

# Earnings, Balance Sheet and Cash Flow Analysis

The operating results recorded by IMMOFINANZ were stable in year-on-year comparison at EUR 45.3 million in the first quarter of the abbreviated 2016 financial year (Q1 2015/16: EUR 46.9 million). Rental income fell from EUR 82.2 million to EUR 76.8 million due to temporary rent reductions in Moscow and the planned sale of properties. The results of asset management improved by 3.9% to EUR 54.5 million based on a decline in property expenses.

The foreign exchange-based revaluations of investment property totalled EUR -6.8 million and reflected the substantially more stable development of the Ruble in the first quarter of 2016A (Q1 2015/16: EUR 184.8 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. The foreign exchange-adjusted revaluations amounted to EUR -4.4 million, compared with EUR 53.4 million in the first quarter of 2015/16 when the investment contract with the city of Moscow for the *GOODZONE* shopping center was settled. Operating profit (EBIT) for the first quarter of 2016A equalled EUR 32.8 million (Q1 2015/16: EUR 286.4 million).

Financial results totalled EUR 10.9 million (Q1 2015/16: EUR -106.8 million), in part due to a reduction in net financing costs, and include positive foreign exchange effects of EUR 11.9 million (Q1 2015/16 EUR -93.0 million). The negative effects of EUR -19.0 million recorded under other financial results are attributable primarily to the valuation of derivatives. They are contrasted by positive effects of EUR 55.3 million from equity-accounted investments, which represent the proportional share of earnings from BUWOG and the gain on the sale of approx. 18.5 million BUWOG shares. Net profit for the reporting period amounted to EUR 21.9 million (Q1 2015/16: EUR 115.0 million), and earnings per share (diluted) equalled EUR 0.02 (Q1 2015/16: EUR 0.11). The NAV per share equalled EUR 3.41 (Q1 2015/16: EUR 3.39).

Gross cash flow (before tax) declined by 8.9% from EUR 51.7 million to EUR 47.1 million. FFO1 (excluding the results of property sales) improved by 17.3% year-on-year to EUR 9.3 million, while FFO2 (including the results of property sales) rose to EUR 10.0 million (Q1 2015/16: EUR 9.0 million).

Cash and cash equivalents increased by EUR 423.6 million over the level on 30 April 2016 to EUR 795.2 million. That represents EUR 0.82 per share (excluding treasury shares) and resulted from the sale of 18.5 million BUWOG shares during the reporting period.

A detailed analysis is presented on the following pages.

## INCOME STATEMENT

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

All amounts in TEUR	Q1 2016A	Q1 2015/16
Rental income	76,813	82,178
<b>Results of asset management</b>	<b>54,509</b>	<b>52,476</b>
<b>Results of property sales</b>	<b>676</b>	<b>1,027</b>
<b>Results of property development</b>	<b>-1,352</b>	<b>-1,936</b>
Other operating income	4,063	8,332
Other operating expenses	-12,619	-12,955
<b>Results of operations</b>	<b>45,277</b>	<b>46,944</b>
<b>Other revaluation results</b>	<b>-12,519</b>	<b>239,465</b>
<b>Operating profit (EBIT)</b>	<b>32,758</b>	<b>286,409</b>
<b>Financial results</b>	<b>10,914</b>	<b>-106,774</b>
<b>Earnings before tax (EBT)</b>	<b>43,672</b>	<b>179,635</b>
<b>Net profit for the period from continuing operations</b>	<b>22,964</b>	<b>109,188</b>
Net profit from discontinued operations <sup>1</sup>	-1,100	5,837
<b>Net profit for the period</b>	<b>21,864</b>	<b>115,025</b>

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 6.5% to EUR 76.8 million in the first quarter of the abbreviated 2016 (Q1 2015/16: EUR 82.2 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, and to planned property sales. The rental income generated in Russia totalled EUR 18.3 million for the reporting period, compared with EUR 23.7 million in the first quarter 2015/16 and EUR 19.0 million in the fourth quarter of 2015/16.

Revenues reflected the development of rental income with a decline of 3.7% to EUR 103.4 million. The results of asset management rose by 3.9% year-on-year to EUR 54.5 million based on a decrease in property expenses, which were 21.0% lower than the previous year at EUR -25.5 million. Higher maintenance costs (EUR -6.2 million vs. EUR -3.0 million in Q1 2015/16) for the ongoing modernisation of office properties were offset by a reduction in the operating costs charged to building owners (EUR -4.3 million vs. EUR -8.4 million), which resulted, above all, from a decrease in property-based taxes. At EUR -2.3 million, the write-off of receivables in Russia was also substantially lower than the first quarter of 2015/16 (EUR -6.3 million). The outstanding balance of the rents receivable in Russia, after impairment losses, amounted to EUR 10.4 million as of 31 July 2016 (30 April 2016: EUR 11.1 million).

## RESULTS OF PROPERTY SALES

The results of property sales totalled EUR 0.7 million for the reporting period (Q1 2015/16: EUR 1.0 million). The optimisation and adjustment of the portfolio was reflected in the sale of several residential properties and smaller office buildings 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 2015/16 or currently in progress. In the first quarter of 2016A, the results of property development totalled EUR -1.4 million (Q1 2015/16: EUR -1.9 million).

## RESULTS OF OPERATIONS

The results of operations equalled EUR 45.3 million and remained stable in year-on-year comparison (Q1 2015/16: EUR 46.9 million). Other operating expenses totalled EUR -12.6 million, compared with EUR -13.0 million in the first quarter of 2015/16.

## EBIT, FINANCIAL RESULTS AND EBT

EBIT totalled EUR 32.8 million (Q1 2015/16: EUR 286.4 million). The foreign exchange-adjusted revaluations amounted to EUR -4.4 million, compared with EUR 53.4 million in the first quarter of 2015/16 when the investment contract with the city of Moscow for the *GOODZONE* shopping center was settled. The foreign exchange-based revaluations amounted to EUR -6.8 million (Q1 2015/16: EUR 184.8 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 in the first quarter.

Financial results equalled EUR 10.9 million (Q1 2015/16: EUR -106.8 million). Financing costs declined to EUR -39.4 million (Q1 2015/16: EUR -43.9 million). Financial results also include foreign exchange effects of EUR 11.9 million (Q1 2015/16: EUR -93.0 million) which represent, more or less, a counterpart to the currency-related value decrease of EUR -6.8 million in the Russian portfolio. This development reflects the decline in the value of the foreign currency liabilities in the Russian subsidiaries caused by a stronger Ruble. Other financial results of EUR -19.0 million (Q1 2015/16: EUR 10.6 million) are attributable primarily to EUR -18.8 million from the valuation of derivatives.

The increase in the share of profit/loss from equity-accounted investments to EUR 55.3 million (Q1 2015/16: EUR 15.5 million) was related, in particular, to the proportional share of earnings from the BUWOG investment (EUR 21.1 million) and to a gain of EUR 34.1 million on the sale of 18.5 million BUWOG shares. Earnings before tax (EBT) equalled EUR 43.7 million (Q1 2015/16: EUR 179.6 million).

## NET PROFIT

Income tax expense equalled EUR -20.7 million for the reporting period (Q1 2015/16: EUR -70.4 million). Net profit amounted to EUR 21.9 million (Q1 2015/16: 115.0 million), and diluted earnings per share equalled EUR 0.02 (Q1 2015/16: EUR 0.11).

## BALANCE SHEET

The condensed balance sheet is shown below:

<b>All amounts in TEUR</b>	<b>31 July 2016</b>	<b>in %</b>	<b>30 April 2016</b>	<b>in %</b>
Investment property	4,874,523		4,961,845	
Property under construction	422,770	78.8%	410,043	80.1%
Real estate inventories	107,695		112,126	
Assets held for sale	411,381		323,158	
Other tangible assets	2,889	0.0%	2,908	0.0%
Intangible assets	106,319	1.4%	104,474	1.4%
Equity-accounted investments	202,047	2.7%	494,103	6.8%
Trade and other receivables	428,819	5.8%	432,367	6.0%
Other financial assets	13,012	0.2%	14,110	0.2%
Deferred tax assets	6,608	0.1%	6,306	0.1%
Income tax receivables	14,100	0.2%	13,719	0.2%
Cash and cash equivalents	795,243	10.8%	371,622	5.1%
<b>ASSETS</b>	<b>7,385,406</b>	<b>100.0%</b>	<b>7,246,781</b>	<b>100.0%</b>
<b>Equity</b>	<b>2,910,385</b>	<b>39.4%</b>	<b>2,885,991</b>	<b>39.8%</b>
Liabilities from convertible bonds	528,171	7.2%	520,234	7.2%
Financial liabilities	2,860,845	38.7%	2,775,923	38.3%
Trade and other payables	336,592	4.6%	326,882	4.5%
Income tax liabilities	36,320	0.5%	28,229	0.4%
Provisions	63,900	0.9%	58,961	0.8%
Deferred tax liabilities	468,921	6.3%	466,171	6.4%
Financial liabilities held for sale	180,272	2.4%	184,390	2.5%
<b>EQUITY AND LIABILITIES</b>	<b>7,385,406</b>	<b>100.0%</b>	<b>7,246,781</b>	<b>100.0%</b>

Assets totalled EUR 7.4 billion as of 31 July 2016 and comprise non-current assets of EUR 5.9 billion plus current assets of EUR 1.5 billion.

The value of the property portfolio amounted to EUR 5.8 billion and represented 78.8% of total assets as of 31 July 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 fell from EUR 494.1 million to EUR 202.0 million following the sale of approx. 18.5 million BUWOG shares. Cash and cash equivalents rose by EUR 423.6 million to EUR 795.2 million as of 30 April 2016. That represents EUR 0.82 per share (excluding treasury shares) and resulted from the sale of the BUWOG shares.

Equity totalled EUR 2.9 billion as of 31 July 2016 (30 April 2016: EUR 2.9 billion). The equity ratio equalled 39.4% as of 31 July 2016 (30 April 2016: 39.8%).

Liabilities totalled EUR 4.5 billion. The non-current component equalled EUR 3.4 billion and the current component EUR 1.1 billion.

## CASH FLOW STATEMENT

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

All amounts in TEUR	Q1 2016A	Q1 2015/16
Gross cash flow after tax	45,586	67,978
Cash flow from operating activities	67,715	40,588
Thereof from discontinued operations	849	5,745
Cash flow from investing activities	339,831	118,887
Thereof from discontinued operations	-1,947	-740
Cash flow from financing activities	19,281	-48,714
Thereof from discontinued operations	139	-4,588

Gross cash flow (before tax) declined by 8.9% from EUR 51.7 million to EUR 47.1 million, while gross cash flow after tax equalled EUR 45.6 million (Q1 2015/16: EUR 68.0 million). The difference resulted chiefly from a tax reimbursement in Russia during the first quarter of the previous financial year.

Cash and cash equivalents rose by EUR 423.6 million over the level on 30 April 2016 to EUR 795.2 million as of 31 July 2016. That represents EUR 0.82 per share (excluding treasury shares) and is a result of the sale of the BUWOG shares.

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

All amounts in TEUR	Q1 2016A	Q1 2015/16	Change	Change in %
Gross cash flow before tax	47,086	51,696	-4,610	-8.9%
Gross cash flow before tax from discontinued operations	-561	-5,842	5,281	90.4%
Ancillary costs for property sales (included in gross cash flow, recognised through profit or loss)	1,075	2,077	-1,002	-48.2%
Expenses for investors' lawsuits	0	-276	276	n,a,
Dividends received from equity-accounted investments	107	0	107	n,a,
Interest and dividends received from financial instruments	1,497	1,774	-277	-15.6%
Interest paid	-30,239	-30,943	704	2.3%
Derivatives	-9,661	-10,557	896	8.5%
<b>FFO 1</b>	<b>9,304</b>	<b>7,929</b>	<b>1,375</b>	<b>17.3%</b>
Results of property sales	676	1,027	-351	-34.2%
<b>FFO 2</b>	<b>9,980</b>	<b>8,956</b>	<b>1,024</b>	<b>11.4%</b>

## 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 July 2016		30 April 2016	
	in TEUR	in EUR per share	in TEUR	in EUR per share
<b>Equity excl. non-controlling interests</b>	<b>2,921,532</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>2,921,532</b>		<b>2,891,536</b>	
Undisclosed reserves in real estate inventories	1,638		1,058	
Fair value of derivative financial instruments	59,712		47,154	
Deferred taxes on investment property	435,215		445,775	
Deferred taxes on real estate inventories and derivative financial instruments	-14,518		-11,320	
Goodwill excl. deferred taxes	-105,989		-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>3,297,589</b>	<b>3.41</b>	<b>3,270,119</b>	<b>3.39</b>
Fair value of derivative financial instruments	-59,712		-47,154	
Effects of fair value measurement of financial liabilities	-20,380		-14,087	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	19,225		14,642	
Deferred taxes on investment property	-41,160		-19,171	
<b>EPRA NNNAV</b>	<b>3,195,563</b>	<b>3.31</b>	<b>3,204,349</b>	<b>3.32</b>

The net asset value per share equalled EUR 3.41 as of 31 July 2016 (30 April 2016: EUR 3.39), whereby the increase resulted from the net profit recorded in the first quarter of 2016A. The triple net asset value per share declined from EUR 3.32 to EUR 3.31 as of 31 July 2016.

#### EPRA EARNINGS PER SHARE

All amounts in TEUR	31 July 2016	31 July 2015
<b>Weighted average number of shares</b>	<b>965,956</b>	<b>980,303</b>
<b>Net profit excl. non-controlling interests</b>	<b>22,311</b>	<b>110,021</b>
Revaluation of investment property and property under construction	11,432	-238,498
Results of property sales	-676	-1,026
Goodwill impairment, negative differences and earn-out effects on income	1,371	-1,251
Changes in fair value of financial instruments	17,838	-25,827
Acquisition costs for share deals	0	81
Taxes in respect of EPRA adjustments	-6,162	54,547
EPRA adjustment in respect of joint ventures and non-controlling interests	159	1,291
<b>EPRA earnings</b>	<b>46,272</b>	<b>-100,662</b>
<b>EPRA earnings per share</b>	<b>0.05</b>	<b>-0.10</b>
<b>Company-specific adjustments</b>		
Increase in provision for legal proceedings related to lawsuits by investors	0	276
Result from the repayment of the exchangeable bond for BUWOG shares	0	9,526
Foreign exchange gains and losses	-11,854	92,953
Deferred tax in respect of company-specific adjustments	2,069	-21,427
<b>Company-specific adjusted EPRA earnings</b>	<b>36,487</b>	<b>-19,611</b>
<b>Company-specific adjusted EPRA earnings per share</b>	<b>0.04</b>	<b>-0.02</b>

EPRA earnings per share equalled EUR 0.05 for the first quarter of 2016A and EUR 0.04 after company-specific adjustments.

#### EPRA NET INITIAL YIELD

All amounts in TEUR	31 July 2016	31 July 2015
Investment property	5,175,372	5,977,869
Investment property – share of joint ventures	48,250	99,962
Less undeveloped land	-201,780	-257,489
Less logistics portfolio	-29,159	-386,986
Less undeveloped land – share of joint ventures	-5,227	-8,849
<b>Total property portfolio</b>	<b>4,987,456</b>	<b>5,424,506</b>
Allowance for estimated purchasers' costs	89,774	108,490
<b>Gross value of total property portfolio</b>	<b>5,077,231</b>	<b>5,532,996</b>
Annualised cash rental income	312,488	314,265
Annualised cash rental income – share of joint ventures	1,346	7,641
Non-recoverable property operating expenses	-45,053	-61,825
Non-recoverable property operating expenses – share of joint ventures	-81	-922
<b>Annualised net rental income</b>	<b>268,700</b>	<b>259,159</b>
<b>EPRA Net Initial Yield</b>	<b>5.3%</b>	<b>4.7%</b>

The EPRA net initial yield rose substantially year-on-year from 4.7% to 5.3% as of 31 July 2016.