

## IMMOFINANZ: Net profit for 2015/16 negatively influenced by Russia and non-recurring effects, dividend of 6 cents per share planned

KEY FIGURES (IN MEUR)*	2015/2016	Δ IN %	2014/2015
Rental income	314.5	-18.4%	385.6
Results of asset management	188.5	-33.0%	281.4
Results of property sales	0.8	-98.3%	44.4
Results of property development	-15.0	n.a.	11.4
Results of operations	118.2	-59.1%	289.1
Revaluation of investment properties (foreign exchange-adjusted and foreign exchange-based)	-133.8	43.9%	-92.9
Financial results	-319.1	-42.5%	-554.7
Net profit	-390.4	3.7%	-376.6
Cash flow from operating activities	64.9	-55.8%	146.9
Cash flow from operating activities adjusted**	158.2	7.7%	146.9

\*The earnings contribution from the logistics properties was reclassified to net profit from discontinued operations due to the sale of the logistics portfolio. The comparable data for 2014/15 were adjusted accordingly.

\*\* Adjusted to reflect non-recurring payments for settlements with investors and a settlement payment resulting from BUWOG's exit from the IMMOFINANZ AG tax group

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 past financial year was influenced by numerous events and decisions to set the course for IMMOFINANZ's transformation into a leading European real estate company, but also reflected the tense political and economic situation in Russia. After the very successful spin-off of BUWOG and the sale of our logistics portfolio, our concentration on the office and retail segments was the next step required for future growth. This growth will be organic, for example through the recently started development projects in Germany's office sector, or take place through acquisitions. We were also able to close a negative chapter from the past by reaching out-of-court settlements in lawsuits by investors which originated prior to 2009", explained Oliver Schumy, CEO of IMMOFINANZ.

"The capital measures implemented during the previous financial year now form the basis for a sustainable distribution policy and will essentially allow IMMOFINANZ to resume dividend payments independent of exceptional political or economic situations – as is currently the case in Russia. We will therefore make a

recommendation to the annual general meeting for the 2015/16 financial year, requesting the approval of a dividend of 6 cents per share“, added CEO Schumy. This distribution qualifies as a capital repayment under Austrian tax law and is therefore tax-free for private persons resident in Austria who hold IMMOFINANZ shares in their personal portfolios.<sup>1</sup>

## Earnings

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.

The reporting year brought an increase in the occupancy rate in the standing investment portfolio to 86.3% (2014/15: 84.2% incl. logistics properties). At the end of April 2016 the occupancy rate equalled 81.7% (2014/15: 75.0%) in the office segment and 91.1% (92.0%) – or a stable 94.1% excluding Russia – in the retail segment.

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.

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 in Cologne. 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 effect of EUR -48.0 million on the results of property development for the reporting year.

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 approx. EUR 240 million.

The foreign exchange-adjusted revaluations of investment property in all IMMOFINANZ markets 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 of EUR 57.4 million from Austria and Hungary. CBRE was commissioned to appraise the properties in Eastern Europe during 2015/16, while BNP Paribas was responsible for the appraisals in Germany and Austria. 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 and the US Dollar versus the Ruble during the reporting period.

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 a counterpart to the currency-related value increase of the Russian portfolio.

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<sup>1</sup> Subject to certain assumptions, e.g. when the capital repayment exceeds the tax-base of the shares

Diluted earnings per share for the 2015/16 financial year equalled EUR -0.40 (2014/15: EUR -0.37). The EPRA NAV (net asset value) per share amounted to EUR 3.39 as of 30 April 2016 (30 April 2015: EUR 3.99).

Cash flow from operating activities fell by 55.8% from EUR 146.9 million to EUR 64.9 million. 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 –and represented EUR 0.39 per share (excluding treasury shares).

## Outlook

Following the concentration on the office and retail segments, the focus is now on the further optimisation of the portfolio structure in these two areas and on value-creating growth to strengthen the standing investments.

The objectives include a further increase in the occupancy level and a steady improvement in the offering for tenants. In the retail segment, the VIVO! brand will be rolled out to existing shopping centers. Plans for the office segment include the introduction and establishment of a new brand. A like-for-like analysis shows that rents should remain stable across the entire portfolio, with the exception of Russia.

The measures planned to increase cash flow also include the reduction of financing costs in the current favourable market environment (30 April 2016: 3.85% including derivatives used to hedge interest rates and 3.54% excluding these derivatives) as well as a reduction in the Group's overhead costs.

The acquisition of approx. 26% of CA Immobilien Anlagen AG by IMMOFINANZ represents the first step towards the planned full merger of these companies. After the closing for the purchase of the shares in CA Immo, the two companies will begin negotiations over the merger. Their portfolios complement each other extremely well, and the transaction is therefore expected to result in substantial value-creating synergies. IMMOFINANZ intends to spin off or sell its Russian portfolio, which is characterised by different market dynamics and a higher risk profile, prior to the merger.

The company still plans to distribute a basic dividend of 6 cents per share for the abbreviated 2016 financial year.

The report by IMMOFINANZ AG on the 2015/16 financial year as of 30 April 2016 will be available on the company's website under <http://www.immofinanz.com/en/investor-relations/financial-reports> starting on 11 August 2016.

## On IMMOFINANZ

*IMMOFINANZ is a commercial real estate company whose activities are focused on the retail and office segments of eight core markets in Europe: Austria, Germany, Czech Republic, Slovakia, Hungary, Romania, Poland and Moscow. The core business includes the management and development of properties. The company has a real estate portfolio of approx. EUR 5.5 billion that covers more than 380 properties. IMMOFINANZ is listed on the stock exchanges in Vienna (leading ATX index) and Warsaw. Further information under: <http://www.immofinanz.com>*

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