

**ANNUAL REPORT
2010**

OMV Head Office (Hoch Zwei), Vienna, Austria



Closeness is our strength.



KEY FIGURES

		31.12.2010	31.12.2009	31.12.2008
Revenues	EUR m	174.943	153.555	125.682
whereof rental income and revenue from hotel operations	EUR m	142.303	124.450	102.208
EBITDA	EUR m	71.433	53.275	59.211
EBIT	EUR m	60.546	-53.076	23.792
EBT	EUR m	9.123	-77.456	7.798
Consolidated net income	EUR m	2.134	-78.868	5.726
Total assets	EUR m	2,256.163	2,235.193	2,144.545
Shareholders' equity	EUR m	512.698	523.835	603.086
Liabilities	EUR m	1,743.465	1,711.358	1,541.459
Equity ratio (incl. participation certificate capital)	in %	34	35	41
Investments	EUR m	107.620	296.052	330.626
Operating cash flow	EUR m	59.196	49.382	50.019
Cash flow from investing activities	EUR m	-21.507	-205.401	-254.576
Cash flow from financing activities	EUR m	-84.440	114.354	156.316
Cash and cash equivalents at 31 December	EUR m	129.721	210.151	243.541
NOI margin	in %	43	41	54
Loan to value ratio	in %	61	56	47
FFO	EUR m	28.926	22.009	34.245
Earnings per share	EUR	0.03	-1.15	0.09
NAV per share	EUR	8.34	8.13	9.38
Share price discount from NAV	in %	37	38	79
Cash flow from operations per share	EUR	0.87	0.72	0.73
Property portfolio (fair value)	EUR m	2,013.066	1,900.812	1,807.662
whereof properties under construction	EUR m	55.989	445.784	281.389

Closeness is our strength

S IMMO

Our name stands for property expertise in Austria, Germany, Central and Southeastern Europe. We are experienced, are supported by a strong network and have a solid property portfolio with a selective and diversified investment strategy which is quality-oriented at all times. Our goals are to deliver regular, attractive earnings and long-term capital growth.

Closeness is our strength

This is part of our philosophy. Only those who attach importance to closeness will notice relevant details. This enables personal contact, which is a key element in our success. Direct contact is possible because we favour lean structures and adapt to the individual concerns of our investors, business partners and customers. We are flexible, versatile and energetic. Personal commitment gives us the vital knowledge of our markets and their prospects. Our proximity will continue to be our strength in the future as well – which will benefit our partners and will be beneficial for the Group.

Serdika Center, Sofia, Bulgaria



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Dear Shareholders,

In the annals of Sparkassen Immobilien AG's history, 2010 will go down as the year in which the Group's largest development projects were completed and opened, including Sun Plaza and Serdika Center, the largest shopping centres in Bucharest and Sofia, respectively, and two of the Company's largest projects. In Vienna, the residential and office building Neutor 1010, with the renowned Austrian office furniture manufacturer Bene as its main tenant, was ceremonially inaugurated. At the time this Annual Report goes to press, nearly all of its 34 freehold apartments have been sold at top prices. The office complex Galvaniho 4, located between Bratislava's city centre and its airport, was also fully let at completion date and opened officially on 31 March 2011.

We are proud that we were able to complete our projects according to plan – with a total investment of about EUR 500m – sometimes under very challenging market conditions. But our responsibilities do not end here: As an enterprise whose goals are long-term investments, a healthy mix of tenants and sustainable increases in the portfolio's value in the interests of the Company's shareholders, we naturally continue to take detailed care of our properties and tenants even after completion. This is one reason why major parts of our asset management were brought in-house during 2010: It enables us to build up property expertise within the Group, and brings us even closer to our tenants and properties.

It is in economically challenging times like these that an enterprise's real strengths stand out. In the case of Sparkassen Immobilien AG, these are not only the properties in the broadly based, high-quality portfolio but also the people behind us: The private and institutional investors, the core shareholders, Erste Group and Vienna Insurance Group, our tenants and business partners, and last but not least, the S IMMO Group staff, who works tirelessly day by day to increase the Group's value. That is why we have taken "Closeness is our strength" as our motto for this year's Annual Report. In addition to the outstanding buildings in our portfolio, such as the recently acquired OMV AG head office, pictured on the cover, we should like to present to you the people behind S IMMO.



The Members of Sparkassen Immobilien AG's Management Board:
Friedrich Wachernig, Ernst Vejdovszky and Holger Schmidtmayr (f.l.t.r.)

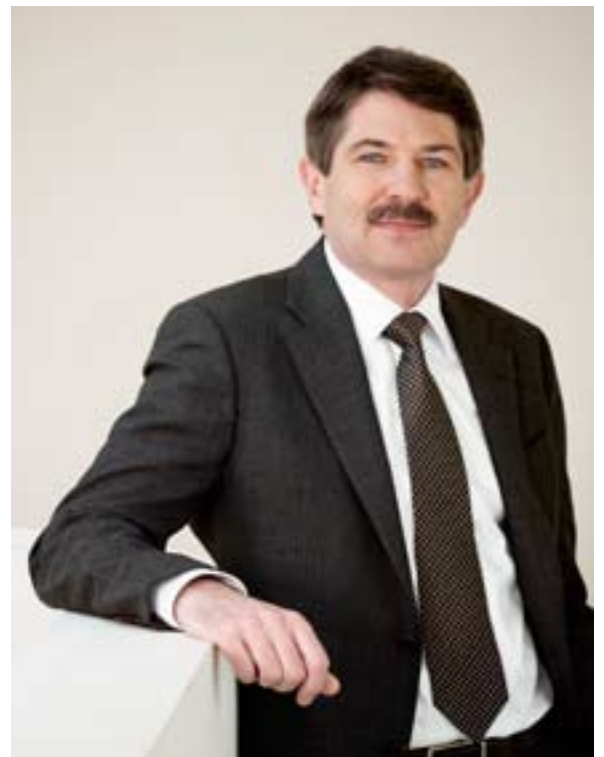


Strategy and markets

Sparkassen Immobilien AG's tried and tested strategy remains unchanged: Our business success is based on a balanced portfolio that is widely diversified by region and property type. The focus will remain on high-grade properties in Vienna, Berlin, Hamburg and EU capitals in Central and Southeastern Europe. In Germany, where the economy is performing very satisfactorily, we can look back on the excellent results of our refurbishment program and the consequent increases in occupancy rates and property values. The positive trend in the residential portfolio is expected to continue during the next few years. In the Austrian market, we were able to dispose of properties for considerably more than their estimated values. The total gains on sale of EUR 9.9m show how prudent our valuation policy is. The outcome of our annual revaluation was valuation gains in Austria and Germany that almost exactly balanced out valuation losses in Central and Southeastern Europe.

When it comes to Central and Southeastern Europe, it became clear that in 2010 the countries in this region must be looked at individually. The Czech Republic and Slovakia recovered quickly from the

economic crisis and their economies are getting closer and closer to the Western European model. In Hungary, the revival only really became noticeable after the end of 2010, which has been reflected in the highly satisfactory letting successes of our Hungarian subsidiary. Compared with the rest of the European Union, Romania and Bulgaria are taking longer to recover from the economic crisis. Government measures such as increases in VAT as well as redundancies and wage cuts in the public sector have had a marked impact on sales in our shopping centres. We are confronting these effects by working closely with our tenants and by stepping up our marketing activities.



The strengths of our strategy become clear when we take a look at our revenues: S IMMO Group's total revenues from our broadly diversified portfolio rose to more than EUR 174.9m in 2010. In fact, EBIT increased by more than EUR 110m to EUR 60.5m as at 31 December 2010.

Real estate investments are long-term decisions and development oriented businesses. The overriding goal of all our activities is to permanently increase the value of the enterprise for the benefit of our shareholders. We are focusing on increasing the Group's profitability. Growth through acquisition and development is our goal in the medium to long term.

Capital markets

The S IMMO Share increased by 5.6% during 2010 and closed the year with a slight gain compared with the end of 2009. We are by no means satisfied with our stock's performance in 2010 and the first quarter of 2011. We are working hard to convince the market of the obvious upside potential and to close the gap of 40% between the current share price (as we went to press on 08 April 2011: EUR 5,00) and the net asset value (EUR 8.34 at 31 December 2010). In addition to maintaining transparent, up-to-the-minute corporate communications and our ongoing dialogue with our investors, we are aiming to simplify the Company's capital structure in order to be more prominent in international capital markets and major international indices. The repurchase program for S IMMO INVEST participating certificates that ended on 08 April 2011 is the first step in this direction.



Outlook for 2011

We view the future with considerable optimism: The European real estate market is recovering nicely. Overall, we see an upward trend in 2011 and expect significant gains starting in 2012. History has shown that diversifying by different property types and regions has proved to be the correct risk minimisation strategy, which we will continue to follow.

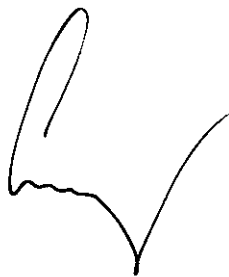
In Germany, we shall continue to refurbish our buildings as to further increase the value of our properties. We also intend to realise property gains to the value of at least EUR 30m. In Austria, we shall persist in taking advantage of favourable opportunities for property disposals – especially in the residential sector. We shall also be looking for attractive, profitable new development project options. In Central and Southeastern Europe, the focus will be on intensifying our asset management and marketing activities.

Over the coming months, we shall also concentrate our attention on our development land in European Union capitals. At present, we are working on securing zoning and building permits. As soon as the permits are at hand and local market conditions are auspicious, construction on the various projects can begin.


In our last quarterly report, we introduced our new S IMMO logo, which gives us more easily, uniform and internationally recognisable market presence. In this context, there are some changes that we should like to draw to your attention – on our recently redesigned website www.simmoag.at you will find a variety of ways to contact us. New features include our extended real estate database, various social media channels, and ordering services via e-mail or SMS. Our aim is to understand the needs of our investors, analysts and partners better, to react even more efficiently to their needs, and to provide quick and easy access to information.

We should like to thank all our business partners for their professional and competent collaboration and the S IMMO Group staff for their daily dedication and hard work. We should also like to thank you, our shareholders, for the trust you have placed in us. Living up to your trust will continue to be the basis for all business decisions in 2011, with the overarching aim of increasing the value of the Group.

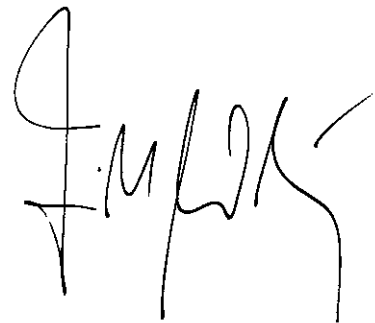
The Management Board



Holger Schmidmayr



Ernst Vejdovsky



Friedrich Wachernig

Management Board

ERNST VEJDOVSKY

Member of the Management Board

Born 30 October 1953
Appointment until 31 January 2013
First appointed 01 January 2001

Responsible for finances, asset management in Austria and Germany and risk management

After studying IT at the Vienna University of Technology, he began his career in 1982 at Girozentrale, Vienna. As a founding member of the Management Board of Sparkassen Immobilien Anlagen AG, Vienna (now Sparkassen Immobilien AG) in 1986, he has been a member of the Management Board of Sparkassen Immobilien AG, Vienna since 2001.

Other appointments:

Member of the supervisory board, Erste Immobilien Kapitalanlage-gesellschaft m.b.H.

HOLGER SCHMIDTMAYR, MRICS

Member of the Management Board

Born 06 May 1966
Appointment until 31 January 2013
First appointed 01 October 2004

Responsible for acquisition and disposal of investment properties, corporate communications and investor relations as well as legal and compliance

After studying law and business in Vienna, he started working at GiroCredit in Vienna in 1994. As a result of a merger, he moved to Erste Bank in 1997 and from 2001 on he was responsible for building up the CEE portfolio for Sparkassen Immobilien AG, Vienna. He has been on the Management Board of Sparkassen Immobilien AG, Vienna, since 2004.

FRIEDRICH WACHERNIG, MBA

Member of the Management Board

Born 28 June 1966
Appointment until 14 November 2013
First appointed 15 November 2007

Responsible for project development, asset management in CEE/SEE, acquisition and disposal of development land and projects, organisation, IT and HR

After studying business at the Vienna University of Economics and Business Administration, he started at Eraproject GmbH, Vienna, in 1993. He held various management and development positions at Strabag AG, Raiffeisen Evolution GmbH and Porr Solutions GmbH in several Eastern European countries. He has been on the Management Board of Sparkassen Immobilien AG, Vienna, since 2007.

Supervisory Board

Current members of the Supervisory Board

MARTIN SIMHANDL

Chairman of the Supervisory Board

Born 05 November 1961

Appointment until the Annual General Meeting in 2015

First appointed 24 June 2004

Chairman of the Audit Committee
Chairman of the Management Board Committee

CFO, Vienna Insurance Group AG
Wiener Versicherung Gruppe

Other supervisory board appointments:
DONAU Versicherung AG Vienna Insurance Group; Sparkassen Versicherung AG Vienna Insurance Group; Ringturm Kapitalanlagegesellschaft m.b.H. and others

GERALD ANTONITSCH

First Deputy Chairman of the Supervisory Board from May 2010

Born 11 April 1956

Appointment until the Annual General Meeting in 2015

First appointed 18 June 2002

Member of the Audit Committee
Chairman of the Working Committee

Member of the management board, Erste Group Immorent AG

Other supervisory board appointments:
Immorent-Bank GmbH; ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.; Innovationspark Graz-Puchstrasse GmbH

Advisory board appointments:
s REAL Immobilienvermittlung GmbH;
AREALIS Liegenschaftsmanagement GmbH

FRANZ KERBER

Second Deputy Chairman of the Supervisory Board

Born 20 June 1953

Appointment until the Annual General Meeting in 2015

First appointed 24 June 2004

Member of the Management Board Committee
Member of the Working Committee

Deputy chairman of the management board, Steiermärkische Bank und Sparkassen AG

Other supervisory board appointments:
Bankhaus Krentschker & Co. AG; Sparkasse Hartberg-Vorau AG; Erste Bank a.d. Novi Sad, Beograd; Banka Sparkasse d.d., Ljubljana; Banka Sparkasse Bank d.d., Sarajevo; Erste & Steiermärkische Bank d.d., Rijeka; Sparkasse Bank Makedonija a.d., Skopje

CHRISTIAN HAGER

Member of the Supervisory Board

Born 6 December 1967

Appointment until the Annual General Meeting in 2014

First appointed 23 June 2009

Member of the management board, KREMSEER BANK und Sparkassen AG

ERWIN HAMMERBACHER

Member of the Supervisory Board

Born 27 May 1957

Appointment until the Annual General Meeting in 2013

First appointed 28 May 2008

Member of the Audit Committee
Member of the Working Committee

Member of the management board, Sparkassen Versicherung AG Vienna Insurance Group

Other supervisory board appointments:
DONAU Versicherung AG Vienna Insurance Group

MICHAEL MATLIN, MBA

Member of the Supervisory Board from May 2010

Born 07 January 1964

Appointment until the Annual General Meeting in 2015

First appointed 21 May 2010

Managing director, Concord Management LLC (portfolio strategy consultants); Member of Investor Advisory Committee, Carlyle European Real Estate Funds

WILHELM RASINGER

Member of the Supervisory Board from May 2010

Born 04 March 1948

Appointment until the Annual General Meeting in 2015

First appointed 21 May 2010

Managing partner, Inter-Management Unternehmensberatung Gesellschaft m.b.H. and Am Klimtpark LiegenschaftsverwaltungsgmbH; chairman of the Austrian Shareholder Association (IVA); chairman of the supervisory board, Friedrichshof Wohnungsgenossenschaft

Other supervisory board appointments:
Erste Group Bank AG, Wienerberger AG; CEE Immobilien Development AG

RALF ZEITLBERGER

Member of the Supervisory Board from May 2010

Born 07 April 1959

Appointment until the Annual General Meeting in 2015

First appointed 21 May 2010

Division manager, Group Corporate Workout, Erste Group Bank AG

Other supervisory board appointments:
Let's Print Holding AG; BBH Hotelbetriebs GmbH; Erste Group Immorent AG

Former members of the Supervisory Board

PETER NEMSCHAK

Member of the Supervisory Board until May 2010

Born 18 October 1948

Appointment until the Annual General Meeting in 2013 (appointment resigned)

First appointed 28 May 2008

Member of the Management Board Committee

Member of the Working Committee

Division manager, Group Corporate Risk Management, Erste Group Bank AG

Other supervisory board appointments:
Erste Group Immorent AG; Erste & Steiermärkische Bank d.d., Rijeka; Erste Bank a.d., Novi Sad, Beograd

REINHOLD SCHÜRER-WALDHEIM

Member of the Supervisory Board until May 2010

Born 25 March 1944

Appointment until the Annual General Meeting in 2010

First appointed 23 April 1990

Member of the Audit Committee

Alternate member of the Working Committee

Partner, Nordost-Treuhand- und Organisationsgesellschaft m.b.H., auditors and tax consultants

Other supervisory board appointments:
Filmcasino & Polyfilm Betriebs GmbH

RICHARD WILKINSON

First Deputy Chairman of the Supervisory Board until May 2010

Born 28 April 1964

Appointment until the Annual General Meeting in 2010

First appointed 31 May 2005

Member of the Audit Committee

Member of the Working Committee

Division manager, Group Real Estate & Leasing, Erste Group Bank AG

Other supervisory board appointments:
Let's Print Holding AG;
Capexit Beteiligungs Invest MF-AG;
Capexit II AT Beteiligungs Invest MF-AG;
Capexit II CEE Private Equity Invest AG;
Capexit Private Equity Invest AG;
Erste Group Immorent AG

Dear Shareholders,



Martin Simhandl

For Sparkassen Immobilien AG, 2010 was the year in which substantial development projects were brought to a successful conclusion. Despite the – at times – challenging economic conditions, in particular in Southeastern Europe, all current projects were completed and opened on schedule. The Group has succeeded in further strengthening the foundations on which its future will be built. The Supervisory Board advised and assisted the Company and the Management Board in all the Group's projects during the financial year 2010. Throughout the year, we carried out our duties under the law and the Company's articles of incorporation, supported the Management Board in its management of the Group and monitored it in the performance of its duties.

The Supervisory and Management Boards of Sparkassen Immobilien AG met six times during the year to discuss the Group's economic situation and strategic development in detail, especially in light of the persistent weakness of some markets. At each meeting the Management Board reported to the Supervisory Board in full on the state of the Group's affairs and its finances. Individual topics of current interest were also the subject of separate discussions between the Management Board and the Supervisory Board. Major issues discussed were the Group's strategic direction and how to optimise the Group's potential and further its strategy of creating sustainable, long-term added value. The Management Board reported regularly on development projects in Austria and in Central and Southeastern Europe, as well as on the occupancy situation with respect to the permanent portfolio. The Supervisory Board discussed and approved several property disposals.

Between five and seven Board members were present at each of the six Supervisory Board meetings, representing an average attendance rate of 75%.

In line with our commitment to strong corporate governance, we advocate transparent business reporting. Sparkassen Immobilien AG has subscribed to the Austrian Corporate Governance Code since 2007. The obligations in the Code go beyond the statutory requirements applicable to public limited companies; they are adopted voluntarily and are designed to ensure even greater transparency in reporting.

The Supervisory Board has formed three committees: the Management Board Committee, the Audit Committee and the Working Committee. The Management Board Committee deals with the remuneration and details of employment contracts for Management Board members.

The Working Committee held two meetings to consider property disposals and acquisitions planned during the year and to discuss development projects. The Audit Committee met twice in the financial year 2010. It monitors the accounting process and Group auditing activities, the effectiveness of the internal control and risk management system, the audit systems, and the compliance report.

In preparation for the Supervisory Board's nomination of auditors for the Company's individual and consolidated annual financial statements, the Audit

Committee reviewed the documentation submitted by Deloitte Audit Wirtschaftsprüfungs GmbH (formerly Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH) evidencing their right to practise as auditors. A written report confirmed that there were neither grounds for exclusion, nor any circumstances that could give rise to concerns about conflicts of interest. A schedule of the total remuneration paid to Deloitte Audit Wirtschaftsprüfungs GmbH by Sparkassen Immobilien AG relating to the preceding financial year, itemised by categories of services, was requested and inspected. A review confirmed that Deloitte Audit Wirtschaftsprüfungs GmbH complies with the legally required quality assurance measures for maintaining audit quality. The Audit Committee reported to the Supervisory Board on its work and its findings in these matters. At the Annual General Meeting, the Supervisory Board therefore proposed the appointment of Deloitte Audit Wirtschaftsprüfungs GmbH as auditors of the Company's individual and consolidated annual financial statements.

The Audit Committee accepted the submission of the annual financial statements for 2010 by the Management Board together with the management report and the corporate governance report. They inspected these documents, and on the basis of the audit reports by Deloitte Audit Wirtschaftsprüfungs GmbH, approved them.

The Audit Committee also reviewed the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS)

together with the Group management report. On the basis of its review and discussions, the Audit Committee unanimously resolved to recommend to the Supervisory Board the acceptance without reservation of the statements, report and reviews. The Supervisory Board discussed in detail and reviewed the annual financial statements for 2010 together with the management report and corporate governance report and the consolidated financial statements prepared in accordance with IFRS together with the Group management report. The audit reports prepared by Deloitte Audit Wirtschaftsprüfungs GmbH on the annual financial statements for 2010 together with the management report and the consolidated financial statements together with the Group management report were also examined by the Audit Committee and the full Supervisory Board. Later these were discussed in detail together with Deloitte Audit Wirtschaftsprüfungs GmbH. The audit conclusions gave no grounds for objection. The Supervisory Board declared that it had nothing to add to the audit reports by the auditors. The Supervisory Board therefore unanimously resolved to accept the annual financial statements and management report prepared by the Management Board and had no objections to the consolidated financial statements and Group management report prepared in accordance with IFRS. In accordance with section 96(4) Austrian Companies Act (AktG), the annual financial statements for 2010 were therefore adopted.

In the financial year, there were changes in the members of the Supervisory and Management Boards. During the Annual General Meeting on 21 May 2010, the Supervisory Board appointments of Martin Simhandl, Gerald Antonitsch and Franz Kerber were extended. Michael Matlin, Wilhelm Rasinger and Ralf Zeitlberger were elected as new members of the Supervisory Board. During the financial year, the appointments of Reinhold Schürer-Waldheim and Richard Wilkinson to the Supervisory Board expired. Peter Nemschak resigned his appointment. We would like to use this opportunity to thank them for their commitment. In addition, the Supervisory Board decided to extend the Management Board appointment of Friedrich Wachernig until 14 November 2013.

The Supervisory Board would like to thank the Management Board and staff of S IMMO Group for their daily hard work and dedication and their contribution to increase the Group's value during the past year.

Vienna, 06 April 2011

The Supervisory Board



Martin Simhandl
Chairman

Corporate Governance Report

The Austrian Corporate Governance Code contains rules for the management and control of an enterprise and is part of the basis of responsible management. Sparkassen Immobilien AG's goal is to successfully increase the value of the Company over the long-term, and in 2010 it again fully complied with the requirements of the Code.

CLEAR COMMITMENT TO THE AUSTRIAN CORPORATE GOVERNANCE CODE

The fundamental principles underlying good corporate governance have been an integral part of what Sparkassen Immobilien AG has stood for since its inception 23 years ago. Responsible corporate management has always been the basis of our strategy for sustainably increasing the value of the enterprise over the long-term, which is why the Management and Supervisory Boards work so efficiently together. Our corporate communication is based on openness and transparency. For this reason, Sparkassen Immobilien AG commits to the rules and recommendations contained in the Austrian Corporate Governance Code (ÖCGK). The

full rules and regulations for responsible management and leadership of enterprises can be viewed on the Austrian Working Group for Corporate Governance's website.

The key elements of corporate governance at Sparkassen Immobilien AG are described on page 16 et seq. Additional information on the subject is contained in the Supervisory Board's report. To avoid repetition, some topics which are discussed in other parts of the Annual Report will just be referenced.

Updated information on corporate governance is posted on Sparkassen Immobilien AG's website on a regular basis: www.simmoag.at

Information about
corporate governance:
www.simmoag.at
www.corporate-governance.at

COMPLIANCE STATEMENT

Sparkassen Immobilien AG was founded 23 years ago. The fundamental principles of its business strategy have been both sustainability and long-term growth from the start. Since 2007, it has been expressly committed to complying with the provisions of the Austrian Corporate Governance Code in order to ensure maximum transparency for all its stakeholders.

The rules of the Austrian Corporate Governance Code are as follows:

1. L Rules (legal requirements): L Rules are based on mandatory statutory requirements.
2. C Rules (comply or explain): C Rules should be complied with; according to the Code, any deviations must be explained and justified.
3. R Rules (recommendations): R Rules are recommendations. Non-compliance need neither be disclosed nor justified.

Sparkassen Immobilien AG complies with all the L Rules.

It also complies with almost all of the C Rules, with the exceptions explained below:

C Rule 16: "The management board shall consist of more than one person, and shall have a chairperson."

The Supervisory Board has not appointed a chairperson of the Management Board because it is of the opinion that the duties and responsibilities of all three members of the Management Board are of equal importance, and because it believes that the

Company is adequately represented by individual Management Board members with collective authority.

C Rule 31: "The fixed and performance-related compensation of each member of the management board shall be disclosed separately in the annual report."

The total remuneration of the Management Board is disclosed in this report. The disclosure of their individual remuneration is the personal decision of each Management Board member. In the Management Board's opinion, such disclosure does not provide important information for investors.

C Rule 45: "Members of the Supervisory Board may not exercise managing body functions at other companies that are in competition with the company."

Certain members of the Supervisory Board of Sparkassen Immobilien AG also serve on the boards of similar companies or perform executive functions at Erste Group Bank AG, its wholly owned subsidiary Erste Group Immortent AG or Vienna Insurance Group.

All members of the Supervisory Board are obliged to disclose any conflicts of interest arising from their activities as members of the Supervisory Board without delay. In any event, the Company considers the extensive knowledge of the industry and the contacts of certain Supervisory Board members to be an advantage from which it can benefit.

C Rule 49: "The company shall disclose in its annual report details of the objects and remuneration of contracts and agreements requiring approval under L Rule 48. Summary disclosure of agreements of similar kinds is permissible."

The Company may enter into contractual relationships with individual members of the Supervisory Board. To the extent that such contractual agreements require the approval of the Supervisory Board under section 95 Austrian Companies Act (AktG) and L Rule 48, approval has been sought and obtained. The details of such contracts and agreements are not disclosed for reasons of competition. All such contracts and agreements are concluded on normal market conditions.

C Rule 51: "The remuneration of Supervisory board members for the financial year is to be reported in the corporate governance report for each individual

member of the supervisory board. Generally, there are no stock option plans for members of supervisory boards. Should stock option plans be granted in exceptional cases, then all details of these must be approved by resolution at the Annual General Meeting."

The total remuneration of the Supervisory Board is disclosed in this report. The disclosure of individual remuneration is the personal decision of each Supervisory Board member. In the Supervisory Board's opinion, such disclosure does not provide important information for investors.

TRANSPARENT, PROMPT COMMUNICATION

Sparkassen Immobilien AG has identified the provision of transparent, prompt information to shareholders, analysts and other interested parties as a major element of its brand essence. In its communications, it observes the regulations of stock corporation and stock exchange law. Important business events and information relevant to the Company's performance are made public without delay. To ensure consistency in communication, all important releases, reports and presentations are published on Sparkassen Immobilien AG's website immediately. This applies in particular to ad hoc-releases, press releases as well as annual and quarterly financial reports. Interested investors can also contact the Investor Relations and Corporate Communications department directly via the Company's website, by e-mail or by calling the shareholder hotline.

As a member of the European Public Real Estate Association (EPRA), Sparkassen Immobilien AG has adopted the guidelines and standards of that organisation. These cover the disclosure of information, ethical principles and industry standards. EPRA's guidelines are based on International Financial Reporting Standards (IFRS) and provide specific accounting recommendations for listed real estate companies. In the interests of transparent and comparable reporting, Sparkassen Immobilien AG implements these recommendations in the detailed notes to the consolidated financial statements.

European Public Real Estate Association (EPRA):
www.epra.com

COMPOSITION, ACTIVITIES AND PROCEDURES OF THE MANAGEMENT AND SUPERVISORY BOARDS

The Management and Supervisory Boards pursue a common goal: They are fully conscious of their responsibility for ensuring long-term, sustainable value creation and the continuing success of the Group. The two Boards collaborate closely in the interests of the business. The intensive, ongoing dialogue between the Management Board and Supervisory Board is the basis of efficient and competent management.

The Management Board consists of three members, who are jointly responsible for managing the Company's day-to-day affairs. More detailed information about the individual members and their responsibilities is shown in the overview of the management bodies on page 9 of this report. The Management Board meets several times a week to discuss current business developments and to make necessary decisions. There is an ongoing exchange of information with the responsible managers.

The Management Board also provides the Supervisory Board with regular and comprehensive information about all material aspects of the progress of business and all strategic considerations. Collaboration between the two Boards is governed by the rules of the Stock Corporation Act as well as by the statute and procedures established by the Supervisory Board.

As at 31 December 2010, the Supervisory Board consisted of eight members. Information about the individual members of the Supervisory Board is shown in the overview of management bodies on page 10 et seq.

The Supervisory Board regularly reviews the management of the Company's affairs. In its meetings, the Supervisory Board monitors the management of the business, the finances, the strategy, the development and the risk management of the Company. It is responsible for decision-making as provided by statute, the Company's articles of incorporation and its internal rules and procedures. The Supervisory Board has formed committees, which are listed below. During the year under review, there were a total of six Supervisory Board meetings. Between five and seven Board Members were present at each of the six Supervisory Board meetings, representing an average attendance rate of 75%.

SUPERVISORY BOARD COMMITTEES

Audit Committee

The functions of the Audit Committee include monitoring the accounting and reporting process and the work of the auditors, monitoring the effectiveness of the internal control system and the risk management system, and monitoring the process of auditing the Group's financial statements. Since the Supervisory Board meeting on 21 May 2010, the Audit Committee has consisted of the following members: Martin Simhandl (Chairman), Gerald Antonitsch, Erwin Hammerbacher, Ralf Zeitberger and Wilhelm Rasinger (alternate member). Until the 2010 Annual General Meeting, Reinhold Schürer-Waldheim and Richard Wilkinson were members of the Committee and Erwin Hammerbacher was the alternate member. By virtue of their experience and specialist knowledge of finance and accounting,

Martin Simhandl and Ralf Zeitlberger are the Committee's financial experts. The Audit Committee met twice during the year under review.

Management Board Committee

The Management Board Committee deals with the remuneration of Management Board members and the details of employment contracts for Management Board members. It is also responsible for submitting proposals to the Supervisory Board for the appointment of Management Board members when positions become vacant, and for succession planning.

Since the Supervisory Board meeting on 21 May 2010, the Committee has consisted of Martin Simhandl (Chairman), Gerald Antonitsch and Franz Kerber. Peter Nemschak was a member of the Committee until the 2010 Annual General Meeting.

Working Committee

The Working Committee attended to the purchase and disposal of properties and land, the renovation of buildings and development projects. Since the Supervisory Board meeting on 21 May 2010, the members of the Working Committee have been Gerald Antonitsch (Chairman), Erwin Hammerbacher, Franz Kerber and Ralf Zeitlberger. Peter Nemschak and Richard Wilkinson were members of the Working Committee until the 2010 Annual General Meeting. Reinhold Schürer-Waldheim was an alternate member then. The Working Committee met twice during the year under review.

STATEMENT OF INDEPENDENCE

Sparkassen Immobilien AG's Supervisory Board has established the following criteria for the independence of its members as required under C Rule 53 of the Austrian Corporate Governance Code:

- A Supervisory Board member should not in the preceding five years have been a member of the Management Board or executive officer of Sparkassen Immobilien AG or one of its subsidiaries.
- A Supervisory Board member should not maintain, or in the preceding year have maintained, a business relationship of material importance to that Supervisory Board member with Sparkassen Immobilien AG or one of its subsidiaries. This applies also to business relationships with enterprises in which the Supervisory Board member has a material interest. The approval of individual transactions by the Supervisory Board in accordance with L Rule 48 does not automatically mean that a member is not independent.
- A Supervisory Board member should not in the preceding three years have served as statutory auditor to Sparkassen Immobilien AG, or have had an interest in, or been an employee of the auditing firm.
- A Supervisory Board member should not be a member of the management board of another company where a member of the Management Board of Sparkassen Immobilien AG is a member of that company's supervisory board.
- A Supervisory Board member should not be a close family member (direct descendant, spouse, lifetime partner, parent, uncle, aunt, sibling, nephew, niece) of a member of the Management Board or of persons in any of the positions described above.

For the financial year 2010, the following members of the Supervisory Board, who together constitute a majority of the Supervisory Board, are independent in the meaning of C Rule 53 of the Corporate Governance Code. These members satisfy the Supervisory Board's criteria for independence.

Current independent members of the Supervisory Board:

Martin Simhandl
 Franz Kerber
 Christian Hager
 Erwin Hammerbacher
 Michael Matlin
 Wilhelm Rasinger
 Ralf Zeitlberger

Former independent member of the Supervisory Board (until Annual General Meeting 2010):
 Reinhold Schürer-Waldheim

Their posts, principal occupations and other supervisory board appointments are shown in the overview of management bodies on page 10 et seq.

DIRECTORS' DEALINGS

Under section 48d(4) Austrian Stock Exchange Act (BörseG), Sparkassen Immobilien AG is required to report all share purchases and sales by members of management bodies or persons in close relationships with them. In the financial year 2010, the sale

of participating certificates by one person in a close relationship to a person with management responsibilities was reported to the Financial Market Authority: A total of 5,150 participating certificates were sold. There were no purchases or sales of shares. In accordance with the requirements of the Code, dealings by members of the Management and Supervisory Boards (directors' dealings) are disclosed on Sparkassen Immobilien AG's website (www.simmoag.at) under Investor Relations/Corporate Governance/Directors' Dealings.

D&O INSURANCE

Pursuant to a resolution of the Annual General Meeting 2009 a directors and officers liability insurance policy has been in force since 01 September 2009. Under this policy, claims by the Company, the shareholders or third parties against members of managing bodies or executive officers of the Company for damages arising from breaches of the duty of care by members of managing bodies or executive officers are insured. The costs of the insurance are borne by the Company.

REMUNERATION OF THE SUPERVISORY BOARD

Members of the Supervisory Board received remuneration amounting to EUR 110,000 (2009: EUR 112,000). Supervisory Board members received neither loans nor advances, and no guarantees have been given on their behalf.

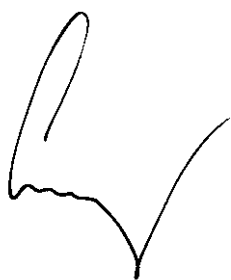
REMUNERATION OF THE MANAGEMENT BOARD

The remuneration of the members of the Management Board usually consists of a fixed and a profit-related variable component. Profit participation is dependent on the achievement of quantitative and qualitative targets, such as EBIT, cash flow and occupancy rate. During the financial year 2010, the remuneration of the Management Board amounted to EUR 775,000 (2009: EUR 985,000). This includes expenses for pensions of EUR 136,000 (2009: EUR 163,000) and contributions to the employee severance pay and pensions fund of EUR 9,000 (2009: EUR 12,000).

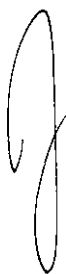
Sparkassen Immobilien AG has no stock option plan at present.

AUDITORS

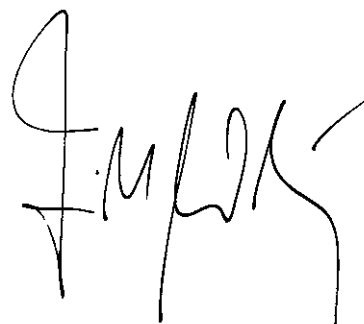
By resolution of the Annual General Meeting 2010 Deloitte Audit Wirtschaftsprüfungs GmbH (formerly Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH) were appointed as statutory auditors. The auditors assist the Supervisory Board in assessing whether appropriate accounting policies have been applied, and whether the accounts and financial statements conform with the applicable statutory regulations and are reasonable and reliable. The auditors must immediately report to the Supervisory Board on any deficiencies revealed by the audit. This also applies to any discrepancies in the compliance statement made by the Supervisory and Management Boards in connection with the Austrian Corporate Governance Code.



Holger Schmidtmayr



Ernst Vejdovsky



Friedrich Wachernig

Our Share

S IMMO Share finished the financial year 2010 with a gain: Although the stock was not immune to the fluctuations on the capital market, it closed 5.6% up at 31 December 2010.

Positive developments in capital markets

After the turbulence and disruption of 2009, stock and capital markets around the world continued to remain volatile and unsteady in 2010, with sentiment very susceptible to rumours and speculation. Some events had direct repercussions on the stock markets: In April 2010, share prices dropped below their levels from the beginning of the year as a consequence of the Greek debt crisis. European governments finally agreed on a concerted course of action to deal with the Greek debt situation, but the problems with Ireland, Portugal, Spain and Belgium dealt a further blow to investors' confidence in EU bonds.

In spite of this, 2010 was a good year for shares. The positive developments on stock markets worldwide were largely the result of coordinated interventions by the world's central banks. In industrialised countries, base lending rates were kept at record lows and further measures to support the stock markets were also initiated. Over the past few years the United States had already pumped huge sums into the money markets, and in 2010 it announced that it would inject a further USD 600 bn through the FED.

The overall positive performance of the world's capital markets was also reflected in stock market indices. The MSCI World (the leading index for all the developed markets) increased nearly 9% to reach 1,280 points by the end of 2010. The index had not been that high since the collapse of the US investment bank Lehman Brothers. The Dow Jones Industrial Index (DJII), which is made up of the 30 largest industrial stocks in the USA, was also up by more than 9%.

The German stock index (DAX) ended the year 2010 at 6,914.19 points with a gain of around 15% compared with the year before. The Vienna Stock Exchange index (ATX) was even able to outperform the DAX. Austria's leading index closed the year at 2,904.47 points, a year-on-year improvement of 16.4%. The IATX, the Vienna Stock Exchange's real estate securities index, generated an even better performance: It ended the year at 188.26 points, an increase of 36.9%.

Considering the long-term averages, it is clear that the markets still have considerable upside potential. For the first time, dividend yields in Central Europe exceeded yields on ten-year government bonds, and earnings yields suggested that property stocks may be undervalued by as much as 15–20%.

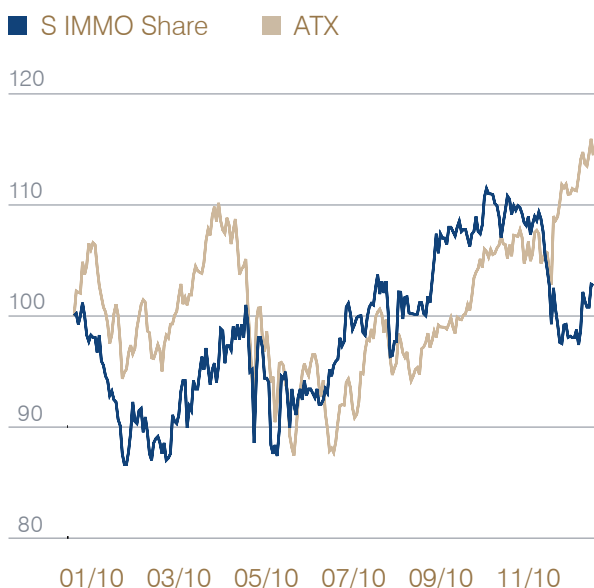
However, the USA's quantitative easing – intervening directly in the capital markets by printing additional money – and the over-indebtedness of several EU countries will continue to impact sentiment and stock market prices in 2011.

S IMMO Share price up

At the end of 2010, the S IMMO Share stood at EUR 5.28 – a gain of 5.6% for the year. This was not a steady progression, however, because the share price was volatile like the capital markets as a whole. During the first quarter, the mood was generally sombre. S IMMO Share could not elude this trend: Over the first three months of the year the share price remained more or less constant compared with the end of 2009. However, as the year progressed and the market picked up, the price improved until it peaked in October 2010: On 31 October, its twelve-month performance stood at nearly 14%.

Share price development

indexed (01.01.2010 to 31.12.2010)



S IMMO Share performance

(ISIN AT 0000652250)

One year	5.60%
Three years, p.a.	-11.93%

Stock indicators		2010	2009
Closing price – year-end	EUR	5.28	5.00
High	EUR	5.79	5.95
Low	EUR	4.36	1.95
Average daily turnover	shares	75,600	92,000
Earnings per share (EPS)	EUR	0.03	-1.15
NAV per share	EUR	8.34	8.13
Operating cash flow per share	EUR	0.87	0.72
Price/operating cash flow	EUR	6.08	6.90
Share price discount from NAV	%	37	38

S IMMO Share is included in the IATX which was made up of shares of six Austrian real estate companies as at 31 December 2010. Over the course of the year, it fluctuated widely. Restructuring measures and special factors resulted in considerable changes in the prices of individual securities and sudden jumps in yields. Mergers in the sector led to the consolidation of Austrian property shares and the IATX.

A further factor was that most property shares were trading at a significant discount to their inner value. In combination with structural changes in some property companies, this led to significant share price movements on several occasions.

Stock exchange information

ISIN	AT0000652250/SPI
Ticker symbols	Reuters: SIAG.VI Bloomberg: SPI:AV
Market	Vienna Stock Exchange
Segment	Prime Market
Index	IATX
Market capitalisation (31 December)	EUR 359.66m
Number of shares (31 December)	68,118,718
Market maker	Erste Group
Initial listing	28 June 2002

Dividend policy

Sparkassen Immobilien AG is currently not distributing dividends on the S IMMO Share, but is accumulating the profits and investing them in additional properties.

S IMMO INVEST participating certificate

S IMMO INVEST participating certificates were issued in two tranches: The first tranche was issued starting in 1996 and the second followed in 2004. The participating certificates are issued for a limited term and mature on 31 December 2029. However, both the holders and the Company may give notice requiring redemption of the participating certificates at the end of the financial year with half a year's notice, effective at the earliest on 31 December 2017. The majority of participating certificate holders are Austrian investors. In May 2010, a distribution of EUR 4.36 per participating certificate was paid for the financial year 2009.

With the Supervisory Board's approval, the Management Board of Sparkassen Immobilien AG announced a repurchase program for S IMMO INVEST participating certificates starting on 19 January and continuing until 08 April 2011. A total of 1.6% of the participating certificates were repurchased on the stock exchange.

S IMMO INVEST participating certificate performance

ISIN	AT0000795737	AT0000630694
One year	4.00%	0.40%
Three years, p.a.	-2.10%	-2.80%

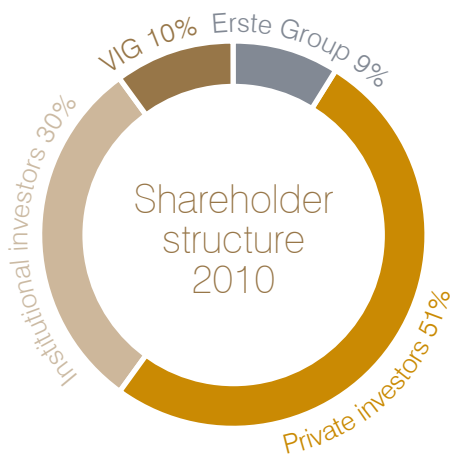
Participating certificate information

ISIN	AT0000795737 (initial listing 1996); AT0000630694 (initial listing 2004)
Ticker symbols	Reuters: SIMIg.VI Bloomberg: SIIG:AV
Market	Vienna Stock Exchange
Market segment	other securities.at
Market capitalisation	EUR 228.8m
Number of participating certificates (31 December 2010)	2,014,476 tranche I; 1,210,408 tranche II
Year-end closing price (tranche I/II)	EUR 70.31 / EUR 72.00
High (tranche I/II)	EUR 77.50 / EUR 77.99
Low (tranche I/II)	EUR 69.50 / EUR 68.00

Analyst	Target price / Fair Value	Recommendation	Last update
KBC Securities	EUR 6.23	Buy	21 February 2011
HSBC Global Research	EUR 7.00	Overweight	01 March 2011
SRC Research	EUR 7.50	Buy	25 January 2011
Erste Group	EUR 6.10	Accumulate	03 December 2010

Annual General Meeting

The Annual General Meeting of Sparkassen Immobilien AG for the financial year 2009 was held on 21 May 2010 in the Vienna Marriott Hotel, which is a part of the Company’s property portfolio. In addition to the routine annual agenda items, new members were elected to the Supervisory Board. Martin Simhandl, Gerald Antonitsch and Franz Kerber were reelected to the Supervisory Board with 99.8% of the vote, and Michael Matlin, Wilhelm Rasinger and Ralf Zeitlberger were elected to the Supervisory Board for the first time. The resolution discharging the Management Board from liability was passed nearly unanimously. A resolution proposing a conversion offer for holders of participating certificates was also laid before the shareholders. As a result of amendments to the Shareholders’ Rights (Amendment) Act (AktRÄG), more shareholders registered for this Annual General Meeting than at any time previously – a total of 416 shareholders, representing 50.6% of the share capital.



IR activities – closeness to our investors

For Sparkassen Immobilien AG, closeness to investors is more than a mere slogan. As the financial crisis began in the autumn of 2007, we set ourselves the goal of ensuring that our investors were kept well informed, which is especially important during troubled times. Even during the second and third years of the crisis, we continued to stick to this strategy. One of our goals is to make our portfolio intuitively easier for investors to understand. For instance, at the beginning of 2010, we organised a trip to Sofia for the opening of our shopping centre there.

With optimism returning to the property markets, interest in the S IMMO Share has also increased. Sparkassen Immobilien AG’s Management has travelled to investment conferences all over the world to highlight the advantages of investing in S IMMO Share. We were on the road in Europe, the USA, Canada and Asia with major banks and analysts such as Credit Suisse, HSBC, Erste Group, KBC and Cheuvreux as partners.

In Austria, most of our activities were undertaken in conjunction with our long-term distribution partners, Erste Group and the Austrian Sparkassen. We participated in many of our partners’ information events, discussions and investment club meetings, and have been very pleased with the lively interest shown in our property investment expertise.

Sparkassen Immobilien AG also had the opportunity to present itself to various banks and financial advisers in a Vienna Stock Exchange roadshow around the Austrian provinces.

Continued expansion of corporate communications

Sparkassen Immobilien AG attaches great importance to up-to-the-minute, proactive communication, which is reflected in our close relationships with local and international media representatives. In addition to press conferences and press releases, we have maintained our media contacts by regularly giving interviews. In the past year, we also invited local and international journalists on two press trips to Southeastern Europe and organised several media days abroad.

New market presence and more services on www.simmoag.at

At the end of November 2010 Sparkassen Immobilien AG presented its new logo, which was very well received by investors and media alike. The new logo as well as the shorter, more memorable brand name make the Group more recognisable internationally

and contribute to the more uniform cross-border appearance. Using the new logo as a starting point, Sparkassen Immobilien AG has also redesigned its external presence to better transmit the Group's values and reinforce the Group's ongoing success. The website has also been revamped to give investors, tenants and partners even better access to information in future. The site's structure has been improved, and updated with the latest applications. The newsletter has also been adapted to the new look. This makes access to important information even easier and faster.

Visit our new website at

www.simmoag.at

The following new services are now available:

- Expanded real estate database
- Regular newsletter via e-mail
- Stock exchange announcements and share price via SMS
- Ongoing updates with RSS feeds



Track our progress on Twitter:
<http://twitter.com/simmoag>



View our videos on YouTube:
<http://www.youtube.com/simmoag1>



View our photos on Flickr:
<http://www.flickr.com/photos/simmoag>



View our profile on Xing:
<https://www.xing.com/companies/simmo>

Financial calendar 2011

14 April 2011	Publication of Annual Results 2010
19 May 2011	Results first quarter 2011
31 May 2011	Annual General Meeting
30 August 2011	Results first half 2011
24 November 2011	Results first three quarters 2011





Courtyard by Marriott Wien Messe (Hotel Zwei), Vienna, Austria

We are close to our investors

This builds confidence and encourages quality, long-term relationships.

Putting one's money in other people's hands shows considerable trust. We are a stock exchange listed company and our shareholders have entrusted us with their capital with the expectation that we will preserve and increase its value and manage it responsibly. Trust from our investors is an obligation for us.

With transparent information policies and our belief in a personal approach, we actively pursue regular contact with our investors. It is important to us that our shareholders understand our business philosophy and on the basis of our mutual interests, give us their wholehearted, permanent support. Our share is like our business – focused on the long term.





Shopping centre Sun Plaza, Bucharest, Romania

We are close to our customers

This makes reliable management possible and contributes to customers satisfaction.

The best way to understand what others require is to see the situation through their eyes. We have set the highest standards for our development projects and for the management of standing properties. For this reason, the successful completion or letting of a property is only the first stage in the process of attentive asset management.

When we open a shopping centre, as we recently did in Sofia and Bucharest, we support it with marketing activities in order to help establish the new development. For similar reasons we attach great importance to the quality of materials, construction methods and technical equipment, both in project developments and in completed properties. Our modern, fully equipped buildings should provide an ideal venue for working, living and leisure time, and they should contribute to the quality of life.





Residential building Mommsenstrasse, Berlin, Germany

We are close to our markets

This brings us the knowledge we need to make reliable investment decisions.

The quality of the fruit will only be known when the tree has matured: At the time we acquire or develop a property, we can never be quite certain how profitable the investment will ultimately prove to be. But we can increase the probability of achieving the planned outcomes considerably.

We only invest in places that we know and understand. Especially in the real estate business, understanding of the local environment is the key to sound decisions. Because we are on-site, we can gather detailed information, make connections and anticipate new developments. Our experience shows that this pays off handsomely.





Office and residential building Neutor 1010, Vienna, Austria

We are close to our business partners

A clear understanding of what each party expects is the key to shared success.

Great achievements are the result of teamwork. This is no different with our properties. We set very high quality standards for them because they should be capable of increasing their value steadily over the years. For this to happen, properties must not only be in the right location, but they must also be tailored to fulfil their purposes.

This can only be achieved through close cooperation with experienced partners. Working hand in hand with our chosen partners, we seek to develop a realistic concept for each property that can readily be translated into practice. With a keen architectural sense and the courage to be creative, we achieve results that can hold their own in comparison with other top-ranking properties.





Office Building Galvaniho 4, Bratislava, Slovakia

We are close to our social responsibility

This is the basis for a trustworthy, long-term commitment.

Long-term entrepreneurial thinking is inevitably connected to responsibility. Our concerns are not just economic, but also social and environmental. This awareness shapes our behaviour in all our activities and also in our relationships with colleagues, investors, tenants and business partners.

We encourage a culture of open discussion on terms of equality, mutual respect and transparent information. In addition to treating each other fairly, we tackle our development projects responsibly. Our standards of active environmental involvement are second to none. As an example, advanced energy technologies enable us to reduce running costs, which also benefits our tenants.

Economic and Market Overview

Economic overview

The European commercial real estate market has benefited from a more positive economic performance in 2010, even if the recovery has not kept the same pace across the region. GDP growth, consumer spending and industrial production have all supported improving occupier demand.

The separation of the European economy that emerged in 2010 is set to continue through the first half of 2011, with recent indicators pointing to a continued and robust German recovery, where

industrial production, employment and consumer confidence indicators all continue to point to strong growth levels. This is in stark contrast to ongoing weaknesses in the Southern European economies.

The CEE/SEE markets, especially the Czech Republic and Poland, are expected to lead the economic recovery up until 2012. The economic context is expected to remain challenging this year for Romania and Hungary, but mid-term forecasts show a huge improvement.

European investment market

After the dramatic drop in 2009, total commercial real estate investment activity reached EUR 95.9bn in 2010, a 53% increase, though still below the ten-year-average of EUR 125bn. The investment market ended the year with a performance above investors' expectations. Investors continue to remain relatively risk averse, although some have been willing to move up the risk curve with a number of purchases of speculative developments for prime office assets in the core markets.

Amongst the largest markets in Europe, Germany (EUR 18bn) posted strong growth of 83%, while the CEE region, driven by a buoyant Polish market, started its recovery with EUR 2.9bn invested in 2010 compared to EUR 1.9bn a year earlier. Cross-border investors accounted for 35% of volumes (EUR 33.7bn) in 2010. Investments from German and Asian investors supported the rise in volumes. Further activity from Asian investors is expected in 2011.

AUSTRIA

The revival of the German real estate market was mirrored in Austria. Vienna witnessed one of the largest increases in investment activity in 2010, with the volume of deals up 135%.

In terms of real estate transactions, office buildings accounted for the majority of deals, at 43%. A further 21% of volume was invested in hotels, followed by 18% in residential buildings and 11% in retail properties. In the first half of 2010, Austrian investment volume more than doubled compared to the same period of 2009, and by the year-end volumes had significantly increased. Interestingly, Austrian investors are regaining confidence in the domestic market, with their share accounting for 62% of the total investment volume in the first half of the year.

Following the economic slump in 2009, the Austrian economy recovered during 2010 and recorded a growth rate of 2%, slightly above the EU average of 1.8%. Market analysts foresee further positive economic development in both 2011 and 2012.

Office market

The Austrian economy has settled into a relatively stable growth pattern and this has led to renewed activity in the office market, with prime rents having remained stable through to the end of the year.

Vienna currently has 10.2m m² of office space, 165,000 m² of which was completed in 2010. This represents a decrease of 16% when compared to the previous year. However, as the market continues to strengthen, it is predicted that 2011 will see a year-on-year increase of 12%.

A further 275,000 m² of office space were let during 2010. After a pattern of falling take-up volumes, this represents the first increase since 2008, amounting to 4%. Vienna office properties once again recorded the highest volume of take-up in the second half of the year. Prime rents of this use type reached EUR 23/m²/month by Q4 2010, representing a slight increase of 3.4% when compared to the same period of the previous year. Since an increase in demand is not expected in the short term, rents in other sub-markets will stay under pressure and therefore vacant office space will face strong competition.

Retail market

There was a marked increase in demand for prime high streets and shopping centres in Austria's major cities in 2010. Fashion retailers and discounters were particularly active in the market, with the latter targeting prime high street units and also the new high-quality shopping centre space becoming available. In terms of supply, construction has now begun on a significant proportion of the 200,000 m² of shopping centre space already in the pipeline.

Prime rents remained stable for all sub-sectors across the year, with the only notable movement observed in high street values in Q4 2010 which edged up compared to the same period of 2009. At year end, prime retail rents stood at EUR 275/m²/month in Vienna's most sought-after districts. It is forecast that prime shopping centres and high streets will see some upward movement throughout 2011.

While the prime high street locations are in high demand and experience record low vacancy rates, secondary and tertiary locations continue to struggle, although discounters are absorbing some of the vacant space as they continue to expand and benefit from good deals to be made in the weaker end of the market.

Residential market

Almost 94,000 properties were sold in Austria in 2010, an increase of 12.7% year-on-year. The total purchase price for all these properties was EUR 17.3bn, up 5.8% when compared with 2009.

The province of Lower Austria recorded the highest numbers of transactions reaching 20,426, while Vienna topped the comparative rankings in terms of the overall price of purchased residential units, at EUR 4.9bn. The average purchase price of residential units stood at EUR 130,000 in 2010, up 6% from the previous year. Apartments in Vienna were the most expensive, averaging EUR 138,300.

GERMANY

In 2010, EUR 18.8bn worth of commercial real estate changed hands in Germany, a rise of more than 80% set against 2009, and only 5% short of 2008 figures. Large-volume transactions drove the market, with 30 deals above EUR 100m in 2010 compared with just 13 in 2009. Foreign investors were once again highly visible, and their share rose from 13% in 2009 to 37% in 2010.

Transactions in retail properties (EUR 7.3bn) and office properties (EUR 7.4bn) were fairly balanced, and together accounted for 78% of the market. Due to one particularly large portfolio deal in the first quarter, the volume of transactions in industrial and logistics real estate was more than twice the level of the previous year (EUR 1.2bn).

The top five regions (Berlin, Düsseldorf, Frankfurt, Hamburg and Munich) accounted for 45% of the entire investment volume, confirming the great importance that major German economic areas have for investors with a high degree of interest on core properties. The average prime initial yield currently stands at 5.20% for first-class office properties, 4.87% for first-class city centre retail properties, 5.55% for first-class shopping centres, and 7.40% for first-class industrial and logistics properties.

Prospects for the German economy are positive. A rise in GDP of 2% and a further decline in unemployment are expected. This promotes favourable conditions for the real estate market, and for the continued interest of foreign investors. Optimism is returning to Germany with a minimum of EUR 20bn total investment expected for 2011.

Office market

After two years of declining demand for office space, the trend started to reverse in 2010, with the major markets (Berlin, Düsseldorf, Frankfurt, Hamburg and Munich) all profiting from increased take-up. New contracts for offices with a space of 2.4m m² were signed, reflecting an increase of 24% against 2009 and slightly above the 10-year-average (2.4m m²).

Despite the increase in take-up, net absorption stayed at a low level. The majority of new leasing contracts were for relocations to smaller premises, while vacant space in the five major markets increased by an average of 8% to 7.4m m². This reflects an overall vacancy rate of 10.4%. Düsseldorf and Munich surpassed this mark with a vacancy rate of 12.5% and 14.4%, respectively.

Vacancy levels are expected to remain stable in all the major markets in 2011. Supported by forecasts of an increase in employment figures, the aggregated demand will stay at the same level as in 2010. At the same time, the volume of new office space of 800,000 m² will not be only significantly lower in 2011 but also approximately 50% pre-let.

Prime rents softened in 2010 by EUR 0.50/m²/month in Hamburg and Munich and increased by EUR 0.50/m²/month in Berlin. Frankfurt leads the German office market with a prime rental value averaging EUR 34/m²/month. As the supply of modern office space in the preferred locations will be limited in 2011, prime rents have the potential for further increases.

Residential market

Germany's robust economic recovery in 2010 generated a strong level of optimism in the property sector and strengthened the view of Europe's largest economy as a stable and attractive market. Investors have therefore begun to return and by the fourth quarter of 2010, foreign buyers accounted for 40% of all transactions.

Despite this, the main focus for investment remained on office and retail properties, with German residential sales unexpectedly weak in the second half of 2010. This resulted in just EUR 2.2bn in residential deals over the year, down from EUR 2.6bn in 2009.

Yet investors remain interested in residential portfolios due to expected rental growth as markets continue to recover in 2011. Therefore, it is a lack of supply rather than lack of demand that is holding down the sector. Private equity investors want to buy more residential assets in Germany, but have not found adequate products.

Despite the lack of supply, private equity buyers dominated the market in 2010. They accounted for 47% of all acquisitions, up 17% year-on-year which can be taken as a sign that credit markets are unlocking. Amongst the largest deals was BXR Real Estate's purchase of a 59% stake in the Tower Group, which comprised almost 10,000 residential and commercial units.

CEE (CZECH REPUBLIC, SLOVAKIA, HUNGARY):

While 2009 was a year of insecurity and instability, in 2010 market players had a better understanding of their new environment despite the difficult trading conditions. This undoubtedly promoted a greater sense of stability across the CEE, providing a solid basis for recovery in 2010. Yet the overall mood is now more cautious and the decision-making process is considerably slower across all sectors.

Office market

The supply of new office space in Prague reached a record low since 2002, with only 41,800 m² completed in 2010 due to interrupted construction in the previous year. Construction activity revived during the second half of 2010, and there is currently 170,000 m² of office space in various stages of active construction or refurbishment. Of this, 100,000 m² is expected to be completed in 2011, with 70% on a speculative basis.

In 2010, net take-up amounted to 120,600 m², 24% less than the previous year. However, the total number of deals increased year-on-year, which shows a broader level of market activity. Overall vacancy rates increased to 13.2% due to low absorption capacity despite the low supply and sound take-up levels. Prime headline rents remained stable at EUR 20–21/m²/month, and are expected to remain so in 2011.

In Budapest, the number of completions showed a steady decrease in 2010 following a decline in construction activity the year before. This resulted in just 172,600 m² of new supply in 2010, 43% less than in the previous year. Total office stock now stands at 3,083,000 m², including 2.6m m² of rental space and 520,000 m² of owner-occupied space. In terms of new completions, we can expect to see a weak start in 2011, followed by a slow rise later in the year, as a total of 90,000–100,000 m² of office accommodation is scheduled for delivery. The annual office take-up totalled 306,700 m² in 2010, 64% of which was characterised by renewals and relocations, with no significant influence on high vacancy rates (20.5%).

By the end of Q4 2010, the total office stock in Bratislava stood at 1,367,000 m², unchanged from the previous quarter. More than 60% of this space is Grade A. Over the year, total office stock in the city increased by approximately 70,000 m², although this still represented a 48% fall in new supply compared with 2009. Over 102,000 m² of office space is currently under construction, of which 60,000 m² will be completed by the end of 2011.

However, transactions in Bratislava rose significantly during Q4 2010, reaching 53,000 m². This represents a 45% increase from Q3 with total take-up increasing by a record 60% year-on-year to reach nearly 154,000 m². Meanwhile the vacancy rate reached 9.6% by the end of the year, which represented the lowest rate in comparison to earlier quarters. However, there is still 132,000 m² of vacant space that has not been leased. Prime office headline rents showed a slight upward trend in 2010, now ranging from EUR 14–18/m²/month in the city centre.

Retail market

In the Czech Republic, shopping centre and retail completions fell 21% last year, to give a total of 154,000 m² of new supply by the end of 2010. It is expected that this will decrease further in 2011, with only 56,000 m² identified for completion this year. This will be the lowest volume since 1998. No new shopping centres will be opened, but instead several retail parks and retail park extensions. Prime shopping centre rents in Prague for a unit of 50–100 m² range between EUR 50–80/m²/month.

Construction activity in Hungary fell back to 2002/2003 levels, with only 58,000 m² of retail space completed in 2010. The largest completion was the Corvin Atrium opening in October, comprising 35,000 m². Almost 1m m² of retail space is in the planning phase, but only 150,000 m² is under construction and expected to be handed over to the market in the next two years. Some larger retailers have been forced to close, such as Electroworld and the drugstore chain Schlecker. Meanwhile, several retailers have taken advantage of the decreasing rental value to expand or enter the Hungarian market. Rental levels in prime locations with excellent catchment areas remained stable, while others witnessed a 10–15% decrease in 2010.

In Slovakia, the retail market started to show signs of recovery in 2010, though retailers remained cautious. Yet the boom in shopping centres continued unabated despite the crisis. In 2010, approximately 190,000 m² of new shopping centre space was registered, the largest increase in the last 20 years. Total shopping centre stock in Bratislava reached 452,000 m² in 2010 as a result of 50%

more new supply than in 2009. The most significant projects completed in 2010 were Eurovea (55,000 m²) and Storeland (16,500 m²). Prime rent in traditional shopping centres currently average EUR 35/m²/month.

SEE (BULGARIA, ROMANIA, CROATIA):

Whereas many CEE markets, particularly the Czech Republic, Poland and Hungary, managed to successfully overcome the financial crisis, a number of SEE countries are still struggling with less active investors. However, there were signs in 2010 that the market was beginning to move again following a period in which the region had struggled with the challenges of a shifting economy.

Retail markets

In the second half of 2010, four new Bulgarian shopping centres, including Varna Towers (30,000 m²), opened to visitors, adding 110,000 m² to the total stock, which consequently reached 560,000 m². Shopping malls in Sofia enjoy low vacancy rates and seem to have absorbed the increase in stock that hit the market in the spring of 2010. Average rental rates in shopping malls fell by 5% in the second half of the year.

Despite the economic slump, there is optimism amongst Bulgarian retailers. While 2009 and 2010 saw negative consumption rates, the forecast for 2011 is for modest growth levels of 1.3%. There are two major shopping centre projects in the pipeline for 2011, Mall Markovo Tepe (16,000 m²) and Danube Mall (23,300 m²).

At the end of 2010, total retail stock in Romania reached 1.4m m², including 158,000 m² of new supply. Several new retail projects have been announced, including Coresi Shopping City in Brasov, which includes a 40,000 m² mall. Should all the planned projects be delivered, the pipeline supply for 2011 will total 232,085 m², reaching a 46.8% increase year-on-year in which Bucharest accounts for an 11% share.

Although vacancy rates in Bucharest remained stable in Q4 2010, more sporadic vacancy levels have been exhibited in many other retail properties across the country, mainly characterizing poorer located premises. A positive trend for landlords is estimated over the medium to long-term, considering the retailers' increasing appetite for new spaces combined with the scarcity of new supply expected to be completed over the next twelve months. The contraction of rental levels continued across 2010, especially in the case of decentralised shopping centres, although the first half of 2011 should see a more stable evolution of rents. A positive, economic growth is estimated for the second half of 2011, which should increase further in rents followed by a contraction in vacancy rates.

Office market

Office supply in Sofia reached a new peak in 2010, with 150,000 m² of stock added to the market in the second half of the year, bringing the total supply to 1,318,000 m². This significant increase can be attributed to the completion of a number of large projects that were initiated mid-2007 in a more optimistic market. However, with no major new projects having been initiated in the second half of the year, levels of supply are gradually starting to decrease.

Despite this, vacancy rates in Sofia still increased by 89,200 m² during the second half of 2010, which is significantly more than in any previous period. The Central Business District (CBD), in particular, experienced negative absorption rates during this period, with a number of major new projects entering the market. Average asking top-rents continued to fall by 21.2% year-on-year in this region, widely ranging between EUR 7–25/m²/month. Meanwhile, the forecast for 2011 suggests that overall vacancy rates will also continue to rise, pushing rental levels down further.

In Bucharest, total office stock reached 1.7m m² by the end of 2010, with a 35% increase in take-up on 2009 to reach a net take-up volume of 176,000 m². Office rental values registered at their highest in 2008, when prime properties within the CBD were reaching record values of EUR 25–26/m²/month. Today, prime headline rents range between EUR 18–20/m²/month for the central area, EUR 14–17/m²/month for semi-central locations and EUR 9–13/m²/month for decentralised business districts. Considering the general upward trend in rent levels in Romania, and particularly in Bucharest, a maximum level of EUR 18.5–20/m²/month was achieved in 2010, with a further slight increase potentially expected in the second half of 2011.

As Croatia moves towards accession to the European Union, there has been a growth in demand for office space in the region, particularly in Zagreb. By the end of 2009, there was 660,000 m² of space available in the city, with another 20,000 m² added in 2010. The most sought-after areas were the CBD and city centre, as space became more affordable. Increased construction activity during 2010 saw an

expansion of the development pipeline, and by the end of the year, at least three large office developments were actively under construction. These projects will result in around 90,000 m² of new capacity being delivered by mid-2012.

HOTELS

The upswing that set in on the European hotel market at the beginning of the second half of 2010 continued through to the end of the year and brought significant demand increases in annual comparison. This positive trend can be attributed to increased travel activities, which led to improved occupancy rates compared to the previous year.

The city hotel markets in Western and Central Europe reported increased occupancy, though the growth rates on the individual markets varied widely. Western Europe saw a healthy surge, while a number of markets in CEE also improved, but only to a small degree. After the strong declines in 2009, this is a positive sign for the future but has not yet brought the markets to their pre-2009 levels.

After falling by about 4% in 2009, the number of overnight stays in Vienna increased by more than 10% to 10.9m in 2010. Upscale hotels saw occupancy improve to around 72%, a gain of 4 percentage points in annual comparison.

The chain establishments in Budapest also saw occupancy improve, in this case by over 5 percentage points to roughly 64%. The Prague hotel market, which was hit particularly hard by the economic crisis and a significant overhang in the supply of hotel rooms, also saw higher demand and a roughly 4 percentage points rise in occupancy.

Average room rates developed differently from market to market. While hotels in Western Europe were able to increase their average room rates overall, prices fell again on the CEE markets. In Prague, the improvement in occupancy was not able to offset the roughly 6.8% decline in room rates experienced by chain hotels in 2010. Budapest's chain hotels also saw their room rates slip further by around 5.9%.

The economic upswing is generally expected to bring a further improvement of conditions on the hotel market in 2011. The increased occupancy rates and stabilisation of hotel results also brought an increase in the number of transactions in 2010 compared to 2009. The number of hotel transactions is expected to grow further in 2011. Investors are currently focusing primarily on well managed hotels in prime locations.

Management Report

Sparkassen Immobilien AG's broadly diversified portfolio performed very well in 2010. In spite of perturbations in the market environment, the Group brought its development projects to a successful close, and the purchase of the new OMV head office was one of the biggest property transactions in Austria during the year.

Group structure and strategy

GROUP STRUCTURE

S IMMO Group is an international real estate group headquartered in Vienna, Austria. The parent company, Sparkassen Immobilien AG, is Austria's first property investment company and has been listed on the Vienna Stock Exchange since 1987. Sparkassen Immobilien AG's strategic core shareholders, Erste Group and Vienna Insurance Group, are two of the largest providers of financial services in Central and Southeastern Europe. In addition to institutional investors both in Austria and abroad, roughly 30,000 private investors hold S IMMO Shares in their portfolios.

The Group has offices in Berlin (S IMMO Germany) and Budapest (S IMMO Hungary), and owns a property management company, Maior Domus in Germany. As at 31 December 2010, the Group employed 85 people in these three countries.

It also owns numerous property holding companies in countries including the Czech Republic, Slovakia, Hungary, Croatia, Romania and Bulgaria. A detailed list of all S IMMO Group's direct and indirect holdings is shown in the notes on pages 87 et seqq.

S IMMO Group

Sparkassen Immobilien AG (Vienna)			
S IMMO Germany GmbH (Berlin)	S IMMO Hungary Kft. (Budapest)	Maior Domus Verwaltungs GmbH (Berlin)	Other project and property holding companies

All major management functions are directed from the Group's headquarters in Vienna, while the subsidiaries in Germany and Hungary are responsible for asset management locally. At the end of 2010, further parts of asset management were brought in-house. Only in the Czech Republic and Slovakia it is still carried out by external providers. This enables S IMMO Group to make an even more attractive package of its real estate skills and expertise, and helps to standardise its market identity while reducing costs. For reasons of cost effectiveness, some aspects of operations such as IT services and cash management were still managed by Immorent AG under a service agreement.

MANAGEMENT AND CONTROL

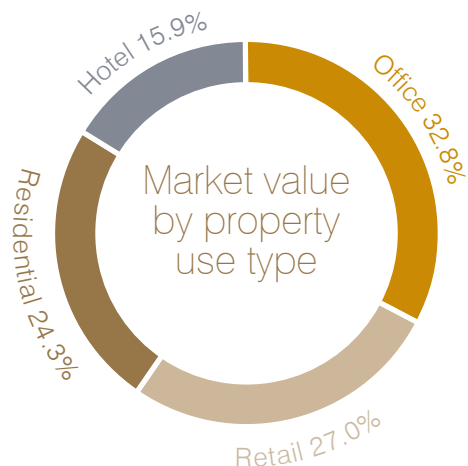
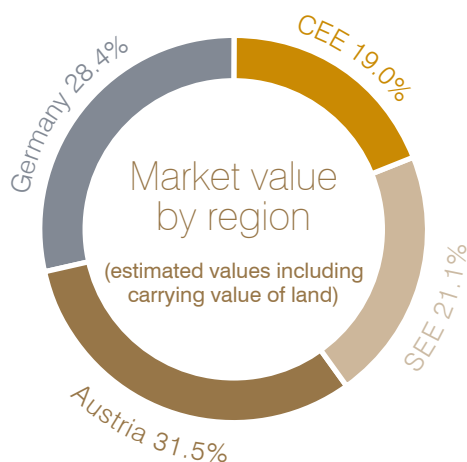
Sparkassen Immobilien AG's Management Board consists of three members, who are jointly responsible for directing the Group's affairs. The responsibilities are determined by statutory provisions and are shared in accordance with the articles of incorporation and the Group's internal rules and procedures. In the exercise of its duties, the Management Board is guided by the principles of responsible management and its long-term objective is to permanently increase the Company's

profitability and asset value. The Supervisory Board, which currently consists of eight members, works closely with the Management Board to promote the interests of the Company in accordance with the principles of corporate governance. Sparkassen Immobilien AG has committed to the Austrian Corporate Governance Code since 2007. More information and complete details about the managing bodies are shown on pages 9 et seqq.

BUSINESS ACTIVITIES AND PORTFOLIO STRUCTURE

Since 1987, Sparkassen Immobilien AG has stood for all-around property expertise. In collaboration with its business partners, it also engages in development projects of its own.

The Group maintains a diversified property portfolio focused on sustainable value with widespread investments in different property types and geographical locations. The Group owns a total of 248 properties, with total usable space of some 1,500,000 m² and a market value of EUR 2,013.1m. At 31 December 2010, the portfolio was made up of office (32.8%), retail (27.0%), residential properties (24.3%) as well as hotels (15.9%). The occupancy rate is at an exceptional 91.7%.



S IMMO Group attaches great importance to long-term tenancy agreements, tenants with excellent credit ratings, a balanced mix of tenants, and stable contractual terms and conditions. More than 95% of all tenancy agreements are tied to the EURO and commercial rentals are also linked to the Eurostat consumer price index.

S IMMO Group has investments in Austria, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Bulgaria and Romania. The largest share of the property portfolio by market value is contributed by Austria, with 31.5%, followed by Germany, with 28.4%. Properties in SEE make up 21.1% and properties in CEE, 19.0%.

STRATEGY AND TARGETS

With its tried and tested combination of completed properties and development projects held for the longer term, S IMMO Group achieves an optimal mix of risks and benefits, balancing the established German and Austrian markets with growth markets such as Romania and Bulgaria. Our dynamic investment strategy means that we invest the capital entrusted to us responsibly and are committed to a balanced portfolio and sustainable growth.

The overarching objective of all our activities is to permanently increase the value of the business for the benefit of our shareholders. We are concentrating on increasing the profitability of the Group's operations. In the medium and long term, the focus will be on acquisition and development.



The primary measure we use as an indicator of enterprise value is the inner value of the share. Net asset value calculated in accordance with European Public Real Estate Association standards (EPRA NAV) rose from EUR 8.13 per share at the end of 2009 to EUR 8.34 per share at the end of 2010. It is to be expected continue to grow steadily. Non-financial performance indicators such as occupancy rates, property expertise, local market knowledge and quality of location also contribute to the success of the Group's operations.

PORTFOLIO STRATEGY

A major pillar of S IMMO Group's business success is its balanced property portfolio. The combination of properties from mature markets such as Austria and Germany and properties in the growth markets of Central and Southeastern Europe has proved a recipe for success, particularly in recent years. Within these markets our focus is principally on investments in Vienna, Berlin and Hamburg along with other capital cities in the European Union. Our strategy of portfolio diversification helps us to ride out the cycles and fluctuations typical of the real estate industry.

Germany

S IMMO Group's German portfolio consists mainly of residential apartment buildings in Berlin and Hamburg. In 2010, the refurbishment measures that were gradually introduced over the past one and a half years began to bear fruit. Some of these measures represented investments in structural work, such as repairs to facades and stairways, and others are direct investments in individual apartments. The success of the programme was demonstrated by the improvement in the occupancy rate from 87.0% to 89.0% and by increases in the value of the properties, which were also reflected in disposals at significantly higher values than previously estimated. In 2011, we intend to take

advantage of market opportunities by selling properties in Germany to the tune of at least EUR 30m. Portfolio sales are not presently under consideration because individual sales command higher prices at the moment. There is, however, increasing interest being shown in portfolio acquisitions as well.

Austria

In December 2010, Sparkassen Immobilien AG completed the purchase of the properties Hoch Zwei and Plus Zwei developed by IC Projektentwicklung GmbH and located close to Messe Wien in Vienna's new urban district Viertel Zwei. The two buildings are being used by OMV AG as its head office. The neighbouring Hotel Zwei, which is being operated as a Courtyard by Marriott, was acquired at the same time. This acquisition was one of the largest transactions in the Vienna property market during 2010.

During the year, we also took advantage of favourable market conditions to dispose of three residential and two office properties at prices well above current estimated values. We will continue to monitor the market closely in 2011 and make the most of sales opportunities, especially in the residential property sector.

Central and Eastern Europe (CEE)

In this region, all the properties S IMMO Group owns are either office or commercial properties and we intend to retain this focus in the coming years. For 2011, the forecast for the Czech Republic and Slovakia is for economic growth of 2.2% and 4.3%, respectively. In comparison, the Hungarian property market is somewhat more difficult. In spite of the challenging market conditions, we were successful in letting 3,800 m² of office space in Budapest, thereby increasing the occupancy rate from 87% to 91.2% in 2010

Southeastern Europe (SEE)

Recovery from the economic crisis in Romania and Bulgaria is lagging behind the rest of the European Union. In 2010, the economies were still shrinking slightly. In addition, domestic demand and purchasing power were adversely affected by government measures such as the increase in VAT tax from 19% to 24%, redundancies as well as wage and salary cuts of 25% in the public sector. These negative factors have had a noticeable impact on sales in our two shopping centres, Sun Plaza in Bucharest and Serdika Center in Sofia. In Romania, the situation is improving, but in Sofia in particular, it continues to be difficult. Letting office property in Sofia continues to be challenging at the moment. Therefore, we are anticipating delays in letting of a little over two years.

In the medium to long term, however, the projections for Southeastern European countries show the highest overall rates of growth. Economic growth in Romania is expected to be 4–4.5% in the next year. In the long run, experts are predicting even larger jumps, which will in turn lead to the strengthening of domestic demand. Bucharest is the sixth biggest capital city in the European Union, and both it and Sofia have the highest purchasing power in their respective countries.

Our portfolio strategy makes it clear that S IMMO Group's investment focus has changed – increasingly, we are concentrating on office and commercial properties, and will continue to do so in the future. The residential property portfolio in Germany constitutes an exception, where we still see significant potential for further increases in value.

Regionally, our principal interests will be in Vienna, Berlin and Hamburg together with Bratislava, Budapest, Bucharest, Prague and Sofia. The combination of properties from stable markets such as Austria and Germany and properties in the growth markets of Central and Southeastern Europe has also proven successful during the financial crisis.

Development land

S IMMO Group owns six plots of development land in EU capital cities in Central and Southeastern Europe. Currently, we are working on obtaining the necessary zoning and construction permits, after which construction will begin on individual projects as soon as local market conditions permit.

FINANCING STRATEGY

In its finances, S IMMO Group follows a considered, risk-aware strategy. We maintain an appropriate balance between the amounts of loans and the market values of the properties to which they are related (loan to value ratio), adequate liquid funds and long-term repayment reserves. Debt financing is typically in the form of traditional mortgage loans. Following the successful completion of our development projects in 2010, with total investment volumes of around EUR 500m, the Group has refinancing requirements of about EUR 290m over the next five years. Derivative financial instruments are used to hedge interest payments.

Business performance and results

PROPERTY PORTFOLIO

Top-quality properties in high-end locations

In 2010, S IMMO Group successfully completed development projects with a total investment volume of EUR 500m. Amongst them were the two biggest development projects in the Group's history, the shopping centres Sun Plaza in Bucharest and Serdika Center in Sofia.

In the past financial year, the Company also acquired the buildings Hoch Zwei and Plus Zwei as well as the neighbouring Hotel Zwei, which is being operated as a Courtyard by Marriott. All buildings are located in the new urban development Viertel Zwei near Messe Wien.

Including these new acquisitions and the completed development projects, S IMMO Group's portfolio at 31 December 2010 amounted to EUR 2,013.1m, and was made up of 248 properties with about 1,500,000 m² of lettable area in total.

The portfolio at that point comprised office properties (32.8%), retail properties (27.0%), residential properties (24.3%) and hotels (15.9%). The majority of the properties is located in Vienna, Berlin and Hamburg, Prague, Bratislava, Budapest, Sofia, Bucharest and Zagreb. Based on market value, the largest parts of the portfolio were made up of properties in Austria (31.5%) and Germany (28.4%), followed by SEE (21.1%) and CEE (19.0%).

S IMMO Group attaches great importance to long-term relationships with tenants, which is reflected in the length of the remaining terms on tenancy agreements and in an exceptional occupancy rate of 91.7%.

Rental yields by region

in %	2010	2009
Germany	6.2	6.4
Austria	5.7	6.2
SEE	8.2	9.2
CEE	7.1	7.3
Total	6.6	6.7

Higher revenues and gross profits

S IMMO Group's rental income in 2010 improved considerably, and for the year as a whole amounted to approximately EUR 104.0m (2009: EUR 87.6m). This 18.8% increase was mainly attributable to the successful completion and letting of the shopping centres Sun Plaza in Bucharest and Serdika Center in Sofia. Rental income also includes the first rents from letting the newly opened residential and office building Neutor 1010, the office property Galvaniho 4 in Bratislava and the newly acquired properties Hoch Zwei and Plus Zwei in Vienna, used by OMV AG as its head office.

Income from hotel operations reflected the improving market environment: The European hotel market began to pick up again in mid-2010 and continued its recovery throughout the rest of the year. For 2010 as a whole, there was a significant increase in demand compared with 2009. S IMMO Group's income from hotel operations was up by 3.8%, from EUR 36.9m in 2009 to EUR 38.3m in the year under review. Hotel operating expenses remained unchanged compared with the previous year, at EUR 29.6m, so that net income from hotel operations totalled EUR 8.7m (2009: EUR 7.2m).

Broken down by region, rental income was as follows: Germany contributed 34.0% (2009: 38.8%), followed by SEE with 25.1% (2009: 5.4%), Austria with 20.9% (2009: 28.6%) and CEE with 20% (2009: 27.1%).

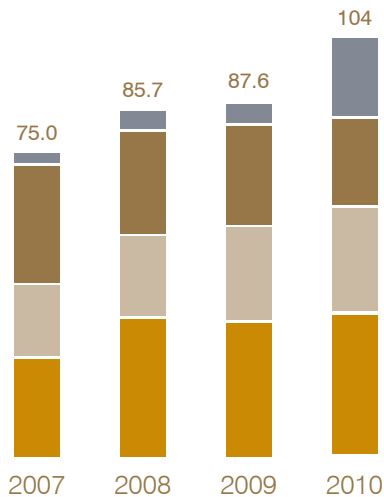
Rental income by property use type showed retail responsible for 37.9% (2009: 22.3%), followed by offices with 30.2% (2009: 42.1%) and residential properties with 26.9% (2009: 32.2%). The hotels' share in 2010 was 5% (2009: 3.4%). The results from the Vienna Marriott Hotel and the Budapest Marriott Hotel, both leased to hotel operators, are recognised as income and expenses from hotel operations.

For 2010 as a whole, S IMMO Group was able to improve gross profit by 13.1% to EUR 80.2m (2009: EUR 70.9m).

Total rental income*

in EUR m

- Germany
- Austria
- SEE
- CEE



* not including Vienna Marriott Hotel and Budapest Marriott Hotel

Earnings performance

In the financial year 2010, S IMMO Group took advantage of several attractive opportunities to dispose of properties. During the year, a total of eleven properties were sold; nine residential properties in Vienna and Berlin and two office buildings in Vienna.

Gains on property disposals amounted to EUR 9.9m (2009: EUR 1.9m), which boosted EBITDA by a significant 34.1% to EUR 71.4m (2009: EUR 53.3m).

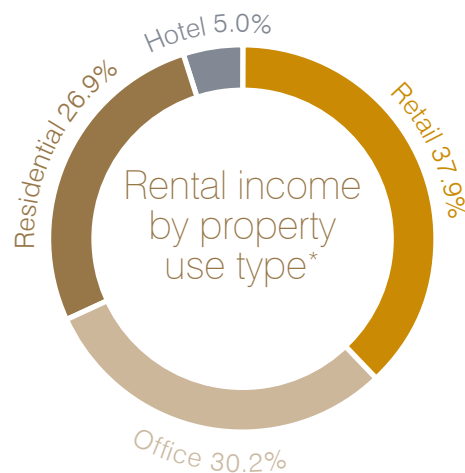
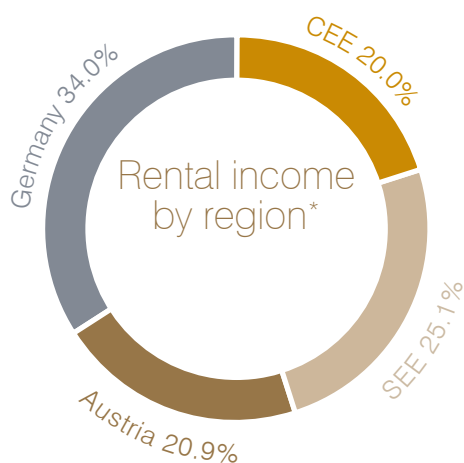
Advantageous property disposals

Vienna

- 1150 Vienna, Meiselstrasse 8 (residential)
- 1160 Vienna, Lobmeyrgasse 5–7 (residential)
- 1220 Vienna, Am Kaisermühlendamm 87 (residential)
- 1040 Vienna, Theresianumgasse 7 (office)
- 1060 Vienna, Windmühlgasse 22–24 (office)

Berlin

- 13349 Berlin, Barfussstrasse 13 (residential)
- 10965 Berlin, Yorckstrasse 17 (residential)
- 10965 Berlin, Willibald-Alexis-Strasse 34 (residential)
- 10585 Berlin, Nithackstrasse 4 (residential)
- 13359 Berlin, Koloniestrasse 70 (residential)
- 10999 Berlin, Admiralstrasse 18 (residential)



* not including Vienna Marriott Hotel and Budapest Marriott Hotel

Property valuations

The revaluation results reflect the differing speed of economic recovery in the various regions. Properties in Austria and Germany grew in value thanks to the positive performance of the real estate markets and both countries' recovering economies. In comparison, Romania and Bulgaria are taking longer to recover from the economic crisis, and in 2010 their economic growth was still slightly negative. This made necessary a small overall writedown of EUR 0.8m, which corresponds to approximately 0.04% of the portfolio's total value. When compared with the previous year's writedown of EUR 97.2m, this is a distinctly encouraging trend, and one which will continue in the current financial year.

Revaluation results

EUR m	2010	2009
Germany	13.7	2.1
Austria	22.3	3.8
Central Europe	-8.5	-49.2
Southeastern Europe	-28.3	-53.9
Total	-0.8	-97.2

Operating results (EBIT) improved by more than EUR 110m, from a loss of EUR 53.1m in 2009 to earnings of EUR 60.5m for 2010.

The largest tenants



Net financing costs increased to EUR 41.2m, reflecting higher financing volumes. In 2010, income entitlements of participating certificate holders resulted in expenses of EUR 10.2m, compared with earnings of EUR 11.2m in 2009. After a loss before taxes of EUR 77.5m in 2009, the financial year 2010 generated a profit before taxes (EBT) of EUR 9.1m – a highly satisfactory result considering the state of the market. For 2010 the Group reported a consolidated net income of EUR 2.1m (2009: EUR -78.9m).

Funds from operations (FFO)

Funds from operations show S IMMO Group's results in cash terms for the year under review. The consolidated results are adjusted for non-cash items, which include revaluation results, depreciation and amortisation, gains and losses on interest rate hedges, exchange rate differences and all effects of servicing the participating certificates.

Cumulative cash flow in 2010

EUR m	31.03.	30.06.	30.09.	31.12.
Operating cash flow	15.3	33.2	46.8	59.2

Funds from operations in 2010 amounted to EUR 28.9m (2009: EUR 22m). This encouraging outcome is directly attributable to the completion of the development projects.

Net operating income (NOI)

Net operating income improved from EUR 62.7m in 2009 to EUR 75.2m in 2010.

Net operating income as of 31 December

	2010	2009	Change
NOI (EUR m)	75.2	62.7	20.1%
NOI margin (%)	43.0	40.8	+2.2 pp

Cash flow

Operating cash flow for the year rose from EUR 49.4m in 2009 to EUR 59.2m in 2010. This improvement was closely related to the completion of development projects made in the past financial year.

Assets and finances

As at 31 December 2010, S IMMO Group's total assets amounted to EUR 2.3bn (2009: EUR 2.2bn), of which – in line with its business activities – the lion's share was attributable to the property portfolio. S IMMO Group's long-term property assets at the end of the year amounted to approximately EUR 2.0bn, an increase of 8.7%. Following the successful completion and opening of the development projects, the carrying value of rental properties in the balance sheet increased by 44.4% to EUR 1.8bn (2009: EUR 1.3bn). The amount disclosed under investment properties under development and land fell correspondingly, to EUR 56m (2009: EUR 445.8m).

Cash and cash equivalents

At the balance sheet date, S IMMO Group's cash and cash equivalents totalled EUR 129.7m (2009: EUR 210.2m). The relatively large balance at the end of financial 2009 was attributable to the development projects which were not yet completed at the time. The final accounts for these projects were agreed and settled during the past financial year.

Shareholders' equity

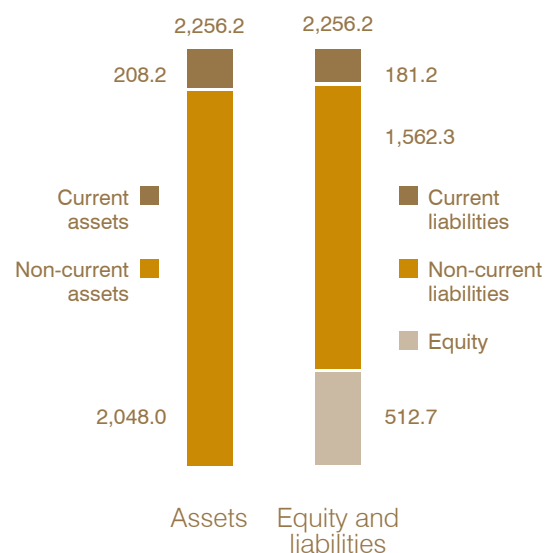
During the past financial year, equity (excluding minorities) increased from EUR 479.0m to EUR 481.3m. The minority interests disclosed under equity were almost exclusively attributable to ECE Projektmanagement GmbH & Co KG's interest in Serdika Center. After completion of the shopping centre, the interest dropped to EUR 31.4m (2009: EUR 44.8m).

Finance management

In 2010, S IMMO Group was successful in refinancing all maturing loans as planned. In spite of the banks' very restrictive lending policies, in particular for foreign real estate projects, numerous long-term property investments and completed development projects were refinanced according to plan. S IMMO Group's non-current financial liabilities increased accordingly from EUR 978.9m to EUR 1,228.8m. In connection with the completion of the development projects, current financial liabilities during the period under review fell from EUR 303.4m to EUR 124.1m.

Balance sheet structure 2010

EUR m



The financial liabilities were matched by a property portfolio worth EUR 2,013.1m. The loan-to-value ratio at balance sheet date was 61% (2009: 56%). The increase comes from the successful refinancing of the two shopping centres, Sun Plaza and Serdika Center.

The financial liabilities had the following terms:

Terms of financial liabilities	
Less than 1 year	EUR 124.1m
1 to 5 years	EUR 409.4m
More than 5 years	EUR 819.3m

To minimise foreign exchange risks, S IMMO Group finances itself exclusively in EURO. About 90% of the financial liabilities are at variable interest rates pegged to the EURIBOR, and roughly 10% are at fixed interest rates. Possible changes in interest rates are hedged with interest derivatives.

Net asset value (NAV)

NAV is calculated in accordance with EPRA guidelines and represents the value of equity minus the effects that do not have a long-term influence on the business activities of S IMMO Group, such as valuations of derivatives and deferred taxes. At 31 December 2010, EPRA NAV had risen to EUR 8.34 per share (31 December 2009: EUR 8.13 per share). Based on the year-end closing price of EUR 5.28, the share's potential for appreciation is 57.9%.

Calculation of EPRA NAV

EUR m	2010	2009
Capital and reserves (without minorities)	481.3	479.0
Revaluation of other assets	9.0	1.8
Fair value of financial instruments (with no effect on income)	50.0	50.9
Deferred taxes	27.5	22.1
EPRA NAV	567.8	553.8
EPRA NAV in EUR per share	8.34	8.13



Neutor 1010, Vienna, Austria

Development projects update

COMPLETED DEVELOPMENT PROJECTS

With a total volume of EUR 500m, almost all projects were completed in 2010.

Neutor 1010, Vienna, Austria

On 12 October 2010, Sparkassen Immobilien AG celebrated the opening of the Neutor 1010 residential and office building in Vienna's first district. The project has 11,000 m² of total floor space and was developed in collaboration with Immorent AG. Neutor 1010 was one of the three finalists for the 2010 DIVA Award, a real estate prize for outstanding innovative concepts. As this report goes to press nearly all of the 34 luxury apartments on the top storeys had already been sold. A majority of the 5,000 m² of office space has been rented by the top

office furniture manufacturer Bene, which is using the ground floor as a modern showroom. Other tenants include the companies Hermes Pharma and E-Control.

Galvaniho 4, Bratislava, Slovakia

Most of the tenants already moved into their offices in the autumn of 2010. Sparkassen Immobilien AG officially opened its third office project at the Galvaniho site between Bratislava's city centre and its airport on 31 March 2011. The highest-profile tenants in the building, which is fully let out, include Bosch-Siemens, Oracle and Samsung, as well as a number



Galvaniho 4, Bratislava, Slovakia

of leading Slovakian IT companies. The six-storey Galvaniho 4 has 23,700 m² of lettable floor space for offices, shops and restaurants, and plenty of parking, with 400 spaces in the garage and 350 outside the building. The architectural style of Galvaniho 4 revolves around art, as the building offers a number of national artists a venue to present their works, with regular exhibitions and pieces on permanent display.

Serdika Center, Sofia, Bulgaria

Sparkassen Immobilien AG opened its largest development project to date, Serdika Center, in the spring of 2010. The centre offers 51,000 m² of space and 210 shops with top international brands such as Peek & Cloppenburg, Mango, Reserved, Esprit and Swarovski. The fact that the centre has achieved

96% occupancy under difficult market conditions proves the outstanding quality of the location and the excellent tenant mix. The highly important Christmas shopping season brought a new visitor record in December 2010. ECE Projektmanagement, Europe's market leader in the development and management of inner-city shopping centres, was Sparkassen Immobilien AG's development partner for the project and is responsible for the facility's centre management.

The roughly 30,000 m² of office space in Serdika Offices were nearly completed at the beginning of 2011. Colliers International and Forton have been commissioned to find tenants. The class A office units range in size from 200–4,000 m², meet the highest standards and can be tailored to fulfil the



Serdika Center, Sofia, Bulgaria

tenant's individual wishes. Suspended ceilings, flexible room partitions and reversible false floors are just some of the practical features. A particular focus was placed on sustainability in the construction of Serdika Center and the offices above it. All workplaces are flooded with daylight, which significantly reduces electricity consumption for artificial lighting. The office windows in the standard facade can be opened to admit fresh air, and a sun shading system in the facade shortens the amount of time that the ventilation and cooling systems need to be run. The heating system is supplied from the city's central district heating plant. The building is currently being assessed by the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen – DGNB) for green building certification.

Sun Plaza, Bucharest, Romania

The Sun Plaza shopping centre has also seen a steadily increasing number of visitors since it opened in February 2010. Attractions such as the largest interior Christmas light installation in the world and a wide range of unique events drew many people to the centre and resulted in a new visitor record in December 2010. Sun Plaza offers 130 shops plus restaurants, cafés, a food court with 1,200 seats, a bowling centre and a cinema centre. Another highlight is the direct access to the metro via a passage, an absolutely unique feature in Bucharest.

Sun Offices offer roughly 10,000 m² of office space on three levels above the shopping centre. The first tenant is Centrul Medical Unirea (CMU), an operator of numerous polyclinics in Romania.



Sun Plaza, Bucharest, Romania

The units in Sun Offices can be adapted to meet the individual needs of the tenants and offer state-of-the-art heating and ventilation systems along with comprehensive security systems.

With 80,000 m² of lettable space and a current occupancy rate of 97%, Sun Plaza is an important local employer and source of tax revenue. With these two properties, Sparkassen Immobilien AG has made a sustainable improvement to the infrastructure at both sites and is helping to push the development of the region.

PURCHASE OF A COMPLETED INNER-CITY PROJECT

Hoch Zwei / Plus Zwei / Hotel Zwei, Vienna, Austria

In December 2010, Sparkassen Immobilien AG successfully completed the purchase of the buildings Hoch Zwei and Plus Zwei, which were developed by IC Projektentwicklung GmbH and are located in the new urban centre of Viertel Zwei. Both properties are being used by OMV AG as its head office. In addition, the adjacent Hotel Zwei, which is being operated as a Courtyard by Marriott, was purchased.

Hoch Zwei, which is 80 metres high and has 23 storeys, features an unusual concave-convex shape. The dominant elements are glass and steel, ensuring that the building is naturally lit. The neighbouring



Hotel Zwei / Hoch Zwei / Plus Zwei (f.l.t.r.), Vienna, Austria

Plus Zwei also features transparent architecture and eye-catching shapes. In total, OMV AG has some 41,000 m² of state-of-the-art office space at its disposal. Hotel Zwei has 251 rooms and suites and together with the OMV AG head office, it forms the gateway to the new quarter Viertel Zwei.

The grounds of Viertel Zwei are located between Vorgartenstrasse and the Krieau racing track, directly next to the Messe Wien convention centre. The city centre is just a few metro stations away and the motorway is in the immediate vicinity. On 40,000 m² of land that was previously overlooked for the most part, a modern world of residential buildings, workplaces and lifestyle with an international flair has been created on a so far nearly unknown site. The area was designed as a traffic-free zone and offers the necessary parking spaces in several under-

ground garages. The comprehensive concept for green spaces with a lake measuring over 5,000 m² also increases the quality of the residential, leisure and working space.

Development properties

S IMMO Group owns roughly 12 hectares of development land in EU capitals in Central and South-eastern Europe. The properties are located in Bratislava, Bucharest, Prague and Sofia and are intended for different use types. Specialists on site are currently obtaining approval for zoning changes and building permits. Preparations for subsequent building work are at different stages for each property. Construction on individual projects can begin as soon as the preconditions have been met and the local market conditions are right.

Staff and responsibility

Sparkassen Immobilien AG attaches special importance to maintaining a close dialogue with its shareholders, tenants and partners. To achieve this goal, the Company relies on its most valuable asset: qualified and dedicated staff who directly interacts with all stakeholders. To secure know-how, expertise and contacts over the long-term, Sparkassen Immobilien AG invests actively in the professional and personal skills of its employees. As a real estate investor, the Company is deeply involved economically and socially. Sparkassen Immobilien AG actively shapes the environment in which it does business through a wide range of projects and individual measures. The cornerstones of its corporate social responsibility programme are acting and doing business in a responsible way, maintaining its properties in accordance with high standards, and social and cultural commitment.

EMPLOYEES

Achieving more together

Teamwork and interdepartmental know-how transfer are core values in Sparkassen Immobilien AG's working culture, as are mutual support and lean structures. The Company takes active measures to promote and enhance this culture and to encourage effective collaboration between its employees. The Management Board members and department heads regularly inform the staff of new developments, current projects and strategic decisions.

The Company also facilitates the exchange of experiences outside of the office and arranges events to build a strong community amongst its staff. One such event is the annual team-building workshop, where current topics of relevance for the Company are discussed and examined with a qualified trainer.

In 2010, the agenda focused on the Company's strategic orientation and rebranding project. Beyond that, cross-border networking with staff in Germany and Hungary is aimed to be intensified further in the future.

Improving employee qualifications

In order for Sparkassen Immobilien AG to continue conducting its business successfully in the future, it must continuously invest in the training of its employees. To this end, the Company offers a variety of seminars, courses and academic training programmes. After consulting with their supervisors, employees can choose from a wide range of training offers. In 2010, an average of EUR 900 was spent per person on training.

The primary goal of all of these qualification measures is to develop industry-specific expertise. Therefore, Sparkassen Immobilien AG assists its employees in completing industry-specific training programmes, for example attaining membership in the Royal Institution of Chartered Surveyors (RICS) in Great Britain, or obtaining an MBA or other master's degree programmes.

The Company also attaches considerable importance to annual performance reviews, which facilitate the professional and personal growth of each individual employee. Supervisors and employees can take this opportunity to provide each other with feedback and agree on goals for the coming year. Sparkassen Immobilien AG also works actively to foster future talent, giving young professionals an opportunity to build upon their knowledge and gain practical experience through internships or work-study agreements.

Motivation through a good work-life balance

Providing for a healthy balance between career and spare time motivates employees to realise their full potential and also protects their health. Sparkassen Immobilien AG takes a proactive approach to this with offerings ranging from flexible working times and free health check-ups to medical care, meal vouchers and supported sporting activities.

Internalising asset management

Certain asset management functions were integrated into the Company and the associated external management contracts terminated in 2010. In this way, Sparkassen Immobilien AG is strengthening its internal real estate expertise and is more closely involved with its properties and the tenants using them. Moreover, in the long run costs will be reduced and the S IMMO brand will be strengthened with a uniform international brand presence.

Due to the internalisation of asset management, the number of employees at Sparkassen Immobilien AG in Austria rose from 27 in 2009 to 32 at the end of 2010. The number of employees at the subsidiaries in Berlin and Budapest amounted to 43 and 10, respectively.

In total, 92% of S IMMO Group's employees work full time and the average employee age is 38. Women make up 41% of the staff in Vienna, 53% in Germany and 90% in Hungary.

Doing business internationally, the Company has employees from different countries including Austria, Germany, Hungary, Croatia, Great Britain and the United States. The Company and its staff profit equally from this diversity of languages and cultures, and the different viewpoints are a wellspring of creativity and innovation.

	2010	2009
Headquarters staff* (as of 31 December)	32	27
Staff abroad* (as of 31 December)	53	46

* not including employees of the Marriott hotels

Conducting business responsibly

As a listed company, Sparkassen Immobilien AG has a particular obligation to its shareholders. In line with this, the Company strives to secure sustainable earnings. Its portfolio of high-quality properties forms the basis for this and is diversified in terms of usage type, investment volume and geographical location. The Company focuses on prime locations in capitals in the European Union and major German cities with a population of one million or more. Sparkassen Immobilien AG strives to conclude long-term leases and seeks to maintain an active dialogue with its tenants so as to be able to account for their needs as effectively as possible.

The Company engages in open communication with its tenants as well as with its investors and partners. Comprehensive and transparent information, mutual respect and frank, honest communication form the foundation for constructive and lasting relationships. To this end, the Company website is being revised this year to provide all dialogue partners with easier access to relevant information.

Respectful interaction also includes compliance with guidelines that guarantee fair competition and preclude ethically questionable business practices. These internal guidelines include strict rules about awarding contracts and accepting gifts, among other things, and are binding for all employees.

Real estate standards for tomorrow

Sparkassen Immobilien AG acts in a responsible manner by enforcing the highest standards in terms of materials and construction methods for its existing buildings and development projects. The use of energy-saving, sustainable building materials, advanced climate control and heating systems, and state-of-the-art thermal and acoustic insulation materials can substantially lower a building's life cycle costs. This future-oriented approach benefits tenants and investors alike. Sparkassen Immobilien AG also applies Austrian or equivalent EU standards in Central and Southeastern Europe whenever possible.

Case study: Serdika Center and Serdika Offices

A particular focus was placed on sustainability in the construction of Serdika Center and especially the associated office spaces on the upper storeys. The centre is currently being assessed by the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen – DGNB) for green building certification.

A key aspect of the shopping centre's sustainability is its inner-city location with direct access to public transport. Sun shading systems on the outside of the building lower the energy needed for cooling, and the double-shell facade ensures that the sun shades can be used under all wind conditions. Environmental criteria were also taken into account in the design of the roof, large portions of which are greened to compensate for the soil sealed off beneath the building and paving and to improve the microclimate.

The office sections were planned according to Western European standards with an average depth of roughly 14.5 metres to ensure that they will remain attractive for tenants well into the future. This depth is the same as for the office projects that have enjoyed the greatest success over time and offers

attractive workplaces with good options for different layouts, from open plan or cubicle arrangements to combined solutions. All rooms have suspended ceilings and flexible room partitions to permit better adaptability in accommodating tenant wishes. The technical office and communication systems can also be expanded or refitted at any time thanks to the reversible false floor.

All workplaces are flooded with daylight, which significantly reduces electricity consumption for artificial lighting. The office windows in the standard facade can be opened to ensure a sufficient supply of fresh air so that the ventilation and air-conditioning systems do not have to be unnecessarily run as long. The heating system is supplied by the city's central district heating plant.

CORPORATE SOCIAL RESPONSIBILITY

Sparkassen Immobilien AG has been basing its social and cultural support activities on long-term cooperation agreements for many years. In 2010, the Company again provided funding and support for architecture and art projects and social projects with the theme of providing shelter. Cooperation projects were completed with the Turn On architecture festival, the Stotoons exhibition, the Wiener KunstsUPERMARKT art sales project, Caritas Socialis, Österreichische Wachkomagesellschaft (Austrian Society for Patients in a Persistent or Permanent Vegetative State) and Caritas Austria during the reporting period. The proceeds from the annual employee raffle, during which Christmas presents from partners are distributed among the staff, were donated to Animal Care Austria.

Visit our new website
www.simmoag.at

Employees of Sparkassen Immobilien AG are included in the Company's social and cultural commitment. The activities range from information presentations and donation collections to participation in the exhibitions and concerts of the supported organisations. The Company also implements suggestions from employees for the further development of its CSR activities when possible.

The following projects were supported during the financial year:

Architecture and art	Social
Turn On architecture festival	Caritas Socialis benefit concert
Wiener Kunstsupermarkt art sales project	Caritas projects for children, youths and elderly persons in Romania, Bulgaria and Ukraine
Stotoons exhibition	Österreichische Wachkoma-gesellschaft (Austrian Society for Patients in a Persistent or Permanent Vegetative State)
	Animal Care Austria

Caritas Socialis benefit concert

Sparkassen Immobilien AG has provided support to the Caritas Socialis benefit concert for many years. Last year, the concert was held in the main hall of the Musikverein in Vienna on 14 March. The audience was treated to a performance of A German Requiem by Johannes Brahms. The proceeds from the event went to the project Der Rote Anker by the hospice organisation CS Hospiz Rennweg, which offers professional psychotherapeutic assistance to children and young people who have lost a loved one. Der Rote Anker is also a school programme that seeks to eliminate the taboos associated with dying, death and grieving.

Wiener Kunstsupermarkt art sales project

Sparkassen Immobilien AG supported the Wiener Kunstsupermarkt project for the fourth time in a row in 2010. This project offers original works from national and international contemporary artists at reasonably set prices under the motto of "making art affordable for everyone". Sparkassen Immobilien AG provides the shop space at Mariahilfer Strasse 103 in Vienna for the project every year.

In 2010, the 75 artists from twelve countries whose works were on sale included both established as well as new and young artists. Over 4,000 pieces of art were on display for viewing and purchase for several weeks. The offerings ranged from acrylic and oil paintings to drawings, watercolours and sculptures. Sparkassen Immobilien AG has some of these on permanent display at its headquarters.

Caritas cooperation 2010

The Company has maintained a long-term cooperation project with Caritas Austria since 2008. Because it is present on many different markets, Sparkassen Immobilien AG actively assumes social responsibility in numerous countries. The Caritas projects enable the Company to provide effective assistance, especially in countries where social standards are not yet at the same level as in Austria. Sparkassen Immobilien AG is involved in the following projects, among others:

Hope House in Romania

Sparkassen Immobilien AG is financing a Caritas Hope House in Ciumbrud, Romania, which provides a temporary home for youths. Social workers help them find work and a permanent place to live, and also assist with official business and individual problems. After their stay in the Hope House, the youths are given support for at least six more months. Caritas also provides employment, social, legal and psychological advice and assistance to children and youths via mobile units and at the counselling centre in Alba Iulia.

A future for children in Ukraine

The Caritas Children's Centre in Kiev has 30 places for street children, social orphans and disadvantaged youths as well as 15 temporary places for children who are being taken in by foster families. Children and youths can spend their free time off the street in the connected day centre. Caritas operates a vocational training centre in Kiev where roughly 70 young people learn about different occupations every year. Young people can also take computer and English courses and job aptitude tests.

Ageing with dignity in Bulgaria

Over 70% of the inhabitants of Pokrovan in Bulgaria are over the age of 70. They must live on very small minimum pensions that are often not even enough to cover the barest necessities. For this reason, Caritas operates a day centre and a soup kitchen in this village and arranges medical care for the elderly population, all with the support of Sparkassen Immobilien AG. Mobile teams provide assistance to ill or bedridden persons.

Outlook 2011

Sparkassen Immobilien AG will be extending its cooperation projects with Caritas Austria, Caritas Socialis and the Kunstsupermarkt art sales project in 2011, and will also provide financing or know-how for other individual projects. The Company is also seeking to attain membership in the Austrian Business Council for Sustainable Development (respACT) to expand its competence in this area. respACT is Austria's leading corporate platform for CSR and sustainable development and provides important impetuses and contacts to leading companies in this area.

Contacts

If you have any questions about our CSR activities, please contact the Corporate Communications team by phone on +43 (0)50 100-27522 or by e-mail at media@simmoag.at.

Information about our CSR partners can be found at:
www.caritas-socialis.or.at
www.kunstsupermarkt.at
www.caritas.at
www.nextroom.at/turn-on_11
www.stotoons.info
www.wachkoma.at
www.animalcare-austria.at

Risk management

The goal of S IMMO Group's proactive risk policies and strategy is the long-term, sustainable optimisation of the balance between risks and rewards. A standardised risk management process is used to identify, analyse, monitor and manage the risks to which the Group is exposed.

As an international real estate investment company, S IMMO Group invests in a portfolio of investment properties and development projects in Austria, Germany and six countries in Central and South-eastern Europe. The Group's business activities therefore require risk management policies adapted to different regions and types of property use – the deliberate diversification of risk through investments in a wide variety of regions combined with the maximisation of opportunities from a wide range of property uses.

The function of S IMMO Group's uniform risk management system is to identify, assess, control and manage strategic and operational risks and to recognise and take advantage of the corresponding opportunities. Internal guidelines, regular written and oral reports to the Management Board, and standardised control measures serve to support the timely identification, monitoring and control of risks.

S IMMO Group uses a variety of internal and external data sources (ratios and benchmarks, industry-specific valuations etc.) to identify potential risks. Risk measurement and assessment is based on statistical probabilities and the financial impacts on the Group's goals of loss events in different exposure bands. There is an internal process of continuous review that enables the risk manager together with the Management Board to review risks and to assess risks in different areas on a regular basis.

The overall responsibility for all risk-related decisions lies with the Management Board. Investment projects above a certain volume also require approval by the Supervisory Board. Risk Management is a staff unit that reports directly to the Management Board and the Audit Committee of the Supervisory Board at regular intervals. It reports on the risk management system and the functioning of the internal control system that is in place for all business processes.

STRATEGIC RISKS

S IMMO Group engages proactively with strategic risks by taking them into account already in the planning process.

A major factor of this policy of forward-looking risk management is the deliberate concentration on markets inside the European Union, so as to minimise **market risk**. Extensive use is made of the networks, technical expertise and local knowledge of the Group's business partners and core shareholders. Every investment is reviewed by Risk Management for possible risks, and must meet the strategic requirements with respect to location, property use type and minimum standards. There are also predetermined thresholds specifying which investments require approval by the Supervisory Board. The Group avoids excessive concentrations of risk in the investment portfolio by stipulating a broad spread of investments by use type and geographical region.

Another major element of the Group's strategy aims to minimise potential **investment risks** in the selection of properties. In the preparatory phases of investment decisions, S IMMO Group attaches great importance to the comprehensive analysis of locations and trends by its specialist staff together with external experts. As an example, when acquiring the properties Hoch Zwei and Plus Zwei last December, the attractive location with its excellent infrastructure and the first-class credit rating of the major long-term tenant were all part of the basis for the decision.

S IMMO Group manages **capital market risks** on the basis of ongoing analysis of appropriate means of raising capital. Longer-term financial projections are used to plan borrowing and repayment as well as capital investments. To counter the present general lack of investor confidence in the capital markets, S IMMO Group makes every effort to communicate transparently, on a timely basis and efficiently with its investors, analysts and other interested parties. To ensure compliance with the requirements of capital markets, S IMMO Group has introduced compliance regulations with a code of good conduct for staff and clearly defined roles for the compliance officer. His responsibilities include monitoring compliance-relevant situations, submission of statutory reports to regulatory authorities and the organisation of periodic training courses for staff and of continuing professional education for compliance specialists.

REAL ESTATE RISKS

The economic crisis has had a major impact on the real estate industry. The risks of falling credit ratings, increasing arrears of rent, rising vacancy rates, tenant defaults and macroeconomic or local environmental factors affecting individual properties have become more prominent.

Location risk is reduced by S IMMO Group's strategy of broad diversification in terms of regions and property use types. In 2010, this risk was not the same in all segments and countries. Residential construction made good progress, which led to a reduction in the corresponding risks. This benefited S IMMO's residential portfolio in Germany and Austria. Additionally, the focus of business activities on countries with long-term development potential and on European Union capital cities and large metropolitan areas in Germany has contributed materially to the stable performance of the portfolio as a whole. Frequent analysis of property locations and clearly defined standards for investment decisions are other features that the Group uses to counteract location risk.

Letting risks are closely linked with the general economic environment in the various markets. Current economic developments in Romania and Bulgaria, for instant have resulted in riskier situations there than in other EU countries of Central and South-eastern Europe. For this reason, asset management activities and the detailed, ongoing monitoring of risk-related indicators, vacancy rates and tenant turnover have been stepped up. In the financial year 2010, the emphasis on long-term letting to tenants with high credit ratings proved its worth as a way of minimising risk. As a consequence, the Company had a stable occupancy rate of 91.7%.

Development risks were substantially reduced in the financial year 2010: Development projects with a total value of some EUR 500m – equivalent to roughly a quarter of the Group's portfolio – were successfully completed. In the pre-development phase, all development projects are subjected to an exhaustive due diligence review and sensitivity analysis, which also includes the selected development partners. To be eligible for selection, partners must have convincing reference projects to their credit. Risk Management monitors project development throughout the process, so that risks can be identified and neutralised as soon as they appear. Appropriate risk sharing arrangements with development partners are also an integral part of the relevant contracts and agreements.

Property valuation risk is the risk of impairment losses that not only affect profits but also have a negative effect on the Group's equity. S IMMO Group's annual property valuations are carried out by well-known, international, external professional experts in order to ensure that reliable, soundly based valuations are obtained. S IMMO Group's valuation policies are prudent – the proof is that properties sold during the year realised more than their estimated values.

FINANCIAL RISKS

For S IMMO Group, the management of financial risks is principally related to the effects of liquidity risks, interest rates risk, credit risks and currency risks.

In order to minimise **liquidity risks**, the Group ensures that a balanced relationship is maintained between the amounts of loans and the market values of the individual properties (loan to value ratio). In past years, the loan to value ratio was less than 60%. The Group's payment streams are controlled and managed on an ongoing basis by Finance, in coordination with Project Development and Asset Management. As part of a separate process, Risk Management performs its own analyses of payment flows. The successful completion and letting of the shopping centres in Bulgaria and Romania, the biggest development projects in the history of the Group to date, will lead to an increase in internal financing in the coming years, as rental income is expected to grow gradually.

S IMMO Group's **interest rate risk** is reduced over the long term with a variety of interest rate hedges (caps, collars and swaps). These derivative financial instruments are used only as interest rate hedges and neither for trading nor for other speculative purposes. Further details about these instruments and the results of the relevant stress tests are shown on page 121 et seq. of the notes.

S IMMO Group reduces risks with respect to external financing by spreading its borrowing across a variety of lenders (at the balance sheet date, 20 individual banks), and by requiring loans to be approved by the Supervisory Board. The bulk of the financing (63%) is long-term oriented and has an average weighted residual maturity of eleven years. The long-term orientation is specific for real estate business activities. All loan liabilities without exception, together with any associated liabilities, were satisfied on time.

All S IMMO Group's borrowings are denominated in EURO. Since nearly all rental agreements are also linked to the EURO, foreign exchange risk is minimal.

INTERNAL CONTROL SYSTEM (ICS)

The internal control system comprises all the processes designed and implemented by S IMMO Group's Management Board in order to monitor and control

- The effectiveness and economic efficiency of operating activities (e.g., the protection of assets against loss, damage or misappropriation)
- The reliability of financial reporting and
- Compliance with applicable statutory provisions.

The internal control system is based on the internationally recognised standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Together with internal audit and the compliance systems, it constitutes the Company's internal monitoring system.

The core processes, in particular those of accounting and financial reporting, are recorded in the internal processes database. This includes a risk management matrix in which the relevant processes, the potential individual risks and the pertinent control procedures are defined.

The major ICS features built into the accounting process are as follows:

Control environment:

- Clear, written division of responsibilities between Finance and Accounting as well as other areas (e.g., Treasury)
- Guidelines for the application of uniform accounting and valuation approaches within the Group (IFRS)
- IT systems that are adequately protected against unauthorised access

Risk assessment:

Assessment of risks that could lead to a material misstatement of transactions in the financial statements

Control measures:

- Mandatory independent validation of invoices for payment
- Appropriate control mechanisms built into the automated preparation of the consolidated financial statements

Information and communication:

Internal reporting (Management and Supervisory Boards) and external reporting (e.g., investors, analysts), including quarterly reports, segment and liquidity reports, and individual property reports (occupancy, vacancy and outstanding rents)

Monitoring:

Process-oriented control activities include regular control of the correctness and completeness of accounting information and analysis of results not in line with estimates. The accounting system is also subject to internal auditing.

The implementation and control of the internal control system is the responsibility of the Company's Management Board or of the management of the individual subsidiaries. The responsible management bodies are required on a regular basis to document and review internally the implementation of the Group's standardised ICS with operational controls at the level of individual processes and higher level management controls. Risk Management checks the efficiency and effectiveness of the controls at regular intervals and introduces modifications where appropriate after discussion with the responsible managers.

The Group's Internal Audit works with international auditing firms to check compliance with statutory requirements, internal guidelines and the code of good conduct, and also the functional effectiveness of internal control procedures with respect to business processes. The basis of its work is the strategic three-year audit plan and the yearly operational audit plans, which are both approved by the Management Board. The results of the audits are submitted to S IMMO Group's Management Board. The audit plan and the results of the audits are also regularly communicated to the Audit Committee of the Supervisory Board.

Outlook for 2011

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

The German residential property market has continued to perform positively in 2011, which allowed S IMMO Group to make some advantageous property disposals: In the first quarter, the Group sold one retail and three residential properties at prices above their estimated values.

On 31 March 2011, Sparkassen Immobilien AG officially opened its Galvaniho 4 office building in Bratislava. The building was already fully let before the opening ceremony took place. The tenants – companies like Bosch-Siemens, Oracle and Samsung – have moved into their new offices in the complex.

EXPECTED CHANGES IN THE BUSINESS ENVIRONMENT

Confidence in the eurozone economy is on the rise again: According to a survey commissioned by the European Central Bank (ECB), experts are predicting GDP growth of 1.5% in 2011, together with moderate inflation and improvement in the job market. By 2012, economic growth is expected to increase to 1.7% and by 2015 to 1.8%.

Germany is the principle motor driving the positive development of the eurozone. According to a survey by eight economic research institutes published in the autumn of 2010, Germany's GDP will grow by 2% in 2011. This growth will no longer be fuelled mainly by exports, but will also be fed by domestic demand and corporate capital investments.

The European Commission also expects German domestic demand to be the driving force behind European economic development in 2011.

Thanks to the dynamic growth of exports, Austria has also made a good recovery from the crisis. For 2011 through 2015, the Austrian Institute of Economic Research (WIFO) is predicting average yearly economic growth of 2.2% based largely on Austria's export performance.

For 2011, economic growth rates of 2.2% and 4.3% are predicted for the Czech Republic and Slovakia, respectively. This year, the growth rate of the Slovak economy is expected to be the fastest in the eurozone, mostly because of the revival of exports. Predicted economic growth for Hungary is 2%; however, the country still has its large budget deficit to contend with.

Compared with the rest of the European Union, Romania and Bulgaria are taking longer to recover from the economic crisis. In 2010, their economies were still contracting slightly. In the medium to long term, the countries of Southeastern Europe are expected to have the highest economic growth rates. Economic growth in Romania is expected to reach 4–4.5% next year.

The European property market is recovering nicely, but it is too early to talk about a fundamental change in the trend. According to a study by PwC, developments differ from region to region. While yields are increasing again in Western Europe – particularly in large German cities – property markets in countries such as Greece and Ireland are still under consider-

able pressure. In all likelihood, European real estate markets will continue to see a smaller influx of capital in 2011 than in the years before the crisis.

EXPECTED BUSINESS DEVELOPMENTS

In 2010, Sparkassen Immobilien AG completed all its current development projects. Under extraordinarily challenging economic circumstances, all projects – with minor exceptions – were finished. The successful asset management of the new properties and the satisfactory occupancy rates promise an increase in rental income. Over the coming months, we will also focus on plots earmarked for development in European Union capital cities. Currently, we are working on securing zoning and building permits. As soon as these are available and local market climates are favourable, construction work on the various projects will start.

In Germany, we will continue with the refurbishment of our buildings so as to further increase the properties' value. In the months to come, we also intend to make use of favourable opportunities for property disposals as the market allows. We are aiming to realise total proceeds from sales of at least EUR 30m.

In Austria, too, we are seeking to take advantage of favourable disposal opportunities, especially in the residential sector. We are also looking at potentially attractive and profitable new development projects.

In Central Europe, we are intensifying our asset management and extending our marketing activities.

In Southeastern Europe (SEE), the focus of our business activities reflects the countries' present economic situation. It is assumed that the situation in Sofia will remain difficult in 2011. A delay of at least two years in new letting can be expected, especially in the office sector. In contrast to Sofia, the situation in Bucharest is already improving gradually. In the long run these regions are expected to see the highest growth rates.

The overarching goal of all our activities is to add lasting value to the Group for the benefit of our shareholders. For the next year or two, we shall concentrate on increasing profitability. Growth through acquisition and development will be our main focus in the medium to long term.

Our primary benchmark for corporate value is net asset value (NAV). EPRA NAV is expected to grow continuously. With regard to EPRA NAV, Sparkassen Immobilien AG will again be working very hard this year to close the gap between NAV and the current share price. The share has a potential appreciation of 57.9% as at year-end. Another Company goal is to simplify the capital structure further with the aim of being listed in various indices. A first step has already been taken with the repurchase of participating certificates.

Disclosure pursuant to section 243a Uniform Commercial Code (UGB)

The following information must be provided to satisfy section 243a Uniform Commercial Code (UGB):

- 1.) The share capital totals EUR 247,509,361.86 and is divided into 68,118,718 bearer shares. All shares are of the same class.
- 2.) The voting rights of each shareholder at the Annual General Meeting are limited to 15% of the issued shares.
- 3.) On 24 September 2009, the Management Board received a notice pursuant to section 91 paragraph 1 Stock Exchange Act from Tri-Star Capital Ventures Ltd., an international investment firm, stating that this company had increased its holdings in Sparkassen Immobilien AG to 11.15% of the share capital with voting rights. The Company was also informed by s Versicherung AG, a member company of Vienna Insurance Group, that its holdings in Sparkassen Immobilien AG exceeded the notice threshold of 10% pursuant to section 91 paragraph 1 Stock Exchange Act and amount to 10.27%.
- 4.) There are no shares with special control rights.
- 5.) Employees who hold shares directly exercise their voting rights at the Annual General Meeting.
- 6.) The Management Board of the Company consists of two, three or four members. Persons must be younger than 64 years of age to be appointed to the Management Board. The Supervisory Board consists of up to ten members to be elected by the Annual General Meeting.
- 7.) a) At the Annual General Meeting on 21 May 2010, the Management Board was authorised to purchase shares in the Company up to a total amount of 10% of the share capital of the Company in accordance with the provisions of section 65 paragraph 1 line 8 Austrian Companies Act (AktG) for a period of thirty months from the date on which the motion was adopted. The Management Board was authorised, subject to the approval of the Supervisory Board and for a period of five years after the adoption of the motion, to sell these shares in the Company (treasury shares) in a manner other than through the stock exchange or through a public offer, including under exclusion of the right of certain parties to purchase the treasury shares, when the treasury shares are transferred as consideration for property or property interests sold to the Company or a subsidiary, when the treasury shares are awarded to shareholders of companies merged into the Company or a subsidiary, or when the treasury shares are transferred to satisfy the conversion or subscription rights of holders of shares in convertible bonds or of profit participation certificates with conversion rights (S IMMO INVEST AT0000795737 and/or S IMMO INVEST AT0000630694).

b) At the Annual General Meeting on 28 May 2008, the Management Board was authorised pursuant to section 174 paragraph 2 AktG, within a period of five years after the adoption of the motion, in other words until 28 May 2013, and subject to the approval of the Supervisory Board, to issue convertible bonds granting the right of conversion or subscription for up to 34,059,359 bearer shares in the Company, being equivalent to up to EUR 123,754,680.93 of the share capital in the Company, in one or more tranches and with the authority to specify the further terms of the convertible bonds.

c) The share capital is conditionally increased pursuant to section 159 paragraph 2 line 1 Austrian Companies Act (AktG) to a maximum of EUR 123,754,680.93 through the issue of up to 34,059,359 bearer shares with voting rights. This conditional capital increase shall only be completed to the extent that holders of convertible bonds issued under the authorisation granted by the motion of the Annual General Meeting on 28 May 2008 exercise their right of conversion or subscription. The issue price and the conversion ratio shall be determined on the basis of recognised mathematical methods and the share price of shares in the Company using a recognised price calculation method. The issue price may not be lower than the portion of the share capital represented by the share. The Management Board is authorised, subject to the approval of the Supervisory Board, to specify the further terms of the conditional capital increase (in particular the issue price, the object

of a contribution in kind, the scope of the rights granted by the shares, and the time at which dividend entitlements come into force). The Supervisory Board is authorised to adopt changes to the articles of incorporation as required by the issue of shares on the basis of the conditional capital.

8.) No agreements have been made in which the Company is involved and under which control of the Company will change hands as a result of a takeover offer.

9.) No compensation agreements are in force between the Company and the members of its Management Board or Supervisory Board or its employees that would come to bear in the event of a public takeover offer.

Consolidated Financial Statements

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Consolidated statement of financial position

as at 31 December 2010

ASSETS	NOTES	31.12.2010	31.12.2009
EUR '000			
NON-CURRENT ASSETS			
Properties held as financial investments			
Investment properties	3.1.1.	1,810,322	1,253,432
Investment properties under development and land	3.1.1.	55,989	445,784
		1,866,311	1,699,216
Properties used by owner	3.1.2.	140,755	147,296
Other plant and equipment	3.1.2.	9,069	13,074
Intangible assets	3.1.2.	179	223
Goodwill	3.1.3.	100	0
Interests in associated companies		5	5
Group interests	3.1.5.	3,117	3,101
Deferred tax assets	3.1.14.	28,455	25,532
		2,047,991	1,888,446
CURRENT ASSETS			
Properties held for sale	3.1.4.	6,000	54,300
Inventories	3.1.6.	12,029	20,476
Trade receivables	3.1.7.	10,324	9,185
Other accounts receivable	3.1.7.	42,287	49,672
Other assets		7,811	2,963
Cash and cash equivalents	3.1.8.	129,721	210,151
		208,172	346,747
		2,256,163	2,235,193

EQUITY AND LIABILITIES	NOTES	31.12.2010	31.12.2009
EUR '000			
SHAREHOLDERS' EQUITY			
	3.1.9.		
Share capital		247,509	247,509
Capital reserves		73,578	147,110
Other reserves		160,185	84,384
		481,272	479,003
Non-controlling interests	3.1.10.	31,426	44,832
		512,698	523,835
NON-CURRENT LIABILITIES			
Subordinated participating certificate capital	3.1.11.	257,820	261,658
Financial liabilities	3.1.13.	1,228,786	978,860
Provisions	3.1.12.	8,770	16,020
Other liabilities		10,955	10,839
Deferred tax liabilities	3.1.14.	55,981	47,588
		1,562,312	1,314,965
CURRENT LIABILITIES			
Financial liabilities	3.1.13.	124,123	303,390
Trade payables		16,479	28,954
Construction costs and tenants' financing, and housing construction subsidies on properties held for sale		0	9,835
Other liabilities		40,551	54,214
		181,153	396,393
		2,256,163	2,235,193

Consolidated income statement

for the year ended 31 December 2010

EUR '000	NOTES	2010	2009
Revenues	3.2.1.		
Rental income		103,992	87,553
Revenues from service charges		32,640	29,105
Revenues from hotel operations		38,311	36,897
		174,943	153,555
Other operating income		4,973	8,246
Expenses directly attributable to properties	3.2.2.	-70,095	-61,192
Hotel operating expenses	3.2.2.	-29,617	-29,701
Revenues less direct expenses		80,204	70,908
Income from property disposals		102,690	152,173
Carrying values of property disposals		-92,811	-150,273
Gains on property disposals	3.2.3.	9,879	1,900
Management expenses	3.2.4.	-18,650	-19,533
Earnings before interest, tax, depreciation and amortisation (EBITDA)		71,433	53,275
Depreciation and amortisation	3.2.5.	-10,054	-9,113
Gain/loss on property valuation	3.2.6.	-833	-97,238
Operating result (EBIT)		60,546	-53,076
Financing costs	3.2.7.	-41,201	-35,541
Participating certificates result	3.1.11.	-10,222	11,161
Net income before tax (EBT)		9,123	-77,456
Taxes on income	3.1.14.	-6,989	-1,412
Consolidated net income		2,134	-78,868
of which attributable to shareholders in parent company		1,843	-78,559
of which attributable to non-controlling interests		291	-309
Earnings per share			
Undiluted = diluted	3.2.8.	0.03	-1.15

Consolidated statement of total comprehensive income

for the year ended 31 December 2010

EUR '000	2010	2009
Consolidated net income	2,134	-78,868
Change in value of cash flow hedges	1,235	-16,604
Income tax related to other comprehensive income	149	4,300
Foreign exchange rate differences	288	-7,239
Total comprehensive income	3,806	-98,411
of which attributable to shareholders in parent company	2,269	-97,995
of which attributable to non-controlling interests	1,537	-416

Consolidated cash flow statement

for the year ended 31 December 2010

EUR '000	2010	2009
Net income before tax (EBT)	9,123	-77,456
Gain/loss on property valuation	833	97,238
Depreciation and amortisation	10,054	9,113
Gains/losses on property disposals	-9,879	-1,900
Taxes on income paid	-2,358	-1,993
Participating certificates result	10,222	-11,161
Net interest	41,201	35,541
Operating cash flow	59,196	49,382
Changes in net current assets		
Receivables and other assets	6,689	-20,523
Provisions and other non-current liabilities	-16,217	-19,953
Current liabilities	-26,138	48,751
Cash flow from operating activities	23,530	57,657
Cash flow from investing activities		
Investments in property portfolio	-107,620	-296,052
Investments in tangible and intangible assets	-2,069	-2,076
Disposals of/investments in financial investments	0	-18
Net cash flow from initial consolidations	-6,263	0
Disposals of properties and property holding companies	92,855	85,962
Interest received and other financial income	1,590	6,783
Cash flow from investing activities	-21,507	-205,401

EUR '000	2010	2009
Consolidated cash flow statement (cont.)		
Cash flow from financing activities		
Cash flows from increases / decreases in non-controlling interests	-14,943	19,160
Increase/decreases in financing	-10,197	142,373
Distribution to S IMMO INVEST participating certificate	-14,060	-14,060
Interest paid	-45,240	-33,119
Cash flow from financing activities	-84,440	114,354
Cash and cash equivalents at 01 January		
	210,151	243,541
Cash inflow from initial consolidation	1,987	0
Net change in cash and cash equivalents	-82,417	-33,390
Cash and cash equivalents at 31 December	129,721	210,151

Changes in consolidated equity

EUR '000	Share capital	Capital reserves	Foreign currency translation reserve	Hedge accounting reserve	Other reserves	Sub-total S IMMO share-holders	Non-controlling interests	Total
At 01 January 2010	247,509	147,110	-13,491	-38,668	136,543	479,003	44,832	523,835
Consolidated net income	0	0	0	0	1,843	1,843	291	2,134
Other comprehensive income	0	0	93	333	0	426	1,246	1,671
Decrease	0	0	0	0	0	0	-14,943	-14,943
Reclassifications	0	-73,532	0	0	73,532	0	0	0
At 31 December 2010	247,509	73,578	-13,398	-38,335	211,918	481,272	31,426	512,698
At 01 January 2009	247,509	241,301	-6,359	-26,364	120,911	576,998	26,088	603,086
Consolidated net income	0	0	0	0	-78,559	-78,559	-309	-78,868
Other comprehensive income	0	0	-7,132	-12,304	0	-19,436	-107	-19,543
Acquisitions	0	0	0	0	0	0	19,160	19,160
Reclassifications	0	-94,191	0	0	94,191	0	0	0
At 31 December 2009	247,509	147,110	-13,491	-38,668	136,543	479,003	44,832	523,835

Notes to the consolidated financial statements

for the year ended 31 December 2010

1. THE GROUP

S IMMO Group (Sparkassen Immobilien AG and its subsidiaries) is an international real estate group. Sparkassen Immobilien AG as an ultimate parent company of the S IMMO Group has its registered office and headquarters at Friedrichstrasse 10, 1010 Vienna, Austria. The Company has been listed on the Vienna Stock Exchange since 1992, since 2007 in the Prime Segment. It has subsidiaries in Austria, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Romania, Bulgaria, Denmark, Cyprus and Ukraine (in liquidation). At 31 December 2010 S IMMO Group owned properties in all of the above countries except Denmark, Cyprus and Ukraine. The Company's principal business is 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.

2. ACCOUNTING AND VALUATION POLICIES

2.1. Accounting policies

The consolidated financial statements comply with all International Financial Reporting Standards (IFRS), including those interpretations of the International Financial Reporting Interpretations Committee ("IFRIC", formerly "SIC"), for which the application in the European Union was mandatory at balance sheet date.

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

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

2.2. Consolidation group and basis of consolidation

The consolidated financial statements include all the companies over which the parent company has a controlling influence (subsidiaries). A controlling interest exists where the parent company is in a position, directly or indirectly, to determine the financial and business policies of the subsidiary and to benefit from its activities. A subsidiary consolidated from the time when the controlling influence is acquired, and deconsolidated when that influence ceases to exist.

Companies over which the parent company directly or indirectly exercises a significant influence are included at equity. A significant influence is assumed to exist where Sparkassen Immobilien AG holds between 20% and 50% of the voting rights.

Subsidiaries are first consolidated using the acquisition method, under which the identifiable assets (mainly properties) and liabilities of the companies acquired, and the minority interests in them, are recognised at fair value.

As a general rule, S IMMO Group recognises non-controlling interests as the proportionate share of identifiable net assets of the subsidiary. Goodwill is measured as the difference between the aggregate of the fair value of the consideration given together with the amount recognised for non-controlling interests, and the fair value of the identifiable assets and liabilities (net assets) of the company acquired. The amount in excess of net assets is recognised as goodwill. If the amount is negative, a further critical review of the recognition and measurement of the assets and liabilities is performed and the amount, if appropriate, recognised in profit or loss. In the financial year 2010 negative goodwill amounting to EUR 7,916,000 was identified.

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

For associated companies accounted under the equity method differences arising from capital consolidation are calculated in the same way as for consolidated companies. The proportionate share of the profit or loss for the year is included in the carrying value of the holding. In the event of distributions, the carrying value is reduced by the proportionate amount.

In addition to the accounts of S IMMO Group, the consolidated financial statements include the accounts of 69 companies (property holding and intermediary holding companies), which are directly or indirectly owned by Sparkassen Immobilien AG, and two companies included at equity.

In the second quarter of 2010 ISP Immobilienentwicklungs- und verwertungsgesellschaft m.b.H. was consolidated for the first time.

In the fourth quarter the companies VIERTEL ZWEI Entwicklung GmbH & Co HOCH ZWEI KG, VIERTEL ZWEI Entwicklung GmbH & Co PLUS ZWEI KG and VIERTEL ZWEI Entwicklung GmbH & Co HOTEL ZWEI KG were consolidated for the first time.

In the fourth quarter of 2010 WO Immobilienbeteiligungs GmbH was merged into CEE PROPERTY-INVEST Immobilien GmbH retroactively with effect from 30 September 2010.

Company	Location	Country	Nominal capital	%	Currency	Consolidation type
CEE Immobilien GmbH	Vienna	A	35,000	100	EUR	full
CEE PROPERTY-INVEST Immobilien GmbH	Vienna	A	48,000,000	100	EUR	full
CEE CZ Immobilien GmbH	Vienna	A	35,000	100	EUR	full
German Property Invest Immobilien GmbH	Vienna	A	35,000	100	EUR	full
Hotel DUNA Beteiligungs Gesellschaft m.b.H.	Vienna	A	145,346	100	EUR	full
AKIM Beteiligungen GmbH	Vienna	A	35,000	100	EUR	full
IMMIN Beteiligungen GmbH	Vienna	A	35,000	100	EUR	full
SO Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	full
CEE Beteiligungen GmbH	Vienna	A	35,000	100	EUR	full
E.V.I. Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	full
SIAG Berlin Wohnimmobilien GmbH	Vienna	A	3,982,500	99.74	EUR	full
E.I.A. eins Immobilieninvestitionsgesellschaft m.b.H.	Vienna	A	36,336	100	EUR	full
PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co. KG	Vienna	A	5,562,182	70	EUR	full
PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H.	Vienna	A	36,336	100	EUR	full
Neutorgasse 2-8 Projektverwertungs GmbH	Vienna	A	35,000	100	EUR	full
H.S.E. Immobilienbeteiligungs GmbH	Vienna	A	35,000	100	EUR	full
A.D.I. Immobilien Beteiligungs GmbH	Vienna	A	35,000	100	EUR	full
ISP Immobilienentwicklungs- und Verwertungsgesellschaft m.b.H.	Vienna	A	35,000	25	EUR	equity
VIERTEL ZWEI Entwicklung GmbH & Co HOCH ZWEI KG	Vienna	A	100,000	100	EUR	full
VIERTEL ZWEI Entwicklung GmbH & Co PLUS ZWEI KG	Vienna	A	100,000	100	EUR	full
VIERTEL ZWEI Entwicklung GmbH & Co HOTEL ZWEI KG	Vienna	A	100,000	100	EUR	full
Hansa Immobilien EOOD	Sofia	BG	5,000	77	BGN	full
CEE PROPERTY BULGARIA EOOD	Sofia	BG	20,000	100	BGN	full
Washington Project EOOD	Sofia	BG	20,000	50	BGN	equity
SIAG HOLDING LIMITED	Nicosia	CY	3,000	100	EUR	full
Areal CZ spol. s.r.o.	Prague	CZ	100,000	100	CZK	full
Eltima Property Company s.r.o.	Prague	CZ	100,000	100	CZK	full
REGA Property Invest s.r.o.	Prague	CZ	200,000	100	CZK	full
Tolleson a.s.	Prague	CZ	200,000	100	CZK	full
SIAG Burstah Immobilien GmbH	Berlin	D	25,000	100	EUR	full
Lützwow-Center GmbH	Berlin	D	25,000	100	EUR	full
Ikaruspark GmbH	Berlin	D	25,000	100	EUR	full

Company	Location	Country	Nominal capital	%	Currency	Consolidation type
S IMMO Germany GmbH	Berlin	D	25,000	100	EUR	full
S Immo Geschäftsimmobilien GmbH	Berlin	D	25,000	100	EUR	full
S Immo Wohnimmobilien GmbH	Berlin	D	25,000	100	EUR	full
Markt Carree Halle Immobilien GmbH	Berlin	D	25,000	100	EUR	full
Tölz Immobilien GmbH	Berlin	D	25,000	100	EUR	full
Einkaufs-Center Sofia G.m.b.H. & Co KG	Hamburg	D	87,000,000	65	EUR	full
SIAG Deutschland Beteiligungs-Verwaltungs GmbH	Berlin	D	25,000	100	EUR	full
SIAG Deutschland Beteiligungs GmbH & Co. KG	Berlin	D	100,000	99.74	EUR	full
SIAG Leipzig Wohnimmobilien GmbH	Berlin	D	750,000	99.74	EUR	full
Maior Domus Hausverwaltung GmbH	Berlin	D	25,000	100	EUR	full
SIAG Property I GmbH	Berlin	D	25,000	100	EUR	full
K.J. Ejendomme Syd APS	Århus	DK	134,000	100	EUR	full
H.W.I. I ApS	Århus	DK	939,000	100	EUR	full
H.W.I. III ApS	Århus	DK	4,023,000	100	EUR	full
H.W.I. IV ApS	Århus	DK	134,000	100	EUR	full
GERMAN PROPERTY INVESTMENT I APS (GPI I APS)	Århus	DK	17,000	99.71	EUR	full
GERMAN PROPERTY INVESTMENT II APS (GPI II APS)	Århus	DK	17,000	99.71	EUR	full
GERMAN PROPERTY INVESTMENT III APS (GPI III APS)	Århus	DK	17,000	99.71	EUR	full
Bank-garázs Ingatlanfejlesztési és Vagyonghasznosító Kft.	Budapest	H	500,000	100	HUF	full
CEE Property-Invest Ingatlan Kft.	Budapest	H	100,000,000	100	HUF	full
Maros utca Építési és Ingatlanhasznosítási Kft.	Budapest	H	500,000	100	HUF	full
Buda Kereskedelmi Központ Kft.	Budapest	H	3,000,000	100	HUF	full
Duna Szálloda Zrt.	Budapest	H	5,000,000	100	HUF	full
S IMMO Hungary Kft.	Budapest	H	98,600,000	100	HUF	full
Szegedi út Ingatlankezelő Kft.	Budapest	H	500,000	100	HUF	full
Nagymezo utcai Projektfejlesztési Kft.	Budapest	H	462,590,000	100	HUF	full
CEE Property-Invest Hungary 2003 Ingatlan Kft.	Budapest	H	3,000,000	100	HUF	full
CEE PROPERTY INVEST ROMANIA SRL	Bucharest	RO	1,000	100	RON	full
Societate Dezvoltare Comercial Sudului (SDCS) S.R.L.	Bucharest	RO	212,326,000	100	RON	full
VICTORIEI BUSINESS PLAZZA S.R.L.	Bucharest	RO	18,852,144	100	RON	full
DUAL Construct Invest S.R.L.	Bucharest	RO	2,000	82	RON	full
ROTER INVESTITII IMOBILIARE S.R.L.	Bucharest	RO	4,472,020	100	RON	full
Galvaniho Business Centrum s.r.o.	Bucharest	SK	7,000	100	EUR	full

Company	Location	Country	Nominal capital	%	Currency	Consolidation type
Galvaniho 2 s.r.o.	Bratislava	SK	7,000	100	EUR	full
IPD - International Property Development s.r.o.	Bratislava	SK	33,000	100	EUR	full
SIAG Fachmarktzentren s.r.o.	Bratislava	SK	7,000	100	EUR	full
SIAG Hotel Bratislava s.r.o.	Bratislava	SK	7,000	100	EUR	full
Galvaniho 4 s.r.o.	Bratislava	SK	33,000	100	EUR	full
Eurocenter d.o.o.	Zagreb	HR	20,000	100	HRK	full

2.3. Business combinations

The following companies were acquired in 2010:

Company	Location	Country	Interest (%)	Purchase price EUR '000	Initial consolidation date
VIERTEL ZWEI Entwicklung GmbH & Co HOCH ZWEI KG	Vienna	A	100	9,263	07 December 2010
VIERTEL ZWEI Entwicklung GmbH & Co PLUS ZWEI KG	Vienna	A	100	8,967	07 December 2010
VIERTEL ZWEI Entwicklung GmbH & Co HOTEL ZWEI KG	Vienna	A	100	266	07 December 2010

The disclosed purchase prices were paid fully in cash. The buildings owned by VIERTEL ZWEI Entwicklung GmbH & Co HOCH ZWEI KG and VIERTEL ZWEI Entwicklung GmbH & Co PLUS ZWEI KG are used by OMV AG as head office in Vienna and are therefore treated as a single unit. The hotel owned by VIERTEL ZWEI Entwicklung GmbH & Co HOTEL ZWEI KG is run as a Courtyard by Marriott Hotel.

The fair value of the assets and liabilities acquired was made up as follows:

EUR '000	Purchases			Total
	VIERTEL ZWEI Entwicklung GmbH & Co HOCH ZWEI KG	VIERTEL ZWEI Entwicklung GmbH & Co PLUS ZWEI KG	VIERTEL ZWEI Entwicklung GmbH & Co HOTEL ZWEI KG	
Assets	163,406		34,371	197,777
Liabilities	-137,260		-36,401	-173,661
Fair value of identifiable assets and liabilities acquired	26,146		-2,030	24,116
Purchase price of shares	18,230		266	18,496
Goodwill	-7,916		2,296	-5,620

The goodwill of EUR 2,296,000 acquired with VIERTEL ZWEI Entwicklung GmbH & Co HOTEL ZWEI KG was capitalised as an asset and subjected to an annual impairment test in accordance with IAS 36. This resulted in an impairment of EUR 2,196,000.

The effects of the acquisition of VIERTEL ZWEI Entwicklung GmbH & Co HOCH ZWEI KG and VIERTEL ZWEI Entwicklung GmbH & Co PLUS ZWEI KG, amounting to EUR 7,916,000, have been reflected in profit or loss in the financial year 2010.

The profits of the three companies since the time of acquisition amounted to EUR 931,000.

2.4. Reporting currency and currency translation

The Group reporting currency is the EURO. The functional currencies of Group companies are determined by the business environment in which they operate – in the case of S IMMO Group companies, the functional currencies are the respective national currencies. Functional currencies are translated into the reporting currency in accordance with IAS 21, as follows:

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

Foreign currencies have been translated using the following exchange rates:

	Czech Republic CZK	Hungary HUF	Bulgaria BGN	Romania RON	Croatia HRK
Closing rate 31 December 2010	25.061	277.950	1.956	4.262	7.383
Average rate 2010	25.356	276.039	1.956	4.218	7.295
Closing rate 31 December 2009	26.473	270.420	1.956	4.236	7.300
Average rate 2009	26.525	280.304	1.956	4.225	7.345

2.5. Newly applicable accounting regulations

2.5.1. New Standards and Interpretations

The following amendments or revised versions of Standards and Interpretations have been applied for the first time in financial 2010.

Standard	Contents	Effective date ¹⁾
New Interpretations		
IFRIC 12	Service concession arrangements	30 March 2009
IFRIC 15	Agreements for the construction of real estate	01 January 2010
IFRIC 16	Hedges for a net investment in a foreign operation	01 July 2009
IFRIC 17	Distributions of non-cash assets to owners	01 November 2009
IFRIC 18	Transfer of assets from customers	01 November 2009
Revised Standards		
IFRS 1 (2008)	First-time adoption of IFRS	01 January 2010
IFRS 3 (2008)	Business combinations	01 July 2009
IAS 27 (2008)	Consolidated and separate financial statements according to IFRS	01 July 2009
Amendments to Standards		
IFRS 1	Additional exemptions for first-time users	01 January 2010
IFRS 2	Group cash-settled share-based payment transactions	01 January 2010
IAS 39 and IFRS 7	Date of entry into force of changes in classification	13 September 2009
IAS 39	Eligible hedged items	01 July 2009
Various	Improvements to IFRS 2009	01 January 2010

¹⁾ These Standards are to be applied for financial years beginning on or after the date the applicable European Union Regulation comes into force.

The major changes associated with the first-time application of IFRS 3 (2008) – Business Combinations – are:

- that the option of measuring non-controlling interests at fair value (full goodwill method) has been included in the Standard,
- that transaction costs will no longer be capitalised as incidental acquisition costs but will be treated as expenses instead,
- that no adjustment of goodwill is possible in the event of subsequent adjustments of the purchase price,
- that in the case of step acquisitions the assets and liabilities already acquired are revalued and the adjustments recognised in profit and loss.

The first-time application of IFRS 3 (2008) had no material effects on S IMMO Group's consolidated financial statements. The full goodwill method is not applied.

In accordance with IAS 27 (2008) Consolidated and Separate Financial Statements, all transactions with non-controlling shareholders are recognised directly in equity. If the losses attributable to non-controlling shareholders exceed their share of equity, the losses are nonetheless to be so treated even though this results in a negative balance. The changes resulting from the first-time application of this revised Standard have no material effects on the assets, finances and earnings of the Group.

IFRIC 15 Agreements for the Construction of Real Estate deals with accounting for property developers who sell units, such as apartments or houses, before they are complete. IFRIC 15 provides guidance on whether the accounting should follow IAS 11 Construction Contracts or IAS 18 Revenue. The first-time application of IFRIC 15 has no impact on the consolidated financial statements of S IMMO Group, as the Group is not engaged in the business activities in question.

The annual amendments to IFRS 2009 consist of changes to 12 standards and interpretations. These changes have no effect on the assets, finances and earnings of the Group.

The first time application of other Standards and Interpretations newly applicable in 2010 had no effects on the consolidated financial statements of S IMMO Group.

2.5.2. New Standards not yet mandatorily applicable

The following amendments or revised versions of Standards and Interpretations had at balance sheet date already been adopted by the European Union but were not mandatorily or otherwise applicable in 2010.

Standard	Contents	Effective date ¹⁾
New Interpretations		
IFRIC 19	Extinguishing financial obligations with equity instruments (new)	01 July 2010
Revised Standards		
IAS 24 (2009)	Disclosures of relationships with related parties	01 January 2011
Amendments to Standards and Interpretations		
IFRS 1	Exemption from IFRS 7 disclosures of comparative figures	01 July 2010
IAS 32	Classification of rights issues	01 February 2010
IFRIC 14	Prepaid contributions in relation to minimum funding requirements	01 January 2011

¹⁾ These Standards are to be applied for financial years beginning on or after the date the applicable European Union Regulation comes in force.

There has been no voluntary early application of the above amendments and revisions of standards and interpretations. First-time application has had no material effects on the consolidated financial statements of S IMMO Group.

Additionally, the following Standards and Interpretations have been issued by the International Accounting Standards Board (IASB), but have not yet been adopted by the European Union and are therefore not applicable.

Standard	Contents	Effective date ¹⁾
New Standards		
IFRS 9	Financial instruments	01 January 2013
Amendments to Standards		
IFRS 1	Fixed transition dates and severe hyperinflation	01 July 2011
IFRS 7	Transfers of financial assets	01 July 2011
IAS 12	Recovery of underlying assets	01 July 2012
various	Improvements to IFRS 2010	01 July 2011

¹⁾ This is the date of coming into force as determined by IASB. The date of coming into force under the relevant European Union Regulation may differ.

S IMMO Group's Management is currently considering the possible effects of these changes and amendments to Standards on the consolidated financial statements.

2.6. Changes in accounting and valuation policies

In the financial year 2010 there were changes neither in accounting and valuation policies nor in the presentation of the financial statements.

2.7. Accounting and valuation policies

2.7.1. Investment properties

Investment properties are measured using the fair value model, as per IAS 40. Investment properties are properties leased or rented out for the purpose of generating income or held for capital appreciation, together with undeveloped land. Properties intended for sale in the ordinary course of business or in the process of construction for such sale and owner-occupied property are not within the scope of IAS 40.

The application of the fair value model means that investment properties and undeveloped land are measured at fair value at the balance sheet date. The resulting changes in carrying values before revaluation are recognised as a profit or loss under revaluations.

Properties are recognised as assets of the company in question, in the relevant functional currency.

The diversity of the properties to which the fair value model is applied necessitates a careful choice of appropriate valuation models and different parameters for each individual property, so that factors such as location, use type, market environment, building quality, etc., are taken into account. As a general rule, valuations are based on earnings value, or use the discounted cash flow method.

2.7.2. Properties used by owner, other plant and equipment

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

Under IAS 16, properties used by the owner (including owner-operated hotels) and other non-current tangible assets are valued at cost. The properties are recognised on initial acquisition at costs of acquisition or construction and are written down in subsequent years to reflect scheduled depreciation and any impairment losses.

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

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

	Expected useful lives (years)	
	from	to
Owner-operated hotels	25	33
Other plant and equipment	3	10

2.7.3. Goodwill

The goodwill disclosed in the balance sheet is the result of applying the acquisition method of accounting for the acquisition of companies. In accordance with IAS 36, the value of goodwill is based on the value of the company at the time of acquisition less accumulated amortisation. For interests in associated companies, goodwill is included in the carrying amounts of the interests.

2.7.4. Intangible assets

Intangible assets for the purpose of IAS 38 are identifiable non-monetary assets without physical substance. To qualify for recognition, an intangible asset must be identifiable and be subject to control by the enterprise. There must be future economic benefits attributable to the intangible asset, and its acquisition or production costs must be capable of being measured reliably.

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

	Expected useful lives (years)	
	from	to
Software	3	6

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

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

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

2.7.5. Properties held for disposal

Property held for disposal is not considered to be investment property within the scope of IAS 40 if it is Management's intention to dispose of the property in the near future and the negotiations for sale are already well advanced.

In accordance with IFRS 5, property held for disposal is as a general rule measured at the lower of carrying value and net realisable value.

IFRS 5 provides an exception with respect to the measurement of properties held as financial investments: they are measured at market value. The special disclosure requirements under IFRS 5 are however applicable, so that properties held for disposal must be shown under current assets.

It is intended to dispose of one property located in Berlin, the carrying value of which at 31 December 2010 amounted to EUR 6,000,000.

2.7.6. Financial instruments

2.7.6.1. Primary financial instruments

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

- Financial assets and liabilities measurable at fair value through profit and loss
- Loans and receivables
- Financial assets held to maturity
- Available-for-sale financial assets
- Financial liabilities at amortised cost

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

For the purposes of disclosure in the consolidated statement of financial position, S IMMO Group as a general rule classifies financial instruments into the following categories:

- Interests in associated companies
- Group interests
- Trade receivables
- Other financial assets
- Cash and cash equivalents
- Subordinated participating certificates
- Non-current financial liabilities
- Other non-current liabilities
- Current financial liabilities
- Trade payables
- Other current liabilities

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

The assets classified under *loans and receivables* are financial instruments with fixed or determinable payments flows not traded in an active market. They include in particular trade and other receivables. Where their remaining terms are less than twelve months they are disclosed under current assets, and otherwise under non-current assets.

Financial assets with fixed or determinable payments flows traded in an active market are disclosed under *financial assets held to maturity*. At balance sheet date, S IMMO Group held no such instruments.

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

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

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

Where no fair value for financial instruments can reliably be established, they are disclosed at acquisition costs net of any impairment. Other liabilities-side financial instruments are measured at amortised acquisition cost.

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

2.7.6.2. Derivatives

S IMMO Group uses derivative financial instruments – interest rate caps, collars and swaps – to reduce the risks attendant on interest rate increases. These are measured at fair value. The fair value measurement of derivatives is based on estimates made by banks.

S IMMO Group's objects include the acquisition and development of property for rental or subsequent sale with the aim of generating positive net cash flows. Business activities are financed out of equity, and also by long-term borrowings in the form of mortgage loans and other financial liabilities. The bulk of the external financing consists of variable rate borrowings, with interest rates linked to 3-month, 6-month or 12-month EURIBOR as base rate. In line with S IMMO Group's risk strategy, agreed lines of credit that will be called down as construction of development projects progresses are fully hedged with derivatives from the time the agreements are signed.

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

Hedged risk

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

Hedging instruments

S IMMO Group uses as hedging instruments only derivatives that, because they move in the opposite direction to the underlying transactions, convert the potential changes in cash flows from increases in interest rates into fixed payments streams. The hedging instruments used are interest rate derivatives such as interest rate swaps, caps and collars. For the non-linear interest rate options used as hedges, only the inner value is designated as a hedge. The time value, as ineffective, is recognised in the income statement. For the collars, care is taken to ensure that there is no net short position.

2.7.7. Impairment of assets

2.7.7.1. Non-financial assets

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

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

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

If the recoverable amount is less than the carrying value of the asset, there is an impairment writedown to the recoverable amount through profit and loss.

In principle the recoverable amount should be calculated for each individual asset for which the value is to be measured. However, since payment flows cannot always be attributed to each asset directly, for the purpose of impairment tests assets are grouped into cash generating units (CGUs). The Group's hotels are treated as individual CGUs.

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

If the impairment subsequently disappears, the impairment loss is reversed through profit and loss, up to the lower of the new recoverable amount or the depreciated original cost of acquisition or construction. The Group had no such reversals of impairment losses in 2010 or in the previous year.

Goodwill carried in the balance sheet is subjected to an impairment test on a yearly basis, in accordance with IAS 36.

2.7.7.2. Financial instruments

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

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

2.7.8. Other assets

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

2.7.9. Cash and cash equivalents

Cash and cash equivalents comprises cash and credit balances with banks at call, together with bank deposits with a maturity of up to three months at the time of the original deposit.

2.7.10. Other provisions

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

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

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

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

2.7.11. Taxes

Tax provisions show both the taxes on current taxes due for the individual companies, together with all deferred taxes.

In accordance with IAS 12, deferred taxes are recognised on all temporary differences between the carrying value of an asset or liability in the consolidated financial statements and the carrying value for tax purposes in the individual accounts of the Group's subsidiaries. Additionally, tax credits from tax loss carryforwards that are expected to be realisable are recognised as deferred tax assets.

Deferred taxes are calculated using the applicable tax rates at balance sheet date, or where changes in tax law have already been adopted, at the rates applicable in future.

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

Deferred tax assets and deferred tax liabilities within an individual company are only netted off where the company in question has a legally enforceable right to set tax assets and liabilities against each other, and where the deferred taxes relate to taxes on income assessable by the same tax authority on that company.

2.7.12. Revenues

2.7.12.1. Rental income

Rental income is recognised evenly over the term of the rental agreement. One-time payments and waivers of rent are spread over the lifetime of rental agreements.

2.7.12.2. Revenues from hotel operations

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

2.7.13. Income and costs from financial instruments

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

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

Interest is accrued using the effective interest rate method.

The valuation of derivatives reflects gains and losses on the disposal or revaluation of interest caps, collars and swaps, which have been recognised in equity through profit and loss.

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

2.7.14. Estimation and assumption uncertainties

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

In the case of the following assumptions there is a not inconsiderable risk that they may result in a material adjustment of assets and liabilities in the next financial year.

■ The fair values of investment properties is generally based on expert valuations by internationally recognised appraisers such as CB Richard Ellis and PriceWaterhouseCoopers. The valuations have been prepared in compliance with International Valuation Standards. The values of these properties depend to a significant extent on present estimates of future rental trends and vacancy levels, and on interest rates used for discounting purposes.

■ Estimates of the long-term value of tangible and intangible assets are based on assumptions about the future. The calculation of recoverable amounts for the purpose of impairment tests is based on several assumptions, for example, about future net cash flows and discount rates.

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

■ The recognition of deferred tax assets for tax loss carryforwards is based on the assumption that sufficient taxable income will be earned to enable existing loss carryforwards to be utilised.

■ Obligations arising from sureties, guarantees and similar liabilities not included in the consolidated statement of financial position are regularly reviewed to ensure that they do not require to be so recognised and included.

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

3. NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND CONSOLIDATED INCOME STATEMENT

3.1. Statement of financial position

3.1.1. Properties held as financial investments

EUR '000	Rental properties	Investment properties under development and land
As at 01 January 2009	1,377,997	281,389
Additions	9,085	352,847
Disposals	-150,273	-17,101
Changes in fair value	-41,626	-49,250
Reclassifications	58,249	-122,101
As at 31 December 2009	1,253,432	445,784
whereof pledged as security	1,204,280	21,446
Additions (incl. initial consolidations)	200,167	9,007
Disposals	-21,733	-191
Changes in fair value	-7,153	-7,000
Reclassifications	385,610	-391,610
As at 31 December 2010	1,810,322	55,989
whereof pledged as security	1,767,758	0

Made up of:

Rental properties			Investment properties under development and undeveloped land		
EUR '000	31.12.2010	31.12.2009	EUR '000	31.12.2010	31.12.2009
Austria	579,914	417,243	Austria	0	35,446
Germany	565,857	492,824	Germany	0	2,317
Central Europe	308,640	311,545	Central Europe	6,175	6,075
Southeastern Europe	355,911	31,820	Southeastern Europe	49,814	401,946
	1,810,322	1,253,432		55,989	445,784

In the financial year 2010 borrowing costs amounting to EUR 6,511,000 have been capitalised. These capitalisations were effected for properties that were under construction during the financial year 2010 for borrowing costs incurred before completion.

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

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

EUR '000	Owner-operated hotels	Other plant and equipment	Intangible assets	Total
Acquisition costs as at 01 January 2009	157,116	14,438	437	171,990
Additions	3,393	4,759	7	8,159
Disposals	-1,254	-2,646	-44	-3,943
Reclassifications	11,472	0	0	11,472
As at 31 December 2009	170,727	16,551	400	187,678
Additions	1,260	713	96	2,069
Disposals	0	-2,602	-10	-2,612
As at 31 December 2010	171,987	14,662	486	187,135

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

EUR '000	Owner-operated hotels	Other plant and equipment	Intangible assets	Total
Accumulated amortisation and depreciation as at 01 January 2009	8,839	3,315	141	12,295
Depreciation and amortisation	7,797	1,262	54	9,113
Impairment losses	6,794	0	0	6,794
Disposals	0	-1,100	-18	-1,118
As at 31 December 2009	23,430	3,477	177	27,084
Depreciation and amortisation	7,802	2,116	136	10,054
Disposals	0	0	-6	-6
As at 31 December 2010	31,232	5,593	307	37,132
Carrying value as at 01 January 2009	148,276	11,123	296	159,695
Carrying value as at 31 December 2009	147,296	13,074	223	160,593
Carrying value as at 31 December 2010	140,755	9,069	179	150,003

In the financial year 2010 there were no impairment losses on owner-occupied properties (2009: EUR 6,794,000).

3.1.3. Goodwill

Development of Goodwill was as follows:

EUR '000	Goodwill
As at 01 January 2010	0
Additions – initial consolidation	2,296
Impairment losses	-2,196
As at 31 December 2010	100

The goodwill of EUR 2,296,000 arose on initial consolidation of VIERTEL ZWEI Entwicklung GmbH & Co HOTEL ZWEI KG. Because the Courtyard by Marriott Hotel operated by this company is treated as a cash generating unit, it was necessary to sub-

ject the value of the goodwill to an impairment test. Due to the fact that the expected benefits from synergies will be significantly lower than the initially recognised goodwill, an impairment of EUR 2,196,000 (2009: EUR 0) was accounted for under gain/loss on property valuation in the consolidated income statement.

3.1.4. Properties held for sale

EUR '000	31.12.2010	31.12.2009
Austria	0	54,300
Germany	6,000	0
	6,000	54,300

As at 31 December the amount of EUR 6,000,000 for 2010 refers to a residential property in Berlin.

3.1.5. Group interests

EUR '000	Interest in %	31.12.2010	31.12.2009
BGM-IMMORENT Aktiengesellschaft & Co KG	22.8	2,286	2,286
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.	11.5	621	621
Other		210	194
		3,117	3,101

3.1.6. Inventories

Inventories consist in the mainly of freehold apartments under construction in Austria and are measured at cost.

3.1.7. Trade receivables and other financial assets

Trade receivables include rents receivable from tenants less any specific provisions required. These consist in the main of provisions against receivables in Southeastern Europe (EUR 6,058,000) and in Germany (EUR 2,546,000).

3.1.7.1. Overdue receivables

EUR '000	2010		2009	
	Trade receivables	Other financial assets	Trade receivables	Other financial assets
Less than 3 months overdue	10,051	36,201	5,871	41,265
3 to 12 months overdue	104	5,056	3,197	8,215
More than 1 year overdue	169	1,030	117	192
Total	10,324	42,287	9,185	49,672

3.1.7.2. Other financial assets

EUR '000	31.12.2010	31.12.2009
Current tax credits	11,080	21,442
Receivables from disposals of interests	9,983	13,377
Accrued interest and interest rate caps and collars	5,204	1,402
Property management agents clearing accounts	2,371	1,259
Present value of rental guarantee	1,154	1,385
Construction loan subsidies outstanding	347	465
Other assets	12,148	10,342
	42,287	49,672

3.1.8. Cash and cash equivalents

EUR '000	31.12.2010	31.12.2009
Bank balances	129,464	149,918
Short-term deposits with banks	0	60,000
Cash in hand	257	233
	129,721	210,151

3.1.9. Shareholders' equity

The issued share capital of the Group's parent company was unchanged from the previous year and amounted to EUR 247,509,000. The share capital is fully paid up. 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 (authorised capital).

Details of share capital

EUR '000	31.12.2010	31.12.2009
Total share capital	247,509	247,509
Treasury shares (nominal)	0	0
	247,509	247,509

Changes in share capital

As in the previous year, the issued share capital is divided into 68,118,718 ordinary bearer shares of no par value, as follows:

Number of shares:	31.12.2010	31.12.2009
Issued share capital 01 January	68,118,718	68,118,718
Issue of new shares	0	0
Treasury shares sold	0	0
Issued share capital 31 December	68,118,718	68,118,718

The shares are listed in the Prime Market Segment of the Vienna Stock Exchange.

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

The capital reserves of EUR 73,578,000 (31.12.2009: EUR 147,110,000) are restricted reserves in the meaning of section 229(5) UGB.

The restricted capital reserves of EUR 73,578,000 (31.12.2009: EUR 147,110,000) disclosed in the individual financial statements of the parent company are based on section 229(5) UGB.

Additional information on capital management

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

The Group's capital consists of bank and financial liabilities, equity provided by the shareholders in the parent company, and subordinated participating bonds, described in more detail in Note 3.1.11. There are no provisions in the articles of incorporation concerning capital structure.

The shareholders' equity consists of the shares in issue, capital and revenue reserves and the consolidated net profit, as shown in the statement of Changes in Consolidated Equity.

The capital structure is under constant review, and the costs of capital and the risks attaching to each type of capital are taken into account. The Group will continue to ensure that the capital structure is optimal, by issuing and repaying debt and as appropriate issuing and repurchasing shares.

The Group's overall strategy generally remains the same as in 2009.

3.1.10. Non-controlling interests

The minority interests of EUR 31,426,000 (2009: EUR 44,832,000) consisted principally of Hansa Immobilien EOOD/Einkaufscenter Sofia G.m.b.H. & Co KG (35% interest).

3.1.11. Subordinated participating certificates

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

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

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

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

For the financial year 2010 the total share of earnings was EUR 9,452,000 (2009: EUR -9,966,000).

At 31 December 2010 there were 3,224,884 participating certificates in issue. The total entitlements of participating certificate holders (principal and interest) as of that date were EUR 79.95 (2009: EUR 81.14) per certificate, made up as follows:

EUR '000	Participating certificates capital	Profit brought forward	Profit for period	Share in undisclosed reserves on property portfolio	Total
Participating certificates capital – 01 January 2010	234,352			484	234,836
Profit brought forward 01 January 2010		36,788			36,788
Income entitlements of participating certificate holders from 2009			-9,966		-9,966
Distribution – 21 May 2010		-14,060			-14,060
Change in profit brought forward pursuant to Clause 5(6), Participating Certificates Agreement		-9,966	9,966		0
Income entitlements of participating certificate holders			9,452		9,452
Allocation of undisclosed reserves on property portfolio				770	770
Participating certificate capital as at 31 December 2010	234,352	12,762	9,452	1,254	257,820
Per participating certificate in EUR	72,67	3.96	2.93	0.39	79.95

Previous year:

EUR '000	Participating certificates capital	Profit brought forward	Profit for period	Share in undisclosed reserves on property portfolio	Total
Participating certificates capital – 01 January 2009	234,352			1,679	236,031
Profit brought forward 01 January 2009		46,305			46,305
Income entitlements of participating certificate holders from 2008			4,543		4,543
Distribution – 22 May 2009			-14,060		-14,060
Change in profit brought forward pursuant to Clause 5(6), Participating Certificates Agreement		-9,517	9,517		0
Income entitlements of participating certificate holders			-9,966		-9,966
Allocation of undisclosed reserves on property portfolio				-1,195	-1,195
Participating certificate capital as at 31 December 2009	234,352	36,788	-9,966	484	261,658
Per participating certificate (EUR)	72.67	11.41	-3.09	0.15	81.14

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

3.1.12. Provisions

EUR '000	01.01.2010	Utilised / released	Raised	31.12. 2010
Project and transaction risks	10,200	-8,000	2,000	4,200
Taxes on income	1,615	-1,484	231	362
Other provisions	4,205	-1,912	1,915	4,208
	16,020	-11,396	4,146	8,770

The provision for project and transaction risks relates to risks in respect of projects currently being carried out.

Other provisions consisted mainly of personnel provisions and provisions for management fees.

3.1.13. Financial liabilities

The short-term and long-term financial liabilities amounted to EUR 1,352,909,000 in total (2009: EUR 1,282,250,000, made up as follows:

EUR '000	31.12.2010	31.12.2009
Remaining term less than 1 year	124,123	303,390
Remaining term between 1 and 5 years	409,438	258,773
Remaining term over 5 years	819,348	720,087
	1,352,909	1,282,250

3.1.14. Taxes on income

3.1.14.1. Current and deferred taxes on income

Tax expense was made up as follows:

EUR '000	2010	2009
Current tax expenses	-2,239	-2,468
Deferred tax expenses	-4,750	1,056
	-6,989	-1,412

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

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

EUR '000	01-12/2010	01-12/2009
Profit before taxes	9,123	-77,456
Income tax expense of the financial year at the standard Austrian tax rate (25%)	-2,281	-19,364
Effects of differing foreign tax rates	-476	-1,969
Reductions in tax relating to tax neutral income	3,779	565
Increases in tax relating to non-deductible expenses	-9,209	-26,123
Tax credit in respect of prior years	1,198	6,750
Tax expense as disclosed	-6,989	-1,412

3.1.14.2. Deferred tax

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

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

As a general principle, a deferred tax asset or liability must be recognised for all taxable temporary differences. There are exceptions for the recognition of goodwill in an initial consolidation or the initial recognition of an asset or liability in a business transaction which

- is not a business combination and
- at the time of the transaction does not affect the profit or loss either under IFRS or for tax purposes.

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

EUR '000	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Properties held as financial investments	933	-58,487	219	-48,633
Financial instruments	13,077	-359	12,594	0
Other items	596	-1,253	321	-2,512
Loss carryforwards	17,967	0	15,955	0
	32,573	-60,099	29,089	-51,145
Netting	-4,118	4,118	-3,557	3,557
Deferred tax assets (+) / liabilities (-)	28,455	-55,981	25,532	-47,588

For loss carryforwards in the amount of EUR 58,212,000 no deferred tax assets have been considered.

3.1.14.3. Measurement

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

	Tax rate for 2010	Tax rate for 2011
Austria	25.00%	25.00%
Germany	29.40% ¹	29.40% ¹
Czech Republic	19.00%	19.00%
Slovakia	19.00%	19.00%
Hungary	19.00% ²	19.00% ²
Croatia	20.00%	20.00%
Romania	16.00%	16.00%
Bulgaria	10.00%	10.00%

¹ The tax rate in Germany can vary, depending on whether the company is liable to business tax or not. An average tax rate has therefore been used.

² Taxation in Hungary is progressive. Taxable income up to HUF 500,000,000 is taxed at 10%, thereafter at 19%.

Deferred taxes are only recognised for the property subsidiaries to the extent that a tax burden is expected to arise on the rental or sale of the properties involved.

3.2. Income statement

3.2.1. Revenues

EUR '000	2010	2009
Rental income – office property	31,382	36,827
Rental income – residential property	27,919	28,198
Rental income – commercial property	39,459	19,533
Rental income – hotels	5,232	2,995
	103,992	87,553

3.2.2. Operating costs and expenses from properties and hotel operations

These costs and expenses are expenses in connection with long-term property assets.

EUR '000	2010	2009
Expenses directly attributable to properties		
Operating costs	-40,591	-32,685
Specific provisions on receivables	-7,427	-2,320
Repairs and maintenance	-12,964	-14,208
Commissions	-2,847	-10,154
Other	-6,266	-1,825
	-70,095	-61,192

Expenses of EUR 200,000 were attributable to properties not yet generating income (2009: EUR 8,462,000).

The expenses of hotel operations mainly consist of expenses for food, beverages, catering supplies, hotel rooms, licences and management fees, maintenance, operating costs, commissions, personnel expenses and advertising.

3.2.3. Gains on property disposals

EUR '000	2010	2009
Disposal proceeds		
Properties held as financial investments	24,041	152,173
Properties held for disposal ¹⁾	56,050	0
Inventories	22,599	0
	102,690	152,173

Carrying value of property disposals

Properties held as financial investments	-21,733	-150,273
Properties held for disposal	-54,300	0
Inventories	-16,778	0
	-92,811	-150,273

Gains on property disposals

Properties held as financial investments	2,308	1,900
Properties held for disposal	1,750	0
Inventories	5,821	0
	9,879	1,900

¹⁾ Including the no longer necessary amounts for construction costs, tenants' financing and housing construction subsidies on properties held for sale.

3.2.4. Management expenses

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

EUR '000	2010	2009
Personnel expenses	-5,726	-4,517
Advertising and promotional expenses	-1,425	-1,077
Service fees and administration expenses	-2,816	-4,291
Legal, audit, valuation and consultancy costs	-4,537	-4,375
Project cancellation fees	0	-3,443
Other taxes and charges	-737	-704
Other	-3,409	-1,126
	-18,650	-19,533

Fees invoiced by the Group's auditors in 2010 totalled EUR 263,000 (2009: EUR 237,000), of which EUR 173,000 (2009: EUR 180,000) was the cost of the annual audit and EUR 90,000 (2009: EUR 57,000) was for tax consulting services.

The average number of employees in 2010 was 540, including hotel staff (2009: 512). Personnel expenses in the hotels are disclosed under hotel operations.

3.2.5. Depreciation and amortisation

This item comprises depreciation and amortisation on owner-occupied properties, other plant and equipment, and intangible assets, and was made up as follows:

EUR '000	2010	2009
Owner-occupied properties	-7,802	-7,797
Other plant and equipment	-2,116	-1,262
Intangible assets	-136	-54
	-10,054	-9,113

3.2.6. Gains/losses on property on revaluation

Gains and losses on revaluation include all increases and decreases in value on investment properties, and were made up as follows:

EUR '000	2010	2009
Changes in fair values		
Increases	37,799	24,398
Decreases	-51,952	-114,842
Changes in valuations		
Owner-occupied properties	0	-6,794
Goodwill	-2,196	0
Changes in provisions for contingent losses	7,600	0
Other	7,916	0
	-833	-97,238

Other revaluation gains on property consist of the negative goodwill from the acquisition of the VIERTEL ZWEI project companies.

Revaluation results by region were made up as follows:

EUR '000	2010	2009
Austria	22,286	3,835
Germany	13,716	2,046
Central Europe	-8,488	-49,247
Southeastern Europe	-28,347	-53,872
	-833	-97,238

3.2.7. Financing costs

EUR '000	2010	2009
Bank interest expenses (incl. settled derivatives)	-38,729	-32,725
Other financing and interest expenses	-3,130	-3,065
Exchange differences	-1,569	-3,225
Valuation of derivatives	637	-401
Bank interest income	539	2,434
Other finance and interest income	459	785
Income from investments	592	656
	-41,201	-35,541

The income from investments in the financial year 2010 came from the interest in BGM-IMMORENT Aktiengesellschaft & Co KG.

3.2.8. Earnings per share

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

		2010	2009
Equity share of consolidated net profit	EUR '000	1,843	-78,559
Average number of shares in circulation	units	68,118,718	68,118,718
Undiluted earnings	EUR	0.03	-1.15
Diluted earnings	EUR	0.03	-1.15

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

4. OPERATING SEGMENTS

An operating segment is defined as having the following characteristics:

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

For S IMMO Group, therefore, segmentation is on the basis of regions. The four regions selected are as follows.

Austria: This operating segment includes all the Group's Austrian subsidiaries.

Germany: This operating segment includes the German subsidiaries and also the subsidiaries in Denmark, which are property ownership companies holding properties in Germany.

Central Europe: This operating segment comprises the subsidiaries in Slovakia, the Czech Republic and Hungary.

Southeastern Europe: This operating segment includes the subsidiaries in Bulgaria, Croatia and Romania. The subsidiary in Ukraine is also treated as part of this latter segment, as are the subsidiaries in Cyprus, which are related to the Group companies in Romania and Ukraine.

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

EUR '000	Austria	
	2010	2009
Rental income	21,719	25,062
Revenues from service charges	5,276	6,648
Revenues from hotel operations	23,466	22,375
Total revenues	50,461	54,085
Other operating income	1,820	6,879
Property operating expenses	-11,676	-8,935
Hotel operating expenses	-18,506	-18,275
Gross profit/loss	22,099	33,754
Gains/losses on property disposals	9,155	1,688
Management expenses	-10,609	-8,495
EBITDA	20,646	26,947
Depreciation and amortisation	-3,740	-3,159
Gains/losses on property valuation	22,288	3,835
EBIT	39,194	27,623
Non-current assets as at 31 December	661,387	486,055
Non-current liabilities (incl. participating certificates in Austria) as at 31 December	776,680	679,269

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

Major customers

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

Germany		Central Europe		Southeastern Europe		Total	
2010	2009	2010	2009	2010	2009	2010	2009
35,383	34,007	20,767	23,728	26,123	4,757	103,992	87,553
12,263	15,023	6,918	6,881	8,182	552	32,640	29,105
0	0	14,845	14,522	0	0	38,311	36,897
47,646	49,030	42,530	45,131	34,305	5,309	174,943	153,555
1,406	932	419	280	1,328	155	4,973	8,246
-30,023	-27,849	-8,761	-10,771	-19,635	-13,637	-70,095	-61,192
0	0	-11,110	-11,426	0	0	-29,617	-29,701
19,029	22,113	23,078	23,214	15,998	-8,173	80,204	70,908
737	0	0	212	-13	0	9,879	1,900
-4,480	-5,532	-1,309	-2,419	-2,252	-3,087	-18,650	-19,533
15,286	16,581	21,768	21,007	13,733	-11,260	71,433	53,275
-201	-124	-5,050	-4,645	-1,063	-1,185	-10,054	-9,113
13,814	2,046	-8,588	-49,247	-28,347	-53,872	-833	-97,238
28,899	18,503	8,130	-32,885	-15,677	-66,317	60,546	-53,076
566,341	550,060	388,564	398,273	431,699	454,058	2,047,991	1,888,446
334,867	348,719	246,459	241,987	204,306	44,990	1,562,312	1,314,965

5. OTHER INFORMATION

5.1. Financial instruments

5.1.1. Categories

S IMMO Group classifies its financial instruments as follows:

31 December 2010							Financial liabilities at amortised cost	Total
EUR '000	Derivatives	Available for sale	Held to maturity	Loans and receivables	Other			
ASSETS								
Group interests		3,117					3,117	
Trade receivables				10,324			10,324	
Other financial assets	5,204			11,755	25,328		42,287	
TOTAL ASSETS	5,204	3,117	0	22,079	25,328	0	55,728	
EQUITY AND LIABILITIES								
Subordinated participating capital						257,820	257,820	
Long-term borrowings								
Financial liabilities	54,212					1,174,574	1,228,786	
Other liabilities						10,955	10,955	
Short-term borrowings								
Financial liabilities						124,123	124,123	
Trade payables						16,479	16,479	
Construction costs and tenants' financing, construction subsidies on properties held for disposal						0	0	
TOTAL EQUITY AND LIABILITIES	54,212	0	0	0	0	1,583,951	1,638,163	

31 December 2009							
EUR '000	Derivatives	Available for sale	Held to maturity	Loans and receivables	Other	Financial liabilities at amortised cost	Total
ASSETS							
Group interests		3,101					3,101
Trade receivables				9,185			9,185
Other financial assets	1,402			24,978	23,292		49,672
TOTAL ASSETS	1,402	3,101	0	34,163	23,292	0	61,958
EQUITY AND LIABILITIES							
Subordinated participating capital						261,658	261,658
Long-term borrowings							
Financial liabilities	52,281					926,579	978,860
Other liabilities						10,839	10,839
Short-term borrowings							
Financial liabilities						303,390	303,390
Trade payables						28,954	28,954
Construction costs and tenants' financing, construction subsidies on properties held for disposal						9,835	9,835
TOTAL EQUITY AND LIABILITIES	52,281	0	0	0	0	1,541,255	1,593,536

5.1.2. Measurement of fair values

The following analysis classifies financial instruments measured at fair value on the basis of the method of valuation, for which purpose a hierarchy of three levels is used:

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

31 December 2010

EUR '000	Level 1	Level 2	Level 3	Total
Other financial assets				
Derivatives	0	5,204	0	5,204
Financial liabilities				
Derivatives	0	-54,212	0	-54,212

31 December 2009

EUR '000	Level 1	Level 2	Level 3	Total
Other financial assets				
Derivatives (hedging instruments)	0	1,402	0	1,402
Financial liabilities				
Derivatives (hedging instruments)	0	-52,281	0	-52,281

5.1.3. Derivatives

S IMMO Group's financial instruments are measured at fair value and disclosed under other financial assets EUR 5,204,000 as at 31 December 2010 (31 December 2009: EUR 1,402,000), and non-current financial liabilities EUR 54,212,000 as at 31 December 2010 (31 December 2009: EUR 52,281,000).

31 December 2010

EUR '000	Nominal	Positive fair value	Negative fair value
Swaps	482,417	3,338	-39,782
Caps	365,746	1,866	0
Collars	200,000	0	-14,430
Total	1,048,163	5,204	-54,212

31 December 2009

EUR '000	Nominal	Positive fair value	Negative fair value
Swaps	415,087	0	-38,456
Caps	245,000	1,402	0
Collars	200,000	0	-13,825
Total	860,087	1,402	-52,281

In financial 2010 there was resulting income of EUR 1,235,000 (2009: expenses of EUR 16,604,000) which was recognised under equity with no effect on profit and loss, and income of EUR 637,000 (2009: expenses of EUR 401,000), which was recognised in the income statement as part of the financial results.

5.2. Risk management

5.2.1. Exchange and interest rate risk

Most of S IMMO Group's rental contracts and all of its loans are linked to the EURO, therefore the foreign currency risk is low.

At 31 December 2010, 90% of the Group's borrowings consisted of variable rate loans and 10% were fixed rate loans. The variable rate loans are protected by interest hedging instruments such as caps, collars and swaps.

The stress test (based on the position at 31 December 2010) shows that increases in the base rate (EURIBOR) have only a roughly 30% impact on the Group's financing costs. For example, a 100 BP increase in EURIBOR increases financing costs by only 34 BP.

Stress test (parallel shift in interest curve)	3-month EURIBOR	Cost of funding	Differential cost of funding	Interest sensitivity
Interest shift + 400 bps	5.01%	6.17%	159 bps	40%
Interest shift + 300 bps	4.01%	5.69%	111 bps	37%
Interest shift + 200 bps	3.01%	5.28%	70 bps	35%
Interest shift + 100 bps	2.01%	4.92%	34 bps	34%
Interest shift + 50 bps	1.51%	4.75%	17 bps	34%
Interest shift - 50 bps	0.51%	4.39%	-19 bps	-38%

5.2.2. Liquidity and credit risks

S IMMO Group manages liquidity and credit risks actively. As part of managing and monitoring liquidity, all maturities are subject to continual review, and where required to appropriate adjustment in the rolling budget process. The Company places value on a balance between the amount of loans and the property values of the individual properties to reduce liquidity risk. In previous years the loan-to-value-ratio was less than 60%. To keep credit risks to a minimum, S IMMO Group works with a total of 20 different, well-known financial institutions in Austria and Germany.

	Percentage of bank liabilities
Erste Bank Group	38.2%
Other Austrian banks	46.3%
Insurance companies	7.5%
German banks	8.0%

As mentioned in Chapter 3.1.13., a majority of the financial liabilities have a maturity of more than five years.

5.3. Other obligations and contingent liabilities

5.3.1. Rental agreements

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

- tied to the EURO
- with capital values linked to international indexes.

5.3.2. Pending litigation

In S IMMO Group there were a number of open legal disputes at balance sheet date, however both the individual amounts involved were not significant and also the total amount was insignificant as evaluated by Management.

5.4. Related party disclosures

For S IMMO Group related parties are as follows:

- S IMMO Group's managing bodies
- Erste Group
- Vienna Insurance Group

S IMMO Group's managing bodies are as follows:

Management Board of Sparkassen Immobilien AG

Holger Schmidtmayr, MRICS, Vienna

Ernst Vejdovszky, Vienna

Friedrich Wachernig, MBA, Vienna

Supervisory Board of Sparkassen Immobilien AG

Martin Simhandl, Vienna (Chairman)

Gerald Antonitsch, Vienna (first deputy chairman from 21 May 2010, previously member)

Richard Wilkinson, Vienna (first deputy chairman until 21 May 2010)

Franz Kerber, Vienna (second deputy chairman)

Christian Hager, Krems

Erwin Hammerbacher, Vienna

Michael Matlin, New York (from 21 May 2010)

Peter Nemschak, Vienna (until 21 May 2010)

Wilhelm Rasinger, Vienna (from 21 May 2010)

Reinhold Schürer-Waldheim, Vienna

(until 21 May 2010)

Ralf Zeitlberger, Vienna (from 21 May 2010)

In 2010 the remuneration received by members of the Management Board totalled EUR 775,000 (2009: EUR 985,000). For 2010 this included expenses for pensions of EUR 136,000 (2009: EUR 163,000), and contributions to the employee severance pay and pensions fund of EUR 9,000 (2009: EUR 12,000). Compensation paid to Supervisory Board members (including members of supervisory boards of Group companies) amounted to EUR 110,000 (2009: EUR 112,000). Neither members of the Management Board nor Supervisory Board members received either loans or advances, and no guarantees have been given on their behalf.

Erste Group mainly provides for S IMMO Group administrative, agent and financial services, whereas Vienna Insurance Group mostly provides financial services. There were the following receivables and payables with Erste Group and Vienna Insurance Group at the end of the year:

EUR '000	31.12.2010	31.12.2009
Other receivables	1,903	432
Bank balances	40,479	166,458
Receivables	42,382	166,890

EUR '000	31.12.2010	31.12.2009
Non-current liabilities to banks	416,314	404,700
Non-current financial liabilities	83,607	71,169
Current bank and financial liabilities	86,901	76,000
Trade payables	1,103	1,687
Other liabilities	623	592
Payables	588,548	554,148

During the financial years 2010 and 2009 there were the following material income and expenses in connection with Erste Group and the Vienna Insurance Group:

EUR '000	2010	2009
Commissions	602	3,226
Consultancy fees	0	541
Management fees – Immorent AG	2,365	3,977
Bank loan interest, other interest and charges	21,295	17,598
Other expenses	1,575	492
Expenses	25,837	25,834

EUR '000	2010	2009
Rent and service charges	789	998
Bank interest	140	868
Other interest income	162	53
Income	1,091	1,919

Under an agreement dated 14 January 2003, Immorent AG has given S IMMO Group a rental guarantee for the property at Gasgasse 1–7, 1150 Vienna, Austria. The fee charged for this guarantee was EUR 3,000,000.

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

5.5. Significant events after balance sheet date

During the first quarter of 2011, a residential property in Berlin was sold at a price over its valuation. In addition, contracts for the sale of two residential properties and one commercial property were concluded.

The Management Board of S IMMO Group resolved on 18 January 2011 after approval of the Supervisory Board to enact a program for the repurchase of S IMMO INVEST participation certificates. The Company may repurchase up to 5% of the certificates, or a total of 161,244 units, on stock exchange. The program for the repurchase began on 19 January 2011 and ended on 08 April 2011.

Vienna, 18 March 2011

The Management Board

Holger Schmidtmayr, MRICS m.p.

Ernst Vejdovszky m.p.

Friedrich Wachernig, MBA m.p.

Declaration

pursuant to section 82(4)(3)
Austrian Stock Exchange Act (BÖRSEG)

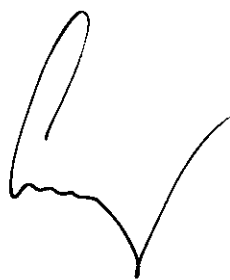
“STATEMENT OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group

faces. We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.”

Vienna, 18 March 2011

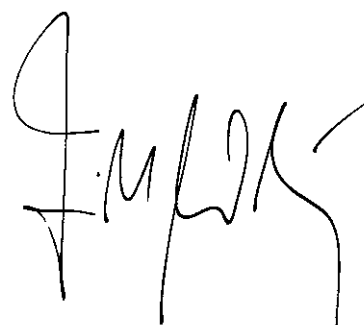
The Management Board



Holger Schmidtmayr, MRICS m.p.



Ernst Vejdovsky m.p.



Friedrich Wachernig, MBA m.p.

Auditors' Report

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Sparkassen Immobilien AG, Vienna, for the year ended 31 December 2010. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, and the consolidated income statement and statement of total comprehensive income, the statement of changes in stockholders' equity and the cash flow statement, all for the year ended 31 December 2010, together with the notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for group accounting and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with the International Standards on Auditing (ISAs) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

These standards require that we comply with ethical requirements and that we perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements.

An audit involves the performance of procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements.

The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error.

In making these risk assessments the auditor considers internal controls relevant to the preparation and fair presentation of consolidated financial statements in order to design audit procedures appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

An audit also includes evaluating the appropriateness of the accounting and valuation policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2010 and of its financial performance and its cash flows for the fiscal year from January 1, 2010 to December 31, 2010 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

COMMENTS ON THE MANAGEMENT REPORT FOR THE GROUP

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate. In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 18 March 2011

Deloitte Audit Wirtschaftsprüfungs GmbH

Walter Müller m.p.
Auditor

p.p. Wolfgang Arndorfer m.p.
Auditor

This English translation of the audit report was prepared for the client's convenience only. It is no legally relevant translation of the German audit report.

Property Portfolio

	Acquisition date	Use type	Area in m ²	Main lettable area in m ² (excl. internal parking and ancillary space)	Office in m ²
Austria					
Vienna					
1010 Vienna, Neutorgasse 2	2008	Residential	4,339	4,230	1,274
1010 Vienna, Neutorgasse 4–8 (Neutor 1010)	2008	Office	7,331	5,040	4,074
1010 Vienna, Parkring 12a	2003	Office	2,563	1,814	1,117
1010 Vienna, Parkring 12a, (Vienna Marriott Hotel)	2003	Hotel	19,631	19,631	0
1010 Vienna, Getreidemarkt 2–4 (Akademiehof)	2007	Office	5,861	5,184	5,184
1020 Vienna, Trabrennstrasse 4, (Hotel Zwei)	2010	Hotel	22,371	18,971	0
1020 Vienna, Trabrennstrasse 6, (Hoch Zwei)	2010	Office	28,717	21,709	21,709
1021 Vienna, Trabrennstrasse 8, (Plus Zwei)	2010	Office	31,304	19,014	19,014
1020 Vienna, Franzensbrückenstrasse 5	2001	Office	2,914	2,054	2,054
1030 Vienna, Franzosengraben 12	1990	Office	5,992	3,736	3,736
1031 Vienna, Ghegastrasse 1	2005	Office	24,859	19,909	19,909
1050 Vienna, Schönbrunner Strasse 108	2000	Office	3,050	2,642	2,484
1050 Vienna, Schönbrunner Strasse 131	2000	Office	2,901	2,148	2,148
1050 Vienna, Bräuhausgasse 3–5	1989	Office	2,277	1,592	1,592
1060 Vienna, Windmühlgasse 14	2000	Office	105	105	26
1060 Vienna, Mariahilfer Strasse 41–43 (22,83% interest)	1989	Retail	2,205	1,646	648
1060 Vienna, Mariahilfer Strasse 103	2004	Office	11,287	7,825	5,693
1060 Vienna, Mariahilfer Strasse 121 b	2001	Office	5,438	4,184	3,439
1070 Vienna, Schottenfeldgasse 29	2004	Office	9,330	6,972	6,972
1070 Vienna, Burggasse 51	1998	Residential	11,284	11,284	137
1070 Vienna, Stuckgasse 9	1990	Residential	415	415	0
1100 Vienna, Hasengasse 56 (IP. ONE)	1999	Office	7,753	5,697	5,557
1120 Vienna, Meidlinger Hauptstrasse 73	2002	Retail	18,879	13,642	5,975
1130 Vienna, Amalienstrasse 48	1990	Office	2,121	1,605	1,605
1140 Vienna, Scheringgasse 2	2004	Other	10,763	2,912	2,912
1150 Vienna, Sechshauser Strasse 31–33	2006	Residential	7,882	7,062	2,130
1150 Vienna, Gasgasse 1–7	2002	Office	7,358	6,008	5,736
1160 Vienna, Lerchenfeldergürtel 43 (IP. TWO)	2000	Office	5,748	4,203	4,013
1180 Vienna, Kreuzgasse 72–74	1999	Residential	19,733	14,674	0
1190 Vienna, Heiligenstädter Strasse 181	1996	Residential	2,012	1,512	0
1210 Vienna, Gerasdorfer Strasse 151	2004	Office	10,641	8,391	8,391
1210 Vienna, Brünner Strasse 72 a	2005	Retail	14,074	8,724	0
1210 Vienna, Franz-Jonas-Platz 2–3	2007	Retail	14,774	10,327	2,233
Total Vienna			325,913	244,864	139,762
Properties in Austrian Federal States					
2384 Breitenfurt, Hauptstrasse 107	1987	Retail	850	850	0
2700 Wr. Neustadt, Prof.Dr.Stefan-Koren-Strasse 8a	1991	Office	2,640	2,296	1,059
4020 Linz, Rainerstrasse 6–8	1988	Office	5,825	4,091	2,211
5020 Salzburg, Sterneckerstrasse 50–52	1994	Office	5,591	3,079	2,237
9560 Feldkirchen, Kindergartenstrasse 2	1987	Retail	2,000	2,000	0
Total properties in Austrian Federal States			16,906	12,317	5,507
Total Austria			342,819	257,181	145,269
Germany					
Berlin					
Portfolio Charlottenburg and Wilmersdorf, Berlin			72,916	72,457	0
Portfolio Friedenau, Berlin			2,510	2,510	0
Portfolio Friedrichshain, Berlin			30,761	30,761	179
Portfolio Frohnau, Berlin			3,462	3,042	0
Portfolio Kreuzberg, Berlin			42,031	42,018	0
Portfolio Marzahn, Berlin			22,368	22,368	0
Portfolio Mitte, Berlin			15,213	14,450	0
Portfolio Neukölln, Berlin			45,096	44,888	0
Portfolio Pankow, Berlin			582	582	0
Portfolio Prenzlauer Berg, Berlin			11,088	11,088	0
Portfolio Reinickendorf, Berlin			5,249	5,249	0
Portfolio Schmargendorf, Berlin			11,370	11,370	0
Portfolio Schöneberg, Berlin			36,155	35,161	0
Portfolio Spandau, Berlin			7,403	7,403	0
Portfolio Steglitz, Berlin			7,011	7,011	0
Portfolio Tiergarten, Berlin			84,100	64,505	11,649
Portfolio Wedding, Berlin			10,455	10,455	0
Portfolio Weissensee, Berlin			1,593	1,593	0
Total Berlin			409,364	386,911	11,827

Retail in m ²	Residential in m ²	Hotel in m ²	Other in m ²	Number of parking spaces	Vacant main lettable area in %	Vacant main lettable area in m ²	Market value in EUR m	Rental yield to market value in %
1,016	1,941	0	109	0	0%	0		
966	0	0	216	83	27%	1,420		
697	0	0	749	0	0%	0		
0	0	19,631	0	0	0%	0		
0	0	0	278	16	8%	416		
0	0	18,971	0	136	0%	0		
0	0	0	5,284	69	0%	0		
0	0	0	1,540	430	0%	0		
0	0	0	85	31	30%	609		
0	0	0	1,032	49	6%	209		
0	0	0	0	198	0%	0		
158	0	0	33	15	7%	179		
0	0	0	78	27	61%	1,306		
0	0	0	260	17	0%	0		
0	79	0	0	0	75%	79		
998	0	0	11	22	0%	0		
1,413	719	0	1,213	90	19%	1,512		
745	0	0	54	48	0%	0		
0	0	0	132	89	0%	0		
712	10,435	0	0	0	0%	0		
29	387	0	0	0	0%	0		
141	0	0	1,130	37	22%	1,227		
7,667	0	0	787	178	5%	617		
0	0	0	116	16	25%	397		
0	0	0	7,851	0	18%	525		
807	4,125	0	45	31	0%	0		
272	0	0	0	54	2%	145		
190	0	0	20	61	26%	1,074		
3,737	10,937	0	33	201	0%	0		
0	1,512	0	0	20	0%	0		
0	0	0	2,250	0	100%	8,391		
8,724	0	0	0	214	0%	0		
8,094	0	0	721	149	26%	2,734		
36,365	30,134	38,602	24,027	2,281	8.5%	20,839		
850	0	0	0	0	0%	0		
1,238	0	0	344	0	0%	0		
1,880	0	0	9	69	0%	0		
842	0	0	687	73	11%	351		
2,000	0	0	0	0	0%	0		
6,810	0	0	1,040	142	3%	351		
43,175	30,134	38,602	25,067	2,423	8.2%	21,190	634,2	5.7%
12,416	60,040	0	385	3	8.8%	6,358		
0	2,510	0	0	0	0%	0		
2,853	27,729	0	0	0	17%	5,243		
1,841	1,201	0	420	0	15%	457		
6,125	35,893	0	14	0	9%	3,907		
0	22,368	0	0	0	7%	1,538		
14,450	0	0	763	0	2%	304		
2,789	42,100	0	207	0	10%	4,395		
0	582	0	0	0	0%	0		
957	10,131	0	0	0	9%	1,007		
468	4,781	0	0	0	51%	2,692		
0	11,370	0	0	0	24%	2,744		
3,577	31,583	0	169	33	8%	2,987		
494	6,909	0	0	0	39%	2,898		
3,311	3,701	0	0	0	7%	462		
6,624	45,074	1,157	6,896	508	20%	12,690		
4,734	5,721	0	0	0	7%	729		
338	1,255	0	0	0	5%	75		
60,976	312,950	1,157	8,853	544	13%	48,487		

	Acquisition date	Use type	Area in m ²	Main lettable area in m ² (excl. internal parking and ancillary space)	Office in m ²
Bremen			15,538	14,832	10,283
Hamburg			79,092	72,855	6,594
Halle			29,260	29,260	2,029
Leipzig			29,340	29,254	3,912
Munich			26,467	13,727	12,901
Rostock			8,182	8,086	0
Total Germany			597,244	554,924	47,547
SEE					
Bulgaria					
1000 Sofia 48, Sitnyakovo Blv. (Serdika Center)	2010	Retail	80,871	46,946	0
Total Bulgaria			80,871	46,946	0
Croatia					
10000 Zagreb, Miramarska 23 (Eurocenter)	2000	Office	11,389	8,207	7,529
Total Croatia			11,389	8,207	7,529
Romania					
10061 Bucharest, Calea Victoriei 37B, Sektor 1 (Novotel Bucharest)	2006	Hotel	19,296	15,796	0
40069 Bucharest, Piata Sudului/Calea Vacaresti nr. 391 (Sun Plaza)	2010	Retail	144,034	90,413	9,765
Total Romania			163,329	106,209	9,765
Total SEE			255,589	161,361	17,294
CEE					
Czech Republic					
11000 Prague, Narodni 41	2000	Office	2,780	2,364	2,014
11000 Prague, Wenceslas Square 22 (Hotel Juliš)	2004	Hotel	6,871	5,169	0
11000 Prague, Wenceslas Square 41 (Hotel Ramada)	2002	Hotel	8,768	8,768	0
Total Czech Republic			18,418	16,301	2,014
Hungary					
1016 Budapest, Hegyalja út 7–13. (Buda Center)	2005	Office	7,288	5,455	4,679
1051 Budapest, Bajcsy Zsilinszky út 12. (City Center)	2001	Office	10,860	8,178	7,396
1052 Budapest, Apaczai Csere Janos u. 2–4. (Budapest Marriott Hotel)	2005	Hotel	30,032	27,646	0
1065 Budapest, Nagymező u. 44. (Süba Trade Center/Podium Irodaház)	2006	Office	7,942	5,711	5,323
1122 Budapest, Maros utca 19–21. (Maros Utca Business Center)	2004	Office	8,758	6,649	6,649
1134 Budapest, Váci út. 35. (River Estates)	2001	Office	29,449	19,487	17,533
1135 Budapest, Szegedi út 35–37. (Twin Center)	2006	Office	8,184	5,663	5,280
1138 Budapest, Váci út 182. (Unilever Building/Blue Cube Irodaház)	2001	Office	14,476	9,184	8,776
Total Hungary			116,988	87,974	55,636
Slovakia					
81106 Bratislava, Vysoká 2A (Austria Trend Hotel Bratislava)	2008	Hotel	16,347	13,874	1,161
82104 Bratislava, Galvaniho 7 (Galvaniho Business Center I)	2004	Office	11,376	8,760	7,293
82104 Bratislava, Galvaniho 7A (Galvaniho Business Center II)	2006	Office	21,440	13,026	11,600
82104 Bratislava, Galvaniho 7B (Galvaniho Business Center IV)	2008	Office	31,618	23,008	20,792
91101 Trencin, Ku Štvrtiam 7029–7030 (Bix box retail)	2000	Retail	11,954	11,954	0
97101 Previdza, Nedožerská cesta III. 1269 / 17B (Big box retail)	2000	Retail	13,737	13,737	0
Total Slovakia			106,473	84,358	40,847
Total CEE			241,878	188,633	98,497
Total leased properties			1,437,530	1,162,100	308,607
Developments under construction					
1000 Sofia, 48 Sitnyakovo Blv. (Serdika Offices)	2006	Office	28,000	28,000	28,000
Total developments under construction			28,000	28,000	28,000
Total values (without land bank)			1,465,530	1,190,100	336,607
Land bank					
1301 Sofia, George Washington Street 16 (Washington Project OOD, 50% interest)	2007	Office	4,400	4,400	3,600
10061 Bucharest, Calea Grivitei Nr. 94, 1. Sektor (Grivitei I)	2006	Office	10,000	10,000	6,000
10061 Bucharest, Calea Grivitei Nr. 94, 1. Sektor (Grivitei II)	2006	Office	20,000	20,000	11,300
10061 Bucharest/Jilava Giurgiului DN 5-km 8+750 (Roter Invest)	2000	Retail	40,000	40,000	0
14000 Prague, Karlin, Pobrezni-Thamova (River Star Karlin)	2006	Hotel	8,500	8,500	0
82104 Bratislava, IPD International (Einsteinova)	2007	Office	23,900	23,900	17,300
Total land bank			106,800	106,800	38,200

Retail in m ²	Residential in m ²	Hotel in m ²	Other in m ²	Number of parking spaces	Vacant main lettable area in %	Vacant main lettable area in m ²	Market value in EUR m	Rental yield to market value in %
3,119	1,431	0	706	0	8%	1,149		
4,456	61,804	0	712	221	2%	1,749		
25,203	2,027	0	0	0	2%	529		
3,539	21,803	0	86	0	30%	8,732		
0	825	0	6,965	231	5%	741		
644	7,442	0	72	1	10%	837		
97,938	408,282	1,157	17,394	997	11%	62,224	571.9	6.2%
46,946	0	0	3,925	1,200	2%	1,091		
46,946	0	0	3,925	1,200	2%	1,091		
678	0	0	107	123	13%	1,084		
678	0	0	107	123	13%	1,084		
1,998	0	13,798	0	140	0%	0		
80,648	0	0	1,796	2,073	3%	2,500		
82,646	0	13,798	1,796	2,213	2%	2,500		
130,270	0	13,798	5,828	3,536	3%	4,675	370.5	8.2%
207	144	0	116	12	1%	33		
1,684	0	3,485	1,701	0	0%	0		
4,046	0	4,722	0	0	0%	0		
5,937	144	8,207	1,817	12	1%	33		
776	0	0	208	65	21%	1,152		
782	0	0	182	100	35%	2,899		
0	0	27,646	0	95	0%	0		
388	0	0	56	87	0%	0		
0	0	0	384	69	13%	880		
1,954	0	0	1,162	352	4%	730		
383	0	0	946	63	0%	0		
408	0	0	666	185	0%	0		
4,692	0	27,646	3,603	1,016	6%	5,661		
2,152	0	10,560	74	96	4%	516		
1,466	0	0	1,017	64	8%	716		
1,426	0	0	989	297	6%	825		
2,216	0	0	1,010	304	0%	0		
11,954	0	0	0	0	0%	0		
13,737	0	0	0	0	5%	620		
32,951	0	10,560	3,089	761	3%	2,678		
43,580	144	46,413	8,509	1,789	4%	8,371	376.1	7.1%
314,962	438,560	99,970	56,798	8,745	8%	96,460	1,952.7	6.6%
0	0	0	0	0			35.0	
0	0	0	0	0			35.0	
314,962	438,560	99,970	56,798	8,745			1,987.7	
800	0	0	0	0				
0	0	4,000	0	0				
0	0	8,700	0	0				
40,000	0	0	0	0				
0	0	8,500	0	0				
0	0	6,600	0	0				
40,800	0	27,800	0	0			21.0	

Glossary

Accumulation

With accumulating securities, all earnings are reinvested instead of receiving distributions of profit.

Asset management

The value-oriented management of properties through leasing management, modernisation and renovation.

Carrying value

The value given to assets (e.g., properties) in the statement of financial position. In financial statements prepared in accordance with international accounting standards, the carrying value is generally the market value of the property ("fair value").

Cash flows

Cash flows show the change in liquid assets during a given period. They are a measure of a company's ability to generate liquid assets (cash, current investments etc.) and of the company's ability to finance itself internally.

Cash flows from operating activities

Operating cash flows are the net changes in liquid assets resulting from operating activities during a given period. They are an indicator of the financial strength resulting from ordinary business activities.

Corporate governance

Framework of statutory and other regulations governing the proper management and control of enterprises, codified for Austria in the Austrian Corporate Governance Code.

Corporate social responsibility (CSR)

CSR is the responsibility that a company voluntarily accepts for socially desirable policies and actions, over and above the statutory requirements. It covers business activities as well as environmental, economic and social issues such as ethics, corporate governance and sustainable investment, and determines the highest standards for real estate projects and other contributions to the common good.

Earnings before interest and tax (EBIT)

EBIT is a measure of a company's operating results before taxes and interest for a given period. It does not include the company's net financial income or expense.

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

EBITDA reflects a company's earnings performance before taking into account depreciation or revaluation of assets and liabilities to fair value. Revaluation results are not included in the EBITDA calculation.

Earnings before tax (EBT)

EBT represents profits before corporate income taxes and is calculated by adjusting EBIT with the net financial profit or loss.

Earnings per share (EPS)

Earnings per share give the consolidated net profit for a given period divided by the weighted average number of shares outstanding during the period.

European Public Real Estate Association (EPRA)

EPRA is the industry association for listed European real estate companies.

Fair value

Fair value is the amount at which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Funds from operations (FFO)

FFO is a measure of a company's ability to generate cash earnings in the course of its day-to-day operating activities. It is calculated by adding back all non-cash income and expenses to the consolidated net profit.

Inner value

The inner value of a share is based on objective valuation methods and calculations. It reflects the key elements of a company's performance in contrast to the share price which reflects supply and demand. Net asset value (NAV) is an appropriate measure of the inner value of real estate shares.

Interest caps, collars and swaps

These are financial instruments that enable a company to hedge against interest rate risk. In an interest rate swap the parties exchange streams of interest payments (e.g., fixed rate payer, variable rate receiver) and thus hedge against rising and falling interest rates. The two parties are acting on different interest rate expectations. The borrower pays a fixed interest rate and receives a variable rate in exchange (e.g., 3-month EURIBOR), therefore protecting himself against rising interest rates.

Interest caps are hedges that protect against rising interest rates. The purchaser of a cap acquires a maximum interest rate for a variable rate liability. If the variable interest rate rises above the maximum (the strike rate) the purchaser (borrower) receives a compensating payment. The interest lower limit is called an interest floor.

A collar is the combination of an interest cap and an interest floor. The borrower purchases a cap to put an upper limit on his variable rate interest payments, and at the same time sells a floor to acquire premium income out of which to reduce the costs of the cap. An increase in the underlying interest rate (e.g., 3-month EURIBOR) is capped at the agreed strike rate, and the risk of falling interest rates is limited to the strike rate of the floor.

Internal control system (ICS)

The totality of a company's process-related internal control measures, designed to ensure compliance with applicable rules and regulations and to prevent losses.

International Financial Reporting Standard (IFRS)

IFRSs are international accounting standards that are published by the International Accounting Standards Board (IASB). They govern the preparation of internationally comparable annual financial statements and consolidated annual financial statements independently of national statutory regulations.

ISIN

International Security Identification Number.

Land bank

Development land held by the company on which construction has not yet started (development land inventory).

Leverage effect

The leverage effect is the effect of borrowing costs on the return on equity. In certain circumstances taking on additional debt capital can increase the return on equity of an investment (positive leverage effect).

Loan to value ratio (LTV)

Ratio of net bank debt to IFRS carrying value of real estate assets, expressed as a percentage.

Market capitalisation

The company's share price multiplied by the total number of shares outstanding on the same date.

Net asset value (NAV)

Net asset value is the difference between a company's tangible and intangible non-current assets and its liabilities. According to EPRA, statement of financial position items that have no long-term influence on the company's operations (e.g., valuation of derivatives) must be excluded when calculating NAV.

Net operating income (NOI)

Annual rental income minus non-recoverable leasing expenses. The NOI margin represents the ratio of net operating income to sales revenues.

Net bank debt

Total liabilities to banks and other financial liabilities minus liquid assets (including current investments).

Operating costs

The costs associated with the use and operation of a property (e.g. electricity costs incurred in the operation of a shopping centre).

Participating certificates

The participating certificates issued by Sparkassen Immobilien AG represent profit participation rights pursuant to section 174 Austrian Companies Act (AktG). They entitle the holder to an annual share of profits and to repayment of principal on expiry, liquidation or redemption of the participating certificates. The amounts of these entitlements are calculated

using the formula set out in the terms of the participating certificates agreement. There is no guarantee of a minimum distribution. Participating certificates confer creditors' rights not shareholders' rights (e.g., no rights to participate or vote at the Annual General Meeting).

Price to cash flow ratio

A liquidity-based financial ratio that measures the relationship between a company's share price and its operating cash flows per share. The lower the ratio, the more attractive the share.

Price to NAV ratio

Company's current stock market price divided by its net asset value (NAV) per share.

Rental yield

A ratio of annual rental income generated by real estate assets (less operating costs) to the fair value of these real estate assets. For acquisitions during the reporting period rental income is calculated for a whole year.

Return on equity (ROE)

Measure of the profitability of a company's equity and an indicator of the return on the capital provided by the investor. It is calculated as the ratio of the annual profit after tax to equity capital.

Risk management

Risk management is the systematic identification and assessment of risks, monitoring and control of risk prevention, and managing risk reduction and countermeasures with respect to identified risks.

Standing property

A completed building (as opposed to property being developed or planned, or under construction).

Undisclosed reserves

Differences between the market value of individual statement of financial position items and their carrying value that do not appear on a company's statement of financial position. Undisclosed reserves result from under-valuation of assets or over-valuation of liabilities.

Valuation of real estate

The use of the fair value model makes it necessary to value all properties held as financial investments on a regular basis. The real estate portfolio is generally valued once a year by external, independent experts using internationally accepted standards. The resulting changes in book value are recognised as profit or loss on revaluation.

LIST OF ABBREVIATIONS

A	Austria
AFS	Available for sale
BG	Bulgaria
BGN	Bulgarian lev
CF	Cash flow
CY	Cyprus
CZ	Czech Republic
CZK	Czech crown
D	Germany
DK	Denmark
DKK	Danish crown
EUR	Euro
H	Hungary
HFT	Held for trading
HR	Croatia
HRK	Croatian kuna
HTM	Held to maturity
HUF	Hungarian forint
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
L&R	Loans and receivables
RO	Romania
RON	Romanian leu
PP	Percentage points
SK	Slovakia
SKK	Slovak crown
EUR '000	Thousand euro
UA	Ukraine
UAH	Ukrainian hryvnia

Financial calendar 2011

14 April 2011	Publication of Annual Results 2010
19 May 2011	Results first quarter 2011
31 May 2011	Annual General Meeting
30 August 2011	Results first half 2011
24 November 2011	Results first three quarters 2011

This Annual Report has been prepared and proofread with the greatest possible care, and the information in it has been checked. Nevertheless, the possibility of rounding errors, errors in transmission, typesetting or printing errors cannot be excluded. Apparent arithmetical errors may be the result of rounding errors caused by software. In the interests of simplicity and readability, the language of this Annual Report is as far as possible gender neutral. Therefore, the terms used 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 time the Annual Report was prepared. Should the assumptions on which the forecasts are based prove to be unfounded, or should events of the kind described in the risk report occur, then the actual outcomes may differ from those currently expected. This Annual Report neither contains nor implies a recommendation either to buy or to sell shares in Sparkassen Immobilien AG. Past events are not a reliable indicator of future developments. This Annual Report has been prepared in the German language, and only the German language version is authentic. The Annual Report in other languages is a translation of the German Report.

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