Earnings, Balance Sheet and Cash Flow Analysis

IMMOFINANZ recorded net profit of EUR -390.4 million for the 2015/16 financial year (2014/15: EUR -376.6 million). The year-on-year decline resulted primarily from EUR -469.8 million of negative effects from the foreign exchange-adjusted valuation of the Russian portfolio and from a decrease in rental income to EUR 314.5 million (2014/15: EUR 385.6 million) which was caused by temporary rent reductions in Moscow and the planned sale of properties. Earnings were also influenced by two negative non-recurring effects: cost overruns on the *Gerling Quartier* had a negative impact of EUR -48.0 million on the results of property development and the settlement of legal proceedings with investors resulted in costs of EUR -29.4 million. The results of operations amounted to EUR 118.2 million (2014/15: EUR 289.1 million).

The foreign exchange-adjusted revaluations of investment property in all markets totalled EUR -545.0 million (2014/15: EUR -317.3 million) and resulted chiefly from write-downs to the Moscow retail properties. They were contrasted by positive revaluation effects of EUR 57.4 million in Austria and Hungary. The foreign exchange-based revaluations totalled EUR 411.3 million, compared with EUR 224.4 million in 2014/15. They originated almost entirely in Russia, since the Euro is the functional currency in all other core countries, and resulted from the translation of the Ruble property values in the local Russian companies following the strong appreciation of the Euro and the US Dollar versus the Ruble during the reporting year.

Financial results totalled EUR -319.1 million (2014/15: EUR -554.7 million), whereby financing costs declined to EUR -172.1 million (2014/15: EUR -189.4 million). Financial results also included foreign exchange effects of EUR -222.3 million (2014/15: EUR -268.6 million), which represent a counterpart to the foreign exchange-based increase in the value of the Russian properties.

Earnings per share (diluted) equalled EUR -0.40 (2014/15: EUR -0.37). The EPRA NAV (net asset value) per share amounted to EUR 3.39 (30 April 2015: EUR 3.99).

Cash and cash equivalents totalled EUR 378.8 million as of 30 April 2016 (2014/15: EUR 392.9 million) – including the cash and cash equivalents from discontinued operations and disposal groups – and represented EUR 0.39 per share (excluding treasury shares).

IMMOFINANZ's logistics portfolio represents a discontinued operation. Therefore, the results from this portfolio are reported as discontinued operations on the income statement for the 2015/16 financial year and the comparative period.

A detailed analysis is presented on the following pages.

INCOME STATEMENT

A condensed version of IMMOFINANZ's income statement for the 2015/16 and 2014/15 financial years is presented in the following table:

CONSOLIDATED INCOME STATEMENT

All amounts in TEUR	2015/16	2014/15 [1]
Rental income	314,500	385,603
Results of asset management	**188,521**	**281,400**
Results of property sales	**777**	**44,422**
Results of property development	**-15,020**	**11,438**
Other operating income	30,322	21,567
Other operating expenses	-86,402	-69,689
Results of operations	**118,198**	**289,138**
Other revaluation results	**-169,758**	**-109,802**
Operating profit (EBIT)	**-51,560**	**179,336**
Financial results	**-319,095**	**-554,699**
Earnings before tax (EBT)	**-370,655**	**-375,363**
Net profit for the period from continuing operations	**-380,667**	**-396,397**
Net profit from discontinued operations [2]	-9,687	19,833
Net profit for the period	**-390,354**	**-376,564**

1 The comparable prior year data were adjusted accordingly.
2 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 18.4% to EUR 314.5 million in 2015/16 (2014/15: EUR 385.6 million). This decline resulted, above all, from the deterioration of the economic environment in Russia, where IMMOFINANZ has granted temporary rent reductions to the tenants in its Moscow shopping centers, and from planned property sales. The rental income generated in Russia totalled EUR 82.2 million for the reporting year, compared with EUR 136.2 million in 2014/15. Forecasts for the future development of the Russian economy are still connected with substantial uncertainty, and the rent reductions and fixed exchange rates granted in this market are monitored and renegotiated on a regular basis. The original leases, which are denominated primarily in US Dollars, remain in effect and generally have a term extending to at least 2019.

Revenues reflected the development of rental income with a decline of 15.3% to EUR 420.9 million. The results of asset management were 33.0% lower year-on-year at EUR 188.5 million. This decrease exceeded the decline in revenues and rental income due to an increase in property expenses, which equalled EUR -139.1 million and were 21.0% higher than the previous year. Property expenses rose primarily due to higher maintenance costs (EUR -26.7 million versus EUR -17.9 million in 2014/15) for the ongoing modernisation of office properties and to higher operating costs charged to building owners (EUR -31.5 million versus EUR -22.0 million) which were caused, among others, by an increase in property-based taxes in Russia. The write-off of receivables in Russia equalled EUR -12.1 million, compared with EUR -10.7 million in 2014/15. The outstanding balance of the rents receivable in Russia, after impairment losses, amounted to EUR 11.1 million as of 30 April 2016 (30 April 2015: EUR 15.0 million).

RESULTS OF PROPERTY SALES

The results of property sales totalled EUR 0.8 million for the reporting year (2014/15: EUR 44.4 million). The optimisation and adjustment of the portfolio was reflected in the sale of several residential properties and office buildings in Vienna as well as a number of smaller retail properties in the Austrian provinces and the Dutch self-storage chain City Box with its 23 locations.

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 2015/16 the results of property development amounted to EUR -15.0 million (2014/15: EUR 11.4 million). These negative results were a consequence, in particular, of construction cost overruns on the *Gerling Quartier* development project. The cost overruns were communicated in the third quarter of 2015/16 and are attributable, among others, to additional requirements for historic preservation and the construction of an underground garage. They had a negative non-recurring effect of EUR -48.0 million on the results of property development for the reporting year and include the following main components: impairment losses of EUR 22.2 million to real estate inventories, write-downs of EUR 15.3 million to office properties under construction and higher production costs for the sold residential properties.

RESULTS OF OPERATIONS

The results of operations equalled EUR 118.2 million and were 59.1% lower than the previous year (EUR 289.1 million). Other operating expenses (overhead costs) rose to EUR -86.4 million (2014/15: EUR -69.7 million), above all due to non-recurring costs of EUR 29.4 million for the settlement of legal proceedings with investors. These settlements created legal security and ended pending proceedings with a value in dispute of EUR 240 million.

EBIT, FINANCIAL RESULTS AND EBT

EBIT totalled EUR -51.6 million for the reporting year (2014/15: EUR 179.3 million). The year-on-year decline was influenced primarily by other valuation results, which equalled EUR -169.8 million (2014/15: EUR -109.8 million). Revaluations of investment property adjusted for foreign exchange effects amounted to EUR -545.0 million (2014/15: EUR -317.3 million) and are attributable, above all, to write-downs to the Moscow retail properties. These write-downs are contrasted by positive revaluation effects from Austria and Hungary, which reflect the positive, respectively improving market environment. The foreign exchange-based revaluations of investment property totalled EUR 411.3 million, compared with EUR 224.4 million in 2014/15. They originated almost entirely in Russia, since the Euro is the functional currency in all other core countries, and resulted from the translation of the Ruble property values in the local Russian companies following the strong appreciation of the Euro versus the Ruble during the reporting period. Other valuation results also include impairment losses of EUR -36.0 million (2014/15: EUR -16.9 million) to goodwill.

Financial results totalled EUR -319.1 million (2014/15: EUR -554.7 million). Financing costs declined to EUR -172.1 million (2014/15: EUR -189.4 million). Financial results also include foreign exchange effects of EUR -222.3 million (2014/15: EUR -268.6 million), which represent, more or less, a counterpart to the currency-related value increase of EUR 409.9 million in the Russian portfolio. This development reflects the higher value of the foreign currency liabilities in the Russian subsidiaries caused by the devaluation of the Ruble. Other financial results of EUR -17.7 million (2014/15: EUR -84.3 million) are attributable primarily to a non-recurring effect from the incentivised redemption of the exchangeable bond (EUR -33.9 million) and to impairment losses to real estate funds (EUR -39.0 million). A contrary effect was provided by the fair value measurement of the independent derivatives from the convertible bonds (EUR 51.6 million). These derivative components resulted from the spin-off of BUWOG and, since that time, the bondholders are entitled to receive both IMMOFINANZ shares and BUWOG shares in the event of conversion. The derivative components must be measured at fair value through profit or loss as of each balance sheet date. The positive effect resulted chiefly from the decline in the price of the IMMOFINANZ share below the level on 30 April 2015.

The increase in the share of profit/loss from equity-accounted investments to EUR 79.8 million (2014/15: EUR -37.6 million) was related, in particular, to the proportional share of earnings from the BUWOG investment (EUR 89.5 million, proportional share of BUWOG earnings from the fourth quarter of 2014/15 and the first three quarters of 2015/16). Earnings before tax (EBT) equalled EUR -370.7 million (2014/15: EUR -375.4 million).

NET PROFIT

Income tax expense equalled EUR -10.0 million for the reporting year (2014/15: EUR -21.0 million). Net profit amounted to EUR -390.4 million (2014/15: EUR -376.6 million), and diluted earnings per share for the 2015/16 financial year equalled EUR -0.40 (2014/15: EUR -0.37).

The required disclosures on material transactions with related companies and persons are provided in the notes.

BALANCE SHEET

The condensed balance sheet as of 30 April 2016 and 30 April 2015 is shown below:

CONSOLIDATED BALANCE SHEET

All amounts in TEUR	30.4.2016	in %	30.4.2015 [1]	in %
Investment property	4,961,845	80.1%	5,830,951	75.9%
Property under construction	410,043		469,134	
Real estate inventories	112,126		148,031	
Assets held for sale	323,158		266,490	
Other tangible assets	2,908	0.0%	3,880	0.0%
Intangible assets	104,474	1.4%	177,177	2.0%
Equity-accounted investments	494,103	6.8%	799,882	9.0%
Trade and other receivables	432,367	6.0%	625,558	7.1%
Income tax receivables	13,719	0.2%	39,924	0.5%
Other financial assets	14,110	0.2%	87,321	1.0%
Deferred tax assets	6,306	0.1%	8,602	0.1%
Cash and cash equivalents	371,622	5.1%	390,703	4.4%
Assets	**7,246,781**	**100.0%**	**8,847,653**	**100.0%**
Equity	**2,885,991**	**39.8%**	**3,504,080**	**39.6%**
Liabilities from convertible bonds	520,234	7.2%	529,173	6.0%
Financial liabilities	2,775,923	38.3%	3,603,873	40.7%
Trade and other payables	326,882	4.5%	422,181	4.8%
Income tax liabilities	28,229	0.4%	43,526	0.5%
Provisions	58,961	0.8%	104,745	1.2%
Deferred tax liabilities	466,171	6.4%	572,861	6.5%
Financial liabilities held for sale	184,390	2.5%	67,214	0.8%
Equity and Liabilities	**7,246,781**	**100.0%**	**8,847,653**	**100.0%**

1 The comparable prior year data were adjusted.

Assets totalled EUR 7.2 billion as of 30 April 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 5.8 billion and represented 80.1% of total assets as of 30 April 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 799.9 million to EUR 494.1 million due to the dividend payment by BUWOG and the sale of approx. 20.3 million BUWOG shares. Trade and other receivables declined from EUR 625.6 million as of 30 April 2015 to EUR 432.4 million at the end of the reporting year. This development resulted, among others, from a reduction in blocked funds following the conclusion of settlements with investors and the repayment and write-down of receivables due from joint ventures. The decline was also related to the reclassification of assets as held for sale.

Equity totalled EUR 2.9 billion as of 30 April 2016 (30 April 2015: EUR 3.5 billion), whereby the year-on-year decline resulted from the net loss recorded for the year. The equity ratio equalled 39.8% as of 30 April 2016 (30 April 2015: 39.6%) and remained stable in spite of the negative Group results due to the reduction of liabilities.

Liabilities totalled EUR 4.4 billion as of 30 April 2016. The non-current component equalled EUR 3.4 billion and the current component nearly EUR 1.0 billion.

CASH FLOW STATEMENT

The following table shows the condensed cash flow statement for the 2015/16 and 2014/15 financial years:

CONSOLIDATED CASH FLOW STATEMENT

All amounts in TEUR	2015/16	2014/15 [1]
Gross cash flow after tax	77,454	234,478
Cash flow from operating activities	64,927	146,940
Thereof from discontinued activities	20,871	35,974
Cash flow from investing activities	742,945	129,037
Thereof from discontinued activities	-21,649	65,271
Cash flow from financing activities	-824,037	-123,546
Thereof from discontinued activities	-18,376	-77,784

1 The comparable prior year data were adjusted.

Cash flow from operating activities fell by 55.8% from EUR 146.9 million to EUR 64.9 million. This development resulted, above all, from the non-recurring payments for settlements with investors and from the temporary rental reductions in the Moscow shopping centers and a decrease in rental income following the sale of properties.

The adjustment of cash flow from operating activities to reflect the non-recurring payments for the settlements with investors (EUR 75.8 million) and a settlement payment to BUWOG following its exit from the IMMOFINANZ AG tax group (EUR 17.5 million) results in cash inflows of EUR 158.2 million.

Cash and cash equivalents amounted to EUR 378.8 million as of 30 April 2016 (30 April 2015: EUR 392.9 million) – including the cash and cash equivalents from discontinued operations and disposal groups.

EPRA INDICATORS AND BOOK VALUE PER SHARE

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 results of the NAV and NNNAV calculations are shown below:

EPRA NET ASSET VALUE (NAV)

	30 April 2016		30 April 2015	
	in TEUR	in EUR per share	in TEUR	in EUR per share
Equity excl. non-controlling interests	**2,891,536**		**3,506,333**	
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	**2,891,536**		**3,506,333**	
Undisclosed reserves in real estate inventories	1,058		33,934	
Fair value of derivative financial instruments	47,154		116,313	
Deferred taxes on investment property	445,775		519,915	
Deferred taxes on real estate inventories and derivative financial instruments	-11,320		-37,595	
Goodwill excl. deferred taxes	-104,084		-176,507	
Number of shares excl. treasury shares (in 1,000)		**965,956**		**992,632**
EPRA NAV	**3,270,119**	**3.39**	**3,962,394**	**3.99**
Fair value of derivative financial instruments	-47,154		-116,313	
Effect of fair value measurement of financial liabilities	-14,087		-16,127	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	14,642		31,409	
Deferred taxes on investment property	-19,171		-141,496	
EPRA NNNAV	**3,204,349**	**3.32**	**3,719,866**	**3.75**

The net asset value per share equalled EUR 3.39 as of 30 April 2016 (30 April 2015: EUR 3.99), and the triple net asset value per share declined from EUR 3.75 to EUR 3.32 as of 30 April 2016.

BOOK VALUE PER SHARE

The book value per share is calculated by dividing equity before non-controlling interests by the number of shares (excluding treasury shares).

The results of the calculation are as follows:

Book value per share	**30 April 2016**	**30 April 2015**
Equity before non-controlling interests in TEUR	2,891,536	3,506,333
Number of shares excl. treasury shares (in 1,000)	965,956	992,632
Book value per share	**2.99**	**3.53**

The book value per share equalled EUR 2.99 as of 30 April 2016. This represents a decline of 15.3% below the comparable prior year value of EUR 3.53 and resulted, above all, from the negative results recorded for the year and the subsequent reduction of equity.