

# 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 quarter of the abbreviated 2016 financial year (Q1 2016A).
- 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 and the consolidated cash flow statement.

## INCOME STATEMENT

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

All amounts in TEUR	Q1 2017	Q1 2016
Rental income	57,108	58,205
<b>Results of asset management</b>	<b>39,473</b>	<b>40,945</b>
<b>Results of property sales</b>	<b>-5,966</b>	<b>479</b>
<b>Results of property development</b>	<b>-5,752</b>	<b>27,745</b>
Other operating income	1,094	2,230
Other operating expenses	-11,096	-14,238
<b>Results of operations</b>	<b>17,753</b>	<b>57,161</b>
<b>Other revaluation results</b>	<b>-3,813</b>	<b>-134,514</b>
<b>Operating profit (EBIT)</b>	<b>13,940</b>	<b>-77,353</b>
<b>Financial results</b>	<b>93,013</b>	<b>-37,259</b>
<b>Earnings before tax (EBT)</b>	<b>106,953</b>	<b>-114,612</b>
<b>Net profit for the period from continuing operations</b>	<b>101,700</b>	<b>-139,285</b>
Net profit or loss from discontinued operations <sup>1</sup>	-21,000	-101,414
<b>Net profit or loss</b>	<b>80,700</b>	<b>-240,699</b>

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 totalled EUR 57.1 million in the first quarter of 2017, compared with EUR 58.2 million in the first quarter of 2016. The slight decline of 1.9% resulted, above all, from portfolio adjustments to the retail properties in Austria. Rental income fell by 4.3% to EUR 24.2 million in the retail sector, but rose by 1.3% to EUR 28.1 million in the office sector.

Revenues reflected the development of rental income with an increase to EUR 79.1 million (Q1 2016: EUR 81.2 million). The results of asset management were 3.6% lower year-on-year at EUR 39.5 million (EUR 40.9 million). Property expenses totalled EUR -20.4 million (Q1 2016: EUR -20.1 million) and were characterised by higher maintenance costs due to modernisation projects and the roll-out of the myhive brand in the office sector (EUR -3.4 million versus EUR -2.2 million) as well as an increase in extension costs for newly rented space (EUR -3.8 million versus EUR -0.5 million) following the conclusion of large-scale rental contracts. In contrast, substantial declines were recorded in operating costs charged to building owners (EUR -4.4 million versus EUR -5.4 million) and receivables write-offs (EUR 0.05 million versus EUR -1.4 million).

## RESULTS OF PROPERTY SALES

The results of property sales amounted to EUR -6.0 million in the first quarter of 2017 (Q1 2016: EUR 0.5 million) and reflects the optimisation of the portfolio. The foreign exchange-adjusted valuation effects are related, among others, to smaller office buildings and retail properties in Austria which do not reflect IMMOFINANZ's strategy.

## 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 quarter of 2017 the results of property development equalled EUR -5.8 million (Q1 2016: EUR 27.7 million) and resulted primarily from additional costs for real estate inventories in the *Gerling Quartier*. The foreign exchange-adjusted revaluation of property under construction amounted to EUR 5.3 million and is attributable to development projects in Germany (*FLOAT*, *trivago Campus*, *Cluster Produktionstechnik*) (Q1 2016: EUR 38.9 million).

## RESULTS OF OPERATIONS

The results of operations equalled EUR 17.8 million and were 68.9% lower than the first quarter of 2016 (EUR 57.2 million). Other operating expenses fell by 22.1% year-on-year to EUR -11.1 million (EUR -14.2 million), primarily due to a reduction in legal, auditing and consulting expenses (EUR -1.9 million versus EUR -5.8 million).

## REVALUATION, FINANCIAL RESULTS AND EBT

The foreign exchange-adjusted revaluation of investment property equalled EUR -3.1 million (Q1 2016: EUR -110.9 million). Financial results amounted to EUR 93.0 million (Q1 2016: EUR -37.3 million). Financing costs fell by 7.7% to EUR -26.7 million (Q1 2016: EUR -29.0 million), among others 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 -15.6 million (Q1 2016: EUR 17.3 million) resulted chiefly from the valuation of derivatives at EUR -4.4 million and the earnings effect of EUR -12.5 million from the incentivised conversion of the convertible bond 2018. The valuation of the BUWOG shares at the market price on 31 March contributed a further EUR 2.0 million.

The share of profit/loss from equity-accounted investments amounted to EUR 134.1 million (Q1 2016: EUR -18.3 million) and consisted primarily of the following: EUR 6.5 million for the proportional share of earnings from CA Immo, EUR 84.1 million from the market-based valuation (IFRS) of the CA Immo investment, 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 at the market price following the termination of equity accounting for the BUWOG investment.

IMMOFINANZ ceased to exercise significant influence over the BUWOG Group in the sense of IAS 28 with the resignation of IMMOFINANZ CEO Oliver Schumy as the vice-chairman of the BUWOG supervisory board on 6 March 2017. The remaining BUWOG shares are now valued through profit or loss based on the closing price on the Vienna Stock Exchange as of the respective balance sheet date.

Earnings before tax (EBT) therefore amounted to EUR 107.0 million (Q1 2016: EUR -114.6 million). Income tax expense equalled EUR -5.3 million for the reporting period (Q1 2016: EUR -24.7 million).

## RESULTS OF DISCONTINUED OPERATIONS

The results of discontinued operations totalled EUR -21.0 million (Q1 2016: EUR -101.4 million) and represent the discontinued core market Russia.

The rental income from Russia amounted to EUR 22.2 million in the first quarter of 2017 (Q1 2016: EUR 19.0 million), primarily due to a year-on-year improvement in the Ruble exchange rate. The occupancy rate in the five Moscow shopping centers equalled 88.3% as of 31 March 2017 (31 December 2016: 87.7%). The outstanding rents receivable in Russia amounted to EUR 4.7 million as of 31 March 2017 (31 December 2016: EUR 9.4 million).

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 -2.7 million in the first quarter of 2017 (Q1 2016: EUR -71.7 million). The foreign exchange-based revaluation – which results from the translation of the Ruble property values in the local Russian companies – equalled EUR -59.2 million (Q1 2016: EUR -49.0 million). Financial results also include foreign exchange effects of EUR 39.5 million (Q1 2016: EUR 28.0 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

The net profit from continuing operations totalled EUR 101.7 million in the first quarter of 2017 (Q1 2016: EUR -139.3 million). Net profit (including the results of discontinued operations) amounted to EUR 80.7 million (Q1 2016: EUR -240.7 million). Diluted earnings per share equalled EUR 0.07 (Q1 2016: EUR -0.24).

## BALANCE SHEET

The condensed balance sheet is shown below:

All amounts in TEUR	31 March 2017	in %	31 Dec. 2016	in %
Investment property	3,489,969		3,531,379	
Property under construction	417,704	77.1%	379,036	80.0%
Real estate inventories	81,692		93,100	
Assets held for sale	1,537,333		1,602,428	
Other tangible assets	2,096	0.0%	2,243	0.0%
Intangible assets	25,791	0.4%	25,955	0.4%
Equity-accounted investments	652,686	9.1%	739,254	10.6%
Trade and other receivables	354,591	4.9%	414,190	5.9%
Other financial assets	122,466	1.7%	10,493	0.1%
Deferred tax assets	4,996	0.1%	4,385	0.1%
Income tax receivables	12,365	0.2%	11,626	0.2%
Cash and cash equivalents	469,043	6.5%	189,287	2.7%
<b>ASSETS</b>	<b>7,170,732</b>	<b>100.0%</b>	<b>7,003,376</b>	<b>100.0%</b>
<b>Equity</b>	<b>2,892,244</b>	<b>40.3%</b>	<b>2,650,616</b>	<b>37.8%</b>
Liabilities from convertible bonds	585,676	8.2%	530,265	7.6%
Financial liabilities	2,079,442	29.0%	2,114,794	30.2%
Trade and other payables	255,138	3.6%	270,168	3.9%
Income tax liabilities	6,460	0.1%	12,973	0.2%
Provisions	51,554	0.7%	50,773	0.7%
Deferred tax liabilities	314,164	4.4%	312,414	4.5%
Financial liabilities held for sale	986,054	13.8%	1,061,373	15.2%
<b>EQUITY AND LIABILITIES</b>	<b>7,170,732</b>	<b>100.0%</b>	<b>7,003,376</b>	<b>100.0%</b>

Assets totalled EUR 7.2 billion as of 31 March 2017 (31 December 2016: EUR 7.0 billion) and comprise non-current assets of EUR 4.9 billion and current assets of EUR 2.3 billion.

The value of the property portfolio amounted to EUR 5.5 billion and represented 77.1% of total assets as of 31 March 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 investments accounted for at equity declined from EUR 739.3 million to EUR 652.7 million due to the sale of approximately 4.5 million BUWOG shares and the recognition of the remaining BUWOG shares as other financial assets. This position also includes the proportional share of results from the investment in the CA Immo Group for three months as well as a revaluation of EUR 84.1 million.

Cash and cash equivalents rose from EUR 189.3 million on 31 December 2016 to EUR 469.0 million on 31 March 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.

Equity totalled EUR 2.9 billion as of 31 March 2017 (31 December 2016: EUR 2.7 billion), and the equity ratio equalled 40.3% as of 31 March 2017 (31 December 2016: 37.8%).

Liabilities totalled EUR 4.3 billion (31 December 2016: EUR 4.4 billion). The non-current component equalled EUR 2.0 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 2017	Q1 2016
Gross cash flow after tax	30,286	36,350
Cash flow from operating activities	41,772	-16,065
Cash flow from investing activities	125,790	440,892
Cash flow from financing activities	106,500	-287,675

Gross cash flow after tax amounted to EUR 30.3 million, compared with EUR 36.4 million in the first quarter of 2016. Cash flow from operating activities rose to EUR 41.8 million (Q1 2016: EUR -16.1 million).

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

All amounts in TEUR	Q1 2017	Q1 2016	Change	Change in %
Gross cash flow before tax	40,979	38,407	2,572	6.7%
Gross cash flow before tax from discontinued operations	-14,345	-7,326	-7,019	95.8%
<b>Gross cash flow before tax from continuing operations</b>	<b>26,634</b>	<b>31,081</b>	<b>-4,447</b>	<b>-14.3%</b>
Ancillary costs for property sales (included in gross cash flow, recognised through profit or loss)	879	1,275	-396	-31.1%
Results of property development (included in gross cash flow, recognised through profit or loss)	1,747	2,063	-316	-15.3%
Dividends received from equity-accounted investments	0	0	0	n.a.
Economic interest in FFO I of the CA Immo Group <sup>1</sup>	6,491	0	6,491	n.a.
Interest and dividends received from financial instruments	278	191	87	45.5%
Interest paid	-21,574	-23,035	1,461	6.3%
Derivatives	-3,818	-9,042	5,224	57.8%
<b>FFO 1</b>	<b>10,637</b>	<b>2,533</b>	<b>8,104</b>	<b>≥ +100.0%</b>
Results of property sales	-5,966	479	-6,445	n.a.
<b>FFO 2</b>	<b>4,671</b>	<b>3,012</b>	<b>1,659</b>	<b>55.1%</b>

<sup>1</sup> 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 three-month period – similar to the recognition of the net profit or loss from equity-accounted investments.

## EPRA INDICATORS

### NET ASSET VALUE (NAV) AND 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 results of the NAV and NNNAV calculations are shown below:

	31 March 2017		31 Dec. 2016	
	in TEUR	in EUR per share	in TEUR	in EUR per share
<b>Equity excl. non-controlling interests</b>	<b>2,880,034</b>		<b>2,660,300</b>	
Diluting effects of convertible bonds and exercise of options	0		0	
<b>Diluted equity excl. non-controlling interests after an adjustment for convertible bonds and the exercise of options</b>	<b>2,880,034</b>		<b>2,660,300</b>	
Undisclosed reserves in real estate inventories	296		336	
Fair value of derivative financial instruments	29,794		30,455	
Deferred taxes on investment property	411,209		421,067	
Deferred taxes on real estate inventories and derivative financial instruments	-7,008		-7,032	
Goodwill excl. deferred taxes	-88,177		-90,935	
<b>Number of shares excl. treasury shares (in 1,000)</b>		<b>1,028,540</b>		<b>965,956</b>
<b>EPRA NAV</b>	<b>3,226,148</b>	<b>3.14</b>	<b>3,014,190</b>	<b>3.12</b>
Fair value of derivative financial instruments	-29,794		-30,455	
Effect of fair value measurement of financial liabilities	18,778		-38,757	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	2,905		16,476	
Deferred taxes on investment property	-88,228		-93,596	
<b>EPRA NNNAV</b>	<b>3,129,809</b>	<b>3.04</b>	<b>2,867,859</b>	<b>2.97</b>

The EPRA NAV per share equalled EUR 3.14 as of 31 March 2017 (31 December 2016: EUR 3.12). The increase resulted from the net profit recorded for the first quarter of 2017. The triple net asset value per share rose from EUR 2.97 to EUR 3.04 as of 31 March 2017.

## EPRA EARNINGS PER SHARE

All amounts in TEUR	Q1 2017	Q1 2016
<b>Weighted average number of shares<sup>1</sup></b>	<b>1,042,203</b>	<b>1,000,378</b>
<b>Net profit or loss from continuing operations excl. non-controlling interests</b>	<b>102,274</b>	<b>-139,583</b>
Revaluation of investment properties and development properties	-1,710	71,219
Results of property sales	5,965	-479
Goodwill impairment, negative differences and earn-out effects on income	212	24,226
Changes in fair value of financial instruments	2,325	-14,176
Taxes in respect of EPRA adjustments	-1,337	-3,588
EPRA adjustment in respect of joint ventures and non-controlling interests	863	1,764
<b>EPRA earnings</b>	<b>108,590</b>	<b>-60,617</b>
<b>EPRA earnings per share</b>	<b>0.10</b>	<b>-0.06</b>
<b>Company-specific adjustments</b>		
Result from deconsolidation of BUWOG AG	-25,841	0
Result from incentivised conversion of the convertible bond 2018	12,539	0
Foreign exchange gains and losses	6	9,466
Reversal of impairment CA Immo Group	-84,146	0
Deferred tax in respect of the company specific adjustments	3,226	-1,882
<b>Company-specific adjusted earnings</b>	<b>14,374</b>	<b>-53,034</b>
<b>EPRA earnings per share after company-specific adjustments</b>	<b>0.01</b>	<b>-0.05</b>

<sup>1</sup> EPRA earnings per share as of 31 March 2017 and 31 March 2016 were calculated on the basis of the weighted average number of shares outstanding, including the new shares issued in connection with the IMMOEAST settlement. Additional information on the settlement payment and the calculation methodology is provided in section 8 of the notes to the consolidated interim financial statements.

The EPRA earnings per share equalled EUR 0.10 in the first quarter of 2017 and EUR 0.01 after company-specific adjustments.

## EPRA NET INITIAL YIELD

All amounts in TEUR	Q1 2017	Q1 2016
Investment property	4,837,176	5,049,889
Investment property - proportional share of joint ventures	43,468	49,698
Less undeveloped land	-206,607	-211,097
Less logistics portfolio	0	-29,159
Less Russian portfolio	-997,316	-1,121,285
Less undeveloped land - proportional share of joint ventures	-1,928	-6,680
<b>Total property portfolio</b>	<b>3,674,793</b>	<b>3,731,367</b>
Allowance for estimated purchasers' costs	66,146	67,165
<b>Gross value of total property portfolio</b>	<b>3,740,939</b>	<b>3,798,531</b>
Annualised cash rental income	229,127	230,183
Annualised cash rental income - proportional share of joint ventures	1,716	1,370
Non-recoverable property operating expenses	-40,741	-48,626
Non-recoverable property operating expenses - proportional share of joint ventures	-51	-79
<b>Annualised net rental income</b>	<b>190,052</b>	<b>182,849</b>
<b>EPRA NIY</b>	<b>5.1%</b>	<b>4.8%</b>

The EPRA net initial yield improved significantly from 4.8% to 5.1% in the first quarter of 2017.