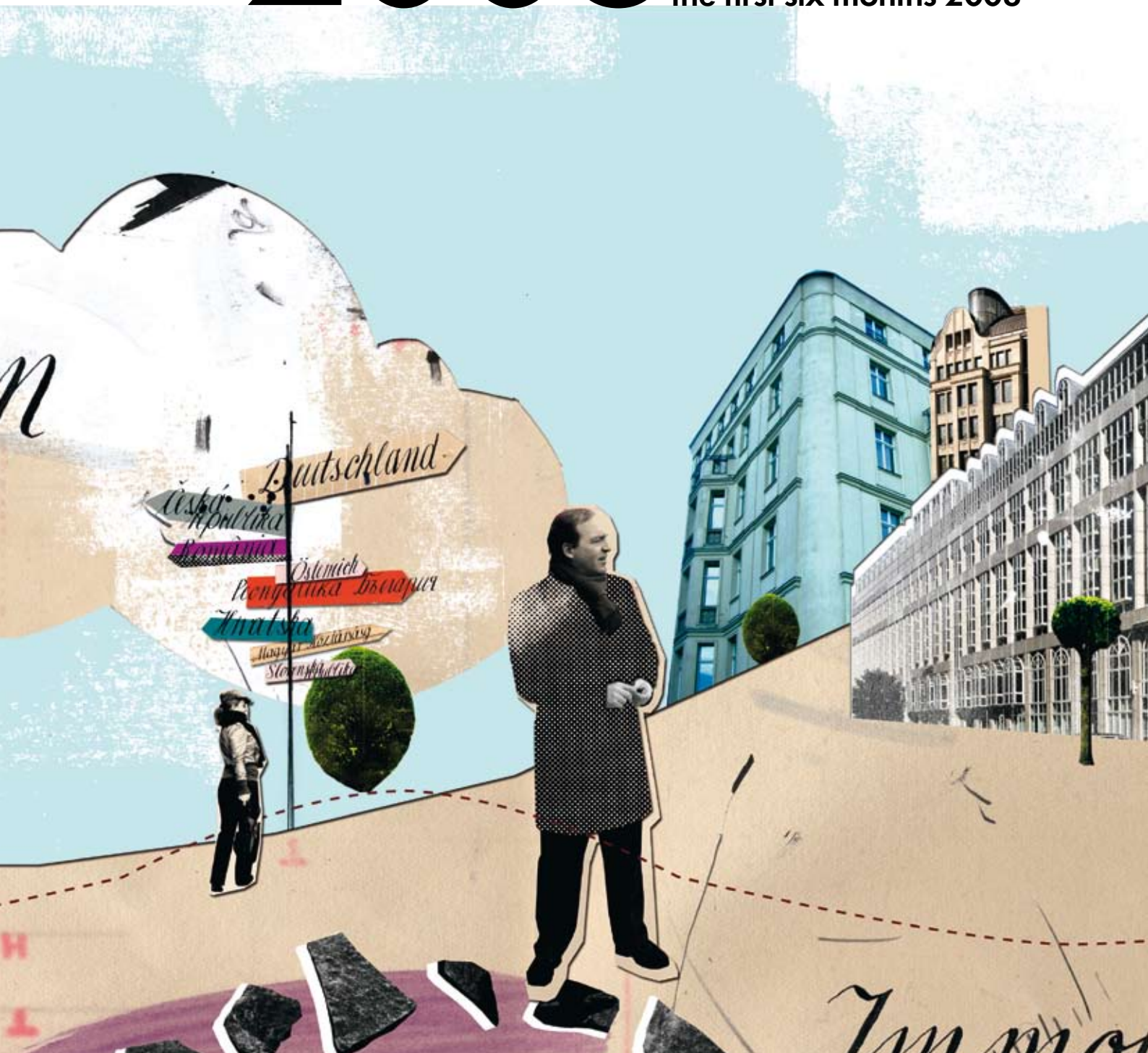


# 2008

Interim Report for  
the first six months 2008



# Key Financial Data

## Key indicators, Group

EUR m	1.1.-30.6.2008	1.1.-30.6.2007	Change
Revenues	54.1	45.1	+20%
whereof rental income	42.9	35.9	+19%
EBITDA	34.3	25.5	+34%
Operating profit (EBIT)	32.2	40.8	-21%
Consolidated net profit before tax (EBT)	11.0	2.7	+306%
Consolidated net profit	9.0	1.0	+814%
Cash flow from operating activities	28.3	25.4	+11%
Shareholder's equity	647.2	621.8	+4%
Equity ratio in %	35	40	
Market capitalisation at 30 June 2008	734.8	1,112.2	-34%
whereof s IMMO share	470.7	718.7	
whereof s IMMO INVEST	264.1	393.5	

## Key indicators, property portfolio

	1.1.-30.6.2008	1.1.-30.6.2007	Change
Number of properties	265	117	+126%
Property portfolio (market value) EUR m	1,666	1,321	+26%
Total lettable space in m <sup>2</sup>	1,444,100	1,083,400	+33%
Gross rental yield in %	6.3	6.4	
Occupancy rate in %	91	94	

## Key indicators, share

	30.6.2008	30.6.2007	Change
Earnings per share (EPS)	0.13	0.01	
Cash flow per share	0.17	0.16	+6%
NAV per share	9.9	9.4	+5%
Price/cash flow ratio (P/CE)	20	32	
Price/NAV ratio in %	69	112	
Number of shares	68,118,718	68,118,718	
Closing price as at 30 June	6.91	10.55	

## Financial calendar 2008

Results – first half 2008	20 August 2008
Results – first three quarters 2008	18 November 2008

# Contents

- 2 Letter to the shareholder
- 4 Business development
- 11 Consolidated Financial Statements



# Letter to the shareholders

## Dear shareholders,

the first half of 2008 continued to be marred by the effects of the continuing turbulence of financial markets. The persisting unfavourable climate for stocks – and for real estate shares in particular – meant that as of 30 June 2008, the price of s IMMO Aktie had declined by 10.6% since the beginning of the year. On average, the performance of s IMMO Aktie has been comparable to that of its Austrian competitors. The international real estate indexes GPR 250 and EPRA were also down 16.6% and 17%. The market price of s IMMO Aktie at the end of first half 2008 was thus some 30% lower than its underlying net asset value (NAV) – the realistic, conservatively calculated, intrinsic value of the Group. The difficulties of the present situation make short-run estimates of share price performance impossible; in the medium to long term, however, the intrinsic value and underlying substance of the enterprise are what counts.

Property markets are performing noticeably better than stock markets: prime locations and properties are holding their value, and only lower quality properties and less attractive locations show a drop in prices. Total transaction volumes have dropped considerably: there were fewer acquisitions and sales than two years ago. In contrast, rents particularly in Austria and Central and Eastern Europe have risen compared with last year, due mainly to the robust economies and the reduced number of new properties coming onto the market. There is broad agreement across the market that Central and Eastern Europe will continue to generate the strongest growth and highest profits for real estate investment companies, because of the enormous, continuing and sustainable demand for high-grade properties.

So far, market perturbations have had only minor effects on operating activities: revenues and rental income are up roughly 20% again, but gains on property revaluations are down, due to the difficulty of assessing real estate markets. We have no writedowns on the portfolio to date, and we are not expecting

any for 2008 overall. Thanks to the absence of a special effect we had in the comparable period last year (repurchase of participating certificates) consolidated earnings for the first six months 2008 are up sharply again – to EUR 9.0m, compared to EUR 1.0m for the same period last year.

We are currently concentrating mainly on completing our ongoing development projects and on optimising the income from the existing real estate portfolio, where there is still considerable potential to be realised. Selective sales will continue to be on the agenda, as well as selected acquisitions, in order to take advantage of favourable market opportunities.

Business performance currently continues to be as planned: for 2008 as a whole – we expect to achieve our forecast revenues and EBIT, and with the completion of several development projects in 2009 the results will again improve significantly.

The Management Board team



Holger Schmidtmayr   Ernst Vejdovszky   Friedrich Wachernig



The Management Board team Ernst Vejdovszky, Friedrich Wachernig and Holger Schmidmayr (f. l. t. r.)

# Business development

## Real estate market environment

### **Vienna: stabilising factor**

In all segments, the Viennese real estate market is a stabilising factor: rents have risen compared with first half 2007, mainly as a result of stronger economic performance and a reduced number of new properties coming onto the market. In prime locations prices of up to EUR 24/m<sup>2</sup> for office space are realistic, and vacancy rates continue low, at just under 5%. The level of investment in Vienna by institutional investors has fallen back slightly in comparison with previous periods, in line with general European trends. Price movements have varied. Properties in prime locations continue to hold their prices: the price gap between prime and less attractive properties will in future widen appreciably.

### **Berlin: higher occupancy rates**

The rental market in Berlin also continued in good heart: we registered lower vacancy rates in both residential and commercial space. In the residential sector the trend is again towards urban living, and the very low level of new construction in the commercial sector is beginning to have an impact. Rents are rising again slightly, though slightly less than in the first quarter of 2008, largely due to higher incidental expenses, inflation and the rising cost of energy. In line with the general trend, volumes in the investment market are down, and here too it is noticeable that properties in good locations and condition have suffered no falls in prices.

### **CEE: sorting the wheat from the chaff**

The situation in the developed CEE countries is comparable to that in Vienna and Berlin. Rental markets are developing satisfactorily, but investment volumes are down significantly:

the first half year saw volumes drop by an estimated 20%. Prime locations and top quality fabric and furnishings determine the yield more than ever before. Properties with top tenants and long-term rental agreements continue to command better prices. Top quality tenants – such as Sparkassen Immobilien AG's – have in today's markets become a much more important factor. Long-term growth prospects in CEE real estate markets continue to be excellent, supported as they are by higher GDP growth rates and the continuing process of economic convergence. The appreciation of local currencies has only minimal effect on Sparkassen Immobilien AG, since almost all rental agreements have been concluded in euro.

## Performance for first six months of 2008

### Revenues and rental income up 20%

In the first two quarters of 2008 compared with the same period last year revenues were up by 20% to EUR 54.1m and rental income was up 19% to EUR 42.9m. This increase reflects proactive portfolio management – investing in existing properties, with the resulting increase in rental income – as well as additions to the portfolio, mainly German residential properties. Rental income by region is well balanced: German properties still contribute the largest part of the rental income with 42%, Austrian properties generated 30%, and CEE properties' share is stable at 28%.

### Property portfolio holding its value

Gains on property revaluation are down significantly due to the current market environment, and because in the same period last year the portfolio was revalued at fair values for the first time. No property devaluations were however necessary. As a result of its prudent valuation policies, Management does not expect any devaluation of the portfolio for 2008 as a whole – revaluations and gains on sales will counterbalance any individual write-downs to reflect market values. For the first half of 2008 gains on property disposals were EUR 5.4m (nil in the same period last year), mainly achieved by the sale of an office property in Hamburg in the first quarter; the property was sold for more than 15% above its most recent valuation.

### Increased earnings

EBITDA climbed 34%, from EUR 25.5m to EUR 34.3m, while EBIT was down to EUR 32.2m after EUR 40.8m for the same period last year, due to lower revaluation gains in first quarter 2008 and slightly increased operating expenses. Operating expenses for the first six months of 2008 amounted to EUR 27.4m, an increase of 28%. This was due to two factors: first, the service charges have risen by 35% due to the change in portfolio structure – a higher proportion of residential properties with higher service charges, although matched by higher service charges income, so that the net effect is small. Secondly, renovation program expenses for German residential properties directly attributable to the properties have increased, and these costs are not capitalised. Net financing costs increased to EUR 21.2m from EUR 17.1m due to higher financing volumes and the rise of Euribor.

Profit before tax (EBT) was up from EUR 2.7m to EUR 11.0m. This marked increase reflected the absence in 2008 of a special effect present in the same period last year: in the first six months of 2007 EUR 21m was spent on restructuring the s IMMO INVEST participating certificates. Taxes on income resulted in minimal cash outflows of EUR 0.6m.

The resulting consolidated net profit was up to EUR 9.0m for the six-month period, compared with EUR 1.0m for first half 2007. Earnings per share for the first six months of 2008 amounted to EUR 0.13 (first half 2007: EUR 0.01).

Net operating income (NOI) grew from EUR 32.2m to EUR 35.8m, and the NOI margin (NOI / revenues) was some 65%.

Cash flow from operating activities increased to EUR 28.3m for the first six months of 2008, compared with EUR 25.4m to in the same period last year, and funds from operations (FFO), was EUR 11.8m, as compared with EUR 11.1m.

### Consolidated balance sheet

Sparkassen Immobilien AG's total assets were at EUR 1.9bn as at 30 June 2008 (31 December 2007: EUR 1.7bn). Non-current assets came to EUR 1.7bn. Current assets were up 16% to EUR 209.1m due to the higher valuation of derivatives. Equity increased to EUR 647.2m, as compared with EUR 619.6m at 31 December 2007. Long-term liabilities to banks rose to EUR 564.3m from EUR 468.5m at the end of last year. At 30 June 2008, the average interest rate on bank debt was at 5.3%. Of these liabilities, 13% were at fixed interest rates and 87% were at variable rates, but fully hedged with corresponding interest rate derivatives. At 30 June 2008 the loan to value ratio (net bank liabilities to property assets) stood at 40%. Sparkassen Immobilien AG disposes of real estate unencumbered by charges to the value of appr. EUR 700m.

### NAV continues stable

Net asset value at 30 June 2008 was at EUR 9.9 per share, compared with EUR 9.6 per share at the end of the first quarter 2008. The NAV includes only completed properties and undisclosed reserves on hotels under management. Development projects are carried at cost and only included in valuation after completion.

### Outlook

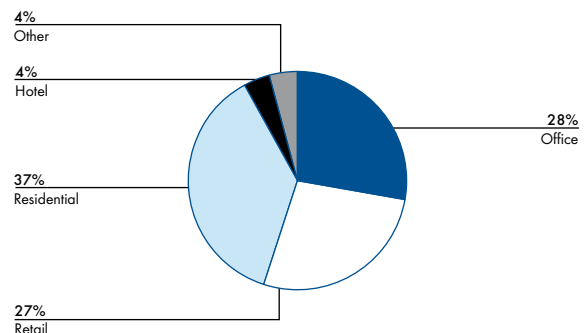
Given the continuing tensions in financial and capital markets and the present muted performance of real estate markets, Sparkassen Immobilien AG's Management confirms its guidance for 2008 issued at the beginning of the year: revenues of approximately EUR 99m, rental income of about EUR 78m and EBIT in the region of EUR 72m. Management expects the overall value of the portfolio to remain steady. As a result of our proactive portfolio management, we expect currently negotiated sales to show significant gains over the most recent valuations, and especially in Austria and Germany. These will have a positive impact on results for the third and fourth quarters of 2008.

### Real estate portfolio expanded to EUR 1.7bn

New acquisitions, mainly in the first quarter, brought our real estate portfolio to EUR 1.7bn at the end of the first half of 2008, compared with EUR 1.3bn a year earlier. At 30 June 2008 the portfolio comprised 265 properties with total lettable space of 1,444,100 m<sup>2</sup>, an increase of 33% compared with 30 June 2007. Of the total lettable space, 23% was in Austria, 41% in Germany, and 36% in CEE countries (including development projects). The portfolio's gross rental yield was an average of 6.3% as at 30 June 2008, which compares favourably with the yields achieved by our peers. In Austria the rental yield was 6.1%, and in Germany it was 6.0% due to the higher vacancy rate. In Central and Eastern Europe it was an average of 7.0%. The lower values in two newly completed development projects in Slovakia acquired in a forward purchase, which are not yet fully let. The portfolio's average occupancy rate at 30 June 2008 was 91%, with 94% in Austria, 89% in Germany and 95% in Central and Eastern Europe.

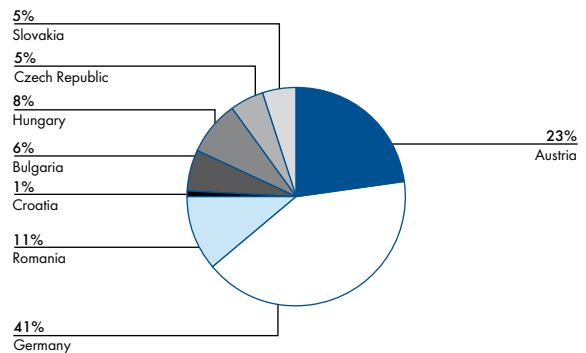
### Total lettable space by property type \*

\* including properties under development



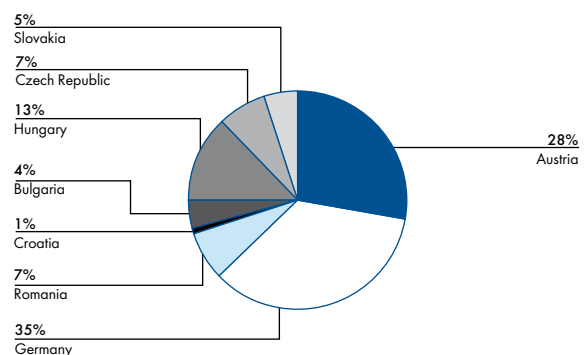
### Total lettable space by region \*

\* including properties under development



### Property portfolio by region \*

\* Valuations for existing properties, book values for projects under development



**Rental yield**

Austria	6.1%
Germany	6.0%
Czech Republic	7.0%
Slovakia	6.5%
Hungary	7.2%
Romania	5.7%
Croatia	9.3%

**Changes in property portfolio**

In the first six months of 2008 investments in completed properties, in line with the market as a whole, were stable compared to the same period last year: a total of EUR 98.3m was invested in completed properties and EUR 54.4m in development projects.

In the first quarter of 2008 we invested EUR 38.4m in the purchase of 20 completed properties in Berlin, Leipzig and Rostock with total lettable space of 50,600 m<sup>2</sup>, and in the second quarter further residential properties in Germany as well as two commercial properties in Slovakia were added to the portfolio.

In Leipzig and Rostock a total of 13 residential properties in excellent condition and with total lettable space of 8,500 m<sup>2</sup> were acquired. The average rental yield was at 7.3%. Both cities are among the up-and-coming real estate markets in former East Germany, thanks to their growing populations and low unemployment rates. The total lettable space attributable to German properties in Sparkassen Immobilien AG's portfolio now amounts to 601,000 m<sup>2</sup>. In addition, two specialist retail centres in Slovakia were acquired in a forward purchase; the total lettable space is 28,700 m<sup>2</sup> and there are both local and international tenants.

**Continued focus on development projects**

Investments in development projects currently amount to 10% of total assets, and the proportion will in future increase: on the one hand, as a result of ongoing investment in existing projects, and on the other hand reflecting new projects, for which the contracts have just been signed, or where plots of land have been bought for later development. By the end of 2008, total investments of EUR 70m in development projects are planned.

Currently six developments with a planned total investment of around EUR 600m are under construction (excluding forward purchases): two projects with planned investment of EUR 70m are in Austria, one planned EUR 40m development is in Slovakia, one project is in the Czech Republic, with investment of EUR 68m planned before completion of development

by the end of the year, one development project is in Romania (planned investment: EUR 200m) and one in Bulgaria (planned investment: EUR 210m). Sparkassen Immobilien AG's land bank (undeveloped sites acquired, where no further investment has yet been made) contains further total space of 122,700 m<sup>2</sup> with an acquisition cost of EUR 24m. No dates have so far been set for the start of project development on these sites.

The largest development projects – in Romania (Sun Plaza: 85,800 m<sup>2</sup> retail and office space, EUR 200m investment) and Bulgaria (Serdika Center, 75,500 m<sup>2</sup> retail and office space, EUR 210m investment) – are still in major respects on schedule for completion in 2009 and 2010 respectively, despite the severe shortage of construction workers. Pre-letting currently stands at 65% and 40% respectively.

# s IMMO share

The stock market climate continued to be unfavourable during the first half of 2008. High inflation, a rising euro, predictions of a significant cooling of the global economy due to high commodity prices, and – worst of all – oil prices at an all-time high, together with companies' poor reported results, particularly in the financial sector, combined to depress sentiment. Even the fourth cut in the federal funds rate by the FED, down to 2%, failed to produce any significant effect. Against this background, both American and European stock markets showed two-digit losses. The real estate ATX (IATX) partook in the fall, with a year-to-date drop of 22.0%, while the GPR 250 was down 16.6% and the EPRA off 17.0% at the end of the half year.

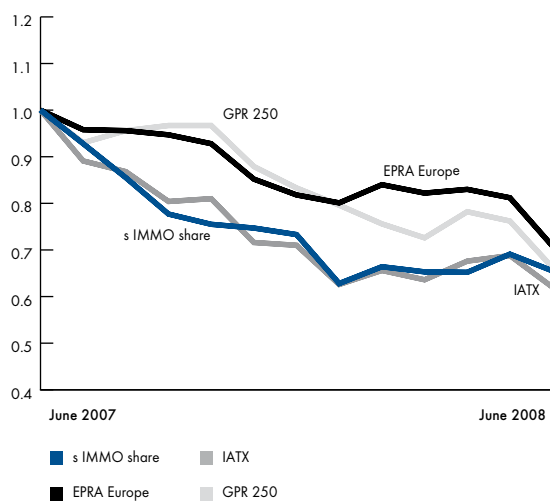
s IMMO Aktie continued to feel the impact of developments on international capital markets, and at 30 June 2008 the market price was down 10.6%, equivalent to a 30% discount on NAV.

## Repurchase program

In the Annual General Meeting of Sparkassen Immobilien AG held on 28 May 2008, the Management Board was authorised for a period of thirty months from the date of the resolution to acquire shares in the Company up to a maximum of 5% of the Company's share capital, subject always to the applicable statutory provisions. The consideration for the purchase may neither be less than EUR 1 per share, nor more than 15% higher than the average stock exchange price on the three trading days preceding the day of repurchase. To date no repurchases have been made under the program.

As part of the repurchase program for s IMMO INVEST participating certificates, authorised by the Supervisory Board on 25 June 2008, 18,774 certificates, or 0.4%, were repurchased for a total of appr. EUR 1.5m from June 26 to date. The repurchase program comes to an end on December 15 2008.

## Performance s IMMO share June 2007–June 2008



## Investor relations

First half 2008 also saw Management presenting Sparkassen Immobilien AG's results for 2007 and the first quarter of 2008 to international investor conferences and in road shows (New York, Chicago, London, Brussels, Amsterdam, Frankfurt). Institutional investors and analysts were also provided with detailed information in one-on-one meetings and conference calls.

Private investors were briefed on Sparkassen Immobilien AG's strategy at numerous events held mainly in the Austrian Bundesländer.

**Stock exchange and performance data**

ISIN code	AT0000652250	Market price (30 June 2008)	EUR 6.91
Bloomberg	SPI AV	Performance 1 year	-34.5%
Reuters	SIAG VI	Year to date	-10.6%
Application of profits	Accumulation	Three years	-5.5% p.a.
Initial listing	28 June 2002	Since initial listing (p.a.)	-0.45%

**Key indicators – share**

	30.6.2008	30.6.2007	Veränderung
Earnings per share (EPS) in EUR	0.13	0.01	
Cash flow per share (EUR)	0.17	0.16	+6%
Net asset value (NAV) per share (EUR)	9.9	9.4	+5%
Price / cash flow ratio	20	32	
Price / NAV ratio	69	112	
Number of shares	68,118,718	68,118,718	
Price at end of 30 June 2008 (EUR)	6.91	10.55	-35%

**Financial calendar 2008**

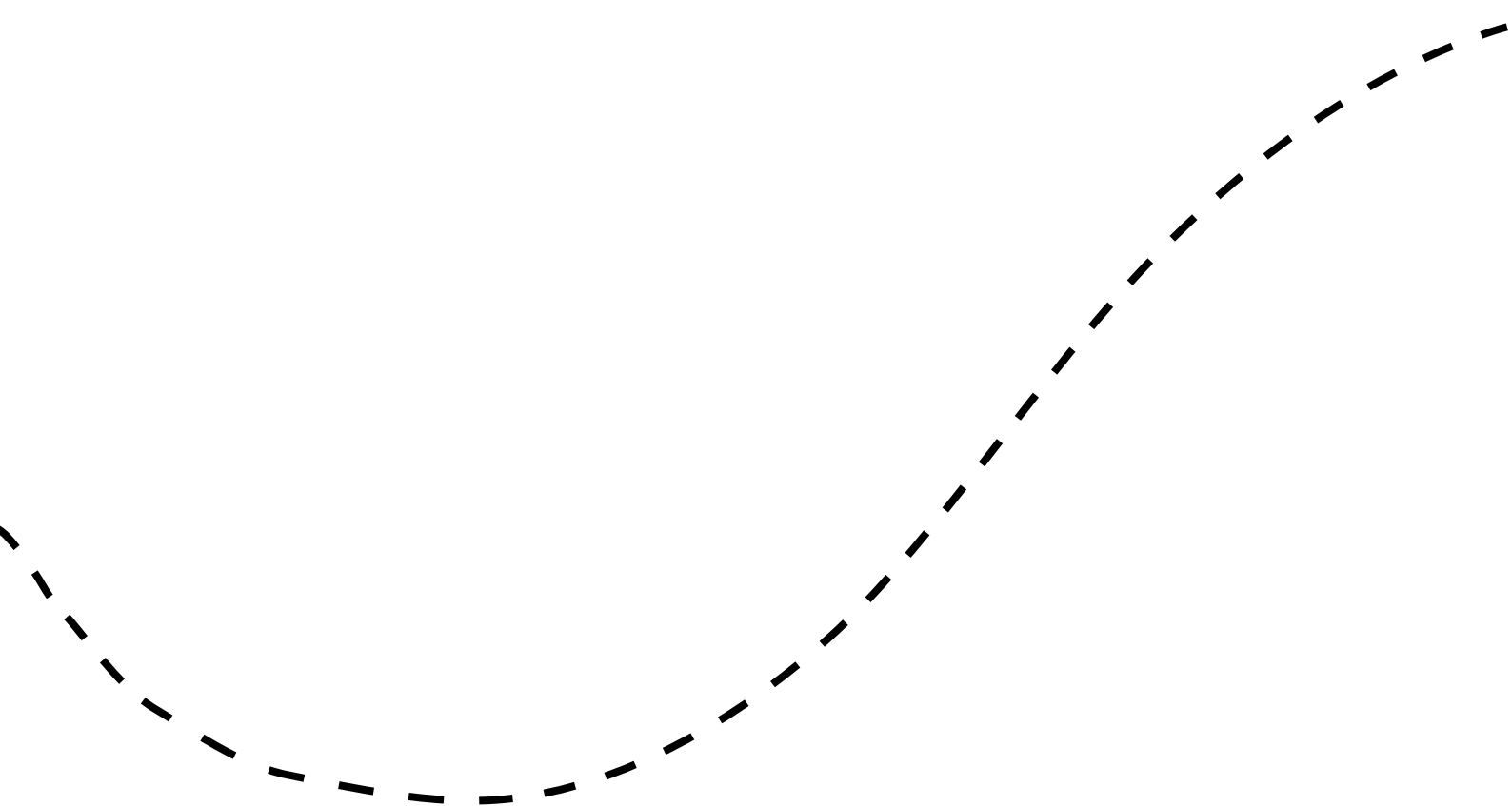
Results – first half 2008	20 August 2008
Results – first three quarters 2008	18 November 2008

**s IMMO INVEST****Stock exchange and performance data**

ISIN Code	AT0000795737 / AT0000630690 (2nd tranche)	Market price (30 June 2008)	EUR 80.00 / 80.00
Bloomberg	SPiG AV	Performance	
Reuters	SIMiG VI	1 year	-15.9% / -8.7%
Application of profits	Annual distribution	Three years, p.a.	-0.0% / 0.2%
Initial listing	29 December 1996 / 10 November 2004	Since initial listing (p.a.)	6.3% / 2.4%



# Consolidated Financial Statements

- 12 Consolidated Balance Sheet
  - 14 Consolidated Income Statement
  - 15 Consolidated Cash Flow Statement
  - 16 Changes in Consolidated Equity
  - 17 Notes to the Consolidated Financial Statements
- 

# Consolidated Balance Sheet

## as at 30 June 2008

EUR ,000	Note	30.6.2008	31.12.2007
<b>Assets</b>			
<b>A. Total non-current assets</b>			
I. Intangible assets			
1. Other		251	285
II. Property, plant and equipment			
1. Properties	12,13		
a) Rental properties		1,361,862	1,209,788
b) Rental properties held for disposal		0	31,600
c) Hotels under management		88,795	90,390
d) Properties under construction		195,217	196,674
		1,645,874	1,528,451
2. Other plant and equipment			
a) Other		4,848	5,032
III. Financial investments	14		
1. Associates		208	227
2. Group interests		6,418	6,597
IV. Non-current receivables			
1. Deferred tax assets		1,756	1,577
		<b>1,659,354</b>	<b>1,542,168</b>
<b>B. Current assets</b>			
I. Receivables and other assets			
1. Trade receivables		6,833	8,994
2. Financial receivables and advances		13,507	22,921
3. Other receivables and assets		47,835	29,431
		68,175	61,346
II. Marketable securities, loans and investments		94,062	87,144
III. Cash and cash equivalents		46,841	31,010
		<b>209,078</b>	<b>179,500</b>
<b>C. Accrual and prepayments</b>			
		<b>1,634</b>	<b>1,080</b>
		<b>1,870,065</b>	<b>1,722,748</b>

EUR ,000	Note	30.6.2008	31.12.2007
<b>Equity and liabilities</b>			
<b>A. Shareholders' equity</b>			
I. Share capital		247,509	247,509
II. Reserves		370,782	329,489
III. Consolidated net profit		9,032	25,910
IV. Minority interests		19,911	16,694
		<b>647,234</b>	<b>619,602</b>
<b>B. Participating certificates (subordinated)</b>	15	<b>289,293</b>	<b>297,094</b>
<b>C. Total non-current liabilities</b>			
1. Long-term liabilities to banks	16	564,320	468,475
2. Provisions			
a) Deferred tax liabilities		40,926	34,406
b) Other		6,287	8,613
		47,214	43,019
3. Other liabilities			
a) Other long-term financial liabilities		79,475	76,014
b) Construction costs and tenants' financing		11,921	11,699
c) Housing construction subsidies		5,380	5,624
d) Other		6,631	5,489
		103,407	98,826
		<b>714,941</b>	<b>610,320</b>
<b>D. Current liabilities</b>			
1. Financial liabilities		162,984	148,983
2. Trade payables		10,617	12,563
3. Other liabilities		40,476	29,770
		<b>214,077</b>	<b>191,316</b>
<b>E. Deferred income</b>			
		<b>4,520</b>	<b>4,416</b>
		<b>1,870,065</b>	<b>1,722,748</b>

# Consolidated income statement

## for the half year ended 30 June 2008

EUR ,000	Note	1-6 2008	4-6 2008	1-6 2007	4-6 2007
1. Revenues	7	54,091	27,162	45,138	23,037
whereof rental income		42,855	21,675	35,946	18,506
2. Revaluation of properties	12	118	6	16,767	1,171
3. Other operating income		2,227	1,715	1,777	1,558
4. Gains on property disposals	8	5,425	400	0	0
<b>5. Operating revenue</b>		<b>61,861</b>	<b>29,283</b>	<b>63,682</b>	<b>25,766</b>
6. Depreciation and amortisation		-2,204	-1,112	-1,528	-707
7. Other operating expenses	9	-27,428	-14,848	-21,385	-10,523
<b>8. Operating profit (EBIT)</b>		<b>32,229</b>	<b>13,323</b>	<b>40,769</b>	<b>14,536</b>
9. Finance costs	10	-21,246	-9,891	-17,085	-4,082
10. One-time participating certificates expense		0	0	-20,982	-20,982
<b>11. Profit before tax (EBT)</b>		<b>10,983</b>	<b>3,432</b>	<b>2,702</b>	<b>-10,528</b>
12. Taxes on income	11	-2,032	-635	-1,175	1,463
<b>13. Consolidated net profit</b>		<b>8,951</b>	<b>2,797</b>	<b>1,527</b>	<b>-9,065</b>
14. Minority interests		81	23	-539	-100
<b>15. Interests of shareholders in parent company</b>		<b>9,032</b>	<b>2,820</b>	<b>988</b>	<b>-9,165</b>

### Earnings per share

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

	1-6/2008	4-6/2008	1-6/2007	4-6/2007
Equity share of consolidated net profit (EUR ,000)	9,032	2,820	988	-9,165
Average number of shares in circulation	68,118,718	68,118,718	68,118,718	68,118,718
<b>Consolidated earnings per share (EUR)</b>	<b>0,13</b>	<b>0,04</b>	<b>0,01</b>	<b>-0,13</b>

# Consolidated cash flow statement

EUR ,000	1-6/2008	1-6/2007
<b>Profit before tax (EBT)</b>	<b>10,983</b>	<b>2,702</b>
Revaluation of properties	-118	-16,767
Depreciation and amortisation	2,204	1,528
Gains on property disposals	-5,425	0
Taxes on income paid	-585	-96
Net interest	21,246	17,085
One-time participating certificates expense	0	20,982
<b>Cash flow from operations</b>	<b>28,305</b>	<b>25,434</b>

# Changes in consolidated equity

EUR ,000	Share capital	Capital reserves	Revenue reserves	Minority interests	Total
<b>1 January 2008</b>	<b>247,509</b>	<b>241,301</b>	<b>114,098</b>	<b>16,694</b>	<b>619,602</b>
Capital increase	0	0	0	0	0
Acquisitions	0	0	0	3,325	3,325
Disposals	0	0	0	-30	-30
Consolidated net profit	0	0	9,032	-81	8,951
Other changes	0	0	15,383	3	15,386
whereof cash flow hedges and available-for-sale securities	0	0	12,628	0	12,628
whereof deferred taxes	0	0	-3,121	0	-3,121
whereof exchange differences	0	0	5,876	3	5,879
<b>30 June 2008</b>	<b>247,509</b>	<b>241,301</b>	<b>138,513</b>	<b>19,911</b>	<b>647,234</b>

## Details of share capital

EUR ,000	30.6.2008	1.1.2008	Change
Total share capital	247,509	247,509	0
Treasury shares (nominal)	0	0	0
	<b>247,509</b>	<b>247,509</b>	<b>0</b>

## Changes in the number of shares

Units	30.6.2008	1.1.2008
Issued share capital – 1 January 2008	68,118,718	68,118,718
Capital increase	0	0
Treasury shares sold	0	0
<b>Issued share capital – 30 June 2008</b>	<b>68,118,718</b>	<b>68,118,718</b>
Treasury shares	0	0
<b>Total shares in issue</b>	<b>68,118,718</b>	<b>68,118,718</b>

The shares are listed on the Vienna Stock Exchange.

## Capital reserves

The capital reserves of EUR 192,020,000 (31.12.2007: EUR 192,020,000) are restricted reserves in the meaning of section 130(1) AktG.

# Notes to the consolidated financial statements

## SPARKASSEN IMMOBILIEN AKTIENGESELLSCHAFT

### 1. REPORTING UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The interim financial statements of Sparkassen Immobilien Aktiengesellschaft (s Immobilien AG), Vienna, Austria, for the half year ended 30 June 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

## 2. GENERAL

### 2.1. Business

s Immobilien AG is a real estate group (acquisition, development and letting of property) with activities in Austria and elsewhere in Central Europe. The parent company, s Immobilien AG, is headquartered in Windmühlgasse 22–24, A-1060 Vienna, Austria. It has subsidiaries in Austria, Germany, the Czech Republic, Hungary, Slovakia, Croatia, Romania, Bulgaria, Ukraine, Denmark and Cyprus. The parent company is a public limited liability company (Aktiengesellschaft). The Company is registered in the commercial register of the Commercial Court of Vienna under reference 58358x.

Company	Location	Country	Nominal capital	%	Currency	Initial Consolidation
Neutorgasse 2-8 Projektverwertungs GmbH	Vienna	A	35,000.00	100.00	EUR	01.01.2008
EUROCENTER drustvo s ogranicenom odgovornoscu	Zagreb	HR	20,000.00	100.00	HRK	01.01.2008
SIAG Property I GmbH	Berlin	D	25,000.00	100.00	EUR	01.01.2008

### 2.2. Accounting policies

The consolidated financial statements comply with all International Financial Reporting Standards, including the interpretations of the International Financial Reporting Interpretations Committee“ (“IFRIC”, formerly “SIC”), the application of which was mandatory as of 30 June 2008, and in particular with IAS 34 Interim Financial Reporting.

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

The accounting and valuation policies applied in the consolidated financial statements for the year ended 31 December 2007 have been retained.

## 3. CONSOLIDATED GROUP

In addition to the accounts of s Immobilien AG, the consolidated financial statements include the accounts of 65 companies (property holding or intermediary holding companies), which are directly or indirectly owned by s Immobilien AG. The following companies were first included in consolidation in the first half of 2008:

As of 1 January 2008 all the shares of Neutorgasse 2–8 Projektverwertungs GmbH, the sole proprietor of EUROCENTER drustvo s ogranicenom odgovornoscu, were acquired. The purchase price was around EUR 0.1m, and the liabilities taken over amounted to EUR 54.5m.

In 2nd quarter 2008 the purchase price of E.I.A. eins Immobilieninvestitions-gesellschaft m.b.H., acquired and first consolidated as of 31 December 2007, was reduced from the original EUR 3.7m by EUR 0.5m.

SIAG Property I GmbH, a subsidiary of s Immobilien AG so far not included in consolidation, acquired 15 German properties in the first half of 2008.

#### 4. BASIS OF CONSOLIDATION

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

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

#### 5. FOREIGN CURRENCY TRANSLATION

##### Translation of financial statements in foreign currencies

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

#### 6. ACCOUNTING AND VALUATION POLICIES

##### Intangible assets

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

#### Property, plant and equipment:

##### Rental properties

The valuation of rented properties is carried out using the fair value method (in accordance with IAS 40).

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

##### Rental properties held for disposal

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

##### Hotels under management, other plant and equipment

Properties operated by the company, in particular hotel properties, are valued on a cost basis (original acquisition or construction cost), in accordance with IAS 16. This valuation method is also applied to other plant and equipment.

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

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

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

##### Properties under construction

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

**Investments and securities**

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

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

**Receivables and other assets**

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

**Cash and cash equivalents**

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

**Taxes**

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

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

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

**Financial liabilities**

Financial liabilities are recognised at the amount repayable.

**Provisions**

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

**Trade payables and other liabilities**

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

**Derivatives**

s Immobilien AG Group uses derivative financial instruments – interest rate caps, collars and swaps – to reduce the risks attendant on interest rate increases. Derivatives are initially measured at cost of acquisition, and at balance sheet date they are measured at market value. As at 30 June 2008, EUR 19,396,000 was disclosed under other receivables (31.12.2007: EUR 6,769,000) and nothing under other liabilities (31.12.2007: EUR nil).

**Income recognition**

Rental income is recognised evenly over the term of the rental agreement. Income from services is recognised in proportion to the services rendered at balance sheet date.

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

## NOTES ON THE INCOME STATEMENT AND BALANCE SHEET

### INCOME STATEMENT

#### 7. REVENUES AND SEGMENT REPORTING

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

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

EUR '000	Austria		Germany	
	1-6 2008	1-6 2007	1-6 2008	1-6 2007
Revenues	15,686	20,341	23,287	11,253
Revaluation of properties	275	-376	78	803
Other operating income	609	1,444	5,446	231
<b>Operating revenue</b>	<b>16,570</b>	<b>21,409</b>	<b>28,811</b>	<b>12,287</b>
Depreciation and amortisation	-47	-56	-46	-25
Other operating expenses	-7,758	-11,934	-14,323	-4,546
<b>Profit from ordinary activities</b>	<b>8,765</b>	<b>9,419</b>	<b>14,442</b>	<b>7,716</b>
EUR '000	30.6. 2008	31.12. 2007	30.6. 2008	31.12. 2007
Total non-current assets 30.6.2008	480,819	451,730	586,848	571,225
Total non-current liabilities (incl. participating certificates in Austria) 30.6.2008	601,777	541,585	229,059	210,269

Slovakia		Czech Republic		Hungary		Bulgaria		Romania		Ukraine		Croatia		Total	
1-6 2008	1-6 2007	1-6 2008	1-6 2007	1-6 2008	1-6 2007	1-6 2008	1-6 2007	1-6 2008	1-6 2007	1-6 2008	1-6 2007	1-6 2008	1-6 2007	1-6 2008	1-6 2007
2,908	2,083	3,275	3,880	6,566	6,161	0	0	1,093	1,420	0	0	1,276	0	54,091	45,138
-19	0	-2	-194	-214	16,534	0	0	0	0	0	0	0	0	118	16,767
7	4	404	33	1,360	65	-195	0	0	0	0	0	21	0	7,652	1,777
<b>2,896</b>	<b>2,087</b>	<b>3,677</b>	<b>3,719</b>	<b>7,712</b>	<b>22,760</b>	<b>-195</b>	<b>0</b>	<b>1,093</b>	<b>1,420</b>	<b>0</b>	<b>0</b>	<b>1,297</b>	<b>0</b>	<b>61,861</b>	<b>63,682</b>
-27	-27	-39	-74	-1,457	-910	0	0	-581	-436	0	0	-7	0	-2,204	-1,528
-911	-675	-980	-1,150	-2,150	-1,882	-159	-149	-749	-1,022	-86	-27	-312	0	-27,428	-21,385
<b>1,958</b>	<b>1,385</b>	<b>2,658</b>	<b>2,495</b>	<b>4,105</b>	<b>19,968</b>	<b>-354</b>	<b>-149</b>	<b>-237</b>	<b>-38</b>	<b>-86</b>	<b>-27</b>	<b>978</b>	<b>0</b>	<b>32,229</b>	<b>40,769</b>
30.6. 2008	31.12. 2007	30.6. 2008	31.12. 2007	30.6. 2008	31.12. 2007	30.6. 2008	31.12. 2007	30.6. 2008	31.12. 2007	30.6. 2008	31.12. 2007	30.6. 2008	31.12. 2007	30.6. 2008	31.12. 2007
87,017	65,053	116,742	105,646	210,605	205,121	62,332	59,389	93,275	83,960	42	44	21,674	0	1,659,354	1,542,168
4,784	7,858	81,222	71,095	73,226	76,607	30	0	310	0	0	0	13,826	0	1,004,234	907,414

Segmentation by property type:

Property type	Rental income by category 1-6/2008		Rental income by category 1-6/2007	
	EUR '000	%	EUR '000	%
Office	18,657	43.5	19,732	54.9
Residential	14,220	33.2	4,327	12.1
Commercial	7,870	18.4	9,033	25.1
Hotel	2,108	4.9	2,854	7.9
	<b>42,855</b>	<b>100.0</b>	<b>35,946</b>	<b>100.0</b>

Revenues were made up as follows:

EUR '000	1-6/2008	1-6/2007
Rental income	42,855	35,946
Operating costs	11,236	9,192
	<b>54,091</b>	<b>45,138</b>

## 8. GAINS ON PROPERTY DISPOSALS

EUR '000	1-6/2008	1-6/2007
Disposal proceeds	37,764	145
Carrying value of disposals		
Rental properties	-739	
Properties held for disposal	-31,600	-145
	<b>5,425</b>	<b>0</b>

The gains on disposals are mainly made up of the proceeds from the sale of one German property.

## 9. OTHER OPERATING EXPENSES

EUR '000	1-6/2008	1-6/2007
Expenses directly attributable to property	19,646	12,965
General management expenses	7,782	8,420
	<b>27,428</b>	<b>21,385</b>

At balance sheet date, the Group employed 55 staff (31.12.2007: 38), in addition to the employees in hotel operations.

## 10. FINANCE COSTS

EUR '000	1-6/2008	1-6/2007
Income entitlements of participating certificates	6,373	11,750
Finance expense	19,131	8,588
Finance income	-4,258	-3,253
	<b>21,246</b>	<b>17,085</b>

## 11. TAXES ON INCOME

EUR '000	1-6/2008	1-6/2007
Current tax expense	585	460
Deferred tax expense	1,447	3,115
Deferred tax credit of prior periods	0	-2,400
	<b>2,032</b>	<b>1,175</b>

## BALANCE SHEET

## 12. RENTAL PROPERTIES

Changes in rental properties were as follows:

EUR '000	1-6/2008	1-12/2007
Carrying values as at 1 January - fair value	1,209,788	844,641
Additions	152,696	373,141
Disposals	-739	-1,835
Reclassification	0	-31,600
Revaluation increases	352	52,190
Impairment writedowns	-235	-26,749
<b>Carrying values as at 30 June</b>	<b>1,361,862</b>	<b>1,209,788</b>

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

EUR '000	1-6/2008	1-12/2007
Austria	6,271	34,118
Germany	48,420	338,225
Czech Republic	34,503	194
Hungary	414	604
Slovakia	41,519	0
Croatia	21,569	0
	<b>152,696</b>	<b>373,141</b>

All properties:

## Rental properties

EUR '000	30.6.2008	31.12.2007
Austria	446,769	440,963
Germany	586,148	537,650
Czech Republic	93,781	59,280
Hungary	131,355	131,155
Slovakia	82,240	40,740
Croatia	21,569	0
	<b>1,361,862</b>	<b>1,209,788</b>

### Rental properties held for disposal

Germany	0	31,600
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As at 30 June 2008 no properties were earmarked for sale.

### 13. HOTELS UNDER MANAGEMENT, OTHER PLANT AND EQUIPMENT

#### Hotels under management

EUR '000	30.6.2008	31.12.2007
Hungary	62,072	63,093
Romania	26,723	27,297
	<b>88,795</b>	<b>90,390</b>

#### Properties under development for rental

Austria	25,868	2,452
Germany	124	1,486
Romania	66,401	56,514
Bulgaria	62,325	59,382
Czech Republic	22,728	46,096
Slovakia	4,522	24,023
Hungary	13,249	6,721
	<b>195,217</b>	<b>196,674</b>

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

### 14. FINANCIAL INVESTMENTS

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

#### Group interests

	Interest %	30.6.2008 EUR '000
BGM-IMMORENT Aktiengesellschaft & Co KG	22.2	2,117
PCC- Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co. KG Stille Beteiligung		3,722
ERSTE Immobilien Kapitalanlagegesellschaft mbH	11.5	575
Other		4
		<b>6,418</b>

### 15. PARTICIPATING CERTIFICATES

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

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

(Participating certificate capital + profit brought forward) *	Consolidated EBIT
	Average property portfolio (excl. properties under construction)

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 first six months of 2008 the total income entitlement was EUR 6,373,000.

As at 30 June 2008 there were 3,250,889 participating certificates in issue. The total entitlements of participating certificate holders (principal and interest) as of that date were as follows:

in TEUR	Participating certificates capital	Profit brought forward	Profit for period	Total
Participating certificates capital – 1 January 2008	236,242			236,242
Profit brought forward 1 January 2008		38,068		38,068
Income entitlements of participating certificate holders from 2007			22,784	22,784
Distribution 28 April 2008			-14,174	-14,174
Increase of profit brought forward pursuant to Clause 5(6), Participating Certificates Agreement		8,610	-8,610	0
Income entitlements of participating certificate holders for first half 2008			6,373	6,373
Participating certificate capital – 30 June 2008	236,242	46,678	6,373	289,293
Per unit (EUR)	72.67	14.36	1.96	88.99

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

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

## 16. LONG-TERM LIABILITIES TO BANKS

The long-term liabilities to banks are predominantly mortgage loans, as follows:

### Lender

EUR '000	30.6.2008	31.12.2007
Erste Bank der oesterreichischen Sparkassen AG	190,196	142,500
Austrian banks	289,430	263,000
German banks	84,694	62,975
	<b>564,320</b>	<b>468,475</b>

## 17. EVENTS AFTER BALANCE SHEET DATE

As part of the repurchase program for s IMMO INVEST participating certificates authorised by the Supervisory Board in June 2008, 18,774 certificates were repurchased between 1 July and 14 August.

Vienna, 20 August 2008

Management Board

Holger Schmidtmayr m.p.

Ernst Vejdovszky m.p.

Friedrich Wachernig m.p.

# Sparkassen Immobilien AG's Markets



■ Current Investments

■ Prospective Investments

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

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