Press Release | Corporate News

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IMMOFINANZ strengthens balance sheet and posts significant improvement in net profit for the first three quarters of 2017

- Like-for-like rental income rises 3.9%
- Results of Asset Management improve markedly by 11.3%
- Net profit for the period from continuing operations (excl. Russia) increases significantly to EUR 116.3 million (prior year: EUR -217.8 million) and net profit (incl. Russia) to EUR -59.1 million (prior year: EUR -409.5 million)
- Occupancy rate (excl. Russia) reaches record level of 92.9%
- Debt levels down sharply: net loan-to-value ratio improves to 42.3%** (excl. Russia) and equity ratio to 41.9%**
- FFO 1 more than doubles to EUR 48.6 million (Q1-3 2016: EUR 19.3 million)

KEY FIGURES (IN MEUR)	Q1-3 2017	Δ IN %	Q1-3 2016*
Rental income	174.1	0.0%	174.0
Results of asset management	122.6	11.3%	110.2
Results of property sales	2.7	n/a	-28.4
Results of property development	-26.1	n/a	18.4
Results of operations	66.2	-10.4%	73.9
Revaluations	11.3	n/a	-102.7
Financial results	88.6	n/a	-143.9
Net profit for the period from continuing operations	116.3	n/a	-217.8
Net profit	-59.1	85.6%	-409.5
FFO 1 (excl. results of property sales and development)	48.6	≥100.0%	19.3
FFO 2 (incl. results of property sales)	51.3	n/a	-9.1

* Due to the adaptation of the financial year to the calendar year as of 31 December 2016, the comparative data reflect the corresponding period of the 2016 calendar year.
The Moscow retail portfolio, which was presented as a discontinued operation for the first time in IMMOFINANZ's consolidated financial statements as of 31 December 2016, is also included in these (new) comparative figures in accordance with IFRS 5 - i.e. through the separate presentation of the Moscow retail portfolio as a discontinued operation in the consolidated income statement.
** Includes the second incentivised conversion of the 2018 convertible bond which was completed after the reporting period

IMMOFINANZ posted a significant increase in net profit from continuing operations (excl. Russia) for the first three quarters of 2017, to EUR 116.3 million (Q1-3 2016: EUR -217.8 million). Rental income remained stable at EUR 174.1 million despite the ongoing sale of non-strategic properties (Q1-3 2016: EUR 174.0 million). Adjusted for new acquisitions, completions and sales (like-for-like), rental income rose significantly, by 3.9% to EUR 138.4 million. The results from Asset Management grew 11.3% to EUR 122.6 million; financial results moved strongly into positive territory at EUR 88.6 million (Q1-3 2016: EUR -143.9 million). This was primarily a result of positive valuation effects from the CA Immo and BUWOG shareholdings, and lower financing costs. Overall, net profit (incl. Russia) improved to EUR -59.1 million (Q1-3 2016: EUR -409.5 million).

"We have made good progress in our operating business in the last three quarters and significantly strengthened our balance sheet. Our real estate portfolio now stands at around EUR 4.2 billion; a further amount of approximately EUR 660 million is attributable to our CA Immo shareholding. In addition, our cash and cash equivalents rose to around EUR 580 million up to the end of November due to disbursements from refinancing. At the same time, we have significantly lowered the interest burden and reduced debt levels. This enables us to target an investment grade rating as the next step", said Oliver Schumy, CEO of IMMOFINANZ, about the developments. "We have been consistently removing risks from our portfolio: in this respect, the sale of our retail portfolio in Moscow is a milestone for the future development of IMMOFINANZ."

The purchase contract with the FORT Group for the Moscow shopping center was signed as announced on 13 November 2017, with closing of the transaction expected to take place in December 2017. A negative valuation effect of EUR -157.8 million was recognised from the sale in net profit or loss from discontinued operations in the third quarter of 2017. IMMOFINANZ, however, has some additional earnings potential from the transaction of up to approx. EUR 145 million, based on future revenue-dependent earn-outs and potential tax refunds (converted at the Group exchange rate of EUR/RUB 69.0220 as of 30 September 2017).

Financing costs sank 8.2% in the first three quarters of 2017 to EUR -75.0 million (Q1-3 2016: EUR -81.7 million). This was primarily due to interest expense savings resulting from the incentivised conversion of 43.4% of the 2018 convertible bond at the start of the year (coupon: 4.25%) and the issuance of the new 2024 convertible bond (coupon: 2.0%). Furthermore, the EUR 100 million corporate bond with an interest rate of 5.25% was repaid at the start of the third quarter.

Average financing costs excluding Russia and excluding derivatives were 2.25%, or 2.05% taking the second incentivised conversion of the 2018 convertible bond after the reporting period into account (31 December 2016: 2.64%). The net loan-to-value has improved significantly, to 46.3% (excl. Russia), and to 42.3% including the second incentivised conversion of the 2018 convertible bond (31 December 2016: 49.0%).

The occupancy rate of the overall portfolio (excl. Russia) rose 3.3 percentage points to 92.9% at 30 September 2017 (31 December 2016: 89.6%). In the office sector the occupancy rate increased to 90.1% (31 December 2016: 87.3%), with the occupancy rate for the office properties under the new myhive office brand standing at 92.1%. The retail properties are virtually fully let at 96.6% (31 December 2016: 93.0%). The STOP SHOP retail parks have an occupancy rate of 97.8% and the VIVO! shopping centers have a rate of 95.2%.

Sustainable FFO 1 (excl. results from property sales and property development) rose to EUR 48.6 million (Q1-3 2016: EUR 19.3 million) and FFO 2 (incl. results from property sales) rose to EUR 51.3 million (Q1-3 2016: EUR -9.1 million).

The EPRA net asset value rose by 5.1% to approx. EUR 3.2 billion. The higher number of shares and the valuation effect resulting from the sale of the retail portfolio Moscow led to a decline in the EPRA NAV per share to EUR 2.81 (31 December 2016: EUR 3.12). The EPRA triple net asset value rose by 17.5% to approx. EUR 3.4 billion and the EPRA NNNAV per share rose from EUR 2.97 to EUR 2.99 as of 30 September 2017.

Cash and cash equivalents increased to EUR 242.2 million on 30 September 2017 (31 December 2016: EUR 189.3 million) and rose to roughly EUR 580.0 million by the end of November 2017, i.e. after the end of the reporting period, following the conclusion of refinancing agreements and the sale of non-strategic properties. IMMOFINANZ has a robust balance sheet structure, with an equity ratio of 38.8% (31 December 2016: 37.8%), or 41.9% taking the second incentivised conversion of the 2018 convertible bond which took place after the reporting period into account.

Plans for the 2017 financial year still include the distribution of a dividend of EUR 0.06 per share.

Results in detail

Rental income remained stable during the first three quarters of 2017 at EUR 174.1 million (Q1-3 2016: EUR 174.0 million). The decline in rental income resulting from the sale of properties was offset by completions and new rentals. Rental income in the office sector rose by 2.4% to EUR 85.4 million. The retail sector generated rental income of EUR 75.2 million, which roughly matched the previous year due to portfolio adjustments in Austria.

The results of asset management rose by a sound 11.3% to EUR 122.6 million (Q1-3 2016: EUR 110.2 million). Property expenses amounted to EUR -60.2 million (Q1-3 2016: EUR -71.4 million) and were 15.8% lower than the previous year. This decline resulted primarily from a reduction in maintenance costs (EUR -16.0 million versus EUR -20.7 million), operating costs charged to building owners (EUR -8.3 million versus EUR -12.9 million) and vacancy costs (EUR -8.9 million versus EUR -10.0 million). In contrast, fit-out costs for newly rented space increased to EUR -8.2 million (Q1-3 2016: EUR -5.1 million) following the conclusion of large-scale rental contracts.

The results of property sales turned positive at EUR 2.7 million for the first three quarters of 2017 (Q1-3 2016: EUR -28.4 million) and were influenced by the ongoing portfolio optimisation. Valuation effects (foreign exchange-adjusted and foreign exchange-related) totalled EUR -4.4 million (Q1-3 2016: EUR -23.2 million), whereby positive valuation effects from the sale of properties in Germany (*Gerling Quartier*) and non-core countries were contrasted by negative effects from the sale of non-strategic or smaller properties in Austria, the Czech Republic and Romania. These transactions had a combined sales volume of EUR 152.3 million (EUR 135.6 million of asset deals and EUR 16.7 million of share deals).

The results of property development fell to EUR -26.1 million in the first three quarters of 2017 (Q1-3 2016: EUR 18.4 million) despite clearly positive valuation effects from the development projects in Germany (EUR 24.1 million), above all the *trivago*, *FLOAT* and *Cluster Produktionstechnik*. This loss is attributable – as reported in the second quarter – primarily to additional costs for real estate inventories in the *Gerling Quartier* as well as outstanding obligations related to the transfer, repair of deficiencies and completion of the Cologne properties.

The results of operations equalled EUR 66.2 million compared with EUR 73.9 million in the first three quarters of the previous year. Other operating expenses rose by 9.3% to EUR -39.9 million (EUR -36.5 million). This increase was related, among others, to the roll-out of various special projects that are designed to sustainably improve efficiency, for example in the IT area (EUR -2.6 million versus EUR -1.4 million).

The foreign exchange-adjusted revaluation of investment property amounted to EUR 1.4 million (Q1-3 2016: EUR -119.5 million). Financial results turned positive at EUR 88.6 million (Q1-3 2016: EUR -143.9 million). Financing costs fell by 8.2% to EUR -75.0 million (Q1-3 2016: EUR -81.7 million), above all due to interest savings which resulted from the incentivised conversion of 43.4% of the convertible bond 2018 (coupon: 4.25%) at the beginning of the year and the issue of the new convertible bond 2024 (coupon: 2.0%). In addition, the 5.25% EUR 100 million corporate bond was redeemed at the beginning of the third quarter. Other financial results of EUR -10.1 million (Q1-3 2016: EUR -20.4 million) were related primarily to the valuation of derivatives at EUR -10.3 million and the earnings effect of EUR -12.6 million from the incentivised conversion of the convertible bond 2018. The valuation of the BUWOG shares at the market price on 30 September 2017 contributed a further EUR 10.0 million.

The share of profit/loss from equity-accounted investments increased substantially to EUR 175.1 million (Q1-3 2016: EUR -43.4 million) and consisted primarily of the following: EUR 38.8 million for the proportional share of earnings from CA Immo, a valuation gain of EUR 91.9 million on the CA Immo shares, a gain of EUR 18.0 million on the sale of 4.5 million BUWOG shares and a gain of EUR 25.8 million on the valuation of the BUWOG shares at the market price following the termination of equity accounting. The book price of the CA Immo share equalled EUR 25.67 as of 30 September 2017 (31 December 2016: EUR 21.02).

Earnings before tax (EBT) improved significantly to EUR 154.0 million (Q1-3 2016: EUR -215.9 million), and income tax equalled EUR -37.7 million for the reporting period (Q1-3 2016: EUR -1.9 million).

The **results of discontinued operations** totalled EUR -175.4 million and represent the discontinued core market Russia (Q1-3 2016: EUR -184.7 million). These results were influenced primarily by a negative valuation effect of EUR -157.8 million which resulted from the sale of the retail portfolio Moscow to the FORT Group. The negative valuation effect is related to goodwill (EUR -56.1 million) as well as to investment property (EUR -123.8 million) and was contrasted by effects of EUR 22.2 million from deferred taxes.

The purchase contract with the FORT Group was signed on 13 November 2017, and the transaction is expected to close during December 2017. As previously announced, the purchase price for the net assets equals up to RUB 15 billion and comprises three purchase components: a cash purchase price of RUB 5.0 billion (converted at a forward EUR/RUB exchange rate of 69.5730: EUR 71.9 million), a guaranteed payment in January 2022 of RUB 1.0 billion (converted at a fixed EUR/RUB exchange rate of 68.9655: EUR 14.5 million with a present value of EUR 9.4 million) and a non-recognisable earn out of up to RUB 9.0 billion which is based on the revenue from the shopping centers in 2021 and also payable in 2022. IMMOFINANZ can also participate with up to RUB 1.0 billion from the potential realisation of contingent receivables from tax refund proceedings which are current in progress.

Net profit from continuing operations rose substantially to EUR 116.3 million in the first three quarters of 2017 (Q1-3 2016: EUR -217.8 million). **Net profit** (including the results of discontinued operations) also improved significantly to EUR -59.1 million (Q1-3 2016: EUR -409.5 million). Diluted earnings per share equalled EUR -0.05 (Q1-3 2016: EUR -0.41).

The report by IMMOFINANZ AG on the first three quarters of the 2017 financial year as of 30 September 2017 will be available on the company's website under http://www.immofinanz.com/en/investor-relations/financial-reports starting on 29 November 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 4.2 billion (excluding Russia) and covers more than 250 properties. IMMOFINANZ is listed on the stock exchanges in Vienna (leading ATX index) and Warsaw. Further information under: http://www.immofinanz.com

For additional information contact:
Bettina Schragl
Head of Corporate Communications and Investor Relations
T +43 (0)1 88 090 2290
M +43 (0)699 1685 7290
communications@immofinanz.com
investor@immofinanz.com