

# Earnings, Balance Sheet and Cash Flow Analysis

## General information:

> The following analysis compares the consolidated income statement, the consolidated cash flow statement and selected EPRA indicators for the 2016A financial year with the unaudited pro-forma consolidated income statement, the unaudited condensed pro-forma consolidated cash flow statement and the unaudited EPRA indicators for the comparable eight-month period of the 2015A financial year. A comparison with the 12-month period in 2015/16 would not be representative and would distort the entire picture.

> On 19 December 2016 the Executive Board and Supervisory Board approved the separation of the retail portfolio in Russia through a sale or spin-off. The Russian portfolio is therefore presented as a discontinued operation in the consolidated financial statements for 2016A in accordance with IFRS 5.

## INCOME STATEMENT

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

### CONSOLIDATED INCOME STATEMENT

All amounts in TEUR	2016A	2015A <sup>1</sup>	2015/16
Rental income	156,696	155,677	232,347
<b>Results of asset management</b>	<b>91,009</b>	<b>100,200</b>	<b>142,261</b>
<b>Results of property sales</b>	<b>-2,811</b>	<b>16,889</b>	<b>788</b>
<b>Results of property development</b>	<b>-18,120</b>	<b>-26,124</b>	<b>-14,509</b>
Other operating income	12,951	23,859	29,872
Other operating expenses	-32,093	-62,646	-82,656
<b>Results of operations</b>	<b>50,936</b>	<b>52,178</b>	<b>75,756</b>
<b>Other revaluation results</b>	<b>-13,196</b>	<b>26,511</b>	<b>-96,085</b>
<b>Operating profit (EBIT)</b>	<b>37,740</b>	<b>78,689</b>	<b>-20,329</b>
<b>Financial results</b>	<b>-45,209</b>	<b>4,320</b>	<b>-58,043</b>
<b>Earnings before tax (EBT)</b>	<b>-7,469</b>	<b>83,009</b>	<b>-78,372</b>
<b>Net profit for the period from continuing operations</b>	<b>26,858</b>	<b>60,687</b>	<b>-113,598</b>
Net profit or loss from discontinued operations <sup>2</sup>	-208,818	-211,215	-276,756
<b>Net profit or loss</b>	<b>-181,960</b>	<b>-150,528</b>	<b>-390,354</b>

<sup>1</sup> Eight-month comparable financial year, unaudited

<sup>2</sup> 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 156.7 million, which represents an increase of 0.7% compared with the pro-forma period in 2015A (EUR 155.7 million\*). The decline in revenues resulting from the sale of properties was offset by completions and new rentals. Rental income rose by 1.5% to EUR 74.3 million in the office sector and by 3.3% to EUR 68.8 million in the retail sector.

Revenues reflected the development of rental income with an increase of 3.7% to EUR 216.9 million. At EUR 91.0 million, the results of asset management were 9.2% lower than the comparable 2015A amount (EUR 100.2 million\*). This decline was caused chiefly by an increase in property expenses, which were 17.9% higher than the previous year at EUR -73.3 million due to modernisation projects in the office portfolio. The increase in maintenance costs (EUR -29.1 million versus EUR -13.4 million\* in 2015A) was connected primarily with ongoing modernisation projects in the office sector, e.g. in the *Business Park Vienna*, and the roll-out of the myhive and VIVO! brands. The increase in extension costs (EUR -8.1 million versus EUR -5.0 million\*) was related to the conclusion of numerous new large-scale rental contracts. In contrast, substantial declines were recorded in vacancy costs (EUR -9.0 million versus EUR -12.2 million\*) and receivables write-offs (EUR -1.4 million versus EUR -3.0 million\*).

\* Eight-month comparable financial year, unaudited

## RESULTS OF PROPERTY SALES

The results of property sales amounted to EUR -2.8 million in 2016A (2015A\*: EUR 16.9 million). The optimisation and adjustment of the portfolio were reflected in the sale, among others, of the *BB Centrum A* and *B* office buildings in Prague, the *Carlsquartier* development project in Düsseldorf, one retail property in Bulgaria, one pipeline project in Bratislava and several smaller office, retail and residential properties in Austria.

## 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 2016A or currently in progress. In 2016A the results of property development amounted to EUR -18.1 million (2015A\*: EUR -26.1 million).

## RESULTS OF OPERATIONS

The results of operations equalled EUR 50.9 million and were 2.4% lower than the comparable prior year period (EUR 52.2 million\*). Other operating expenses (EUR -32.1 million versus EUR -62.6 million\*) in the previous year were negatively influenced by non-recurring effects of EUR -29.5 million\* for the termination of legal proceedings with investors.

## REVALUATION, FINANCIAL RESULTS AND EBT

The foreign exchange-adjusted revaluation of investment property totalled EUR -11.0 million (2015A\*: EUR 20.8 million). Financial results equalled EUR -45.2 million (2015A\*: EUR 4.3 million), whereby financing costs fell by 11.0% to EUR -70.8 million (2015A\*: EUR -79.5 million). Financial results also include foreign exchange effects of EUR 9.7 million (2015A\*: EUR -5.5 million), which resulted primarily from intragroup financing transactions with companies in non-core countries whose functional currency is not the Euro. Other financial results of EUR 7.5 million (2015A\*: EUR -23.4 million) are attributable chiefly to the valuation of derivatives at EUR 11.6 million (2015A\*: EUR 41.0 million).

The share of profit/loss from equity-accounted investments amounted to EUR 2.5 million (2015A\*: EUR 102.1 million) and consists primarily of the following: EUR 35.8 million for the proportional share of earnings from the BUWOG investment, the EUR 34.2 million gain on the sale of 18.5 million BUWOG shares, the EUR 23.6 million proportional share of earnings from CA Immo for two quarters and EUR -91.9 million from the market-based valuation of the investment in CA Immo shares according to IFRS. The book price of the CA Immo share equalled EUR 21.02 as of 31 December 2016.

Earnings before tax (EBT) therefore amounted to EUR -7.5 million (2015A\*: EUR 83.0 million). Income tax expense equalled EUR 34.3 million in 2016A (2015A\*: EUR -22.3 million). This tax income resulted, above all, from the derecognition of deferred tax liabilities following the restructuring of intragroup financing for the retail portfolio in Russia. A contrary position for tax expense is included in the results of discontinued operations.

## RESULTS OF DISCONTINUED OPERATIONS

The results of discontinued operations totalled EUR -208.8 million (2015A\*: EUR -211.2 million) and represent the discontinued core market Russia.

The rental income from Russia amounted to EUR 50.1 million in 2016A, compared with EUR 56.9 million in 2015A\* and EUR 36.1 million in the first two quarters of 2016A. The decline in relation to the comparable prior year period resulted primarily from the ongoing rental price reductions for the tenants in the Moscow shopping centers and a year-on-year decline in the occupancy rate.

The write-off of receivables in Russia totalled EUR 2.3 million as of 31 December 2016 (2015A\*: EUR -11.7 million). The outstanding rents receivable in Russia amounted to EUR 9.4 million as of 31 December 2016 (30 April 2016: EUR 11.1 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 -182.5 million in the 2016A financial year (2015/16: EUR -466.9 million, 2015A\*: EUR -75.0 million) and is attributable, above all, to the difficult market environment and the related extensions of the rental price reductions granted to tenants. The revaluation also reflected the substantial year-end increase in the land register values defined by the city of Moscow, which represent the assessment bases for tax charges. The property appraisals for the Russian shopping centers are prepared in US Dollars. Based on the growing strength of the US Dollar in relation to the Euro, the fair value in Euros changed

\* Eight-month comparable financial year, unaudited

by only EUR -90.6 million. The value of the properties in the discontinued operation Russia therefore totalled EUR 1.02 billion as of 31 December 2016 (30 April 2016: EUR 1.11 billion).

Financial results also include foreign exchange effects of EUR 51.4 million (2015A\*: EUR -285.1 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 26.9 million in 2016A (2015A\*: EUR 60.7 million). Net profit (including the results of discontinued operations) amounted to EUR -182.0 million (2015A\*: EUR -150.5 million). Diluted earnings per share equalled EUR -0.19 (2015A\*: EUR -0.15).

## BALANCE SHEET

The condensed balance sheet is shown below:

### CONSOLIDATED BALANCE SHEET

All amounts in TEUR	31 December 2016	in %	30 April 2016	in %
Investment property	3,531,379		4,961,845	
Property under construction	379,036	80.0%	410,043	80.1%
Real estate inventories	93,100		112,126	
Assets held for sale	1,602,428		323,158	
Other tangible assets	2,243	0.0%	2,908	0.0%
Intangible assets	25,955	0.4%	104,474	1.4%
Equity-accounted investments	739,254	10.6%	494,103	6.8%
Trade and other receivables	414,190	5.9%	432,367	6.0%
Other financial assets	10,493	0.1%	14,110	0.2%
Deferred tax assets	4,385	0.1%	6,306	0.1%
Income tax receivables	11,626	0.2%	13,719	0.2%
Cash and cash equivalents	189,287	2.7%	371,622	5.1%
<b>Assets</b>	<b>7,003,376</b>	<b>100.0%</b>	<b>7,246,781</b>	<b>100.0%</b>
<b>Equity</b>	<b>2,650,616</b>	<b>37.8%</b>	<b>2,885,991</b>	<b>39.8%</b>
Liabilities from convertible bonds	530,265	7.6%	520,234	7.2%
Financial liabilities	2,114,794	30.2%	2,775,923	38.3%
Trade and other payables	270,168	3.9%	326,882	4.5%
Income tax liabilities	12,973	0.2%	28,229	0.4%
Provisions	50,773	0.7%	58,961	0.8%
Deferred tax liabilities	312,414	4.5%	466,171	6.4%
Financial liabilities held for sale	1,061,373	15.2%	184,390	2.5%
<b>Equity and liabilities</b>	<b>7,003,376</b>	<b>100.0%</b>	<b>7,246,781</b>	<b>100.0%</b>

Assets totalled EUR 7.0 billion as of 31 December 2016 and comprise non-current assets of EUR 4.9 billion and current assets of EUR 2.1 billion.

The value of the property portfolio amounted to EUR 5.6 billion and represented 80.0% of total assets as of 31 December 2016. 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 increased from EUR 494.1 million to EUR 739.3 million. The sale of roughly 18.5 million BUWOG shares was contrasted by the purchase of the investment in CA Immo. Cash and cash equivalents declined from EUR 371.6 million on 30 April 2016 to EUR 189.3 million as of 31 December 2016.

Equity totalled EUR 2.7 billion as of 31 December 2016 (30 April 2016: EUR 2.9 billion), and the equity ratio equalled 37.8% (30 April 2016: 39.8%).

Liabilities totalled EUR 4.4 billion as of 31 December 2016 (30 April 2016: EUR 4.4 billion). The non-current component equalled EUR 2.3 billion (30 April 2016: EUR 3.4 billion) and the current component EUR 2.1 billion (30 April 2016: EUR 0.9 billion).

## CASH FLOW STATEMENT

The condensed cash flow statement is presented below:

### CONSOLIDATED CASH FLOW STATEMENT

All amounts in TEUR	2016A	2015A <sup>1</sup>	2015/16
Gross cash flow after tax	63,093	62,997	77,454
Cash flow from operating activities	98,347	84,936	64,927
Cash flow from investing activities	-120,234	287,805	742,945
Cash flow from financing activities	-154,723	-474,648	-824,037

1 Eight-month comparable financial year, unaudited

Gross cash flow after tax amounted to EUR 63.1 million (2015A\*: EUR 63.0 million). Cash flow from operating activities rose by 15.8% from EUR 84.9 million to EUR 98.3 million.

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

All amounts in TEUR	2016A	2015A <sup>1</sup>
Gross cash flow before tax	85,860	93,914
Gross cash flow before tax from discontinued operations	-32,627	-51,944
<b>Gross cash flow before tax from continuing operations</b>	<b>53,233</b>	<b>41,970</b>
Ancillary costs for property sales (included in gross cash flow, recognised through profit or loss)	6,936	4,362
Results of property development (included in gross cash flow, recognised through profit or loss)	11,171	7,760
Expenses for investors' lawsuits	0	28,118
Dividends received from equity-accounted investments	7,168	27,625
Economic interest in FFO I of the CA Immo Group <sup>2</sup>	12,611	0
Interest and dividends received from financial instruments	4,324	1,795
Interest paid	-46,316	-53,623
Derivatives	-14,391	-20,412
<b>FFO 1</b>	<b>34,735</b>	<b>37,596</b>
Results of property sales	-2,811	16,889
<b>FFO 2</b>	<b>31,924</b>	<b>54,485</b>

1 Eight-month comparable financial year, unaudited; the comparable prior year data were adjusted accordingly. In order to present the sustainable FFO from the standing investments, the results of property sales and property development were deducted.

2 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) 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.

\* Eight-month comparable financial year, unaudited

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:

#### EPRA NET ASSET VALUE (NAV)

	31 December 2016		30 April 2016	
	in TEUR	in EUR per share	in TEUR	in EUR per share
<b>Equity excl. non-controlling interests</b>	<b>2,660,300</b>		<b>2,891,536</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>2,660,300</b>		<b>2,891,536</b>	
Undisclosed reserves in real estate inventories	336		1,058	
Fair value of derivative financial instruments	30,455		47,154	
Deferred taxes on investment property	421,067		445,775	
Deferred taxes on real estate inventories and derivative financial instruments	-7,032		-11,320	
Goodwill excl. deferred taxes	-90,935		-104,084	
<b>Number of shares excl. treasury shares (in 1,000)</b>		<b>965,956</b>		<b>965,956</b>
<b>EPRA NAV</b>	<b>3,014,190</b>	<b>3.12</b>	<b>3,270,119</b>	<b>3.39</b>
Fair value of derivative financial instruments	-30,455		-47,154	
Effect of fair value measurement of financial liabilities	-38,757		-14,087	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	16,476		14,642	
Deferred taxes on investment property	-93,596		-19,171	
<b>EPRA NNNAV</b>	<b>2,867,859</b>	<b>2.97</b>	<b>3,204,349</b>	<b>3.32</b>

The EPRA NAV per share equalled EUR 3.12 (30 April 2016: EUR 3.39), whereby the decline resulted from the negative net profit recorded in 2016A. The triple net asset value per share declined from EUR 3.32 to EUR 2.97 as of 31 December 2016.

## EPRA EARNINGS PER SHARE

All amounts in TEUR	31 December 2016	31 December 2015 <sup>1</sup>
<b>Weighted average number of shares</b>	<b>965,956</b>	<b>975,956</b>
<b>Net profit or loss from continuing operations excl. non-controlling interests</b>	<b>22,297</b>	<b>62,635</b>
Revaluation of investment properties and development properties	3,317	-18,142
Results of property sales	2,810	-16,890
Goodwill impairment, negative differences and earn-out effects on income	2,063	-3,075
Changes in fair value of financial instruments	-9,529	-16,339
Acquisition costs on share deals	0	137
Taxes in respect of EPRA adjustments	1,529	7,510
EPRA adjustment in respect of joint ventures and non-controlling interests	1,995	528
<b>EPRA Earnings</b>	<b>24,483</b>	<b>16,363</b>
<b>EPRA earnings per share</b>	<b>0.03</b>	<b>0.02</b>
<b>Company specific adjustments</b>		
Increase in provision for legal proceedings related to lawsuits by investors	0	29,481
Result from the repayment of the exchangeable bond for BUWOG shares	0	33,938
Foreign exchange differences	-9,709	5,473
Impairment loss CA Immo Group	91,850	0
Deferred tax in respect of company-specific adjustments	2,813	-16,629
<b>Company-specific adjusted EPRA earnings</b>	<b>109,438</b>	<b>68,626</b>
<b>EPRA earnings per share after company-specific adjustments</b>	<b>0.11</b>	<b>0.07</b>

1 Eight-month comparable financial year (unaudited)

EPRA earnings per share, excluding Russia, equalled EUR 0.03 as of 31 December 2016 and EUR 0.11 after company-specific adjustments.

## EPRA NET INITIAL YIELD

All amounts in TEUR	31 December 2016	31 December 2015 <sup>1</sup>
Investment property	4,894,556	5,612,575
Investment property – proportional share of joint ventures	49,067	16,991
Less undeveloped land	-193,105	-275,373
Less logistics portfolio	0	-493,949
Less Russian portfolio	-1,024,050	-1,235,235
Less undeveloped land – proportional share of joint ventures	-1,927	-8,506
<b>Total property portfolio</b>	<b>3,724,541</b>	<b>3,616,504</b>
Allowance for estimated purchasers' costs	67,042	72,330
<b>Gross value of total property portfolio</b>	<b>3,791,582</b>	<b>3,688,834</b>
Annualised cash rental income	237,331	225,501
Annualised cash rental income – proportional share of joint ventures	1,779	1,299
Non-recoverable property operating expenses	-34,735	-43,182
Non-recoverable property operating expenses – proportional share of joint ventures	-77	-8
<b>Annualised net rental income</b>	<b>204,299</b>	<b>183,610</b>
<b>EPRA NIY</b>	<b>5.4%</b>	<b>5.0%</b>

1 Eight-month comparable financial year (unaudited)

The EPRA net initial yield, excluding Russia, improved substantially from 5.0% as of 31 December 2015\* to 5.4% as of 31 December 2016.

\* Eight-month comparable financial year, unaudited