

Earnings, Balance Sheet and Cash Flow Analysis

Income Statement

A condensed version of IMMOFINANZ Group's income statement for the 2014/15 and 2013/14 financial years is presented in the following table:

All amounts in TEUR	1 May 2014– 30 April 2015	1 May 2013– 30 April 2014
Rental income	426,280.3	478,533.6
Results of asset management	313,339.8	383,852.6
Results of property sales	43,453.2	5,664.4
Results of property development	11,000.5	-45,036.3
Other operating income	22,336.4	17,084.6
Other operating expenses	-73,646.2	-91,089.2
Results of operations	316,483.7	270,476.1
Other revaluation results	-100,481.0	199,206.2
Operating profit (EBIT)	216,002.7	469,682.3
Financial results	-565,177.8	-248,578.9
Earnings before tax (EBT)	-349,175.1	221,103.4
Net profit for the period from continuing operations	-361,372.9	71,950.2
Net profit from discontinued operations ¹	0.0	104,980.6
Net profit for the period	-361,372.9	176,930.8

¹ The net profit from discontinued operations in 2013/14 include the proportional share of results from BUWOG.

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 10.9% to EUR 426.3 million in 2014/15 (2013/14: EUR 478.5 million). This decline resulted, above all, from the deterioration of the economic environment in Russia, where IMMOFINANZ Group has granted temporary rental reductions to the tenants in its Moscow shopping centers, and also reflected the sale of properties during the year. Since the estimates for the future development of the Russian economy are still connected with substantial uncertainty, the current situation leads to expectations that the temporary reductions and fixed exchange rates for the tenants in IMMOFINANZ's Moscow properties will have to be continued on a quarterly basis.

In like-for-like comparison, rental income was 10.0% lower than the previous year at EUR 387.2 million in 2014/15. This calculation only includes properties that were held by IMMOFINANZ Group during both financial years, i.e. an adjustment was made for new acquisitions, completions and sales.

Revenues declined – similar to rental income – by 10.5% to EUR 546.6 million. Therefore, results of asset management were 18.4% below the previous year at EUR 313.3 million in 2014/15. This decrease exceeded the change in revenues and rental income due to an increase in property expenses that resulted primarily from receivables write-offs of EUR 10.7 million in Russia. The remaining balance of outstanding rents receivables in Russia, after the write-offs, amounted to EUR 15.0 million as of 30 April 2015.

Results of property sales

Results of property sales amounted to EUR 43.5 million in 2014/15 (2013/14: EUR 5.7 million). The optimisation and adjustment of the portfolio was reflected in the sale of several smaller retail properties in Austria and three residential projects in Houston, USA. The sale of three logistics properties in Switzerland to a Credit Suisse real estate fund marked the strategic exit from the Swiss market. IMMOFINANZ Group's logistics commitment in Poland and the Czech Republic was reduced, as planned, through the sale of two properties (*Bokserska Distribution Park* in Warsaw and *Westpoint Distribution Park* in Prague). After the end of the reporting year, the Dutch self-storage chain City Box with 23 locations was sold to Shurgard. A residential property portfolio in Vienna was sold to an Austrian insurance group, and the *Leonardo Hotel Vienna* – the last hotel in the IMMOFINANZ portfolio based on the primary use – was sold to the lessee.

These sales, which also took place after the end of the 2014/15 financial year, will further reduce the share of the "Other" business segment in the standing investment portfolio.

Results of property development

Results of property development cover the sale of real estate inventories as well as the valuation of development projects completed during the reporting year or currently in progress. In 2014/15 results of property development equalled EUR 11.0 million (2013/14: EUR -45.0 million). Positive effects resulted, above all, from the sale of apartments in the *Gerling Quartier*, Cologne, and the completion and opening of the *Tarasy Zamkowe* shopping center in Lublin, which has 38,000 sqm of rental space.

The first shopping center in the new IMMOFINANZ brand – VIVO! – opened in October 2014. It is located in Piła, Poland, has approx. 24,000 sqm of rental space and an occupancy rate that had already reached 91.0% on the opening date. Three locations in the STOP. SHOP. retail park chain were also completed during the reporting year.

Results of operations

Results of operations rose by 17.0% year-on-year to EUR 316.5 million in 2014/15 (EUR 270.5 million). The decline in results of asset management was more than offset by higher earnings contributions from property sales and property development. Other operating expenses (overhead costs) fell by 19.1% to EUR -73.6 million (2013/14: EUR -91.1 million), among others due to a reduction in legal, auditing and consulting fees and personnel expenses.

EBIT, financial results and EBT

EBIT fell by 54.0% year-on-year to EUR 216.0 million, and other revaluation results were negative at EUR 100.5 million (2013/14: EUR 199.2 million). Revaluation results adjusted for foreign exchange effects amounted to EUR -312.3 million (2013/14: EUR -179.7 million) and were related primarily to the Russian property portfolio at EUR -197.0 million. The decline in the value of the Russian portfolio resulted, above all, from the temporary reduction in rental income and an increase in the discount rates used for valuation – both as a consequence of the uncertainty over economic developments in Russia. In addition, property-specific factors led to changes in the value of several East European office properties: higher capital costs for current and planned modernisation projects (Bratislava and Prague) and a temporary increase in the vacancy rate due to the departure of larger tenants (Warsaw). In Warsaw, the high pace of new construction in recent years has had an effect on the overall market situation through an increase in vacancies. Positive valuation effects were recorded, in contrast, in Austria and Germany where the property markets recorded sound development due to the current low interest rate level.

Financial results declined to EUR -565.2 million (2013/14: EUR -248.6 million). Financing costs amounted to EUR -200.4 million (2013/14: EUR -193.8 million), but the net total remained stable at EUR -175.2 million (2013/14: EUR -175.3 million). Financial results also included non-cash foreign exchange effects of EUR -270.6 million (2013/14: EUR -126.9 million), above all from the valuation of the USD financing for the Moscow shopping centers. This represents, more or less, the counterpart to the currency-related value increase in the Russian portfolio, which equalled EUR 224.0 million. Other financial results (EUR -81.7 million; 2013/14: EUR -12.7 million) were negatively affected, among others, by a EUR 49.3 million increase in the liability from the exchangeable bond 2014–2019. The strong rise in the BUWOG share price (approx. +20.6% since the placement of the exchangeable bond) resulted in an increase in the liability to EUR 425.0 million (nominal value: EUR 375.0 million). Accounting rules prevent the write-up of the BUWOG shares held by IMMOFINANZ (as a counterpart to the liability) because the investment in the BUWOG Group is accounted for at equity. However, these non-cash valuation effects of EUR -49.3 million from the exchangeable bond are contrasted by undisclosed reserves. The undisclosed reserves in the roughly 48.8 million BUWOG shares amounted to approx. EUR 155.7 million¹ as of 30 April 2015.

The decline in the share of profit/loss from equity-accounted investments to EUR -37.6 million (2013/14: EUR 66.2 million) resulted chiefly from an impairment loss of EUR -24.4 million recognised to the 25.0% investment in TriGranit following its sale at the end of July 2015. This transaction is subject to the approval of the responsible authorities and the closing is expected to take place in autumn 2015. In the previous year, this position included a positive valuation effect of EUR 24.1 million from the BUWOG investment. Earnings before tax (EBT) equalled EUR -349.2 million in 2014/15, compared with EUR 221.1 million in 2013/14.

Net profit

The negative effects from the foreign exchange-adjusted valuation of properties and the decrease in financial results led to a decline in net profit to EUR -361.4 million (2013/14: EUR 72.0 million, resp. EUR 176.9 million incl. 100.0% of BUWOG).

Earnings per share

Diluted earnings per share for the 2014/15 financial year equalled EUR -0.35 (2013/14: EUR 0.17).

¹ 48.8 mn BUWOG shares x EUR 18.09 (share price on 30 April 2015) – EUR 14.9 (book value per share on 30 April 2015) x 48.8 mn shares = EUR 155.7 mn

Balance Sheet

The condensed version of the balance sheet is as follows:

All amounts in TEUR	30 April 2015	in %	30 April 2014	in %
Investment property	5,830,951.3	75.9%	6,411,640.2	74.2%
Property under construction	469,133.7		222,206.1	
Non-current assets held for sale	266,490.3		175,066.5	
Real estate inventories	148,031.1		155,777.2	
Other tangible assets	3,879.8	0.0%	8,610.5	0.1%
Intangible assets	177,176.9	2.0%	219,112.9	2.3%
Equity-accounted investments	799,881.6	9.0%	869,659.8	9.3%
Trade and other receivables	625,558.4	7.1%	627,597.1	6.7%
Income tax receivables	39,923.9	0.5%	37,722.7	0.4%
Other financial assets	87,321.0	1.0%	410,568.0	4.4%
Deferred tax assets	8,602.4	0.1%	14,135.7	0.2%
Cash and cash equivalents	390,702.7	4.4%	235,864.0	2.5%
Assets	8,847,653.1	100.0%	9,387,960.7	100.0%
Equity	3,699,554.1	41.8%	4,217,327.8	44.9%
Liabilities from convertible bonds	529,173.6	6.0%	538,262.0	5.7%
Financial liabilities	3,603,872.9	40.7%	3,619,157.9	38.6%
Trade and other payables	422,180.9	4.8%	409,886.6	4.4%
Income tax liabilities	43,526.0	0.5%	35,476.5	0.4%
Provisions	104,744.8	1.2%	98,367.8	1.0%
Deferred tax liabilities	377,386.7	4.3%	449,561.2	4.8%
Financial liabilities held for sale	67,214.1	0.8%	19,920.9	0.2%
Equity and Liabilities	8,847,653.1	100.0%	9,387,960.7	100.0%

Investment property represented 75.9% of total assets as of 30 April 2015 and is reported on the balance sheet under the following positions: investment property, property under construction, real estate inventories and non-current assets held for sale. IMMOFINANZ Group recorded a year-on-year decline of EUR 0.3 billion in investment property to EUR 6.7 billion in 2014/15.

Equity-accounted investments fell from EUR 869.7 million to EUR 799.9 million. This development resulted from the dividend payment by BUWOG and an impairment loss recognised to the 25.0% investment in TriGranit.

The decline in other financial assets from EUR 410.6 million to EUR 87.3 million reflects the redemption of the convertible bond for BUWOG shares.

Cash and cash equivalents rose from EUR 235.9 million to EUR 390.7 million and represent 4.4% of total assets. This increase was supported by positive cash flow from operating activities and investing activities.

Assets totalled EUR 8.8 billion as of 30 April 2015. The non-current component equalled EUR 7.8 billion and the current component EUR 1.1 billion.

IMMOFINANZ Group's equity totalled EUR 3.7 billion as of 30 April 2015 (2013/14: EUR 4.2 billion). The year-on-year decline was caused by the negative net profit recorded for the reporting year. The equity ratio equalled 41.8% as of 30 April 2015 (2013/14: 44.9%).

Liabilities totalled EUR 5.1 billion as of 30 April 2015. The non-current component equalled EUR 2.9 billion and the current component EUR 2.2 billion.

Cash Flow Statement

The condensed version of the cash flow statement of IMMOFINANZ Group, incl. BUWOG, for 2014/15 and 2013/14 is as follows:

All amounts in TEUR	1 May 2014– 30 April 2015	1 May 2013– 30 April 2014
Earnings before tax from continuing operations	-349,175.1	221,103.4
Earnings before tax from discontinued operations	0.0	127,773.5
Revaluation/impairment losses/recognition of gains on bargain purchases	67,561.8	-127,804.8
Gains/losses from equity-accounted investments	36,841.6	-66,028.6
Gains/losses from the disposal of non-current assets	103.8	241.9
Changes in the fair value of financial instruments	346,743.4	104,749.3
Income taxes paid	-29,119.7	-46,276.7
Net interest	175,203.0	222,769.6
Results from the change in investments	-10,950.0	-4,038.5
Other non-cash income/expense	-2,730.4	-101,826.5
Gross cash flow	234,478.4	330,662.6
Cash flow from operating activities	153,741.2	279,394.5
Thereof from discontinued activities	-	57,196.5
Cash flow from investing activities	117,246.2	129,069.9
Thereof from discontinued activities	-	59,769.7
Cash flow from financing activities	-118,555.9	-872,486.9
Thereof from discontinued activities	-	-30,614.8
Net foreign exchange differences	2,407.2	24,482.9
Change in cash and cash equivalents	154,838.7	-488,505.4
Cash and cash equivalents at the beginning of the period	235,864.0	724,369.4
Cash and cash equivalents at the end of the period	390,702.7	235,864.0

Gross cash flow fell by 29.1% from EUR 330.7 million to EUR 234.5 million, and cash flow from operating activities declined by 30.8% to EUR 153.7 million (2013/14: EUR 222.2 million, excl. BUWOG). 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 investing activities amounted to EUR 117.2 million in 2014/15 (2013/14: EUR 69.3 million excl. BUWOG).

Cash flow from financing activities consisted primarily of additions to and reductions in financial liabilities, bonds and convertible bonds as well as the dividend payment. This position totalled EUR -118.6 million for the reporting year (2013/14: EUR -841.9 million, excl. BUWOG).

Cash and cash equivalents rose from EUR 235.9 million as of 30 April 2014 to EUR 390.7 million at the end of the reporting year.

Key Data

The following table provides a summary of key data on the financial, asset and earnings positions of IMMOFINANZ Group:

Earnings data	30 April 2015	Change in %	30 April 2014
Rental income in EUR mill.	426.3	-10.9%	478.5
Results of operations in EUR mill.	316.5	17.0%	270.5
EBIT in EUR mill.	216.0	-54.0%	469.7
EBT in EUR mill.	-349.2	n.a.	221.1
Net profit for the period in EUR mill.	-361.4	n.a.	176.9
Earnings per share in EUR	-0.35	n.a.	0.17
Sustainable cash flow (FFO) per share in EUR ¹	0.12	-41.8%	0.20
Interest Coverage Ratio in % ²	157.9%	13.1%	139.6%
Gross cash flow in EUR mill.	234.5	-29.1%	330.7
Cash flow from operating activities in EUR mill.	153.7	-45.0%	279.4

Asset data	30 April 2015	Change in %	30 April 2014
Balance sheet total in EUR mill.	8,847.7	-5.8%	9,388.0
Equity as a % of the balance sheet total in % ³	41.8%	-6.9%	44.9%
Net loan to value ratio in %	50.3%	-5.5%	53.2%
Gearing in % ⁴	89.7%	3.3%	86.8%

Property data	30 April 2015	Change in %	30 April 2014
Total number of properties	478	-0.6%	481
Lettable space in sqm	3,278,567.0	-9.7%	3,630,418.0
Occupancy rate in %	84.2%	-0.7%	84.8%
Carrying amount of investment properties in EUR mill.	5,831.0	-9.1%	6,411.6
Carrying amount of properties under construction in EUR mill.	469.1	>100.0%	222.2
Carrying amount of real estate inventories in EUR mill.	148.0	-5.0%	155.8

Stock exchange data	30 April 2015	Change in %	30 April 2014
Book value per share in EUR	3.73	-10.0%	4.14
Net asset value per share diluted in EUR	4.19	-8.2%	4.56
Triple Net Asset Value per share in EUR	3.94	-8.3%	4.30
Share price at end of period in EUR	2.68	0.2%	2.67
Discount of share price to diluted NAV per share in %	36.1%	-12.9%	41.4%
Number of shares	1,073,193,688	-4.9%	1,128,952,687
Number of treasury shares	80,561,942	-28.6%	112,895,268
Market capitalisation at end of period in EUR mill.	2,874.0	-4.7%	3,016.6

¹ Gross cash flow (EUR 234.5 million) + interest and dividends received on financial investments (EUR 15.4 million) – interest paid (EUR 155.2 million) – cash outflows for derivative transactions (EUR 21.4 million) + results of property sales (EUR 43.5 million) + results of property sales BUWOG (EUR 0.0 million) divided by the number of shares (basic) (1,013,118,076)

² Results of operations (EUR 316.5 million) divided by financing costs (EUR 200.4 million)

³ Equity (EUR 3,699.6 million) divided by total capital (EUR 8,847.7 million)

⁴ (Non-current and current financial liabilities (EUR 3,603.9 million) + non-current and current liabilities from convertible bonds (EUR 529.2 million) – cash and cash equivalents (EUR 390.7 million) – BUWOG exchangeable bond (EUR 425.0 million)) divided by equity (EUR 3,699.6 million)

Earnings data

Rental income fell by 10.9% to EUR 426.3 million in 2014/15. This decline resulted, above all, from the deterioration of the economic environment in Russia, where IMMOFINANZ Group has granted temporary rental reductions to the tenants in its Moscow shopping centers, and also reflected the planned sale of properties. The decline was more than offset by higher earnings contributions from property sales and property development and, consequently, results of operations rose by 17.0% over the previous year.

The negative effects from the foreign exchange-adjusted valuation of properties and the decrease in financial results led to a decline in net profit to EUR -361.4 million (2013/14: EUR 72.0 million, resp. EUR 176.9 million incl. 100.0% of BUWOG).

Asset data

The equity ratio equalled 41.8% as of 30 April 2015 (2013/14: 44.9%), whereby the decline resulted from the negative net profit recorded for the year. The balance sheet total fell to EUR 8,847.7 million (2013/14: EUR 9,388.0 million) due to the negative effects from foreign exchange-adjusted revaluations and property sales.

Property data

The occupancy rate remained stable in year-on-year comparison at 84.2% stable (2013/14: 84.8%). Properties sold during the year led to a decline in rentable space to 3,278,567 sqm (2013/14: 3,630,418 sqm).

Stock exchange data

The book value per share equalled EUR 3.73 (2013/14: EUR 4.14). Net asset value amounted to EUR 4.19 as of 30 April 2015 (2013/14: EUR 4.56) and also reflects the negative net profit recorded for the year. The price of the IMMOFINANZ share remained unchanged in year-on-year comparison at EUR 2.68 (2013/14: EUR 2.67).

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:

	30 April 2015		30 April 2014	
	in TEUR	in EUR per share	in TEUR	in EUR per share
Equity excl. non-controlling interests	3,701,807.3		4,209,168.0	
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	3,701,807.3		4,209,168.0	
Undisclosed reserves in real estate inventories	33,934.4		10,578.4	
Fair value of derivative financial instruments	116,313.0		106,873.1	
Deferred taxes on investment property	519,914.8		551,890.5	
Deferred taxes on real estate inventories and derivative financial instruments	-37,594.7		-27,671.9	
Goodwill excl. deferred taxes	-176,506.6		-216,327.4	
Number of shares excl. treasury shares (in 1,000)		992,631.7		1,016,057.4
EPRA NAV	4,157,868.3	4.19	4,634,510.7	4.56

The net asset value declined from EUR 4.56 to EUR 4.19 as of 30 April 2015 due to the negative net profit recorded for the year.

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:

	30 April 2015	30 April 2014
Equity before non-controlling interests in TEUR	3,701,807.3	4,209,168.0
Number of shares excl. treasury shares (in 1,000)	992,631.7	1,016,057.4
Book value per share in EUR	3.73	4.14

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:

	30 April 2015		30 April 2014	
	in TEUR	in EUR per share	in TEUR	in EUR per share
EPRA NAV	4,157,868.3	4.19	4,634,510.7	4.56
Fair value of derivative financial instruments	-116,313.0		-106,873.1	
Effect of fair value measurement of financial liabilities	-16,127.0		-24,592.2	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	31,408.6		31,180.3	
Deferred taxes on investment property	-141,496.2		-162,042.2	
EPRA NNNAV	3,915,340.6	3.94	4,372,183.5	4.30

Triple net asset value declined from EUR 4.30 to EUR 3.94 as of 30 April 2015 due to the negative net profit recorded for the year.