Business Development

IMMOFINANZ recorded net profit of EUR -146.1 million for the first three quarters of 2015/16 (Q1–3 2014/15: EUR 123.8 million). The year-on-year decline was caused primarily by approx. EUR 400 million of negative effects from the foreign exchange-adjusted valuation of the Russian portfolio and by a decrease in rental income to EUR 238.3 million (Q1–3 2014/15: EUR 313.5 million) that resulted from temporary rent reductions in Moscow and the planned sale of properties. The results of operations amounted to EUR 82.6 million (Q1–3 2014/15: EUR 221.1 million).

The foreign exchange-adjusted revaluations totalled EUR -379.3 million (Q1–3 2014/15: EUR -116.9 million) and resulted chiefly from write-downs to the Moscow retail properties. They were contrasted by positive revaluation effects from Romania (increased rental income from the Romanian shopping centers) and Austria (positive market environment). The foreign exchange-based revaluations totalled EUR 598.4 million, compared with EUR 798.0 million in the comparable prior year period. 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.

Financial results totalled EUR -364.1 million (Q1–3 2014/15: EUR -668.2 million), whereby net financing expense amounted to EUR -119.5 million (Q1–3 2014/15: EUR -122.4 million). Financial results also included foreign exchange effects of EUR -343.3 million (Q1–3 2014/15: EUR -544.9 million). Net profit equalled EUR -146.1 million (Q1–3 2014/15: EUR 123.8 million) and represented earnings per share (diluted) of EUR -0.15 (Q1–3 2014/15: EUR 0.13). The NAV (net asset value) per share equalled EUR 3.77 (30 April 2015: EUR 4.19).

Gross cash flow fell by 56.6% from EUR 214.9 million to EUR 93.2 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 amounted to EUR 95.3 million and was 33.2% below the comparable prior year value of EUR 142.7 million.

Cash and cash equivalents fell EUR -170.9 million below the level on 30 April 2015 to EUR 219.8 million as of 31 January 2016 and represented EUR 0.23 per share (excluding treasury shares).

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

OUTLOOK

The focus for the management of the standing investments remains unchanged and is directed to improving operating performance and raising occupancy rates in order to increase stable income. The conditions in the core markets, with the exception of Russia, are considered favourable for business development. 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.

The planned measures to increase cash flow also include the further reduction of financing costs in the currently favourable market environment (31 January 2016: 3.51% excl. derivatives and 3.78% incl. derivatives) as well as the reduction of corporate overheads.

As announced on 2 February 2016, plans call for the payment of a basis dividend of EUR 0.06, in each case, for the 2015/16 financial year and for the 2016 abbreviated financial year. The dividend could be higher if there is a significant improvement in the Russian economy – a potential development that is relevant, above all, for the 2016 abbreviated financial year.

INCOME STATEMENT

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

All amounts in TEUR	1 May 2015– 31 January 2016	1 May 2014– 31 January 2015[2]
Rental income	238,254.1	313,468.3
Results of asset management	147,428.8	237,918.8
Results of property sales	12,903.6	14,165.8
Results of property development	-34,897.0	3,431.6
Other operating income	24,434.3	7,163.0
Other operating expenses	-67,301.0	-41,606.1
Results of operations	82,568.7	221,073.1
Other revaluation results	222,172.8	679,660.0
Operating profit (EBIT)	304,741.5	900,733.1
Financial results	-364,095.6	-668,187.8
Earnings before tax (EBT)	-59,354.1	232,545.3
Net profit for the period from continuing operations	-143,410.0	89,983.1
Net profit from discontinued operations[1]	-2,652.7	33,772.3
Net profit for the period	**-146,062.7**	**123,755.4**

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

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 24.0% to EUR 238.3 million (Q1–3 2014/15: EUR 313.5 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 63.1 million for the reporting period, compared with EUR 124.2 million in the first three quarters 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.

Like-for-like rental income (i.e. adjusted for new acquisitions, completions and sales) rose slightly by 1.5%, or EUR 1.1 million, over the previous quarter to EUR 73.9 million in the third quarter of 2015/16. This increase was supported, above all, by higher occupancy in the Romanian shopping centers. The adjusted rental income from the Russian properties remained stable at EUR 19.8 million in the third quarter (Q3 2014/15: EUR 19.6 million), whereby the weaker Ruble exchange rate was offset by the increased Christmas business.

Revenues declined – similar to rental income – by 19.8% to EUR 317.6 million. The results of asset management were therefore 38.0% lower than the previous year at EUR 147.4 million in the first three quarters of 2015/16. This decrease exceeded the change in revenues and rental income due to an increase in property expenses, which equalled EUR -100.2 million and were 18.7% higher than the comparable prior year period. Property expenses rose primarily as the result of higher maintenance costs (EUR -15.1 million versus EUR -8.4 million in Q1–3 2014/15), which were related to the ongoing modernisation of office properties, and higher operating costs charged to building owners (EUR -22.0 million versus EUR -15.5 million in Q1–3 2014/15), which were caused by an increase in property-based taxes. The write-off of receivables in Russia equalled EUR -12.1 million in the first three quarters of 2015/16 (Q1–3 2014/15: EUR -15.0 million) and EUR -3.1 million in the third quarter (Q2 2015/16: EUR -2.7 million and EUR -7.3 million in Q3 2014/15). The outstanding balance of the rents receivable in Russia, after impairment losses, amounted to EUR 11.5 million as of 31 January 2016.

RESULTS OF PROPERTY SALES

The results of property sales totalled EUR 12.9 million for the reporting period (Q1–3 2014/15: EUR 14.2 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.

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 three quarters of 2015/16, the results of property development amounted to EUR -34.9 million (Q1–3 2014/15: EUR 3.4 million). This is a consequence, in particular, of construction cost overruns on the *Gerling Quartier* development project. It was contrasted by positive valuation effects on other German and Polish development projects.

RESULTS OF OPERATIONS

The results of operations equalled EUR 82.6 million and were 62.7% below the comparable prior year value of EUR 221.1 million. Other operating expenses (overhead costs) rose to EUR -67.3 million (Q1–3 2014/15: EUR -41.6 million), above all due to costs of EUR 29.3 million for the previously concluded, resp. planned settlement of legal proceedings with investors.

EBIT, FINANCIAL RESULTS AND EBT

EBIT totalled EUR 304.7 million for the first three quarters of 2015/16 (Q1–3 2014/15: EUR 900.7 million). The year-on-year decline was influenced primarily by other valuation results, which equalled EUR 222.2 million (Q1–3 2014/15: EUR 679.7 million). Revaluations adjusted for foreign exchange effects amounted to EUR -379.3 million (Q1–3 2014/15: EUR -116.9 million) and are attributable, above all, to write-downs to the Moscow retail properties. These write-downs are contrasted by positive revaluation effects from Romania (increased rental income from shopping centers) and Austria (positive market environment). The foreign exchange-based revaluations totalled EUR 598.4 million, compared with EUR 798.0 million in the comparable prior year period. 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.

Financial results totalled EUR -364.1 million (Q1–3 2014/15: EUR -668.2 million). Financing costs declined to EUR -130.8 million (Q1–3 2014/15: EUR -143.1 million), while the net total equalled EUR -119.5 million (Q1–3 2014/15: EUR -122.4 million). Financial results also included foreign exchange effects of EUR -343.3 million (Q1–3 2014/15: EUR -544.9 million) which represent, more or less, a counterpart to the currency-related value increase of EUR 594.0 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 -3.4 million (Q1–3 2014/15: EUR -11.7 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 consisted primarily of the results from the valuation of derivatives and included EUR 69.8 million (Q1–3 2014/15: EUR 59.4 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 102.1 million (Q1–3 2014/15: EUR 10.8 million) resulted chiefly from the proportional share of earnings from the BUWOG investment (EUR 105.1 million, proportional share of BUWOG earnings from the fourth quarter of 2014/15 and the first two quarters of 2015/16). Earnings before tax (EBT) equalled EUR -59.4 million (Q1–3 2014/15: EUR 232.5 million).

The reportable material transactions with related parties are presented in the notes.

NET PROFIT

Net profit equalled EUR -146.1 million for the first three quarters of 2015/16 (Q1–3 2014/15: EUR 123.8 million).

Tax expense equalled EUR -84.1 million (Q1–3 2014/15: EUR -142.6 million) despite the negative pre-tax earnings. It reflects the outcome, above all, of a tax audit in Russia (EUR -22.0 million) and the non-recognition of deferred tax assets in the Russian group companies.

EARNINGS PER SHARE

Diluted earnings per share for the first three quarters of 2015/16 equalled EUR -0.15 (Q1–3 2014/15: EUR 0.13).

BALANCE SHEET

The condensed balance sheet as of 31 January 2016 and 30 April 2015 is shown below:

All amounts in TEUR	31 January 2016	in %	30 April 2015[1]	in %
Investment property	5,108,762.1	79.1%	5,830,951.3	75.9%
Property under construction	579,492.1		469,133.7	
Non-current assets held for sale	635,012.9		266,490.3	
Real estate inventories	119,788.2		148,031.1	
Other tangible assets	3,040.7	0.0%	3,879.8	0.0%
Intangible assets	134,972.0	1.7%	177,176.9	2.0%
Equity-accounted investments	684,489.5	8.4%	799,881.6	9.0%
Trade and other receivables	563,113.7	6.9%	625,558.4	7.1%
Income tax receivables	30,030.0	0.4%	39,923.9	0.5%
Other financial assets	63,280.2	0.8%	87,321.0	1.0%
Deferred tax asset	2,454.4	0.0%	8,602.4	0.1%
Cash and cash equivalents	219,808.0	2.7%	390,702.7	4.4%
ASSETS	**8,144,243.8**	**100.0%**	**8,847,653.1**	**100.0%**
Equity	3,300,755.5	40.5%	3,699,554.1	41.8%
Liabilities from convertible bonds	541,531.1	6.6%	529,173.6	6.0%
Financial liabilities	3,180,533.5	39.1%	3,603,872.9	40.7%
Trade and other payables	394,029.3	4.8%	422,180.9	4.8%
Income tax liabilities	33,678.7	0.4%	43,526.0	0.5%
Provisions	45,978.9	0.6%	104,744.8	1.2%
Deferred tax liabilities	336,422.4	4.1%	377,386.7	4.3%
Financial liabilities held for sale	311,314.4	3.8%	67,214.1	0.8%
EQUITY AND LIABILITIES	**8,144,243.8**	**100.0%**	**8,847,653.1**	**100.0%**

1 The comparable prior year data were adjusted accordingly.

The property portfolio represented 79.1% 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 684.5 million as a result of the BUWOG dividend and the sale of approx. 10.3 million BUWOG shares. Cash and cash equivalents fell from EUR 390.7 million to EUR 219.8 million and represented 2.7% of the company's assets as of 31 January 2016. The decline in cash and cash equivalents resulted from the scheduled repayment of financial liabilities.

The Group's assets amounted to EUR 8.1 billion as of 31 January 2016, with the non-current component equalling EUR 6.9 billion and the current component EUR 1.2 billion.

Equity totalled EUR 3.3 billion as of 31 January 2016 (30 April 2015: EUR 3.7 billion). The decline was caused by the repurchase of the company's shares and by write-downs to property assets in Russia. The equity ratio equalled 40.5% as of 31 January 2016 (30 April 2015: 41.8%).

Liabilities totalled EUR 4.8 billion as of 31 January 2016. The non-current component equalled EUR 2.9 billion and the current component EUR 1.9 billion.

CASH FLOW STATEMENT

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

All amounts in TEUR	1 May 2015– 31 January 2016	1. May 2014– 31 January 2015[1]
Gross cash flow	93,186.9	214,915.7
Cash flow from operating activities	95,309.7	142,700.4
Thereof from discontinued operations	20,327.6	34,702.9
Cash flow from investing activities	273,247.0	117,996.8
Thereof from discontinued operations	-21,648.9	65,496.0
Cash flow from financing activities	-514,583.9	118,071.1
Thereof from discontinued operations	-18,376.0	-70,360.1

1 The comparable prior year data were adjusted accordingly.

Gross cash flow fell by 56.6% from EUR 214.9 million to EUR 93.2 million, primarily 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 amounted to EUR 95.3 million and was 33.2% lower than the comparable prior year value of EUR 142.7 million.

Cash and cash equivalents fell EUR -170.9 million below the level on 30 April 2015 to EUR 219.8 million as of 31 January 2016.

EPRA INDICATORS AND BOOK VALUE PER SHARE

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 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 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 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 January 2016 only includes the deferred taxes on those properties that are scheduled for sale through asset deals based on the current disposal plan.

The EPRA NNNAV calculation also includes 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:

	31 January 2016		30 April 2015	
All amounts in TEUR	**in TEUR**	**in EUR per share**	**in TEUR**	**in EUR per share**
Equity excl. non-controlling interests	3,306,422.2		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	3,306,422.2		3,701,807.3	
Undisclosed reserves in real estate inventories	1,674.8		33,934.4	
Fair value of derivative financial instruments	33,936.6		116,313.0	
Deferred taxes on investment property	482,445.2		519,914.8	
Deferred taxes on real estate inventories and derivative financial instruments	-7,894.6		-37,594.7	
Goodwill excl. deferred taxes	-134,511.0		-176,506.6	
Number of shares excl. treasury shares (in 1,000)		975,955.2		992,631.7
EPRA NAV	**3,682,073.2**	**3.77**	**4,157,868.3**	**4.19**
EPRA NAV	3,682,073.2	3.77	4,157,868.3	4.19
Fair value of derivative financial instruments	-33,936.6		-116,313.0	
Effect of fair value measurement of financial liabilities	-4,203.6		-16,127.0	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	8,630.1		31,408.6	
Deferred taxes on investment property	-13,210.3		-141,496.2	
EPRA NNNAV	**3,639,352.8**	**3.73**	**3,915,340.6**	**3.94**

The net asset value equalled EUR 3.77 as of 31 January 2016 (30 April 2015: EUR 4.19). The triple net asset value declined from EUR 3.94 to EUR 3.73 as of 31 January 2016.

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 January 2016	30 April 2015
Equity before non-controlling interests in TEUR	3,306,422.2	3,701,807.3
Number of shares excl. treasury shares (in 1,000)	975,955.7	992,631.7
Book value per share in EUR	**3.39**	**3.73**