

Earnings, Balance Sheet and Cash Flow Analysis

IMMOFINANZ generated results of operations totalling EUR 87.6 million in the first two quarters of the abbreviated 2016 financial year, for an increase of 28.2% over the comparable prior year period. This sound growth was supported, above all, by an improvement in the results of asset management (plus 5.1% to EUR 107.3 million) following a substantial decline in the write-off of receivables in Russia and lower vacancy-related and operating costs charged to building owners as well as a decline in other operating expenses (from EUR -53.5 million to EUR -26.1 million). In the previous year, these expenses were influenced by non-recurring costs for the settlement of legal proceedings with investors.

Rental income declined by 4.4% to EUR 153.3 million due to temporary rent reductions in Moscow. The rental income from Russia totalled EUR 36.1 million for the reporting period, compared with EUR 43.3 million in the first half of 2015/16. The decline in rental income resulting from the sale of properties was offset by completions and new rentals. The rental income from the office properties rose by 3.1% to EUR 55.5 million in the first half of 2016A.

The foreign exchange-adjusted revaluation of investment properties across all markets amounted to EUR -104.1 million (H1 2015/16: EUR 24.0 million) and was influenced primarily by a decline in the value of the Moscow retail properties. The main factors underlying this development were the difficult market environment, the completion and opening of numerous new shopping centers in Moscow and the extension of rental reductions and fixed exchange rates for tenants. Positive valuation effects were recorded in the Czech Republic, primarily due to an improvement in the market climate. Based on the more stable development of the Ruble in the first half of 2016A, the foreign exchange-based revaluations of investment property totalled EUR -32.1 million (H1 2015/16: EUR 335.4 million). These adjustments resulted from the valuation of the Russian properties in US Dollars and the subsequent translation of the Ruble property values in the local Russian companies.

Financial results totalled EUR -83.8 million (H1 2015/16: EUR -203.1 million), in part due to a reduction in net financing costs, and include positive foreign exchange effects of EUR 35.4 million (H1 2015/16: EUR -180.5 million). The negative effects of EUR -11.0 million (H1 2015/16: EUR -22.3 million) recorded under other financial results are attributable primarily to the valuation of derivatives. They results from equity-accounted investments equalled EUR -33.1 million (H1 2015/16: EUR 79.8 million) and consist primarily of the proportional share of earnings from BUWOG and CA Immo, the gain on the sale of 18.5 million BUWOG shares and the market-based valuation (IFRS) of the CA Immo shares.

Net profit for the reporting period amounted to EUR -154.4 million (H1 2015/16: EUR 133.2 million) and earnings per share (diluted) equalled EUR -0.16 (H1 2015/16: EUR 0.13).

The EPRA NAV per share equalled EUR 3.14 as of 31 October 2016 (30 April 2016: EUR 3.39).

Gross cash flow (before tax) rose by 23.3% from EUR 68.1 million to EUR 84.1 million. FFO 1 (excluding the results of property sales) increased by 8.8% year-on-year to EUR 16.9 million based on the improvement in gross cash flow, while FFO 2 (including the results of property sales) equalled EUR 14.5 million (H1 2015/16: EUR 21.7 million).

Cash and cash equivalents declined slightly from EUR 371.6 million as of 30 April 2016 to EUR 359.5 million.

A detailed analysis is presented on the following pages.

INCOME STATEMENT

A condensed version of IMMOFINANZ's income statement for the first half of the abbreviated 2016 financial year and the first half of 2015/16 is presented in the following table:

All amounts in TEUR	Q1-2 2016A	Q1-2 2015/16
Rental income	153,276	160,298
Results of asset management	107,329	102,131
Results of property sales	-2,486	6,147
Results of property development	683	-5,641
Other operating income	8,179	19,179
Other operating expenses	-26,115	-53,517
Results of operations	87,590	68,299
Other revaluation results	-148,277	362,536
Operating profit (EBIT)	-60,687	430,835
Financial results	-83,779	-203,051
Earnings before tax (EBT)	-144,466	227,784
Net profit for the period from continuing operations	-164,762	134,907
Net profit from discontinued operations ¹	10,370	-1,688
Net profit for the period	-154,392	133,219

1 Due to the sale of the logistics portfolio, the earnings contribution from these properties is now reported under net profit 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 fell by 4.4% to EUR 153.3 million in the first half of the abbreviated 2016 financial year (H1 2015/16: EUR 160.3 million). This development is attributable, above all, to the decline in rental income from Russia, where IMMOFINANZ has granted temporary rent reductions to the tenants in its Moscow shopping centers. The rental income generated in Russia totalled EUR 36.1 million for the reporting period, compared with EUR 43.3 million in the first half of 2015/16 and EUR 18.3 million in the first quarter of 2016A. The decline in rental income resulting from the sale of properties was offset by completions and new rentals. The rental income from the office properties rose by 3.1% to EUR 55.5 million in the first half of 2016A.

Revenues reflected the development of rental income with a decline of 2.4% to EUR 206.1 million. The results of asset management rose by 5.1% year-on-year to EUR 107.3 million, primarily due to a 19.0% year-on-year reduction in property expenses to EUR -52.0 million. Higher maintenance costs (EUR -14.7 million vs. EUR -7.0 million in H1 2015/16) for the ongoing modernisation of office properties were offset by a decline in the operating costs charged to building owners (EUR -9.0 million vs. EUR -13.9 million), which resulted, above all, from a decrease in property-based taxes and lower vacancy costs (EUR -7.2 million vs. EUR -9.2 million). At EUR -0.5 million, the write-off of receivables in Russia was also substantially lower than the first half of the previous year (EUR -9.0 million). The outstanding balance of the rents receivable in Russia, after impairment losses, totalled EUR 8.5 million as of 31 October 2016 (30 April 2016: EUR 11.1 million).

RESULTS OF PROPERTY SALES

The results of property sales totalled EUR -2.5 million for the reporting period (H1 2015/16: EUR 6.1 million). The ongoing optimisation and adjustment of the portfolio was reflected in the sale of several residential properties, smaller office buildings and retail parks 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 or currently in progress. In the first half of 2016A, the results of property development totalled EUR 0.7 million (H1 2015/16: EUR -5.6 million).

RESULTS OF OPERATIONS

The results of operations equalled EUR 87.6 million and were 28.2% higher than in the first half of 2015/16 (EUR 68.3 million). This increase was based, in particular, on a substantial decline in other operating expenses (EUR -26.1 million vs. EUR -53.5 million) which were influenced by non-recurring effects of EUR -28.1 million in the previous year for the termination of legal proceedings with investors.

REVALUATION, FINANCIAL RESULTS AND EBT

The foreign exchange-adjusted revaluation of investment property amounted to EUR -104.1 million, compared with EUR 24.0 million in the first half of 2015/16 when the investment contract with the city of Moscow for the *GOODZONE* shopping center was settled. The foreign exchange-adjusted revaluations in Russia totalled EUR -95.1 million and resulted primarily from the difficult market environment, the completion and opening of numerous new shopping centers in Moscow and the extension of rental reductions and fixed exchange rates for tenants. Positive valuation effects of EUR 9.5 million were recorded in the Czech Republic, primarily due to an improvement in the market climate.

The foreign exchange-based revaluations totalled EUR -32.1 million (H1 2015/16: EUR 335.4 million). They originated almost entirely in Russia, since the Euro is the functional currency in all other core countries, and resulted from the valuation of the Russian properties in US Dollars and the subsequent translation of the Ruble property values in the local Russian companies. The substantial decline in the earnings contribution is a result of the more stable development of the Ruble exchange rate during the first half-year. Earnings before tax (EBIT) amounted to EUR -60.7 million for the first half of 2016A (H1 2015/16: EUR 430.8 million).

Financial results equalled EUR -83.8 million (H1 2015/16: EUR -203.1 million). Financing costs declined to EUR -79.7 million (H1 2015/16: EUR -88.5 million). Financial results also include foreign exchange effects of EUR 35.4 million (H1 2015/16: EUR -180.5 million) which represent, more or less, a counterpart to the currency-related value decrease of EUR -32.1 million in the Russian portfolio. This development reflects the decline in the value of the foreign currency liabilities in the Russian subsidiaries caused by the stronger Ruble. Other financial results of EUR -11.0 million (H1 2015/16: EUR -22.3 million) are attributable primarily to EUR -5.8 million from the valuation of derivatives.

The share of profit/loss from equity-accounted investments equalled EUR -33.1 million (H1 2015/16: EUR 79.8 million) and was based, in particular, on the following: the proportional share of earnings from the BUWOG investment (EUR 29.5 million), a gain on the sale of 18.5 million BUWOG shares (EUR 34.2 million), the proportional share of earnings from CA Immo for one quarter (EUR 7.5 million) and the market-related valuation (IFRS) of the CA Immo shares (EUR -105.7 million). Earnings before tax (EBT) equalled EUR -144.5 million (H1 2015/16: EUR 227.8 million).

NET PROFIT

Income tax expense equalled EUR -20.3 million for the reporting period (H1 2015/16: EUR -92.9 million). Net profit amounted to EUR -154.4 million (H1 2015/16: EUR 133.2 million), and diluted earnings per share equalled EUR -0.16 (H1 2015/16: EUR 0.13).

BALANCE SHEET

The condensed balance sheet is shown below:

All amounts in TEUR	31 October 2016	in %	30 April 2016	in %
Investment property	4,692,120		4,961,845	
Property under construction	452,464	77.4%	410,043	80.1%
Real estate inventories	96,466		112,126	
Assets held for sale	335,190		323,158	
Other tangible assets	2,602	0.0%	2,908	0.0%
Intangible assets	95,217	1.3%	104,474	1.4%
Equity-accounted investments	706,130	9.8%	494,103	6.8%
Trade and other receivables	427,550	5.9%	432,367	6.0%
Other financial assets	10,880	0.2%	14,110	0.2%
Deferred tax assets	5,305	0.1%	6,306	0.1%
Income tax receivables	17,150	0.2%	13,719	0.2%
Cash and cash equivalents	359,545	5.0%	371,622	5.1%
ASSETS	7,200,619	100.0%	7,246,781	100.0%
Equity	2,675,667	37.2%	2,885,991	39.8%
Liabilities from convertible bonds	525,259	7.3%	520,234	7.2%
Financial liabilities	2,975,624	41.3%	2,775,923	38.3%
Trade and other payables	304,669	4.2%	326,882	4.5%
Income tax liabilities	41,313	0.6%	28,229	0.4%
Provisions	46,483	0.6%	58,961	0.8%
Deferred tax liabilities	457,010	6.3%	466,171	6.4%
Financial liabilities held for sale	174,594	2.4%	184,390	2.5%
EQUITY AND LIABILITIES	7,200,619	100.0%	7,246,781	100.0%

Assets totalled EUR 7.2 billion as of 31 October 2016 and comprise non-current assets of EUR 6.2 billion plus current assets of EUR 1.0 billion.

The value of the property portfolio amounted to EUR 5.6 billion and represented 77.4% of total assets as of 31 October 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.

Equity-accounted investments rose from EUR 494.1 million to EUR 706.1 million. The sale of approx. 18.5 million BUWOG shares was more than offset by the acquisition of an investment in CA Immo. Cash and cash equivalents declined slightly from EUR 371.6 million to EUR 359.5 million.

Equity totalled EUR 2.7 billion as of 31 October 2016 (30 April 2016: EUR 2.9 billion). The equity ratio equalled 37.2% on that date (30 April 2016: 39.8%).

Liabilities totalled EUR 4.5 billion. The non-current component equalled EUR 3.5 billion and the current component EUR 1.0 billion.

CASH FLOW STATEMENT

The following table shows the condensed cash flow statement for the first half of 2016A and the first half of 2015/16:

All amounts in TEUR	Q1-2 2016A	Q1-2 2015/16
Gross cash flow after tax	63,552	60,095
Cash flow from operating activities	63,921	83,589
Thereof from discontinued operations	2,555	21,090
Cash flow from investing activities	-131,544	280,127
Thereof from discontinued operations	-3,035	-12,497
Cash flow from financing activities	56,540	-370,615
Thereof from discontinued operations	-251	-11,680

Gross cash flow (before tax) increased by 23.3% from EUR 68.1 million to EUR 84.1 million, while gross cash flow after tax equalled EUR 63.6 million (H1 2015/16: EUR 60.1 million).

Cash and cash equivalents declined slightly from EUR 371.6 million as of 30 April 2016 to EUR 359.5 million as of 31 October 2016.

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

All amounts in TEUR	Q1-2 2016A	Q1-2 2015/16	Change	Change in %
Gross cash flow before tax	84,055	68,145	15,910	23.3%
Gross cash flow before tax from discontinued operations	-1,164	-19,674	18,510	94.1%
Ancillary costs for property sales (included in gross cash flow, recognised through profit or loss)	2,218	2,874	-656	-22.8%
Expenses for investors' lawsuits	0	28,118	-28,118	≤ -100.0%
Dividends received from equity-accounted investments	6,981	27,625	-20,644	-74.7%
Interest and dividends received from financial instruments	2,268	1,527	741	48.5%
Interest paid	-65,230	-72,163	6,933	9.6%
Derivatives	-12,189	-20,889	8,700	41.6%
FFO 1	16,939	15,563	1,376	8.8%
Results of property sales	-2,486	6,147	-8,633	n.a.
FFO 2	14,453	21,710	-7,257	-33.4%

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 October 2016		30 April 2016	
	in TEUR	in EUR per share	in TEUR	in EUR per share
Equity excl. non-controlling interests	2,687,346		2,891,536	
Diluting effects of convertible bonds and exercise of options	0		0	
Diluted equity excl. non-controlling interests after an adjustment for convertible bonds and the exercise of options	2,687,346		2,891,536	
Undisclosed reserves in real estate inventories	325		1,058	
Fair value of derivative financial instruments	47,646		47,154	
Deferred taxes on investment property	407,823		445,775	
Deferred taxes on real estate inventories and derivative financial instruments	-11,448		-11,320	
Goodwill excl. deferred taxes	-94,947		-104,084	
Number of shares excl. treasury shares (in 1,000)		965,956		965,956
EPRA NAV	3,036,746	3.14	3,270,119	3.39
Fair value of derivative financial instruments	-47,646		-47,154	
Effects of fair value measurement of financial liabilities	-4,689		-14,087	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	12,517		14,642	
Deferred taxes on investment property	-21,991		-19,171	
EPRA NNNAV	2,974,936	3.08	3,204,349	3.32

The EPRA net asset value per share equalled EUR 3.14 as of 31 October 2016 (30 April 2016: EUR 3.39), whereby the decline resulted from the negative results recorded in the first half of 2016A. The triple net asset value per share fell from EUR 3.32 to EUR 3.08 as of 31 October 2016.

EPRA EARNINGS PER SHARE

All amounts in TEUR	31 October 2016	31 October 2015
Weighted average number of shares	965,956	978,129
Net profit excl. non-controlling interests	-164,611	133,493
Revaluation of investment properties and development properties	127,117	-367,746
Results of property sales	2,486	-6,147
Goodwill impairment, negative differences and earn-out effects on income	12,162	-3,078
Changes in fair value of financial instruments	8,768	-17,540
Acquisition costs for share deals	0	137
Taxes in respect of EPRA adjustments	-30,131	68,597
EPRA adjustment in respect of joint ventures and non-controlling interests	-2,528	1,362
EPRA earnings	-46,737	-190,923
EPRA earnings per share	-0.05	-0.20
Company-specific adjustments		
Increase in provision for legal proceedings related to pending lawsuits by investors	0	28,118
Subsequent adjustment of the purchase price allocation for the investment in BUWOG AG	0	0
Result from the repayment of the exchangeable bond for BUWOG shares	0	33,938
Foreign exchange gains and losses	-35,401	180,456
Impairment CA Immobilien Anlagen AG	105,666	0
Deferred tax in respect of the company specific adjustments	-19,741	-51,179
Company-specific adjusted EPRA earnings	3,787	411
Company-specific adjusted earnings per share	0.004	0.000

EPRA earnings per share equalled EUR -0.05 for the first half of 2016A and EUR 0.004 after company-specific adjustments.

EPRA NET INITIAL YIELD

All amounts in TEUR	31 October 2016	31 October 2015
Investment Property	4,946,468	6,010,809
Investment Property – share of joint Ventures	49,077	16,991
Less undeveloped land	-187,101	-249,180
Less logistics portfolio	0	-493,623
Less undeveloped land – share of joint Ventures	-1,927	-8,508
Total property portfolio	4,806,517	5,276,490
Allowance for estimated purchasers' costs	86,517	105,530
Gross value of total property portfolio	4,893,034	5,382,020
Annualised cash passing rental income	308,666	309,807
Annualised cash passing rental income - share of Joint Ventures	1,554	1,441
Non-recoverable property operating expenses	-46,214	-61,199
Non-recoverable property operating expenses - share of Joint Ventures	-86	-9
Annualised net rental income	263,920	250,040
EPRA Net Initial Yield	5.4%	4.6%

The EPRA net initial yield rose substantially year-on-year from 4.6% to 5.4%.