EUR are used. Gains and losses on currency translation are not treated as income or expense but are included under revenue reserves.

6. ACCOUNTING AND VALUATION POLICIES

Intangible assets

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

PROPERTY, PLANT AND EQUIPMENT

Rental properties

With effect from 1 January 2007, the fair value method (in accordance with IAS 40) is used in the valuation of rental properties, replacing the cost model. The effects of the change in valuation methods are set out in note 7, Changes in accounting and valuation policies.

The properties, the majority of which are rented, are generally valued annually on the basis of current market conditions, and largely by independent, professional, court-recognised experts. The valuations are based on earnings, calculated on the basis of expected sustainable future rental yields and market interest rates (Austria: 2.5%–5.5%; elsewhere: 4.25%–7.75%). Properties purchased close to balance sheet date are valued on the basis of acquisition costs.

Rental properties held for disposal

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

Hotels under management, other plant and equipment

Properties operated by the company, in particular hotel properties, are valued using the cost model (original acquisition or construction cost). This valuation method is also applied to other plant and equipment.

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

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

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

Properties under construction

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

Investments and securities

Shares in associated companies and investments for which fair values can not be established – due to the lack of a stock exchange listing – are recognised at acquisition cost, reduced by impairment losses where the loss in value is expected to be other than merely temporary.

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

Receivables and other assets

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

Cash and cash equivalents

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

Taxes

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

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

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

Financial liabilities

Financial liabilities are recognised at the amount repayable.

Provisions

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

Trade payables and other liabilities

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

Derivatives

s Immobilien AG Group uses derivative financial instruments – interest rate caps, collars and swaps – to reduce the risks attendant on interest rate increases. They are generally measured at cost of acquisition: at 31 December 2007 their positive market value was EUR 6,769,000.

Income recognition

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

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

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

7. CHANGES IN ACCOUNTING AND VALUATION POLICIES

As of 1 January 2007, s Immobilien AG has adopted the alternative treatment available under IAS 40, the fair value model, for the measurement of investment properties. The change was in response to the conditions in the capital markets at the time.

The comparative figures for last year have been restated.

This change in accounting policy resulted in the following changes in the balance sheet and income statement:

Assets as at 1 January 2007

EUR '000	At Cost	Adjustments	Fair Value
A. Non-current assets			
I. Intangible assets			
1. Other	36	0	36
II. Property, plant and equipment			
1. Rental properties	732,889	111,752	844,641
2. Rental properties held for disposal	147,640	4,040	151,680
3. Hotels under management	73,273	0	73,273
4. Properties under construction	102,121	0	102,121
5. Other plant and equipment	1,771	0	1,771
III. Financial assets	7,027	0	7,027
IV. Non-current receivables	3,145	0	3,145
	1,067,902	115,792	1,183,694
B. Current assets	127,349	0	127,349
C. Accruals and prepayments	3,709	0	3,709
	1,198,960	115,792	1,314,752

Equity and liabilities as at 1 January 2007

EUR '000	At Cost	Adjustments	Fair Value
A. Shareholders' equity			
I. Share capital	247,509	0	247,509
II. Reserves	277,164	52,989	330,153
III. Consolidated profit after tax	0	0	0
IV. Minority interests	33,430	1,123	34,553
	558,103	54,112	612,215
B. Participation certificates	269,058	45,004	314,062
C. Non-current liabilities			
1. Long-term liabilities to banks	260,975	0	260,975
2. Provisions	12,434	19,491	31,925
3. Other liabilities	22,721	0	22,721
	296,130	19,491	315,621
D. Current liabilities	71,149	-2,815 *	68,334
E. Deferred income	4,520	0	4,520
	1,198,960	115,792	1,314,752

* Effect under previous policy of exchange translation or consolidation of investments held in S-Immo-Invest portfolio

INCOME STATEMENT**Whole year ended 31 December 2006**

EUR '000	At Cost	Adjustments	Fair Value
1. Revenues	73,593	0	73,593
2. Revaluation of properties	0	29,409	29,409
3. Other operating income	11,320	-6,498	4,822
4. Gains on property disposals	1,474	-1,098	376
5. Operating revenue	86,387	21,813	108,200
6. Depreciation and amortisation	-21,078	18,636	-2,442
7. Other operating expenses	-29,999	0	-29,999
8. Operating profit (EBIT)	35,310	40,449	75,758
9. Net financing cost	-16,139	-13,943	-30,082
10. Profit before tax (EBT)	19,171	26,506	45,676
11. Taxes on income	-3,498	-4,120	-7,618
12. Profit after tax	15,673	22,386	38,058
whereof: interests of shareholders in parent company	15,029	21,789	36,820
whereof: minority interests	642	596	1,238

NOTES ON THE INCOME STATEMENT AND BALANCE SHEET

INCOME STATEMENT

8. REVENUES AND SEGMENT REPORTING

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

The primary segmentation is as follows:

EUR '000	Austria		Germany	
	2007	restated 2006	2007	restated 2006
Revenues	36,343	38,669	33,079	12,268
Revaluation of properties	29,273	10,446	-7,441	-926
Other operating income	3,510	1,413	864	84
Operating revenue	69,126	50,528	26,502	11,426
Depreciation and amortisation	-29	-122	-61	-28
Other operating expenses	-22,627	-18,101	-15,072	-4,295
Operating income	46,470	32,305	11,369	7,103
Non-current assets 31.12.	451,730	539,789	571,225	240,021
Non-current assets (including participating capital in Austria) 31.12.	541,585	430,927	210,269	64,244

Slovakia		Czech Republic		Hungary		Bulgaria		Romania		Ukraine		Total	
2007	restated 2006	2007	restated 2006	2007	restated 2006	2007	restated 2006	2007	restated 2006	2007	restated 2006	2007	restated 2006
4,246	3,696	6,491	6,898	12,747	11,531	0	0	2,985	531	0	0	95,891	73,593
1,835	7,805	1,777	11,920	15,675	164	0	0	0	0	0	0	41,119	29,409
11	13	10,908	35	1,100	3,650	16	0	90	3	0	0	16,499	5,198
6,092	11,514	19,176	18,853	29,522	15,345	16	0	3,075	534	0	0	153,509	108,200
-54	0	-102	-201	-2,488	-1,819	0	0	-1,160	-272	0	0	-3,894	-2,442
-1,438	-1,289	-3,660	-2,172	-3,983	-3,548	-324	-145	-2,313	-449	-161	0	-49,578	-29,999
4,600	10,225	15,414	16,480	23,051	9,978	-308	-145	-398	-187	-161	0	100,037	75,758
65,053	39,160	105,646	107,569	205,121	165,262	59,389	40,430	83,960	51,463	44	0	1,542,168	1,183,694
7,858	6,374	71,095	49,053	76,607	79,030	0	0	0	55	0	0	907,414	629,683

Revenues were made up as follows:

EUR '000	1-12/2007	restated 1-12/2006
Rental income	74,992	60,360
Service charges	20,899	12,887
Other	0	346
	95,891	73,593

Segmentation by property type:

Property type	Rental income 1-12/2007		Rental income restated 1-12/2006	
	EUR '000	%	EUR '000	%
Office	33,138	44.19	34,469	57.10
Residential	16,363	21.82	5,647	9.36
Commercial	19,436	25.92	16,344	27.08
Hotel	6,055	8.07	3,900	6.46
	74,992	100.00	60,360	100.00

9. OTHER OPERATING INCOME

EUR '000	1-12/2007	restated 1-12/2006
Gross operating profit (hotel operations)	975	3,628
Release of housing construction subsidies	489	489
Other	2,442	705
	3,906	4,822

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

EUR '000	1-12/2007	restated 1-12/2006
Revenues	11,018	13,684
Directly attributable costs	-8,831	-8,745
Other costs	-1,212	-1,311
	975	3,628

At balance sheet date Duna Szálloda Zrt. employed 233 staff (2006: 211). The staff costs for the hotel are included under directly attributable costs.

10. GAINS ON PROPERTY DISPOSALS

EUR '000	1-12/2007	restated 1-12/2006
Disposal proceeds	182,594	11,082
Carrying value of disposals:		
Rental properties	-1,835	
Properties held for disposal	-168,166	-10,706
	12,593	376

The disposal proceeds are from the sale of two property ownership companies and three properties in Austria and the Czech Republic.

In addition to the realised gains from the sale of properties of EUR 12.6m, revaluation gains of EUR 16.1m recognised in third quarter 2007 have already been realised in cash. This brings the gains on property disposal, without taking other revaluation gains during the year into account, up to EUR 28.7m. The revaluation was carried out during the year because the unrealised gains from this transaction could already be counted on, but could not be recognised as realised because the closing formalities had not been completed.

11. OTHER OPERATING EXPENSES

EUR '000	1-12/2007	restated 1-12/2006
Expenses directly attributable to property		
Service charges	21,693	14,101
Specific provisions on receivables	525	608
Maintenance costs	6,251	3,022
Commissions	575	656
Other	3,348	1,115
	32,392	19,502
General management expenses		
Management fees and administration expenses	5,135	4,238
Staff costs	2,077	1,494
Legal, audit, valuation and consultancy costs	4,879	2,381
Other taxes and charges	632	973
Marketing, advertising and hospitality expenses	1,145	557
Provision for transaction risks	1,900	0
Other	1,418	854
	17,186	10,497
	49,578	29,999

The members of the Management Board are employees of s Immobilien AG. The remuneration of the members of the Management Board active during the financial year amounted to EUR 848,000. This also includes costs for pension fund contributions (EUR 80,000) and pension commitments (EUR 263,000). For the current year the costs for pension commitments consisted of EUR 41,000 service cost and EUR 27,000 for interest expense.

Management services are provided by IMMORANT AG under a management agreement.

Several subsidiaries in the Group employ their own staff: during 2007, the Group had an average of 38 (2006: 31) own staff, in addition to the employees in hotel operations. Compensation paid to Supervisory Board members (including members of supervisory boards of Group companies) amounted to EUR 71,000 (2006: EUR 49,000). Neither members of the Management Board nor Supervisory Board members received either loans nor advances, and no guarantees have been given on their behalf.

12. FINANCE COSTS

EUR '000	1-12/2007	restated 1-12/2006
Income entitlements of participation certificates	-22,784	-25,878
Finance expense	-29,975	-11,383
Financial income	9,505	7,179
	-43,254	-30,082

Finance expense

EUR '000	1-12/2007	restated 1-12/2006
Bank loan interest	-23,515	-10,932
Other interest expenses	-2,282	0
Preparation costs of capital increase	-1,055	0
Other finance costs	-3,123	-451
	-29,975	-11,383

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

Finance income

EUR '000	1-12/2007	restated 1-12/2006
Bank interest	5,739	4,275
Other interest income (in particular on cash deposits)	2,408	2,059
Income from investments	1,358	578
Other	0	267
	9,505	7,179

**13. EXPENSES OF RESTRUCTURING
THE PARTICIPATION CERTIFICATES FUND**

The expense is made up of EUR 10,174,000 resulting from a change in the terms of the Participation Certificates Agreement as of 1 January 2007, and of a EUR 10,808,000 book loss on the repurchase of 582,509 participation certificates on 2 July 2007. There were also incidental expenses of EUR 400,000.

These participation certificates were retired at the end of September 2007.

14. TAXES ON INCOME

EUR '000	1-12/2007	restated 1-12/2006
Current tax expense	468	966
Deferred tax expense	9,982	6,718
Deferred tax credit relating to prior years	-3,701	-66
	6,749	7,618

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

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

EUR '000	1-12/2007	restated 1-12/2006
Consolidated net profit before tax	35,401	45,676
Income tax expense of the financial year at the standard Austrian tax rate (25%)	8,850	11,419
Effects of differing tax rates	-2,168	-751
Reductions in tax relating to tax free or tax exempt income	-4,878	-3,385
Increases in tax relating to expenses not deductible for tax purposes	8,646	401
Prior years' taxes	-3,701	-66
Tax expense as disclosed	6,749	7,618

The effect of differing tax rates consists of the effects of lower foreign tax rates.

The tax credit in respect of prior years is the result of the permanent reduction in the rate of corporate income tax in the Czech Republic from 24% to 19% as well as the repurchase and cancellation of participating certificates.

BALANCE SHEET

15. RENTAL PROPERTIES

Changes in rental properties were as follows:

EUR '000	1-12/2007	restated 1-12/2006
Carrying values as at 1 January - at cost	732,889	642,146
Change in accounting policy	111,752	75,343
Carrying values as at 1 January - fair value	844,641	717,489
Additions	373,141	260,129
Disposals	-1,835	-10,706
Reclassification	-31,600	-151,680
Revaluation increases	52,190	34,899
Impairment writedowns	-26,749	-5,490
Carrying values as at 31 December	1,209,788	844,641

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

EUR '000	1-12/2007	restated 1-12/2006
Austria	34,118	18,997
Germany	338,225	205,120
Czech Republic	194	346
Hungary	604	17,283
Slovakia	0	18,383
	373,141	260,129

All properties:

Rental properties

EUR '000	31.12.2007	restated 31.12.2006
Austria	440,963	395,461
Germany	537,650	238,623
Czech Republic	59,280	57,310
Hungary	131,155	114,347
Slovakia	40,740	38,900
	1,209,788	844,641

Rental properties held for disposal

EUR '000	31.12.2007	restated 31.12.2006
Austria	0	125,400
Germany	31,600	0
Czech Republic	0	26,280
	31,600	151,680

At balance sheet date the properties earmarked for sale comprised one commercial property in Germany (see note 33). There are no debts directly attributable to this property. In the second half of 2007 two Austrian properties and one Czech property were sold.

Other investments

	Interest %	31.12.2007 EUR '000
BGM-IMMORENT Aktiengesellschaft & Co KG	22.25	2,117
PCC- Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co. KG Participating loan		3,722
ERSTE Immobilien Kapitalanlagegesellschaft mbH	15.0	750
Other		8
		6,597

16. HOTELS UNDER MANAGEMENT

Hotels under management

EUR '000	31.12.2007	restated 31.12.2006
Hungary	63,093	46,806
Romania	27,297	26,467
	90,390	73,273

Properties under development for rental

EUR '000	31.12.2007	restated 31.12.2006
Austria	2,452	8,423
Germany	1,486	1,159
Romania	56,514	24,979
Bulgaria	59,382	40,430
Czech Republic	46,096	23,582
Slovakia	24,023	0
Hungary	6,721	3,548
	196,674	102,121

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

17. FINANCIAL INVESTMENTS

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

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

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

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

18. RECEIVABLES AND OTHER ASSETS

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

Receivables and other assets were made up as follows:

EUR '000	31.12.2007	restated 31.12.2006
Present value of rental guarantee	1,846	2,077
Construction loan subsidies outstanding	708	833
Current tax credits	10,084	4,497
Property management agents' clearing accounts	717	795
Accrued interest and interest rate caps and collars	9,339	5,056
Subsidiary in process of formation	0	750
Sundry	6,737	6,169
	29,431	20,177

Default risks on receivables are minor.

19. MARKETABLE SECURITIES, LOANS AND INVESTMENTS

This item chiefly consists of time deposits that serve as securities for long-term liabilities to banks, and which cannot therefore be classified as cash or cash equivalents.

An amount of EUR 41,373,000 in the comparative figures for the last financial year has also been reclassified out of cash or cash equivalents and included here.

20. CASH AND CASH EQUIVALENTS

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

EUR '000	31.12.2007	restated 31.12.2006
Erste Bank Group	18,924	17,197
Other banks	11,998	16,749
Cash in hand	88	68
	31,010	34,014

21. DEFERRED TAX ASSETS AND LIABILITIES

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

Temporary differences	Deferred tax assets		Deferred tax liabilities	
	31.12.2007	restated 31.12.2006	31.12.2007	restated 31.12.2006
EUR '000				
Tax loss carryforwards	3,879	4,062	386	815
Property	-2,302	-1,069	-32,601	-24,068
Other	0	152	-2,191	-2,514
	1,577	3,145	-34,406	-25,767

22. SHAREHOLDERS' EQUITY

The issued share capital of the Group's parent company amounts to EUR 247,509,000 and consists of 68,118,718 no par value bearer shares. The issued share capital is fully paid up.

The shares are listed on the Vienna Stock Exchange.

The Management Board is authorised to increase the issued share capital by up to EUR 123,755,000 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).

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

23. MINORITY INTERESTS

In 2007, holdings amounting to 94.9% of SIAG Deutschland Beteiligungs GmbH & Co. KG, Berlin, 75% of Maior Domus Hausverwaltung GmbH, Berlin and 98% of API Holding AG, Salzburg were acquired.

Minority interests disclosed in the financial statements to a value of EUR 16,694,000 consist of EUR 14,906,000 invested in Hansa Immobilien EOOD / Einkaufscenter Sofia G.m.b.H. & Co KG (35% interest), EUR 1,591,000 in DUAL Construct Invest S.R.L. (36% interest), EUR 165,000 in SIAG Deutschland Beteiligungs GmbH & Co. KG (5.1% interest), EUR 30,000 in Maior Domus Hausverwaltung GmbH (25% interest) and EUR 20,000 in API Holding AG (2% interest).

24. PARTICIPATION CERTIFICATES (SUBORDINATED)

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

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

$$\frac{\text{(Participation certificate capital + profit brought forward)} * \text{Consolidated EBIT}}{\text{Average property portfolio}}$$

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

For financial 2007 the total income entitlement was EUR 22,784,000.

As at 31 December 2007 there were 3,250,889 participation certificates in issue. The total entitlements of participation certificate holders (principal and interest) as of that date were as follows:

	Participation certificate capital EUR '000	Profit brought forward EUR '000	Profit 2007 EUR '000	Total EUR '000	Per unit EUR
Participation certificate capital	278,573				72.67
Profit brought forward 1 January 2007		44,889			11.71
Repurchase of 582,509 participation certificates in July and September 2007	-42,331	-6,821			
Income entitlements of participation certificate holders			22,784		7.01
Participation certificate capital as at 31 December 2007	236,242	38,068	22,784	297,094	91.39

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

The participation certificates mature on 31 December 2029. With effect from 31 December 2017, both the holders and the Company may annually give notice of redemption of the participation certificates in whole or in part.

For 2007 a distribution totalling EUR 14,174,000 is planned in the first half of 2008.

25. LONG-TERM LIABILITIES TO BANKS

EUR '000	31.12.2007				restated 31.12.2006			
	less than 1 year	1 to 5 years	More than 5 years	Total	less than 1 year	1 to 5 years	More than 5 years	Total
Long-term liabilities to banks	13,852	142,813	311,810	468,475	12,103	47,209	201,663	260,975

Long-term liabilities to banks amounting to EUR 64,185,000 (2006: EUR 81,890,000) were at fixed rates. The remaining liabilities were at variable interest rates, usually tied to Euribor. The interest on variable interest rate debt is protected, in particular against rising interest rates, with hedge transactions.

26. PROVISIONS

Changes in provisions were as follows:

	1.1.2007 restated	Changes in consolidated Group	Utilised	Released	Additions	31.12.2007
Current income taxes	607	0	-607	0	457	457
Deferred income taxes	25,767	-819	0	0	9,458	34,406
Project and transaction risks	2,800	0	0	0	4,600	7,400
Sundry	2,751	-696	-2,055	0	756	756
	31,925	-1,515	-2,662	0	15,271	43,019

In the process of changing the valuation policy and adopting fair values, last year's figures have been restated. This entailed an increase in provisions for deferred taxes as at 1 January 2007 of EUR 19,491,000.

There is a provision of EUR 2,800,000 in connection with projects now in liquidation. In connection with the uncertainties surrounding the sale of properties, a provision of EUR 4,600,000 has been made.

Sundry provisions contain a provision of EUR 536,000 for pension benefits for a member of the Management Board.

27. OTHER NON-CURRENT LIABILITIES

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

In the case of four properties, the contributions to construction costs and financing required under section 69 of Vienna's Housing Construction Subsidies and Rehabilitation Act (WWFSG 1989) amounting to EUR 11,699,000 (2006: EUR 11,665,000) were paid by the tenants. These contributions, the value of which is indexed, must be repaid to the tenants when their tenancies cease, the amount repayable being reduced by 2% for each year of tenancy.

The subsidies themselves, amounting to EUR 5,624,000 (2006: EUR 6,113,000), must be repaid if the conditions attaching to them are breached; the subsidies 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 a participating loan interest in Duna Szálloda Zrt. (EUR 2,000,000).

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

OTHER INFORMATION

28. OTHER OBLIGATIONS AND CONTINGENT LIABILITIES

Pending litigation

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

29. MATERIAL AGREEMENTS

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

_tied to the euro,
_and that capital values are linked to international indices.

30. 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 fund of liquid assets shown in the statement consists of cash in hand and funds at banks, as well as time deposits shown in the balance sheet as marketable securities, loans and investments. The time deposits serve as security for long-term liabilities to banks - they can be replaced by other securities at any time.

31. RELATED PARTY DISCLOSURES

s Immobilien AG is included in the consolidated financial statements of Erste Bank der oesterreichischen Sparkassen AG at equity. At balance sheet date, Erste Bank Group's interest was 18.91%, and remained unchanged throughout the year.

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

EUR '000	31.12.2007	restated 31.12.2006
Receivables		
Other receivables	1,573	39
Marketable securities, loans and investments	39,504	0
Bank deposits	22,438	17,197
	63,515	17,236
Liabilities		
Long-term liabilities to banks	95,093	70,571
Other long-term financial liabilities	76,014	0
Current financial liabilities	38,001	26,226
Trade payables	2,739	506
Other liabilities	82	3,063
	211,929	100,366

In financial 2007 there were the following material income and expenses in connection with Erste Bank Group:

EUR '000	2007	restated 2006
Expenses		
Advertising	2	24
Commissions	9	351
Consultancy fees	228	332
Management fees IMMORENT AG	5,004	4,238
Bank loan interest and charges, other interest	7,432	2,331
Other expenses	705	121
	13,380	7,397

EUR '000	2007	restated 2006
Income		
Rent and service charges	916	1,051
Bank interest	470	1,096
Other interest income	498	94
	1,884	2,241

Under an agreement dated 14 January 2003 IMMORENT AG has given Sparkassen Immobilien AG a rental guarantee for the property at Gaspasse 1-7, A-1150 Vienna. The fee charged for this guarantee was EUR 3,000,000, its fair value at balance sheet date was EUR 1,846,000.

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

32. SHARE RATIOS

Earnings per share

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

	1-12/2007	restated 1-12/2006
Equity share of consolidated net profit EUR '000	25,910	36,820
Average number of shares in circulation	68,118,718	59,118,718
Consolidated earnings per share EUR	0.38	0.62
Diluted earnings per share EUR	0.38	0.62

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.

	1-12/2007	restated 1-12/2006
Cash flow I EUR '000	49,358	46,508
Average number of shares in circulation	68,118,718	59,118,718
Cash flow per share EUR	0.72	0.79
Diluted cash flow per share EUR	0.72	0.79

33. EVENTS AFTER BALANCE SHEET DATE

The following major transactions were completed after balance sheet date.

In Germany the residential portfolio was again expanded. In the capital, Berlin, a total of 17 residential properties were acquired with effect from 1 February or 1 March 2008 for a total of EUR 31.6m. The properties have a total lettable area of 49,000 m², and are situated in central and good residential areas.

For the first time Sparkassen Immobilien AG acquired a residential portfolio in Rostock on the German Baltic Coast; the first properties changed ownership as of March 2008. The total purchase price of the portfolio, which consists of 9 properties with total lettable space of 3,900 m², was around EUR 3.8m.

Several residential properties in Leipzig were also added to the portfolio: a property also containing commercial space was taken over at the start of 2008, and the acquisition of two further properties was agreed. Together they have a total lettable area of 7,800 m² and cost EUR 8m.

In Austria, Sparkassen Immobilien AG is adding to its existing portfolio with the acquisition as of 1 January 2008 of a classic apartment block together with a retail, office and residential building under development in the Neutorgasse in Vienna's First District. A total of 15,000 m² of net usable space is planned. The estimated project costs are about EUR 50m.

A fully let office building in the centre of Zagreb, Croatia, is another completed property acquired: this property has a total usable area of 8,100 m² and was bought for EUR 21.6m.

Agreements were also signed for the sale of an office building in Hamburg with total usable space of 15,900 m².

34. RISK REPORT

Sparkassen Immobilien AG's business activities are spread across different markets and segments, which means exposure to different kinds of risks. These risks can be events and developments that have a negative impact on Sparkassen Immobilien AG's day-to-day business performance. They can also prevent the achievement of its strategic corporate goals.

By using its business model of multiple diversification across countries and industry segments, Sparkassen Immobilien AG reduces potential risks.

The aim of risk management is to identify all operational and strategic risks in good time, to assess them and, where appropriate, to take appropriate counter-measures. Risk management at Sparkassen Immobilien AG acts as a staff function; it is tied into business and strategic planning at every stage, and reports directly and in writing to the Supervisory Board. The most

important risk monitoring tools are the planning and controlling processes, together with corporate guidelines and regular reporting from all markets and segments. The Group's external auditor reviews the effectiveness of risk management annually, and reports to the Supervisory and the Management Boards.

Strategic risk

The most important source of strategic risk is the decision taken by Sparkassen Immobilien AG on the markets and segments it intends to operate in, both now and in the future.

As a matter of principle, Sparkassen Immobilien AG restricts its activities to markets and market segments which – on the basis of its own knowledge and understanding and Erste Bank Group's experience – are transparent, and where it can assess the potential benefits and risks.

This is the reason for its continuing concentration on Austria as its core market, on Germany as comparable in terms of culture, law and business environment, and on the countries of Central and South Eastern Europe. In addition to the cultural similarities, in these markets Sparkassen Immobilien AG benefits especially from its cooperation with the highly successful Erste Bank Group and its own many years of experience with local teams in these countries.

In all its geographic markets, Sparkassen Immobilien AG Group only takes quantifiable risks, meaning that the legal framework, the location, the market situation and the tenants must conform with predetermined investment guidelines. Every acquisition is monitored by the risk management department, and the underlying investment strategy, both long-term and short-term, together with the potential risks and rewards are discussed exhaustively with the Supervisory Board.

The judicious selection of regions in which to invest has ensured that no noteworthy additional risks have been incurred in recent years, while a changed emphasis in the choice of segments has resulted in a different risk profile. The continuing efforts to focus more intensively on project development as opposed to low yield core investments will change the risk profile of our portfolio, since additional types of risks, such as development risk, will need to be monitored and managed. The opportunities in the medium term for considerably higher profits from project development justify the additional risks, even from a cautious point of view.

Market risk

Market risk is the general risk to which markets and market segments are exposed from unexpected developments in a country's overall economy, the real estate market as a whole, and rents and yields in particular, together with the risks of the competitive environment. These changes can entail positive as well as negative consequences, and hence represent risks.

The most important manifestations are changes in levels or volatility of achievable income, market prices, or yields when buying or selling. The effects can take the form of global or cross-sectoral developments (e.g., dependent on the overall economic climate), but depending on region, country, location or segment, they can also have quite different manifestations.

Our basic defence against these risks is our broadly diversified portfolio. Differences between segments also help minimise risks. For instance, the residential segment is hardly exposed to larger cycles and is not dependent on the economy, thereby contributing to a wide spread and minimisation of the risks.

The larger the affected market region proves to be (in extreme cases possibly on a global scale), the harder it is to totally eliminate the risks. But before any acquisition, expected market developments are always subjected to detailed analysis and checked for possible regional or structural cluster risks.

Local internal management and a range of experts in each country contribute highly specific market knowledge and assume the function of an early warning system with particular sensitivity to local conditions. Based on this regular information appropriate measures for countering or limiting possible consequences can be taken. In this context Sparkassen Immobilien AG Group sees a well-timed restructuring of the portfolio and the sale of individual locations as a possible counter-measure when the onset of a possible downturn is to be expected.

Real estate risks (asset related)

These are risks specific to individual assets or locations, which can have differing effects on properties. These risks can be the result of location and surroundings, the type or condition of a building, or the general letting situation.

The most important instrument in counteracting these risks is a comprehensive due diligence process before every acquisition. The review is carried out by selected, mainly external experts

and consultants and covers all relevant aspects – legal, economic, tax, corporate and technical. Major tenants are required to undergo an extensive credit rating check.

The risks in this area are however also reduced by our clear-cut investment strategy – to acquire only first-rate, marketable properties in central locations. Properties that do not match these criteria exactly are only acquired in exceptional circumstances and where the letting situation is correspondingly favourable. The bulk of our commercial properties are let to international tenants with excellent credit ratings.

For the risks associated with property operation, local asset management and our cooperation with Immorent AG and their broad array of resources are key factors in optimising portfolio management. Regular technical appraisals and proactive tenant relationship management are important tools here. Standardised management software supplies all the key figures needed in asset management on an ongoing basis, together with management indicators for individual properties: it serves as important early warning system for all the risks and possible deviations from plan.

Any residual risks at the property level are negligible in size when compared to our widely spread portfolio mix. All buildings are covered by insurance, in particular against fire and natural disasters.

Development risk

The process begun in 2006 has continued in 2007: greater emphasis on own development and the construction of new properties. The significantly higher yields attainable are matched by higher risks, particularly with respect to costs and income.

The phase preceding the decision to invest, or to dispose of an investment, is therefore of very great importance. Extensive due diligence activities with respect to the site, the location and the project are the responsibility of independent, international consulting organisations. A project is only implemented if the projected yield on which it is based, and which is calculated on the basis of extremely cautious assumptions, leaves sufficient margin for any later changes in income or costs.

A project is only carried out in cooperation with partners of many years' standing, and who generally also have an interest in the project or its success: this means they have every possi

ble reason to make it a success. The aim is, however, always to have the majority interest in joint project companies, in order to be able to have a significant influence on the decision-making process.

And in every phase of construction, we also have extensive rights of control: ongoing risk management makes possible the identification of risks in their early stages and facilitates timely intervention.

Exchange and interest rate risk

The rental and financing agreements s Immobilien AG concludes are predominantly in euro, and the exchange rate risks attaching to its activities are therefore minimal.

In the case of variable rate financing, changes in interest rates on the capital markets have a direct impact on the financial results of the Group. The risk of rising interest rates on variable rate financing is hedged using derivative financial instruments, principally caps, swaps, collars and similar instruments.

The extent and amounts of derivatives used are determined by the characteristics of the variable rate financing involved.

Liquidity risks

Overall financial position and overall liquidity are regularly monitored as part of liquidity and financing management.

All the more sizeable investments (and especially development projects) are invariably preceded by detailed analysis and review of liquidity, and commitments are only entered into to the extent that financing – assuming normal and predictable behaviour by the credit markets – is assured.

Operational risks

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

35. 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
Manfred Rapf, Vienna
Reinhold Schürer-Waldheim, Vienna
Richard Wilkinson, Vienna

Management Board

Holger Schmidtmayr
Ernst Vejdovszky
Friedrich Wachernig (from 15 November 2007)

Authorised signatories

Peter Gröll
Christof Rauchenschwandtner
Alexander Klafsky (until 21 December 2007)

Vienna, 12 March 2008

Management Board

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

Property portfolio s IMMOBILIEN AG

Property	Acquisition	Use	Area in m ²	Market value in EUR m	Yield/market value in %
Properties in Vienna					
1010 Vienna Akademiehof, Getreidemarkt 2-4	2007	Office	5,837	18.6	5.3%
1010 Vienna, Parkring 12a	2003	Office	2,688	6.5	4.7%
1010 Vienna, Ballgasse 4	1990	Residential	1,410	4.6	3.2%
1010 Vienna, Parkring 12a, Hotel Marriott (30.45% interest)	2003	Hotel	5,772	0.0	0
1020 Vienna, Franzensbrückenstraße 5	2001	Office	2,948	4.1	5.4%
1030 Vienna, Obere Viaduktgasse 36	1990	Office	1,533	3.4	8.9%
1030 Vienna, Franzosengraben 12	1990	Office	5,992	7.5	6.5%
1031 Vienna, Ghegastraße 1	2005	Office	24,000	27.5	6.8%
1040 Vienna, Theresianumgasse 7	2003	Office	5,496	8.5	4.9%
1050 Vienna, Bräuhausgasse 3-5	1989	Office	2,277	3.0	6.3%
1050 Vienna, Schönbrunnerstraße 108	2000	Office	3,075	5.2	6.6%
1050 Vienna, Schönbrunnerstraße 131	2000	Office	2,901	4.9	6.8%
1060 Vienna, Mariahilfer Strasse 41 - 43 (22.25% interest)	1989	Retail	2,231	0.0	0
1060 Vienna, Mariahilferstrasse 103	2004	Office	11,256	20.3	4.8%
1060 Vienna, Mariahilfer Strasse 121 b	2001	Office	5,485	13.7	5.7%
1060 Vienna, Windmühlgasse 22-24	1989	Office	4,646	7.4	7.1%
1070 Vienna, Stuckgasse 9	1990	Residential	572	0.4	2.8%
1070 Vienna, St. Ulrichsplatz 4	2000	Residential	2,433	5.1	4.4%
1070 Vienna, Burggasse 51	1998	Residential	11,303	14.6	4.3%
1070 Vienna, Schottenfeldgasse 29	2004	Office	9,354	14.6	6.4%
1090 Vienna, Otto Wagner Platz 5	2004	Office	9,067	18.0	6.6%
1100 Vienna, Hasengasse 56	1999	Office	7,790	8.9	5.1%
1120 Vienna, Meidlinger Hauptstraße 73	2002	Retail	18,886	38.6	6.0%
1130 Vienna, Amalienstraße 48	1990	Office	2,122	3.4	6.0%
1140 Vienna, Scheringgasse 2	2004	Industrial	10,465	8.7	5.6%
1150 Vienna, Meiselstraße 8	1996	Residential	17,107	23.8	5.8%
1150 Vienna, Gasgasse 1-7	2002	Office	7,358	16.3	7.4%
1160 Vienna, Lerchenfeldergürtel 43	2000	Office	5,829	9.4	5.5%
1160 Vienna, Lobmeyrgasse 5-7	1992	Residential	16,690	15.2	6.5%
1180 Vienna, Kreuzgasse 72-74	1999	Residential	19,735	29.4	5.6%
1190 Vienna, Heiligenstädterstraße 181	1996	Residential	2,012	3.0	5.0%
1210 Vienna, Gerasdorferstraße 151	2004	Office	9,099	14.7	6.4%
1210 Vienna, Brünner Straße 72 a	2005	Retail	14,074	18.9	6.1%
1220 Vienna, Am Kaisermühlendamm 87	1993	Residential	10,900	15.0	6.1%
1230 Vienna, Ketzergasse 6-8	1989	Office	2,309	2.0	5.2%
Properties in other Austria					
2384 Breitenfurt, Hauptstrasse 107	1987	Retail	850	0.8	14.2%
2500 Baden, Wiener Straße 9	1988	School	745	0.7	13.3%
2500 Baden, Wiener Straße 97-99	1990	Retail	800	1.8	8.5%
2700 Wr. Neustadt, Prof.Dr.Stefan-Koren-Str. 8a	1991	Office	2,608	2.8	5.2%
4020 Linz, Rainerstraße 6-8	1988	Office	5,836	7.1	6.6%
4061 Linz-Pasching, Schärdinger Straße 5	1990	Industrial	2,800	1.2	9.6%
5020 Salzburg, Sterneckstrasse 50-52	1994	Office	5,591	5.0	5.0%
8020 Graz, Lazarettgürtel 81	1988	Retail	2,192	2.6	8.6%
8020 Graz, Karlauer Gürtel 1	1988	Office	5,474	6.5	6.8%
8020 Graz, Ankerstrasse 2	1989	Retail	900	1.1	9.4%
9560 Feldkirchen, Kindergartenstraße 2	1987	Retail	2,000	1.9	8.7%
TOTAL Austria			294,447	426.5	6.0%
Properties in Germany					
06112 Halle an der Saale, Delitzscher Straße 65 A	2006	Industrial	10,135	3.8	8.5%
06108 Halle an der Saale, Marktplatz 22-24 (Markt Carrée)	2006	Retail	14,720	36.9	5.8%
Halle an der Saale, Gerberstr. 9, Hallorenring 3, 3a, 3b (Kellnerblock)	2006	Mixed use	5,074	4.4	6.4%
Leipzig Wohnimmobilien GmbH - Portfolio	2007	Residential	21,437	16.7	5.9%
10179 Berlin, Neue Jakobstr. 6+7, Finanzamt Berlin Mitte	2007	Office	13,104	9.0	7.5%
10117 Berlin, Mauerstrasse 76	2006	Office	2,069	5.2	6.2%
10555 Berlin, Tiergarten - Portfolio	2006	Residential	10,005	6.2	5.5%
10787 Berlin, Wichmannstrasse 7 (Lützow-Center)	2006	Office	50,507	55.0	6.8%
12681 Berlin, Marzahn, Marchwitzstr. 28, 30, 48-64/Luise-Zietz-Str. 99-117	2006	Residential	22,310	12.9	8.1%
Berlin Wohnimmobilien Portfolio I	2007	Residential	148,674	160.3	4.9%
Berlin, Kreuzberg/Friedrichshain/Prenzlauer Berg (Cicon Portfolio)	2007	Residential	10,937	7.0	7.0%
Berlin S Immo Wohnimmobilien GmbH IV - Portfolio II	2007	Residential	97,434	65.2	6.4%
Berlin, Portfolio H11	2007	Mixed use	17,583	13.0	6.1%

Property	Acquisition	Use	Area in m ²	Market value in EUR m	Yield/market value in %
Hamburg, Notabenus - Portfolio	2006	Residential	55,650	56.1	6.4%
Hamburg, GPI I + II Portfolio	2007	Residential	8,418	9.0	7.4%
Hamburg, GPI III Portfolio	2007	Mixed use	6,540	8.0	5.1%
20457 Hamburg, Großer Burstah 18-30 + 32-34 (Großer Burstah)	2005	Office	16,750	31.6	7.2%
20457 Hamburg; Mönkedamm 5-8;	2007	Office	7,977	20.5	5.1%
28195 Bremen (Lloydhof)	2007	Office	18,577	21.6	5.9%
81379 Munich, Tölzer Straße 35 (Siemens)	2006	Office	6,552	11.0	6.5%
82178 Munich/Puchheim, (Ikarus Park)	2006	Office	14,680	15.9	7.4%
TOTAL Germany			559,133	569.3	6.0%
Properties in CEE					
1016 Budapest, Hegyalja út 7-13 (Buda Center)	2005	Office	7,309	8.4	8.5%
1051 Budapest, Bajcsy-Zsilinszky út 12, (City Center)	2001	Office	10,787	21.1	7.2%
1052 Budapest, Apaczai Csere János u. 2-4 (Budapest Marriott) ¹	2005	Hotel	30,000	78.1	2.8%
1065 Budapest, Nagymező u. 44, (Siba Trade Center)	2006	Office	7,950	12.1	7.0%
1122 Budapest, Maros utca 19-21 (Maros Utca Business Center)	2004	Office	8,758	14.5	8.2%
1134 Budapest, Váci út. 35, (The River Estates)	2001	Office	29,495	48.5	7.2%
1138 Budapest, Váci út. 202, (Unilever HQ)	2001	Office	14,475	18.7	7.2%
1138 Budapest, Szegedi út 35 - 37 (Twin Center)	2006	Office	8,184	7.8	7.3%
Total Budapest			116,958	209.2	5.7%
11000 Prague, Wenzelsplatz 41, (Luxor)	2002	Hotel	8,768	26.6	5.9%
11000 Prague, Wenzelsplatz 22 (Hotel Julis)	2004	Hotel	6,871	24.1	8.4%
11000 Prague, Narodni 41	2000	Office	2,781	8.6	7.3%
Total Prague			18,420	59.3	7.1%
82104 Bratislava 2, Galvaniho 7 (Galvaniho 2)	2006	Office	21,440	24.7	7.3%
82104 Bratislava 2, Galvaniho 7 (Galvaniho Business Center I)	2004	Office	11,376	16.0	7.3%
Total Bratislava			32,816	40.7	7.3%
Bucharest, Calea Victoriei 37B, (Novotel Bucharest) ²	2006	Hotel	19,446	44.7	5.5%
Total Bucharest			19,446	44.7	5.5%
TOTAL CEE			187,640	353.9	6.1%
TOTAL Rental properties			1,041,220	1,349.7	6.0%
¹ Refurbishment Hotel Marriott					
² Unlet retail space in Hotel Novotel					
Development projects are valued at book value					
Development projects in Austria					
1150 Vienna, Sechshauser Straße 31-33	2006	Residential	7,841	2.5	
1210 Vienna, Franz-Jonas-Platz 2-3, (Gerngross) incl. Hermes	2007	Retail	14,400	14.4	
TOTAL development projects Austria			22,241	16.9	
Development projects in CEE					
Bucharest, Calea Grivitei Nr. 94, 1. Sektor (Grivitei II)	2006	Office	8,400	3.5	
Bucharest, Calea Grivitei Nr. 94, 1. Sektor (Grivitei I)	2006	Office	7,200	9.0	
Bucharest/Jilava, Giurgiului DN 5-km 8+750 (Roter Investi)	2007	Retail	45,000	7.4	
Bucharest, Piata Sudului (Sun Plaza)	2006	Retail	85,800	36.5	
Prague 8, Karlín, Pobrezni-Thamova, River Star Karlín	2006	Hotel	9,000	2.8	
Prague, Na Pankraci 127/1683 (Gemini)	2003	Office	47,100	43.3	
Bratislava, IPD International (Einsteinova)	2007	Office	17,500	4.2	
Trencin, SIAG Fachmarktzentren s.r.o Slovakia	2007	Retail	11,600	15.4	
Prievidza, SIAG Fachmarktzentren s.r.o Slovakia	2007	Retail	12,600	4.5	
Sofia, Washington Proekt OOD (interest 50%)	2007	Hotel	2,500	0.0	
Sofia, Sidnakova Blv., (Serdika Center)	2006	Retail	75,700	59.4	
TOTAL development projects CEE			322,400	185.9	
TOTAL development projects			344,641	202.8	
TOTAL			1,385,862	1,552.5	

Management Board Affidavit

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

a) Annual financial statements (the Company)

To the best of our knowledge, the annual financial statements of the Company for the year ended 31 December 2007 have been prepared in accordance with the Austrian Business Code (UGB), and give as true and fair a view as possible of the assets, finances and earnings of the Company. The Company management report to the best of our knowledge presents the Company's activities and their results so as to give as true and fair a view as possible of the Company's assets, finances and earnings and to describe the material risks and uncertainties to which the Company's business is exposed.

b) Consolidated financial statements (the Group)

To the best of our knowledge, the consolidated financial statements of the Group for the year ended 31 December 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU, and give as true and fair a view as possible of the aggregated assets, finances and earnings of the companies included in consolidation (the Group). The Group management report to the best of our knowledge presents the Group's activities and their results so as to give as true and fair a view as possible of the assets, finances and earnings of the companies included in consolidation (the Group) and to describe the material risks and uncertainties to which the Group's business is exposed.

Vienna, 12 March 2008

Management Board

Auditors' Report and Opinion

We have audited the consolidated financial statements of Sparkassen Immobilien Aktiengesellschaft, Vienna, for the financial year ended 31 December 2007. The contents and the preparation of these consolidated financial statements in conformity with International Financial Reporting Standards (IFRSs) as applicable in the EU, and the Group management report prepared in conformity with the provisions of Austrian commercial law, are the responsibility of the parent company's management. Our responsibility is to express an opinion on these statements on the basis of our examination, and on whether the Group management report is consistent with the consolidated financial statements.

We have conducted our audit in accordance with Austrian statutory requirements and standard auditing practice and in accordance with the International Standards on Auditing (ISA) published by the International Federation of Accountants (IFAC). These regulations and standards require that we plan and perform the audit so as to obtain reasonable assurance that the statements are free of material misstatements and that the Group management report is consistent with the consolidated financial statements. In planning our audit, we take into account our knowledge of the Group's business activities, the economic and legal environment in which it operates and our expectations concerning possible sources of errors. In the course of our audit, the evidence supporting the amounts and disclosures in the financial statements is assessed predominantly on a test basis. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit revealed no grounds for objection. On the basis of the information obtained in the course of our audit, the consolidated financial statements of Sparkassen Immobilien Aktiengesellschaft, Vienna, in our opinion comply with the statutory requirements and present as true and fair a view as possible of the Group's assets and finances at 31 December 2007 and of its earnings and cash flows for the year ended on that date, and are in accordance with International Financial Reporting Standards (IFRSs) as applicable in the EU. The Group management report is consistent with the consolidated financial statements.

Vienna, 12 March 2008

Eidos Deloitte
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH

Erich Kandler
Auditor and tax advisor

Claudia Fritscher-Notthaft
Auditor and tax advisor

Glossary

Accumulation

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

Cash earnings per share (CEPS)

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

Corporate governance

Rules for the proper management and control of enterprises, codified for Austria in the Austrian Corporate Governance Code. Implementation of the Code is voluntary for shares not listed in the "prime segment" of Vienna's Stock Exchange.

Earnings before interest and tax (EBIT)

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

Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA is a measure of an enterprise's operating performance, before taking into account its cost of capital and its use of capital assets.

Earnings before tax (EBT)

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

Earnings per share (EPS)

Annual consolidated net profit divided by the average number of shares in circulation.

Fair value

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

Funds from operations (FFO)

Corresponds to operating cash flow – annual profit plus depreciation and amortisation, minus revaluations, plus deferred taxes on income.

International Accounting Standards (IAS)

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

International Financial Reporting Standards (IFRS)

International financial reporting standards, now gradually replacing IAS.

Leasehold

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

Leverage

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

Loan to value ratio

Ratio of net bank debt (qv) to real estate assets, expressed as a percentage.

Market value

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

Net asset value (NAV)

A measure of the intrinsic or underlying value of a real estate share.

Net bank debt

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

Net operating income (NOI)

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

Operating costs

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

Operating revenue

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

Price/cash flow ratio

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

Price/NAV ratio

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

Rental yield

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

Return on equity (ROE)

Measure of a company's earnings performance, calculated as the ratio of annual profit to equity capital.

Shareholder value

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

Undisclosed reserves

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

Valuation of real estate

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

Yield

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

Yield compression

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

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

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

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