Business Development

In the first quarter of the 2015/16 financial year IMMOFINANZ recorded rental income of EUR 91.4 million (Q1 2014/15: EUR 117.6 million) and results of operations totalling EUR 53.6 million (Q1 2014/15: EUR 90.9 million). The declines are attributable, above all, to the deterioration of the economic environment in Russia and the resulting short-term rental reductions, but also reflect the planned sale of properties.

Positive effects from property valuation supported an increase in EBIT to EUR 296.6 million for the reporting period (Q1 2014/15: EUR 11.9 million). Financial results amounted to EUR -109.6 million (Q1 2014/15: EUR -19.8 million) based on generally stable net financing costs (EUR -42.4 million versus EUR -41.6 million). The negative foreign exchange effects (EUR -94.1 million versus EUR 17.1 million) resulted primarily from the Russian financing. Net profit rose to EUR 126.2 million (Q1 2014/15: EUR -6.0 million), which represents earnings per share (diluted) of EUR 0.12 (Q1 2014/15: EUR -0.01). NAV per share equalled EUR 4.30 (Q1 2014/15: EUR 4.19).

Gross cash flow fell by 14.9% from EUR 80.9 million to EUR 68.8 million. This development resulted chiefly from the temporary rental reductions in the Moscow shopping centers and the decline in rental income following the sale of properties.

Cash and cash equivalents rose by EUR 102.1 million over the level on 30 April 2015 to EUR 492.8 million as of 31 July 2015. That represents EUR 0.5 per share (excluding treasury shares).

Developments in Detail

Results of Asset Management

Results of asset management include rental income, other revenues, operating income and operating costs as well as expenses from investment property. Rental income fell by 22.3% to EUR 91.4 million in the first quarter of 2015/16 (Q1 2014/15: EUR 117.6 million). This decline resulted, above all, from the deterioration of the economic environment in Russia, where IMMOFINANZ has granted temporary rental reductions to the tenants in its Moscow shopping centers, and also reflected the planned property sales. The rental income generated in Russia totalled EUR 24.5 million for the reporting period, compared with EUR 44.8 million in the first quarter of the previous financial year. Forecasts for the future development of the Russian economy are still connected with substantial uncertainty, and the situation will therefore be re-evaluated each quarter. However, current expectations indicate that the temporary reductions and fixed exchange rates for the tenants in IMMOFINANZ's Moscow properties may have to continue.

In like-for-like comparison, rental income amounted to EUR 84.4 million for the reporting period (-2.7% versus Q4 2014/15). This 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 19.0% to EUR 118.8 million. Consequently, results of asset management were 37.5% below the previous year at EUR 59.6 million in the first quarter 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 6.3 million in receivables from Russia. The remaining balance of outstanding rents receivable in Russia, after the write-offs, amounted to EUR 19.6 million as of 31 July 2015.

Results of property sales

The results of property sales totalled EUR 1.0 million for the reporting period (Q1 2014/15: EUR 7.3 million). The optimisation and adjustment of the portfolio was reflected in the sale of several residential properties in Vienna as well as the Dutch self-storage chain City Box with its 23 locations. The closing for these transactions took place during the first quarter, while the revaluations resulting from these sales were recognised for the most part in the last quarter of 2014/15.

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 2015/16, the results of property development amounted to EUR -2.0 million (Q1 2014/15: EUR -2.0 million).

Results of operations

Results of operations equalled EUR 53.6 million and reflect a year-on-year decline of 41.0% (EUR 90.9 million). Other operating expenses (overhead costs) remained stable at EUR -13.5 million (Q1 2014/15: EUR -13.2 million).

EBIT, financial results and EBT

Despite the decline in results of operations, EBIT rose substantially to EUR 296.6 million (Q1 2014/15: EUR 11.9 million). This increase was supported primarily by other revaluation results of EUR 243.0 million (Q1 2014/15: EUR -79.0 million). Revaluation results adjusted for foreign exchange effects amounted to EUR 54.3 million (Q1 2014/15: EUR -2.7 million). Of the total increase, EUR 55.0 million is attributable to positive valuation effects in the *GOODZONE* shopping center which followed the start of settlement for the investment agreement ("city share") with the city of Moscow. The contract between IMMOFINANZ and the city government was – as is common practice in Moscow – concluded before the start of construction on the shopping center. It gives the city rights to approx. 30% of the space in the shopping center, which must be settled after completion.

Financial results declined to EUR -109.6 million (Q1 2014/15: EUR -19.8 million). Financing costs amounted to EUR -46.4 million (Q1 2014/15: EUR -48.6 million), while the net total equalled EUR -42.4 million (Q1 2014/15: EUR -41.6 million). Financial results also included non-cash foreign exchange effects of EUR -94.1 million (Q1 2014/15: EUR 17.1 million), which represent, more or less, a counterpart to the currency-related value increase of EUR 187.4 million in the Russian portfolio. Other financial results of EUR 11.4 million (Q1 2014/15: EUR 5.4 million) were negatively influenced, among others, by a EUR 9.5 million increase in the liability from the exchangeable bond 2014–2019. However, the non-cash valuation effects from the exchangeable bond are contrasted by undisclosed reserves. The undisclosed reserves in the roughly 48.8 million BUWOG shares amounted to approx. EUR 152.4 million as of 31 July 2015. The profit/(loss) on other financial instruments and proceeds on the disposal of financial instruments consist primarily of the results from the valuation of derivatives and include EUR 21.2 million (Q1 2014/15: EUR 10.6 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 15.5 million (Q1 2014/15: EUR -0.7 million) resulted chiefly from the proportional share of earnings from the BUWOG investment (EUR 17.3 million, proportional share of BUWOG earnings from the fourth quarter of 2014/15). Earnings before tax (EBT) equalled EUR 187.0 million for the first quarter of 2015/16 (Q1 2014/15: EUR -7.9 million).

Net profit

The positive foreign exchange effects and revaluation of the *GOODZONE* shopping center led to an increase in net profit to EUR 126.2 million (Q1 2014/15: EUR -6.0 million).

Cash flow

Gross cash flow fell by 14.9% from EUR 80.9 million to EUR 68.8 million. This development resulted primarily from the temporary rental reductions in the Moscow shopping centers and from a decrease in rental income due to the sale of properties. Cash flow from operating activities declined to EUR 41.3 million (Q1 2014/15: EUR 73.3 million) based on a decrease in liabilities.

Cash and cash equivalents rose by EUR 102.1 million over the level on 30 April 2015 to EUR 492.8 million.

Net Asset Value (NAV)

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.

The results of the calculation are shown below:

	31 July 2015		30 April 2015	
	in TEUR	in EUR per share	in TEUR	in EUR per share
Equity excl. non-controlling interests	3,735,611.5		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	**3,735,611.5**		**3,701,807.3**	
Undisclosed reserves in real estate inventories	27,608.7		33,934.4	
Fair value of derivative financial instruments	86,495.4		116,313.0	
Deferred taxes on investment property	537,993.4		519,914.8	
Deferred taxes on real estate inventories and derivative financial instruments	-28,286.8		-37,594.7	
Goodwill excl. deferred taxes	-165,314.2		-176,506.6	
Number of shares excl. treasury shares (in 1,000)		975,955.2		992,631.7
EPRA NAV	**4,194,107.9**	**4.30**	**4,157,868.3**	**4.19**

The net asset value rose from EUR 4.19 to EUR 4.30 as of 31 July 2015 due to the positive net profit recorded for the reporting period.

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 July 2015	30 April 2015
Equity before non-controlling interests in TEUR	3,735,611.5	3,701,807.3
Number of shares excl. treasury shares (in 1,000)	975,955.2	992,631.7
Book value per share	**3.83**	**3.73**

Triple Net Asset Value (NNNAV)

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. 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 calculation are shown below:

	31 July 2015		30 April 2015	
	in TEUR	in EUR per share	in TEUR	in EUR per share
EPRA NAV	**4,194,107.9**	**4.30**	**4,157,868.3**	**4.19**
Fair value of derivative financial instruments	-86,495.4		-116,313.0	
Effect of fair value measurement of financial liabilities	-16,692.7		-16,127.0	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilites	24,266.5		31,408.6	
Deferred taxes on investment property	-129,335.6		-141,496.2	
EPRA NNNAV	**3,985,850.6**	**4.08**	**3,915,340.6**	**3.94**

Triple net asset value rose from EUR 3.94 to EUR 4.08 as of 31 July 2015 due to the positive net profit recorded for the reporting period.

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 focus 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 Boards have approved the sale of the company's logistics portfolio at the beginning of August. Negotiations are currently in progress with potential buyers. The company 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. The opportunities can include the acquisition of standing investments as well as development projects with a focus on Austria, Germany and Poland. This 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 rental reductions and fixed exchange rates for the tenants in the Moscow shopping centers will be re-evaluated quarterly and continued if necessary.

The material transactions with related parties that require disclosure are described in the notes.