Earnings, Balance Sheet and Cash Flow Analysis

General information:

- The harmonisation of the financial year with the calendar year as of 31 December 2016 resulted in the presentation of comparative data which reflect the corresponding period in the 2016 calendar year. Consequently, this data does not reflect the data previously published for the first two quarters of the abbreviated 2016 financial year (Q1-Q2 2016A), but covers the first half of the 2016 calendar year.

- The retail portfolio Moscow, which was presented as a discontinued operation for the first time in IMMOFINANZ's consolidated financial statements as of 31 December 2016, is also included in these (new) comparative figures in accordance with IFRS 5 – i.e. through the separate presentation of the retail portfolio Moscow as a discontinued operation in the consolidated income statement.

INCOME STATEMENT

A condensed version of the consolidated income statement is presented below:

All amounts in TEUR	Q1-2 2017	Q1-2 2016
Rental income	114,906	115,901
Results of asset management	**79,060**	**71,869**
Results of property sales	**2,045**	**-12,551**
Results of property development	**-28,931**	**7,349**
Other operating income	5,392	9,154
Other operating expenses	-23,773	-26,010
Results of operations	**33,793**	**49,811**
Other revaluation results	**1,979**	**-118,357**
Operating profit (EBIT)	**35,772**	**-68,546**
Financial results	**104,383**	**-57,999**
Earnings before tax (EBT)	**140,155**	**-126,545**
Net profit for the period from continuing operations	**113,143**	**-123,893**
Net profit or loss from discontinued operations [1)]	-7,876	-119,448
Net profit or loss	**105,267**	**-243,341**

1 Due to the planned sale or spin-off of the Russian portfolio, the earnings contribution from Russia is reported under net profit or loss from discontinued operations.

RESULTS OF ASSET MANAGEMENT

The results of asset management include rental income, other revenues, operating income and operating costs as well as the expenses directly attributable to investment property. Rental income remained stable during the first half year of 2017 at EUR 114.9 million (H1 2016: EUR 115.9 million). The decline in rental income resulting from the sale of properties was offset by completions and new rentals. Rental income rose by 1.7% to EUR 56.6 million in the office sector, but declined by 2.0% to EUR 49.1 million in the retail sector. This slight reduction resulted primarily from portfolio adjustments to the retail properties in Austria.

Revenues totalled EUR 160.1 million (H1 2016: EUR 160.3 million). The results of asset management increased by 10.0% year-on-year to EUR 79.1 million (H1 2016: EUR 71.9 million). Property expenses amounted to EUR -41.7 million (H1 2016: EUR -50.0 million) and included a decline in maintenance costs (EUR -8.8 million versus EUR -12.8 million) as well as an increase in fit-out costs for newly rented space (EUR -6.5 million versus EUR -3.0 million) following the conclusion of large-scale rental contracts. A substantial decline was also recorded in operating costs charged to building owners (EUR -6.0 million versus EUR -10.6 million).

RESULTS OF PROPERTY SALES

The results of property sales amounted to EUR 2.0 million in the first half of 2017 (H1 2016: EUR -12.6 million) and reflected the further optimisation of the portfolio. Positive foreign exchange-adjusted valuation effects on the sale of the properties in the *Gerling Quartier* were contrasted by negative effects from the sale of smaller and/or non-strategic office buildings in Austria, the Czech Republic and Poland as well as retail properties in Austria. These transactions had a combined sales volume of EUR 122.8 million (EUR 106.1 million of asset deals and EUR 16.7 million of share deals).

RESULTS OF PROPERTY DEVELOPMENT

The results of property development cover the sale of real estate inventories as well as the valuation of development projects completed in 2017 or currently in progress. In the first half of 2017, the results of property development equalled EUR -28.9 million (H1 2016: EUR 7.4 million). These results are attributable primarily to additional costs for real estate inventories in the *Gerling Quartier* as well as outstanding obligations related to the transfer, repair of deficiencies and completion of the Cologne properties.

The termination of activities in Cologne during the second quarter of 2017 had a total negative effect of EUR -17.8 million on pre-tax earnings (net effect of transaction results and the results of property development).

RESULTS OF OPERATIONS

The results of operations equalled EUR 33.8 million compared with EUR 49.8 million in the first half of 2016. Other operating expenses fell by 8.6% year-on-year to EUR -23.8 million (H1 2016: EUR -26.0 million), chiefly due to a decline in legal, auditing and consulting fees (EUR -6.0 million versus EUR -9.3 million).

REVALUATION, FINANCIAL RESULTS AND EBT

The foreign exchange-adjusted revaluation of investment property equalled EUR 3.5 million (H1 2016: EUR -93.4 million). Financial results amounted to EUR 104.4 million (H1 2016: EUR -58.0 million). Financing costs fell by 4.4% to EUR -52.2 million (H1 2016: EUR -54.6 million), above all due to the interest savings which resulted from the incentivised conversion of 43.4% of the convertible bond 2018 (coupon: 4.25%) at the beginning of the year and the issue of the new convertible bond 2024 (coupon: 2.0%). Other financial results of EUR -10.4 million (H1 2016: EUR -2.6 million) resulted chiefly from the valuation of derivatives at EUR -9.3 million and the earnings effect of EUR -12.6 million from the incentivised conversion of the convertible bond 2018. The valuation of the BUWOG shares at the market price on 30 June 2017 contributed a further EUR 9.0 million.

The share of profit/loss from equity-accounted investments amounted to EUR 164.2 million (H1 2016: EUR 1.0 million) and consisted primarily of the following: EUR 28.3 million for the proportional share of earnings from CA Immo, a valuation gain of EUR 91.9 million on the CA Immo shares, a gain of EUR 18.0 million on the sale of 4.5 million BUWOG shares and a valuation gain of EUR 25.8 million on the BUWOG shares. The book price of the CA Immo share equalled EUR 25.17 on 30 June 2017 (31 December 2016: EUR 21.02).

Earnings before tax (EBT) amounted to EUR 140.2 million in the first half of 2017 (H1 2016: EUR -126.5 million). Income tax expense equalled EUR -27.0 million for the reporting period (H1 2016: EUR 2.7 million).

RESULTS OF DISCONTINUED OPERATIONS

The results of discontinued operations totalled EUR -7.9 million and represent the discontinued core market Russia (H1 2016: EUR -119.4 million, thereof EUR -102.0 million attributable to Russia).

The rental income from Russia rose to EUR 43.4 million in the first half of 2017 (H1 2016: EUR 38.1 million), primarily due to a year-on-year improvement in the Ruble exchange rate. The occupancy rate in the five Moscow shopping centers equalled 87.1% as of 30 June 2017 (31 December 2016: 87.7%). The outstanding rents receivable in Russia amounted to EUR 6.0 million as of 30 June 2017 (31 December 2016: EUR 9.4 million).

The material reportable transactions with related companies and persons are disclosed in the notes.

The foreign exchange-adjusted revaluation – which represents the change in the value of the Russian investment properties in US Dollar translated into the Euro – totalled EUR 6.5 million in the first half of 2017 (H1 2016: EUR -65.9 million). The foreign exchange-based revaluation – which results from the translation of the Ruble property values in the local Russian companies – equalled EUR -21.2 million (H1 2016: EUR -113.0 million).

Financial results also include foreign exchange effects of EUR 14.0 million (H1 2016: EUR 71.8 million), which represent, more or less, a counterpart to the currency-related decrease in the value of the investment properties. This development reflects the lower value of the foreign currency liabilities in the Russian subsidiaries caused by the appreciation of the Ruble.

NET PROFIT

Net profit from continuing operations totalled EUR 113.1 million in the first half of 2017 (H1 2016: EUR -123.9 million). Net profit (including the results of discontinued operations) amounted to EUR 105.3 million (H1 2016: EUR -243.3 million). Diluted earnings per share equalled EUR 0.09 (H1 2016: EUR -0.24).

BALANCE SHEET

The condensed balance sheet is shown below:

All amounts in TEUR	30 June 2017	in %	31 Dec. 2016	in %
Investment property	3,566,402	78.9%	3,531,379	80.0%
Property under construction	433,423		379,036	
Real estate inventories	59,805		93,100	
Assets held for sale	1,481,700		1,602,428	
Other tangible assets	1,945	0.0%	2,243	0.0%
Intangible assets	25,243	0.4%	25,955	0.4%
Equity-accounted investments	649,047	9.2%	739,254	10.6%
Trade and other receivables	348,396	5.0%	414,190	5.9%
Other financial assets	131,439	1.9%	10,493	0.1%
Deferred tax assets	4,432	0.1%	4,385	0.1%
Income tax receivables	10,944	0.2%	11,626	0.2%
Cash and cash equivalents	309,997	4.4%	189,287	2.7%
ASSETS	**7,022,773**	**100.0%**	**7,003,376**	**100.0%**
Equity	**2,800,080**	**39.9%**	**2,650,616**	**37.8%**
Liabilities from convertible bonds	592,900	8.4%	530,265	7.6%
Financial liabilities	2,026,768	28.9%	2,114,794	30.2%
Trade and other payables	248,099	3.5%	270,168	3.9%
Income tax liabilities	7,903	0.1%	12,973	0.2%
Provisions	50,466	0.7%	50,773	0.7%
Deferred tax liabilities	332,449	4.7%	312,414	4.5%
Financial liabilities held for sale	964,108	13.7%	1,061,373	15.2%
EQUITY AND LIABILITIES	**7,022,773**	**100.0%**	**7,003,376**	**100.0%**

Assets totalled EUR 7.0 billion as of 30 June 2017 (31 December 2016: EUR 7.0 billion) and comprise non-current assets of EUR 5.0 billion and current assets of EUR 2.0 billion.

The value of the property portfolio amounted to EUR 5.5 billion and represented 78.9% of total assets as of 30 June 2017. These properties are reported on the balance sheet under the following positions: investment property, property under construction, real estate inventories and non-current assets held for sale. Non-current assets held for sale include properties as well as other assets which will be transferred to the buyer in the event of a sale.

The additions to investment property during the reporting period include, in particular, the acquisition of nine retail parks in Slovakia, Hungary and Romania. The additions to property under construction are related, above all, to the *trivago Campus, FLOAT* and *Cluster Produktionstechnik* development projects in Germany.

The investments accounted for at equity declined from EUR 739.3 million to EUR 649.0 million due to the sale of approximately 4.5 million BUWOG shares and the recognition of the remaining BUWOG shares as other financial assets. In addition to the proportional share of CA Immo results for the first six months of 2017 (EUR 28.3 million), this position also includes a revaluation gain of EUR 91.9 million on the CA Immo investment.

Cash and cash equivalents rose from EUR 189.3 million on 31 December 2016 to EUR 310.0 million on 30 June 2017. This is a result of the multi-stage refinancing programme carried out in January, which included the sale of the BUWOG shares as well as the issue of a new convertible bond with a term extending to 2024 (see the section *Financing* on page 33.

Equity totalled EUR 2.8 billion as of 30 June 2017 (31 December 2016: EUR 2.7 billion), and the equity ratio equalled 39.9% on that date (31 December 2016: 37.8%).

Liabilities totalled EUR 4.2 billion (31 December 2016: EUR 4.4 billion). The non-current component equalled EUR 1.9 billion and the current component EUR 2.3 billion.

CASH FLOW STATEMENT

The condensed cash flow statement is presented below:

All amounts in TEUR	Q1-2 2017	Q1-2 2016
Gross cash flow after tax	67,159	54,240
Cash flow from operating activities	44,450	43,383
Cash flow from investing activities	102,364	416,175
Cash flow from financing activities	-30,250	-352,273

Gross cash flow totalled EUR 67.2 million, compared with EUR 54.2 million in the first half of 2016. Cash flow from operating activities amounted to EUR 44.5 million (H1 2016: EUR 43.4 million).

FUNDS FROM OPERATIONS 1 & 2 (FFO 1 & 2)

All amounts in TEUR	Q1-2 2017	Q1-2 2016	Change	Change in %
Gross cash flow before tax	87,059	70,283	16,776	23.9%
Gross cash flow before tax from discontinued operations	-27,818	-22,619	-5,199	23.0%
Gross cash flow before tax from continuing operations	**59,241**	**47,664**	**11,577**	**24.3%**
Ancillary costs for property sales (included in gross cash flow, recognised through profit or loss)	2,473	2,752	-279	-10.1%
Results of property development (included in gross cash flow, recognised through profit or loss)	-540	8,831	-9,371	n.a.
Dividends received from equity-accounted investments	1,666	0	1,666	n.a.
Economic interest in FFO I of the CA Immo Group[1]	15,491	0	15,491	n.a.
Interest and dividends received from financial instruments	1,334	3,773	-2,439	-64.6%
Interest paid	-29,792	-40,310	10,518	26.1%
Derivatives	-6,552	-12,378	5,826	47.1%
FFO 1	**43,321**	**10,332**	**32,989**	**≥ +100.0%**
Results of property sales	2,045	-12,551	14,596	n.a.
FFO 2	**45,366**	**-2,219**	**47,585**	**n.a.**

1 The economic interest in the CA Immo Group is based on the investment held by IMMOFINANZ in relation to the number of CA Immo shares outstanding over a six-month period – similar to the recognition of the net profit or loss from equity-accounted investments.

EPRA INDICATORS

NET ASSET VALUE (NAV) UND TRIPLE NET ASSET VALUE (NNNAV)

Net asset value (NAV) is calculated in accordance with the Best Practices Recommendations issued by the European Public Real Estate Association (EPRA). The EPRA NAV concept is used to present the fair value of equity on a long-term basis in order to give investors an overview of a company's sustainable asset position. The calculation of EPRA NAV also includes the undisclosed reserves in real estate inventories as well as the (negative) fair value of derivative financial instruments. Undisclosed reserves are not included in carrying amounts in accordance with IFRS accounting rules, while the (negative) fair values of derivative financial instruments regularly serve as a means of hedging long-term financing so these gains or losses will remain hypothetical as of the balance sheet date. The deferred taxes on these items are included. In accordance with the EPRA NAV concept, the calculation should include the deferred taxes that would be realised on the sale of property. Goodwill, which arises as a technical figure due to the recognition of deferred taxes on business combinations, is deducted.

Triple net asset value (NNNAV) is also calculated in accordance with the EPRA's Best Practices Recommendations. The calculation of EPRA NNNAV involves an adjustment to reverse the (negative) fair value of derivative financial instruments from the NAV calculation. In addition, financial liabilities are restated at their fair value. This calculation also includes the deduction of the deferred taxes expected from the sale of properties. Asset deals generally result in the full realisation of deferred taxes, while the assumption for sales through share deals is that IMMOFINANZ will (economically) bear 50% of the deferred tax liabilities.

The EPRA NNNAV calculation also includes the deferred taxes from the adjustments to derivative financial instruments and from the fair value measurement of financial liabilities. The objective is to give investors an overview of the current value of all assets and liabilities.

The calculation of the EPRA NAV and EPRA NNNAV as of 30 June 2017 also included diluting effects that could result from the conversion of the IMMOFINANZ convertible bond 2018. These effects were included for the first time because the convertible bond 2018 was "in the money" as of 30 June 2017 and rational investors can therefore be expected to convert their bond certificates.

The number of shares underlying the calculation of the EPRA NAV per share and the EPRA NNNAV per share rose by 17.6% to 1,135,458,215 as of 30 June 2017. This increase resulted from the incentivised conversion of the convertible bond 2018 (+6.6%) and the issue of 13,037,257 shares from a capital increase from authorised capital for the settlement of the legal proceedings to review the exchange ratio applied to the merger of IMMOEAST and IMMOFINANZ (+3.1%). The repurchase of shares reduced the relevant number of shares by 1.1%. The hypothetical conversion of the convertible bond 2018 resulted in a potential increase of 86.5 million shares (9.0%).

The results of the NAV and NNNAV calculations are shown below:

	30 June 2017		31 December 2016	
	in TEUR	in EUR per share	in TEUR	in EUR per share
Equity excl. non-controlling interests	**2,723,317**		**2,660,300**	
Diluting effects of convertible bond 2018	196,630		0	
Diluted equity excl. non-controlling interests after an adjustment for convertible bonds and the exercise of options	**2,919,947**		**2,660,300**	
Undisclosed reserves in the investment in the CA Immo Group	34,163			
Undisclosed reserves in real estate inventories	338		336	
Fair value of derivative financial instruments	13,598		30,455	
Deferred taxes on investment property	408,875		421,067	
Deferred taxes on real estate inventories and derivative financial instruments	-2,928		-7,032	
Goodwill excl. deferred taxes	-82,971		-90,935	
Number of shares excl. treasury shares (in 1,000)		**1,048,925**		**965,956**
Potential shares (in 1,000)		**86,533**		
EPRA NAV	**3,291,021**	**2.90**	**3,014,190**	**3.12**
Fair value of derivative financial instruments	-13,598		-30,455	
Effect of fair value measurement of financial liabilities	20,171		-38,757	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	-1,741		16,476	
Deferred taxes on investment property	-86,533		-93,596	
EPRA NNNAV	**3,209,320**	**2.83**	**2,867,859**	**2.97**

The EPRA net asset value rose by 9.2% to EUR 3.3 billion. The higher number of shares and the potential dilution through the convertible bond 2018 led to a decline in the EPRA NAV per share to EUR 2.90 (31 December 2016: EUR 3.12). The EPRA triple net asset value rose by 11.9% to EUR 3.2 billion, and the triple NAV per share fell from EUR 2.97 to EUR 2.83 as of 30 June 2017.

EPRA EARNINGS PER SHARE

The calculation of EPRA earnings per share as of 30 June 2017 and 30 June 2016 was based on the weighted average number of shares outstanding and included the new shares issued for the IMMOEAST settlement. In accordance with IAS 33, the settlement led to the retroactive adjustment of earnings per share for the first half of 2016. The weighted average number of shares was multiplied by a factor of 1.029 in each case. This factor reflects the ratio of the number of shares outstanding after (1,052,525,375 shares) and before (1,022,540,069 shares) the payment of the settlement.

All amounts in TEUR	Q1-2 2017	Q1-2 2016
Weighted average number of shares	**1,024,446**	**997,330**
Net profit or loss from continuing operations excl. non-controlling interests	**115,538**	**-128,934**
Revaluation of investment properties and development properties	-11,485	70,863
Results of property sales	-2,045	12,550
Goodwill impairment, negative differences and earn-out effects on income	733	25,188
Changes in fair value of financial instruments	-2,856	8,293
Taxes in respect of EPRA adjustments	1,380	-10,972
EPRA adjustment in respect of joint ventures and non-controlling interests	1,657	-1,258
EPRA earnings	**102,923**	**-24,269**
EPRA earnings per share	**0.10**	**-0.02**
Company specific adjustments		
Result from deconsolidation of BUWOG AG	-25,841	0
Result from incentivised conversion of the convertible bond 2018	12,580	0
Foreign exchange gains and losses	-22	5,912
Reversal of impairment CA Immo Group	-91,850	0
Deferred tax in respect of the company specific adjustments	3,041	-1,265
Company-specific adjusted earnings	**830**	**-19,622**
EPRA earnings per share after company-specific adjustments	**0.001**	**-0.020**

The EPRA earnings per share equalled EUR 0.10 in the first half of 2017 and EUR 0.001 after company-specific adjustments

EPRA NET INITIAL YIELD

All amounts in TEUR	Q1-2 2017	Q1-2 2016
Investment property	4,825,684	5,161,149
Investment property - proportional share of joint ventures	44,498	53,874
Less undeveloped land	-209,919	-203,321
Less logistics portfolio	0	-29,159
Less Russian portfolio	-976,410	-1,125,500
Less undeveloped land - proportional share of joint ventures	-1,958	-6,874
Total property portfolio	**3,681,895**	**3,850,170**
Allowance for estimated purchasers' costs	66,274	69,303
Gross value of total property portfolio	**3,748,169**	**3,919,473**
Annualised cash rental income	229,535	237,743
Annualised cash rental income - proportional share of joint ventures	1,729	1,369
Non-recoverable property operating expenses	-37,819	-48,364
Non-recoverable property operating expenses - proportional share of joint ventures	-56	-82
Annualised net rental income	**193,389**	**190,666**
EPRA NIY	**5.2%**	**4.9%**

The EPRA net initial yield improved from 4.9% in the first half of 2016 to 5.2% in the first half of 2017.