IMMOFINANZ

Press Release | Corporate News

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IMMOFINANZ: Results of operations increased in Q1-2 2016A, net profit negatively influenced by valuation effects

KEY FIGURES (IN MEUR)*	Q1-2 2016A	Δ IN %	Q1-2 2015/16
Rental income	153.3	-4.4%	160.3
Results of asset management	107.3	5.1%	102.1
Results of property sales	-2.5	n/a	6.1
Results of property development	0.7	n/a	-5.6
Results of operations	87.6	28.2%	68.3
Revaluations	-132.4	n/a	374.1
Financial results	-83.8	58.7%	-203.1
Net profit	-154.4	n/a	133.2
FFO1 (excl. results of property sales)	16.9	8.8%	15.6
FFO2 (incl. results of property sales)	14.5	-33.4%	21.7

* The comparable data for 2015/16 were adjusted accordingly. The abbreviated 2016 financial year (2016A) covers eight months from May to December 2016.

IMMOFINANZ generated results of operations totalling EUR 87.6 million in the first two quarters of the abbreviated 2016 financial year, for an increase of 28.2% over the comparable prior year period. This growth was supported, above all, by an improvement in the results of asset management (plus 5.1% to EUR 107.3 million) following a substantial decline in the write-off of receivables in Russia and lower vacancy-related and operating costs charged to building owners as well as a reduction in other operating expenses (from EUR -53.5 million to EUR -26.1 million). In the previous year, these expenses were influenced by non-recurring costs for the settlement of legal proceedings with investors. Net profit for the reporting period amounted to EUR -154.4 million (H1 2015/16: EUR 133.2 million). This decline resulted, above all, from foreign exchange-adjusted revaluations of EUR -95.1 million to the Moscow shopping centers and a market-related valuation (IFRS) of EUR -105.7 million on the CA Immo shares.

"Our activities in recent quarters included the successful continuation of our focus on the office and retail core businesses, an increase in the efficiency of our portfolio and a further improvement in the occupancy rate. We also completed and opened three retail parks under our STOP SHOP brand and started a number of development projects in the retail sector. However, results for the first half-year were again influenced by the difficult market in Russia and the resulting extensions of the rent reductions granted to tenants", explained CEO Oliver Schumy.

Development of earnings in detail

Temporary rent reductions in Moscow were responsible for a 4.4% decline in rental income to EUR 153.3 million in the first half of 2016A (H1 2015/16: EUR 160.3 million). Rental income of EUR 36.1 million was recorded in Russia during the reporting period, compared with EUR 43.3 million in the first half of 2015/16. Completions and new rentals successfully offset the decline in rental income from the sale of properties. The rental income from office properties rose by 3.1% to EUR 55.5 million in the first half of 2016A.

The results of asset management rose by 5.1% year-on-year to EUR 107.3 million, primarily due to a 19.0% reduction in property expenses to EUR -52.0 million. Higher maintenance costs (EUR -14.7 million vs. EUR -7.0 million in H1 2015/16) for the ongoing modernisation of office properties were offset by a decline in the operating costs charged to building owners (EUR -9.0 million vs. EUR -13.9 million) which resulted, above all, from a decrease in property-based taxes and lower vacancy costs (EUR -7.2 million vs. EUR -9.2 million). At EUR -0.5 million, the write-off of receivables in Russia was also substantially lower than the first half of the previous year (EUR -9.0 million). The outstanding balance of the rents receivable in Russia, after impairment losses, declined to EUR 8.5 million as of 31 October 2016 (30 April 2016: EUR 11.1 million).

The results of property sales equalled EUR -2.5 million for the reporting period (H1 2015/16: EUR 6.1 million). The ongoing optimisation and adjustment of the portfolio was reflected in the sale of several residential properties, smaller office buildings and retail parks in Austria. In the first half of 2016A, the results of property development totalled EUR 0.7 million (H1 2015/16: EUR -5.6 million).

The results of operations rose by 28.2% over the first half of 2015/16 (EUR 68.3 million) to EUR 87.6 million for the reporting period. This increase was based, in particular, on a substantial decline in other operating expenses (EUR -26.1 million vs. EUR -53.5 million), which were influenced by non-recurring effects of EUR -28.1 million for the termination of legal proceedings with investors in the previous year.

The foreign exchange-adjusted revaluation of investment properties across all markets amounted to EUR -104.1 million (H1 2015/16: EUR 24.0 million) and was influenced primarily by a decline in the value of the Moscow retail properties. The main factors underlying this development were the difficult market environment, the completion and opening of numerous new shopping centers in Moscow and the extension of rental reductions and fixed exchange rates for tenants. Positive valuation effects were recorded in the Czech Republic, primarily due to an improvement in the market. Based on the more stable development of the Ruble in Q1-2 2016A, the foreign exchange-based revaluations of investment property totalled EUR -32.1 million (H1 2015/16: EUR 335.4 million). These adjustments resulted from the valuation of the Russian properties in US Dollars and the subsequent translation of the Ruble property values in the local Russian companies.

Financial results totalled EUR -83.8 million (H1 2015/16: EUR -203.1 million), in part due to a reduction in net financing costs, and included positive foreign exchange effects of EUR 35.4 million (H1 2015/16: EUR -180.5 million). The negative effects of EUR -11.0 million (H1 2015/16: EUR -22.3 million) recorded under other financial results are attributable primarily to the valuation of derivatives.

The share of profit/loss from equity-accounted investments equalled EUR -33.1 million (H1 2015/16: EUR 79.8 million) and was based, in particular, on the following: the proportional share of earnings from the BUWOG investment (EUR 29.5 million), a gain on the sale of 18.5 million BUWOG shares (EUR 34.2 million), the proportional share of earnings from CA Immo for one quarter (EUR 7.5 million) and the market-related valuation (IFRS) of the CA Immo shares (EUR -105.7 million). The book price of the investment in CA Immo therefore equalled EUR 19.98 per share as of 31 October 2016.

Net profit amounted to EUR -154.4 million (H1 2015/16: EUR 133.2 million), and diluted earnings per share were therefore negative at EUR -0.16 (H1 2015/16: EUR 0.13). The EPRA NAV per share equalled EUR 3.14 as of 31 October 2016 (30 April 2016: EUR 3.39).

Gross cash flow (before tax) rose by 23.3% from EUR 68.1 million to EUR 84.1 million. FFO 1 (excluding the results of property sales) improved by 8.8% year-on-year to EUR 16.9 million, while FFO 2 (including the results of property sales) equalled EUR 14.5 million (H1 2015/16: EUR 21.7 million).
Cash and cash equivalents declined slightly from EUR 371.6 million as of 30 April 2016 to EUR 359.5 million as of 31 October 2016.

Outlook

IMMOFINANZ AG has announced today a change in the preliminary timetable for the intended merger with CA Immobilien Anlagen AG. The reason is the planned divestment of IMMOFINANZ's Russian property portfolio, which is a condition for the merger of the two companies. The Executive Board and Supervisory Board of IMMOFINANZ today decided to schedule a longer period than originally considered for the process to separate the Russian properties. The recent stabilisation of the economy in Russia has contributed to this decision.

A structured bidding process for IMMOFINANZ's Moscow shopping centers is scheduled to start at the beginning of 2017. According to current estimates, the transaction should close in 2017.

The detailed merger discussions between IMMOFINANZ and CA Immo will be rescheduled until the separation of IMMOFINANZ's Russian portfolio is completed. In the interim, IMMOFINANZ will use the time as best as possible to prepare for the planned merger. The shareholder meetings to vote on the merger are expected, from the current point of view, to take place in 2018.

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 Q1-2 2016A as of 31 October 2016 will be available on the company's website under http://www.immofinanz.com/en/investor-relations/financial-reports starting on 20 December 2016.

On IMMOFINANZ

IMMOFINANZ is a commercial real estate group 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 covers the management and development of properties, whereby the STOP SHOP (retail), VIVO! (retail) and myhive (office) brands represent strong focal points that stand for quality and service. The real estate portfolio has a value of approx. EUR 5.2 billion and covers more than 350 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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