IMMOFINANZ

Press Release | Corporate News

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IMMOFINANZ: Group profit for 2016A negatively influenced by Russia and valuation effects, occupancy rate significantly increased, dividend of 6 cents/share planned

KEY FIGURES (IN MEUR)	2016A	Δ IN %	2015A*
Rental income	156.7	0.7%	155.7
Results of asset management	91.0	-9.2%	100.2
Results of property sales	-2.8	n/a	16.9
Results of property development	-18.1	30.6%	-26.1
Results of operations	50.9	-2.4%	52.2
Revaluations	0.3	-99.0%	30.3
Financial results	-45.2	n/a	4.3
Net profit for the period from continuing operations	26.9	-55.7%	60.7
Net profit	-182.0	-20.9%	-150.5
FFO 1 (excl. results of property sales and development)	34.7	-7.6%	37.6
FFO 2 (incl. results of property sales)	31.9	-41.4%	54.5

* The comparable prior year data were adjusted. The abbreviated 2016 (2016A) financial year covers the eight months from May to December 2016. The unaudited pro-forma financial information for 2015A assumes fictitiously that IMMOFINANZ's previous financial year also covered eight months, i.e. the period from 1 May to 31 December 2015 (2015A).

On 19 December 2016 the Executive Board and Supervisory Board approved the separation of the retail portfolio in Russia through a sale or spin-off. The Russian portfolio is therefore presented as a discontinued operation in the consolidated financial statements for 2016A in accordance with IFRS 5 (results of discontinued operations). The same procedure was followed in developing the pro-forma financial information for 2015A.

IMMOFINANZ recorded net income from continuing operations, i.e. excluding Russia, of EUR 26.9 million in the abbreviated 2016 financial year (2015A*: EUR 60.7 million). The major factors include increased maintenance costs for modernisation projects and the roll-out of the myhive and VIVO! brands, additional costs for the completion of residential buildings in Germany and the market-oriented valuation of CA Immobilien Anlagen AG at EUR -91.9 million. The non-cash effect from the valuation of this investment has already been offset in 2017 by an increase in the price of the CA Immo share.

Rental income (excluding Russia) totalled EUR 156.7 million and represents an increase of 0.7% over the pro-forma period 2015A*. The decline in rental income resulting from the sale of properties was offset by completions and new rentals. The results of discontinued operations amounted to EUR -208.8 million (2015A*: EUR -211.2 million) and reflect the still difficult market environment in Russia. This situation led to lower rental income and negative valuation effects in the Moscow shopping centers. In total, the IMMOFINANZ Group recorded a loss of EUR -182.0 million for the abbreviated 2016 financial year (2015A*: EUR -150.5 million).

"Our efforts during the abbreviated 2016 financial year were concentrated on working through negative issues from the past and increasing the occupancy rate in our portfolio to roughly 90%. Other previously implemented optimisation measures are related to our cost structures and include a substantial reduction in personnel expenses. In the financing area, we reduced the outstanding volume of bonds with interest rates that reflect previously high levels and secured long-term financing at attractive conditions through the issue of a new convertible bond shortly after the end of the reporting period“, commented Oliver Schumy, CEO of IMMOFINANZ, on these developments. “In Moscow, we also used the past quarters to adjust our five shopping centers to better reflect the current market environment and increased the occupancy rate by roughly six percentage points to nearly 88.0%. This is an important requirement to complete the separation of the Moscow shopping centers, as planned, by the end of 2017.“

The occupancy rate across the entire portfolios (excluding Russia) rose to 89.6% as of 31 December 2016 (30 April 2016: 87.0% excl. Russia and 86.3% incl. Russia). In the office sector, the occupancy rate increased from 81.7% to 87.3% during the abbreviated 2016 financial year. Personnel costs were reduced sustainably by more than 15.0% to EUR -28.1 million in 2016A (2015A*: EUR -33.1 million).

As previously announced, the annual general meeting on 1 June 2017 will be asked to approve a dividend of six cents per share. This distribution qualifies as a repayment of capital under Austrian tax law and is therefore tax-free (i.e. not subject to the deduction of withholding tax) for private persons resident in Austria who hold IMMOFINANZ shares as part of their private assets.[1]

Results in detail

Rental income totalled EUR 156.7 million in the abbreviated 2016 financial year, which represents an increase of 0.7% compared with the pro-forma period in 2015A (EUR 155.7 million*). The decline in revenues resulting from the sale of properties was offset by completions and new rentals. Rental income rose by 1.5% to EUR 74.3 million in the office sector and by 3.3% to EUR 68.8 million in the retail sector.

At EUR 91.0 million, the results of asset management were 9.2% lower than the comparable 2015A amount (EUR 100.2 million*). This decline was caused chiefly by an increase in property expenses, which were 17.9% higher than the previous year period at EUR -73.3 million due to modernisation projects in the office portfolio. The increase in maintenance costs (EUR -29.1 million versus EUR -13.4 million* in 2015A) was connected primarily with ongoing modernisation projects in the office sector, e.g. in the *Business Park Vienna*, and the roll-out of the myhive and VIVO! brands. The increase in extension costs (EUR -8.1 million versus EUR -5.0 million*) was related to the conclusion of numerous new large-scale rental contracts. In contrast, substantial declines were recorded in vacancy costs (EUR -9.0 million versus EUR -12.2 million*) and receivables write-offs (EUR -1.4 million versus EUR -3.0 million*).

The results of property sales amounted to EUR -2.8 million in 2016A (2015A*: EUR 16.9 million). The optimisation and adjustment of the portfolio were reflected in the sale, among others, of the *BB Centrum A* and *B* office buildings in Prague, the *Carlsquartier* development project in Düsseldorf, one retail property in Bulgaria, one pipeline project in Bratislava and several smaller office, retail and residential properties in Austria.

The results of property development cover the sale of real estate inventories as well as the valuation of development projects completed in 2016A or currently in progress. In 2016A the results of property development amounted to EUR -18.1 million (2015A*: EUR -26.1 million) and resulted primarily from additional costs for the completion of residential properties in the *Gerling Quartier* in Germany.

The results of operations equalled EUR 50.9 million and were 2.4% lower than the comparable prior year period (EUR 52.2 million*). Other operating expenses (EUR -32.1 million versus EUR -62.6 million*) in the previous year

[1] Subject to certain assumptions, e.g. when the total capital repayments exceed the tax base of the purchased shares

were negatively influenced by non-recurring effects of EUR -29.5 million* for the termination of legal proceedings with investors.

The foreign exchange-adjusted revaluation of investment property totalled EUR -11.0 million (2015A*: EUR 20.8 million). Financial results equalled EUR -45.2 million (2015A*: EUR 4.3 million), whereby financing costs fell by 11.0% to EUR -70.8 million (2015A*: EUR -79.5 million). Financial results also include foreign exchange effects of EUR 9.7 million (2015A*: EUR -5.5 million), which resulted primarily from intragroup financing transactions with companies in non-core countries whose functional currency is not the Euro. Other financial results of EUR 7.5 million (2015A*: EUR -23.4 million) are attributable chiefly to the valuation of derivatives at EUR 11.6 million (2015A*: EUR 41.0 million*).

The share of profit/loss from equity-accounted investments amounted to EUR 2.5 million (2015A*: EUR 102.1 million) and consists primarily of the following: EUR 35.8 million for the proportional share of earnings from the BUWOG investment, the EUR 34.2 million gain on the sale of 18.5 million BUWOG shares, the EUR 23.6 million proportional share of earnings from CA Immo for two quarters and EUR -91.9 million from the market-based valuation of the investment in CA Immo shares according to IFRS. The book price of the CA Immo share equalled EUR 21.02 as of 31 December 2016 (share price on 5 April 2017: EUR 20.35).

Earnings before tax (EBT) therefore amounted to EUR -7.5 million (2015A*: EUR 83.0 million). Income tax expense equalled EUR 34.3 million in 2016A (2015A*: EUR -22.3 million). This tax income resulted, above all, from the derecognition of deferred tax liabilities following the restructuring of intragroup financing for the retail portfolio in Russia. A contrary position for tax expense is included in the results of discontinued operations.

The results of discontinued operations totalled EUR -208.8 million (2015A*: EUR -211.2 million) and represent the discontinued core market Russia. The rental income from Russia amounted to EUR 50.1 million in 2016A, compared with EUR 56.9 million in 2015A* and EUR 36.1 million in the first two quarters of 2016A. The decline in relation to the comparable prior year period resulted primarily from the ongoing rental price reductions for the tenants in the Moscow shopping centers and a lower occupancy rate in relation to the eight-months of 2015A*.

The foreign exchange-adjusted revaluation – which represents the change in the value of the Russian investment properties in US Dollar translated into the Euro – totalled EUR -182.5 million in the 2016A financial year (2015/16: EUR -466.9 million, 2015A*: EUR -75.0 million) and is attributable, above all, to the difficult market environment and the related extensions of the rental price reductions granted to tenants. The revaluation also reflected the substantial year-end increase in the land register values defined by the city of Moscow, which represent the assessment bases for tax charges. The property appraisals for the Russian shopping centers are prepared in US Dollars. Based on the growing strength of the US Dollar in relation to the Euro, the fair value in Euros changed by only EUR -90.6 million. The value of the properties in the discontinued operation Russia therefore totalled EUR 1.02 billion as of 31 December 2016 (30 April 2016: EUR 1.11 billion).

The net profit from continuing operations totalled EUR 26.9 million in 2016A (2015A*: EUR 60.7 million). Net profit (including the results of discontinued operations) amounted to EUR -182.0 million (2015A*: EUR -150.5 million). Diluted earnings per share equalled EUR -0.19 (2015A*: EUR -0.15). The EPRA NAV per share equalled EUR 3.12 (30 April 2016: EUR 3.39).

Sustainable FFO 1 for the eight months of the abbreviated 2016 financial year (excluding the results of property sales and property development) amounted to EUR 34.7 million (2015A*: EUR 37.6 million). FFO 2 (including the results of property sales) totalled EUR 31.9 million versus EUR 54.5 million in 2015A*.

Cash and cash equivalents totalled EUR 189.3 million as of 31 December 2016, or EUR 206.2 million including the liquid funds in the discontinued operation and disposal groups (30 April 2016: EUR 371.6 million, resp. EUR 378.8 million).

Outlook

Activities in 2017 will concentrate on the further optimisation of the portfolio structure, the sale of non-core properties as well as efficiency improvements and value-creating growth to strengthen the standing investments.

The separation of the Russian retail properties through a sale or spin-off should be completed, as previously announced, by the end of 2017. From the current point of view, the annual general meetings which will vote on the merger of IMMOFINANZ und CA Immo are expected to take place in 2018.

IMMOFINANZ has regained its capital market standing as a sustainable dividend stock. Accordingly, the payment of a dividend is also planned for the current 2017 financial year.

The following factors will contribute the growth of sustainable FFO 1 over the medium-term: The additional rental income from active development projects is expected to total approx. EUR 37.0 million at full occupancy. The decline in rental income due to property sales (sale of non-core assets) will be offset by acquisitions, indexing and an increase in occupancy. The normalisation of the temporarily higher property expenses and other operating expenses should result in a positive FFO effect of approx. EUR 25.0 million over the medium-term. Financing costs are expected to decline by approx. EUR 30.0 million over the coming years, whereby financing for the convertible bonds and the corporate bond was secured after the end of the abbreviated 2016 financial year.

The report by IMMOFINANZ AG on the abbreviated 2016 financial year as of 31 December 2016 will be available on the company's website under http://www.immofinanz.com/en/investor-relations/financial-reports starting on 7 April 2017.

On IMMOFINANZ

IMMOFINANZ is a commercial real estate group whose activities are focused on the retail and office segments of seven core markets in Europe: Austria, Germany, Czech Republic, Slovakia, Hungary, Romania and Poland. 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 4.0 billion (excluding Russia) and covers more than 240 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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