



# Q2 Interim Report

as at 30 June 2017

# Key figures

		01.01.–30.06.2017	01.01.–30.06.2016
Revenues	EUR m	97.5	95.3
whereof rental income and revenues from hotel operations	EUR m	78.2	76.8
EBITDA	EUR m	43.8	43.0
EBIT	EUR m	108.9	145.9
EBT	EUR m	87.2	107.3
Net income for the period	EUR m	72.4	85.5
Total assets	EUR m	2,418.2	2,228.3
Equity	EUR m	888.2	710.4
Liabilities <sup>1</sup>	EUR m	1,530.0	1,517.9
Equity ratio	in %	37	32
Operating cash flow	EUR m	43.1	42.2
Cash flow from investing activities	EUR m	-84.0	-27.4
Cash flow from financing activities	EUR m	15.8	15.2
Cash and cash equivalents as at 30 June	EUR m	35.8	80.1
NOI margin	in %	52.9	51.6
FFO I	EUR m	26.7	19.0
FFO II	EUR m	30.7	19.6
Earnings per share	EUR	1.03	1.27
Book value per share	EUR	12.93	10.30
Share price discount to book value per share	in %	2	18
Operating cash flow per share	EUR	0.65	0.63
Property portfolio <sup>1</sup>	EUR m	2,176.5	2,091.1
whereof properties under construction	EUR m	26.3	12.4

<sup>1</sup> Including held for sale

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Dear Shareholders,

Making use of property cycles is a key principle of our strategy. Broadly speaking, this means tapping into a market at low price levels and reselling properties at a higher price later on. This allows us to realise value in the form of cash, which is achieved thanks to market trends but also to a significant extent to the work we invest in the properties every day.

As an investor, getting both the lowest and highest points is not possible without a lot of luck. However, we are currently seeing very high price levels on some of our markets, which is why we have decided to sell some of our larger properties. In the second quarter, we signed contracts to sell Serdika Center and its associated office buildings in Sofia. In mid-July, we sold two large office buildings in the Viertel Zwei area in Vienna. These successful sales support the again extremely positive revaluation result.

## Strong performance

In the first half of the year, the results from property valuation amounted to EUR 69.3m, which also led to a pleasing net income for the period of EUR 72.4m. FFO I amounted to EUR 26.7m in the first six months of 2017. These key figures clearly demonstrate that our strategy yields success in the long run. Of course, it is also important to ensure future income at the same time. We have a project pipeline with a total investment volume of more than EUR 600m. This includes our current office developments in Bucharest and Bratislava as well as two developments in Vienna and exciting projects in Berlin. We have also acquired new properties over the last six months. There are a number of large German cities in which price levels are still favourable and demographic trends are very promising. This is why we have acquired more than ten properties in various cities, including Leipzig and Kiel, since the beginning of the year.

## Capital market

The S IMMO share also achieved an extremely positive performance. In the first half of the year, our share posted a considerable increase of 27% – again significantly outpacing the ATX and IATX. In addition, we increased the dividend for the fifth time in a row based on our record results in the previous year and paid out EUR 0.40 per share. Rising investor interest was also reflected by the turnover of S IMMO shares, which has nearly doubled over the course of the year.



*Ernst Vejdovszky, Friedrich Wachernig*

## Outlook

At mid-year, we are pleased to look back at another highly successful first half of the year. We are also very optimistic about the future. We expect our markets to continue developing positively over the next six months in addition to significant progress with our current project developments and a successful result for the year.

In everything we do, our goal is and will be to create sustainable value for you, our shareholders. We have seen great success in recent years and we will continue to work hard to live up to the trust you have placed in us.

The Management Board

A handwritten signature in black ink, appearing to be 'E. Vejdovszky'.

Ernst Vejdovszky

A handwritten signature in black ink, appearing to be 'F. Wachernig'.

Friedrich Wachernig

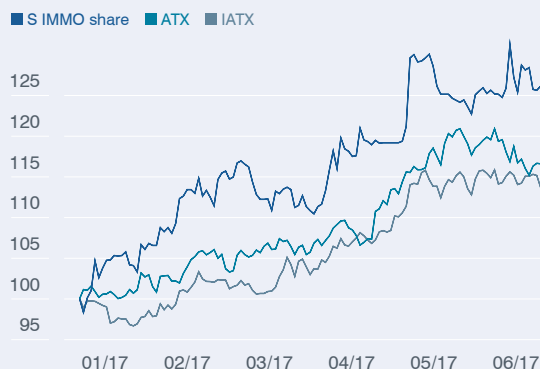
# S IMMO on the capital market

The international stock markets continued their rising trend in the second quarter of 2017. Both the US Dow Jones (DJIA) and the S&P 500 added around 8% in the first half of the year. This means that there has still been no market correction despite the fact that the implementation of major projects by the new US government, such as a tax reform and an infrastructure programme, remains difficult to assess.

In Europe, the conditions are good for the capital markets to continue their positive performance. Falling unemployment, the consistently loose monetary policy of the European Central Bank (ECB) – and thus favourable financing options – and the forecast economic growth in the eurozone of 1.8% for 2017 and 2018 have a positive influence on European markets. Rising domestic demand and the election results in France and the Netherlands also bolstered this positive trend. For example, the German DAX index continued to rise until 30 June 2017 – despite

## Share price development

indexed (01 January 2017 to 30 June 2017)



## Share data

		30 June 2017	30 June 2016
Closing price	EUR	12.700	8.400
Average daily turnover for the last 100 days	shares <sup>1</sup>	123,850	104,000
Earnings per share (EPS) for the first half-year	EUR	1.03	1.27
Book value per share	EUR	12.93	10.30
Share price discount to book value per share	in %	2	18
EPRA NAV per share	EUR	15.82	12.99
Share price discount to EPRA NAV per share	in %	20	35
EPRA NNAV per share	EUR	13.42	10.48
FFO I per share for the first half-year	EUR	0.40	0.29
FFO II per share for the first half-year	EUR	0.46	0.29
Dividend per share <sup>2</sup>	EUR	0.40	0.30

<sup>1</sup> Double counting

<sup>2</sup> The dividend distributed in 2017 and 2016 corresponds to the respective preceding financial year.

the record highs seen in the first quarter of 2017 – and ended the first half of the year at 12,325.12 points, an increase of 7.4% since the start of the year.

Among the European indices, the Austrian benchmark index ATX has become one of this year's best performers. At 3,106.66 points at the end of the first half of 2017, the ATX was up by 18.7%. Only the stock markets in Riga and Athens have performed better since the beginning of the year.

The Austrian property sector also continued its impressive price growth on the Vienna Stock Exchange. While the GPR General Europe climbed by 5.9%, the sector index for Austrian property shares IATX rose to 284.91 points by the end of the first half of 2017 – an increase of 15.2% since the beginning of the year.

## S IMMO share

The S IMMO share also continued its highly positive performance and was trading at EUR 12.70 as at 30 June 2017. Having risen by 27% in the first half of 2017, it again outperformed the strong ATX and the IATX. Rising investor interest was also reflected by the turnover of the S IMMO share, which has virtually doubled over the space of a year. The share was trading at EUR 12.90 when this report went to press on 22 August 2017.

## Performance

as at 30 June 2017

	S IMMO share	S IMMO INVEST participating certificates	
ISIN	AT0000652250/SPI	AT0000795737 (initial listing 1996)	AT0000630694 (initial listing 2004)
One year	51.19%	11.86%	10.72%
Three years, p.a.	28.83%	11.05%	10.71%
Ticker symbols	Reuters: SIAG.VI, Bloomberg: SPI:AV	Reuters: SIMig.VI, Bloomberg: SIIG:AV	
Market	Vienna Stock Exchange		Vienna Stock Exchange
Market segment	Prime Market	other securities.at	
Index	GPR General/IATX	–	
Market capitalisation (30 June 2017)	EUR 849.85m	EUR 56.46m	
Number of securities (30 June 2017)	66,917,179	475,036	117,398
Market maker	Erste Group/Hauck & Aufhäuser/ Baader Bank/Raiffeisen Centrobank		

in EUR	S IMMO share price AT0000652250	S IMMO INVEST price AT0000795737	S IMMO INVEST price AT0000630694	ATX	IATX
30 June 2016	8.400	89.000	89.000	2,095.96	228.62
31 December 2016	10.000	90.000	90.000	2,618.43	247.29
30 June 2017	12.700	95.500	94.500	3,106.66	284.91

## S IMMO bonds

ISIN	Maturity	Coupon	Total nominal value in EUR '000
AT0000A19SB5	02 October 2019	3.00%	100,000.00
AT0000A177D2	16 June 2021	4.50%	89,739.50
AT0000A1DBM5	08 April 2025	3.25%	33,993.50
AT0000A1DWK5	20 April 2027	3.25%	65,000.00

S IMMO shareholders also profited from the dividend, which was increased for the fifth time in a row. The company distributed EUR 0.40 per share for the 2016 financial year. This corresponds to a dividend yield of 4% based on the closing price as at 31 December 2016. The dividend was paid out on 16 June 2017. The cancellation of the S IMMO INVEST profit participation certificates effective 31 December 2017 was also resolved in the period under review.

The Management Board and the IR team also took part in a number of investor conferences and roadshows in the reporting period. For example, S IMMO went to Madrid for the first time. Moreover, potential and existing investors were met for the second time already in Hamburg. In addition to this, S IMMO participated in a roadshow in Paris and the regular summer conference in London. The company was also a guest at the Börsentag Wien (Vienna Stock Exchange Congress) for the first time. Here, S IMMO's business model and successes were presented to private investors from Austria.

## Investor relations activities

The 28<sup>th</sup> Annual General Meeting of S IMMO AG was held at the Vienna Marriott Hotel on 08 June 2017. The voting results have been published on the company's website [www.simmoag.at](http://www.simmoag.at).

## EPRA key figures

in EUR	30 June 2017	31 December 2016
EPRA NAV per share	15.82	14.62
EPRA NNAV per share	13.42	12.49
Share price discount from EPRA NAV per share in %	20	32
EPRA net initial yield in %	5.1	5.0

EUR '000	30 June 2017	30 June 2016
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### EPRA earnings and EPRA earnings per share (EPS)

Earnings according to IFRS income	68,465	84,611
Results from property valuations	-69,331	-106,928
Profits or losses on disposal of investment properties, development properties held for investment and other interests	0	-786
Tax on profits or losses on disposals	1,353	0
Changes in fair value of derivatives	4,953	13,956
Deferred taxes in respect of EPRA adjustments	11,543	22,490
Minority interests in respect of the above	3,035	0
<b>EPRA earnings</b>	<b>20,018</b>	<b>13,343</b>
<b>EPRA EPS in EUR</b>	<b>0.30</b>	<b>0.20</b>

EUR '000	30 June 2017	31 December 2016
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### EPRA NAV

Consolidated shareholders' equity net of non-controlling interests	856,129	795,605
Revaluation of other non-current investments	51,152	46,882
Fair value of derivative financial instruments	21,404	25,266
Deferred taxes on derivative financial instruments	-4,782	-5,747
Other deferred taxes	123,188	105,584
<b>EPRA NAV</b>	<b>1,047,091</b>	<b>967,590</b>
<b>EPRA NAV per share in EUR</b>	<b>15.82</b>	<b>14.62</b>

### EPRA NNAV

EPRA NAV	1,047,091	967,590
EPRA NAV per share	15.82	14.62
Fair value of derivative financial instruments	-21,404	-25,266
Deferred taxes on derivative financial instruments	4,782	5,747
Other deferred taxes	-123,188	-105,584
Fair value of debt (liabilities)	-24,933	-20,485
Deferred taxes on debt	6,233	5,121
<b>EPRA NNAV</b>	<b>888,582</b>	<b>827,123</b>
<b>EPRA NNAV per share in EUR</b>	<b>13.42</b>	<b>12.49</b>

## Calculation of FFO I

EUR '000	30 June 2017	30 June 2016
<b>Net income</b>	<b>72,375</b>	<b>85,527</b>
Non-cash taxes	14,111	21,067
<b>Adjusted net income</b>	<b>86,486</b>	<b>106,594</b>
Revaluation result	-69,331	-106,928
Depreciation and amortisation	4,263	4,042
Sales result	0	-786
Other non-cash effects	258	763
Non-cash valuation of derivatives	4,953	13,956
Non-cash FX result	98	1,377
<b>FFO (without results from disposals)</b>	<b>26,727</b>	<b>19,019</b>
<b>FFO I per share</b>	<b>0.40</b>	<b>0.29</b>

# Interim Management Report

## Economic Overview

Despite the uncertainties surrounding the financial and economic policy of the USA, the International Monetary Fund (IMF) expects global economic output to expand by 3.5% in 2017 and 3.6% in 2018. The IMF projects growth of 1.9% for 2017 and 1.7% for 2018 in the eurozone and therefore expects higher growth than they had in April. The IMF cited higher domestic demand than was previously anticipated as the reason for the improved outlook.

According to the Austrian Institute of Economic Research (WIFO), the Austrian economy turned in the highest growth in six years at the beginning of 2017. Along with healthy consumer and investment demand, this was primarily driven by an increase in exports. WIFO forecasts economic growth of 2.4% in 2017 and 2% in 2018. The Institute for Advanced Studies (IHS) also expects solid growth and anticipates an annual expansion of the gross domestic product of 1.7% from 2017 to 2021, after 0.8% in the previous five years. The unemployment rate, which came to 6% in 2016 according to Oesterreichische Nationalbank (OeNB), is projected to decline to 5.4% by 2019. Based on OeNB's latest calculations, the inflation rate will rise to 2% in 2017 and retreat to 1.8% in 2018 and 2019.

## Real estate market overview

### Austria

Vienna's office market recorded a take-up of 87,000 m<sup>2</sup> in the first half of 2017 – a decrease of around of 30% year-on-year. The vacancy rate dropped slightly from 5.3% at the end of the first quarter to 5.2%. Overall, 34,000 m<sup>2</sup> of new office space were completed in the first half of 2017. Another 132,000 m<sup>2</sup> are expected to come onto the market by the end of the year, which is a considerable increase compared with the previous year. Due to the positive economic situation and the strong completion rate, an upward trend in the take-up of office space is expected for the second half of the year.

Vienna's hotel industry continues to set new records. With nearly 7 million overnight stays in the first half of 2017, Vienna exceeded last year's figure by 4.2%. Net room revenues totalled over EUR 277m for the period from January to May 2017, which represents an increase of 9.6% in year-on-year terms and is also a new high.

### Germany

Residential rents in the German metropolises have increased by 30% over the past ten years. The purchase prices for new and existing freehold flats have also risen significantly. The prices of the latter have even more than doubled. An end of this development is unlikely in any of the top five cities. Low interest rates are fostering strong demand for property at central inner city locations among investors seeking to be independent of rising rents and secure capital as effectively as possible.

Berlin's office market currently lacks modern space. The total take-up amounted to 403,700 m<sup>2</sup> in the first half of 2017. The strong excess demand let the vacancy rate drop to a new record low of 3.8%. The newly completed space amounted to 140,000 m<sup>2</sup>, which is a 12% decline year-on-year. Out of the 524,000 m<sup>2</sup> due for completion by the end of 2018, 71% are already pre-let. The outlook remains positive: Berlin's international flair and its strong economic situation are driving demand for modern space. However, due to the fact that construction activity is only slowly gaining momentum, prime rents are likely to increase further.

### CEE

Demand on the Budapest office market improved by 47% to 98,730 m<sup>2</sup> in the second quarter of 2017. With a share of 38.5%, renewals were the major driver of leasing activity. According to the Budapest Research Forum, 178 deals with an average size of 555 m<sup>2</sup> were closed in the second quarter of 2017. The vacancy rate dropped again and reached 8.6%.

Budapest's hotel industry developed well. For example, the segment saw a 27.1% year-on-year increase in gross operating profit per available room in June 2017.

## Real estate market overview

	Prime rents (EUR/m <sup>2</sup> /month)				Prime gross yields (%)				Total leasing activity (m <sup>2</sup> )		Vacancy rate (%)	
	HY 2017	HY 2016	HY 2017	HY 2016	HY 2017	HY 2016	HY 2017	HY 2016	HY 2017	HY 2016	HY 2017	HY 2016
	Office	Office	Retail	Retail	Office	Office	Retail	Retail	Office	Office	Office	Office
Berlin	28.00 <sup>1</sup>	26.00 <sup>1</sup>	335.00 <sup>1*</sup>	335.00 <sup>1</sup>	3.25 <sup>1</sup>	3.75 <sup>1</sup>	3.25 <sup>1</sup>	3.75 <sup>1</sup>	403,700 <sup>3</sup>	407,500 <sup>3</sup>	3.8 <sup>3</sup>	6.0 <sup>3</sup>
Bratislava	16.00 <sup>1</sup>	16.00 <sup>1</sup>	65.00 <sup>1*</sup>	55.00 <sup>1*</sup>	6.50 <sup>1</sup>	6.90 <sup>1</sup>	6.00 <sup>1*</sup>	6.00 <sup>1*</sup>	73,903 <sup>8</sup>	117,946 <sup>5</sup>	6.9 <sup>8</sup>	7.4 <sup>5</sup>
Bucharest	18.50 <sup>1</sup>	18.50 <sup>1</sup>	60.00 <sup>1*</sup>	60.00 <sup>1*</sup>	7.50 <sup>1</sup>	7.50 <sup>1</sup>	7.00 <sup>1*</sup>	7.25 <sup>1*</sup>	176,000 <sup>4</sup>	205,700 <sup>4</sup>	11.0 <sup>4</sup>	11.9 <sup>4</sup>
Budapest	22.00 <sup>1</sup>	22.00 <sup>1</sup>	100.00 <sup>1*</sup>	100.00 <sup>1*</sup>	6.50 <sup>1</sup>	6.75 <sup>1</sup>	6.00 <sup>1*</sup>	6.75 <sup>1*</sup>	165,730 <sup>2</sup>	213,582 <sup>2</sup>	8.6 <sup>2</sup>	10.3 <sup>2</sup>
Vienna	26.00 <sup>1</sup>	26.00 <sup>1</sup>	310.00 <sup>1</sup>	310.00 <sup>1</sup>	3.95 <sup>1</sup>	4.10 <sup>1</sup>	3.35 <sup>1</sup>	3.60 <sup>1</sup>	87,000 <sup>6</sup>	124,000 <sup>6</sup>	5.2 <sup>6</sup>	6.0 <sup>6</sup>
Zagreb	14.25 <sup>1</sup>	14.00 <sup>1</sup>	40.00 <sup>1*</sup>	22.00 <sup>1*</sup>	8.00 <sup>1</sup>	8.05 <sup>1</sup>	7.00 <sup>1*</sup>	8.00 <sup>1*</sup>	n/a	15,000 <sup>7</sup>	n/a	15.9 <sup>7</sup>

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

<sup>1</sup> CBRE, Market View, EMEA rents and yields, Q2 2016/Q2 2017

<sup>2</sup> Budapest Research Forum, press release, Q2 2016/Q2 2017

<sup>3</sup> CBRE, Market View, Berlin office market, Q2 2016/Q2 2017

<sup>4</sup> CBRE, Market View, Bucharest office market, Q2 2016/Q2 2017

<sup>5</sup> CBRE, Market View, Bratislava office market, Q2 2016

<sup>6</sup> CBRE, Market View, Vienna office market, Q2 2016/HY 2017

<sup>7</sup> CBRE, Market View, Zagreb office market, Q2 2016

<sup>8</sup> Bratislava Research Forum, press release, Q2 2017

The office market in Bratislava recorded total leasing activity of 42,835 m<sup>2</sup> in the second quarter of 2017, which is an increase of 38% when compared with the previous quarter. Of this, new leases accounted for 74% of all transactions, 19% were renegotiations and 7% were expansions. The vacancy rate in Bratislava decreased slightly from 7.0% to 6.9% in the second quarter. While only one new office property came onto the market during this period, more than 43,000 m<sup>2</sup> of new space are to be completed by the end of the year.

The hotel market in Bratislava experienced a 20.8% year-on-year increase in revenue per available room in 2016 driven by a significant increase in arrivals and overnight stays that was largely due to the fact that Slovakia held the presidency of the Council of the European Union. Key indicators are expected to flatten out in 2017.

The Prague hotel market reached a new peak in 2016 with 14.7 million overnight stays. The Czech capital's hotel industry also enjoyed solid development in March 2017, as profit per room advanced by 10.6% compared with the prior year.

The Bucharest office market recorded total leasing activity of 176,000 m<sup>2</sup> in the first half of 2017. This is a decrease of 14% compared with the record half-year of 2016. The vacancy rate dropped slightly year-on-year to 11%. Overall, 140,000 m<sup>2</sup> of new space are expected to come onto the market in 2017. Due to the positive economic situation, several projects are being built speculatively. Out of the 450,000 m<sup>2</sup> currently under construction, 319,000 m<sup>2</sup> are not pre-let.

## Business development and performance

### Property portfolio

S IMMO's property portfolio consisted of 204 (31 December 2016: 194) properties with a book value (including properties held for sale) of EUR 2,176.5m (31 December 2016: EUR 2,063.9m) and a total usable area of around 1.3 million m<sup>2</sup> (31 December 2016: 1.3 million m<sup>2</sup>) as at 30 June 2017. The occupancy rate was 94.5% in the reporting period (31 December 2016: 93.9%). The overall rental yield was 6.0% (31 December 2016: 6.2%).

The properties are located in Austria, Germany and in the CEE region (Slovakia, Czech Republic, Hungary, Romania, Bulgaria and Croatia). In terms of book value, 63.7% (31 December 2016: 62.6%) of the properties were in Austria and Germany and 36.3% (31 December 2016: 37.4%) of the properties were in CEE as at 30 June 2017.

With regard to the use type, 79.2% (31 December 2016: 80.7%) of the portfolio by book value consisted of commercial properties (office, retail and hotel) and an additional share of 20.8% (31 December 2016: 19.3%) was made up of residential properties, mainly in Germany.

### Performance – summary

The first six months of 2017 were again highly successful for S IMMO. Major drivers here were gains from property revaluation, which amounted to EUR 69.3m in the first half of 2017 (HY 2016: EUR 106.9m) and were mainly due to the property value increases in Germany, Austria and Bulgaria.

Other key earnings figures such as EBIT, EBT and net income for the period again reached a high level relative to the long-term trend. EBIT amounted to EUR 108.9m (HY 2016: EUR 145.9m), EBT were EUR 87.2m (HY 2016: EUR 107.3m) and net income for the period came to EUR 72.4m (HY 2016: EUR 85.5m).

## Gross profit

S IMMO's total revenue amounted to EUR 97.5m in the first half of 2017 (HY 2016: EUR 95.3m) and thus surpassed the performance in the previous year. Despite the property sales in the previous year, rental income remained at the level of the first half of 2016 and amounted to EUR 58.5m as at 30 June 2017 (HY 2016: EUR 58.5m).

Broken down by region, rental income for the first half of 2017 was as follows: Austria and Germany 53.8% (HY 2016: 55.5%) and CEE 46.2% (HY 2016: 44.5%). In terms of use type, commercial properties (office, retail and hotel) contributed 82.4% (HY 2016: 78.2%) and residential properties 17.6% (HY 2016: 21.8%) of the rental income.

Revenues from hotel operations (revenues from the Vienna and Budapest Marriott Hotels, both operated under management agreements) rose to EUR 19.6m (HY 2016: EUR 18.3m). The main reason for this increase was the good revenue performance of the Budapest Marriott Hotel. After half of the available rooms in the Vienna Marriott Hotel were renovated in the first half of 2016, the first half of 2017 was affected by the renovation of the remaining rooms, meaning that an improvement in the performance of this property is expected in the second half of the

year. The gross profit from hotel operations increased slightly to EUR 3.6m (HY 2016: EUR 3.5m). The hotel industry is generally subject to seasonal fluctuations, which is why profit from hotel operations also varies as the year progresses.

Property management expenses fell to EUR 29.9m in the first half of the year (HY 2016: EUR 31.2m). The gross profit amounted to EUR 52.4m (HY 2016: EUR 50.5m).

## Successful property transactions

S IMMO reported the following properties as held for sale as at 30 June 2017: the office buildings "Hoch Zwei" and "Plus Zwei" in Vienna, the Serdika Center shopping centre along with its associated office property in Sofia and a property in Berlin.

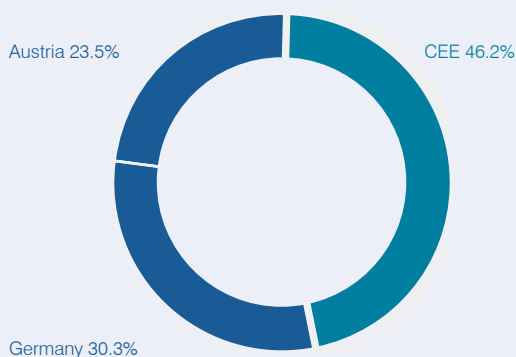
However, S IMMO also made acquisitions in the first half of 2017. German properties representing a transaction volume of more than EUR 30m were added to the S IMMO portfolio in the reporting period.

## EBITDA and EBIT

EBITDA increased to EUR 43.8m in the first half of 2017 (HY 2016: EUR 43.0m). Revaluation gains developed very positively and amounted to EUR 69.3m as at 30 June 2017 (HY 2016: EUR 106.9m). The main drivers of this development were Germany and, to a lesser extent, Austria and CEE.

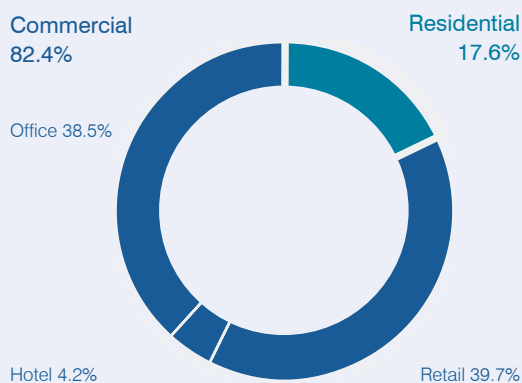
Although gains from property revaluation were again at a high level, as expected they were below the record figure for last year. Nonetheless, EBIT amounted to a good EUR 108.9m for the first

### Rental income by region\*



\* Not including Vienna Marriott Hotel and Budapest Marriott Hotel

### Rental income by property use type\*



\* Not including Vienna Marriott Hotel and Budapest Marriott Hotel

half of 2017 (HY 2016: EUR 145.9m) as a result of the positive effects described above. This is more than double the EBIT for the first half of 2015, which was less impacted by revaluation effects and amounted to EUR 48.9m.

## Financing result

Net finance costs including the participating certificates result improved to EUR -21.6m year-on-year (HY 2016: EUR -38.6m). This strong improvement is chiefly attributable to positive effects from the revaluation of derivatives and to low current expenses for financing. This positive development was made possible in part by the restructuring of the derivatives portfolio over the last two years, including the substantial extension of the maturities of derivatives. The cost of funding not including bonds and participating certificate costs was 2.84% as at 30 June 2017 (30 June 2016: 3.02%).

## Development of EBT, net income for the period and earnings per share

EBT amounted to EUR 87.2m (HY 2016: EUR 107.3m). As a result of the effects described above, net income for the period totalled EUR 72.4m (HY 2016: EUR 85.5m) and earnings per share amounted to EUR 1.03 (HY 2016: EUR 1.27).

## Consolidated statement of financial position

The S IMMO Group's total assets increased from EUR 2,278.9m as at 31 December 2016 to EUR 2,418.2m as at 30 June 2017. Cash and cash equivalents amounted to EUR 35.8m as at 30 June 2017 (31 December 2016: EUR 66.0m).

Equity not including non-controlling interests rose to EUR 856.1m in the first half of 2017 (31 December 2016: EUR 795.6m). In total, the equity ratio climbed to 37% (31 December 2016: 36%) and the book value per share increased to EUR 12.93 as at 30 June 2017 (31 December 2016: EUR 12.02).

## Financing

A key performance indicator for assessing the financing structure is the loan-to-value ratio (LTV ratio). S IMMO differentiates between two variants of this key indicator: the LTV ratio for financing secured by properties (mortgages) and the LTV ratio for unsecured financing. The latter essentially consists of bonds issued by S IMMO AG.

S IMMO's property investments (including properties held for sale) amounted to EUR 2,319.4m as at 30 June 2017 (31 December 2016: EUR 2,151.3m). The LTV ratio for financing secured by properties was 42.7% in the reporting period (31 December 2016: 41.3%).

The LTV ratio for unsecured financing less cash and cash equivalents amounted to 13.3% in the reporting period (31 December 2016: 14.6%). Overall, the company's LTV ratio came to 56.0% (31 December 2016: 55.9%). The method of calculating these two key indicators is described in detail in the 2016 annual report (page 27).

In the second quarter of 2017, S IMMO also cancelled all participating certificates it had issued effective 31 December 2017.

## Significant related party disclosures

Further information on significant related party disclosures can be found in the notes to the consolidated financial statements (starting on page 25).

## Risk management report

S IMMO AG is exposed to all industry-specific risks associated with its business (acquisition, rental, development and sale of properties in various regions and of various use types). These include corporate strategy, property-specific, financial and other risks. A detailed overview of possible risks for the current financial year and the risk management of S IMMO AG can be found in the 2016 annual report (starting from page 31).

The probability of these risks occurring depends on a number of factors, such as economic developments on the markets in which the company operates or the cyclical fluctuations to which the property sector is exposed. S IMMO invests exclusively in properties within the European Union and has a portfolio diversified by region and use type. Positive economic development is expected for the current financial year. For example, the Organisation for Economic Co-operation and Development (OECD) is projecting economic growth in the European Union of 1.8% in 2017 and 2018. It is particularly encouraging that economic growth is forecast not just on average, but consistently throughout all EU member states. The greatest momentum is expected in the CEE region, while Germany and Austria are ranked mid-table. The International Monetary Fund (IMF) anticipates growth in the eurozone of 1.9% in 2017 and 1.7% in 2018. The major uncertainty factors for the economy of the European Union are still the repercussions of Brexit, US President Trump's unpredictable policy decisions and a possible change in monetary policy by the European Central Bank (ECB). The real estate markets themselves currently have a high price level in most of the countries in which S IMMO operates.

In addition to the risks in connection with operating activities, as a listed company, S IMMO is also exposed to the market risk on the capital markets. S IMMO's share is currently at a very good level, though future volatility cannot be ruled out.

Alongside internal regulations and guidelines, risk management at S IMMO comprises ongoing reports to the Management Board in the context of regular meetings. Furthermore, there are control measures in place in the group for the purpose of the early detection, management and monitoring of risks. Key decisions relevant to risk are made by the Management Board. There is an internal control system for all key business processes. In addition, provisions are recognised for potential risks.

The potential risks are also balanced by opportunities, as S IMMO is currently benefiting from the dynamic growth on the German property market and the positive economic development in CEE. Against this backdrop, S IMMO is moving forward with its development projects and leveraging opportunities for purchases and sales as they arise.

## Outlook

A key component of our corporate strategy is to anticipate property cycles and to benefit from them. To this end, we are constantly monitoring our markets and attempting to spot when acquisitions and sales make sense. We are currently witnessing a high price level on most of our markets. We have taken this as an opportunity to successfully sell several of our properties, namely the interest in the Serdika Center shopping centre and its associated office property in Bulgaria and two large office buildings in Vienna. Attractive prices for acquisitions can be found in isolated cases in some major German cities such as Leipzig. These markets have highly promising demographic data with good growth potential.

## Update on project developments

We have a development pipeline of more than EUR 600m to ensure future income. In Bucharest, we are moving ahead with the construction of our The Mark office building with a gross floor area above ground of around 28,000 m<sup>2</sup>. The project is scheduled for completion in the middle of 2018. The construction of our Einsteinova office property in Bratislava, which is also being built to the highest green building standards and is already 85% pre-let, is progressing well. Completion is scheduled for the first quarter of 2018. The first new tenants have already moved into Sun Plaza, our Bucharest shopping centre, following the

completion of the first phase of renovations. The second phase is planned to be finished in autumn 2017. In Vienna, we are working on a residential and office property on Siebenbrunnengasse, with construction set to begin in the first half of 2018. Furthermore, S IMMO is an investor in Quartier Belvedere Central at the Vienna Central Station. We are also moving ahead with several projects in Berlin. Here, our activities are mainly focused on redesigning and renovating existing properties.

# Consolidated statement of financial position

as at 30 June 2017

Assets <small>EUR '000</small>	Notes	30 June 2017	31 December 2016
<b>Non-current assets</b>			
Investment properties			
Rented properties	3.1.1.	1,585,484	1,917,303
Properties under development and undeveloped land	3.1.1.	26,265	20,801
		<b>1,611,749</b>	1,938,104
Owner-operated properties	3.1.2.	128,708	125,768
Other plant and equipment		5,759	6,340
Intangible assets		176	193
Interests in companies measured at equity		10,299	10,241
Group interests	3.1.3.	744	777
Loans to companies measured at equity		11,598	10,372
Other financial assets	3.1.3.	144,893	90,394
Deferred tax assets		2,078	5,807
		<b>1,916,004</b>	2,187,996
<b>Current assets</b>			
Inventories	3.1.4.	502	606
Trade receivables		8,072	10,412
Other financial assets	3.1.3.	4,234	4,241
Other assets		9,887	9,616
Cash and cash equivalents	3.1.5.	35,770	66,029
		<b>58,465</b>	90,904
Assets held for sale	3.1.6.	443,720	0
		<b>502,185</b>	90,904
		<b>2,418,189</b>	<b>2,278,900</b>

## Equity and liabilities EUR '000

Notes

30 June 2017

31 December 2016

### Shareholders' equity

Share capital		240,544	240,544
Capital reserves		68,832	68,832
Other reserves		546,753	486,229
		<b>856,129</b>	<b>795,605</b>
Non-controlling interests	3.1.7.	32,043	28,737
		<b>888,172</b>	<b>824,342</b>

### Non-current liabilities

Subordinated participating certificate capital	3.1.8.	57,272	58,131
Issued bonds	3.1.9.	287,366	287,221
Other financial liabilities	3.1.10.	785,031	770,602
Provisions		2,204	2,143
Other liabilities		37	15
Deferred tax liabilities		96,583	105,645
		<b>1,228,493</b>	<b>1,223,757</b>

### Current liabilities

Financial liabilities	3.1.10.	144,773	184,096
Income tax liabilities		4,701	3,666
Provisions		67	162
Trade payables		5,586	9,298
Other liabilities		31,402	33,579
		<b>186,529</b>	<b>230,801</b>
Liabilities in connection with assets held for sale	3.1.6.	114,995	0
		<b>301,524</b>	<b>230,801</b>
		<b>2,418,189</b>	<b>2,278,900</b>

# Consolidated income statement

for the six months ended 30 June 2017

EUR '000	Notes	01-06/2017	01-06/2016
<b>Revenues</b>			
Rental income	3.2.1.	58,543	58,497
Revenues from operating costs		19,293	18,430
Revenues from hotel operations		19,618	18,331
		<b>97,454</b>	95,258
Other operating income		<b>883</b>	1,338
Property operating expenses	3.2.2.	-29,915	-31,217
Hotel operating expenses	3.2.2.	-15,989	-14,855
Gross profit		<b>52,433</b>	50,524
Income from property disposals		23,741	3,932
Book value of property disposals		-23,741	-3,146
Gains on property disposals	3.2.3.	<b>0</b>	786
Management expenses		-8,631	-8,341
Earnings before interest, tax, depreciation and amortisation (EBITDA)		<b>43,802</b>	42,969
Depreciation and amortisation		-4,263	-4,042
Results from property valuation	3.2.4.	69,331	106,928
Operating result (EBIT)		<b>108,870</b>	145,855
Financing costs	3.2.5.	-24,756	-36,376
Financing income	3.2.5.	5,725	1,070
Results from companies measured at equity	3.2.5.	58	-10
Participating certificates result	3.1.8.	-2,663	-3,272
Net income before tax (EBT)		<b>87,234</b>	107,267
Taxes on income	3.2.6.	-14,859	-21,740
<b>Consolidated net income for the period</b>		<b>72,375</b>	<b>85,527</b>
of which attributable to shareholders in parent company		68,465	84,611
of which attributable to non-controlling interests		3,910	916
<b>Earnings per share</b>			
undiluted = diluted		<b>1.03</b>	1.27

# Consolidated statement of comprehensive income

for the six months ended 30 June 2017

EUR '000	01-06/2017	01-06/2016
Consolidated net income for the period	72,375	85,527
Change in value of cash flow hedges	-243	-6,700
Income taxes on cash flow hedges	46	1,591
Reclassification of derivative valuation effects	6,342	3,014
Foreign exchange rate differences	-98	153
Valuation of financial instruments available for sale	16,967	0
Income taxes from measurement of financial instruments available for sale	-4,242	0
Other comprehensive income for the period (realised through profit or loss)	18,772	-1,942
<b>Total comprehensive income for the period</b>	<b>91,147</b>	<b>83,585</b>
of which attributable to shareholders in parent company	87,006	82,787
of which attributable to non-controlling interests	4,141	798

# Consolidated income statement

for the three months ended 30 June 2017

EUR '000	Notes	04-06/2017	04-06/2016
<b>Revenues</b>			
Rental income	3.2.1.	29,614	29,264
Revenues from operating costs		9,160	8,530
Revenues from hotel operations		12,171	11,156
		<b>50,945</b>	48,950
<b>Other operating income</b>			
		<b>401</b>	795
Property operating expenses	3.2.2.	-13,427	-15,140
Hotel operating expenses	3.2.2.	-8,839	-8,031
Gross profit		<b>29,080</b>	26,574
Income from property disposals		22,000	2,564
Book value of property disposals		-22,000	-2,314
Gains on property disposals	3.2.3.	<b>0</b>	250
Management expenses		-4,807	-4,110
Earnings before interest, tax, depreciation and amortisation (EBITDA)		<b>24,273</b>	22,714
Depreciation and amortisation		-2,182	-2,171
Results from property valuation	3.2.4.	59,579	69,984
Operating result (EBIT)		<b>81,670</b>	90,527
Financing costs	3.2.5.	-15,466	-16,283
Financing income	3.2.5.	4,874	313
Results from companies measured at equity	3.2.5.	151	-74
Participating certificates result	3.1.8.	-1,944	-1,885
Net income before tax (EBT)		<b>69,285</b>	72,598
Taxes on income	3.2.6.	-13,070	-14,661
<b>Consolidated net income for the period</b>		<b>56,215</b>	<b>57,937</b>
of which attributable to shareholders in parent company		54,737	57,609
of which attributable to non-controlling interests		1,478	328
<b>Earnings per share</b>			
undiluted = diluted		<b>0.83</b>	0.87

# Consolidated statement of comprehensive income

for the three months ended 30 June 2017

EUR '000	04-06/2017	04-06/2016
Consolidated net income for the period	56,215	57,937
Change in value of cash flow hedges	-2,790	-1,663
Income taxes on cash flow hedges	534	392
Reclassification of derivative valuation effects	5,280	1,453
Foreign exchange rate differences	197	414
Valuation of financial instruments available for sale	10,784	0
Income taxes from measurement of financial instruments available for sale	-2,696	0
Other comprehensive income for the period (realised through profit or loss)	11,309	596
<b>Total comprehensive income for the period</b>	<b>67,524</b>	<b>58,533</b>
of which attributable to shareholders in parent company	66,030	58,156
of which attributable to non-controlling interests	1,494	377

# Consolidated cash flow statement

for the six months ended 30 June 2017

EUR '000	01-06/2017	01-06/2016
Operating cash flow	43,054	42,174
Changes in net current assets	-3,285	-119
Cash flow from operating activities	39,769	42,055
Cash flow from investing activities	-83,963	-27,411
Cash flow from financing activities	15,761	15,195
<b>Total</b>	<b>-28,433</b>	<b>29,839</b>
Cash and cash equivalents as at 01 January	66,029	50,684
Reclassification of cash and cash equivalents to "assets held for sale"	-1,826	-467
Cash and cash equivalents as at 30 June	35,770	80,056
<b>Net change in cash and cash equivalents</b>	<b>-28,433</b>	<b>29,839</b>

# Changes in consolidated equity

EUR '000	Share capital	Capital reserves	Foreign currency translation reserve	Hedge accounting reserve	AFS reserve	Other reserves	Subtotal S IMMO share-holders	Non-controlling interests	Total
As at 01 January 2017	240,544	68,832	-17,365	-17,585	-3,858	525,037	795,605	28,737	824,342
Consolidated net income for the period	0	0	0	0	0	68,465	68,465	3,910	72,375
Other comprehensive income	0	0	-99	5,914	12,725	0	18,540	231	18,771
Repurchase of own shares	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	-835	-835
Distribution <sup>1</sup>	0	0	0	0	0	-26,481	-26,481	0	-26,481
<b>As at 30 June 2017</b>	<b>240,544</b>	<b>68,832</b>	<b>-17,464</b>	<b>-11,671</b>	<b>8,867</b>	<b>567,021</b>	<b>856,129</b>	<b>32,043</b>	<b>888,172</b>
As at 01 January 2016	242,453	72,030	-16,536	-20,356	0	345,673	623,264	23,331	646,595
Consolidated net income for the period	0	0	0	0	0	84,611	84,611	916	85,527
Other comprehensive income	0	0	153	-1,977	0	0	-1,824	-118	-1,942
Repurchase of own shares	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	1,042	1,042	-788	254
Distribution	0	0	0	0	0	-20,018	-20,018	0	-20,018
<b>As at 30 June 2016</b>	<b>242,453</b>	<b>72,030</b>	<b>-16,383</b>	<b>-22,333</b>	<b>0</b>	<b>411,308</b>	<b>687,075</b>	<b>23,341</b>	<b>710,416</b>

<sup>1</sup> The dividend distribution of kEUR 26,481 in 2017 corresponds to a dividend of EUR 0.40 (2016: EUR 0.30) per share, and was effected on 16 June 2017.

# Notes to the consolidated interim financial statements

(condensed)

## 1. The group

S IMMO Group (S IMMO AG and its subsidiaries) is an international real estate group. The parent company of the group, S IMMO AG, has its registered office at Friedrichstrasse 10, 1010 Vienna, Austria. The company has been listed on the Vienna Stock Exchange since 1987 and 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 30 June 2017, S IMMO Group owned properties in all of the above mentioned countries except Denmark. The group'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 interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 and do not contain all the information required to be disclosed in a full set of IFRS consolidated financial statements. The interim financial statements should therefore be read in conjunction with the IFRS consolidated financial statements for the year ended 31 December 2016.

In preparing the consolidated interim financial statements for the six months ended 30 June 2017, the accounting and valuation policies applied in the consolidated financial statements for the year ended 31 December 2016 have been applied substantially unchanged.

The financial statements for the six months ended 30 June 2017 have neither been audited nor reviewed by independent auditors.

The accounting policies of all companies included in consolidation are based on the uniform accounting regulations of S IMMO Group. The financial year for all companies is the year ending on 31 December. The previously consolidated Austrian company S IMMO Property Drei GmbH was sold in the first quarter of 2017.

The consolidated interim 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. New mandatory accounting regulations

There are no new standards effective for the 2017 financial year. Although amendments to IAS 7 (as part of the disclosure initiative), IAS 12 (regarding the recognition of deferred tax assets for unrealised gains) and IFRS 12 as part of the annual improvements from the 2012 to 2014 cycle have been adopted by the IASB, they have not yet been endorsed by the EU.

New standards and interpretations, that can be adopted in the EU but that are not yet effective for the 2017 financial year, have not been applied (see also the detailed information in the consolidated financial statements for the 2016 financial year).

### 2.3. Reporting currency and currency translation

The group's reporting currency is the euro. The functional currency is determined as per the criteria of IAS 21, and has been identified as being the euro for the majority of S IMMO Group's companies.

### 3. Selected notes to the consolidated interim financial statements

#### 3.1. Statement of financial position

##### 3.1.1. Investment properties

EUR '000	Properties under development and undeveloped land	
	Rented properties	
As at 01 January 2016	1,826,403	16,201
Additions	117,340	11,250
Disposals	0	-5,305
Other changes	-245	0
Changes in fair value (realised through profit or loss)	195,380	-1,345
Reclassifications as properties held for sale	-221,575	0
<b>As at 31 December 2016</b>	<b>1,917,303</b>	<b>20,801</b>
whereof pledged as security	1,806,978	0
Additions	60,154	5,464
Disposals	-1,741	0
Other changes	-1,597	0
Changes in fair value (realised through profit or loss)	69,331	0
Reclassifications as properties held for sale	-457,966	0
<b>As at 30 June 2017</b>	<b>1,585,484</b>	<b>26,265</b>
whereof pledged as security	1,481,791	22,864

Consisting of:

##### Rented properties

EUR '000	30.06.2017		31.12.2016
Austria	364,577		574,808
Germany	715,341		660,044
CEE	505,566		682,451
	<b>1,585,484</b>		<b>1,917,303</b>

##### Properties under development and undeveloped land

EUR '000	30.06.2017		31.12.2016
Austria	0		0
Germany	0		0
CEE	26,265		20,801
	<b>26,265</b>		<b>20,801</b>

Valuation appraisals to measure the fair value of all investment properties are generally obtained from independent experts once per year. The valuation methods are the same as those used for the 2016 annual financial statements and correspond to level 3 of the IFRS 13.86 fair value hierarchy. The valuation result for the investment properties in the first half of 2017 is mainly based on internal calculation models with input parameters that have changed since the preparation of the 2016 annual financial statements, but with the same valuation methods as applied for the 2016 annual financial statements. Most of the positive valuations in the first half of the year are attributable to several properties in Germany (especially in the residential sector in Berlin), the office buildings in Vienna's Viertel Zwei, the Serdika Center shopping centre and the Serdika Offices office building in Bulgaria. To a much lesser extent, valuations were calculated for individual properties in CEE.

##### 3.1.2. Owner-operated properties

Owner-operated properties are hotels operated for the S IMMO Group by international hotel chains under management agreements. Both income and expenses of hotel operations are subject to seasonal fluctuations. There was a temporary downturn in revenues at the Vienna Marriott Hotel due to refurbishment work in the first half of 2017.

##### 3.1.3. Financial assets

The book values of the current and non-current financial assets correspond largely to their present values. Other financial assets include mainly shares in the companies Immofinanz and CA Immo that are accounted for as AFS securities. The valuation of available-for-sale financial instruments reported in the consolidated statement of comprehensive income relates entirely to these equity instruments. Dividends totalling kEUR 3,960 were collected in the reporting period (HY 2016: kEUR 0).

### 3.1.4. Inventories

Inventories exist to a minor extent and are measured at cost. The net realisable value of inventories does not exceed their book values.

### 3.1.5. Cash and cash equivalents

EUR '000	30.06.2017	31.12.2016
Bank balances	35,549	65,726
Cash in hand	221	303
	<b>35,770</b>	<b>66,029</b>

### 3.1.6. Assets held for sale and liabilities relating to assets held for sale

Properties are treated as "held for sale" if it is the intention of the group's management to dispose of them in the near future. This intention currently applies to the "Hoch Zwei" and "Plus Zwei" office buildings, to the Serdika Center shopping centre, the Serdika Offices office building and to an individual property in Germany. Disposal groups have been formed for the buildings "Hoch Zwei" and "Plus Zwei" and for the Serdika Offices office building.

#### Assets held for sale

EUR '000	30.06.2017	31.12.2016
Rented properties	436,022	0
Intangible assets	2	0
Other plant and equipment	379	0
Deferred taxes	3,521	0
Inventories	52	0
Trade receivables	1,179	0
Other financial assets	22	0
Other assets	717	0
Cash and cash equivalents	1,826	0
	<b>443,720</b>	<b>0</b>

#### Liabilities relating to assets held for sale

EUR '000	30.06.2017	31.12.2016
Deferred taxes	27,422	0
Financial liabilities	86,519	0
Trade payables	244	0
Other liabilities	810	0
	<b>114,995</b>	<b>0</b>

### 3.1.7. Non-controlling interests

The non-controlling interests of kEUR 32,043 (31 December 2016: kEUR 28,737) consisted principally of Einkaufscenter Sofia G.m.b.H. & Co KG (35% minority interest). The disposals in the amount of kEUR 835 (30 June 2016: kEUR 788) shown in the statement of changes in consolidated equity are due primarily to distributions.

### 3.1.8. Subordinated participating certificate capital

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

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

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

To the extent that the income entitlement 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 six months ended 30 June 2017, the total share of income entitlements was kEUR 2,567 (31 December 2016: kEUR 6,735).

As at 30 June 2017, there were 592,434 participating certificates in issue. The total entitlements of participating certificate holders as of that date were EUR 96.67 (31 December 2016: EUR 96.15) per certificate and were made up as follows:

EUR '000	Participating certificate capital	Profit brought forward	Profit for the period	Share of undisclosed reserves on property portfolio	Total
Participating certificates capital 01 January 2017	43,937			1,133	45,070
Profit brought forward 01 January 2017		6,326			6,326
Income entitlements of participating certificate holders from 2016			6,735		6,735
Distribution 04 May 2017			-2,400		-2,400
Change in profit brought forward pursuant to Clause 5 (6), Participating Certificates Agreement		4,335	-4,335		0
Repurchase and retirement of 12,168 participating certificates	-885	-214		-23	-1,122
Income entitlements of participating certificate holders			2,567		2,567
Allocation of undisclosed reserves on property portfolio				96	96
<b>Participating certificates capital as at 30 June 2017</b>	<b>43,052</b>	<b>10,447</b>	<b>2,567</b>	<b>1,206</b>	<b>57,272</b>
<b>Per participating certificate in EUR</b>	<b>72.67</b>	<b>17.63</b>	<b>4.33</b>	<b>2.04</b>	<b>96.67</b>

EUR '000	Participating certificate capital	Profit brought forward	Profit for the period	Share of undisclosed reserves on property portfolio	Total
Participating certificates capital 01 January 2016	45,839			998	46,837
Profit brought forward 01 January 2016		4,671			4,671
Income entitlements of participating certificate holders from 2015			4,452		4,452
Distribution 25 May 2016			-2,429		-2,429
Change in profit brought forward pursuant to Clause 5 (6), Participating Certificates Agreement		2,023	-2,023		0
Repurchase and retirement of 26,177 participating certificates	-1,902	-368		-41	-2,311
Income entitlements of participating certificate holders			6,735		6,735
Allocation of undisclosed reserves on property portfolio				176	176
<b>Participating certificates capital as at 31 December 2016</b>	<b>43,937</b>	<b>6,326</b>	<b>6,735</b>	<b>1,133</b>	<b>58,131</b>
<b>Per participating certificate in EUR</b>	<b>72.67</b>	<b>10.47</b>	<b>11.14</b>	<b>1.87</b>	<b>96.15</b>

The participating certificates mature on 31 December 2029. With effect from 31 December 2017, the terms of the participating certificate agreements provide for a cancellation option both for the holders and for the company.

In the second quarter of 2017, S IMMO exercised this cancellation right and cancelled all profit participating certificates it had issued effective 31 December 2017.

On 30 June 2017, the participating certificate tranche with the ISIN AT0000795737 was listed at a price of EUR 95.50 per certificate and the tranche with the ISIN AT0000630694 was listed at a price of EUR 94.50 per certificate.

### 3.1.9. Issued bonds

In June 2014, S IMMO AG issued a bond (ISIN AT0000A177D2) with a total nominal value of kEUR 89,739.5. The bond is divided into 179,479 partial debentures with a nominal value of EUR 500 each, and was issued in exchange for participating certificates. At the beginning of October 2014, S IMMO AG issued a bond (ISIN AT0000A19SB5) with a total nominal value of kEUR 100,000 divided into 200,000 partial debentures with a nominal value of EUR 500 each.

In April 2015, S IMMO AG issued two more bonds. The bond with the ISIN AT0000A1DBM5 followed a voluntary public offer pursuant to sections 4 ff. of the Austrian Takeover Act (ÜbG) issued in March 2015 to the holders of the S IMMO INVEST participating certificates with the ISIN AT0000795737 and the ISIN AT0000630694 for the purchase of these participating certificates by way of an alternative exchange and cash offer. Also in April 2015, S IMMO AG issued a further bond (ISIN AT0000A1DWK5) with a total nominal value of kEUR 65,000 divided into 130,000 partial debentures with a nominal value of EUR 500 each.

The following table shows key data for the issued corporate bonds:

ISIN	Total nominal value in EUR '000	Coupon	Effective interest rate	Maturity
AT0000A177D2	89,739.5	4.50%	4.66%	16 June 2021
AT0000A19SB5	100,000	3.00%	3.13%	02 October 2019
AT0000A1DBM5	33,993.5	3.25%	3.36%	08 April 2025
AT0000A1DWK5	65,000	3.25%	3.31%	20 April 2027

All of the bonds are listed in the Corporates Prime segment of the Vienna Stock Exchange.

### 3.1.10. Other financial liabilities

Other short-term and long-term financial liabilities, including the financial liabilities reported in liabilities relating to assets held for sale, amounted to kEUR 1,016,323 (31 December 2016: kEUR 954,698). The increase in other financial liabilities is a result of new borrowing that exceeds loan repayments and the decrease in derivative liabilities. Other financial liabilities in the amount of kEUR 86,519 are reported as liabilities relating to assets held for sale.

### 3.1.11. Derivatives

The S IMMO Group currently uses swaps and caps to manage the interest rate risk in connection with property financing at variable interest rates. These derivatives were disclosed under other current and non-current financial assets (30 June 2017: kEUR 1,542; 31 December 2016: kEUR 2,580) and under current and non-current financial liabilities (30 June 2017: kEUR 25,188; 31 December 2016: kEUR 30,347). The fair value measurement of derivatives is based on estimates made by external experts. There were no changes to the applied measurement methods or key input parameters compared with the 2016 annual financial statements. The measurement falls under level 2 of the IFRS 13 fair value hierarchy. CVAs/DVAs were applied for the measurement of derivatives in analogy to the methods as at 31 December 2016 and resulted in minor adjustments of the liabilities from derivatives.

In the first six months of 2017, this resulted in expenses of kEUR 243 (HY 2016: kEUR 6,700) recognised under equity in other comprehensive income. Overall, valuation effects had a negative effect in the consolidated income statement for the first six months of 2017 in the amount of kEUR 4,953 (HY 2016: kEUR 13,956).

30 June 2017

EUR '000	Nominal	Positive fair value	Negative fair value
Swaps	528,791	485	-25,029
Caps	220,500	1,057	-159
<b>Total</b>	<b>749,291</b>	<b>1,542</b>	<b>-25,188</b>

31 December 2016

EUR '000	Nominal	Positive fair value	Negative fair value
Swaps	508,997	1,264	-30,018
Caps	227,460	1,317	-329
<b>Total</b>	<b>736,457</b>	<b>2,581</b>	<b>-30,347</b>

## 3.2. Consolidated income statement

### 3.2.1. Rental income

Rental income by property use type was as follows:

EUR '000	01-06/2017	01-06/2016
Office	22,572	21,239
Residential	10,281	12,760
Retail	23,258	22,116
Hotel	2,432	2,382
	<b>58,543</b>	<b>58,497</b>

### 3.2.2. Operating costs and expenses from properties and hotel operations

These expenses arise in connection with non-current property assets, consisting mainly of operating costs, provisions for adjustment of receivables, maintenance expenses and commissions.

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

The number of employees in the group in the first half of 2017 was 575 (HY 2016: 577), including hotel staff. Personnel expenses for the hotels are disclosed under hotel operations.

### 3.2.3. Gains on property disposals

The company S IMMO Property Drei GmbH was sold in the first quarter of 2017.

EUR '000	01-06/2017	01-06/2016
<b>Disposal proceeds</b>		
Investment properties	1,741	2,564
Properties held for sale	22,000	0
Inventories	0	1,368
	<b>23,741</b>	<b>3,932</b>
<b>Book value of property disposals</b>		
Investment properties	-1,741	-2,314
Properties held for sale	-22,000	0
Inventories	0	-832
	<b>-23,741</b>	<b>-3,146</b>
<b>Gains on property disposals</b>		
Investment properties	0	250
Properties held for sale	0	0
Inventories	0	536
	<b>0</b>	<b>786</b>

### 3.2.4. Results from property valuation

The result from property valuation in the Germany segment of kEUR 36,774 (30 June 2016: kEUR 98,310) results primarily from valuations calculated on the basis of internal models and relates primarily to the residential sector in Berlin. In addition, the Viertel Zwei office buildings in Vienna were increased in value in the Austria segment, and the positive revaluation result in the CEE segment relates primarily to the Serdika Center shopping centre and the Serdika Offices office building in Bulgaria.

### 3.2.5. Financing result

Net financing costs consisted of the following:

EUR '000	01–06/2017	01–06/2016
Financing expense	-24,756	-36,386
Financing income	5,783	1,070
	<b>-18,973</b>	<b>-35,316</b>

In the first half of 2017, financing costs included a non-cash foreign exchange loss of kEUR 98 (HY 2016: kEUR 1,378).

### 3.2.6. Taxes on income

EUR '000	01–06/2017	01–06/2016
Current tax expense	-2,587	-796
Deferred tax income/expense	-12,272	-20,944
	<b>-14,859</b>	<b>-21,740</b>

## 4. Operating segments

Segment reporting for S IMMO Group is based on geographical regions. Since 01 January 2017, the assessment and analysis of the regional structure has followed the new strategic direction, which differentiates between Austria, Germany and CEE. The regions are as follows:

**Austria:** This operating segment includes all of the group's Austrian subsidiaries, except those with holding property in Germany.

**Germany:** This operating segment includes the German subsidiaries and also subsidiaries in Denmark and Austria, holding property in Germany.

**CEE:** The CEE segment includes the subsidiaries in Slovakia, Czechia, Hungary, Bulgaria, Croatia and Romania.

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

Each division operates independently of every other division. The responsible authority for any decision by the respective division is the Chief Executive Officer as "chief operating decision maker".

EUR '000	Austria		Germany		CEE <sup>1</sup>		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Rental income	13,760	14,207	17,711	18,277	27,072	26,013	58,543	58,497
Revenues from operating costs	3,749	3,331	5,241	5,364	10,303	9,735	19,293	18,430
Revenues from hotel operations	8,407	8,436	0	0	11,211	9,895	19,618	18,331
<b>Total revenues</b>	<b>25,916</b>	<b>25,974</b>	<b>22,952</b>	<b>23,641</b>	<b>48,586</b>	<b>45,643</b>	<b>97,454</b>	<b>95,258</b>
Other operating income	417	330	314	471	152	537	883	1,338
Property operating expenses	-5,769	-5,085	-11,291	-13,546	12,855	-12,587	-29,915	-31,217
Hotel operating expenses	-8,464	-8,149	0	0	-7,525	-6,706	-15,989	-14,855
<b>Gross profit</b>	<b>12,100</b>	<b>13,071</b>	<b>11,975</b>	<b>10,566</b>	<b>28,358</b>	<b>26,887</b>	<b>52,433</b>	<b>50,524</b>
Gains on property disposals	0	536	0	0	0	250	0	786
Management expenses	-4,839	-4,618	-2,462	-2,756	-1,330	-967	-8,631	-8,341
<b>EBITDA</b>	<b>7,261</b>	<b>8,988</b>	<b>9,513</b>	<b>7,810</b>	<b>27,028</b>	<b>26,170</b>	<b>43,802</b>	<b>42,969</b>
Depreciation and amortisation	-2,300	-2,069	-47	-48	-1,915	-1,924	-4,263	-4,042
Results from property valuation	24,463	3,331	36,774	98,310	8,094	5,287	69,331	106,928
<b>EBIT</b>	<b>29,424</b>	<b>10,250</b>	<b>46,240</b>	<b>106,072</b>	<b>33,207</b>	<b>29,532</b>	<b>108,870</b>	<b>145,855</b>
	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Non-current assets	591,579	742,766	715,984	660,385	608,441	784,845	1,916,004	2,187,996
Non-current liabilities (incl. participating certificates in Austria)	540,027	635,178	293,640	262,310	394,826	326,269	1,228,493	1,223,757

<sup>1</sup> Adjusted

## 5. Other obligations and contingent liabilities

In S IMMO Group there were a number of open legal disputes as at 30 June 2017, however, in management's opinion, neither the individual amounts involved nor the total are material.

## 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 venture companies of the group

S IMMO Group's managing bodies are as follows:

#### S IMMO AG Management Board

- Ernst Vejdovszky, Vienna (CEO)
- Friedrich Wachernig, MBA, Vienna

#### S IMMO AG Supervisory Board

- Martin Simhandl, Vienna (Chairman)
- Ralf Zeittlberger, Vienna  
(First Deputy Chairman)
- Franz Kerber, Graz  
(Second Deputy Chairman)
- Andrea Besenhofer, Vienna
- Christian Hager, Krems
- Erwin Hammerbacher, Vienna (until 08 June 2017)
- Michael Matlin, MBA, New York
- Manfred Rapf, Vienna (since 08 June 2017)
- Wilhelm Rasinger, Vienna

There were the following receivables and payables with Erste Group and Vienna Insurance Group as at 30 June 2017 and as at 31 December 2016:

EUR '000	30.06.2017	31.12.2016
Other receivables	3,323	2,925
Bank balances	20,309	48,244
<b>Receivables</b>	<b>23,632</b>	<b>51,169</b>
EUR '000	30.06.2017	31.12.2016
Non-current bank and financial liabilities	343,200	351,514
Current bank and financial liabilities	41,176	121,673
Trade payables	57	51
Other liabilities	3	19
Liabilities relating to assets held for sale	84,532	0
<b>Liabilities</b>	<b>468,968</b>	<b>473,257</b>

There were the following material expenses and income in connection with Erste Group and Vienna Insurance Group in the first six months of the year and the same period last year:

EUR '000	01-06/2017	01-06/2016
Management fees	-125	-486
Bank loan interest, other financing expenses and charges	-8,168	-18,273
Other expenses	-625	-1,039
<b>Expenses</b>	<b>-8,918</b>	<b>-19,798</b>
EUR '000	01-06/2017	01-06/2016
Rent and revenues from operating costs	123	222
Bank interest	100	0
Other interest income	144	36
<b>Income</b>	<b>367</b>	<b>258</b>

## 7. Significant events after the balance sheet date

In the period after 30 June 2017, sales agreements were concluded for the properties in Vienna's Viertel Zwei, the Serdika Center shopping centre and the Serdika Offices office building in Bulgaria.

Vienna, 29 August 2017

Management Board

Ernst Vejdovszky m. p.

Friedrich Wachernig, MBA m. p.

# Declaration pursuant to section 87 (1) (3) Austrian Stock Exchange Act (Börsegesetz)

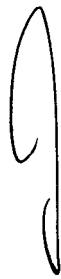
## Statement of all legal representatives

“We confirm to the best of our knowledge that the condensed interim 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 important events that have occurred during the first six months of

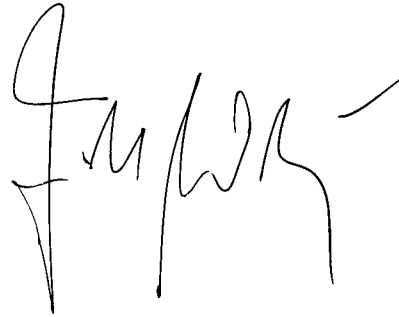
the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.”

Vienna, 29 August 2017

The Management Board



Ernst Vejdovszky



Friedrich Wachernig, MBA

# Financial calendar 2017

29 August 2017 Results for the first half-year 2017  
28 November 2017 Results for the first three quarters 2017

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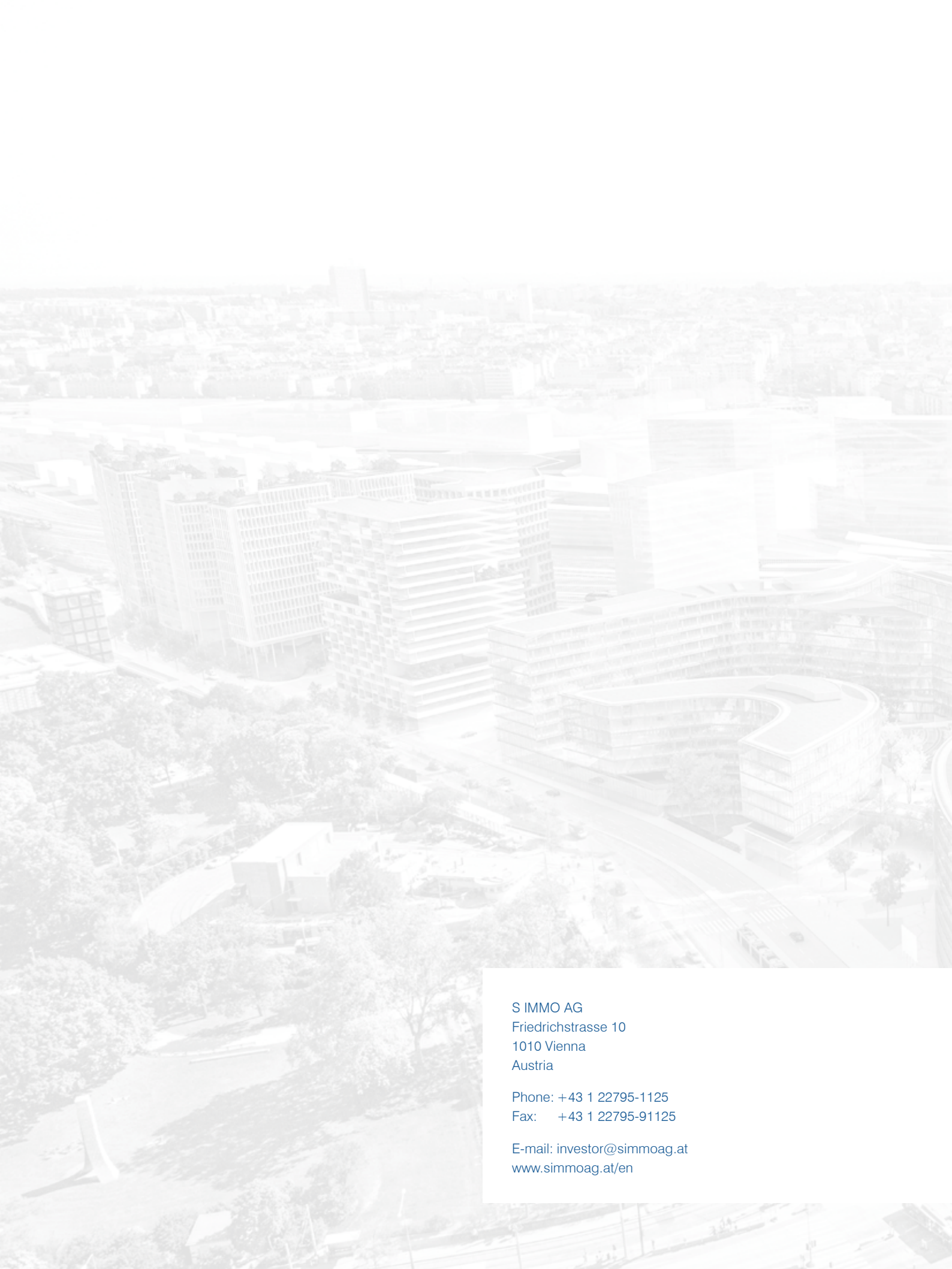
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Report was prepared. Should the assumptions on which the forecasts are based prove to be unfounded, or should events of the kind described in the risk report occur, then the actual outcomes may differ from those currently expected. This Interim Report 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 Interim Report has been prepared in the German language, and only the German language version is authentic. The Interim Report in other languages is a translation of the German Report.



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