Business Development

IMMOFINANZ generated net profit of EUR 132.2 million in the first half of the 2015/16 financial year (H1 2014/15: EUR 3.4 million). This increase was supported primarily by positive effects from property valuation. The results of operations totalled EUR 68.3 million (H1 2014/15: EUR 155.3 million) and resulted from a decline in rental income to EUR 160.3 million (H1 2014/15: EUR 213.2 million) that was caused by temporary rent reductions in Moscow and the planned sale of properties. Another contributing factor was the increase in other operating expenses to EUR -53.5 million (H1 2014/15: EUR -27.4 million) as a non-recurring effect for the settlement of legal proceedings by investors.

Operating profit (EBIT) rose to EUR 430.8 million in the first half of 2015/16 (H1 2014/15: EUR 172.6 million) based on positive effects from foreign exchange-adjusted and foreign exchange based revaluation. These factors included a positive valuation effect on the *GOODZONE* shopping center, which resulted primarily from the settlement of the investment contract with the city of Moscow. The related contract gave the city rights to approx. 30% of the space in the shopping center, which were subsequently repurchased. In addition, foreign exchange-based revaluations of EUR 335.4 million were recorded in the first half-year. 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.

Financial results totalled EUR -203.1 million (H1 2014/15: EUR -153.5 million) based on a decline in net financing expense (EUR -80.1 million versus EUR -83.3 million) and foreign exchange effects of EUR -180.5 million (H1 2014/15: EUR -103.7 million). The negative foreign exchange effects resulted primarily from financing for the Russian properties. Net profit rose to EUR 132.2 million (H1 2014/15: EUR 3.4 million) and represents earnings per share (diluted) of EUR 0.13 (H1 2014/15: EUR 0.01). The NAV per share equalled EUR 4.18 (30 April 2015: EUR 4.19).

Gross cash flow declined by 58.2% from EUR 143.9 million to EUR 60.1 million, chiefly due to the temporary rent reductions in the Moscow shopping centers and a decrease in rental income following the sale of properties. Cash flow from operating activities increased slightly to EUR 83.6 million (H1 2014/15: EUR 82.6 million).

Cash and cash equivalents declined EUR 33.2 million below the level on 30 April 2015 to EUR 357.5 million as of 31 October 2015 and represent approx. EUR 0.4 per share (excluding treasury shares).

IMMOFINANZ‘s logistics portfolio represents a discontinued operation as defined in IFRS 5. Therefore, the results from this portfolio are reported as discontinued operations on the income statement for the first half of 2015/16 and the comparable prior year period.

INCOME STATEMENT

The condensed income statement for the first half of 2015/16 and 2014/15 is presented below:

All amounts in TEUR	1 May 2015– 31 October 2015	1 May 2014– 31 October 2014
Rental income	160,298.3	213,177.0
Results of asset management	102,130.4	166,809.7
Results of property sales	6,147.5	6,903.3
Results of property development	-5,640.9	5,474.4
Other operating income	19,178.3	3,498.2
Other operating expenses	-53,516.9	-27,422.4
Results of operations	68,298.4	155,263.2
Other revaluation results	362,536.6	17,307.3
Operating profit (EBIT)	430,835.0	172,570.5
Financial results	-203,050.7	-153,540.4
Earnings before tax (EBT)	227,784.3	19,030.1
Net profit for the period from continuing operations	133,878.3	-6,802.4
Net profit from discontinued operations [1]	-1,687.9	10,216.4
Net profit for the period	**132,190.4**	**3,414.0**

1 Due to the sale of the logistics portfolio, the earnings contribution from these properties is now reported under results of discontinued operations. The comparable prior year data were adjusted accordingly.

RESULTS OF ASSET MANAGEMENT

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 24.8% to EUR 160.3 million in the first half year of 2015/16 (H1 2014/15: EUR 213.2 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 also reflected planned property sales. The rental income generated in Russia totalled EUR 43.3 million for the reporting period, compared with EUR 86.9 million in the first half of the previous financial year. Forecasts for the future development of the Russian economy are still connected with substantial uncertainty, and the rent reductions and fixed exchange rates 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.

Rental income amounted to EUR 70.1 million for the second quarter of 2015/16 in like-for-like comparison (-5.9% versus Q1 2015/16). Excluding Moscow, adjusted rental income remained generally stable. The like-for-like calculation only includes properties held by IMMOFINANZ during both quarters, i.e. an adjustment was made for new acquisitions, completions and sales.

Revenues declined – similar to rental income – by 21.6% to EUR 211.2 million. The results of asset management were therefore 38.8% lower than the previous year at EUR 102.1 million in the first half of 2015/16. This decrease exceeded the change in revenues and rental income due to an increase in property expenses that resulted primarily from the write-off of EUR 9.0 million in receivables from Russia (including EUR 6.3 million in Q1). The remaining balance of outstanding rents receivable in Russia, after the write-offs, amounted to EUR 13.8 million as of 31 October 2015.

RESULTS OF PROPERTY SALES

The results of property sales totalled EUR 6.1 million for the reporting period (H1 2014/15: EUR 6.9 million). The optimisation and adjustment of the portfolio was reflected in the sale of several residential properties in Vienna as well as a number of smaller retail properties in Austria and the Dutch self-storage chain City Box with its 23 locations. A further strategic decision involved the sale of the entire logistics portfolio to the investment firm Blackstone; this transaction is expected to close during the first quarter of the 2016 calendar year. As a consequence of this sale, the results generated by the logistics segment are now reported under the results of discontinued operations.

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 half of 2015/16, the results of property development amounted to EUR -5.6 million (H1 2014/15: EUR 5.5 million).

RESULTS OF OPERATIONS

Results of operations equalled EUR 68.3 million and reflect a year-on-year decline of 56.0% below the comparable prior year value of EUR 155.3 million. Other operating expenses (overhead costs) rose to EUR -53.5 million (H1 2014/15: EUR -27.4 million) due to the settlement of legal proceedings with investors, which have been or will be concluded. The costs connected with the termination of all of these proceedings are, for the most part, covered by existing provisions in the consolidated financial statements of IMMOFINANZ AG. The difference of EUR 28.1 million was recognised as an expense in this half-year financial report.

EBIT, FINANCIAL RESULTS AND EBT

Despite the decline in results of operations, EBIT rose substantially to EUR 430.8 million (H1 2014/15: EUR 172.6 million). This increase was supported primarily by other revaluation results of EUR 362.5 million (H1 2014/15: EUR 17.3 million). Revaluations adjusted for foreign exchange effects equalled EUR 24.0 million (H1 2014/15: EUR -80.7 million) and are attributable, above all, to the settlement for the investment agreement for the *GOODZONE* shopping center in Moscow and also to the sound performance of the shopping centers in Romania. The contract for the *GOODZONE* gave the city of Moscow rights to approx. 30% of the space in the shopping center, which were repurchased. The foreign exchange-based revaluations totalled EUR 335.4 million (H1 2014/15: EUR 99.1 million). They originated almost entirely in Russia, since the Euro is the functional currency in all other core countries, and were based on the translation of the Ruble property values in the local Russian companies. The Euro appreciated substantially in value versus the Ruble during the reporting period.

Financial results declined to EUR -203.1 million (H1 2014/15: EUR -153.5 million). Financing costs amounted to EUR 88.5 million (H1 2014/15: EUR 97.6 million), while the net total equalled EUR -80.1 million (H1 2014/15: EUR -83.3 million). Financial results also included foreign exchange effects of EUR -180.5 million (H1 2014/15: EUR -103.7 million), which represent, more or less, a counterpart to the currency-related value increase of EUR 331.8 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 -22.3 million (H1 2014/15: EUR 20.3 million) were negatively influenced, among others, by costs of EUR -33.9 million for the redemption of the exchangeable bond 2014–2019. The profit/(loss) on other financial instruments and proceeds on the disposal of financial instruments consists primarily of the results from the valuation of derivatives and include EUR 29.2 million (H1 2014/15: EUR 44.8 million) from the fair value measurement of the independent derivatives from the convertible bonds 2007–2017 and 2011–2018.

The increase in the share of profit/loss from equity-accounted investments to EUR 79.8 million (H1 2014/15: EUR 13.2 million) resulted chiefly from the proportional share of earnings from the BUWOG investment (EUR 64.3 million, proportional share of BUWOG earnings from the fourth quarter of 2014/15 and the first quarter of 2015/16) as well as the proceeds of EUR 10.2 million on the sale of 8.5 million BUWOG shares in the second quarter of 2015/16. Earnings before tax (EBT) equalled EUR 227.8 million for the first half of 2015/16 (H1 2014/15: EUR 19.0 million).

NET PROFIT

Positive foreign exchange effects and the earnings contribution from the BUWOG investment supported an increase in net profit to EUR 132.2 million (H1 2014/15: EUR 3.4 million)

EARNINGS PER SHARE

Diluted earnings per share for the first half of 2015/16 equalled EUR 0.13 (H1 2014/15: EUR 0.01).

The material transactions with related companies and persons which require disclosure are presented in the notes.

BALANCE SHEET

The condensed balance sheet as of 31 October 2015 and 31 October 2014 is shown below:

All amounts in TEUR	31 October 2015	in %	30 April 2015	in %
Investment property	5,483,332.9	78.9%	5,830,951.3	75.9%
Property under construction	555,938.7		469,133.7	
Non-current assets held for sale	663,432.6		266,490.3	
Real estate inventories	132,231.5		148,031.1	
Other tangible assets	2,996.6	0.0%	3,879.8	0.0%
Intangible assets	146,845.9	1.7%	177,176.9	2.0%
Equity-accounted investments	652,886.9	7.5%	799,881.6	9.0%
Trade and other receivables	556,469.6	6.4%	625,558.4	7.1%
Income tax receivables	32,193.0	0.4%	39,923.9	0.5%
Other financial assets	73,449.3	0.8%	87,321.0	1.0%
Deferred tax asset	2,462.2	0.0%	8,602.4	0.1%
Cash and cash equivalents	357,524.7	4.1%	390,702.7	4.4%
ASSETS	**8,659,763.9**	**100.0%**	**8,847,653.1**	**100.0%**
Equity	3,632,517.6	41.9%	3,699,554.1	41.8%
Liabilities from convertible bonds	533,946.9	6.2%	529,173.6	6.0%
Financial liabilities	3,264,795.3	37.7%	3,603,872.9	40.7%
Trade and other payables	356,767.9	4.1%	422,180.9	4.8%
Income tax liabilities	38,702.9	0.4%	43,526.0	0.5%
Provisions	121,564.1	1.4%	104,744.8	1.2%
Deferred tax liabilities	393,083.0	4.5%	377,386.7	4.3%
Financial liabilities held for sale	318,386.2	3.7%	67,214.1	0.8%
EQUITY AND LIABILITIES	**8,659,763.9**	**100.0%**	**8,847,653.1**	**100.0%**

The property portfolio represented 78.9% of total assets and is reported on the balance sheet under investment property, property under construction, real estate inventories and non-current assets held for sale.

Equity-accounted investments declined from EUR 799.9 million to EUR 652.9 million due to the dividend distributed by BUWOG AG and the reduction of the stake by approx. 10.3 million BUWOG shares.

Cash and cash equivalents fell from EUR 390.7 million to EUR 357.7 million and represented 4.1% of the company's assets as of 31 October 2015.

Assets totalled EUR 8.7 billion as of 31 October 2015, with the non-current component equalling EUR 7.3 billion and the current component EUR 1.4 billion.

IMMOFINANZ Group's equity totalled EUR 3.6 billion as of 31 October 2015 (30 April 2015: EUR 3.7 billion). The decline was caused by the repurchase of the company's shares during the reporting period. The equity ratio equalled 41.9% at the end of the first half of 2015/16 (30 April 2015: 41.8%).

Liabilities totalled EUR 5.0 billion as of 31 October 2015. The non-current component equalled EUR 3.1 billion and the current component EUR 1.9 billion.

CASH FLOW STATEMENT

The following table shows the condensed cash flow statement for the first half of 2015/16 and 2014/15:

All amounts in TEUR	1 May 2015–31 October 2015	1 May 2014–31 October 2014
Earnings before tax from continuing operations	227,784.3	19,030.1
Earnings before tax from discontinued operation	5,389.4	16,078.9
Revaluation/impairment losses or write-ups/recognition of gains on bargain purchases	-342,784.1	-13,856.9
Gains/losses from equity-accounted investments	-79,799.7	-13,281.1
Gains/losses from the disposal of non-current assets	-42.7	4,050.1
Changes in the fair value of financial instruments	186,764.2	68,016.0
Income taxes paid	-8,049.9	-19,445.2
Net interest	85,019.0	88,523.6
Results from deconsolidation/liquidation	-2,659.8	-5,725.1
Other non-cash income/expense	-11,525.3	461.6
Gross cash flow	60,095.4	143,852.0
Cash flow from operating activities	83,588.7	82,623.2
Thereof from discontinued activities	21,090.1	16,474.5
Cash flow from investing activities	280,127.0	-110,771.6
Thereof from discontinued activities	-12,496.9	63,426.2
Cash flow from financing activities	-370,614.6	193,996.9
Thereof from discontinued activities	-11,680.3	-41,269.6
Net foreign exchange differences	4,705.1	6,554.8
Change in cash and cash equivalents	-2,193.8	172,403.3
Cash and cash equivalents at the beginning of the period	390,702.7	235,864.0
Cash and cash equivalents at the end of the period	357,524.7	408,267.3

Gross cash flow fell by 58.2% from EUR 143.9 million to EUR 60.1 million. This development resulted primarily from the temporary rent reductions in the Moscow shopping centers and from a decrease in rental income due to the sale of properties. Cash flow from operating activities rose to EUR 83.6 million (H1 2014/15: EUR 82.6 million).

Cash and cash equivalents declined EUR 33.2 million below the level on 30 April 2015 to EUR 357.5 million.

EPRA INDICATORS AND BOOK VALUE PER SHARE

NET ASSET VALUE (NAV) AND TRIPLE NET ASSET VALUE (NNNAV)

Net asset value 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 to give investors an impression 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. The former are not included in carrying amounts in accordance with IFRS accounting rules, while the latter regularly serve as a means of hedging long-term financing to prevent the realisation of hypothetical losses if settlement were to take place on the balance sheet date. The deferred taxes on these items are included. In accordance with the EPRA recommendations, 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 is also calculated in accordance with the Best Practices Recommendations issued by the European Public Real Estate Association (EPRA). The calculation of EPRA NNNAV involves an adjustment to reverse the (negative) fair value of derivative financial instruments that was included in the calculation of NAV. In addition, financial liabilities are restated at their fair value. The calculation also reflects the deduction of the deferred taxes expected from the sale of properties – which is regularly the case with asset deals in certain business segments. The calculation as of 31 October 2015 only includes the deferred taxes on those properties that are scheduled for sale through asset deals based on the current disposal plan.

Also included are the deferred taxes from the adjustments to derivative financial instruments and from the valuation of financial liabilities at their fair value. The objective of the NNNAV 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:

All amounts in TEUR	31 October 2015 in TEUR	31 October 2015 in EUR per share	30 April 2015 in TEUR	30 April 2015 in EUR per share
Equity excl. non-controlling interests	3,635,904.1		3,701,807.3	
Diluting effects of convertible bonds and the exercise of options	0.0		0.0	
Diluted equity excl. non-controlling interests after an adjustment for convertible bonds and the exercise of options	3,635,904.1		3,701,807.3	
Undisclosed reserves in real estate inventories	9,653.4		33,934.4	
Fair value of derivative financial instruments	72,080.8		116,313.0	
Deferred taxes on investment property	525,036.0		519,914.8	
Deferred taxes on real estate inventories and derivative financial instruments	-16,983.1		-37,594.7	
Goodwill excl. deferred taxes	-146,389.9		-176,506.6	
Number of shares excl. treasury shares (in 1,000)		975,955.2		992,631.7
EPRA NAV	**4,079,301.3**	**4.18**	**4,157,868.3**	**4.19**
EPRA NAV	4,079,301.3	4.18	4,157,868.3	4.19
Fair value of derivative financial instruments	-72,080.8		-116,313.0	
Effect of fair value measurement of financial liabilities	-14,174.1		-16,127.0	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	20,526.6		31,408.6	
Deferred taxes on investment property	-9,339.7		-141,496.2	
EPRA NNNAV	**4,004,233.3**	**4.10**	**3,915,340.6**	**3.94**

The net asset value equalled EUR 4.18 as of 31 October 2015 and remained nearly constant compared with 30 April 2015 (EUR 4.19). The triple net asset value rose from EUR 3.94 to EUR 4.10 as of 31 October 2015.

BOOK VALUE PER SHARE

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

The results of the calculation are shown below:

	31 October 2015	30 April 2015
Equity before non-controlling interests in TEUR	3,635,904.1	3,701,807.3
Number of shares excl. treasury shares (in 1,000)	975,955.2	992,631.7
Book value per share in EUR	**3.73**	**3.73**

Outlook

IMMOFINANZ has followed the BUWOG spin-off by successfully establishing a position as a commercial real estate company with a focus on Central and Eastern Europe. Activities in 2015/16 will concentrate on strengthening the standing investments through the further streamlining of the portfolio structure and value-creating growth.

In line with these objectives, the Executive Board and Supervisory Board approved the sale of the company's logistics portfolio at the beginning of August. IMMOFINANZ subsequently announced the successful sale of the entire logistics portfolio to Blackstone at the beginning of November 2015. This transaction is expected to close during the first quarter of the 2016 calendar year. IMMOFINANZ also intends to reduce its investment in BUWOG this financial year through the sale of shares.

The robust balance sheet and available liquidity form a solid foundation for the continued utilisation of suitable investment opportunities in the retail and office sectors. These opportunities can include the acquisition of standing investments as well as development projects with a focus on Austria, Germany and Poland. The targeted growth is also intended to achieve a more balanced geographical distribution of the portfolio between Western and Eastern Europe.

Plans for the management of the standing investments are directed to improving operating performance, increasing occupancy and further optimising the offering. Rents should remain generally stable on a like-for-like basis, with the exception of Russia. The forecasts for future economic developments in Russia are still connected with substantial uncertainty, and reliable estimates are therefore not possible. The temporary rent reductions and fixed exchange rates for the tenants in the Moscow shopping centers will be re-evaluated quarterly and continued if necessary.