

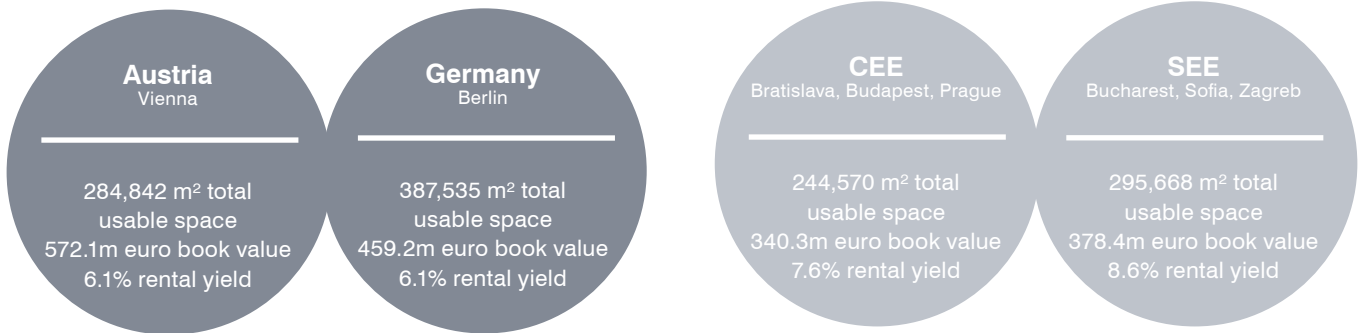


MORE
OPTIONS



OUR REGIONS

We invest in real estate and manage commercial and residential properties in capital cities and cities over the million mark within the European Union.



OUR PROPERTY USE TYPES

COMMERCIAL



OFFICE

Office properties make up more than a third of our portfolio. Our two office buildings in Bucharest and Sofia are almost fully let. In 2014, our Eurocenter office building in Zagreb became the first property in Croatia to receive a BREEAM In-Use certificate.



RETAIL

About a quarter of our portfolio are retail properties. Our Arcade Meidling, a mixed-use property featuring retail and office space, celebrated its 10-year-anniversary in 2014. There was also reason to celebrate in Sofia and Bucharest: Our shopping centres Sun Plaza and Serdika Center turned five!



HOTEL

Our portfolio contains seven hotel properties. Our Vienna Marriott Hotel located on Parkring is currently undergoing an extensive renovation. In addition, we successfully sold the "Hotel Zwei" Courtyard by Marriott in Vienna's Viertel Zwei quarter at the beginning of 2015.



RESIDENTIAL

Roughly a fifth of our portfolio consists of residential properties. With over 100 centrally located residential properties and our local team, we are profiting from the boom on Berlin's real estate market. We are also evaluating attractive options in our home market of Vienna on an ongoing basis.

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FINANCIAL CALENDAR

CONTACT / PUBLICATION DETAILS

Key figures

		31 December 2014	31 December 2013	31 December 2012 ¹⁾
Revenues	EUR m	188.491	193.735	196.676
whereof rental income and revenues from hotel operations	EUR m	153.949	156.908	160.506
EBITDA	EUR m	89.827	100.907	98.890
EBIT	EUR m	138.744	95.794	106.881
EBT	EUR m	59.522	32.607	32.269
Consolidated net income	EUR m	33.840	28.054	26.081
Total assets	EUR m	1,894.672	1,879.648	2,013.405
Equity	EUR m	581.252	549.624	509.634
Liabilities	EUR m	1,313.420	1,330.024	1,503.771
Equity ratio	in %	31	29	25
Operating cash flow	EUR m	85.838	99.305	92.292
Cash flow from investing activities ¹⁾	EUR m	47.875	107.169	113.139
Cash flow from financing activities	EUR m	-106.653	-186.432	-258.621
Cash and cash equivalents as at 31 December	EUR m	74.697	49.873	57.076
NOI margin	in %	54	53	50
FFO I	EUR m	21.295	32.968	23.779
FFO II	EUR m	37.874	46.667	35.559
Earnings per share	EUR	0.46	0.41	0.36
Book value per share	EUR	8.31	7.83	7.18
Share price discount from book value per share	in %	26	32	33
Operating cash flow per share	EUR	1.28	1.48	1.37
Property portfolio	EUR m	1,764.359	1,756.555	1,872.285
whereof properties under construction	EUR m	14.452	16.677	20.157

¹⁾ Adjusted

S IMMO AG became the first property company to be listed on the Vienna Stock Exchange in 1987. With over 27 years of experience, we know that income-producing property investments require expertise and a clear focus. Our goal is to create value for our shareholders. We manage and revitalise standing properties and develop new projects so as to grow profitably and sustainably.

More options

Our portfolio with high returns in attractive markets opens up many opportunities for us. We identify these options and know how to use them. We have a stable basis, which means that we can compensate for market fluctuations and act dynamically. After all, not all markets follow the same pattern. In conjunction with our local experts, we monitor our markets and their performance very closely. That way, we can be active in the right place at the right time. Our philosophy is to invest only in locations and use types that we know well. This is the basis for our success.

Dear Ladies and Gentlemen,

The financial year 2014 was a highly positive turning point for S IMMO: After years of consolidation, there is now tangible optimism again on all our markets. In this environment, we increased our consolidated net income by more than 20% to EUR 33.8m. EBIT rose to EUR 138.7m, a gain of roughly 45% as against the previous year. EPRA NAV, which represents the basic value of a property company, experienced a gratifying jump of roughly 9% in the reporting period and is now at EUR 10.63.

Successes on the capital market

One highlight in the reporting year was the development on the capital market. We successfully placed a bond of EUR 100m. The participating certificate capital was significantly reduced in

order to optimise and simplify the company's capital structure. These measures ensure that we retain our strategic flexibility in the long term as well. The S IMMO share ended the year with a rise in performance of 16.64%. This meant that it rose above the six euro mark for the first time in

five years. The continuing performance in the current year is especially satisfying. We ended the first quarter of 2015 at EUR 8.45 – an increase of 36.95% since the beginning of the year.

Clear strategic orientation

S IMMO's strategy remains unchanged. We operate entirely within the European Union and are focused on the capital cities of Austria and Germany as well as Central and Southeastern Europe. We invest, now and in the future, in commercial properties (offices, retail, hotels) and residential properties. Our goal is to generate profitable growth through our portfolio with high returns.

This is what we have stood for for more than 27 years. During this time, we have established a robust business model in attractive markets, which in turn offers us more options. Recognising these options, weighing them up and making the right decisions is our day-to-day work. The figures for the financial year 2014 again confirm that S IMMO's strategy is sustainably successful. Our plans for 2015 and the years ahead show that we intend to stick to this path and to keep on pushing to increase our company's value for the benefit of our shareholders.

Profitable growth

In the last few years, we have done our homework regarding efficiency and laid vital foundations for future growth. Now we are clearly looking at what lies ahead. S IMMO is benefitting from the current low interest rates and the good economic performance on its markets. We are using this potential for investments: Around two thirds of the planned investment volume will go towards acquisitions in Germany. We intend to continue our growth there and are focusing mainly on commercial properties in Berlin and cities nearby the German capital. In the first quarter of 2015, we have already made investments in this region.

We are constantly evaluating attractive opportunities on our home market of Vienna. Opportunistic acquisitions and development projects are also planned in Central and Southeastern Europe, aided by the advantageous development of the property markets there. Prague and Bratislava have remained stable and in Budapest we are seeing first signs of a recovery. A slow but sustainable improvement in the economic environment can also be observed in Sofia. Bucharest is enjoying outstanding development. Our Sun Plaza shopping centre (which, like Serdika Center in Sofia, recently celebrated its fifth birthday) is performing very well. In general, we can reiterate that we believe in our markets and the long-term value creation across all cycles. Overall, our portfolio is set to grow organically to around EUR 2.4bn in the medium term.

Online annual report:
report.simmoag.at

Investment story:
investmenstory.simmoag.at/en

Twitter:
twitter.com/simmoag



Ernst Vejdovszky
(left)

Friedrich Wachernig
(right)

Outlook for 2015

Our goal for 2015 is to improve the consolidated net income yet again. Given our excellent performance in the reporting period, we will once more be proposing a dividend at the Annual General Meeting on 03 June 2015. The positioning of the S IMMO share as a dividend-paying stock is in line with our long-term strategy.

We would like to thank all our partners and suppliers for the good cooperation in the past financial year. We would also like to thank the S IMMO team for their commitment, their dedication to their work every day and the joy with which we increase our company's value together. And our thanks go to you, our esteemed shareholders, for the confidence you show in us by investing in S IMMO.

Finally, a few words on our communications work, where we are also trying to offer more options: You have the choice of engaging us in a dialogue on our shareholder hotline, via e-mail or at one of our events. Find out more on our website, our Twitter feed or other online platforms. We always look forward to your questions, your feedback and to communicating with you.

The Management Board team

Ernst Vejdovszky

Friedrich Wachernig

Growth with sound judgement

S IMMO is enjoying sustained success. Targeted measures on the capital market and the sustainable management of its portfolio have placed the company on solid footing for further growth. In this interview, the Management Board talks about S IMMO's prospects, current trends and their fundamental management approach.

S IMMO was very active in 2014: You sounded out options and were successful on the capital market. What are your plans for S IMMO?

Ernst Vejdovszky: 2014 was indeed very exciting for us. After having concentrated more on consolidation and enhancing efficiency in the past few years, signs are now pointing to growth again. We completed an exchange offer for our participating certificates and placed a bond with great success – both valuable indications that the capital market is becoming active

again. Furthermore – and even more importantly – these steps have opened up additional strategic possibilities.

How would you like to use the capital that was raised?

Friedrich Wachernig: Our company will continue to grow profitably. The focus is very much on Berlin, where we still see enormous potential – especially for commercial properties and freehold apartments. But we are also keeping a close eye on all our other markets and are constantly evaluating attractive options for our portfolio.



ERNST VEJDOVSZKY

The real estate expert has been a member of S IMMO's Management Board since the birth of the company. Therefore, he is the founding father of the first Austrian real estate investment company.



FRIEDRICH WACHERNIG

The experienced real estate specialist has been a member of S IMMO's Management Board since 2007. He has extensive experience in Central and Southeastern Europe.

When you talk about growth, do you mean rapid, possibly risky growth or is S IMMO retaining its past strategy of steady growth?

Vejdovszky: We examine investments very closely and plan to grow where we identify sustainable potential. In doing so, we benefit very much from our market expertise and naturally from our decades of experience as well. We know our markets and know exactly what we are doing. When we grow, we will grow profitably. To us, this means that we will continue to be very careful with our shareholders' money in the future as well.

Is that why the motto for your annual report is "More options"? What exactly does that mean for S IMMO?

Vejdovszky: We have a high-quality portfolio, we operate in four regions and we have residential and commercial properties. This strategy opens up a lot of options to us.

Wachernig: We can use property cycles optimally and, if necessary, at very short notice as well. In the end, this flexibility is relevant for our shareholders, too.

Are you staying focused on Germany? Is Berlin still a hot thing for you? Isn't the market already overheated?

Vejdovszky: Our focus is quite clearly on Berlin. We entered the market there in 2006 by buying rental apartment buildings. This sector is actually already very expensive, which is why we have disposed of some properties at a tidy profit in recent years.

Wachernig: The skill lies in recognising the potential in places where prices haven't taken off yet. In Berlin, this mainly means office properties and freehold apartments. There is a clearly positive trend curve in both areas, but there is also still plenty of room for things to improve. This is what S IMMO will benefit from on behalf of its shareholders.

And what is your assessment of the property market in Vienna?

Wachernig: Vienna is and will remain our home market, and we feel a strong connection to it. The Viennese market has seen an impressive rally in prices in recent years. Prices in the residential sector are now expected to slowly stabilise. At the same time, there is still a strong influx of new residents into the capital city, and thus there is also still demand for space to live and work. We are always looking at interesting options and plan to become active in one spot or another.



“The Berlin real estate market remains strong. But markets that were challenging in past quarters are also benefiting from resurging investor interest.”

What’s going on for S IMMO in Central and Southeastern Europe?

Wachernig: We are seeing a significant recovery, all our markets left their troughs behind and investor interest is slowly returning. This means that the transaction market will also pick up and that we will start seeing new options here as well.

Vejdovszky: Our existing portfolio is already supplying healthy income. Last year especially, we had some encouraging successes in rentals. Even the markets that were still very challenging until recently, such as Budapest, are delivering a steady stream of good news. We are also considering new investments in this region.

Your share price already developed very well during the past financial year – and it has shot up since the start of 2015. What potential do you believe the share still has?

Vejdovszky: We knew it was only a matter of time before our share price would turn in a strong performance – the fundamental company data and our results have justified this trend for a long time now. The capital market cannot always be understood with logic alone, you have to take a lot of emotions and the psychology of the stock market into account as well. The upswing that our share has been experiencing since the start of 2015 is a satisfying confirmation of our path and is especially pleasing for our shareholders.

Wachernig: If you look at the inner value of our share, you can quickly see that there’s still plenty of potential there. In Germany, property shares are already quoted well above their NAV, and Austria will follow suit a little later.

One question that is not about day-to-day operations: You have been supporting Caritas projects since 2008. Why are these projects important to you in particular?

Vejdovszky: As a company, we are also responsible for society and the environment in which we operate. We have this responsibility to our employees and as part of our operating activities, but we also strongly feel that this goes much further. This is why we have been supporting charitable organisations for some time now, with our motto “Giving Shelter”. Our main partner is Caritas, and together we have also implemented corporate volunteering projects.

Wachernig: We have had a partnership with Caritas for more than seven years. Together we have opted for projects that are based in the countries in which we operate as well. For example, we are supporting a day centre for elderly people in Bulgaria, a hope house for young people in Romania and a community centre for Roma children in Hungary. As in our day-to-day work, we attach great importance to long-standing partnerships in this matter. We believe that lasting change is only possible with constant support.

Mr Wachernig, one personal question to finish with: In 2014 you used the term “optimism” a lot in your communications. Are you optimistic for 2015 as well?

Wachernig: “Optimism” was exactly the right word at the start of 2014. You could sense that something was happening, that things were turning for the better. Sentiment was suddenly confident and optimism was tangible. For 2015, I’d even go one step further: I feel that the optimism that we sensed last year has been confirmed. The markets have recovered and the investors

are back. Naturally, there are geopolitical and economic factors that should not be ignored. But 2015 will be a good year – for realists as well!

Mr Vejdovszky, we finish with a personal question for you as well: You were recently elected CFO of the year and will soon have been working in the real estate business for 30 years. What are the ingredients for success in business?

Vejdovszky: There are probably as many recipes for that as there are for scrambled eggs (laughs). I think that it is important to find your own path, and to stick to it even when the wind is blowing a little colder. For me that has always meant precise calculations, scrupulous checking and being careful. The real estate business does not move fast, you often need patience and a long-term mindset. You don’t have to chase after every trend, instead you should rely on your gut feeling and your calculations. This will not only make you more successful, it will help you sleep a lot better as well. ■



“Our motto is: Invest with foresight and manage the property well. We will continue to be very careful with our shareholders’ money, and want to grow profitably.”

Management Board

ERNST VEJDOVSZKY

CEO

Born: 30 October 1953
Appointed until: 31 January 2016
First appointed: 01 January 2001

Responsible for finance, corporate communications, investor relations, acquisitions, sales, risk management, audit, asset management in Germany

After studying business IT at the Vienna University of Technology, he started his career in 1982 at Girozentrale in Vienna. He became a founding member of the Management Board at Sparkassen Immobilien Anlagen AG, Vienna (later Sparkassen Immobilien AG) in 1986, and has been a member of the Management Board at S IMMO AG, Vienna, since 2001.

Other appointments:
Member of the Supervisory Board, Erste Immobilien Kapitalanlagegesellschaft m.b.H.

FRIEDRICH WACHERNIG, MBA

Member of the Management Board

Born: 28 June 1966
Appointed until: 14 November 2016
First appointed: 15 November 2007

Responsible for project development, asset management in CEE/SEE and Austria, legal, compliance, organisation, IT, HR

After studying business administration at the Vienna University of Economics and Business, he joined Eraproject GmbH, Vienna, in 1993. He held various development and management roles at Strabag AG, Raiffeisen Evolution GmbH and Porr Solutions GmbH in several Eastern European countries, and has been a member of the Management Board at S IMMO AG, Vienna, since 2007.

Supervisory Board

DR. MARTIN SIMHANDL

Chairman of the Supervisory Board

Born: 05 November 1961
Appointed until: 2015 AGM
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
include: WIENER STÄDTISCHE VER-
SICHERUNG AG Vienna Insurance Group,
Sparkassen Versicherung AG Vienna
Insurance Group, Ringturm Kapitalanlage-
gesellschaft m.b.H., Wiener Börse AG

DR. RALF ZEITLBERGER

First Deputy Chairman of the
Supervisory Board

Born: 07 April 1959
Appointed until: 2015 AGM
First appointed: 21 May 2010

Chairman of the Working Committee
Member of the Audit Committee
Member of the Management Board
Committee

Division Manager of Group Corporate
Workout at Erste Group Bank AG

Other Supervisory Board appointments:
Let's Print Holding AG, Erste Group
Immortent AG

FRANZ KERBER

Second Deputy Chairman of the
Supervisory Board

Born: 20 June 1953
Appointed until: 2015 AGM
First appointed: 24 June 2004

Member of the Management Board
Committee
Member of the Working Committee
Member of the Audit Committee

Deputy Chairman of the Management
Board at Steiermärkische Bank und
Sparkassen AG

Other Supervisory Board appointments:
Bankhaus Krentschker & Co. AG, Erste &
Steiermärkische Bank d.d., Rijeka;
MCG Graz e.gen.

ANDREA BESENHOFER

Member of the Supervisory Board

Born: 02 July 1970
Appointed until: 2015 AGM
First appointed: 12 June 2013

Member of the Working Committee

Division Manager of Group Services at
Erste Group Bank AG,
Project Manager of Quartier Belvedere at
Erste Group Immortent AG

Other functions: Board of Besenhofer
Privatstiftung (without ongoing operational
activity)

CHRISTIAN HAGER

Member of the Supervisory Board

Born: 06 December 1967
Appointed until: 2019 AGM
First appointed: 23 June 2009

Member of the Board at KREMSEBANK
und Sparkassen AG

ERWIN HAMMERBACHER

Member of the Supervisory Board

Born: 27 May 1957
Appointed until: 2018 AGM
First appointed: 28 May 2008

Member of the Audit Committee
Member of the Working Committee

Member of the Board at Sparkassen
Versicherung AG Vienna Insurance Group

MICHAEL MATLIN, MBA

Member of the Supervisory Board

Born: 07 January 1964
Appointed until: 2015 AGM
First appointed: 21 May 2010

Managing Director of Concord Manage-
ment LLC (consultancy firm for investment
strategy), Member of the Investment
Advisory Committee for the Carlyle
European Real Estate Funds

DR. WILHELM RASINGER

Member of the Supervisory Board

Born: 04 March 1948
Appointed until: 2015 AGM
First appointed: 21 May 2010

Member of the Audit Committee

Chairman of the Austrian Shareholder
Association (IVA), Chairman of the
Supervisory Board at Friedrichshof
Wohnungsgenossenschaft

Other Supervisory Board appointments:
Erste Group Bank AG, Wienerberger AG,
Haberhorn Holding AG, Gebrüder Ullmer
Holding GmbH

Other appointments:
Appointment on the Board of HATEC
Privatstiftung, Dornbirn

Dear Shareholders,

In 2014, the global economy experienced a moderate upswing, while economic growth continuously declined in the eurozone. Amidst these conditions, S IMMO AG considerably improved its results for the financial year 2014 as compared with the prior year. The company also had a successful year on the capital markets: The S IMMO share turned in an impressive performance of 16.64%. Including the dividend, which was increased to EUR 0.20, the total performance came to 20.42%.

In addition, participating certificate holders were given the opportunity in May 2014 to convert their S IMMO INVEST participating certificates into a bond. This offer was received very well and was fully subscribed.

Another bond with a volume of EUR 100m was successfully placed in late September 2014.

These capital measures strengthened the company's position significantly. The liquidity position improved further and the maturity profile was optimised, which in turn substantially enhanced the company's ability to implement its strategy.

The Supervisory Board advised and assisted S IMMO AG and its Management Board in all of the company's undertakings during the 2014 financial year. In the meetings of the Supervisory Board and its committees, we discharged our duties under the law, the company's articles of incorporation and the Group's internal rules and procedures, advised the Management Board on strategic issues in particular and monitored its activities.

One Annual General Meeting took place during the period under review. Five Supervisory Board meetings were held in 2014, at which the average attendance of Supervisory Board members was 80%. None of the Supervisory Board members were unable to personally attend more than half of the meetings.

At the five meetings, the Supervisory and Management Boards of S IMMO AG discussed the Group's economic situation, its risk management, its strategic direction and its business development. The Management Board reported in detail at the meetings on the Group's business affairs and finances as well as on strategic issues.

S IMMO AG has subscribed to the Austrian Code of Corporate Governance since 2007. The voluntary obligations contained in



Martin Simhandl

the Code go beyond the statutory requirements applicable to public limited companies 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 duties and composition of the committees are detailed in the corporate governance section of this report (starting on page 14 et seq.). At the Supervisory Board and committee meetings, no agenda items were discussed without the participation of Management Board members. In addition, two motions were decided upon by way of circular resolution.

The Audit Committee met twice in the financial year 2014. Its agenda covered the accounting process and Group auditing activities, the internal control and risk management systems, the audit system 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 PwC Wirtschaftsprüfung GmbH evidencing their authorisation 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

PwC Wirtschaftsprüfung GmbH by S IMMO AG, itemised by categories of services, was requested and inspected. It was also confirmed that PwC complies with the legally required quality assurance measures for maintaining audit quality. The Audit Committee reported to the Supervisory Board on the outcomes of its reviews and its findings in these matters. On this basis, the Supervisory Board proposed to the Annual General Meeting the appointment of PwC Wirtschaftsprüfung GmbH as auditors of the company's individual and consolidated annual financial statements for the financial year 2014.

The Audit Committee of the Supervisory Board also accepted the submission of the annual financial statements as at 31 December 2014 by the Management Board, together with the management report and the corporate governance report. In the course of this review, the Management Board's proposal for the distribution of profits was discussed. The Audit Committee also reviewed the consolidated annual financial statements as at 31 December 2014 prepared in accordance with the International Financial Reporting Standards (IFRS) together with the Group management report. On the basis of its review and discussions, the Audit Committee recommended to the Supervisory Board the acceptance of the company's individual annual financial statements and their adoption in accordance with section 96 para 4 Austrian Stock Corporation Act (AktG) and the acceptance of the Group's consolidated financial statements. The Supervisory Board discussed in detail and reviewed the individual annual financial statements as at 31 December 2014, including the management and corporate governance reports, the consolidated financial statements as at 31 December 2014 prepared in accordance with the International Financial Reporting Standards (IFRS) including the Group management report and the distribution of profits proposed by the Management Board.

The Audit Committee and the Supervisory Board also reviewed and discussed with PwC Wirtschaftsprüfung GmbH the audit reports submitted by PwC Wirtschaftsprüfung GmbH on the individual annual financial statements as at 31 December 2014 including the management report and the consolidated annual financial statements as at 31 December 2014 including the Group management report. No objections were raised by PwC Wirtschaftsprüfung GmbH in the course of their audit of the annual financial statements and the management reports of the company and the Group for the year ended 31 December 2014. PwC Wirtschaftsprüfung GmbH confirmed that the individual annual financial statements as at 31 December 2014 comply with the statutory requirements and give a true and fair view of the assets and finances of S IMMO AG as at 31 December

2014 and of its earnings for the year ended on that date, and are in accordance with generally accepted Austrian accounting principles. The management report is consistent with the individual annual financial statements as at 31 December 2014. PwC Wirtschaftsprüfung GmbH further confirmed that the consolidated annual financial statements as at 31 December 2014 comply with the statutory requirements and give a true and fair view of the assets and finances of the Group as at 31 December 2014 and of its earnings and cash flows for the year ended on that date, and are in accordance with the IFRS. The Group management report is consistent with the consolidated financial statements as at 31 December 2014. The requirements under section 243a Austrian Commercial Code (UGB) have been complied with.


The review by the Audit Committee and Supervisory Board 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 resolved to accept without objection the individual annual financial statements and management report for the year ended 31 December 2014 prepared by the Management Board, and the consolidated annual financial statements and Group management report for the year ended 31 December 2014 prepared in accordance with the IFRS. The Supervisory Board also resolved to accept the Management Board's proposal for the distribution of profits. In accordance with section 96 para 4 AktG, the individual annual financial statements as at 31 December 2014 were therefore adopted.

The Supervisory Board will propose to the Annual General Meeting that the Management Board's proposal for the distribution of profits be adopted, and that the Management and Supervisory Boards be discharged from liability.

And finally on behalf of the Supervisory Board, I would like to thank the Management Board and staff of S IMMO AG for their hard work and dedication each and every day during the past year and wish them a successful financial year 2015.

Vienna, April 2015

The Supervisory Board



Martin Simhandl
Chairman

Corporate Governance Report

The Austrian Code of Corporate Governance contains rules for the management and control of an enterprise and constitutes the basis of responsible management. In 2014, S IMMO AG again complied with the requirements of the Code.

CLEAR COMMITMENT TO THE AUSTRIAN CODE OF CORPORATE GOVERNANCE

The fundamental principles underlying good corporate governance are an integral part of what S IMMO AG stands for. From its beginnings in 1987, the main principles of S IMMO AG's business strategy have been sustainability and transparency. The Management and Supervisory Boards work closely and effectively together to achieve these goals.

The Group's corporate communications and investor relations activities are based on openness and transparency.

Information about corporate governance:

www.simmoag.at/en/cgk

www.corporate-governance.at

TRANSPARENT COMMUNICATION AND REPORTING

The provision of transparent, prompt information to its shareholders, analysts and other interested parties – while observing the provisions of company law and stock exchange regulations – is a cornerstone of S IMMO AG's corporate strategy. Important business events and information relevant to the company's performance are published immediately in the form of ad hoc and press releases. Additionally, all important announcements, annual and interim reports as well as presentations are published immediately on S IMMO AG's website.

In the interests of transparent and comparable reporting, S IMMO AG's consolidated financial statements are prepared in accordance with the mandatory International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Inter-

COMPLIANCE STATEMENT

Since 2007, S IMMO AG has been expressly committed to complying with the provisions and recommendations of the Austrian Code of Corporate Governance (ÖCGK). The Code is available on the website of the Austrian Working Group for Corporate Governance.

The key elements of corporate governance at S IMMO AG are described on page 14 – 17. Additional information is contained in the Supervisory Board's report on page 12 – 13. To avoid repetition, some aspects are discussed in other parts of the Annual Report, to which reference is then made elsewhere.

Updated information on corporate governance is regularly posted on S IMMO AG's website: www.simmoag.at/en/cgk

The rules of the Austrian Code of Corporate Governance 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 non-compliance must be explained and justified.
3. R Rules (recommendations): R Rules are recommendations. Non-compliance need neither be disclosed nor justified.

S IMMO AG complies with all the L Rules fully and without exception.

With reference to L Rule 60, S IMMO AG is expressly committed to the advancement of women in management positions. As at 31 December 2014, 50.00% of the staff are women, and in senior management

positions 40.00% of the managers are women. The company places great emphasis on the advancement of women when filling senior managerial positions. Women are represented on the Supervisory Board: On 12 June 2013, Andrea Besenhofer was appointed as a member. Given the existing long-term appointments, specific measures to appoint women to the Management Board are not under consideration. With the Group's best interests in mind, the emphasis when making appointments to the Boards has been on the maximum possible degree of professional skill and international experience. Considerations such as gender are only taken into account as a secondary factor. Where appropriate, however, when men and women are equally qualified and experienced, S IMMO AG will give preference to women.

S IMMO AG also complies with almost all the C Rules, with the exceptions explained below:

C Rule 2: "Shares are to be construed in accordance with the principle of one share – one vote."

The "one share – one vote" principle is generally adhered to with regards to the issuer. The only exception is under section 13 para 3 of the articles of incorporation, which restricts the maximum percentage of voting rights per shareholder in the Annual General Meeting to 15% of the issued share capital.

C Rule 39, fifth sentence: "The majority of the committee members shall meet the criteria for independence under C Rule 53."

Supervisory Board committees are restricted to a very limited number of members. Compliance with the Rule could, in the company's view, conflict with the rights of the Supervisory Board to divide up its work

pretations Committee (formerly IFRIC). Moreover, S IMMO AG is also a member of the European Public Real Estate Association (EPRA), and also follows their guidelines and standards.

COMPOSITION, ACTIVITIES AND PROCEDURES OF THE MANAGEMENT AND SUPERVISORY BOARDS

The Management and Supervisory Boards are fully aware of their responsibility for ensuring long-term sustainable value creation and the continuing success of the Group. The intensive, ongoing dialogue between the two Boards is the basis of efficient and competent management.

In the last financial year, the Management Board consisted of two members. More detailed information about the individual members and their responsibilities is shown in the overview of management bodies on page 10 of this report. The members of the Management Board keep each other informed of all important business events and developments at all times and discuss the progress of business in regular Management Board meetings. There is an ongoing exchange of information with the managers responsible for the various departments. The Management Board also provides the Supervisory Board with information about all material aspects of the progress of

business and all strategic considerations. Collaboration between the two Boards is governed by the Austrian Stock Corporation Act (AktG), the company's articles of incorporation as well as the rules and procedures established by the Supervisory Board.

As at 31 December 2014, 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 11.

The Supervisory Board reviews the management of the company. In its meetings, the Supervisory Board monitors the management of the business as well as the finances, strategy, performance and risk management of the company.

The Supervisory Board is responsible for decision-making as provided by legal statutes, the company's articles of incorporation as well as its internal rules and procedures. The Supervisory Board has formed committees, which are listed on the next page. During the year under review, there were five Supervisory

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

effectively and efficiently in the context of its self-organisation. Since the Supervisory Board as a whole is in compliance with C Rule 53 and the Supervisory Board remains at liberty to deal with committee matters in full meetings of the Board, the company considers the above provision in C Rule 39 (fifth sentence) to be inappropriate.

C Rule 41: "The Supervisory Board shall appoint a nominations committee".

S IMMO AG has no Nominations Committee. Appointments to vacant positions on the Management Board and succession planning are discussed by the full Supervisory Board.

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

Certain members of the Supervisory Board of S IMMO AG also serve on the boards of similar companies or perform executive functions in Erste Group Bank AG or Vienna Insurance Group companies. All members of the Supervisory Board are obligated 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 networks 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, or with businesses in which Supervisory Board members have an interest or exercise a management body function. To the extent that such contractual agreements require the approval of the Supervisory Board under section 95 Austrian Stock Corporation 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 at normal market conditions.

C Rule 57: "Supervisory board members serving on the management board of a listed company may not hold more than four positions on supervisory boards (position of chairperson counts double) of stock corporations not belonging to the Group."

In light of the personal and professional competence of the Supervisory Board members in question, a deviation in this instance is accepted.

C Rule 62: "The company shall have compliance with the C and R Rules of the Code evaluated periodically, but at least every three years, by an external institution and a report on the findings of the evaluation is to be published in the Corporate Governance Report."

Based on the company's circumstances, we do not consider it to be sensible to commission a company to perform such an evaluation.

Board meetings. On average, 80% of the Supervisory Board members attended the meetings. No members were unable to be personally present at more than half of the meetings.

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. The Audit Committee consists of the following members: Martin Simhandl (Chairman), Erwin Hammerbacher, Wilhelm Rasinger, Ralf Zeitlberger and Franz Kerber. In 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 (Remuneration Committee)

The Management Board Committee is responsible for negotiating, concluding and amending the contracts of Management Board members. The committee consists of the following members: Martin Simhandl (Chairman), Franz Kerber and Ralf Zeitlberger. The Management Board Committee met once during the year under review.

Working Committee

The Working Committee has been given authority by the Supervisory Board to approve certain transactions up to a specified maximum value, where due to lack of time or other organisational constraints seeking the approval of the full Supervisory Board would be impractical. This applies in the case of the purchase or sale of properties up to a certain risk level as defined in the Supervisory Board's rules and procedures. The members of the Working Committee are Ralf Zeitlberger (Chairman), Andrea Besenhofer, Erwin Hammerbacher and Franz Kerber. No meetings of the Working Committee were held in the year under review.

STATEMENT OF INDEPENDENCE

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

- A Supervisory Board member should not in the preceding five years have been a member of the Management Board or an executive officer of S IMMO 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 S IMMO 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 person is not independent.
- A Supervisory Board member should not in the preceding three years have served as statutory auditor of S IMMO 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 S IMMO 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 2014, the following members of the Supervisory Board, who together constitute the majority of the Supervisory Board, were independent in the meaning of C Rule 53 of the Code of Corporate Governance. Four members were also independent for the purposes of C Rule 54.

Andrea Besenhofer (in the meaning of C Rule 53)
 Franz Kerber (in the meaning of C Rules 53 and 54)
 Christian Hager (in the meaning of C Rules 53 and 54)
 Erwin Hammerbacher (in the meaning of C Rule 53)
 Michael Matlin (in the meaning of C Rule 53)
 Wilhelm Rasinger (in the meaning of C Rules 53 and 54)
 Ralf Zeitlberger (in the meaning of C Rule 53)

Their positions, their principal occupations and other Supervisory Board appointments are shown in the overview of management bodies on page 11.

DIRECTORS' DEALINGS

Pursuant to section 48d para 4 of the Austrian Stock Exchange Act, S IMMO AG is obligated to report all purchases or sales of shares by members of executive bodies or persons who have close relationships with them. In the 2014 financial year, one Supervisory Board member, Wilhelm Rasinger, reported the acquisition of 6,000 shares, and one person having a close relationship with Wilhelm Rasinger reported the acquisition of 4,000 shares. In line with the requirements of the Code, the own-

account transactions of the members of the Management and Supervisory Boards (directors' dealings) are published on S IMMO AG's website (www.simmoag.at) in the Investor Relations/Corporate Governance/Directors' Dealings section.

D&O INSURANCE

In line with the resolution of the 2009 Annual General Meeting, directors & officers (D&O) insurance has been in place since 01 September 2009. This insurance covers claims for damages by the company, shareholders or third parties against the governing bodies or executives of the company that may be enforced as a result of breaches of duty of care. The costs are borne by the company.

REMUNERATION OF THE SUPERVISORY BOARD

Remuneration including meeting fees paid to Supervisory Board members totalled EUR 105,500 (2013: EUR 104,533).

Total Supervisory Board remuneration in 2014

Simhandl	EUR	18,500
Zeittlberger	EUR	15,500
Kerber	EUR	14,500
Besenhofer	EUR	11,500
Hager	EUR	10,500
Hammerbacher	EUR	12,500
Matlin	EUR	10,500
Rasinger	EUR	12,000
Total	EUR	105,500

The members of the Supervisory Board did not receive any loans or advances, and no guarantees were entered into on behalf of these persons.

REMUNERATION OF THE MANAGEMENT BOARD

In 2014, the Management Board members received total remuneration of EUR 836,573 (2013: EUR 978,718). The criteria for profit-sharing are the attainment of quantitative and qualitative targets such as EBT, cash flow, one-year share performance and the sales volume. Total remuneration consisted of contributions to pension funds of EUR 58,811 (2013: EUR 54,333), as well as

contributions to the employees' severance pay and pension fund of EUR 12,108 (2013: EUR 14,242). The pension reserve for Ernst Vejdovszky had to be increased in accordance with IAS 19 by EUR 342,947 (2013: EUR 36,052) primarily due to the reduction of the applicable interest rate from 3.3% to 1.8%.

Total Management Board remuneration in 2014

in EUR	Vejdovszky	Wachernig
Fixed remuneration	250,265	202,971
Variable remuneration	175,069	143,350
Other remuneration	36,661	28,259
Total	461,994	374,579

S IMMO AG currently has no stock option plan and no severance payment claims for Management Board members.

AUDITOR

At the 25th Annual General Meeting on 11 June 2014, PwC Wirtschaftsprüfung GmbH were elected as auditors of the annual and consolidated financial statements for the 2014 financial year. The auditors assist the Supervisory Board in assessing whether appropriate accounting rules 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 statement of compliance with the Austrian Code of Corporate Governance issued by the Supervisory and Management Boards.



Ernst Vejdovszky



Friedrich Wachernig

Our share

Capital market environment 2014

After a generally positive start to 2014, the international capital markets were impacted by various factors as the year progressed: the deepening of the Ukraine crisis, expansive monetary policy worldwide, weaker economic data from China and the noticeable slowdown in momentum in emerging markets. There was also increasing volatility on the stock markets, and no consistent long-term trends emerged.

The leading international stock markets in Frankfurt, London and New York all posted significant gains. The Dow Jones Index reached a new

record high of 18,053.71 points, and ended the reporting period up 7.52% at 17,823.10 points. The German DAX also recorded a new all-time high of 10,087.12 points, and ended the year at 9,805.55 points. This represents a positive performance of 2.65%.

The ATX peaked at 2,730.45 points as early as 16 January 2014, and ended the year at 2,160.08 points, which corresponds to a one-year performance of -15.18%. This development was dominated by the conflict between Russia and Ukraine. Most companies listed in the ATX have close links with Eastern Europe and are therefore also dependent on the economic situation there.

The industry index for Austrian property shares, the IATX, was much more stable than the overall Vienna market, and ended the reporting period up 4.38% at 200.52 points.

Price performance of the S IMMO share

The S IMMO share started 2014 at a price of EUR 5.29, and performed most impressively in a volatile capital market environment. The stock performance for the reporting period amounted to 16.64% with a year-end price of EUR 6.17. For the first time in five years, the six-euro mark was exceeded in 2014, and the high was EUR 6.27.

The S IMMO share as a dividend-paying stock

S IMMO AG has the stated goal of creating value for its shareholders through its robust business model. For 2013, the dividend was increased to EUR 0.20 per share. On the basis of the excellent results for the past financial period, a dividend is also intended for 2014. The positioning of the S IMMO share as a sustainable dividend-paying stock corresponds to the long-term strategy of the company.

Exchange offer for S IMMO INVEST participating certificates (2014–2021 bond)

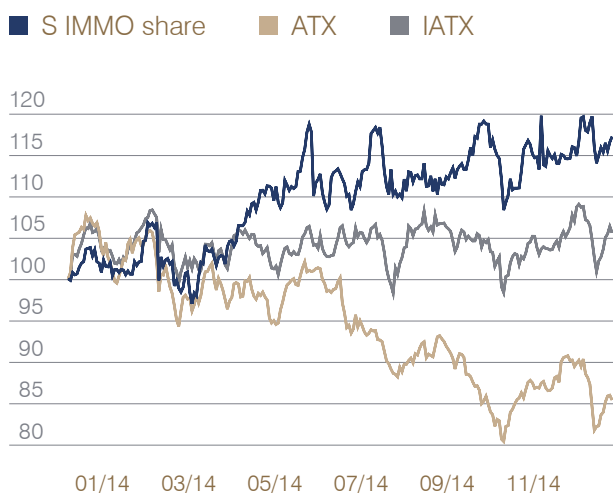
From the beginning of the acceptance period on 21 May 2014, holders of participating certificates were able to exchange their S IMMO INVEST participating certificates for a seven-year fixed term bond with a fixed coupon of 4.5%. The acceptance period ended on 06 June 2014. The exchange offer pertained to up to 1,140,000 of the 2,280,797 S IMMO INVEST participating certificates then outstanding, i.e. roughly 50% of the outstanding participation capital. The high demand resulted in oversubscription and a reduction in line with the allocation rules.

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Share price development

indexed (01 January 2014 to 31 December 2014)



S IMMO share performance

ISIN	AT0000652250
One year	16.64%
Three years, p.a.	11.09%

S IMMO share information

ISIN	AT0000652250/SPI
Ticker symbols	Reuters: SIAG.VI Bloomberg: SPI:AV
Market	Vienna Stock Exchange
Market segment	Prime Market
Index	GPR General / IATX
Market capitalisation (31 December 2014)	EUR 412.87m
Number of shares (31 December 2014)	66,917,179
Market maker	Erste Group/KochBank
Initial listing	28 June 2002

After the exchange offer was implemented, S IMMO AG retired the acquired participating certificates at the end of the year. In addition, participating certificates were bought back throughout the reporting period and also retired before the end of the year. This is a further step in order to reduce the participating certificate capital and to simplify the capital structure of the company.

2014–2019 bond

At the end of September 2014, S IMMO issued a bond with a volume of EUR 100m and a coupon of 3% p.a. The unsecured bullet bond has a term of five years (2014–2019) and was issued in denominations of EUR 500. It is listed in the Corporate

S IMMO bonds

Coupon	Name/term	Volume	Identification number	Price as at 31 Dec. 2014
4.5%	S IMMO 2014–2021	EUR 90m	AT0000A177D2	110.25
3.0%	S IMMO 2014–2019	EUR 100m	AT0000A19SB5	104.10

S IMMO INVEST participating certificate performance

ISIN	AT0000795737	AT0000630694
One year	7.10%	7.20%
Three years, p.a.	11.30%	11.20%

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 (31 December 2014)	EUR 91.58m
Number of participating certificates (31 December 2014)	761,861 (tranche I) 368,820 (tranche II)
Year-end closing price (tranche I/II) in EUR	81.00 / 81.00
High (tranche I/II) in EUR	81.35 / 81.00
Low (tranche I/II) in EUR	76.50 / 77.00

Prime segment of the Vienna Stock Exchange. The security was oversubscribed almost threefold when placed with institutional investors.

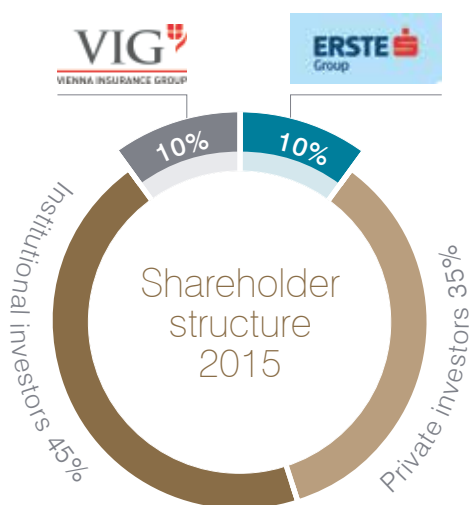
Share repurchase programme

After the last share repurchase programme, which ended on 30 November 2014, S IMMO AG started another share repurchase programme on 15 December 2014, to end no later than 31 December 2015. Shares can be bought back up to a further 3% of the share capital, which equates to a maximum of 2,007,515 shares.

Share indicators		2014	2013
Closing price at year-end	EUR	6.170	5.290
High	EUR	6.270	5.385
Low	EUR	4.940	4.372
Average daily turnover	shares	74,298	67,642
Earnings per share (EPS)	EUR	0.46	0.41
Book value per share	EUR	8.31	7.83
Share price discount from book value	in %	26	32
EPRA NAV per share	EUR	10.63	9.76
Share price discount from EPRA NAV	in %	42	46
Operating cash flow per share	EUR	1.28	1.48
Price/operating cash flow	EUR	4.81	3.58

Shareholder structure

S IMMO AG benefits from the expertise and network of its two strategic core shareholders Erste Group and Vienna Insurance Group, two of the largest financial service providers in Central and Southeastern Europe. They each hold around 10% of the company.



S IMMO performed a survey among its institutional investors in the year under review. According to this study, the ownership structure of S IMMO is predominantly concentrated in Austria and Continental Europe, while around 13% of institutional investors stem from North America and the UK. Overall, the investors are focused on stability and growth, and hold the S IMMO share for an average of four years.

Furthermore, S IMMO has a stable base of Austrian private investors, who make up around 35% of the company's shareholders.

Coverage

The S IMMO share is assessed by six Austrian and international analysis firms, which published six new analyses in 2014. The average price target is EUR 8.02 as at 31 March 2015. The current coverage reports can be found at www.simmoag.at/coverage.

Investor relations activities

In the reporting period, the management of S IMMO attended a total of 14 roadshows and investor conferences in conjunction with the Investor Relations team. The capital market events were held in cooperation with Baader Bank, Erste Group, HSBC, KochBank, Kepler Cheuvreux and Raiffeisen Centro Bank in German-speaking countries and in London. A total of 79 one-on-one discussions were conducted at the roadshows.

S IMMO AG's 25th Annual General Meeting was held on 11 June 2014 in the Vienna Marriott Hotel, a property belonging to the Group.

Austrian private investors are supported at various information events in collaboration with the Austrian savings banks. In October 2014, an event geared towards Austrian private shareholders was held at the Gewinn trade fair. In addition, shareholders, tenants and partners continuously receive information via all channels used by S IMMO, for example the website, newsletter and social media.

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<https://www.xing.com/companies/simmo>



View our profile on LinkedIn:
<http://www.linkedin.com/company/2279913>



Austria



Germany



CEE



SEE

MORE OPTIONS



To ensure long-term profitable growth, we are constantly monitoring our markets, gearing our activities accordingly and choosing the best options. We always take decisions on the basis of in-depth data and our long-standing experience, and in conjunction with our local teams. This robust business model forms the foundation of our profitable growth.





Studies constantly rate Vienna as one of the best places to live in the world. As a result, more and more people are being drawn to the Austrian capital, where demand for residential space is consistently high. The city on the Danube is also hugely popular with tourists. Vienna is our home market, and we continue to be active there.



Prime rents and the vacancy rate remained stable on the Vienna office market in 2014.



Interest in top locations in Vienna is booming for shopping centres and high streets, while there is a downward trend in overall demand.



In recent years, prices for freehold and rental apartments in Vienna have been rising continuously, as has demand for residential space.



With 12.7 million overnight stays, the hotel market in Vienna saw a new record. Equally positive development is expected for the coming year.

20%

Around a fifth of Austrian households are located in Vienna.



3,809

Berlin is home to 3,809 people per square kilometre. That is the highest figure of all major German cities.



GERMANY

BERLIN



Letting of office space in Berlin reached an all-time high in 2014. The outlook for the office market is particularly positive.



Berlin is number one in Germany in terms of price rises for freehold apartments as well as rent increases.

Whatever the yardstick – the economy, the labour market or population – Berlin is growing. Consequently, demand for residential and work space in the German capital is constantly rising. We are keeping pace with this demand. With over 100 centrally located residences in Berlin and a locally based team of experts, S IMMO is also ideally positioned on the German market.







Economic growth in the countries of Central Europe is expected to outstrip that of the eurozone. The office markets in Budapest and Bratislava performed particularly well in 2014. In this region, we remain focused on revitalising and letting our properties.



2014 was a record year for total leasing activity on the office market in Bratislava.



In Central Europe, there is a clear preference for shopping centres over high streets.



The Prague hotel market maintained its stable trend in 2014, posting slight growth.

54

Budapest boasts the longest tram in the world, at 54 metres long.





SEE

BUCHAREST, SOFIA, ZAGREB



In 2014, total leasing activity on the office market in Bucharest reached the highest level since records started being taken.



In Sofia, retail activity remains focused on the leading shopping centres.

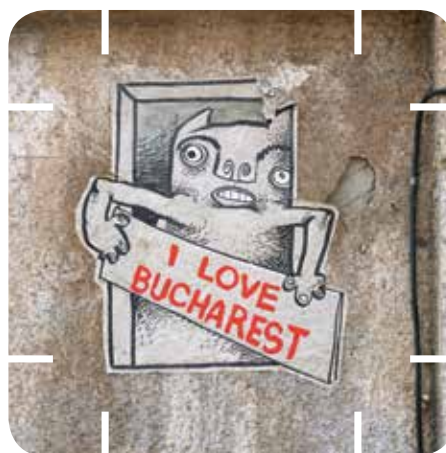


The Bucharest hotel market posted a stable performance with slight growth in 2014.

The real estate market in Romania began to bounce back in 2014. International investors are returning, and optimism is growing. In this recovery phase, we expect the transaction market to remain lively, and are looking into attractive investment opportunities.

27%

of Romania is covered in forest, and the country has over 40 mountains.



Management Report

Economic overview

The global economy saw a moderate upswing in 2014. The economic situation in the countries that were hit particularly hard by the debt crisis stabilised, though GDP growth in the eurozone continued to slow down as the year progressed and amounted to only 0.8%. The primary reasons for this slowdown were the low level of investment activity, the prevailing economic and political uncertainty and the continued reduction of corporate debt in some eurozone countries. The growth projections for Germany and France were adjusted downwards. The development of the economy in Ireland, Slovenia and Spain surprised on the upside.

Given these trends, the Austrian economic research institutes expect that the eurozone economy will expand by 1.0% in 2015 and by 1.5% in 2016. According to the Institute for Advanced Studies (IHS), the risk of deflation is relatively low in the eurozone. The continued very expansive monetary policy of the European Central Bank (ECB) and the falling oil price are helping to boost the economy. The depreciation of the euro versus the US dollar should make Europe more competitive in price terms, and could also lead to higher investments by improving sentiment. The falling energy prices are also increasing the real

purchasing power of consumers. Inflation is expected to be low again in 2015. The unemployment rate in the eurozone should retreat to 11.2% in 2015 and 10.6% in 2016.

The Austrian economy lost a great deal of momentum in the second and third quarters of 2014 and went into stagnation. Public budgets were impacted by the weak economy and the measures in connection with the liquidation of Hypo Alpe Adria AG. Inflation averaged 1.7% for 2014 as a whole and was substantially higher than in the eurozone. The budget deficit in 2014 came to 2.8%, and is currently expected to reach 1.8% in 2015 and 1.6% in 2016. The continued weakness in the eurozone and geopolitical tensions such as the conflict between Russia and Ukraine dampened export prospects. Whether or not the Austrian economy expands more significantly over the course of 2015 will depend on national reform efforts, the tax reform and international developments. If the recovery of the eurozone accelerates further and world trade gains momentum, this will also create growth potential for the domestic economy. According to Austrian economic research institutes, the Austrian economy should expand by 0.7% in 2015 and by 1.5% in 2016.

Real estate market overview

AUSTRIA AND GERMANY

In 2014, take-up on the Viennese office market amounted to 210,000 m². This corresponds to a decrease of 29% against the previous year. The reason for this development is a lower level of lettings over 5,000 m². A low volume of completions and continuing demand led to a stable vacancy rate of 6.6%.

The hotel market in Vienna recorded a 6.3% increase in overnight stays compared with the previous year. With the exception of five-star hotels, all market segments benefited from this positive development. The average room occupancy in the city rose to 71% as against 69% in 2013. This is especially noteworthy, given that accommodation capacity increased remarkably in

2014, just like in the years before. Nevertheless, competition continues to be fierce, as an additional 1,500 rooms are expected to come onto the market in 2015, especially in the two- and three-star segment.

Interest in free-hold residential property in Germany remains very strong, especially in large cities. The price increase for residential property was the greatest in Berlin at 13.8 percentage points. Berlin was also number one among the major cities with regards to the increase in rental prices (plus 5.4 percentage points). An interesting question for 2015 will be how the control of rental prices in Germany will affect the property market.

	Prime rents (EUR/m ² /month)		Prime gross yields (%)		Total leasing activity 2014 (m ²)	Vacancy rate (%)
	Office	Retail	Office	Retail	Office	Office
Berlin	22.50 ¹	330.00 ¹	4.55 ¹	4.20 ¹	608,800 ⁵	8.0 ⁵
Bratislava	16.00 ¹	60.00 ^{*1}	7.00 ¹	6.90 ^{*1}	221,300 ⁷	11.2 ⁷
Bucharest	18.00 ¹	60.00 ^{*1}	7.75 ¹	8.00 ^{*1}	320,000 ⁸	13.0 ⁸
Budapest	20.00 ¹	90.00 ^{*1}	7.25 ¹	7.00 ^{*1}	465,600 ⁴	16.2 ⁴
Sofia	12.50 ²	20.00 ^{*3}	9.00 ²	9.25 ^{*3}	154,000 ²	26.3 ²
Vienna	25.75 ¹	310.00 ¹	4.60 ¹	3.90 ¹	210,000 ⁶	6.6 ⁶
Zagreb	14.25 ¹	22.50 ^{*1}	8.30 ¹	8.25 ^{*1}	82,000 ⁹	14.0–15.0 ⁹

* Data for shopping centres; data for remainder of the locations is for high street retail

¹ CBRE, Market View, EMEA Rents and Yields, Q4 2014

² Forton, Bulgarian Office Market, Q4 2014

³ Forton, Bulgarian Retail Market, Q4 2014

⁴ Budapest Research Forum, Office Market, Q4 2014

⁵ CBRE, Market Report, Office Market, Berlin, Q4 2014

⁶ CBRE, Market Report, Office Market Vienna, Q4 2014

⁷ CBRE, Market Report, Office Market Bratislava, Q4 2014

⁸ CBRE, Market Report, Office Market Bucharest, Q4 2014

⁹ CBRE, Market Report, Office Market Zagreb, Q4 2014

A total of 608,800 m² of office space was let in Berlin in 2014. This figure is 30% higher than in 2013 and is the strongest year-end result since recording began. The supply of space decreased during the year and as a result, the vacancy rate dropped from 8.8% to 8.0% over the course of the year. The outlook for the economy as well as for the office market in Berlin is particularly positive. Major rentals in the course of expansions in 2015 are expected and the vacancy rate is expected to drop. Office properties with a total of 572,000 m² of new space will be completed by the end of 2017. However, a large share of this will be owner-occupied buildings.

CENTRAL EUROPE (CEE)

Take-up on the Budapest office market reached a record high in 2014 with an increase of 17% to 465,600 m². The vacancy rate decreased by 2.2 percentage points over the course of the year to 16.2%. In total, six new office buildings with an aggregate space of 68,000 m² were added to the stock in 2014, 72% of

which is already let. Vacancy is expected to decline and office take-up is likely to increase further in 2015.

Budapest's chain hotel segment recorded a positive development in 2014. Room occupancy and the average net room rate rose by 4% and 7%, respectively, between January and November as against the previous year.

The hotel market in Prague was able to continue its stable development in 2014 and recorded some minor increases.

The office market in Bratislava enjoyed a very successful year, especially with regards to the record-breaking total leasing activity of 221,300 m², an increase of 140% as against the previous year. The vacancy rate dropped considerably from 14.8% to 11.2% over the year.

Bratislava remains the most challenging hotel market in the region and is still suffering from a high structural surplus of

Sources: Austrian Institute of Economic Research (WIFO), Bank Austria, Budapest Research Forum, CBRE, Der Standard, Deutscher Wirtschaftsdienst, Die Presse, European Central Bank (ECB), European Chain Hotels – Market Review November 2014, European Commission, EuroStat, Format, Forton, Handelsblatt, Hotel und Tourismus Consulting, Hotstats.com by TRI Hospitality Consulting, IMX – Der Immobilienindex von ImmobilienScout24, International Monetary Fund, Institute for Advanced Studies (IHS), JLL, Kohl & Partner GmbH, www.kohl.at, Oesterreichische Nationalbank (OeNB), Wien Tourismus (info.wien.at)

hotel rooms. The low level of overnight stays does not allow an increase of room prices and would lead to decreasing occupancy rates.

SOUTHEASTERN EUROPE (SEE)

The office market in Sofia experienced a sustained recovery in 2014. Take-up increased by 42% as against the previous year to 154,000 m². In comparison, only 38,000 m² of new space was completed. This led to a further reduction in vacancy from 29.7% to 26.3%. The outlook for 2015 is equally positive. Shrinking availability, especially in the class-A segment, and strong demand will lead to a further decrease in the vacancy rate.

As expected, another large shopping centre in Sofia, Sofia Ring Mall, opened in the fourth quarter of 2014. Only one develop-

ment completion is expected in Sofia in 2015. Retailers are still focusing on the leading shopping malls.

The office market in Bucharest recorded the highest total leasing activity at 320,000 m² in 2014 since recording began. Office pre-leases represented 25% of the total leasing activity, showing a significant upward trend that should also persist during 2015. In addition, the overall vacancy rate decreased substantially from 15% to 13% over the year. A stable development with slight increases was recorded on the Bucharest hotel market.

In Bucharest, another small shopping mall came onto the market in the fourth quarter of 2014. Established projects are still the first choice for retailers when entering the market. Another large shopping mall with 72,000 m² of space, Mega Mall, is expected to open in 2015.

Group structure and strategy

BUSINESS ACTIVITIES AND CORPORATE STRUCTURE

S IMMO Group is an international real estate group headquartered in Vienna, Austria. S IMMO AG has been listed on the Vienna Stock Exchange since 1987. In addition to its head office

in Vienna, S IMMO Group has branches in Berlin and Budapest. It had a total of 530 (31 December 2013: 505) employees as at 31 December 2014 including hotels. The property management firm Maior Domus in Germany is also part of the Group. In addition, the Group includes numerous project and holding companies (please refer to notes 2.2.).

S IMMO AG (Vienna)			
S IMMO Germany GmbH (Berlin)	S IMMO APM Hungary Kft. (Budapest)	Maior Domus Hausverwaltungs GmbH (Berlin)	Various project and holding companies

S IMMO Group manages long-term, income-producing property investments by developing, buying, letting, operating, renovating and selling properties in Austria and Germany as well as six countries in Central and Southeastern Europe. Therefore, the company's activities also include property project development, the operation of hotels and shopping centres, the revitalisation and renovation of properties as well as asset management. S IMMO AG does not conduct research and development. The

subsidiaries in Germany and Hungary have local responsibility for asset management and letting activities.

PORTFOLIO STRUCTURE

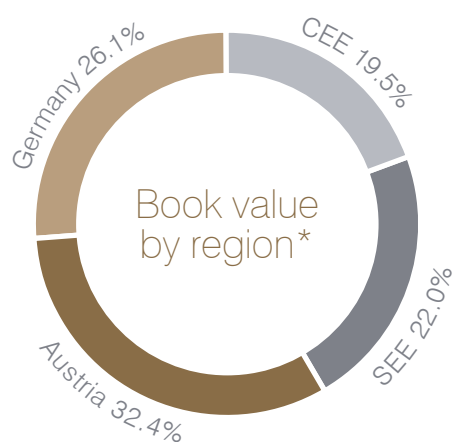
As at 31 December 2014, S IMMO Group's property portfolio consisted of 203 (31 December 2013: 208) properties with a book value of EUR 1,764.4m (31 December 2013:

EUR 1,756.6m) and a total usable space of around 1.2 million m² (31 December 2013: 1.3 million m²). The properties are located in Austria and Germany, as well as in Central Europe (the Czech Republic, Slovakia and Hungary) and Southeastern Europe (Romania, Bulgaria and Croatia). In these EU member states, the focus is on affluent capital cities and cities with over a million inhabitants. Properties in Austria, with 32.4% (31 December 2013: 32.1%), and Germany, with 26.1% (31 December 2013: 26.5%), accounted for the largest share of the property portfolio by book value as at 31 December 2014. Properties in SEE made up 22.0% (31 December 2013: 21.8%), and 19.5% (31 December 2013: 19.6%) of the portfolio is located in CEE. The portfolio broke down to 40.3% offices (31 December 2013: 39.3%), 25.8% retail properties (31 December 2013:

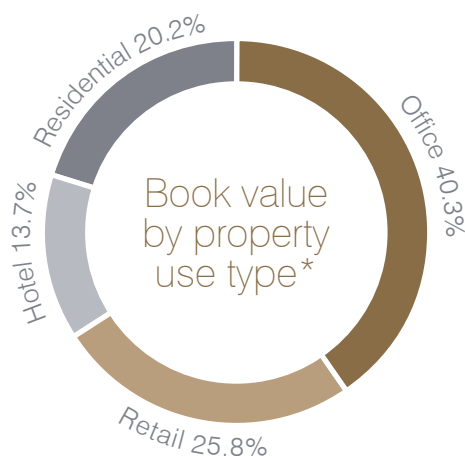
27.2%), 20.2% residential properties (31 December 2013: 19.7%) and 13.7% hotels (31 December 2013: 13.8%) as at 31 December 2014. The occupancy rate of the entire portfolio was 91.1% (31 December 2013: 90.2%). The overall rent yield amounted to 6.9% (31 December 2013: 7.0%).

Overview of rent yields

in %	31 December 2014	31 December 2013
Germany	6.1	6.2
Austria	6.1	6.0
SEE	8.6	8.5
CEE	7.6	7.9
Total	6.9	7.0



* Estimated values including book value of land bank



* Excluding land bank

STRATEGY AND OBJECTIVES

S IMMO AG became the first stock-exchange listed real estate company in Austria in 1987. The company currently has investments in the regions Austria and Germany as well as Central and Southeastern Europe. The property portfolio contains commercial and residential buildings. In its operating activities, the company is committed to outstanding quality and high property standards – this applies to both standing properties and development projects. To ensure this, S IMMO manages its buildings across the entire property cycle with holistic, sustainable concepts. Several of the company's properties have been awarded green building certification.

S IMMO pursues the aim of increasing the company's value on a long-term basis through its robust business model. The focus of S IMMO lies on achieving profitable growth and continuously increasing the value of the portfolio.

For that reason, the company plans to build freehold apartments on land it already owns in Berlin on the one hand. On the other hand, S IMMO sees great potential in the commercial sector in Germany. Further properties in these two segments are currently being examined and purchased. Opportunistic purchases are an option in all our regions.

On the capital market, the company will continue its repurchase programme for the S IMMO share. Another aim of the company is to position the S IMMO share on the capital market as a dividend-paying stock and align the share price with the book value.

MANAGEMENT AND CONTROL

In the last financial year, the Management Board consisted of two members. Collaboration between the two members of the Management Board is regulated in the statutory provisions, the articles of incorporation and the rules of procedure. The Management Board pursues a responsible and stable management approach aimed at enhancing earnings and increasing the company's value on a long-term basis. In addition, the Management Board works closely with the Supervisory Board, which consisted of eight members at the end of the year. A detailed overview of the management bodies can be found starting on page 10. Details on compliance with the Austrian Code of Corporate Governance are set out starting on page 14.

Business performance and results

S IMMO AG can look back on a highly successful financial year 2014.

In 2014, the company generated substantial consolidated net income of EUR 33.8m (2013: EUR 28.1m), an increase of 20.6%. Property valuations were the biggest key factor here, rising to EUR 56.6m in 2014 (2013: EUR 6.9m). EBIT was up by 44.8% year-on-year to EUR 138.7m (2013: EUR 95.8m). This was countered by negative effects in the financial result and increased tax expenditure.

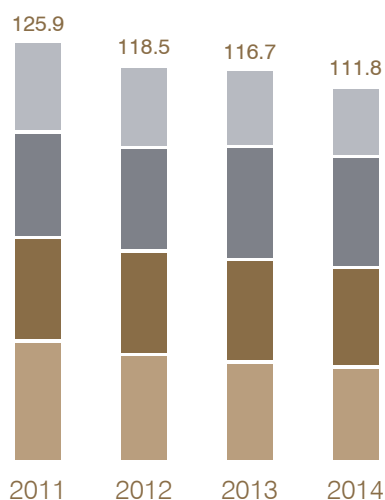
Gross profit

Rental income totalled EUR 111.8m in the financial year 2014 (2013: EUR 116.7m) and reflected property disposals, as expected. Rental income for 2014 broke down by region as follows: SEE 29.9% (2013: 29.1%), Austria 26.7% (2013: 26.2%), Germany 25.2% (2013: 25.6%) and CEE 18.2% (2013: 19.1%). Rental income by property use type showed retail property contributing 39.4% (2013: 39.0%), followed by offices with 34.8% (2013: 35.3%), residential property with 18.1% (2013: 18.7%) and hotels with 7.7% (2013: 7.0%).

Total rental income*

in EUR m

- CEE
- SEE
- Austria
- Germany



* Not including Vienna Marriott Hotel and Budapest Marriott Hotel

Revenues from hotel operations (Vienna Marriott and Budapest Marriott Hotel) improved to EUR 42.1m (2013: EUR 40.2m). Gross profit from hotel operations increased slightly to EUR 10.8m (2013: EUR 10.5m).

In the financial year 2014, gross profit came to EUR 105.7m (2013: EUR 109.6m). The sales-related decrease in rental income was a factor here.

Successful property sales

A total of six properties were sold in the financial year 2014. Sale proceeds totalled EUR 51.6m (2013: EUR 128.1m). This resulted in gains on property disposals of EUR 0.2m (2013: EUR 6.4m), as the effects from disposals are primarily shown in property valuations of the past and the current year.

Details of the disposals are set out below:



Vienna

1210 Vienna, Gerasdorferstrasse



Berlin

10623 Berlin, Grolmannstrasse
 10715 Berlin, Babelsbergerstrasse
 10585 Berlin, Kaiser-Friedrich-Strasse
 10179 Berlin, Neue Jakobstrasse

Czech Republic

18600 Prague, Tolleson, Thámova/Pobřežní
 (land bank)

Administrative expenses totalled EUR 16.1m in the financial year 2014 (2013: EUR 15.1m).

EBITDA amounted to EUR 89.8m (2013: EUR 100.9m). The EBITDA margin came to 47.7% (2013: 52.1%). In relation to property assets, EBITDA stood at 5.1% (2013: 5.7%).

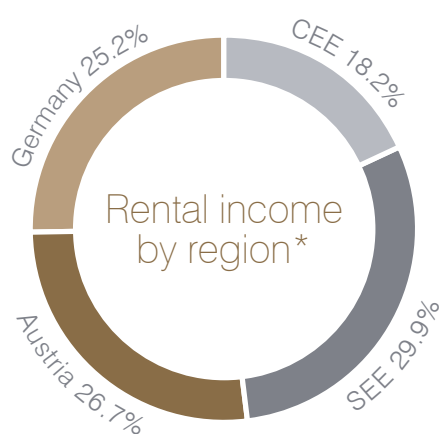
Revaluation gains

In the reporting period, property valuations were bolstered by the positive market development in the regions in which S IMMO operates and amounted to EUR 56.6m (2013: EUR 6.9m).

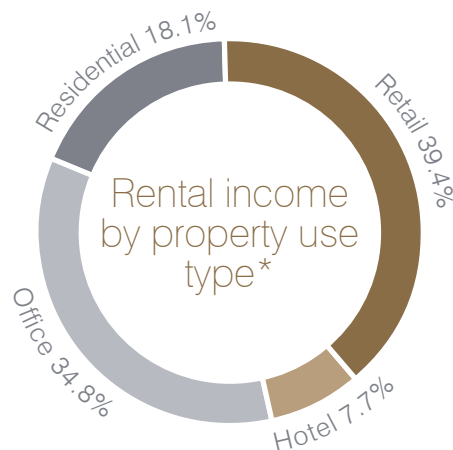
Valuations progressed particularly well across all segments. The positive trend on the German property market is continuing and is also reflected in the revaluation gains for properties in Germany, which accounted for EUR 33.4m (2013: EUR 23.8m). Overall, revaluation gains for the regions Germany/Austria amounted to EUR 51.0m (2013: EUR 29.3m), while CEE/SEE accounted for EUR 5.6m (2013: EUR -22.4m).

Around EUR 7m of the revaluation gains relate to properties that were already sold in 2014 or were being held for sale as at 31 December 2014.

As a result of the strong performance in its markets, S IMMO saw EBIT rise to EUR 138.7m (2013: EUR 95.8m), an increase of 44.8% as against the previous year.



* Not including Vienna Marriott Hotel and Budapest Marriott Hotel



* Not including Vienna Marriott Hotel and Budapest Marriott Hotel

Net income up considerably

In the financial year 2014, the financial result (excluding participating certificates) amounted to EUR -71.7m (2013: EUR -53.9m). This includes effects from the valuation of derivatives of EUR -11.8m (2013: EUR -2.3m) and foreign currency translation expenses of EUR -3.4m (2013: EUR -0.8m)

As the bond with ISIN AT0000A177D2 was issued for exchange against 1,140,000 participating certificates, this meant that expenses for participating certificates fell year-on-year to EUR 7.5m (2013: EUR 9.3m); this decline was countered by bond interest in a lower amount.

Overall, S IMMO ended the financial year 2014 with a net income of EUR 33.8m (2013: EUR 28.1m), an increase of 20.6%.

Funds from operations (FFO)

FFO I shows no sales-related effects, and is calculated as annual earnings adjusted for various non-cash items. The most significant effects stemmed from non-cash tax expenses of EUR 21.9m (2013: EUR 3.8m), depreciation and amortisation of EUR 7.6m (2013: EUR 12.0m), property valuations of EUR -56.6m (2013: EUR -6.9m), non-cash effects from interest rate hedges of EUR 11.8m (2013: EUR 2.3m) and non-cash exchange-rate differences of EUR 3.4m (2013: EUR 0.8m). The participating certificates are reflected by including the share of profits accruing over the year, rather than the annual distribution.

FFO II takes into account the disposal gains of EUR 0.2m (2013: EUR 6.4m) as well as the sales-related revaluation gains of the current year and the previous year at a total of EUR 16.4m (2013: EUR 7.3m) for properties sold in the financial year.

FFO I and FFO II as at 31 December

in EUR m	2014	2013	Change
FFO I	21.3	33.0	-35.4%
FFO II	37.9	46.7	-18.8%

Net operating income (NOI)

NOI comprises revenues of EUR 188.5m (2013: EUR 193.7m) less property management expenses of EUR 56.2m (2013: EUR 60.6m) and hotel operating expenses of EUR 31.3m (2013: EUR 29.7m).

NOI as at 31 December

	2014	2013	Change
NOI (EUR m)	101.0	103.4	-2.3%
NOI margin (%)	53.6	53.4	+0.2 percentage points

Cash flow

Operating cash flow for the financial year 2014 came to EUR 85.8m (2013: EUR 99.3m). Cash flow from investing activities amounted to EUR 47.9m (2013: EUR 91.1m), while cash flow from financing activities totalled EUR -106.7m (2013: EUR -186.4m).

FINANCIAL POSITION

At the end of the year, S IMMO Group held cash and cash equivalents of EUR 74.7m (2013: EUR 49.9m).

Equity

In the reporting period, equity excluding minorities rose to EUR 555.4m (2013: EUR 524.1m) despite the dividend payment and ongoing share repurchase programmes. This is attributable to the net income for 2014 and the positive performance of derivative financial instruments in the financial year 2014.

Financial management

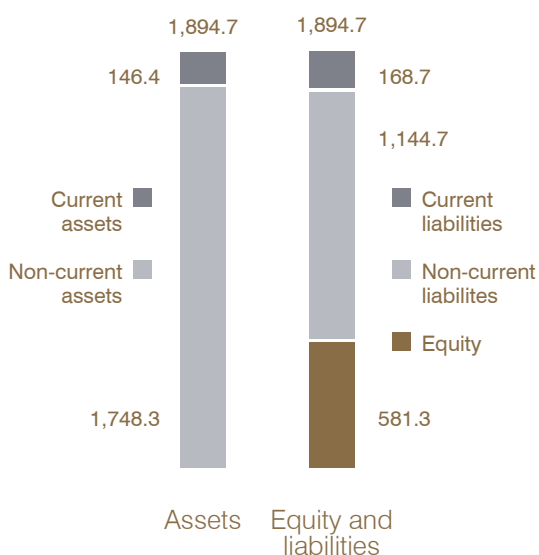
Stricter equity and liquidity regulations for financing institutions due to a more restrictive lending policy can result in lower lending volumes and higher margins for refinancing. S IMMO was largely unaffected by this in the financial year 2014: All planned refinancing and new borrowing measures were carried out successfully. All of S IMMO's bank financing consists of euro-denominated loans. Approximately 82% (2013: 90%) of long-term loans have variable interest rates and are pegged to the Euribor, and around 18% (2013: 10%) are based on fixed interest rate agreements. S IMMO reduces the risk of rising interest rates on variable-rate financing with interest rate hedges such as swaps, caps and collars.

Property disposals completed in the reporting period as well as the bond issue in the fourth quarter led to a reduction in liabilities to banks.

The bond with ISIN AT0000A177D2 was issued for exchange against participating certificates at an exchange rate of EUR 79.11, and conversely led to a reduction in participating certificate liabilities, which amounted to EUR 95.5m as at 31 December 2014 (31 December 2013: EUR 186.6m).

Balance sheet structure 2014

in EUR m



Composition of financial liabilities:

in EUR m	2014	2013
Subordinated participating capital	95.5	186.6
Bond liabilities	188.4	0
Other financial liabilities	782.2	755.0
Non-current financial liabilities	123.0	285.6
Total	1,189.1	1,227.2

For details please refer to notes 5.2.2.

To provide a better picture of the financing structure, S IMMO has adapted its calculation of the loan to value ratio compared with the previous year, and now reports two key figures, broken down into (mortgage-)secured and unsecured financing.

In both cases, the loan to value ratio is calculated from net debt in relation to property assets including development sites.

Net debt from secured financing is calculated from total financial liabilities of EUR 1,189.1m (2013: EUR 1,227.2m) less subordinated participating capital of EUR 95.5m (2013: EUR 186.6m), bond liabilities of EUR 188.4m (2013: EUR 0m), derivative liabilities of EUR 61.1m (2013: EUR 65.5m) and utilised credit lines of EUR 0m (2013: EUR 63.0m). As a result, net debt from secured financing totalled EUR 844.1m (2013: EUR 912.0m).

In relation to property assets of EUR 1,764.4m (2013: EUR 1,756.6m), this resulted in the loan to value ratio for secured financing. In the reporting period, this figure improved to 48% (2013: 52%).

S IMMO also has unsecured financing. Net debt from unsecured financing results from the above-mentioned items: subordinated participating capital, bond liabilities and utilised credit lines. The available cash and cash equivalents of EUR 74.7m (2013: EUR 49.9m) are deducted from this. As a result, unsecured financing totalled a net amount of EUR 209.2m (2013: EUR 199.8m).

The loan to value ratio for unsecured financing in relation to total property assets therefore amounted to 12% (2013: 11%) in the reporting period.

As at 31 December, S IMMO's liabilities to banks were spread among 22 financial institutions. The average maturity of liabilities to banks was 7.1 years.

Net asset value (NAV)

S IMMO significantly improved book value per share and EPRA NAV per share once again in the financial year 2014.

Book value and EPRA NAV per share as at 31 December

in EUR	2014	2013
Book value per share	8.31	7.83
EPRA NAV per share	10.63	9.76

EPRA NAV represents the value of equity adjusted for effects that do not have a long-term impact on the business activities of S IMMO Group, such as valuations of interest rate hedges attributable to the owners of the company of EUR 58.1m (2013: EUR 63.6m) and deferred taxes of EUR 64.4m (2013: EUR 39.2m).

Derivatives being used as interest rate hedges will gradually expire over the coming years. This effect is already becoming apparent in the equity and the book value per share.

Staff and responsibility

With its properties, S IMMO helps to satisfy people's basic need for living and working space. As a result, the company has a special closeness to society and a conscious responsibility with regard to the economy, the environment and social issues, among other areas.

STAFF

The secret to S IMMO's success lies in its team of competent experts. With this in mind, the company provides its staff with targeted support for professional and personal training. Along with individual coaching sessions, language courses and part-time university training programmes, the primary focus in this area is on expanding employees' industry-specific knowledge, for example through the completion of postgraduate programmes in the field of real estate.

S IMMO believes that it has a responsibility for its employees' work environment. The company offers a broad range of benefits aimed at providing a pleasant working atmosphere, including flexible working hours, medical services and meal vouchers.

Closeness is our strength

As an internationally active company, S IMMO has employees from many different countries. The company sees this wealth of languages and cultures as an extremely valuable resource. The corporate culture is characterised by lean, efficient structures and interdepartmental collaboration. In addition, S IMMO offers plenty of room for individual development and advancement. The proximity to the company's management allows for rapid, open communication. In February 2015, S IMMO rolled out a group-wide intranet in order to strengthen the exchange of ideas between departments and across national borders and to simplify internal processes. The platform was developed on the basis of a survey and with the participation of all of the employees, ensuring that their needs and wishes were incorporated into the project. Numerous upgrades are planned for the coming months.

Corporate volunteering

S IMMO's team once again volunteered at the St. Barbara nursing home in Vienna in 2014. This was the company's third corporate volunteering initiative, and employees worked together to lay the foundation for a new garden shed for the home's 260 residents.

Employee structure

As at 31 December 2014, S IMMO employed 84 (31 December 2013: 79) people in Austria, Germany, Hungary, Romania and Bulgaria. Including hotel staff, the company employed 530 (31 December 2013: 505) people.

RESPONSIBILITY IN CORE BUSINESS

Corporate social responsibility also pertains to the core business of a company. Therefore, S IMMO meets the highest standards in both development projects and the energy-efficient and structural renovation of standing properties. This reduces operating costs and emissions and makes a significant contribution to protecting the environment and enhancing the satisfaction of the tenants. Green building certificates for properties underscore S IMMO's sustainable approach and high standard of quality.

Standing properties make up the majority of S IMMO's portfolio. For this reason, the company began gradually certifying its standing properties in 2014. Initial properties have already been certified, and plans are in place to certify additional standing properties.

In total, six properties of S IMMO were certified as at 31 December 2014. This is two more properties than last year. Certified properties include Serdika Center and Serdika Offices in Sofia, Sun Plaza and Sun Offices in Bucharest, Hotel Zwei in Vienna

and Eurocenter in Zagreb. Certified space amounts to 298,613 m² (2013: 265,318 m²) or 24.6% (2013: 21.2%) of the portfolio's total usable space.

Moreover, since the end of 2011, the common areas of the German portfolio have been supplied with electricity from 100% renewable energy sources. With this transition, more than 1,100 tons of CO₂ are saved on a yearly basis. This corresponds to a CO₂ binding capacity of more than 58,000 beech trees.

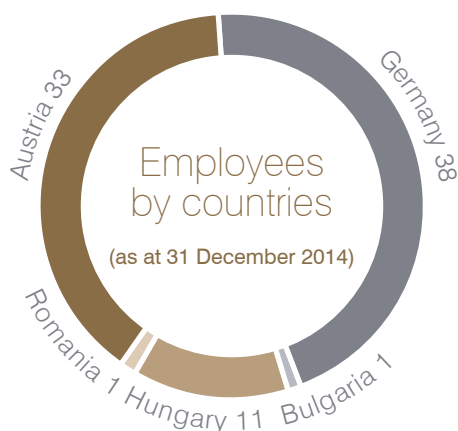
First BREEAM In-Use certificate in Croatia

The Eurocenter, which has been part of S IMMO AG's portfolio since 2008, was the first building in Croatia to receive a BREEAM In-Use certificate. The building was designed by the Zagreb-based architect Nenad Bach and features six storeys, two underground garages with 123 parking spaces and a cafeteria. The building is located in Zagreb's city centre and offers its tenants over 7,500 m² of office space. The measures completed during the certification process included the installation of an energy control system.

"Excellent" for Hotel Zwei in Vienna

Hotel Zwei, which had been in S IMMO AG's portfolio since 2010 and was sold to Deka Immobilien GmbH in January 2015, also received a BREEAM In-Use certificate during the reporting period, achieving a rating of "Excellent". The hotel is located in the urban quarter Viertel Zwei in Vienna and is operated as a Courtyard by Marriott. This four-star establishment has 244 rooms and seven suites.

Employee structure



Total staff: 84



Share of female employees: 50%

EcoBonus certified

As part of the EcoBusinessPlan Vienna, the environmental service programme of the City of Vienna, S IMMO participated in the EcoBonus module in 2013. This consulting service is aimed at reducing operating expenses and at the same time protecting the environment in the areas of procurement, waste management, energy and climate. All energy and waste data and developed measures were documented in a comprehensive report and then successfully presented to the advisory committee of EcoBusinessPlan Vienna in a subsequent audit. As a result, S IMMO AG received EcoBonus certification for its location at Friedrichstrasse 10 in Vienna's first district for a period of three years.

SOCIAL RESPONSIBILITY

In the area of social responsibility, S IMMO has been supporting projects that offer a new home for people in need in line with

the motto "Giving Shelter" since 2008. The company places particular emphasis on long-term collaborations and the regular exchange of ideas and experiences with the supported organisations. To this end,

the S IMMO team welcomed Michael Landau, president of Caritas Austria, to the Group's headquarters in Vienna in August 2014. Mr Landau and his colleagues provided an overview of the supported projects and reported on the things they had experienced while working on these projects in the various countries.

In addition, S IMMO once again supported student projects in 2014 in order to encourage future professionals in the real estate industry. As part of the existing collaboration with Danube University Krems, a foreign studies module on the topic of portfolio optimisation was once again held at S IMMO Germany in Berlin for students of the postgraduate real estate programme.

S IMMO awarded a scholarship for the short-term master's level course Green.Building.Solutions. This annual summer programme provides 30 students in the fields of architecture and civil engineering with extensive insight into the topic of sustainable construction.

In addition, S IMMO supported the following social projects in 2014:

- In cooperation with Caritas:
 - Community centre in Esztergom, Hungary
 - Hope House and counselling centre, Romania
 - Day centre and mobile care in Pokrovan, Bulgaria
 - Christmas campaign – "Schenken mit Sinn" ("Give with sense")
- Vienna Kunstsupermarkt art sales project, Austria
- Caritas Socialis, Austria

Additional information about S IMMO's social projects is available at: www.simmoag.at/en/csr.

OUTLOOK FOR 2015

S IMMO conducted an evaluation of psychological stress factors in the workplace in 2014. The measures developed during this process will be gradually implemented in 2015.

The collaborations with Caritas, Caritas Socialis and the Kunstsupermarkt will continue in 2015. S IMMO will also support the International Summer Academy of the University of Music and Performing Arts Vienna for the first time.

Contact

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.kunstsupermarkt.at
www.caritas.at
www.cs.or.at

Risk management report

As an international property group, S IMMO Group faces a host of risks and opportunities that can impact operating activities and strategic management. By identifying, analysing, managing and monitoring risks and opportunities, the company strives to detect negative developments and potential success factors in good time and take them into account in its decision-making processes.

S IMMO manages long-term property investments by developing, buying, letting, operating, renovating and selling properties in Austria, Germany and six countries in Central and Southeastern Europe. The portfolio contains commercial (office, retail and hotel) and residential properties. Other activities of the company include:

- property project development,
- the operation of hotels and shopping centres,
- the revitalisation and renovation of standing properties,
- asset management and services such as facility management.

As well as internal regulations and guidelines, risk management at S IMMO comprises ongoing reports in the context of regular meetings with the Management Board. In addition, there are control measures in place at the company for the purpose of the early detection, management and monitoring of risks. The Management Board takes the key risk-relevant decisions. Investment projects above a specific volume also require approval from the Supervisory Board. Both management bodies are regularly informed with regard to risks and the Internal Control System.

The risk groups set out in this section have been continuously analysed and assessed retrospectively for the financial year 2014 and with regard to business activities in 2015.

Internal Control System

For all key business processes, there is an Internal Control System (ICS). The effectiveness and economic efficiency of operating activities and the reliability of financial reporting are monitored and controlled in this system. It also involves actions that ensure compliance with all legal regulations applicable to the company.

In conjunction with Internal Audit and compliance with (stock exchange) requirements, the ICS constitutes the company's internal monitoring system. Core processes – in particular those relating to the Group's financial reporting – are set out in the internal processes database. This includes a risk management matrix in which the processes, the potential individual risks and the assigned control steps are defined.

Key features of the accounting-specific ICS are:

- Clear division of tasks between finance and accounting as well as other areas of responsibility (e.g. treasury) defined in writing
- Guidelines on the application of uniform accounting and valuation methods in the consolidated financial statements
- Assessment of risks that could lead to a material misstatement of transactions (e.g. incorrect allocation to balance sheet and profit or loss items)
- Appropriate control mechanisms in the automated preparation of the consolidated financial statements
- Reports to internal recipients (Management Board and Supervisory Board) include quarterly, segment and liquidity reports as well as individual property-specific reports if required.
- Process-specific control activities comprise a regular review of the completeness and accuracy of data and deviation analyses.

Internal Audit

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

Risk overview

Corporate strategy risks	Property-specific risks	Financial risks	Other risks
Business environment and industry risk Investment risk Capital market risk	Property portfolio risk Letting and rental default risk Property development risk Construction risk Property valuation risk	Liquidity risk Interest rate risk Financing risk Exchange rate risk	Tax risks Environmental risk Legal risk

NOTES ON INDIVIDUAL RISKS

Corporate strategy risks

Strategic risks are closely associated with S IMMO's business strategy, and could strongly influence this.

Business environment and industry risk

As the economic environment is constantly changing, the resulting risks are hard to forecast. As things stand, S IMMO sees demand on the Austrian office and retail market as stable or slightly in decline. In Berlin, the company continues to benefit from strong influx. This means that the German residential property market will again be attractive to S IMMO in 2015. Demand for German office space is high. Within the CEE region, the office property market in Budapest is slowly recovering. The company has also noted a recovery in Southeastern Europe although Sofia is improving much more slowly than Bucharest. Forecasts for the Romanian capital for the next few years are cautiously optimistic.

Investment risk

S IMMO faces risks in investments in property development projects as well as property purchases. These are often caused by factors beyond the Group's control, for example delays in the completion of property projects. Therefore, the company's strategy is geared towards reducing potential investment risks through careful selection, planning and execution of property projects and purchases. There are set investment volume limits above which Supervisory Board approval is required. Even so, a residual risk cannot be ruled out.

Capital market risk

The capital market is hugely important to S IMMO in terms of the borrowing of equity and external capital. Unstable capital markets can impair the company's financing options. The management works to strengthen investors' confidence in the securities issued by S IMMO AG through transparent, reliable information and prompt communication.

Property-specific risks

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

Property portfolio risk

S IMMO counters property portfolio risk with a balanced portfolio mix. The portfolio contains commercial (office, retail and hotel) and residential properties. In geographical terms, the properties are divided between Austria and Germany as well as CEE and SEE. The company focuses on capital cities and cities over the million mark within the European Union. The value of a property depends largely on its location and the intended use. Therefore, the attractiveness of the location or the potential use can significantly affect S IMMO's financial situation. The property portfolio risk was not identical in all regions and categories of use in 2014: For instance, the residential property market in Germany performed positively. The office markets in Budapest, Bucharest and Sofia are showing a slight recovery. Through diversification within the portfolio, risks of one market can be cushioned by positive developments in another market.

Letting and rental default risk

Letting risk is closely linked with the general economic situation in the individual markets, and therefore involves associated uncertainty in terms of forecasting. For instance, political and economic developments in Hungary, Romania and Bulgaria have a higher risk compared with the western EU member states. In the current year, there is again a letting risk in terms of contract extensions due to the various political and economic developments in the individual member states. The competition situation can also impact on the letting rate. Competition between owners for prestigious tenants is intense. Rents are under pressure in many markets in which S IMMO operates. This can mean having to accept rents that are lower than originally forecast.

In addition, S IMMO is exposed to rental default risk. If the company is unable to extend expiring rental agreements on favourable terms and find suitable creditworthy tenants who are willing to enter into a long-term lease, this impairs the market value of the properties concerned. Particularly in times of economic and political uncertainty, S IMMO may be forced to accept rent reductions in order to maintain its letting rate. The credit rating of a tenant can decrease in the short or medium term, particularly during an economic downturn. In addition, there is the potential risk of a tenant becoming insolvent or otherwise being unable to fulfil their payment obligations under the rental agreement.

Property development risk

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

Construction risk

Construction risk is the risk of damage to newly constructed properties and standing properties, which S IMMO reduces through industry-standard construction contracts, warranty periods and guarantees. To keep risks in this area within boundaries, detailed inspections are arranged before the end of the warranty periods so that any damage can still be rectified at the construction firm's expense.

Property valuation risk

Property valuation risk describes the risk of negative fluctuations in the value of the property portfolio that may arise as a result of changed macroeconomic conditions – which are beyond the company's control – and property-specific factors. The valuation depends on various factors. Beyond the expected rental income, condition and the historical letting level, property experts can also take into account other factors such as taxes on land and property, operating costs, third-party claims on the basis of environmental risks or risks associated with specific construction materials.

Any change in the value of a property can have a negative impact on the company's net profit or loss and, as a further consequence, its equity and therefore also its share price and creditworthiness.

The company recognises its properties at market value, and has them valued once a year by external experts.

Financial risks

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

Liquidity risk

On the basis of continuous liquidity planning, the Financing department coordinates the company's cash flows with the Project Development, Asset Management and Acquisitions departments, checks them for plausibility and constantly adjusts them in order to ensure liquidity.

The Group has fluctuating holdings of cash and cash equivalents that it invests in accordance with the respective operational and strategic requirements and objectives. Furthermore, it conducts hedging transactions, especially to hedge against changes in interest rates and the associated fluctuations in its financing costs. These hedging transactions could prove to be inefficient or unsuitable for meeting the set targets, and could lead to losses that impact on income. In addition, the Group is exposed to the risk of its contracting partners failing to fulfil their contractual obligations under the hedging or investment transactions (counterparty risk). S IMMO Group counters this risk by concluding investment and hedging transactions only with respectable banks with a sound credit rating.

Stricter equity and liquidity regulations for banks (Basel III) and resultant increased lending restrictions and reduced lending levels may lead to problems with refinancing. Despite its mainly long-term loan agreements, S IMMO may be affected primarily in the event of loan extensions and refinancing (see also financing risk). This risk may arise primarily when loan extensions or refinancing are delayed or are granted at a lower level than expected. If S IMMO were to be unable to utilise suitable and appropriate external borrowings for project developments and acquisitions or refinancing of expiring external borrowings on time or at all, this could significantly impair its ability to fulfil its obligations under project development contracts or in acquisition projects.

There is also the risk of being unable to repay bonds at the end of the term.

All these consequences or an inability to fulfil the obligations under existing financing agreements and partial debentures due to lack of availability of free liquidity may lead to a significantly adverse impact on the company's net assets, financial position and earnings situation.

Interest rate risk

The vast majority of S IMMO Group's financing agreements provide for a variable interest rate, resulting in the risk of changing interest rate levels. The costs of interest payments increase if the respective reference interest rate rises. However, the European Central Bank is currently expected to keep the base rate at a very low level for the time being. S IMMO Group reduces interest rate risk on a long-term basis by hedging the interest rates of its variable-rate loans. As at 31 December 2014, 18% (31 December 2013: 10%) of loans were fixed-rate and 82% (31 December 2013: 90%) were variable-rate loans – mostly pegged to the three-month Euribor. S IMMO hedges its variable-rate loans with derivative financial instruments (swaps, caps and collars).

At the end of the year, most of the variable-rate financing portfolio was hedged. The extent to which the Group uses instruments of this kind depends on the assumptions and market expectations of the management and the responsible employees at S IMMO with regard to the future interest rate level as well as the development of borrowing levels. If these assumptions prove to be incorrect, this may lead to a significant rise in

interest expenses. The stress tests (please refer to notes 5.2.1. for details) show that S IMMO Group is exposed to less than 20% of interest rate changes. This means that despite hedging with derivative financial instruments, the Group would be exposed to higher financing costs if interest rates were to rise.

Financing risk

Market conditions for property financing are constantly changing, and deteriorated significantly in the course of the financial and economic crisis, for example. However, the refinancing situation improved once again in the previous year. Refinancing – including large volumes – was concluded at lower margins again due to the investment pressure on many banks, particularly in Germany and Austria. In CEE, access to debt capital is stable – depending on the asset class, location and loan volume – but rather more difficult than in Germany and Austria. However, the situation remains challenging in Hungary, as many banks are not issuing new loans for property financing due to the economic environment.

The attractiveness of various types of financing depends on several factors, some of which are beyond the Group's control. These factors particularly include market interest rates, tax aspects and the assessment of the value and realisation potential of properties that serve as collateral, as well as the assessment of the general economic situation by the financing partners. In times of highly volatile property markets, lenders may sometimes be unwilling to extend maturing loans on terms acceptable to S IMMO Group. This can particularly lead to higher margins, lower lending levels and the need to provide further collateral, and generally lead to a lack of refinancing options.

Insofar as the Group is unable to generate liquidity or external funds to the required extent at the required time or to borrow on acceptable terms, its ability to fulfil its obligations under financing agreements could be impaired. S IMMO Group strives to reduce this risk by spreading its borrowing among different lenders (22 individual banks as at the reporting date). Borrowing is monitored on the basis of approvals on a staggered basis by the Management Board and Supervisory Board. As at 31 December 2014, non-current liabilities to banks had an average weighted residual term of more than 7 years. This long-term financing is standard industry practice.

In addition, there is the risk that it may not be possible to comply with financial covenants (clauses in loan agreements regarding the permitted indebtedness and the debt service cover ratio) or other contractual terms, guarantees or conditions in financing agreements. This may limit flexibility in financing future business activities. Compliance with financial covenants is constantly monitored by S IMMO Group in close contact with lending financial institutions. Covenant infringements may constitute a case of default. The company is committed to a balanced ratio between financing and the book value of the property portfolio (loan to value ratio). As at 31 December 2014, the group-wide loan to value ratio stood at 48% (2013: 52%). In addition, the company has unsecured financing (credit lines, loans and subordinated participating capital) that accounts for 12% (2013: 11%) of the property assets. Despite close monitoring of financing instruments and the relevant parameters, S IMMO could be confronted with risks in the area of refinancing if the economy and the financing environment deteriorate sufficiently.

Exchange rate risk

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

Other risks

Tax risks

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

Environmental risk

S IMMO is potentially affected by various environmental risks such as natural disasters or man-made disasters. Environment risks may arise in connection with standing properties as well as development projects. For example, amended laws or renovation obligations as a result of environmental or safety regulations may require the removal or replacement of materials. Environmentally harmful substances at a development site may also have to be disposed of. New or stricter environmental, health and safety legislation may also give rise to additional costs.

Natural disasters or extreme weather conditions such as floods, storms and hail may cause significant damage to properties under construction or standing properties. Man-made disasters such as nuclear incidents or accidents may also cause damage.

S IMMO strives to reduce environmental risks by performing thorough location analyses and obtaining written guarantees when making acquisitions and investments. Furthermore, S IMMO handles standing properties and development projects responsibly by insisting on high-quality materials and construction methods. In this respect, several S IMMO buildings have already received green building certificates. The Eurocenter recently became the first BREEAM In-Use certified building in Croatia. Further certifications are planned in the future.

Legal risk

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

OVERALL STATEMENT ON THE RISK SITUATION

Overall, the global finance market, economic and sovereign debt crisis continues to have significant negative impacts on countries in which S IMMO operates. The International Monetary Fund (IMF) has still not given the all-clear for Europe, and rates the situation as fragile.

The escalation of the conflict in Eastern Ukraine has given rise to a host of geopolitical and, consequently, economic risks. The destabilisation in Ukraine and the sanctions imposed and extended by the US and the European Union against Russia have weakened the European economy. A possible further escalation and expansion of the geopolitical crisis or further EU sanctions and related countermeasures may significantly impair the economy of the countries in which S IMMO operates.

Other risk factors include declining consumption patterns, rising unemployment and a lack of liquidity on the money and credit markets. The financial markets remain highly volatile. This has triggered a widespread loss of investor confidence that was initially limited to the finance industry, but subsequently spread to companies in other sectors.

The property markets are usually subject to fluctuations, with property prices and rents reflecting positive and negative economic and other developments on the markets. Factors such as changes in disposal income, economic output, interest rates or tax policy may influence supply and demand for properties. In particular, economically challenging times can lead to worse credit ratings for tenants, higher rental arrears, rising vacancy rates and rental defaults.

Forecasts for 2015 are confident and give rise to cautious optimism. Even so, the individual EU member states are recovering at different speeds, which is why Hungary, Romania and Bulgaria in particular have a higher economic risk than western EU countries due to their political situation and economic development. Therefore, S IMMO is mainly exposed to an increased industry, property portfolio, letting and rental default risk in these countries.

Another risk group relates to liquidity and financing. Stricter equity and liquidity regulations for banks may make refinancing harder due to restrictive lending or reduced lending levels. An increase in bank margins is also possible.

In addition to the measures described, corresponding accounting provisions are made for all the above-mentioned risks.

Outlook

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In the first quarter of 2015, a further 24,000 shares were repurchased at a price of roughly kEUR 160, and 696 participating certificates were bought back at a price of roughly kEUR 56.

On 11 March 2015, the company published a voluntary public exchange offer pursuant to section 4 et seq. Austrian Takeover Act (ÜbG) to the holders of S IMMO INVEST participating certificates, ISIN AT0000795737 and ISIN AT0000630694, for the acquisition of participating certificates by means of an alternative exchange and cash offer. A total of 401,312 participating certificates were exchanged for bonds, and 74,457 participating certificates were submitted for the cash offer. On 09 April 2015, the company therefore acquired a total of 475,769 S IMMO INVEST participating certificates and in return issued a ten-year bond with a fixed interest rate of 3.25% p.a. (ISIN AT0000A1DBM5) with a total nominal value of EUR 33,993,500.00 and made cash payments in the amount of EUR 6,446,865.00.

The company also issued another fixed-rate bond with a volume of EUR 65m, a maturity of 12 years and a fixed coupon of 3.25% p.a. in the middle of April 2015.

EXPECTED ECONOMIC DEVELOPMENT

The global economy expanded slightly in 2014. The economy in the eurozone started the year off strong, but then failed to gain additional momentum over the course of the year. The geopolitical crises in Russia and Ukraine as well as in the Middle East played a major role in this development. In response to the threat of deflation, the European Central Bank cut the key rate to a record low of 0.05%.

In January 2015, international economists projected growth of 1.0% for the eurozone in 2015 and 1.5% the following year. Germany and Austria – the markets S IMMO will be focusing on in 2015 – are both expected to post economic growth of 1.5%.

More robust growth is projected in the countries of Central and Southeastern Europe: With GDP growth forecasts of 2.3% for Hungary, 2.4% for the Czech Republic and 2.7% for Romania, the expectations for this region are much more optimistic than those for the eurozone.

EXPECTED BUSINESS DEVELOPMENT

S IMMO is benefiting from the current low-interest environment and the positive economic developments in its markets. We are taking advantage of this potential to make future investments in the countries in which the company operates. Our goal is to achieve profitable growth for our shareholders in our existing markets and property use types.

Around two thirds of the planned investment volume will go towards acquisitions in Germany. The remaining funds are earmarked for opportunistic purchases and development projects in Austria and Central and Southeastern Europe.

In Germany, S IMMO will focus more on the commercial segment, placing emphasis on properties in Berlin and the area surrounding the German capital. Existing plots of land will be used for developments, and new buildings and properties will also be purchased. Further investments are also planned in residential properties on a smaller scale. In addition, we are currently assessing attractive acquisition opportunities in Austria, our home market.

Our strategy remains unchanged: We continue to concentrate on commercial and residential properties in capitals and major cities with a population of over a million in the European Union.

We aim to increase the company's consolidated net profit once again in the 2015 financial year. Thanks to the excellent results in the period under review, a dividend is planned for 2014 as well. The company also plans to pay out a dividend in the coming years. The positioning on the capital market as a reliable dividend-paying share is in line with our long-term strategy.

The S IMMO share did very well in 2014, posting an annual performance of 16.64% and a closing price of EUR 6.17. The share saw particularly strong development in the first quarter of 2015, with a year-to-date performance of 37.0%. We will continue to focus on demonstrating the potential of the S IMMO share to existing and future shareholders.

Disclosures pursuant to section 243a para 1 Austrian Commercial Code (UGB)

Under section 243a para 1 Austrian Commercial Code (UGB), the following information must be disclosed.

1. As at 31 December 2014, the issued share capital of S IMMO AG was EUR 243,143,569.90, divided into 66,917,179 no par value bearer shares. All shares have the same rights.

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

3. The company has been notified under section 91 para 1 Austrian Stock Exchange Act (BörseG) of the following holdings in excess of 10%:

On 20 April 2009, the company was notified that s Versicherung AG, a company forming part of Vienna Insurance Group, for the purposes of section 91 para 1 BörseG, had increased its interest in Sparkassen Immobilien AG (now S IMMO AG) to 7,000,000 shares, which was about 10.27% of the issued share capital at the time, and following the cancellation of treasury shares on 19 December 2013 constituted about 10.46% of the reduced share capital.

On 24 July 2012, the company received notification from Erste Group Bank AG pursuant to section 91 para 1 BörseG that it had increased its interest in S IMMO AG, and that as at 20 July 2012, the 10% threshold specified under section 91 para 1 BörseG had been exceeded. Erste Group Bank AG's direct and indirect interest increased to 6,893,561 shares, which was about 10.12% of the issued share capital at the time, and following the cancellation of treasury shares on 19 December 2013 constituted about 10.30% of the reduced share capital.

On 24 September 2009, the Management Board received notification under section 91 para 1 BörseG from Tri-Star Capital Ventures Ltd., an international investment company, that it had increased its interest in Sparkassen Immobilien AG (now S IMMO AG) to about 11.15% of the issued share capital. On 05 December 2013 and 13 January 2014, notifications were received from Anadoria Investments Ltd., a 100% subsidiary of Tri-Star Capital Ventures Ltd., that as at 30 November 2013, it had purchased the 7,593,611 shares in S IMMO AG previously held by Tri-Star Capital Ventures Ltd., which was about 11.15% of the issued share capital at the time, and following the cancellation of treasury shares on 19 December 2013 constituted about 11.35% of the reduced share capital, and that as at 30 November 2013 Tri-Star Capital Ventures Ltd. no longer held any shares in S IMMO AG.

S IMMO AG clarifies that its knowledge of interests greater than 10% is based on notifications under section 91 para 1 BörseG, and that it therefore cannot guarantee the completeness or correctness of the above information. Notifications pursuant to sections 91 et seqq BörseG are only required on reaching, exceeding or falling below the relevant thresholds, so that the actual current extent of the interests may differ from those listed in the notifications. For the sake of completeness, attention is also drawn to the fact that notification under section 91 para 1 BörseG was received from Erste Asset Management GmbH on 30 November 2011, that it and its subsidiaries RINGTURM Kapitalanlagegesellschaft m.b.H. and ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H. pursue a joint voting policy, and that the voting rights of the managed funds are therefore reported in aggregate. The three companies therefore reported that as at 29 November 2011, they held 8,130,557 shares in aggregate, which was about 11.94% of the issued share capital at the time, and following the cancellation of treasury shares on 19 December 2013 constituted about 12.15% of the reduced share capital.

4. There are no shares with special control rights.

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

6. The Management Board consists of two, three or four members. The members of the Management Board are appointed by the Supervisory Board by a three-quarters majority of the votes cast. The Supervisory Board may at the same time appoint a member of the Management Board as Chairman and another member as Deputy Chairman. This resolution also requires a three-quarters majority of the votes cast. Appointment to the Management Board is open only to those under the age of 65 at the time of appointment.

The Supervisory Board consists of a maximum of 10 members elected by the Annual General Meeting.

Resolutions proposing increases in share capital are passed by a simple majority of the votes cast at the Annual General Meeting and by a simple majority of the shareholders voting on a resolution.

7. (a) In accordance with section 169 AktG and the resolution of the 23rd Annual General Meeting of 01 June 2012, the Management Board, with the approval of the Supervisory Board, is authorised for a period of five years dating from the registration of this change in the articles of incorporation, that is, until 19 October 2017, to increase the share capital of the company by up to EUR 123,754,680.93 in one or more tranches by the issue of up to 34,059,359 ordinary bearer shares for a minimum issue price of 100% of the proportionate share of the issued capital. The issue may be for cash or for contributions in kind (not including contributions in kind made in exchange for the issue by the company of participating certificates and entitlements of such certificates, or other entitlements). The Management Board with the agreement of the Supervisory Board is authorised to fix the issue price, the terms and conditions of the issue and all other details of the implementation of the capital increase (authorised capital). In the event of a capital increase for contributions in kind (not including contributions in kind made in exchange for the issue by the company of participating certificates and entitlements of such certificates, or other entitlements), the Management Board is authorised with the approval of the Supervisory Board to exclude shareholder subscription rights in part or in full.

(b) At the 25th Annual General Meeting of 11 June 2014, the Management Board was authorised under the provisions of section 65 para 1 fig 8 AktG for a period of 30 months from the date of the passing of the resolution, that is, until 11 December 2016, to acquire shares in the company up to the statutory maximum of 10% of the company's share capital, and if appropriate to cancel them. With the approval of the Supervisory Board, the Management Board decided on 09 December 2014 to repurchase up to 3% of the company's shares in issue. The Management Board was also authorised for a period of five years from the date of the passing of the resolution, that is, until 11 June 2019, with the approval of the Supervisory Board to dispose of own shares (treasury shares) in a manner other than through the stock exchange or through a public offer and under exclusion of shareholders' subscription rights.

(c) In accordance with section 159 para 2 fig 1 AktG, the authorised capital is conditionally increased by up to EUR 123,754,680.93 by the issue of up to 34,059,359 new ordinary bearer shares (conditional capital). The conditional capital increase will only be put into effect to the extent that owners of convertible loan stock issued on the basis of the resolution of the Annual General Meeting of 01 June 2012 exercise their rights of conversion or subscription. The issue price and the conversion and/or subscription ratios are to be calculated on the basis of the market price of the company's shares in accordance with standard market practice. The issue price may not be less than the proportionate interest in the share capital. With the approval of the Supervisory Board, the Management Board is authorised to determine all other details of the implementation of the conditional capital increase (in particular, the issue price, the rights attached to the shares and the date of entitlement to dividends). The Supervisory Board is authorised to amend the articles of incorporation in connection with the issue of shares out of conditional capital or when the time authorised for the use of such capital expires.

(d) At the 23rd Annual General Meeting of 01 June 2012, in accordance with section 174 AktG, the Management Board was authorised, within five years of the passing of the resolution, that is, until 01 June 2017, to issue for cash, in one or more tranches, convertible loan stock carrying the right of conversion or subscription to up to 34,059,359 ordinary bearer shares in the company representing a proportionate interest in the share capital of the company of up to EUR 123,754,680.93. The Management Board was also authorised, with the approval of

the Supervisory Board, to exclude subscription rights of existing shareholders to convertible loan stock, and to determine all other terms and conditions of the convertible bonds, including their issue price and the conversion procedures.

8.) The EUR 89,739,500 4.5% S IMMO bond 2014–2021 issued in June 2014 and the 3% S IMMO bond 2014–2019 issued in October 2014 with a volume of EUR 100m contain change-of-control clauses. Under the terms and conditions of these bonds, in the event of a change of control, the bond creditors are entitled to cancel the partial debenture and can demand immediate repayment. Under the terms and conditions of these bonds, a change of control occurs if, at any time, one person or several persons acting jointly or a third party or third parties acting for said person or persons directly or indirectly acquire (i) more than 50% of the voting rights associated with the shares of the issuer (irrespective of the maximum voting right) or (ii) the right to designate the majority of members of the Management Board of the issuer and/or the shareholder representatives on the Supervisory Board of the issuer.

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

Consolidated financial statements

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Consolidated statement of financial position

as at 31 December 2014

Assets	NOTES	31 December 2014	31 December 2013
EUR '000			
NON-CURRENT ASSETS			
Investment properties			
Rental properties	3.1.1.	1,587,063	1,580,311
Properties under development and undeveloped land	3.1.1.	14,452	16,677
		1,601,515	1,596,988
Owner-operated properties	3.1.2.	119,999	120,017
Other plant and equipment	3.1.2.	6,408	7,447
Intangible assets	3.1.2.	168	139
Interests in companies measured at equity	3.1.3.	8,021	7,393
Group interests	3.1.4.	834	749
Other accounts receivable	3.1.4.	600	0
Deferred tax assets	3.1.15.	10,772	13,764
		1,748,317	1,746,497
CURRENT ASSETS			
Inventories	3.1.5.	1,394	1,328
Trade receivables	3.1.6.	12,078	12,115
Other accounts receivable	3.1.6.	6,234	21,576
Other assets	3.1.7.	9,107	8,709
Cash and cash equivalents	3.1.8.	74,697	49,873
		103,510	93,601
Properties held for sale	3.1.9.	42,845	39,550
		146,355	133,151
		1,894,672	1,879,648

Equity and liabilities

EUR '000

NOTES

31 December 2014

31 December 2013

SHAREHOLDERS' EQUITY

Share capital	3.1.10.	242,775	243,126
Capital reserves	3.1.10.	72,350	72,535
Other reserves	3.1.10.	240,272	208,432
		555,397	524,093
Non-controlling interests	3.1.11.	25,855	25,531
		581,252	549,624

NON-CURRENT LIABILITIES

Subordinated participating certificate capital	3.1.12.	95,539	186,645
Issued bonds	3.1.13	188,367	0
Other financial liabilities	5.2.2.	782,190	754,957
Provisions	3.1.14.	3,453	2,962
Other liabilities		11	5
Deferred tax liabilities	3.1.15.	75,156	53,005
		1,144,716	997,574

CURRENT LIABILITIES

Financial liabilities	5.2.2.	122,992	285,551
Current income tax liabilities		6,433	4,325
Provisions	3.1.14.	754	1,924
Trade payables	5.2.2.	6,444	4,860
Other liabilities		32,081	35,790
		168,704	332,450

1,894,672

1,879,648

Consolidated income statement

for the year ended 31 December 2014

EUR '000	NOTES	2014	2013
Revenues			
Rental income	3.2.1.	111,845	116,707
Revenues from operating costs		34,542	36,827
Revenues from hotel operations		42,104	40,201
		188,491	193,735
Other operating income		4,700	6,186
Expenses directly attributable to properties	3.2.2.	-56,150	-60,603
Hotel operating expenses	3.2.2.	-31,344	-29,747
Gross profit		105,697	109,571
Income from property disposals	3.2.3.	51,587	128,071
Book value of disposed properties	3.2.3.	-51,407	-121,657
Gains on property disposals	3.2.3.	180	6,414
Management expenses	3.2.4.	-16,050	-15,078
Earnings before interest, tax, depreciation and amortisation (EBITDA)		89,827	100,907
Depreciation and amortisation	3.2.5.	-7,635	-11,992
Results on property valuation	3.2.6.	56,552	6,879
Operating result (EBIT)		138,744	95,794
Financing costs	3.2.7.	-73,104	-53,931
Financing income	3.2.7.	443	1,573
Results from companies measured at equity	3.2.7.	924	-1,543
Participating certificates result	3.1.12.	-7,485	-9,286
Net income before tax (EBT)		59,522	32,607
Taxes on income	3.1.15.	-25,682	-4,553
Consolidated net income		33,840	28,054
thereof attributable to shareholders of the parent company		31,016	27,309
thereof attributable to non-controlling interests		2,824	745
Earnings per share			
undiluted = diluted	3.2.8.	0.46	0.41

Consolidated statement of comprehensive income

for the year ended 31 December 2014

EUR '000	NOTES	2014	2013
Consolidated net income		33,840	28,054
Change in value of cash flow hedges	5.1.3.	9,927	30,814
Income taxes on cash flow hedges		-3,270	-7,068
Reclassification of derivative valuation effects through net income	5.1.3.	4,692	2,461
Foreign exchange rate differences	3.1.10.	2,649	375
Other comprehensive income for the period (realised through profit or loss)		13,998	26,582
Remeasurement of post-employment benefit obligations		-292	-6
Income taxes on remeasurement of post-employment benefit obligations		73	1
Other comprehensive income for the period (not realised through profit or loss)		-219	-5
Total comprehensive income		47,619	54,631
thereof attributable to shareholders in parent company		45,823	52,923
thereof attributable to non-controlling interests		1,796	1,708

Consolidated cash flow statement

for the year ended 31 December 2014

EUR '000	NOTES	2014	2013 ¹⁾
Net income before tax (EBT)		59,522	32,607
Gains/losses on property valuation	3.2.6.	-56,552	-6,879
Depreciation and amortisation	3.2.5.	7,635	11,992
Gains/losses on property sales	3.2.3.	-180	-6,414
Cash flow from sale of inventories	3.2.3.	0	5,608
Taxes on income paid	3.1.15.	-3,809	-796
Participating certificates result	3.1.12.	7,485	9,286
Financing result	3.2.7.	71,737	53,901
Operating cash flow		85,838	99,305
Changes in net current assets			
Receivables and other assets		-1,404	-1,528 ²⁾
Provisions and other non-current liabilities		497	-16,647
Current liabilities		-1,329	7,001
Cash flow from operating activities		83,602	88,131
Cash flow from investing activities			
Investments in property portfolio		-11,781	-7,598
Investments in tangible and intangible assets		-151	-49
Investments in equipment and machinery		-1,447	-2,743
Investments in financial assets		-940	-1,868
Disposals of financial assets		0	2,341
Net cash flow from disposal of property holding companies		3,124	5,287 ²⁾
Net cash flow from initial consolidations		0	-5,990
Disposals of properties		58,333	101,105 ²⁾
Interest received and other financial income	3.2.7.	737	613
Cash flow from investing activities		47,875	91,098

EUR '000	NOTES	2014	2013 ¹⁾
Consolidated cash flow statement (cont.)			
Cash flow from financing activities			
Purchase of own participating certificates	3.1.12.	-92,729	-36,169
Purchase of own shares	3.1.10.	-536	-2,049
Bond issues	3.1.13.	188,282	0
Cash flows from increases/decreases in non-controlling interests		-2,086	-2,489
Increases in financing		117,585	62,190
Decreases in financing		-246,853	-138,859
Dividend payment	3.1.10.	-13,369	-10,092
Distribution to participating certificates	3.1.12.	-6,842	-9,045
Interest paid		-50,105	-49,919
Cash flow from financing activities		-106,653	-186,432
Cash and cash equivalents at 01 January			
		49,873	57,076
Net change in cash and cash equivalents			
		24,824	-7,203
Cash and cash equivalents at 31 December³⁾		74,697	49,873

¹⁾ Adjusted

²⁾ In the interests of a clear presentation, the change in the purchase price claim from property sales was moved from the cash flow from operations to the cash flow from investing activities. The net cash flow from the disposal of property-owning companies was also shown separately.

³⁾ The effects of currency translation differences on the cash and cash equivalents were immaterial and are therefore not shown separately.

Changes in consolidated equity

EUR '000	Share capital	Capital reserves	Foreign currency translation reserves	Hedge accounting reserves	Other reserves	Sub-total S IMMO share-holders	Non-controlling interests	Total
At 01 January 2014	243,126	72,535	-19,193	-39,212	266,837	524,093	25,531	549,624
Consolidated net income	0	0	0	0	31,016	31,016	2,824	33,840
Other comprehensive income	0	0	2,649	12,377	-219	14,807	-1,028	13,779
Repurchase of own shares	-351	-185	0	0	0	-536	0	-536
Disposals	0	0	0	0	0	0	-2,086	-2,086
Purchase of non-controlling interests	0	0	71	0	-685	-614	614	0
Distribution for 2013	0	0	0	0	-13,369	-13,369	0	-13,369
At 31 December 2014	242,775	72,350	-16,473	-26,835	283,580	555,397	25,855	581,252
At 01 January 2013	244,705	73,005	-19,568	-64,456	249,625	483,311	26,323	509,634
Consolidated net income	0	0	0	0	27,309	27,309	745	28,054
Other comprehensive income	0	0	375	25,244	-5	25,614	963	26,577
Repurchase of own shares	-1,579	-470	0	0	0	-2,049	0	-2,049
Disposals	0	0	0	0	0	0	-2,500	-2,500
Distribution for 2012	0	0	0	0	-10,092	-10,092	0	-10,092
At 31 December 2013	243,126	72,535	-19,193	-39,212	266,837	524,093	25,531	549,624

Notes to the consolidated financial statements

for the year ended 31 December 2014

1. THE GROUP

S IMMO Group (S IMMO AG and its subsidiaries) is an international real estate group. The ultimate parent company of the Group, S IMMO AG, has its registered office and headquarters at Friedrichstrasse 10, 1010 Vienna, Austria. The company has been listed on the Vienna Stock Exchange since 1987, since 2007 in the Prime Market segment. It has subsidiaries in Austria, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Romania, Bulgaria and Denmark. As at 31 December 2014, S IMMO Group owned properties in all the above countries except Denmark. 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 the International Financial Reporting Standards (IFRS), including the interpretations of the IFRS Interpretations Committee, the application of which is mandatory in the European Union at the balance sheet date, as well as supplementary provisions according to para 245a section 1 Austrian Commercial Code (UGB).

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

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

2.2. Consolidation group and basis of consolidation

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

Companies over whose business and financial policies the parent company can directly or indirectly exercise a significant influence (as a rule, through a direct or indirect interest ranging from 20% to 50% of the share capital) and joint companies are included in the consolidated financial statements at equity. The acquisition method is applied for initial consolidation, which means that the identifiable assets (mainly properties) and liabilities of the companies acquired, and the non-controlling 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. The amount in excess of net assets is in most cases recognised as an addition to the value of the properties. If the amount is negative, it is recognised in profit or loss after a further critical review of the recognition and measurement of the assets and liabilities acquired.

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.

Interests in companies included at equity are initially recognised at cost of acquisition. For associated companies and jointly controlled companies included at equity, differences resulting from consolidation are calculated in the same way as for fully consolidated companies. The goodwill resulting from the acqui-

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

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

Apart from S IMMO AG, the consolidated financial statements include 65 (2013: 65) companies (property holding and intermediary holding companies) that are fully consolidated and directly or indirectly owned by S IMMO AG, and 6 (2013: 6) companies included at equity.

In the fourth quarter of 2014, the fully consolidated company TOLLESON a.s. was sold; the payment received consisted entirely of cash. TOLLESON a.s. had the following book value at the time of the disposal:

EUR '000	Book value
Non-current assets	
Properties under development and undeveloped land	3,010
Current assets	
Cash and cash equivalents	3
Non-current liabilities	131

In the fourth quarter of 2014, S Immo Immobilien Investitions GmbH, Vienna, was fully consolidated in S IMMO AG's consolidated financial statements for the first time. A business combination as per IFRS 3 did not occur, as the definition of a business according to IFRS 3 was not met.

Company	Location	Nominal capital 2014	Nominal capital 2013	Group share % 2014	Group share % 2013	Currency ¹⁾	Consolidation type ¹⁾
CEE Immobilien GmbH	A, Vienna	35,000	35,000	100	100	EUR	full
CEE PROPERTY-INVEST Immobilien GmbH	A, Vienna	48,000,000	48,000,000	100	100	EUR	full
CEE CZ Immobilien GmbH	A, Vienna	35,000	35,000	100	100	EUR	full
German Property Invest Immobilien GmbH	A, Vienna	35,000	35,000	100	100	EUR	full
Hotel DUNA Beteiligungs Gesellschaft m.b.H.	A, Vienna	145,346	145,346	100	100	EUR	full
AKIM Beteiligungen GmbH	A, Vienna	35,000	35,000	100	100	EUR	full
SO Immobilienbeteiligungs GmbH	A, Vienna	35,000	35,000	100	100	EUR	full
CEE Beteiligungen GmbH	A, Vienna	35,000	35,000	100	100	EUR	full
E.V.I. Immobilienbeteiligungs GmbH	A, Vienna	35,000	35,000	100	100	EUR	full
SIAG Berlin Wohnimmobilien GmbH	A, Vienna	3,982,500	3,982,500	99.74	99.74	EUR	full
E.I.A. eins Immobilieninvestitionsgesellschaft m.b.H.	A, Vienna	36,336	36,336	100	100	EUR	full

Company	Location	Nominal capital 2014	Nominal capital 2013	Group share % 2014	Group share % 2013	Currency ¹⁾	Consolidation type ¹⁾
PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co. KG	A, Vienna	8,299,238	8,299,238	74.17	70	EUR	full
PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H.	A, Vienna	36,336	36,336	100	100	EUR	full
Neutorgasse 2–8 Projektverwertungs GmbH	A, Vienna	35,000	35,000	100	100	EUR	full
H.S.E. Immobilienbeteiligungs GmbH	A, Vienna	35,000	35,000	100	100	EUR	full
A.D.I. Immobilien Beteiligungs GmbH	A, Vienna	35,000	35,000	100	100	EUR	full
QBC Management und Beteiligungen GmbH & Co KG	A, Vienna	35,000	35,000	35	35	EUR	equity
QBC Immobilien GmbH	A, Vienna	60,000	60,000	35	35	EUR	equity
QBC Management und Beteiligungen GmbH	A, Vienna	35,000	35,000	35	35	EUR	equity
BGM-IMMORENT Aktiengesellschaft & Co KG	A, Vienna	4,360,370	4,360,370	22.83	22.83	EUR	equity
Viertel Zwei Hoch GmbH & Co KG	A, Vienna	100,000	100,000	100	100	EUR	full
Viertel Zwei Plus GmbH & Co KG	A, Vienna	100,000	100,000	100	100	EUR	full
Viertel Zwei Hotel GmbH & Co KG	A, Vienna	100,000	100,000	100	100	EUR	full
S IMMO Property Invest GmbH	A, Vienna	35,000	35,000	100	100	EUR	full
S Immo Immobilien Investitions GmbH	A, Vienna	35,000	N/A	100	N/A	EUR	full
Hansa Immobilien OOD	BG, Sofia	10,175,300	10,175,300	77	77	BGN	full
CEE Property Bulgaria EOOD	BG, Sofia	37,180,770	17,622,470	100	100	BGN	full
Washington Project EOOD	BG, Sofia	20,000	20,000	50	50	BGN	equity
ELTIMA PROPERTY COMPANY s.r.o.	CZ, Prague	100,000	100,000	100	100	CZK	full
REGA Property Invest s.r.o.	CZ, Prague	200,000	200,000	100	100	CZK	full
Lützwow-Center GmbH	D, Berlin	25,000	25,000	100	100	EUR	full
Ikaruspark GmbH	D, Berlin	25,000	25,000	100	100	EUR	full
S IMMO Germany GmbH	D, Berlin	25,000	25,000	100	100	EUR	full
S Immo Geschäftsimmobilien GmbH	D, Berlin	25,000	25,000	100	100	EUR	full
S Immo Wohnimmobilien GmbH	D, Berlin	25,000	25,000	100	100	EUR	full
Markt Carree Halle Immobilien GmbH	D, Berlin	25,000	25,000	100	100	EUR	full
Tölz Immobilien GmbH	D, Berlin	25,000	25,000	100	100	EUR	full
Einkaufs-Center Sofia G.m.b.H. & Co KG	D, Hamburg	87,000,000	87,000,000	65	65	EUR	full
SIAG Deutschland Beteiligungs-Verwaltungs GmbH	D, Berlin	25,000	25,000	100	100	EUR	full
SIAG Deutschland Beteiligungs GmbH & Co. KG	D, Berlin	100,000	100,000	94.9	94.9	EUR	full
SIAG Leipzig Wohnimmobilien GmbH	D, Berlin	750,000	750,000	99.74	99.74	EUR	full
Maior Domus Hausverwaltungs GmbH	D, Berlin	25,000	25,000	100	100	EUR	full
SIAG Property I GmbH	D, Berlin	25,000	25,000	100	100	EUR	full
SIAG Property II GmbH	D, Berlin	25,000	25,000	100	100	EUR	full

Company	Location	Nominal capital 2014	Nominal capital 2013	Group share % 2014	Group share % 2013	Currency ¹⁾	Consolidation type ¹⁾
H.W.I. I ApS	DK, Århus	939,000	939,000	99.72	99.72	EUR	full
H.W.I. IV ApS	DK, Århus	134,000	134,000	99.72	99.72	EUR	full
GPI I ApS	DK, Århus	17,000	17,000	99.71	99.71	EUR	full
GPI II ApS	DK, Århus	60,000	60,000	99.71	99.71	EUR	full
GPI III ApS	DK, Århus	17,000	17,000	99.71	99.71	EUR	full
Bank-garázs Ingatlanfejlesztési és Vagyonhasznosító Kft.	H, Budapest	3,000,000	500,000	100	100	HUF	full
CEE Property-Invest Ingatlan Kft.	H, Budapest	100,000,000	100,000,000	100	100	HUF	full
Maros utca Építési és Ingatlanhasznosítási Kft.	H, Budapest	3,000,000	500,000	100	100	HUF	full
Buda Kereskedelmi Központ Kft.	H, Budapest	3,000,000	3,000,000	100	100	HUF	full
Duna Szálloda Zrt.	H, Budapest	5,000,000	5,000,000	100	100	HUF	full
City Center Irodaház Kft. (formerly: S IMMO Hungary Kft.)	H, Budapest	98,600,000	98,600,000	100	100	HUF	full
Szegedi út Ingatlankezelő Kft.	H, Budapest	3,000,000	500,000	100	100	HUF	full
Nagymező utcai Projektfejlesztési Kft.	H, Budapest	462,590,000	462,590,000	100	100	HUF	full
CEE Property-Invest Hungary 2003 Ingatlan Kft.	H, Budapest	3,000,000	3,000,000	100	100	HUF	full
CEE PROPERTY INVEST ROMANIA SRL	RO, Bucharest	1,000	1,000	100	100	RON	full
Societate Dezvoltare Comercial Sudului (SDCS) S.R.L.	RO, Bucharest	245,756,390	245,756,390	100	100	RON	full
VICTORIEI BUSINESS PLAZZA S.R.L.	RO, Bucharest	18,852,144	18,852,144	100	100	RON	full
DUAL CONSTRUCT INVEST S.R.L.	RO, Bucharest	2,000	2,000	100	94	RON	full
ROTER INVESTITII IMOBILIARE S.R.L.	RO, Bucharest	4,472,020	4,472,020	100	100	RON	full
CII Central Investments Imobiliare S.R.L.	RO, Bucharest	1,816,000	1,816,000	47	47	RON	equity
Galvániho Business Centrum, s.r.o.	SK, Bratislava	6,639	6,639	100	100	EUR	full
GALVÁNIHO 2, s.r.o.	SK, Bratislava	6,639	6,639	100	100	EUR	full
IPD - International Property Development, s.r.o.	SK, Bratislava	33,194	33,194	100	100	EUR	full
SIAG Fachmarktzentrum, s.r.o.	SK, Bratislava	6,639	6,639	100	100	EUR	full
SIAG Hotel Bratislava, s.r.o.	SK, Bratislava	6,639	6,639	100	100	EUR	full
GALVÁNIHO 4, s.r.o.	SK, Bratislava	33,195	33,195	100	100	EUR	full
Eurocenter d.o.o.	HR, Zagreb	20,000	20,000	100	100	HRK	full

¹⁾ In the financial year 2014, there were no changes compared to the financial year 2013.

The following subsidiaries are not fully consolidated due to immateriality. They had a book value of kEUR 211 as at 31 December 2014 (31 December 2013: kEUR 128). The non-consolidated subsidiaries include aptus Immobilien GmbH, Germany, Berlin (nominal capital kEUR 25, group share 100%), S IMMO Wohn Verwaltungs GmbH, Germany, Berlin (nominal capital kEUR 25, group share 100%), S IMMO APM Hungary Kft, Hungary, Budapest (nominal capital kHUF 3,000, group share 100%), Einkaufs-Center Sofia Verwaltungs G.m.b.H., Germany, Hamburg (nominal capital kEUR 25, group share 65%), SIAG Multipurpose s.r.o., Slovakia, Bratislava (nominal capital kEUR 7, group share 100%) and S IMMO Beteiligungen GmbH Austria, Vienna (nominal capital kEUR 35, group share 100%).

2.3. Reporting currency and currency translation

The Group's reporting currency is the euro. The functional currency of individual Group companies is determined by the economic environment in which they operate. The functional currency of the Croatian subsidiary Eurocenter d.o.o. was changed from the local currency to the euro at the beginning of the first quarter of 2014 according to the provisions of IAS 21

due to changed conditions (the market value, the rental agreements and financing of the let property are viewed as euro-based over the long term) and due to the fact that the Croatian kuna is linked to the euro. The change was applied prospectively according to the provisions of IAS 21. The company feels that the new approach will improve the depiction of the financial and earnings position in the consolidated financial statements of S IMMO Group.

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

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

Foreign currencies have been translated using the following exchange rates:

	Czech Republic CZK	Hungary HUF	Bulgaria BGN	Romania RON	Croatia HRK
Closing rate at 31 December 2014	27.735	315.540	1.956	4.483	7.658
Average rate for 2014	27.542	308.987	1.956	4.441	7.634
Closing rate at 31 December 2013	27.427	297.040	1.956	4.471	7.627
Average rate for 2013	25.960	297.500	1.956	4.417	7.577

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

2.4. New mandatory accounting regulations

2.4.1. New Standards and Interpretations

The following new or amended Standards and Interpretations were applied for the first time in 2014.

- IFRS 10, "Consolidated Financial Statements", expands upon the existing control definition for determining whether an entity must be included as a subsidiary in the consolidated financial statements of the parent company. IFRS 10 establishes a uniform control principle for all companies. The standard also contains additional criteria and application guidelines which provide assistance in determining whether a controlling interest exists. IFRS 10 has only an immaterial impact on S IMMO AG's consolidated financial statements.

■ IFRS 11, "Joint Arrangements", focuses on the rights and obligations of the parties to a joint arrangement in determining whether joint control exists. There are two types of joint arrangements: joint operations and joint ventures. A joint operation is a joint arrangement in which the parties have direct rights to the assets and obligations for the liabilities of the joint arrangement. A party to a joint operation recognises its share in the jointly controlled assets, liabilities, revenues and expenses. In contrast, a joint venture is a joint arrangement that provides the parties with rights to the net assets of the joint arrangement. Joint ventures are recognised using the equity method of accounting. Entities are no longer permitted to recognise an interest in a joint venture using the proportionate consolidation method. IFRS 11 has only an immaterial impact on the consolidated financial statements.

■ IFRS 12, "Disclosures of Interests in Other Entities", combines the revised disclosure requirements for IAS 27 and IFRS 10, IAS 31 and IFRS 11, and IAS 28 into a single standard. This standard results in immaterial changes to the notes.

■ Amendments to the transition guidance for IFRS 10, 11 and 12. These amendments provide transition relief by limiting the requirement to provide adjusted comparative figures upon initial application to only the immediately preceding comparative period and eliminating the requirement to provide comparative information regarding unconsolidated structured entities upon initial application of IFRS 12.

■ IAS 27, "Separate Financial Statements", will only contain the accounting and disclosure requirements for separate financial statements prepared in accordance with IFRS in future.

■ IAS 28, "Investments in Associates and Joint Ventures", outlines the requirements for joint ventures and associated entities, which must be measured using the equity method following the publication of IFRS 11.

■ IAS 32, Amendment of the offsetting rules in IAS 32 "Financial Instruments: Presentation": This amendment clarifies that offsetting may not be contingent upon the occurrence of a future event. In order to offset financial instruments, the reporting entity must have a right of set-off vis-à-vis the counterparty that must be legally enforceable in the normal course of business and in the event of insolvency or bankruptcy. This amendment also pertains to settlement mechanisms. This clarification has no material effect on these consolidated financial statements.

■ Amendment to IAS 36 "Impairment of Assets" pertaining to the recoverable amount disclosures for non-financial assets. This amendment eliminated certain disclosure requirements regarding the recoverable amount of cash-generating units that were contained in the previous version of IAS 36 and had been introduced through the application of IFRS 13. This amendment has only an immaterial impact on the consolidated financial statements.

■ Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" pertaining to the "Novation of Derivatives". This amendment allows derivatives to remain designated as hedging instruments in continuing hedging relationships despite novation, provided certain criteria are met. The company currently does not have any novations that must be recognised in this manner.

■ IFRIC 21, "Levies", provides guidance on when to recognise provisions for levies according to IAS 37, where the timing or amount of the payment is uncertain, as well as the accounting of corresponding liabilities, i.e. in cases in which the timing and amount of the levy is certain. However, its scope does not include income taxes as defined in IAS 12. The application of this interpretation may result in a levy payment obligation being recognised at a different point in time than in the past, specifically if the obligation to pay the levy only arises when a specified event occurs at a specified point in time. This interpretation has no material effect on the consolidated financial statements.

■ Amendment to IFRS 10, IFRS 11, IFRS 12 and IAS 27 pertaining to the consolidation exception for investment entities. This amendment stipulates that so-called investment entities such as fund companies and other similar companies are not required to fully consolidate their subsidiaries in their IFRS financial statements, but may instead recognise them as equity interests at fair value through profit or loss. The exception may only be applied if the reporting entity meets all of the definition criteria of an investment entity. In addition, new disclosure requirements for investment entities were added to IFRS 12. Given the present structure of the Group, this amendment has no impact on S IMMO AG's consolidated financial statements.

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

There are several new and amended Standards and Interpretations that must be applied for financial years beginning after 01 January 2014. These were not applied to the financial statements contained in this report.

■ IFRS 9, "Financial Instruments", deals with the classification, recognition and measurement of financial assets and financial liabilities. The complete version of IFRS 9 was published in July 2014. This standard replaces the sections of IAS 39 "Financial Instruments: Recognition and Measurement" that deal with the classification and measurement of financial instruments. IFRS 9 retains a simplified mixed measurement model and defines principal measurement categories for financial assets: measurement at amortised cost, measurement at fair value through profit or loss, and measurement at fair value through other comprehensive income. The classification is directly contingent upon the business model of the reporting entity and upon the characteristics of the contractual cash flows of the financial asset. Shares in equity instruments must be measured at fair value, with value changes being recognised in profit or loss. Alternatively, an entity can irrevocably opt upon initial recognition of the equity instruments to recognise value changes in other comprehensive income (with no later reclassification to profit or loss for the period). In addition, this standard includes a new impairment model based on expected losses (expected credit losses model), which replaces the previous impairment model used in IAS 39 (incurred loss model). For financial liabilities, most of the requirements defined in IAS 39 have been retained. The main change is that in cases where an entity has opted to measure financial liabilities at fair value, changes in fair value related to own credit risk are recognised in other comprehensive income rather than in profit or loss. IFRS 9 loosens the hedge effectiveness requirements by eliminating the previous, narrow restrictions and replacing them with new rules. The Group will apply IFRS 9 at the latest in the financial year starting on 01 January 2018. At the present time, the Group does not expect IFRS 9 to have any material effects.

■ Amendment to IAS 19 "Employee Benefits". This amendment expands IAS 19.93 with the provision that contributions from employees or third parties to defined benefit pension plans reduce the service costs for the period provided that the contributions and the associated services of the employee are rendered in the same period. The amendment applies to financial years beginning on or after 01 July 2014 and was adopted

by the EU on 17 December 2014. As things stand now, the amendment will have no effect on future consolidated financial statements.

■ The amendment to IFRS 11 "Joint Arrangements" deals with the recognition of the acquisition of shares in a joint operation that constitutes a business as defined in IFRS 3 "Business Combinations". According to this amendment, the acquiring party must follow the guidelines for the recognition of business combinations according to IFRS 3 and must comply with the corresponding disclosure obligations. The amendment must be applied beginning on 01 January 2016. At the present time, the Group does not expect the initial application to have any material effects.

■ The amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" pertain to the clarification of permissible depreciation and amortisation methods under IAS 16 and IAS 38. The amendment relates to the application of revenue-based depreciation and amortisation methods. The revenue-based method is not an appropriate depreciation or amortisation method because this method reflects the pattern of the generation of future economic benefits, and not the pattern of the consumption of future economic benefits. The clarification must be applied for financial years beginning on or after 01 January 2016. This will have no material effects on future consolidated financial statements.

■ Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture: Bearer Plants". The amendment states that bearer plants must be recognised in the same manner as property, plant and equipment under IAS 16. The change to these biological assets will have no effects on the consolidated financial statements of S IMMO AG and applies starting on 01 January 2016.

■ The improvement to IAS 27 "Equity Method in Separate Financial Statements" once again allows the application of the equity method of recognition for shares in subsidiaries, joint ventures and associated companies. The existing options for measurement at the cost of acquisition or according to IAS 39/IFRS 9 will be retained. The amendments must be applied to financial years beginning on or after 01 January 2016.

■ The amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" regarding "Sales or contributions of assets between an investor and its associate/joint venture" specify that the entire gain or loss from a transaction may only be recognised when the sold or contributed assets constitute a business as defined in IFRS 3. Otherwise, the gain or loss may only be recognised on a

pro rata basis. The amendments apply beginning on 01 January 2016. At the present time, the Group does not expect the initial application to have any material effects.

■ The amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception” clarify issues relating to the application of the investment entities exception according to IFRS 10 when the parent company meets the definition of an investment entity. For example, parent companies can apply the consolidation exception when the intermediate parent company fulfils the definition criteria for an investment entity and when it recognises its subsidiaries at their fair value. In addition, an investment entity must recognise all subsidiaries that meet the definition of an investment entity at their fair value, even if the subsidiaries render services that relate to the parent’s investment activities. The amendment also specifies that an investment entity that recognises all of its subsidiaries at their fair value must make the disclosures relating to investment entities required by IFRS 12. The amendments must be applied beginning on 01 January 2016. At the present time, the Group does not expect the initial application to have any material effects.

■ IFRS 14, “Regulatory Deferral Accounts”, permits an entity which is a first-time adopter to continue to account for regulatory deferral account balances according to its previous accounting standards, subject to some limited changes. Regulatory deferral account balances and changes in them must be presented separately. Specific disclosures are required. IFRS 14 must be applied starting on 01 January 2016. At the present time, the Group does not expect the initial application to have any material effects.

■ IFRS 15, “Revenue from Contracts with Customers”, deals with when and in what amount revenues must be recognised. The objective of the standard is to create guidelines that assist entities in reporting and in providing information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for financial years starting on or after 01 January 2017. The effects on the consolidated financial statements are currently being analysed.

■ The disclosure initiative brought amendments to IAS 1 “Presentation of Financial Statements”. The amendments must be applied to financial years beginning on or after 01 January 2016. For example, it was clarified that materiality applies to the entire financial statements and that companies should apply professional judgement in determining the order in which the information is presented.

■ The annual improvements from the 2010–2012 cycle were adopted by the EU on 17 December 2014 and must be applied in financial years starting on or after 01 July 2014. The amendments pertain to IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations”, IFRS 8 “Operating Segments”, IFRS 13 “Fair Value Measurement”, IAS 7 “Statement of Cash Flows”, IAS 16 “Property, Plant and Equipment”, IAS 38 “Intangible Assets” and IAS 24 “Related Party Disclosures”.

■ The annual improvements from the 2011–2013 cycle were adopted by the EU on 18 December 2014 and must be applied starting on 01 July 2014. The amendments pertain to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 3 “Business Combinations”, IFRS 13 “Fair Value Measurement” and IAS 40 “Investment Property”.

■ The annual improvements from the 2012–2014 cycle apply for financial years beginning on or after 01 January 2016. They pertain to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, IFRS 7 “Financial Instruments: Disclosures”, IAS 19 “Employee Benefits” and IAS 34 “Interim Financial Reporting”. The Group does not expect the changes resulting from IAS 1 and from the annual improvements to have any material effects.

2.5. Changes in accounting and valuation policies

Apart from the new standards described under 2.4.1. there were no changes in accounting and valuation policies or in the presentation of the financial statements in the financial year 2014.

2.6. Accounting and valuation policies

2.6.1. Investment properties

It is industry practice to measure investment properties using the fair value model, under the option available in 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 acquired for disposal, used by the Group or sold after development do not fall under the scope of IAS 40.

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

Subsequent costs for the expansion, partial replacement or maintenance of the property are capitalised to the extent that they represent the replacement of parts of a property unit according to the component approach and provided that the costs can be reliably measured. Costs are also capitalised when the expenditure results in increased future benefits and the costs can be reliably measured. The capitalised costs are not subject to scheduled depreciation because no scheduled depreciation is applied in general pursuant to the fair value model selected according to IAS 40.

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

2.6.2. Inventories

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

2.6.3. Owner-operated properties, other plant and equipment

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

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

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

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

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

Depreciation 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/ buildings	10	30
Other plant and equipment/ machinery	3	10

2.6.4. Intangible assets

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

Intangible assets with a limited useful life are subject to 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 book 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.

2.6.5. Financial instruments

2.6.5.1. Primary financial instruments

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

- Financial assets and liabilities measurable at fair value through profit or loss
- Loans and receivables
- Financial assets held to maturity
- 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.

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

- Group interests
- Trade receivables
- Other accounts receivable
- Cash and cash equivalents
- Subordinated participating certificate capital
- Bond liabilities
- Non-current financial liabilities
- Current financial liabilities
- Trade payables

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

The assets classified under *loans and receivables* are financial instruments with fixed or determinable payment flows not traded in an active market. This category mainly includes trade receivables and other financial assets. Where their remaining maturities are less than 12 months, they are disclosed under current assets, and otherwise under non-current assets.

Financial assets with fixed or determinable payment flows are disclosed under *financial assets held to maturity*. At the 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 12 months.

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

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

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

The other financial liabilities are measured at amortised cost.

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

2.6.5.2. Derivatives

S IMMO Group 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. To a limited extent, corresponding discounts on CVAs (Credit Value Adjustment) and DVAs (Debit Value Adjustment) have been taken into account in the valuation of derivatives. The fair value measurement of derivatives is based on estimates made by external experts.

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

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

Hedged risk

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

Hedging instruments

S IMMO Group uses as hedging instruments only derivatives that, because they move in the opposite direction of the underlying transactions, convert the potential changes in cash flows, in particular from increases in interest rates, into fixed payment streams. The hedging instruments used are interest rate derivatives such as interest rate swaps, caps and collars. The effective portion of the change in fair value of these derivatives is recognised not through profit or loss but under other comprehensive income, the ineffective portion is recognised through profit or loss as part of the financing results. For the non-linear interest rate options used as hedges, only the inner value is designated as a hedge. The fair value, as ineffective, is recognised in the income statement as part of the financing costs. For the collars, care is taken to ensure that there is no net short position.

The changes in the valuation of cash flow hedges recognised under equity are transferred to the income statement in the period in which the hedged underlying transaction affects profit or loss or when the requirements for recognition as a cash flow hedge are no longer met. In the financial year 2014, derivative valuation effects of kEUR 4,692 (2013: kEUR 2,461) were reclassified from equity to the income statement according to the provisions of IAS 39.

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

2.6.6. Impairment of assets

2.6.6.1. Non-financial assets

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

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

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

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

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 or loss, up to the lower of the new recoverable amount or the depreciated original cost of acquisition or construction. The Group had no such reversals of impairment losses in 2014 or the previous year.

2.6.6.2. Financial instruments

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

For debt instruments of all kinds except those measured at fair value through profit or loss, an impairment is recognised if, as a result of one or more events occurring after the initial recognition of the asset, there is objective evidence that S IMMO Group will no longer be in a position to collect the payments relating to the asset. The amount of the impairment is calculated as the difference between the 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 recovery in value entails a reversal of the impairment loss.

Trade receivables

Where there are objective indications that individual receivables cannot be recovered in full, provisions are raised for the amounts expected to be irrecoverable. General provisions for doubtful individual debts are made on the basis of experience. S IMMO Group generally adjusts receivables overdue by more than 3 months by 50% or 90%, and receivables overdue by more than 1 year by 100%.

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

2.6.7. Other assets

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

2.6.8. Cash and cash equivalents

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

2.6.9. Properties held for sale

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

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

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

The Group intends to dispose of four properties held in Germany and one in Austria. The book value of these properties at 31 December 2014 amounted to kEUR 42,845 (2013: kEUR 39,550).

2.6.10. Other provisions

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

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

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

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

2.6.11. Taxes

The individual companies in the Group raise liabilities both for current tax liabilities and for 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. Deferred tax liabilities on the property portfolio have been provided for in full, and even if under appropriate conditions – for example, in the case of a share deal – it would be possible that disposals would be treated as not being subject to taxes on income. Countervailing deferred tax assets on loss carryforwards are recognised to the extent that Management believes they will be realisable. Deferred tax assets on loss carryforwards are as a general rule recognised up to the amounts of deferred tax liabilities. Beyond that limit, deferred taxes are recognised on the basis of tax planning with a planning horizon of up to eight years. Deferred taxes are calculated using the applicable tax rates at the balance sheet date, or where changes in tax law have already been adopted, at the rates applicable in future.

Deferred tax assets and deferred tax liabilities within 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 the same company or where there is a right of set-off within a tax group, as in Austria.

2.6.12. Leasing

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

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

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

2.6.13. Revenues

2.6.13.1. Rental income

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

2.6.13.2. Revenues from hotel operations

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

2.6.13.3. Income and costs from financial instruments

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

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

Interest is accrued using the effective interest rate method.

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

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

2.6.14. 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 the balance sheet date and on disclosure of income and expenses during the financial year.

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

■ The calculation of the fair value of properties held as financial investments was based on expert valuations by internationally recognised valuers such as CBRE, Colliers International, EHL and Dr. Heinz Muhr. The valuations were prepared in compliance with International Valuation Standards. The values of these properties depend to a significant extent on present estimates of future rental trends and vacancy levels, and on the interest rates used for discounting purposes. Properties held as financial assets had a carrying value of kEUR 1,601,515 (31.12.2013: kEUR 1,596,988).

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

The following tables show the sensitivity of the fair value of rented properties held as financial investments to changes in sustainable rental yields and interest rates:

Change in sustainable rent

EUR '000	2014			2013		
	-10%	Starting value	+10%	-10%	Starting value	+10%
Austria	439,325	491,159	543,165	464,413	518,891	573,237
Germany	404,110	451,207	497,100	381,970	425,355	468,324
Central Europe	256,144	281,098	307,672	253,937	279,265	305,156
Southeastern Europe	322,969	363,599	404,140	318,322	356,800	397,277
	1,422,548	1,587,063	1,752,077	1,418,642	1,580,311	1,743,994

Change in interest rate

EUR '000	2014			2013		
	-10%	Starting value	+10%	-10%	Starting value	+10%
Austria	531,405	491,159	455,884	559,643	518,891	482,452
Germany	511,730	451,207	402,860	482,324	425,355	380,257
Central Europe	307,892	281,098	258,274	308,711	279,265	254,688
Southeastern Europe	407,045	363,599	328,200	400,008	356,800	327,827
	1,758,072	1,587,063	1,445,218	1,750,686	1,580,311	1,445,224

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

of intangible assets amounted to kEUR 168 (31.12.2013: kEUR 139), that of other non-current assets to kEUR 6,408 (31.12.2013: kEUR 7,447). Owner-operated properties had a book value of kEUR 119,999 (31.12.2013: kEUR 120,017).

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

■ The recognition of deferred tax assets for tax loss carryforwards is based on the assumption that taxable income earned in the future will be sufficient to enable existing loss carryforwards to be utilised. Deferred tax assets for tax loss carryforwards of kEUR 32,134 (31.12.2013: kEUR 40,217) have been recognised.

■ Post-employment benefit obligations

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

Change in interest rate

EUR '000	2014			2013		
	-0.50%	Starting value	+0.50%	-0.50%	Starting value	+0.50%
Pensions	1,563	1,436	1,323	1,187	1,093	1,009
Severance payments	556	537	518	485	468	461
Long-service bonuses	477	452	429	371	354	338

Change in value

EUR '000	2014			2013		
	-0.20%	Starting value	+0.20%	-0.20%	Starting value	+0.20%
Pensions	1,422	1,436	1,451	1,083	1,093	1,105
Severance payments	530	537	544	462	468	474
Long-service bonuses	443	452	461	348	354	360

■ Please refer to note 5.1.3. for information about the sensitivity of derivatives.

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

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

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

3.1. Statement of financial position

3.1.1. Properties held as financial investments

EUR '000	Rental properties	Properties under development and undeveloped land
As at 01 January 2013	1,661,266	20,157
Additions	11,767	1,188
Disposals	-64,459	0
Changes in fair value (realised through profit or loss)	11,327	-4,668
Reclassifications as properties held for sale	-39,550	0
As at 31 December 2013	1,580,311	16,677
thereof pledged as security	1,567,942	0
Additions	6,279	928
Disposals	-8,845	-3,010
Other changes	-4,532	0
Changes in fair value (realised through profit or loss)	56,695	-143
Reclassifications as properties held for sale	-42,845	0
As at 31 December 2014	1,587,063	14,452
thereof pledged as security	1,516,780	0

The value of the other changes in the amount of kEUR -4,532 consists primarily of retroactive acquisition cost reductions.

Additions by country were as follows:

Rental properties

EUR '000	31 December 2014	31 December 2013
Austria	2,187	359
Germany	431	7,452
Central Europe	2,700	3,045
Southeastern Europe	961	911
	6,279	11,767

Properties under development and undeveloped land

EUR '000	31 December 2014	31 December 2013
Austria	0	0
Germany	0	0
Central Europe	106	247
Southeastern Europe	822	941
	928	1,188

Composition:

Rental properties

EUR '000	31 December 2014	31 December 2013
Austria	491,159	518,891
Germany	451,207	425,355
Central Europe	281,098	279,265
Southeastern Europe	363,599	356,800
	1,587,063	1,580,311

The measurement of the fair value of rental properties totalling kEUR 1,587,063 in the financial year 2014 was based on hierarchy level 3.

Properties under development and undeveloped land

EUR '000	31 December 2014	31 December 2013
Austria	0	0
Germany	0	0
Central Europe	4,150	6,006
Southeastern Europe	10,302	10,671
	14,452	16,677

The measurement of the fair value of development projects and undeveloped land totalling kEUR 14,452 in the financial year 2014 was based on hierarchy level 3.

Purchasing obligations for properties in Berlin result from the purchasing contracts concluded in the financial year 2014.

In the financial year 2014, borrowing costs totalling kEUR 647 (2013: kEUR 595) were capitalised. These amounts related to properties still under construction.

Measurement of fair value

The following valuation methods were used in calculating hierarchy level 3 fair values: net income approach, discounted cash flow method (DCF method) and the investment method.

The net income approach uses the following factors for the valuation: adjusted sustainable rent, total operating costs, remaining useful life, capitalisation rate and land value.

The discounted cash flow method works with the following inputs: net rental income, discount rate, capitalisation rate and incidental acquisition costs.

The investment method calculates the fair value on the basis of the current rental, capitalisation rate and estimated rental value.

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

Different valuation methods were used in the various segments. In Austria, the fair value of kEUR 491,159 was in the majority of cases calculated using the net income approach, while in Germany, the fair value of kEUR 451,207 was calculated using the DCF method. In Central Europe, the DCF method, the net income approach, the investment method and the residual value method were used to calculate the fair value of kEUR 285,248. In Southeastern Europe, the fair value of kEUR 373,901 was calculated using the DCF method, the investment method, the sales comparison approach and the residual value method.

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

	Book value as at 31 December 2014 EUR '000	Valuation method applied	Inputs	Range ¹⁾
Austria	491,159	Net income approach	Capitalisation rate	3.00% to 6.00%
			Remaining life	12 to 65 years
Germany	451,207	Discounted cash flow	Capitalisation rate	4.50% to 8.00%
			Discount rate	5.75% to 8.50%
Central Europe	285,248	Discounted cash flow	Capitalisation rate	7.25% to 9.00%
			Discount rate	6.00% to 7.00%
		Investment method	Capitalisation rate	8.25% to 10.25%
			Discount rate	9.00% to 11.00%
		Net income approach	Capitalisation rate	4.35% to 8.20%
			Remaining life	32 to 44 years
		Residual value method	Capitalisation rate	5.30%
Construction/Building costs	800.00 EUR/m ²			

	Book value as at 31 December 2014 EUR '000	Valuation method applied	Inputs	Range ¹⁾
Southeastern Europe	373,901	Discounted cash flow	Capitalisation rate	7.25% to 9.50%
			Discount rate	8.25% to 10.50%
		Investment method	Capitalisation rate	7.80%
		Sales comparison approach	Average comparative value	41.75 EUR/m ²
		Residual value method	Capitalisation rate	8.50%
			Construction/Building costs	1,000.00 EUR/m ²

¹⁾ Across all use types

Overview of rental yields

in %	31 December 2014	31 December 2013
Austria	6.1	6.0
Germany	6.1	6.2
CEE	7.6	7.9
SEE	8.6	8.5
Total	6.9	7.0

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

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

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 2013	172,892	17,069	603	190,564
Currency translation	0	-156	-28	-184
Additions	1,640	2,743	49	4,432
Disposals	-210	-104	-7	-321
As at 31 December 2013	174,322	19,552	617	194,491
Currency translation	0	-584	-102	-686
Additions	5,359	1,447	151	6,957
Disposals	0	-461	-48	-509
As at 31 December 2014	179,681	19,954	618	200,253

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

EUR '000	Owner-operated hotels	Other plant and equipment	Intangible assets	Total
Accumulated depreciation and amortisation as at 01 January 2013	44,690	10,035	438	55,163
Currency translation	0	-129	-27	-156
Depreciation and amortisation	9,615	2,298	69	11,982
Disposals	0	-99	-2	-101
As at 31 December 2013	54,305	12,105	478	66,888
Currency translation	0	-536	-99	-635
Depreciation and amortisation	5,377	2,177	81	7,635
Disposals	0	-200	-10	-210
As at 31 December 2014	59,682	13,546	450	73,678
Book value as at 01 January 2013	128,202	7,034	165	135,401
Book value as at 31 December 2013	120,017	7,447	139	127,603
Book value as at 31 December 2014	119,999	6,408	168	126,575

In the financial year of 2013, a total of kEUR 3,074 in impairment losses on owner-occupied properties were necessary, which are distributed among the segments as follows: Austria kEUR 1,027, CEE kEUR 1,647 and SEE kEUR 400.

3.1.3. Interests in companies included at equity

The book value of the companies measured at equity came to kEUR 8,021 as at 31 December 2014 (31 December 2013: kEUR 7,393). The companies recognised according to the equity method are shown in the table depicting the scope of consolidation in section 2.2. These are companies that either hold or develop properties.

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

Associated companies

EUR '000	31 December 2014	31 December 2013
Long-term assets	52,964	86,284
Short-term assets	10,360	3,741
Long-term debts	32,896	61,347
Short-term debts	6,273	6,385
Group interest in net assets	8,022	7,363
EUR '000	2014	2013
Revenues	5,432	5,168
Profit for the period	2,814	1,267
Group share of the profit for the period	831	224

Joint ventures

EUR '000	31 December 2014	31 December 2013
Long-term assets	2,954	2,905
Short-term assets	7	6
Long-term debts	4,103	4,013
Short-term debts	0	28
Group interest in net assets	-571	-565

EUR '000	2014	2013
Revenues	0	0
Profit for the period	-12	-10
Group share of the profit for the period	-6	-5

In the financial year 2014, there were proportional losses from companies included at equity amounting to kEUR 6. A cumulative total of kEUR 576 was not realised as losses for companies measured at equity.

3.1.4. Other accounts receivable

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

3.1.5. Inventories

Inventories consist mainly of one freehold apartment (in Austria) and are measured at cost. The net realisable value of inventories exceeds their book value.

EUR '000	2014		2013	
	Trade receivables	Other accounts receivable	Trade receivables	Other accounts receivable
Less than 3 months overdue	1,016	26	1,390	361
3 to 12 months overdue	165	0	387	91
More than 1 year overdue	112	0	58	197
Total	1,293	26	1,835	649

3.1.6. Trade receivables and other accounts receivable

Trade receivables include rents receivable from tenants less any specific provisions required. These consist mainly of provisions against receivables in Southeastern Europe of kEUR 16,313 (2013: kEUR 14,295) and in Germany of kEUR 673 (2013: kEUR 1,019). As in 2013, there were no other impairments that had to be recognised. The book values of current accounts receivable largely correspond to their time values. There is not a concentration of credit risk because the Group generally has a large number of customers (particularly tenants) in the countries in which it operates.

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

3.1.6.1. Changes in provisions

Provisions for trade receivables developed as follows:

EUR '000	2014	2013
As at 01 January	16,066	16,519
Usage	-177	-213
Release	-2,159	-4,321
Additions	4,061	4,081
As at 31 December	17,791	16,066

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

3.1.6.2. Receivables – maturities

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

EUR '000	2014		2013	
	Trade receivables	Other accounts receivable	Trade receivables	Other accounts receivable
Less than 3 months overdue	1,016	26	1,390	361
3 to 12 months overdue	165	0	387	91
More than 1 year overdue	112	0	58	197
Total	1,293	26	1,835	649

3.1.6.3. Other financial assets

EUR '000	31 December 2014	31 December 2013
Property management agent clearing accounts	1,556	2,200
Deposits	1,356	1,219
Receivables from property disposals and property holding companies	887	16,000
Finance receivables	294	0
Present value of rental guarantee	277	554
Accrued interest rate caps	8	35
Other assets	1,856	1,568
	6,234	21,576

3.1.7. Other assets

The other assets of kEUR 9,107 (31 December 2013: kEUR 8,709) consisted mainly of prepaid expenses, tax receivables and prepayments.

3.1.8. Cash and cash equivalents

EUR '000	31 December 2014	31 December 2013
Bank balances	74,511	49,667
Cash in hand	186	206
	74,697	49,873

3.1.9. Properties held for sale

EUR '000	Austria	Germany	Total
As at 01 January 2013	33,000	29,700	62,700
Reclassifications	0	39,550	39,550
Disposals	-33,000	-29,700	-62,700
As at 31 December 2013	0	39,550	39,550
Reclassifications	34,865	7,980	42,845
Disposals	0	-39,550	-39,550
As at 31 December 2014	34,865	7,980	42,845

The amount of kEUR 42,845 as at 31 December 2014 relates to one hotel property in Vienna, Austria, and two residential properties in Berlin, Germany, as well as one residential property and one retail property in Hamburg, Germany. All properties held for sale are valued on the basis of the sales contracts.

3.1.10. Shareholders' equity

The nominal capital of the Group's parent company amounted to kEUR 243,144 (2013: kEUR 243,144) and is fully paid up. In the financial year 2014, no shares were cancelled, while in the financial year 2013 a total of 1,201,539 shares were cancelled.

On 30 November 2014, the share repurchase programme set into effect in December 2013 ended. On 15 December 2014, a further share repurchase programme was launched, which will expire on 31 December 2015 at the latest. In the financial year 2014, 96,500 shares were repurchased at a total price of kEUR 536 and in the financial year 2013, 434,548 shares were repurchased at a total price of kEUR 2,049.

The Management Board is authorised to issue convertible bonds conferring the right of conversion and/or subscription to up to 34,059,359 bearer shares in the company representing up to kEUR 123,755 of the share capital of the company in one or more tranches and with or without an exclusion of subscription rights until 01 June 2017, with the approval of the Supervisory Board. These shares will be issued against cash or equivalent contributions. The share capital is conditionally increased pursuant to para 159 (2) 1 AktG by up to kEUR 123,755 through the issue of up to 34,059,359 common bearer shares (authorised but unissued capital). The Management Board is authorised to increase the share capital by up to kEUR 123,755 through the issue of new bearer shares against cash contributions or contributions in kind (authorised capital).

Details of share capital

EUR '000	2014	2013
Total share capital	243,144	243,144
Treasury shares (nominal)	-368	-18
	242,775	243,126

Changes in number of shares

Number of shares	2014	2013
Number of shares as at 01 January	66,912,179	67,346,727
Repurchase of own shares	-96,500	-434,548
Issue of new shares	0	0
Treasury shares sold	0	0
Issued share capital at 31 December	66,815,679	66,912,179

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

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

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

The capital reserves of kEUR 72,350 (31.12.2013: kEUR 72,535) are restricted reserves in the meaning of section 229 (5) Austrian Commercial Code (UGB).

The other reserves of kEUR 283,580 (31.12.2013: kEUR 266,837) shown in the statement of changes in consolidated equity consist mainly of released capital reserves together with accumulated retained earnings. The foreign currency reserve of kEUR -16,473 (31.12.2013: kEUR -19,193) is made up of the currency translation differences in accordance with IAS 21. The hedge accounting reserve of kEUR -26,835 (31.12.2013: kEUR -39,212) comprises the valuation differences on cash flow hedges recognised under equity.

Additional information on capital management

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

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

provisions in the articles of incorporation concerning the capital structure.

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

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

The Group is not managed according to individual parameters. However, the equity ratio is not allowed to fall significantly below 30% over the long term. Capital management at S IMMO changed during the reporting period in that bonds were issued for the first time in the history of the company.

3.1.11. Non-controlling interests

The minority interests of kEUR 25,855 (31.12.2013: kEUR 25,531) primarily relate to Einkaufszentrum Sofia G.m.b.H. & Co KG (35% interest). As at 31 December 2014, Einkaufszentrum Sofia G.m.b.H. & Co KG reported equity of kEUR 68,964 (31.12.2013: kEUR 70,206) and annual net income of kEUR 7,653 (2013: kEUR 2,791). The disposals in the amount of kEUR 2,086 (2013: kEUR 2,500) shown in the statement of changes in consolidated equity are due to distributions.

3.1.12. Subordinated participating certificate capital

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

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

$$\left(\begin{array}{l} \text{Participating certificate} \\ \text{capital + profit brought *} \\ \text{forward} \end{array} \right) \times \frac{\text{Consolidated EBIT}}{\text{Average property portfolio} \\ \text{(not including development} \\ \text{projects)}}$$

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

For the financial year 2014, the profit for the year was kEUR 6,905 (2013: kEUR 9,211).

As at 31 December 2014, there were 1,130,681 participating certificates in circulation. The total entitlements of participating certificate holders as of that date were EUR 84.50 (2013: EUR 80.88) per certificate, which break down as follows:

EUR '000	Participating certificate capital	Profit brought forward	Profit for the period	Share of undisclosed reserves on property portfolio	Total
Participating certificate capital – 01 January 2014	167,704			2,099	169,803
Profit brought forward 01 January 2014		7,632			7,632
Income entitlements of participating certificate holders from 2013			9,211		9,211
Distribution – 28 April 2014			-6,842		-6,842
Change in profit brought forward pursuant to clause 5 (6), Participating Certificates Agreement		2,368	-2,368		0
Repurchase and retirement of 1,177,066 participating certificates	-85,537	-5,141		-1,071	-91,749
Income entitlements of participating certificate holders			6,905		6,905
Allocation of undisclosed reserves on property portfolio				580	580
Participating certificate capital as at 31 December 2014	82,166	4,860	6,905	1,608	95,539
Per participating certificate (EUR)	72.67	4.30	6.11	1.42	84.50

Previous year:

EUR '000	Participating certificate capital	Profit brought forward	Profit for the period	Share of undisclosed reserves on property portfolio	Total
Participating certificate capital – 01 January 2013	201,584			2,433	204,017
Profit brought forward 01 January 2013		6,449			6,449
Income entitlements of participating certificate holders from 2012			12,018		12,018
Distribution – 17 May 2013			-9,045		-9,045
Change in profit brought forward pursuant to clause 5 (6), Participating Certificates Agreement		2,973	-2,973		0
Repurchase and retirement of 466,215 participating certificates	-33,880	-1,790		-409	-36,078
Income entitlements of participating certificate holders			9,211		9,211
Allocation of undisclosed reserves on property portfolio				75	75
Participating certificate capital as at 31 December 2013	167,704	7,632	9,211	2,099	186,645
Per participating certificate (EUR)	72.67	3.31	3.99	0.91	80.88

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

Due to the exchange of participating certificates for a bond as described in section 3.1.13., the result allocable to the liabilities arising from the participating certificates declined substantially in the 2014 financial year. On 31 December 2014, the participating certificate tranche with the ISIN AT0000795737 was listed at a price of EUR 81.00 per certificate; the tranche with the ISIN AT0000630694 was listed at a price of EUR 81.00 per certificate, which translates to a fair value of kEUR 91,585.

3.1.13. Issued bonds

S IMMO AG issued two bonds in the 2014 financial year. In June 2014, S IMMO AG issued a bond (ISIN AT0000A177D2) with a total nominal value of kEUR 89,739.50 divided into 179,479 units with a nominal value of EUR 500 each by way of exchange for participating certificates. The exchange took the form of a voluntary exchange offer and resulted in the swapping of 519,584

participating certificates with the ISIN AT0000795737 and 620,416 participating certificates with the ISIN AT0000630694. The exchange of the participating certificates for the bond was recognised according to IAS 39.40. This bond is listed in the Corporates Prime segment of the Vienna Stock Exchange and runs until 16 June 2021 at a fixed coupon of 4.50%.

At the beginning of October 2014, S IMMO AG issued a further bond (ISIN AT0000A19SB5) with a total nominal value of kEUR 100,000 divided into 200,000 units with a nominal value of EUR 500 each. This bond is also listed in the Corporates Prime segment of the Vienna Stock Exchange and runs until 02 October 2019 at a fixed coupon of 3.00%. Taking into account the issue costs to be offset, this resulted in a kEUR 88,894 and kEUR 99,388 increase in bond liabilities. The effective interest rate is 4.66% and 3.13%. On 31 December 2014, the bond with the ISIN AT0000A177D2 was listed at a price of 110.25, and the bond with the ISIN AT0000A19SB5 at 104.10. The market value of the bond liabilities as at 31 December 2014 is kEUR 203,038 according to the stock exchange listing.

3.1.14. Provisions

The non-current provisions developed as follows:

EUR '000	01 January 2014	Accumulation	Reclassifica- tion	Utilised	Increased	31 December 2014
Project and transaction risks	1,405	67			81	1,553
Employee provisions	1,446			-35	489	1,900
Other provisions	111		-99	-12		0
	2,962	67	-99	-47	570	3,453

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

The employee provisions as at 31 December 2014 include provisions for pension entitlements of kEUR 912 (31 December 2013: kEUR 624), provisions for severance benefits of kEUR 537 (31 December 2013: kEUR 468) and provisions for long-service entitlements of kEUR 452 (31 December 2013: kEUR 354). The following parameters were taken as a basis for the calculation:

	31 December 2014	31 December 2013
Actuarial interest rate	1.85%	3.30%
Expected raise in salaries	1.50% to 2.58%	1.50% to 2.58%
Blanket fluctuation allowance	7.00% to 22.36%	7.00% to 22.36%

Please refer to note 2.6.14. for information about the sensitivity of assumptions for the calculation of post-employment, termination and anniversary benefits.

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

EUR '000	Pensions	Severance payments	Long-service bonuses
Present value as at 01 January 2013	1,015	455	314
Current service costs	39	19	60
Interest expense	36	13	9
Payments	0	-25	-27
Remeasurement of benefit obligations	3	6	-2
Present value as at 31 December 2013	1,093	468	354
Plan assets as at 31 December 2013	469	0	0
Provisions as at 31 December 2013	624	468	354
Present value as at 01 January 2014	1,093	468	354
Current service costs	56	19	64
Interest expense	36	15	11
Payments	0	0	-35
Remeasurement of benefit obligations	251	35	58
Present value as at 31 December 2014	1,436	537	452
Plan assets as at 31 December 2014	524	0	0
Provisions as at 31 December 2014	912	537	452

The obligation to form a provision for severance benefits is based on labour law. For persons whose employment started before 01 January 2003, S IMMO Group is required under the statutory provisions to make a one-time severance payment to any employee whose employment is terminated by the

employer or who reaches the age of retirement while employed. The benefit entitlements are dependent on the number of years of service and the level of remuneration at the time the entitlement arises, and amount to between two and 12 months' salary.

The pension obligations shown at the balance sheet date relate to current staff. Payments for Group employees are made to an external pension fund. The plan assets resulting from these contributions amounted to kEUR 524 as at 31 December 2014 (31 December 2013: kEUR 469).

The current provisions developed in the financial year 2014 as follows:

EUR '000	01 January 2014	Reclassification	Released	Utilised	Increased	31 December 2014
Project and transaction risks	1,490	0	-530	-660	0	300
Other provisions	434	-35	0	0	55	454
	1,924	-35	-530	-660	55	754

The provisions for project and transaction risks are largely connected to existing projects in Southeastern Europe.

Other provisions include provisions for indemnification costs and legal disputes.

3.1.15. Taxes on income

3.1.15.1. Current and deferred taxes on income

Tax expense was made up as follows:

EUR '000	2014	2013
Current taxes	-5,162	-3,298
Deferred taxes	-20,520	-1,255
	-25,682	-4,553

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	01-12/2014	01-12/2013
Profit before taxes	59,522	32,607
Income tax expense at the standard Austrian tax rate of 25%	-14,881	-8,152
Effects of differing foreign tax rates	3,127	1,608
Taxable appreciation of interests and loans	-12,162	0
Decreases relating to non-deductible expenses	2,908	5,600
Increases relating to non-deductible expenses	-4,674	-3,609
Tax expense as disclosed	-25,682	-4,553
Effective tax rate	43.15%	13.96%

3.1.15.2. Deferred taxes

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

- *taxable temporary differences*, which will result in taxable amounts in the calculation of taxable income or tax loss in future periods when the book value of the asset is realised or the liability is settled, or
- *deductible temporary differences*, which will result in tax deductible amounts in the calculation of taxable income or tax loss in future periods when the 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 which at the time of the transaction does not affect the profit or loss either under IFRS or for tax purposes.

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

EUR '000	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Properties	10,395	-120,257	10,920	-103,637
Financial instruments	13,059	0	14,578	0
Other items	3,006	-2,721	1,599	-2,917
Tax loss carryforwards	32,134	0	40,217	0
Subtotal	58,594	-122,978	67,314	-106,555
Netting	-47,822	47,822	-53,550	53,550
Deferred tax assets (+) / liabilities (-)	10,772	-75,156	13,764	-53,005

Of these totals, deferred tax assets of kEUR 7,301 (2013: kEUR 12,135) and deferred tax assets of kEUR 46 (2013: deferred tax liabilities of kEUR 27) were recognised not through profit or loss but under other comprehensive income. No deferred tax assets have been recognised for tax loss carryforwards totalling kEUR 75,496 (31 December 2013: kEUR 74,819).

Assuming that the property values were to change uniformly by +/-1% across the portfolio, the deferred property taxes would change as follows under identical book values for tax purposes:

EUR '000	+1%	Base value deferred taxes (netted)	-1%
Deferred taxes on properties	113,290	109,862	106,431

3.1.15.3. Measurement

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

EUR '000	Tax rate for 2014	Tax rate for 2015
Austria	25.00%	25.00%
Germany	15.83% or 30.80% ¹⁾	15.83% or 30.80% ¹⁾
Czech Republic	19.00%	19.00%
Slovakia	22.00%	22.00%
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 subject to business tax or not.

²⁾ The tax rate in Hungary is progressive: Up to a taxable amount of HUF 500,000,000, the tax rate is 10%, thereafter 19%.

3.2. Income statement

3.2.1. Rental income and revenues from operating costs

Rental income in EUR '000	2014	2013
Office	38,908	41,143
Residential	20,267	21,801
Retail	44,086	45,512
Hotels	8,584	8,251
	111,845	116,707

The rental income and revenues from operating costs result almost entirely from investment properties.

3.2.2. Operating costs and expenses from properties and hotel operations

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

EUR '000	2014	2013
Operating costs	-38,062	-40,870
Repairs and maintenance	-10,877	-12,071
Write-offs of and provisions on trade receivables	-2,620	-2,018
Commissions	-1,360	-2,388
Other	-3,231	-3,256
	-56,150	-60,603

Expenses of kEUR 277 were attributable to properties not yet generating income (2013: kEUR 166).

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

3.2.3. Gains on property disposals

EUR '000	2014	2013
Disposal proceeds		
Investment properties	0	59,473
Properties held for sale	51,587	62,990
Inventories	0	5,608
	51,587	128,071
Carrying value of property disposals		
Investment properties	0	-55,976
Properties held for sale	-51,407	-62,700
Inventories	0	-2,981
	-51,407	-121,657
Gains on property disposals		
Investment properties	0	3,497
Properties held for sale	180	290
Inventories	0	2,627
	180	6,414

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

3.2.4. Management expenses

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

EUR '000	2014	2013
Personnel expenses	-6,826	-6,541
Legal, audit, valuation and consultancy costs	-3,471	-2,773
Management fees and administration expenses	-1,466	-1,542
Corporate Communications and Investor Relations	-1,408	-1,115
Other taxes and charges	-721	-821
Other	-2,158	-2,286
	-16,050	-15,078

Fees for the Group's auditors for 2014 totalled kEUR 370 (2013: kEUR 169). This amount is divided into the following fields of activity:

EUR '000	2014	2013
Audit of the consolidated financial statements	48	48
Other auditing services	253	98
Tax consulting	0	0
Other advisory services	69	23
	370	169

The average number of employees in 2014 was 516 (2013: 505), including hotel staff. Personnel expenses for the hotels are disclosed under hotel operations.

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

Defined contribution plans

As required by law, S IMMO Group pays 1.53% of the relevant monthly salaries into an employees' severance pay and pension fund for all employees who joined the Group after 31 December 2002. Personnel expenses included contributions of kEUR 48 (2013: kEUR 48) paid into the fund. For other defined contribution plans, kEUR 107 (2013: kEUR 80) were recognised in profit or loss.

3.2.5. Depreciation and amortisation

This item comprises scheduled and unscheduled depreciation and amortisation on owner-operated properties, other plant and equipment, and intangible assets as well as impairment and amortisation on goodwill and was made up as follows:

EUR '000	2014	2013
Owner-operated properties	-5,377	-9,615
Other plant and equipment	-2,177	-2,298
Intangible assets	-81	-69
Goodwill	0	-10
	-7,635	-11,992

3.2.6. Gains/losses on property valuation

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

EUR '000	2014	2013
Changes in fair value		
Increases	68,561	52,028
Decreases	-12,759	-45,149
Other	750	0
	56,552	6,879

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

The revaluation result relating to transaction-based revaluation versus carrying value is as follows:

EUR '000	2014	2013
Standing properties	49,541	-9,392
Properties held for sale	4,568	13,556
Properties sold	2,443	2,715
	56,552	6,879

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

EUR '000	2014	2013
Austria	17,567	5,446
Germany	33,402	23,821
Central Europe	184	-17,560
Southeastern Europe	5,399	-4,828
	56,552	6,879

3.2.7. Financing result

EUR '000	2014	2013
Bank interest expenses (incl. settled derivatives)	-50,954	-49,919
Hedge accounting effects and derivative valuation effects through profit or loss	-11,849	-2,321
Exchange differences	-3,360	-838
Interest on bonds	-3,016	0
Results from repurchase and retirement of participating certificates	-1,338	326
Other financing and interest expense	-2,587	-853
Bank interest income	226	347
Income from investments	86	101
Results from companies measured at equity	924	-1,543
Other financing and interest income	131	799
	-71,737	-53,901

3.2.8. Earnings per share

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

		2014	2013
Equity share of consolidated net profit	EUR '000	31,016	27,309
Average number of shares in circulation	Units	66,850,164	67,178,863
Undiluted earnings	EUR	0.46	0.41
Diluted earnings	EUR	0.46	0.41

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

Based on these characteristics, segmentation occurs by region at S IMMO Group. 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 subsidiaries in Denmark and Austria that are property ownership companies holding properties in Germany.

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

		Austria	
EUR '000		2014	2013
Rental income		29,906	30,632
Revenues from operating costs		7,184	8,189
Revenues from hotel operations		24,498	23,467
Total revenues		61,588	62,288
Other operating income		2,108	1,762
Property operating expenses		-10,881	-12,004
Hotel operating expenses		-19,329	-18,030
Gross profit		33,486	34,016
Gains on property disposals		0	4,057
Management expenses		-9,816	-8,781
EBITDA		23,670	29,292
Depreciation and amortisation		-2,849	-4,234
Results from property valuation		17,567	5,446
EBIT		38,388	30,504
Non-current assets as at 31 December		549,248	576,835
Non-current liabilities (incl. participating certificates in Austria) as at 31 December		530,028	488,025

Southeastern Europe: This operating segment includes the subsidiaries in Bulgaria, Croatia and Romania.

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

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

In preparing and presenting the segment information, the same disclosing, accounting and valuation policies are applied as for the consolidated financial statements. The carrying value of the interests in companies that are recognised according to the equity method breaks down to kEUR 6,548 for the segment of Austria (31.12.2013: kEUR 6,273) and kEUR 1,563 for the segment of Southeastern Europe (31.12.2013: kEUR 1,120).

Major customers

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

Germany		Central Europe		Southeastern Europe		Total	
2014	2013	2014	2013	2014	2013	2014	2013
28,153	29,880	20,387	22,233	33,399	33,962	111,845	116,707
8,970	9,782	6,095	6,886	12,293	11,970	34,542	36,827
0	0	17,606	16,734	0	0	42,104	40,201
37,123	39,662	44,088	45,853	45,692	45,932	188,491	193,735
1,725	2,739	522	321	345	1,364	4,700	6,186
-19,518	-23,439	-8,418	-7,869	-17,333	-17,291	-56,150	-60,603
0	0	-12,015	-11,717	0	0	-31,344	-29,747
19,330	18,962	24,177	26,588	28,704	30,005	105,697	109,571
0	1,941	180	416	0	0	180	6,414
-3,371	-3,358	-1,557	-1,247	-1,306	-1,692	-16,050	-15,078
15,959	17,545	22,800	25,757	27,398	28,313	89,827	100,907
-124	-123	-3,966	-6,134	-696	-1,501	-7,635	-11,992
33,402	23,821	184	-17,560	5,399	-4,828	56,552	6,879
49,237	41,243	19,018	2,063	32,101	21,984	138,744	95,794
451,951	427,388	351,121	353,704	395,997	388,570	1,748,317	1,746,497
190,826	199,886	218,364	182,757	205,498	126,906	1,144,716	997,574

5. OTHER INFORMATION

5.1. Financial instruments

5.1.1. Categories

S IMMO Group classifies its financial instruments as follows:

31 December 2014 Book values in EUR '000	Derivatives	Available for sale	Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Total
ASSETS						
Group interests		834				834
Trade receivables				12,078		12,078
Other financial assets	8			6,826		6,834
Cash and cash equivalents		74,697				74,697
TOTAL ASSETS	8	75,531	0	18,904	0	94,443
EQUITY AND LIABILITIES						
Non-current liabilities						
Subordinated participating certificate capital					95,539	95,539
Issued bonds					188,367	188,367
Other financial liabilities	61,133				721,057	782,190
thereof finance leasing					15,236	
Current liabilities						
Financial liabilities ¹⁾					122,992	122,992
thereof finance leasing					3,923	
Trade payables					6,444	6,444
TOTAL EQUITY AND LIABILITIES	61,133	0	0	0	1,134,399	1,195,532

¹⁾ Including isolated bond interests

31 December 2013
Book values in EUR '000

	Derivatives	Available for sale	Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Total
ASSETS						
Group interests		749				749
Trade receivables				12,115		12,115
Other financial assets	35			21,541		21,576
Cash and cash equivalents		49,873				49,873
TOTAL ASSETS	35	50,622	0	33,656	0	84,313
EQUITY AND LIABILITIES						
Non-current liabilities						
Subordinated participating certificate capital					186,645	186,645
Other financial liabilities	62,748				692,209	754,957
thereof finance leasing					19,157	
Current liabilities						
Financial liabilities	2,750				282,801	285,551
thereof finance leasing					3,861	
Trade payables					4,860	4,860
TOTAL EQUITY AND LIABILITIES	65,498	0	0	0	1,166,515	1,232,013

The bond liabilities had a fair value of kEUR 203,038 as at 31 December 2014 (31 December 2013: 0). The fair value of the participating certificate liabilities as at 31 December 2014 is kEUR 91,585 (31 December 2013: kEUR 181,158). The book values indicated for the other financial liabilities largely correspond to the fair values.

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

EUR '000	2014		2013	
	Current financial results	Valuation effects	Current financial results	Valuation effects
Derivatives	-25,747	-11,849	-25,114	-2,321
Available for sale	86		86	
Loans and receivables		-2,620		-2,018
Financial liabilities at amortised cost	-35,579		-34,091	

The amounts for exchange rate differences were incurred as costs for financial liabilities at amortised cost amounting to kEUR 3,076 (2013: kEUR 758).

5.1.2. Hierarchy of fair value measurement

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

Level 1:	Quoted prices for 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 2014

EUR '000	Level 1	Level 2	Level 3	Total
Other financial assets				
Derivatives	0	8	0	8
Financial liabilities				
Derivatives	0	-61,133	0	-61,133

31 December 2013

EUR '000	Level 1	Level 2	Level 3	Total
Other financial assets				
Derivatives	0	35	0	35
Financial liabilities				
Derivatives	0	-65,498	0	-65,498

5.1.3. Derivatives

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

These valuations are based primarily on present value models and standard market methods such as the Black '76 model with input parameters such as the interest rate curve of the respective currency and the cap volatilities.

CVA/DVA are considered for all existing OTC derivatives with the exception of derivatives that are secured by property together with the designated loan under the terms of the respective credit agreement. For this, credit spreads were first determined to estimate the probability of default. Then, the share of the default risk was estimated on the basis of theoretical considerations and extrapolated for multiple maturities using an approximate formula to generate a kind of CDS spread curve. The DVA is

immaterial for OTC derivatives that are secured by property together with the designated loan under the terms of the respective credit agreement because of the provided collateral. The CVA is also immaterial due to the highly negative market values of these OTC derivatives.

The company generally uses swaps, caps and collars to manage the interest rate risk in connection with variable-rate property financing. In some cases, interest rate derivatives are

concluded for individual projects, and in other cases large volume derivatives are used for financing agreements for a number of individual projects.

Derivatives disclosed under other receivables amounted to kEUR 8 (31 December 2013: kEUR 35) and derivatives disclosed under current and non-current financial liabilities totalled kEUR 61,133 (31 December 2013: kEUR 65,498).

EUR '000	31 December 2014				31 December 2013			
	Nominal	Positive fair value	Negative fair value	Maturity	Nominal	Positive fair value	Negative fair value	Maturity
Swaps	0	0	0	less than 1 year	0	0	0	less than 1 year
	383,560	0	-44,102	1 to 5 years	336,400	0	-38,233	1 to 5 years
	86,500	0	-10,353	more than 5 years	117,900	0	-14,776	more than 5 years
Caps	19,500	3	0	less than 1 year	42,591	0	0	less than 1 year
	47,020	2	-810	1 to 5 years	111,450	35	-2,117	1 to 5 years
	25,000	3	0	more than 5 years	0	0	0	more than 5 years
Collars	0	0	0	less than 1 year	100,000	0	-2,750	less than 1 year
	100,000	0	-5,868	1 to 5 years	100,000	0	-7,622	1 to 5 years
Total	661,580	8	-61,133		808,341	35	-65,498	

The fair values of the derivatives change as follows when the interest rates shift by +100 bp. No information is being provided about the change in the fair values of the caps due to immateriality.

EUR '000	31 December 2014			
	Nominal	Fair value before interest shift	Change in kEUR	Change in %
Swaps	470,060	-54,455	15,109	21.51
Collars	100,000	-5,868	1,262	27.75
Total	570,060	-60,323	16,371	

5.2. Risk management

5.2.1. Exchange and interest rate risk

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

At 31 December 2014, around 82% (31 December 2013: 90%) of the Group's credit portfolio consisted of variable-rate loans and roughly 18% (31 December 2013: 10%) were fixed-rate loans. The long- and short-term financial liabilities include fixed-rate loans in the amount of kEUR 152,781 (31 December 2013: kEUR 87,487). Of the variable-rate loans, roughly 90% are

based on the three-month Euribor with quarterly adjustment and roughly 10% on the six-month Euribor with bi-annual adjustment. The company issued fixed-rate bonds for the first time in its history in 2014. More details can be found in section 3.1.13.

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

The stress test (based on the variable- and fixed-rate financial liabilities as at 31 December 2014) shows that increases in the base rate (Euribor) have only a small effect on the Group's financing costs. For example, a 100 BP increase in the Euribor increases financing costs by only 12 BP.

Stress test as at 31 December 2014

Stress test (parallel shift in interest rate curve)	3-month Euribor	Cost of funding	Differential cost of funding	Interest sensitivity
Interest shift + 400 BP	4.08%	5.28%	52 BP	13%
Interest shift + 300 BP	3.08%	5.11%	35 BP	12%
Interest shift + 200 BP	2.08%	4.99%	23 BP	12%
Interest shift + 100 BP	1.08%	4.88%	12 BP	12%
Interest shift + 50 BP	0.58%	4.82%	6 BP	13%

Stress test as at 31 December 2013

Stress test (parallel shift in interest rate curve)	3-month Euribor	Cost of funding	Differential cost of funding	Interest sensitivity
Interest shift + 400 BP	4.29%	5.77%	66 BP	16%
Interest shift + 300 BP	3.29%	5.62%	51 BP	17%
Interest shift + 200 BP	2.29%	5.44%	33 BP	16%
Interest shift + 100 BP	1.29%	5.27%	16 BP	16%
Interest shift + 50 BP	0.79%	5.19%	8 BP	16%

5.2.2. Liquidity and lender risks

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

In past years, the loan to value ratio was around 60% or less. The loan to value ratio for secured financing amounted to 48% (2013: 52%) and for unsecured financing to 12% (2013: 11%). To keep lender risks to a minimum, S IMMO Group works with a total of 24 different, well-known financial institutions in Austria and Germany.

	Percentage of bank liabilities
Erste Group	28%
Sparkassen	6%
Other Austrian banks	36%
Insurance companies	24%
German banks	6%

Maturity analysis of financial liabilities

The maturities of undiscounted cash flows for future periods are shown as follows:

31 December 2014

EUR '000	Subordinated participating certificate capital	Issued bonds	Other financial liabilities ¹⁾	Trade payables
Remaining maturity of less than 1 year	0	7,038	161,172	6,444
Remaining maturity between 1 and 5 years	95,539	128,153	480,684	0
Remaining maturity of over 5 years	0	97,816	376,093	0

¹⁾ Thereof finance leasing: less than 1 year: kEUR 4,120, between 1 and 5 years: kEUR 10,735, over 5 years: kEUR 4,962.

31 December 2013

EUR '000	Subordinated participating certificate capital	Other financial liabilities ¹⁾	Trade payables
Remaining maturity of less than 1 year	0	320,845	4,860
Remaining maturity between 1 and 5 years	186,645	454,503	0
Remaining maturity of over 5 years	0	419,252	0

¹⁾ Thereof finance leasing: less than 1 year: kEUR 4,132, between 1 and 5 years: kEUR 12,699, over 5 years: kEUR 7,204.

5.2.3. Borrower risks

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

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

5.3. Rental agreements

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

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

EUR '000	2014	2013
Following year	83,356	85,970
For the 4 years following thereafter	237,216	237,238
More than 5 years	149,941	200,297
	470,513	523,505

The planned changes to the accounting for leases according to IFRS are expected to have an immaterial effect on the consolidated financial statements of S IMMO, because this proposed standard will most likely not be applicable to properties that are recognised at fair value according to IAS 40.

5.4. Leasing – Group as lessee

The total of future minimum lease payments from operating leases are as follows:

EUR '000	2014	2013
Following year	475	472
For the following 4 years thereafter	1,885	1,882
More than 5 years	12,008	12,420
	14,368	14,774

The investment property assets include properties from finance leases in the amount of kEUR 51,490 (2013: kEUR 51,690).

Finance leases are concluded for a term of 10 to 15 years. The interest rates upon which the contracts are based are variable and linked to the three-month Euribor or six-month Euribor.

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

EUR '000	In the following year	For the 4 years following thereafter	Over 5 years	31 December 2014
Amount of future minimum lease payments	4,120	10,735	4,962	19,817
Interest amount	197	407	54	658
Present value of minimum lease payments	3,923	10,328	4,908	19,159

EUR '000	In the following year	For the 4 years following thereafter	Over 5 years	31 December 2013
Amount of future minimum lease payments	4,132	12,699	7,204	24,035
Interest amount	271	613	133	1,017
Present value of minimum lease payments	3,861	12,086	7,071	23,018

5.5. Pending litigation

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

5.6. Related party disclosures

S IMMO Group's related parties are as follows:

- S IMMO Group's managing bodies
- Erste Group
- Vienna Insurance Group
- Arealis Liegenschaftsmanagement GmbH
- Associated companies and joint ventures

Erste Group and Vienna Insurance Group are S IMMO AG's strategic core shareholders. Arealis Liegenschaftsmanagement GmbH is a joint subsidiary of Erste Group and Vienna Insurance Group.

S IMMO Group's managing bodies were as follows:

Management Board of S IMMO AG

Ernst Vejdovsky, Vienna
Friedrich Wachernig, MBA, Vienna

Supervisory Board of S IMMO AG

Martin Simhandl, Vienna (Chairman)
Ralf Zeitlberger, Vienna (First Deputy Chairman)
Franz Kerber, Graz (Second Deputy Chairman)
Andrea Besenhofer, Vienna
Christian Hager, Krems
Erwin Hammerbacher, Vienna
Michael Matlin, MBA, New York
Wilhelm Rasinger, Vienna

Remuneration of the Management Board breaks down as follows:

EUR '000	2014	2013
Fixed	453	407
Variable	318	495
	771	902

In addition to the amounts specified above, other benefits consisted primarily of contributions to pension funds in the amount of kEUR 53 (2013: kEUR 54) and contributions to the staff benefit fund in the amount of kEUR 12 (kEUR 14). The allocable service cost from pension entitlements comes to kEUR 56 (2013: kEUR 39).

Members of the Supervisory Board received remuneration amounting to kEUR 106 (2013: kEUR 105). Members of subsidiaries' supervisory boards received no remuneration. Neither members of the Management Board nor Supervisory Board members received either loans or advances, and no guarantees have been provided on their behalf.

Erste Group mainly provides S IMMO Group with administrative, intermediary and financial services, while Vienna Insurance Group mostly provides financial and insurance services.

The Group had the following receivables and payables with Erste Group and Vienna Insurance Group at the end of the year:

EUR '000	31 December 2014	31 December 2013
Other receivables	3,581	2,107
Bank balances	22,199	20,256
Receivables	25,780	22,363

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

EUR '000	31 December 2014	31 December 2013
Non-current bank and financial liabilities	376,568	458,172
Current bank and financial liabilities	99,715	60,286
Trade payables	402	13
Other liabilities	906	536
Liabilities	477,591	519,007

The financial liabilities and liabilities to banks were subject to interest rates of between 0.92% and 6.6% and for the most part had residual maturities of more than 5 years.

From 01 January 2013 until 31 December 2013 and from 01 January 2014 until 31 December 2014, the following material expenses were incurred and income generated in connection with Erste Group and Vienna Insurance Group:

EUR '000	2014	2013
Commissions	149	66
Management fees	1,339	1,359
Bank loan interest and other interest and bank charges	34,659	33,008
Other expenses	2,741	1,786
Expenses	38,888	36,219
EUR '000	2014	2013
Rent and service charges	705	732
Bank interest	66	139
Other interest income	51	46
Income	822	917

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

A provision for liability risks was formed in the amount of kEUR 1,553 (2013: kEUR 1,405) for a company measured at equity.

No transactions were conducted with associated companies or joint ventures that are recognised according to the equity method in the 2014 financial year.

5.7. Significant events after the balance sheet date

In the first quarter of 2015, a further 24,000 shares were repurchased at a price of roughly kEUR 160, and 696 participating certificates were bought back at a price of roughly kEUR 56.

On 11 March 2015, the company published a voluntary public exchange offer pursuant to section 4 et seq. Austrian Takeover Act (ÜbG) to the holders of S IMMO INVEST participating certificates, ISIN AT0000795737 and ISIN AT0000630694, for the acquisition of participating certificates by means of an alternative exchange and cash offer. A total of 401,312 participating certificates were exchanged for bonds, and 74,457 submitted for the cash offer. On 09 April 2015, the company therefore acquired a total of 475,769 S IMMO INVEST participating certificates and in return issued a ten-year bond with a fixed interest rate of 3.25% p.a. (ISIN AT0000A1DBM5) with a total nominal value of EUR 33,993,500 and made cash payments in the amount of EUR 6,446,865.00.

The company also issued another fixed-rate bond with a volume of EUR 65m, a term of 12 years and a fixed coupon of 3.25% p.a. in the middle of April 2015.

Vienna, 24 April 2015

The Management Board

Ernst Vejdovszky m.p.

Friedrich Wachernig, MBA m.p.

Declaration pursuant to section 82 (4) item (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

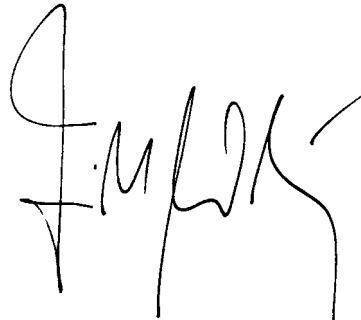
fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with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

Vienna, 24 April 2015

The Management Board



Ernst Vejdovsky m.p.



Friedrich Wachernig, MBA m.p.

Auditor's Report

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of S IMMO AG, Vienna, for the fiscal year from 01 January 2014 to 31 December 2014. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2014, the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended 31 December 2014, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements under Section 245a UGB. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the 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 Austrian Standards on Auditing as well as in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting 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 reasonable 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 31 December 2014 and of its financial performance and its cash flows for the fiscal year from 01 January 2014 to 31 December 2014 in accordance with the International Financial Reporting Standards (IFRS) 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 and whether the disclosures pursuant to Section 243a (2) 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, 24 April 2015

PwC Wirtschaftsprüfung GmbH

Peter Pessenlehner m.p.
Austrian Certified Public Accountant

Property portfolio

	Acquisition date	Use type	Total area in m ²	Main lettable area in m ² (excl. internal parking and ancillary space)	Office in m ²
Austria					
Vienna					
1010 Vienna, Getreidemarkt 2–4 (Akademiefhof)	2007	Office	5,886	5,184	5,184
1010 Vienna, Parkring 12a (Vienna Marriott Hotel)	2000	Hotel	19,631	19,631	0
1010 Vienna, Neutorgasse 4–8 (Neutor 1010)	2010	Office	7,198	5,079	5,079
1010 Vienna, Parkring 12a	2003	Office	2,576	1,827	1,130
1020 Vienna, Franzensbrückenstrasse 5	2001	Office	2,914	2,054	2,054
1020 Vienna, Trabrennstrasse 4 (Hotel Zwei)	2010	Hotel	22,371	18,971	0
1020 Vienna, Trabrennstrasse 6 (Hoch Zwei)	2010	Office	28,718	21,709	21,709
1020 Vienna, Trabrennstrasse 8 (Plus Zwei)	2010	Office	31,304	19,014	19,014
1030 Vienna, Franzosengraben 12	1990	Office	5,998	3,750	3,750
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
1060 Vienna, Mariahilfer Strasse 121b	2001	Office	5,463	4,184	3,045
1060 Vienna, Mariahilfer Strasse 103	2004	Office	11,189	7,776	5,637
1070 Vienna, Burggasse 51	1998	Residential	11,284	11,284	137
1100 Vienna, Hasengasse 56 (IPONE)	1999	Office	7,707	5,646	5,506
1120 Vienna, Meidlinger Hauptstrasse 73	2002	Retail	18,950	13,642	5,975
1140 Vienna, Scheringgasse 2	2004	Office	10,945	10,045	2,464
1150 Vienna, Gassgasse 1–7	2002	Office	7,358	6,008	5,736
1150 Vienna, Sechshauser Strasse 31–33	2006	Residential	7,945	7,062	2,130
1160 Vienna, Lerchenfeldergürtel 43 (IPTWO)	2000	Office	5,749	4,204	3,837
1210 Vienna, Brünner Strasse 72a	2005	Retail	14,074	8,724	0
1210 Vienna, Franz-Jonas-Platz 2–3	2007	Retail	14,774	10,327	2,233
1210 Vienna, Gerasdorfer Strasse 133	2004	Retail	943	943	0
Total Vienna			273,786	211,762	119,160
Properties in Austrian Federal States					
2384 Breitenfurt, Hauptstrasse 107	1987	Retail	850	850	0
9560 Feldkirchen, Kindergartenstrasse 2	1987	Retail	2,000	2,000	0
5020 Salzburg, Sterneckstrasse 50–52	1994	Office	5,566	3,079	2,237
2700 Wr. Neustadt, Prof.-Dr.-Stefan-Koren-Str. 8a	1991	Office	2,640	2,296	1,309
Total properties in Austrian Federal States			11,056	8,226	3,546
Total Austria			284,842	219,988	122,706
Germany					
Berlin					
Portfolio Charlottenburg and Wilmersdorf			52,332	51,879	0
Portfolio Friedenau			2,535	2,535	0
Portfolio Friedrichshain			31,280	31,239	100
Portfolio Kreuzberg			33,658	33,555	0
Portfolio Lützow Center			38,641	37,720	15,742
Portfolio Mitte			2,097	1,910	0
Portfolio Neukölln			40,848	38,870	10,533
Portfolio Pankow			582	582	0
Portfolio Prenzlauer Berg			6,617	6,583	0
Portfolio Reinickendorf			1,256	1,256	0
Portfolio Schöneberg			32,510	32,276	0
Portfolio Spandau			1,295	1,295	0
Portfolio Steglitz			7,194	7,027	0
Portfolio Tiergarten			22,906	22,857	0
Portfolio Wedding			6,211	6,191	0
Portfolio Weißensee			1,612	1,612	0
Total Berlin			281,576	277,387	26,375
Halle			29,090	29,072	1,188
Hamburg			24,767	22,688	0
Leipzig			29,222	29,135	3,873
Munich			14,692	8,661	8,031
Rostock			8,189	8,092	0
Total Germany			387,535	375,035	39,467

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	Book value in EUR m ¹)	Rental yield to market value in % ¹)
0	0	0	278	17	0	0		
0	0	19,631	0	0	0	0		
0	0	0	194	77	0	0		
697	0	0	749	0	0	0		
0	0	0	85	31	15	306		
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	1,023	53	0	0		
0	0	0	0	203	6	1,147		
158	0	0	33	15	23	596		
0	0	0	78	27	16	348		
1,140	0	0	54	49	0	0		
1,409	730	0	1,138	91	20	1,585		
712	10,435	0	0	0	5	579		
141	0	0	1,136	54	3	170		
7,667	0	0	1,132	178	7	976		
7,581	0	0	900	88	41	4,078		
272	0	0	0	54	0	0		
807	4,125	0	108	31	0	0		
367	0	0	20	61	26	1,112		
8,724	0	0	0	252	0	0		
8,094	0	0	721	149	14	1,489		
943	0	0	0	0	0	0		
38,711	15,289	38,602	14,474	2,065	6	12,386		
850	0	0	0	0	0	0		
2,000	0	0	0	0	0	0		
842	0	0	687	84	40	1,225		
987	0	0	344	116	0	0		
4,679	0	0	1,031	200	15	1,225		
43,391	15,289	38,602	15,505	2,265	6	13,610	572.1	6.1
7,519	44,360	0	453	80	9	4,464		
0	2,535	0	0	10	3	83		
2,935	28,204	0	41	10	4	1,183		
3,951	29,604	0	103	0	3	880		
10,395	11,583	0	921	487	7	2,712		
1,910	0	0	188	0	30	570		
1,411	26,926	0	1,978	65	20	7,908		
0	582	0	0	0	13	76		
64	6,518	0	35	0	27	1,778		
465	791	0	0	0	28	354		
2,979	29,298	0	234	45	6	2,048		
0	1,295	0	0	1	6	78		
3,305	3,722	0	167	74	7	476		
3,680	19,177	0	49	0	9	1,976		
480	5,711	0	20	0	3	187		
338	1,275	0	0	16	18	284		
39,432	211,580	0	4,188	788	9	25,058		
25,417	2,467	0	18	0	6	1,779		
1,160	21,528	0	279	99	8	1,763		
3,063	22,199	0	87	8	16	4,753		
0	630	0	6,031	229	11	911		
574	7,518	0	72	3	4	319		
69,646	265,922	0	10,675	1,127	9	34,582	459.2	6.1

	Acquisition date	Use type	Total area in m ²	Main lettable area in m ² (excl. internal parking and ancillary space)	Office in m ²
CEE					
Slovakia					
81106 Bratislava, Vysoká 2A (Austria Trend Hotel Bratislava)	2008	Hotel	16,427	13,929	1,161
82104 Bratislava, Galvaniho 17 (Galvaniho Business Center IV)		Office	36,639	24,582	21,871
82104 Bratislava, Galvaniho 7 (Galvaniho Business Center I)	2004	Office	11,405	8,686	7,324
82104 Bratislava, Galvaniho 7B (Galvaniho Business Center II)	2006	Office	21,440	13,007	11,503
97101 Prievidza, Nedožerská cesta III. 1269 / 17B (Big box retail)	2000	Retail	13,737	13,737	0
91101 Trenčín, Ku Štvrtiam 7029 – 7030 (Big box retail)	2000	Retail	11,954	11,954	0
Total Slovakia			111,602	85,894	41,859
Czech Republic					
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			15,638	13,937	0
Hungary					
1016 Budapest, Hegyalja út 7 – 13. (Buda Center)	2005	Office	7,291	5,459	4,786
1051 Budapest, Bajcsy Zsilinszky út 12. (City Center)	2001	Office	11,277	8,498	7,696
1052 Budapest, Apáczai Csere János utca 2 – 4. (Budapest Marriott Hotel)	2005	Hotel	30,021	27,646	0
1065 Budapest, Nagymező utca 44. (Pódium Irodaház)	2006	Office	7,942	5,711	5,323
1122 Budapest, Maros utca 19 – 21. (Maros Utca Business Center)	2004	Office	8,564	6,414	6,414
1134 Budapest, Váci út 35. (River Estates)	2001	Office	29,424	19,690	17,533
1135 Budapest, Szegedi út 35 – 37. (Twin Center)	2006	Office	8,184	5,663	5,280
1138 Budapest, Váci út 182. (Blue Cube Irodaház)	2001	Office	14,625	8,892	8,892
Total Hungary			117,329	87,972	55,924
Total CEE			244,570	187,802	97,783
SEE					
Bulgaria					
1505 Sofia, 48 Sitnyakovo Blv. (Serdika Center)	2010	Retail	81,400	46,925	0
1505 Sofia, 48 Sitnyakovo Blv. (Serdika Offices)	2012	Office	38,564	28,576	28,576
Total Bulgaria			119,964	75,501	28,576
Croatia					
10000 Zagreb, Miramarska 23 (Eurocenter)	2008	Office	11,403	8,207	7,538
Total Croatia			11,403	8,207	7,538
Romania					
10061 Bucharest, Calea Victoriei 37B, Sektor 1 (Novotel Bucharest)	2006	Hotel	19,426	15,926	0
40069 Bucharest, Piata Sudului/Calea Vacaresti nr. 391 (Sun Plaza)	2010	Retail	130,838	81,593	0
40069 Bucharest, Piata Sudului/Calea Vacaresti nr. 391 (Sun Offices)	2010	Office	14,037	9,639	9,639
Total Romania			164,301	107,157	9,639
Total SEE			295,668	190,865	45,753
Total values (without land bank)			1,212,616	973,691	305,709
Land bank					
82104 Bratislava, Parcel No. 5105 / 299, 5105 / 300 and 5203 / 1 in Petržalka cadastral area	2007	Office	17,300	14,900	
10061 Bucharest, Calea Grivitei No. 94, 1. District (Grivitei I+II)	2006	Office	30,000	23,000	
10061 Bucharest/Jilava Giurgiului DN 5-km 8+750 (Roter Investi)	2000	Retail	40,000	40,000	
Total land bank			87,300	77,900	

¹⁾ The Vienna Marriott and Budapest Marriott hotels are measured at cost.

Quartier Belvedere Central is held at equity and therefore does not appear in the property portfolio overview.

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	Book value in EUR m ¹)	Rental yield to market value in % ¹)
2,207	0	10,560	74	101	3	348		
2,711	0	0	1,857	708	0	82		
1,362	0	0	1,120	156	3	292		
1,504	0	0	1,008	418	4	518		
13,737	0	0	0	286	19	2,536		
11,954	0	0	0	391	0	0		
33,475	0	10,560	4,059	2,060	4	3,776		
1,684	0	3,485	1,701	0	9	469		
4,046	0	4,722	0	0	0	0		
5,730	0	8,207	1,701	0	3	469		
672	0	0	208	67	66	3,615		
801	0	0	280	100	11	890		
0	0	27,646	0	95	0	0		
388	0	0	56	87	94	5,340		
0	0	0	426	69	21	1,368		
2,156	0	0	959	352	26	5,088		
383	0	0	946	72	0	0		
0	0	0	1,108	185	40	3,590		
4,401	0	27,646	3,982	1,027	23	19,891		
43,606	0	46,413	9,742	3,087	13	24,137	340,3	7.6
46,925	0	0	4,475	1,200	1	490		
0	0	0	63	397	9	2,591		
46,925	0	0	4,538	1,597	4	3,081		
669	0	0	121	123	3	251		
669	0	0	121	123	3	251		
2,128	0	13,798	0	140	0	0		
81,593	0	0	1,421	1,913	13	10,299		
0	0	0	398	160	5	460		
83,721	0	13,798	1,819	2,213	10	10,759		
131,315	0	13,798	6,478	3,933	7	14,091	378,4	8.6
287,958	281,211	98,813	42,399	10,412	9	86,420	1,749.9	6.9

14.5

Glossary and list of abbreviations

A glossary with the most important definitions of the technical terms used in this annual report can be found on our website.

Our online glossary:
www.simmoag.at/en/glossary

A	Austria	EUR '000	Thousands of euros
ATX	Austrian Traded Index	kEUR	Thousands of euros
BG	Bulgaria	H	Hungary
BGN	Bulgarian lev	HR	Croatia
BP	Basis points	HRK	Croatian kuna
CEE	Central and Eastern Europe	HUF	Hungarian forint
CF	Cash flow	IAS	International Accounting Standards
CZ	Czech Republic	IATX	Austrian property share index
CZK	Czech koruna	IFRIC	International Financial Reporting Interpretations Committee
D	Germany	IFRS	International Financial Reporting Standard
DK	Denmark	KESSt	Capital gains tax (Kapitalertragsteuer)
DKK	Danish krone	L&R	Loans and receivables
EPRA	European Public Real Estate Association	PP	Percentage points
EUR	Euro	RO	Romania
		RON	Romanian leu
		SEE	Southeastern Europe
		SK	Slovakia

This 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 mathematical errors may be the result of rounding errors caused by software. In the interests of simplicity and readability, the language of this Report is as far as possible gender neutral. Therefore, the terms used refer to people of both genders.

This Report also contains information and forecasts relating to the future development of S IMMO AG and its subsidiaries. These forecasts are estimates, based on the information available to us at the time the Report

was prepared. Should the estimates 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 Report neither contains nor implies a recommendation either to buy or to sell shares or other financial instruments of S IMMO AG. Past events are not a reliable indicator of future developments.

This Report was prepared in German, and only the German version is authentic. The Report in other languages is a translation of the German Report.

Financial calendar 2015

29 April 2015	Publication of annual results 2014 (press conference)
28 May 2015	Results first quarter 2015
03 June 2015	Annual General Meeting
08 June 2015	Dividend ex day
10 June 2015	Dividend payment day
27 August 2015	Results first half year 2015
26 November 2015	Results first three quarters 2015



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