



**Interim Report**  
as at 30 September 2016



# Key figures

|  |       | 01.01.–30.09.2016 | 01.01.–30.09.2015 |
|--|-------|-------------------|-------------------|
| Revenues   | EUR m | 147.1             | 141.6             |
| whereof rental income and revenues from hotel operations | EUR m | 118.7             | 116.2             |
| EBITDA   | EUR m | 68.7              | 65.2              |
| EBIT   | EUR m | 170.5             | 76.1              |
| EBT  | EUR m | 118.4             | 34.6              |
| Net income for the period                                | EUR m | 119.8             | 28.2              |
| Total assets   | EUR m | 2,214.1           | 1,934.8           |
| Equity   | EUR m | 745.0             | 594.5             |
| Liabilities  | EUR m | 1,469.2           | 1,340.3           |
| Equity ratio   | in %  | 34                | 31                |
| Operating cash flow                                      | EUR m | 64.0              | 61.0              |
| Cash flow from investing activities                      | EUR m | -6.1              | -75.4             |
| Cash flow from financing activities                      | EUR m | 38.0              | -17.0             |
| Cash and cash equivalents as at 30 September             | EUR m | 150.4             | 48.2              |
| NOI margin   | in %  | 51                | 53                |
| FFO I  | EUR m | 31.3              | 26.8              |
| FFO II   | EUR m | 62.2              | 29.1              |
| Earnings per share                                       | EUR   | 1.78              | 0.40              |
| Book value per share                                     | EUR   | 10.80             | 8.52              |
| Share price discount to book value per share             | in %  | 13                | 11                |
| Operating cash flow per share                            | EUR   | 0.96              | 0.91              |
| Property portfolio                                       | EUR m | 1,975.1           | 1,831.7           |
| whereof properties under construction                    | EUR m | 18.8              | 15.3              |

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## Dear Shareholders,

The 2016 financial year is set to be another record year for S IMMO. As at the end of the third quarter, the positive trend of the preceding quarters has been reaffirmed impressively and can be attributed to various factors. With the sale of around a third of our German residential portfolio, we realised the valuation gains of the past years for these properties. Taking advantage of peaks on our markets and taking profits is an important element of our cycle-oriented strategy. In addition, we achieved considerable success in our operating business. The results of our work are reflected in our key indicators: EBIT rose to EUR 170.5m and we boosted our net income for the period to EUR 119.8m.

### Capital market

Our share displayed a very positive performance and was listed at EUR 9.37 at the end of the quarter, a 14.27% increase since the beginning of the year. Trading volumes are steadily increasing and interest among institutional investors is growing.

At the end of September, we decided to launch an additional share repurchase programme. Given that our share price is almost 30% below EPRA NAV, investing in our own shares is a sensible strategic decision.

### Outlook

The sale of parts of our German residential portfolio does not change the fact that Germany remains our focus for investment. Over the past three quarters, we have added eight properties with a total space of more than 45,000 m<sup>2</sup> to our Germany portfolio. We will purchase additional properties over the next few months. Moreover, we are working intensively to prepare for exciting development projects in Berlin. We are also active in our home city, Vienna. The Quartier Belvedere Central development next to the new Vienna Central Station is growing, and another development project in the fifth district of Vienna is ready to go. In Bucharest, the scheduled conversion of our shopping centre Sun Plaza is under way and the construction of the office property The Mark began in summer.



Ernst Vejdovszky (left), Friedrich Wachernig (right)

By the time this report is published, there will only be a few weeks left in the current year. We can look back at several very successful months and are highly confident that we will close 2016 with another record result. But of course, we have already started to look ahead to the next year. We have big plans for 2017, with the project developments described above featuring prominently on our agenda, and are working hard to continuously create additional value for you, our shareholders.

We would like to take this opportunity to already wish you a relaxing holiday season and a good start to the new year.

The Management Board team



Ernst Vejdovszky

Friedrich Wachernig

# S IMMO on the capital market

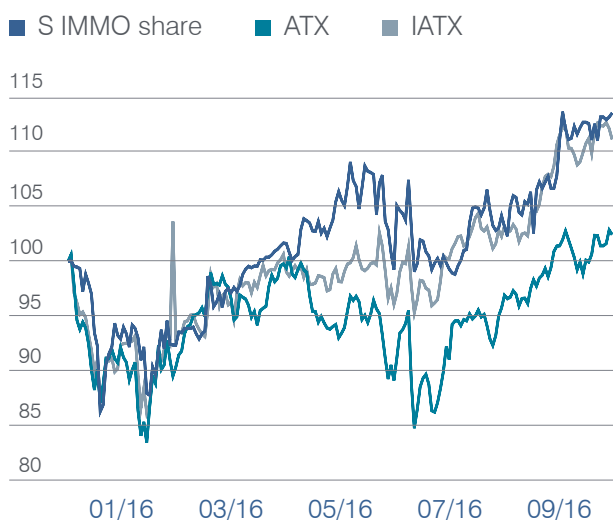
Geopolitical events such as the Ukraine crisis and conflicts in the Middle East as well as the Brexit vote in the UK continued to shape trends on European stock markets in the third quarter. While the Dow Jones closed with an increase of 5.07% at 18,308.15 points at the end of the quarter, the EURO STOXX 50, made up of the 50 largest listed companies in the eurozone, ended the third quarter at 3,002.24 points. This is a fall of 8.12%. The German DAX index has lost 2.16% in the year to date,

standing at 10,511.02 points on 30 September. The Austrian ATX index closed at 2,405.28 points at the end of the quarter, having gained 0.35% since the start of the year. In the third quarter, the ATX thus made up for the losses of the first six months.

European property shares continued to post muted growth compared with the rest of the world. For instance, the GPR 250 World has risen by 7.90% since the start of the year while the European sub-index has gained just 3.80%. By contrast, the Austrian IATX, which tracks all Austrian property shares, performed very strongly, ending the quarter at 258.95 points. This is an increase of 9.81% since the start of the year.

## Share price development

indexed (01 January 2016 to 30 September 2016)



### The S IMMO share

At the end of the quarter, the S IMMO share was listed at a price of EUR 9.37, a year-to-date gain of 14.27%. It thus significantly outperformed both the ATX and IATX once again. The average target price of the analysis firms that assess the S IMMO share was EUR 10.17 as at 30 September 2016. In the reporting period, the share also posted increased trading volumes as well as growing investor interest from countries such as Switzerland and Hungary.

At the end of September, the Management Board approved the launch of an additional share repurchase programme. The volume is up to 669,171 shares, equivalent to 1% of the current share capital. Prior to the launch of the programme, the company held 190,003 treasury shares, equivalent to around 0.28% of the

### Share indicators

|   |        | 30 September 2016 | 30 September 2015 |
|---|--------|-------------------|-------------------|
| Closing price   | EUR    | 9.370             | 7.600             |
| Average daily turnover for the last 100 days          | shares | 84,400            | 64,270            |
| Earnings per share (EPS) for the first three quarters | EUR    | 1.78              | 0.40              |
| Book value per share                                  | EUR    | 10.80             | 8.52              |
| Share price discount to book value per share          | in %   | 13                | 11                |
| EPRA NAV per share                                    | EUR    | 13.05             | 10.43             |
| Share price discount to EPRA NAV per share            | in %   | 28                | 27                |
| EPRA NNNAV per share                                  | EUR    | 10.95             | 8.85              |
| FFO I per share for the first three quarters          | EUR    | 0.47              | 0.40              |
| FFO II per share for the first three quarters         | EUR    | 0.93              | 0.44              |
| Dividend per share*                                   | EUR    | 0.30              | 0.24              |

\* The dividend that was distributed in 2016 and 2015 relates to the preceding financial year.

### S IMMO share performance

| ISIN              | AT0000652250 |
|-------------------|--------------|
| One year          | 23.29%       |
| Three years, p.a. | 26.49%       |

### S IMMO share information

|   |   |
|---|---|
| ISIN                                      | AT0000652250/SPI                              |
| Ticker symbols                            | Reuters: SIAG.VI<br>Bloomberg: SPI:AV         |
| Market                                    | Vienna Stock Exchange                         |
| Market segment                            | Prime Market                                  |
| Index                                     | GPR General/IATX                              |
| Market capitalisation (30 September 2016) | EUR 627.01m                                   |
| Number of shares (30 September 2016)      | 66,917,179                                    |
| Market maker                              | Erste Group/Hauck & Aufhäuser/<br>Baader Bank |
| Initial listing                           | 28 June 2002                                  |

### S IMMO INVEST participating certificate performance

| ISIN              | AT0000795737 | AT0000630694 |
|-------------------|--------------|--------------|
| One year          | 11.94%       | 11.89%       |
| Three years, p.a. | 9.71%        | 9.95%        |

### Participating certificate information

|  |  |
|--|--|
| ISIN   | AT0000795737 (initial listing 1996)<br>AT0000630694 (initial listing 2004) |
| Ticker symbols   | Reuters: SIMI.G.VI<br>Bloomberg: SIIG:AV                                   |
| Market   | Vienna Stock Exchange  |
| Market segment   | other securities.at  |
| Market capitalisation (30 September 2016)                | EUR 54.71m   |
| Number of participating certificates (30 September 2016) | 488,985 (tranche I)<br>118,205 (tranche II)                                |

| in EUR            | S IMMO share price<br>AT0000652250 | S IMMO INVEST price<br>AT0000795737 | S IMMO INVEST price<br>AT0000630694 | ATX      | IATX   |
|-------------------|------------------------------------|-------------------------------------|-------------------------------------|----------|--------|
| 30 June 2015      | 7.600                              | 85.000                              | 85.000                              | 2,229.49 | 223.08 |
| 31 December 2015  | 8.200                              | 85.000                              | 85.000                              | 2,396.94 | 235.81 |
| 30 September 2016 | 9.370                              | 90.100                              | 90.100                              | 2,405.28 | 258.95 |

current share capital. The approved programme started on 04 October 2016 and will end on 09 December 2016. The shares are being repurchased through the Vienna Stock Exchange/ XETRA. When this report went to press on 22 November 2016, 415,671 shares had been repurchased in the context of this programme.

### Investor relations activities

The Management Board and IR team attended numerous investor conferences and roadshows in the reporting period. These included the SRC Forum in Frankfurt, the Baader Bank Investment Conference in Munich, the Berenberg Investment Conference in London and a roadshow with Hauck & Aufhäuser in Paris. In total, around 40 investor meetings were held in the third quarter. The IR team also attended the Vienna Stock Exchange's information day in Salzburg.

### S IMMO bonds

| ISIN         | Maturity        | Coupon | Total nominal value<br>in kEUR |
|--------------|-----------------|--------|--------------------------------|
| 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                      |
| AT0000A1DVK5 | 20 April 2027   | 3.25%  | 65,000.00                      |

# Interim Management Report

## Economic overview

From a macroeconomic standpoint, the eurozone appears to be on the verge of a mild recovery. Although economic activity lost a bit of momentum in the second quarter of 2016, it is expected to get a boost from rising consumption towards the end of the year. The economic institutions Ifo, Insee and Istat anticipate growth of 0.4% in both the fourth quarter of 2016 and the first quarter of 2017. The International Monetary Fund projects that the eurozone will post a growth rate of 1.7% for this year and 1.5% for 2017. Economic growth will pick up again thanks to stronger foreign demand and private consumption growth. The Brexit referendum is not expected to have any notable effects on trade between the eurozone and Great Britain in the coming months. So far, it is unclear what long-term effects the result of

the US presidential election will have on the European economy. If the situation causes increasing uncertainty in the European Union, the investment climate could deteriorate significantly.

In its autumn forecast, Oesterreichische Nationalbank (OeNB) projects that Austria's real gross domestic product will expand by 0.3% in both the third and fourth quarter of 2016. The Austrian institutes WIFO and IHS believe that Austria's economy will see weaker development in 2017. Both institutes expect the positive effects of the tax reform to diminish and predict that growth in consumer demand will decline from 1.5% this year to 1.2% in 2017. The International Monetary Fund projects economic growth of 1.4% for Austria in 2016.

## Real estate market overview

### Austria

On the Viennese office market, 112,000 m<sup>2</sup> were let in the third quarter of 2016. This is the highest quarterly figure since the end of 2012 and an increase of 84% compared with the previous quarter. This high take-up was caused by several major lettings. During the same period, 16,000 m<sup>2</sup> of new office space came onto the market. However, as in the previous quarter, they were 100% owner occupied. The vacancy rate once again declined against the previous quarter and currently stands at 5.6%. This is attributable on the one hand to the high take-up, and on the other to the low completion rate. Markedly more projects than in 2016 are expected to enter the market in the coming two years. Nonetheless, the vacancy rate is expected to decrease further in 2017.

Vienna's hotel market continued its positive trend during the first nine months of the year, with 11.1m overnight stays. This represents an increase of 3.5% year-on-year. In addition, the Viennese hotel industry generated net room revenues of EUR 449.4m in the period from January to August, a gain of 0.4% over the prior-year figure.

### Germany

Berlin's office market is still experiencing a dynamic development. Modern office space is mainly being sought after. Whilst office space take-up increased by 21% to 255,400 m<sup>2</sup> year-on-year in the third quarter of 2016, the vacancy rate dropped below 6% for the first time since statistics have been collected, reaching 5.5%.

Although construction on Berlin's residential market increased significantly, the market situation still remains tense because of the lack of supply. Especially existing freehold flats recorded a marked rise in prices during the year. Detached houses are also sought after, while the price increase for new buildings is significantly smaller. Rents in Berlin recorded moderate growth in the third quarter.

### Central Europe (CEE)

In the third quarter of 2016, demand on the Budapest office market declined 26% quarter-on-quarter. A total of 176 lease agreements with an average deal size of 541 m<sup>2</sup> were signed. At the same time, three new office buildings were delivered to the market. After more than two years of constant decline, the vacancy rate increased slightly quarter-on-quarter to reach 10.9%.

The hotel market in Budapest enjoyed stable development and posted a 1.6% rise in revenue per available room in August. Occupancy was strong at 89.1%.

In the third quarter of 2016, total leasing activity on the Bratislava office market dropped by 49% quarter-on-quarter to 34,607 m<sup>2</sup>. Nevertheless, a strong increase is expected for the last quarter. Two new projects were added to the market. The development pipeline promises a significant increase in modern office stock as there are currently 246,000 m<sup>2</sup> of lettable area under construction with planned delivery by 2018. The vacancy rate reached a new low at 6.8%. Due to the high pre-leasing rate, new completions have only limited potential to negatively influence the vacancy rate. Bratislava's hotel market is slowly recovering, but remains one of the weakest markets in Europe.

The Prague hotel market saw a 2.3% increase in revenue per available room in July, and this metric is expected to advance by 6.6% year-on-year for 2016 as a whole.

### Southeastern Europe (SEE)

On the Bucharest office market, total leasing activity went down 12% quarter-on-quarter in the third quarter of 2016. However, it reached a total of 268,300 m<sup>2</sup> in 2016 so far, which is an increase of 11% when compared with the same period in 2015. Over 59,000 m<sup>2</sup> of new office space were delivered to the market in four projects, and another 80,000 m<sup>2</sup> are expected by year-end. The vacancy rate went up from 11.9% to 12.3%. The relatively large number of new projects due within the next few quarters is expected to further increase the vacancy rate.

The office market in Sofia recorded a strong third quarter in terms of leasing activity. Overall, take-up amounted to 104,942 m<sup>2</sup> in 2016 so far – a 9% increase year-on-year. As in the previous quarters, IT and business process outsourcing (BPO) remained the primary drivers of demand. The vacancy rate continued to decrease, reaching 23% at the end of the third quarter of 2016. There is still a shortage of high-quality office space, which is boosting pre-leasings. New deliveries are only expected to reach between 50,000 and 60,000 m<sup>2</sup> in 2016. However, several new projects are expected to be completed within the next three years.

## Business development and performance

### Property portfolio

As at 30 September 2016, S IMMO's property portfolio had a book value (including properties held for sale) of EUR 1,975.1m (31 December 2015: EUR 1,960.6m) and a total usable space of around 1.2 million m<sup>2</sup> (31 December 2015: 1.2 million m<sup>2</sup>). In the reporting period, the occupancy rate was 93.5% (31 December 2015: 92.7%). The overall rental yield amounted to 6.5% (31 December 2015: 6.7%).

The properties are situated in Austria and Germany as well as in the growth markets of Central Europe (the Czech Republic, Slovakia and Hungary) and Southeastern Europe (Romania, Bulgaria and Croatia). In terms of book value, 62.1% (31 December 2015: 62.7%) of the properties were in Austria and Germany and 37.9% (31 December 2015: 37.3%) in CEE and SEE as at 30 September 2016.

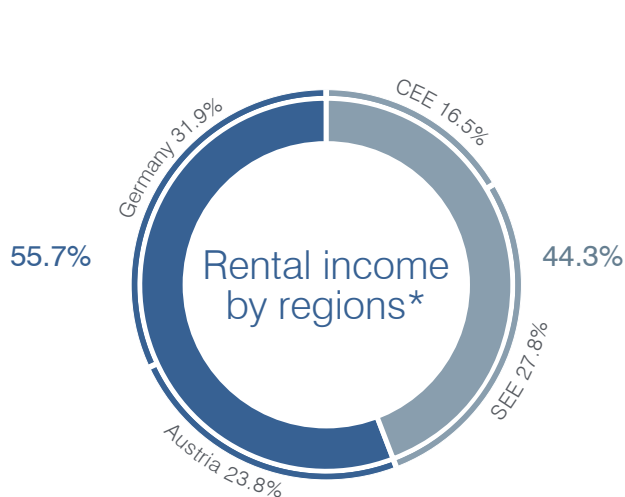
In terms of use type, 79.4% (31 December 2015: 75.8%) of the portfolio by book value consisted of commercial properties (office, retail and hotel) and a further 20.6% (31 December 2015: 24.2%) was attributable to residential properties.

### Summary of the performance

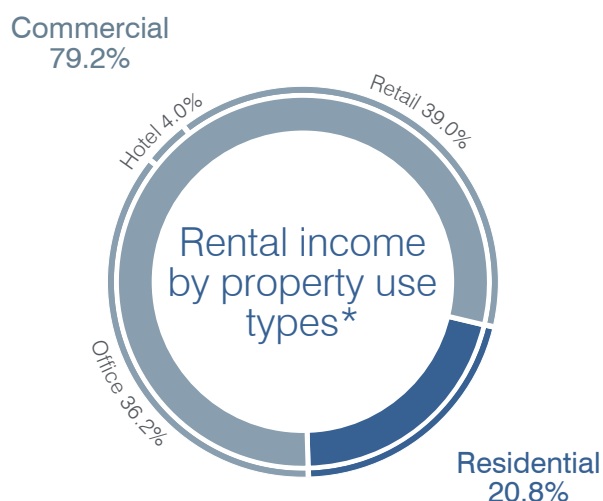
The first three quarters of the 2016 financial year were extremely successful for S IMMO. The performance achieved was due in particular to revaluation gains, which amounted to EUR 107.6m as at 30 September 2016 (Q3 2015: EUR 16.8m). This development was largely attributable to the dynamic development of the German property market and sales-related revaluation gains. Key indicators such as EBIT, EBT and net income for the period increased significantly compared with the same period of the previous year. EBIT climbed to EUR 170.5m (Q3 2015: EUR 76.1m), EBT totalled EUR 118.4m (Q3 2015: EUR 34.6m) and net income for the period amounted to EUR 119.8m (Q3 2015: EUR 28.2m).

In addition, a contract for a property portfolio transaction in Germany was signed in the third quarter. The main part of this deal was already closed before the end of the quarter, while the closing for a smaller portion is expected in late 2016/early 2017.

Accordingly, earnings per share developed positively, amounting to EUR 1.78 (Q3 2015: EUR 0.40).



\* Not including Vienna Marriott Hotel and Budapest Marriott Hotel



\* Not including Vienna Marriott Hotel and Budapest Marriott Hotel

### Gross profit

S IMMO's total revenues for the first nine months of 2016 amounted to EUR 147.1m (Q3 2015: EUR 141.6m) and were significantly higher than the prior-year level. The rental income included in this figure amounted to EUR 88.5m (Q3 2015: EUR 83.2m).

Broken down by region, rental income for the reporting period was as follows: Austria and Germany contributed 55.7% (Q3 2015: 52.2%), while CEE and SEE accounted for 44.3% (Q3 2015: 47.8%). Broken down by use type, commercial properties (office, retail and hotel) contributed 79.2% (Q3 2015: 81.1%), while residential properties accounted for 20.8% (Q3 2015: 18.9%).

Revenues from hotel operations (revenues from the Vienna and Budapest Marriott Hotels, both operated under management agreements) declined to EUR 30.2m (Q3 2015: EUR 33.0m). This was due to the overhaul of the Vienna Marriott Hotel, which resulted in a temporary reduction in room capacity in the first half of the year. Gross profit from hotel operations consequently decreased to EUR 7.5m (Q3 2015: EUR 9.2m). The hotel industry is also subject to seasonal fluctuations, which is why profit from hotel operations varies as the year progresses.

Property management expenses amounted to EUR 48.9m in the first three quarters of 2016 (Q3 2015: EUR 42.6m). Gross profit came to EUR 77.6m (Q3 2015: EUR 77.4m).

### Successful property transactions

In the third quarter of 2016, S IMMO sold part of its German property portfolio. The sale comprised a total of around 1,500 residential units in Berlin and the region of Hamburg. The buyers of these properties with a focus on Berlin are Deutsche Investment and EB Group. In terms of area, the transaction volume accounts for around one-third of S IMMO's German residential portfolio.

The closing for the majority of the those properties already took place in the third quarter. For one property in Berlin and the other properties that are held for sale as at 30 September, the closing is expected in late 2016/early 2017.

In the interim financial statements as at 30 September, the sale described above makes a positive contribution, primarily to revaluation gains and – due to the reversal of deferred taxes – also to the tax result. The sale of an individual property in Berlin was also closed in July.

At the same time, S IMMO was also active in terms of acquisitions in the first three quarters of 2016. Eight properties with a value of just over EUR 60m were purchased in Germany.

Disposal gains of kEUR 4,415 (Q3 2015: kEUR 5) resulted from the sale of one apartment in Vienna, shares in a Slovakian project company and Berlin residential properties.

### EBITDA and EBIT

In the first three quarters of 2016, EBITDA amounted to EUR 68.7m (Q3 2015: EUR 65.2m).

Revaluation gains developed very positively, amounting to EUR 107.6m as at 30 September 2016 (Q3 2015: EUR 16.8m). This was due primarily to the dynamic development in Germany, but both Austria and CEE (Hungarian office properties) made a contribution to this positive result as well.

Overall, EBIT was significantly higher than in the previous year at EUR 170.5m (Q3 2015: EUR 76.1m).

### Financial result

As at 30 September 2016, the financial result including the participating certificates result stood at EUR -52.1m (Q3 2015: EUR -41.5m). Although cash-effective interest payments fell as a result of the previous year's restructuring of interest rate hedges, non-cash derivative valuation effects deteriorated. The financial result was also influenced by interest on the bonds issued in the second quarter of 2015.

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

EBT amounted to EUR 118.4m as at 30 September 2016, up significantly on the same period of the previous year (Q3 2015: EUR 34.6m). As a result of the effects described above, net profit for the period increased to EUR 119.8m (Q3 2015: EUR 28.2m). Accordingly, earnings per share improved to EUR 1.78 (Q3 2015: EUR 0.40).

**Funds from operations (FFO)**

FFO I, which is a key indicator for the operating performance of a property company and does not include the sale of standing properties, rose by 16.7% to EUR 31.3m as at 30 September 2016 (Q3 2015: EUR 26.8m). FFO I is calculated from net income for the period, adjusted for non-cash tax income of EUR 2.4m (Q3 2015: expenses of EUR 2.3m), depreciation and amortisation of EUR 5.9m (Q3 2015: EUR 5.8m), income from property valuation of EUR 107.6m (Q3 2015: EUR 16.8m), gains on property disposals of EUR 4.4m (Q3 2015: kEUR 5) and other effects on income, including from interest rate hedges and exchange rate differences, of EUR 20.1m (Q3 2015: EUR 7.3m). The participating certificates are reflected by including the share of profits accruing over the year, rather than the annual distribution.

FFO II, which includes gains on property sales and valuation gains on properties sold in the current year, amounted to EUR 62.2m in the first nine months of 2016 (Q3 2015: EUR 29.1m).

**Consolidated statement of financial position**

S IMMO Group's total assets increased from EUR 2,067.4m as at 31 December 2015 to EUR 2,214.1m as at 30 September 2016. Cash and cash equivalents amounted to EUR 150.4m as at 30 September 2016 (31 December 2015: EUR 50.7m). The increase in cash and cash equivalents is largely due to cash inflows from sales of income-generating properties amounting to just over EUR 120m after deducting loan repayments. Properties held for sale reached a value of EUR 36.3m (31 December 2015: EUR 0m).

In the first three quarters of 2016, equity excluding minorities rose to EUR 720.7m (31 December 2015: EUR 623.3m). As a result, the equity ratio improved to 33.6% (31 December 2015: 31.3%) and the book value per share increased to EUR 10.80 as at 30 September 2016 (31 December 2015: EUR 9.34).

**Financing**

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

S IMMO's reported property assets (including properties held for sale) stood at EUR 1,975.1m as at 30 September 2016 (31 December 2015: EUR 1,960.6m). The LTV ratio for financing secured by properties came to 45.5% in the reporting period (31 December 2015: 43.7%).

The LTV ratio for unsecured financing less cash and cash equivalents amounted to 12.2% in the reporting period (31 December 2015: 16.9%). The overall LTV ratio of the company improved to 57.7% (31 December 2015: 60.6%). The calculation method for these two key indicators is described in detail in the 2015 annual report (starting on page 44).

**Related party disclosures**

More information on related parties can be found in the notes to the consolidated interim financial statements on page 26.

## Risk management report

The risk management of S IMMO AG is set out in detail in the 2015 annual report (starting on page 47). This section deals mainly with specific risks in the coming months.

Brexit still represents a major risk factor for the European economy. Turbulence on the financial markets already occurred on the day after British voters decided to leave the EU on 23 June 2016, with losses on the stock market temporarily reaching around 8% in London and Paris and just under 10% in Vienna. At the end of September, UK prime minister Theresa May announced that the exit process would be triggered by no later than March 2017. The subsequent negotiation process may take no longer than two years, with the consequences of the UK's departure remaining unclear. This may result in further uncertainty on the financial markets.

Other geopolitical risk factors include crises such as the Ukraine conflict and the war in the Middle East. An increase in the current low interest rates could also lead to movements on the stock

markets. On 08 November 2016, Donald Trump was elected president of the United States. The long-term effects of the election result on the European economy are difficult to predict.

One positive factor is the extremely strong performance on the Berlin office market thanks to a strong influx and a growing number of new companies, particularly in the technology and creative sectors. In addition, residential properties in other major German cities where prices are still at a moderate level are generating stable long-term income. In our markets in Central and Southeastern Europe, we are currently observing a gradual, sustainable economic recovery. One particularly positive example of this development is Romania, where the signs are pointing to growth again after a protracted, difficult economic phase.

S IMMO counters risks with careful risk monitoring and a responsible risk policy. In addition, accounting provisions are made for potential risks.

## Outlook

The successful development that S IMMO has enjoyed since the beginning of the year held through to the end of the third quarter. The dynamic growth of the German property market is continuing to have a positive impact on the company's results. S IMMO therefore plans to increase its investments in Germany over the coming quarters. In Vienna, our home market, there are also a number of interesting project development opportunities on our agenda in the form of Quartier Belvedere Central, in which S IMMO is involved as an investor, and Siebenbrunnengasse.

In Bucharest, the conversion of our shopping centre Sun Plaza is progressing according to plan. The construction of the promising office property The Mark already began at the start of the third quarter and is expected to be completed in 2018.

On 04 October 2016, S IMMO launched a share repurchase programme that will run until 09 December. It has a volume of up to 669,171 shares, equivalent to around 1% of the current share capital.

# Consolidated statement of financial position

as at 30 September 2016

| Assets EUR '000                                   | NOTES  | 30 September 2016 | 31 December 2015 |
|---|--------|-------------------|------------------|
| <b>Non-Current Assets</b>                         |        |                   |                  |
| Investment properties                             |        |                   |                  |
| Rental properties                                 | 3.1.1. | 1,793,710         | 1,826,403        |
| Properties under development and undeveloped land | 3.1.1. | 18,764            | 16,201           |
|   |        | <b>1,812,474</b>  | <b>1,842,604</b> |
| Owner-operated properties                         | 3.1.2. | 126,346           | 118,044          |
| Other plant and equipment                         |        | 5,373             | 5,165            |
| Intangible assets                                 |        | 168               | 210              |
| Interests in companies measured at equity         |        | 10,494            | 5,112            |
| Group interests                                   | 3.1.3. | 811               | 777              |
| Loans to companies measured at equity             | 3.1.3. | 8,326             | 6,230            |
| Other financial assets                            | 3.1.3. | 29,950            | 4,533            |
| Deferred tax assets                               |        | 7,128             | 7,521            |
|   |        | <b>2,001,070</b>  | <b>1,990,196</b> |
| <b>Current Assets</b>                             |        |                   |                  |
| Inventories                                       | 3.1.4. | 553               | 1,444            |
| Trade receivables                                 | 3.1.3. | 9,110             | 10,984           |
| Other financial assets                            | 3.1.3. | 5,557             | 5,205            |
| Other assets                                      |        | 11,221            | 8,843            |
| Cash and cash equivalents                         | 3.1.5. | 150,374           | 50,684           |
|   |        | <b>176,815</b>    | <b>77,160</b>    |
| Assets held for sale                              | 3.1.6. | 36,261            | 0                |
|   |        | <b>213,076</b>    | <b>77,160</b>    |
|   |        | <b>2,214,146</b>  | <b>2,067,356</b> |

## Equity and liabilities EUR '000

NOTES

30 September 2016

31 December 2015

|  |         | 30 September 2016 | 31 December 2015 |
|--|---------|-------------------|------------------|
| <b>Shareholders' Equity</b>                    |         |                   |                  |
| Share capital                                  |         | 242,453           | 242,453          |
| Capital reserves                               |         | 72,030            | 72,030           |
| Other reserves                                 |         | 406,235           | 308,781          |
|  |         | <b>720,718</b>    | <b>623,264</b>   |
| Non-controlling interests                      | 3.1.7.  | 24,276            | 23,331           |
|  |         | <b>744,994</b>    | <b>646,595</b>   |
| <b>Non-Current Liabilities</b>                 |         |                   |                  |
| Subordinated participating certificate capital | 3.1.8.  | 55,339            | 55,959           |
| Issued bonds                                   | 3.1.9.  | 287,147           | 286,935          |
| Other financial liabilities                    | 3.1.10. | 771,745           | 792,062          |
| Provisions                                     |         | 2,106             | 3,648            |
| Other liabilities                              |         | 19                | 28               |
| Deferred tax liabilities                       |         | 94,946            | 109,639          |
|  |         | <b>1,211,302</b>  | <b>1,248,271</b> |
| <b>Current Liabilities</b>                     |         |                   |                  |
| Financial liabilities                          | 3.1.10. | 211,818           | 132,482          |
| Income tax liabilities                         |         | 2,453             | 1,277            |
| Provisions                                     |         | 617               | 395              |
| Trade payables                                 |         | 5,678             | 6,502            |
| Other liabilities                              |         | 37,284            | 31,834           |
|  |         | <b>257,850</b>    | <b>172,490</b>   |
|  |         | <b>2,214,146</b>  | <b>2,067,356</b> |

# Consolidated income statement

for the nine months ended 30 September 2016

| EUR '000   | NOTES  | 01 – 09 / 2016 | 01 – 09 / 2015 |
|--|--------|----------------|----------------|
| <b>Revenues</b>  |        |                |                |
| Rental income  | 3.2.1. | 88,518         | 83,169         |
| Revenues from operating costs  |        | 28,329         | 25,418         |
| Revenues from hotel operations   | 3.1.2. | 30,229         | 33,038         |
|  |        | <b>147,076</b> | <b>141,625</b> |
| <b>Other operating income</b>  |        | <b>2,082</b>   | <b>2,253</b>   |
| Expenses directly attributable to properties                                 | 3.2.2. | -48,856        | -42,574        |
| Hotel operating expenses   | 3.2.2. | -22,748        | -23,883        |
| <b>Gross profit</b>  |        | <b>77,554</b>  | <b>77,421</b>  |
| Income from property disposals   |        | 192,882        | 15,943         |
| Book value of property disposals   |        | -188,467       | -15,938        |
| <b>Gains on property disposals</b>   | 3.2.3. | <b>4,415</b>   | <b>5</b>       |
| Management expenses  |        | -13,238        | -12,235        |
| <b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b> |        | <b>68,731</b>  | <b>65,191</b>  |
| Depreciation and amortisation  |        | -5,863         | -5,824         |
| Results from property valuation  | 3.2.4. | 107,611        | 16,752         |
| <b>Operating result (EBIT)</b>   |        | <b>170,479</b> | <b>76,119</b>  |
| Financing cost   | 3.2.5. | -50,893        | -41,105        |
| Financing income   | 3.2.5. | 2,176          | 904            |
| Results from companies measured at equity                                    | 3.2.5. | 496            | 840            |
| Participating certificates result  | 3.1.8. | -3,901         | -2,182         |
| <b>Net income before tax (EBT)</b>   |        | <b>118,357</b> | <b>34,576</b>  |
| Taxes on income  | 3.2.6. | 1,438          | -6,396         |
| <b>Consolidated net income for the period</b>                                |        | <b>119,795</b> | <b>28,180</b>  |
| of which attributable to shareholders in parent company                      |        | 118,561        | 26,547         |
| of which attributable to non-controlling interests                           |        | 1,234          | 1,633          |
| <b>Earnings per share</b>  |        |                |                |
| undiluted = diluted  |        | <b>1.78</b>    | <b>0.40</b>    |

# Consolidated statement of comprehensive income

for the nine months ended 30 September 2016

| EUR '000   | 01 – 09 / 2016 | 01 – 09 / 2015 |
|--|----------------|----------------|
| <b>Consolidated net income for the period</b>  | <b>119,795</b> | 28,180         |
| Change in value of cash flow hedges  | -8,113         | -1,122         |
| Income tax on cash flow hedges   | 1,941          | 461            |
| Reclassification of derivative valuation effects                                       | 4,468          | 4,331          |
| Foreign exchange rate differences  | -848           | -426           |
| Valuation of financial instruments not available for sale                              | 394            | 0              |
| <b>Other comprehensive income for the period<br/>(realised through profit or loss)</b> | <b>-2,158</b>  | 3,244          |
| <b>Total comprehensive income for the period</b>                                       | <b>117,637</b> | 31,424         |
| of which attributable to shareholders in parent company                                | 116,430        | 29,551         |
| of which attributable to non-controlling interests                                     | 1,207          | 1,873          |

# Consolidated income statement

for the three months ended 30 September 2016

| EUR '000   | NOTES  | 07-09/2016    | 07-09/2015    |
|--|--------|---------------|---------------|
| <b>Revenues</b>  |        |               |               |
| Rental income  | 3.2.1. | 30,021        | 28,537        |
| Revenues from operating costs  |        | 9,899         | 8,715         |
| Revenues from hotel operations   | 3.1.2. | 11,898        | 12,174        |
|  |        | <b>51,818</b> | <b>49,426</b> |
| <b>Other operating income</b>  |        | <b>744</b>    | <b>871</b>    |
| Expenses directly attributable to properties                                 | 3.2.2. | -17,639       | -15,571       |
| Hotel operating expenses   | 3.2.2. | -7,893        | -8,029        |
| <b>Gross profit</b>  |        | <b>27,030</b> | <b>26,697</b> |
| Income from property disposals   |        | 188,950       | 0             |
| Book value of property disposals   |        | -185,321      | 0             |
| <b>Gains on property disposals</b>   | 3.2.3. | <b>3,629</b>  | <b>0</b>      |
| Management expenses  |        | -4,897        | -4,576        |
| <b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b> |        | <b>25,762</b> | <b>22,121</b> |
| Depreciation and amortisation  |        | -1,821        | -1,990        |
| Results from property valuation  | 3.2.4. | 683           | 7,077         |
| <b>Operating result (EBIT)</b>   |        | <b>24,624</b> | <b>27,208</b> |
| Financing cost   | 3.2.5. | -14,517       | -18,786       |
| Financing income   | 3.2.5. | 1,106         | 165           |
| Results from companies measured at equity                                    | 3.2.5. | 506           | -181          |
| Participating certificates result  | 3.1.8. | -629          | -748          |
| <b>Net income before tax (EBT)</b>   |        | <b>11,090</b> | <b>7,658</b>  |
| Taxes on income  | 3.2.6. | 23,178        | -402          |
| <b>Consolidated net income for the period</b>                                |        | <b>34,268</b> | <b>7,256</b>  |
| of which attributable to shareholders in parent company                      |        | 33,950        | 6,630         |
| of which attributable to non-controlling interests                           |        | 318           | 626           |
| <b>Earnings per share</b>  |        |               |               |
| undiluted = diluted  |        | <b>0.51</b>   | 0.10          |

# Consolidated statement of comprehensive income

for the three months ended 30 September 2016

| EUR '000   | 07-09/2016    | 07-09/2015 |
|--|---------------|------------|
| <b>Consolidated net income for the period</b>                                      | <b>34,268</b> | 7,256      |
| Change in value of cash flow hedges  | -1,413        | -3,684     |
| Income tax on cash flow hedges   | 350           | 764        |
| Reclassification of derivative valuation effects                                   | 1,454         | 1,613      |
| Foreign exchange rate differences  | -1,001        | -187       |
| Valuation of financial instruments available for sale                              | 394           | 0          |
| <b>Other comprehensive income for the period (realised through profit or loss)</b> | <b>-216</b>   | -1,494     |
| <b>Total comprehensive income for the period</b>                                   | <b>34,052</b> | 5,762      |
| of which attributable to shareholders in parent company                            | 33,643        | 5,287      |
| of which attributable to non-controlling interests                                 | 409           | 475        |

# Consolidated cash flow statement

for the nine months ended 30 September 2016

| EUR '000                                       | 01-09/2016    | 01-09/2015 |
|--|---------------|------------|
| Operating cash flow                            | 64,002        | 61,047     |
| Changes in net current assets                  | 3,732         | 4,859      |
| Cash flow from operating activities            | 67,734        | 65,906     |
| Cash flow from investing activities            | -6,052        | -75,395    |
| Cash flow from financing activities            | 38,008        | -17,038    |
| <b>Total</b>                                   | <b>99,690</b> | -26,527    |
| Cash and cash equivalents as at 01 January     | 50,684        | 74,697     |
| Cash and cash equivalents as at 30 September   | 150,374       | 48,170     |
| <b>Net change in cash and cash equivalents</b> | <b>99,690</b> | -26,527    |

## Changes in consolidated equity

| EUR '000                                       | Share capital | Capital reserves | Foreign currency translation reserve | Hedge accounting reserve | Other reserves       | Sub-total S IMMO shareholders | Non-controlling interests | Total   |
|--|---------------|------------------|--------------------------------------|--------------------------|----------------------|-------------------------------|---------------------------|---------|
| <b>As at 01 January 2016</b>                   | 242,453       | 72,030           | -16,536                              | -20,356                  | 345,673              | 623,264                       | 23,331                    | 646,595 |
| Consolidated net income for the period         | 0             | 0                | 0                                    | 0                        | 118,561              | 118,561                       | 1,234                     | 119,795 |
| Other comprehensive income                     | 0             | 0                | -848                                 | -1,677                   | 394                  | -2,131                        | -27                       | -2,158  |
| Repurchase of own shares                       | 0             | 0                | 0                                    | 0                        | 0                    | 0                             | 0                         | 0       |
| Disposals                                      | 0             | 0                | 0                                    | 0                        | 1,042                | 1,042                         | -1,138                    | -96     |
| Addition/disposal of non-controlling interests | 0             | 0                | 0                                    | 0                        | 0                    | 0                             | 876                       | 876     |
| Distribution <sup>1</sup>                      | 0             | 0                | 0                                    | 0                        | -20,018              | -20,018                       | 0                         | -20,018 |
| <b>As at 30 September 2016</b>                 | 242,453       | 72,030           | -17,384                              | -22,033                  | 445,652 <sup>2</sup> | 720,718                       | 24,276                    | 744,994 |
| <b>As at 01 January 2015</b>                   | 242,775       | 72,350           | -16,473                              | -26,835                  | 283,580              | 555,397                       | 25,855                    | 581,252 |
| Consolidated net income for the period         | 0             | 0                | 0                                    | 0                        | 26,547               | 26,547                        | 1,633                     | 28,180  |
| Other comprehensive income                     | 0             | 0                | -426                                 | 3,430                    | 0                    | 3,004                         | 240                       | 3,244   |
| Repurchase of own shares                       | -322          | -320             | 0                                    | 0                        | 0                    | -642                          | 0                         | -642    |
| Disposals                                      | 0             | 0                | 0                                    | 0                        | 0                    | 0                             | -1,534                    | -1,534  |
| Addition/disposal of non-controlling interests | 0             | 0                | 0                                    | 0                        | 0                    | 0                             | 0                         | 0       |
| Distribution                                   | 0             | 0                | 0                                    | 0                        | -16,030              | -16,030                       | 0                         | -16,030 |
| <b>As at 30 September 2015</b>                 | 242,453       | 72,030           | -16,899                              | -23,405                  | 294,097              | 568,276                       | 26,194                    | 594,470 |

<sup>1</sup> The dividend distribution of kEUR 20,018 in 2016 corresponds to a dividend of EUR 0.30 (2015: EUR 0.24) per share, and was effected on 10 June 2016.

<sup>2</sup> thereof AFS reserve kEUR 394

# 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 and headquarters at Friedrichstrasse 10, 1010 Vienna, Austria. The company has been listed on the Vienna Stock Exchange since 1987, and the Prime Market segment starting in 2007. It has subsidiaries in Austria, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Romania, Bulgaria and Denmark. As at 30 September 2016, S IMMO Group owned properties in all of the above mentioned countries except Denmark. The company focuses on profitable, long-term property investments through development, purchase,

rental, operation, renovation and sale of buildings and apartments in Austria, Germany and six countries in Central and Southeastern Europe.

Its activities also include:

- real estate project development,
- the operation of hotels and shopping centres,
- the refurbishment of existing properties,
- active asset and portfolio management and
- services such as facility management.

## 2. Accounting and valuation policies

### 2.1. Accounting policies

The consolidated interim financial statements for the nine months ended 30 September 2016 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 2015.

In preparing the consolidated interim financial statements for the nine months ended 30 September 2016, the accounting and valuation policies applied in the consolidated financial statements for the year ended 31 December 2015 have been applied substantially unchanged.

The financial statements for the nine months ended 30 September 2016 were neither reviewed nor audited.

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. In the second quarter of 2016, the company

WASHINGTON PROJEKT EOOD, Bulgaria, which was previously measured at equity, was fully consolidated. Some of the shares in IPD-International Property Development, s.r.o., Slovakia, were also sold in the second quarter of 2016. The remaining shares in this company are reported under joint ventures in these consolidated interim financial statements. In the third quarter of 2016, the previously fully consolidated company S Immo Wohnimmobilien GmbH was sold. In the same period, three companies were fully consolidated in the interim consolidated financial statements of S IMMO AG for the first time. These companies are S IMMO Berlin III GmbH, Germany; S IMMO Berlin IV GmbH, Germany; and S IMMO Property Vier GmbH, Austria. A business combination as per IFRS 3 did not occur for any of the four newly consolidated companies, as the definition of a business according to IFRS 3 was not met.

The consolidated interim financial statements are presented rounded to the nearest 1,000 euro (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

For financial years starting on 01 January 2016, the amendment to IFRS 11 "Joint Arrangements" deals with the recognition of the acquisition of shares in a joint operation that constitutes a business as defined in IFRS 3 "Business Combinations". The amendments to IAS 16 "Property, Plant and Equipment", IAS 38 "Intangible Assets" and IAS 41 "Agriculture: Bearer Plants" also pertain to financial years starting on 01 January 2016. The amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception" came into force on 01 January 2016. IFRS 14 "Regulatory Deferral Accounts" must be applied since 01 January 2016. The disclosure initiative brought amendments to IAS 1 "Presentation of Financial Statements" with effect from 01 January 2016. The annual improvements from the 2012–2014 cycle apply to financial years begin-

ning on or after 01 January 2016. They pertain to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Benefits" and IAS 34 "Interim Financial Reporting".

The indicated new standards had no material effects on the recognition and measurement methods or on the presentation of the interim report.

## 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  | Rental properties | Properties under development and undeveloped land |
|---|-------------------|---|
| As at 01 January 2015                                   | 1,587,063         | 14,452  |
| Additions   | 159,189           | 1,323   |
| Disposals   | 0                 | 0   |
| Other changes   | -969              | 0   |
| Changes in fair value (realised through profit or loss) | 84,420            | 426   |
| Reclassifications as properties held for sale           | -3,300            | 0   |
| <b>As at 31 December 2015</b>                           | <b>1,826,403</b>  | <b>16,201</b>                                     |
| whereof pledged as security                             | 1,651,819         | 0   |
| Additions   | 81,011            | 7,873   |
| Disposals   | 0                 | -5,305  |
| Other changes   | 256               | 0   |
| Changes in fair value (realised through profit or loss) | 107,616           | -5  |
| Reclassifications as properties held for sale           | -221,576          | 0   |
| <b>As at 30 September 2016</b>                          | <b>1,793,710</b>  | <b>18,764</b>                                     |
| whereof pledged as security                             | 1,706,974         | 800   |

Consisting of:

#### Rental properties

| EUR '000            | 30.09.2016 | 31.12.2015 |
|---------------------|------------|------------|
| Austria             | 537,855    | 533,339    |
| Germany             | 594,430    | 648,290    |
| Central Europe      | 297,951    | 289,378    |
| Southeastern Europe | 363,474    | 355,396    |
|                     | 1,793,710  | 1,826,403  |

#### Properties under development and undeveloped land

| EUR '000            | 30.09.2016 | 31.12.2015 |
|---------------------|------------|------------|
| Austria             | 0          | 0          |
| Germany             | 0          | 0          |
| Central Europe      | 0          | 5,200      |
| Southeastern Europe | 18,764     | 11,001     |
|                     | 18,764     | 16,201     |

Valuation appraisals are generally obtained from independent experts once per year to measure the fair value of all investment properties. The measurement methods are the same as those used for the 2015 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 three quarters of 2016 is based on internal calculation models with input parameters that have changed since the preparation of the 2015 annual financial statements, but with the same valuation methods as applied for the 2015 annual financial statements.

#### 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 conversion work in the first half of 2016.

#### 3.1.3. Financial assets

The carrying amounts of the non-current and current financial assets correspond largely to their present values.

#### 3.1.4. Inventories

Inventories are measured at cost of acquisition and construction. The sale and disposal of one freehold apartment in Austria hitherto disclosed in inventories took place in the first quarter. The book value in the consolidated financial statements as at 30 September 2016 amounted to kEUR 553 (31 December 2015: kEUR 1,444).

#### 3.1.5. Cash and cash equivalents

| EUR '000      | 30.09.2016 | 31.12.2015 |
|---------------|------------|------------|
| Bank balances | 150,100    | 50,437     |
| Cash in hand  | 274        | 247        |
|               | 150,374    | 50,684     |

#### 3.1.6. Properties 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 (if, for example, negotiations for sale are already well advanced). As at the reporting date, only German properties are held for sale. This relates to the properties which are part of the sale of German residential properties for which a closing has not yet taken place as at 30 September.

#### 3.1.7. Non-controlling interests

The non-controlling interests of kEUR 24,276 (31 December 2015: kEUR 23,331) consisted substantially of Einkaufscenter Sofia G.m.b.H. & Co KG (35% minority interest). The disposals in the amount of kEUR 1,138 (30 September 2015: kEUR 1,534) 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:

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

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 nine months ended 30 September 2016, the total share of income entitlements was kEUR 4,158 (31 December 2015: kEUR 4,452).

As at 30 September 2016, there were 607,190 participating certificates in issue. The total entitlements of participating certificate holders as of that date were EUR 91.14 (31 December 2015: EUR 88.72) 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         |
|---|-----------------------------------|------------------------|-----------------------|---|---------------|
| <b>Participating certificates capital 01 January 2016</b>                                       | 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/Exchange and retirement of 23,589 participating certificates                         | -1,714                            | -341                   |                       | -37   | -2,092        |
| Income entitlements of participating certificate holders  |                                   |                        | 4,158                 |   | 4,158         |
| Allocation of undisclosed reserves on property portfolio  |                                   |                        |                       | -258  | -258          |
| <b>Participating certificates capital as at 30 September 2016</b>                               | <b>44,125</b>                     | <b>6,353</b>           | <b>4,158</b>          | <b>703</b>  | <b>55,339</b> |
| <b>Per participating certificate (EUR)</b>  | <b>72.67</b>                      | <b>10.46</b>           | <b>6.85</b>           | <b>1.16</b>   | <b>91.14</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 2015  | 82,166                            |                        |                       | 1,608   | 83,774        |
| Profit brought forward 01 January 2015  |                                   | 4,860                  |                       |   | 4,860         |
| Income entitlements of participating certificate holders from 2014                              |                                   |                        | 6,905                 |   | 6,905         |
| Distribution 22 May 2015  |                                   |                        | -1,960                |   | -1,960        |
| Change in profit brought forward pursuant to Clause 5 (6), Participating Certificates Agreement |                                   | 4,945                  | -4,945                |   | 0             |
| Repurchase and retirement of 499,902 participating certificates                                 | -36,328                           | -5,134                 |                       | -711  | -42,173       |
| Income entitlements of participating certificate holders  |                                   |                        | 4,452                 |   | 4,452         |
| Allocation of undisclosed reserves on property portfolio  |                                   |                        |                       | 101   | 101           |
| <b>Participating certificates capital as at 31 December 2015</b>                                | <b>45,839</b>                     | <b>4,671</b>           | <b>4,452</b>          | <b>998</b>  | <b>55,959</b> |
| <b>Per participating certificate (EUR)</b>  | <b>72.67</b>                      | <b>7.41</b>            | <b>7.06</b>           | <b>1.58</b>   | <b>88.72</b>  |

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.

On 30 September 2016, the participating certificate tranche with the ISIN AT0000795737 was listed at a price of EUR 90.10 per certificate and the tranche with the ISIN AT0000630694 was listed at a price of EUR 90.10 per certificate, which translates to a fair value of kEUR 54,708.

### 3.1.9. Issued bonds

In June 2014, S IMMO AG issued a bond (ISIN AT0000A177D2) with a total nominal value of kEUR 89,739.50. The bond is divided into 179,479 units 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 shares 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 §§ 4 ff 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. The bond with the ISIN AT0000A1DBM5 was issued with a total nominal value of kEUR 33,993.5, broken down into 67,987 shares with a nominal value of EUR 500 each. 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 shares with a nominal value of EUR 500 each.

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

| ISIN         | Total nominal value in kEUR | 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

The short-term and long-term financial liabilities amounted to kEUR 983,563 (31 December 2015: kEUR 924,544). The book values indicated for the other financial liabilities largely correspond to the fair values. The maturities of the undiscounted payment flows for future periods are as follows:

| EUR '000                                 | 30.09.2016 | 31.12.2015 |
|--|------------|------------|
| Remaining maturity less than 1 year      | 234,531    | 155,783    |
| Remaining maturity between 1 and 5 years | 499,976    | 598,087    |
| Remaining maturity over 5 years          | 326,846    | 280,412    |

### 3.1.11. Derivatives

The S IMMO Group generally uses swaps, caps and collars to manage the interest rate risk in connection with variable-rate property financing. In some cases, interest rate derivatives are concluded for individual projects, and in other cases large volume derivatives are used for financing agreements for a number of individual projects. These derivatives were disclosed under other current and non-current financial assets (30 September 2016: kEUR 803; 31 December 2015: kEUR 3,937) and under non-current and current financial liabilities (30 September 2016: kEUR 36,601; 31 December 2015: kEUR 28,316). 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 2015 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 2015 and resulted in minor adjustments of the liabilities from derivatives.

In the period from 01 January to 30 September 2016, this resulted in an expense of kEUR 8,113 (Q3 2015: kEUR 1,122), which was recognised under equity in other comprehensive income. In the first nine months of 2016, one swap was settled and new derivatives were concluded. Overall, valuation effects including newly concluded instruments and settlement had a negative effect in the consolidated income statement in the amount of kEUR 18,110 (Q3 2015: negative effect of kEUR 6,627).

30 September 2016

| EUR '000     | Nominal        | Positive fair value | Negative fair value |
|--------------|----------------|---------------------|---------------------|
| Swaps        | 455,140        | 438                 | -36,211             |
| Caps         | 233,030        | 365                 | -390                |
| <b>Total</b> | <b>688,170</b> | <b>803</b>          | <b>-36,601</b>      |

31.12.2015

| EUR '000     | Nominal        | Positive fair value | Negative fair value |
|--------------|----------------|---------------------|---------------------|
| Swaps        | 480,820        | 359                 | -27,745             |
| Caps         | 214,740        | 3,578               | -571                |
| <b>Total</b> | <b>695,560</b> | <b>3,937</b>        | <b>-28,316</b>      |

### 3.2. Consolidated income statement

#### 3.2.1. Rental income

Rental income by property use type was as follows:

| EUR '000    | 01-09/2016    | 01-09/2015    |
|-------------|---------------|---------------|
| Office      | 32,038        | 29,853        |
| Residential | 18,455        | 15,707        |
| Retail      | 34,485        | 33,537        |
| Hotels      | 3,540         | 4,072         |
|             | <b>88,518</b> | <b>83,169</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 doubtful debts, maintenance expenses and commissions.

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

As at 30 September 2016, the number of employees in the Group was 578 (Q3 2015: 552), including hotel staff. Personnel expenses for the hotels are disclosed under hotel operations.

#### 3.2.3. Gains on property disposals

In the first three quarters of 2016, an apartment in Vienna, shares in a Slovakian project company and a residential property in Berlin were sold, as well as a large number of residential properties in Berlin as part of the German portfolio transaction, which accounts for the majority of the income from and the book value of property disposals.

| EUR '000                                 | 01-09/2016      | 01-09/2015     |
|--|-----------------|----------------|
| <b>Disposal proceeds</b>                 |                 |                |
| Properties held as financial investments | 2,564           | 0              |
| Properties held for sale                 | 188,950         | 15,943         |
| Inventories                              | 1,368           | 0              |
|  | <b>192,882</b>  | <b>15,943</b>  |
| <b>Book value of property disposals</b>  |                 |                |
| Properties held as financial investments | -2,314          | 0              |
| Properties held for sale                 | -185,321        | -15,938        |
| Inventories                              | -832            | 0              |
|  | <b>-188,467</b> | <b>-15,938</b> |
| <b>Gains on property disposals</b>       |                 |                |
| Properties held as financial investments | 250             | 0              |
| Properties held for sale                 | 3,629           | 5              |
| Inventories                              | 536             | 0              |
|  | <b>4,415</b>    | <b>5</b>       |

#### 3.2.4. Results from property valuation

The results from property valuation in the Germany segment in the amount of kEUR 98,996 (30 September 2015: kEUR 15,667) are attributable to sales-related valuations in connection with the disposal of a portfolio and an individual property, as well as valuations for the remaining portfolio performed on the basis of internal calculation models. The property valuations in Germany relate primarily to residential properties. In addition, income from property valuation was generated in the amount of kEUR 3,331 in the Austria segment (30 September 2015: kEUR 449) and kEUR 5,284 in the CEE segment (30 September 2015: kEUR 636).

### 3.2.5. Financing result

Net financing costs were made up as follows:

| EUR '000          | 01-09/2016     | 01-09/2015     |
|-------------------|----------------|----------------|
| Financing expense | -50,893        | -41,105        |
| Financing income  | 2,672          | 1,744          |
|                   | <b>-48,221</b> | <b>-39,361</b> |

In the period of 01 January 2016 to 30 September 2016, financing costs included a non-cash foreign exchange loss of kEUR 212 (Q3 2015: kEUR 259).

### 3.2.6. Taxes on income

With regard to income taxes, there was a positive non-cash effect from the reversal of deferred taxes in the third quarter. This was attributable primarily to the sale of German residential properties in the form of a share deal. Compared to the earnings in the second quarter, this company disposal resulted in a positive effect on earnings of just over EUR 24m in the third quarter. No similar effects are expected for the remaining properties held for sale, which are to be sold in asset deals.

| EUR '000                    | 01-09/2016   | 01-09/2015    |
|-----------------------------|--------------|---------------|
| Current tax expense         | -2,290       | -2,202        |
| Deferred tax income/expense | 3,728        | -4,194        |
|                             | <b>1,438</b> | <b>-6,396</b> |

## 4. Operating segments

Segment reporting for S IMMO Group is based on geographical regions. The four regions are as follows:

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

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

| EUR '000                        | Austria       |               |
|---------------------------------|---------------|---------------|
|                                 | 2016          | 2015          |
| Rental income                   | 21,102        | 21,370        |
| Revenues from operating costs   | 5,162         | 5,246         |
| Revenues from hotel operations  | 14,507        | 17,859        |
| <b>Total revenues</b>           | <b>40,771</b> | <b>44,475</b> |
| Other operating income          | 439           | 504           |
| Property operating expenses     | -9,174        | -8,699        |
| Hotel operating expenses        | -12,492       | -13,802       |
| <b>Gross profit</b>             | <b>19,543</b> | <b>22,478</b> |
| Gains on property disposals     | 536           | 1             |
| Management expenses             | -7,424        | -7,296        |
| <b>EBITDA</b>                   | <b>12,655</b> | <b>15,183</b> |
| Depreciation and amortisation   | -2,954        | -2,501        |
| Results from property valuation | 3,331         | 449           |
| <b>EBIT</b>                     | <b>13,033</b> | <b>13,131</b> |

|   | 30.09.2016 | 31.12.2015 |
|---|------------|------------|
| Non-current assets  | 642,669    | 599,308    |
| Non-current liabilities<br>(incl. participating certificates<br>in Austria) | 633,946    | 611,177    |

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

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

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

Each division is operated independently of every other division. The chief operating decision maker for the divisions is the chief financial officer.

## 5. Other obligations and contingent liabilities

In S IMMO Group there were a number of open legal disputes as at 30 September 2016, however, in Management's opinion, neither the individual amounts involved nor the total were material.

| Germany    |            | Central Europe |            | Southeastern Europe |            | Total      |            |
|------------|------------|----------------|------------|---------------------|------------|------------|------------|
| 2016       | 2015       | 2016           | 2015       | 2016                | 2015       | 2016       | 2015       |
| 28,237     | 22,069     | 14,578         | 14,502     | 24,601              | 25,228     | 88,518     | 83,169     |
| 8,736      | 6,301      | 5,037          | 4,738      | 9,394               | 9,133      | 28,329     | 25,418     |
| 0          | 0          | 15,722         | 15,179     | 0                   | 0          | 30,229     | 33,038     |
| 36,973     | 28,370     | 35,337         | 34,419     | 33,995              | 34,361     | 147,076    | 141,625    |
| 955        | 960        | 332            | 462        | 356                 | 327        | 2,082      | 2,253      |
| -21,307    | -14,519    | -6,458         | -7,424     | -11,916             | -11,932    | -48,856    | -42,574    |
| 0          | 0          | -10,256        | -10,081    | 0                   | 0          | -22,748    | -23,883    |
| 16,621     | 14,811     | 18,955         | 17,376     | 22,435              | 22,756     | 77,554     | 77,421     |
| 3,628      | 4          | 250            | 0          | 0                   | 0          | 4,414      | 5          |
| -4,244     | -3,308     | -1,079         | -1,083     | -490                | -548       | -13,237    | -12,235    |
| 16,005     | 11,507     | 18,126         | 16,293     | 21,945              | 22,208     | 68,731     | 65,191     |
| -74        | -77        | -2,302         | -2,721     | -534                | -525       | -5,863     | -5,824     |
| 98,996     | 15,667     | 5,289          | 299        | -5                  | 337        | 107,611    | 16,752     |
| 114,927    | 27,097     | 21,113         | 13,871     | 21,406              | 22,020     | 170,479    | 76,119     |
| 30.09.2016 | 31.12.2015 | 30.09.2016     | 31.12.2015 | 30.09.2016          | 31.12.2015 | 30.09.2016 | 31.12.2015 |
| 595,812    | 649,842    | 360,593        | 354,269    | 401,997             | 386,777    | 2,001,071  | 1,990,196  |
| 263,937    | 230,496    | 188,305        | 204,709    | 125,114             | 201,889    | 1,211,302  | 1,248,271  |

## 6. Related party disclosures

For S IMMO Group 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 Vejdovsky, Vienna (CEO)
- Friedrich Wachernig, MBA, Vienna

### S IMMO AG Supervisory Board

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

There were the following receivables and payables with Erste Group and Vienna Insurance Group at the reporting date:

| EUR '000           | 30.09.2016     | 31.12.2015    |
|--------------------|----------------|---------------|
| Other receivables  | 2,352          | 2,038         |
| Bank balances      | 135,926        | 25,678        |
| <b>Receivables</b> | <b>138,278</b> | <b>27,716</b> |

| EUR '000                                   | 30.09.2016     | 31.12.2015     |
|--|----------------|----------------|
| Non-current bank and financial liabilities | 329,345        | 424,715        |
| Current bank and financial liabilities     | 134,928        | 63,585         |
| Trade payables                             | 1              | 185            |
| Other liabilities                          | 14             | 469            |
| <b>Liabilities</b>                         | <b>464,288</b> | <b>488,954</b> |

There were the following expenses and income in connection with Erste Group and Vienna Insurance Group in the first nine months of the year and, respectively, in the comparative period of the previous year:

| EUR '000   | 01-09/2016     | 01-09/2015     |
|--|----------------|----------------|
| Management fees – Erste Group Immorent AG                | -735           | -966           |
| Bank loan interest, other financing expenses and charges | -24,563        | -50,520        |
| Other expenses   | -1,541         | -1,577         |
| <b>Expenses</b>  | <b>-26,839</b> | <b>-53,063</b> |

| EUR '000                               | 01-09/2016 | 01-09/2015 |
|--|------------|------------|
| Rent and revenues from operating costs | 316        | 516        |
| Bank interest                          | 1          | 2          |
| Other interest income                  | 54         | 140        |
| <b>Income</b>                          | <b>371</b> | <b>658</b> |

## 7. Significant events after the balance sheet date

When this interim report went to press on 22 November 2016, 415,671 shares were repurchased at a value of kEUR 4,018.8 as part of the repurchase programme. Since 30 September 2016, 1,574 participating certificates at a price of kEUR 144.7 were repurchased. There were no other significant events after the reporting date.

Vienna, 29 November 2016

Management Board

Ernst Vejdovszky m.p.

Friedrich Wachernig, MBA m.p.

This Interim Report has been prepared and proofread with the greatest possible care, and the information in it has been checked. Nevertheless, the possibility of rounding errors, errors in transmission, typesetting or printing errors cannot be excluded. Apparent arithmetical errors may be the result of rounding errors caused by software. In the interests of simplicity and readability, the language of this Interim Report is as far as possible gender neutral. Therefore, the terms used refer to people of both genders. This Interim Report contains information and forecasts relating to the future development of S IMMO AG and its subsidiaries. These forecasts are estimates, based on the information available to us

at the time the Interim 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 and participating certificates 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.

# Financial calendar 2017

|                  |   |
|------------------|---|
| 05 April 2017    | Annual results 2016 (press conference)    |
| 29 May 2017      | Record date Annual General Meeting        |
| 30 May 2017      | Results for the first quarter 2017        |
| 08 June 2017     | Annual General Meeting                    |
| 13 June 2017     | Dividend ex day                           |
| 14 June 2017     | Record date dividend                      |
| 16 June 2017     | Dividend payment day                      |
| 29 August 2017   | Results for the first half year 2017      |
| 28 November 2017 | Results for the first three quarters 2017 |



For personal insights into S IMMO, the real estate market and the world of the S IMMO share please see [blog.simmoag.at](http://blog.simmoag.at)



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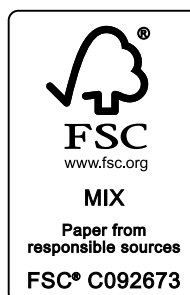
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