

IMMOFINANZ with earnings jump after three quarters: Net profit rises to EUR 135.0 million

- Results of operations more than double to EUR 149.7 million (Q1-3 2017: EUR 66.2 million)
- FFO 1 (excl. CA Immo) reaches EUR 63.0 million (+100.0%) or EUR 0.57 per share
- Robust balance sheet: net LTV of 35.9%, liquidity rises to EUR 685.4 million, financing costs reduced to 1.8% (excl. derivatives)
- Further measures to optimise financing structure include plans to issue bonds (Eurobonds)
- Outlook confirmed for FFO 1 of over EUR 100.0 million in 2019

KEY FIGURES (IN MEUR)	Q1-3 2018	Δ IN %	Q1-3 2017
Rental income	175.7	0.9%	174.1
Results of asset management	134.5	9.7%	122.6
Results of property sales	28.1	≥ 100.0%	2.7
Results of property development	23.7	n/a	-26.1
Results of operations	149.7	≥ 100.0%	66.2
Financial results	32.3	-63.5%	88.6
Earnings before tax	182.4	18.5%	154.0
Net profit	135.0	n/a	-59.1
FFO 1 (before tax, excl. CA Immo)	63.0	≥ 100.0%	31.5*

*adjusted

IMMOFINANZ has remained on a sound course in the 2018 financial year: In the first three quarters, the results of operations more than doubled year-on-year to EUR 149.7 million (Q1-3 2017: EUR 66.2 million), sustainable FFO 1 from the standing investment business rose by 100.0% to EUR 63.0 million or EUR 0.57 per share, and net profit turned positive with a significant increase to EUR 135.0 million (Q1-3 2017: EUR -59.1 million). That represents basic earnings per share of EUR 1.23 and diluted earnings per share of EUR 1.14.

Rental income rose by 0.9% to EUR 175.7 million, whereby Q3 was lower than the previous quarters at EUR 56.7 million due to property sales. After an adjustment for new acquisitions, completions and sales (like-for-like), rental income rose by a solid 3.0%. The results of asset management increased by 9.7% to EUR 134.5 million following a substantial reduction in property expenses. Sound improvement was recorded in both the results of property sales and the results of property development: The results of property sales increased significantly to EUR 28.1 million (Q1-3 2017: EUR 2.7 million), and the results of property development turned positive at EUR 23.7 million after a loss in the previous year (Q1-3 2017: EUR -26.1 million).

Financial results for the period benefited, on the one hand, from a significant reduction in financing costs (reduced by 31.5% to EUR -51.3 million) and a book gain of EUR 66.2 million on the sale of the CA Immo investment. On the other hand, an impairment loss of EUR -25.1 million was required for the investment in S IMMO. The S IMMO share had a market price of EUR 17.2 on 30 September 2018, but the recorded book value equalled EUR 18.7 and

was therefore lower than the purchase price of EUR 20.0 per share. Financial results totalled EUR 32.3 million for the first three quarters of 2018 (Q1-3 2017: EUR 88.6 million).

Net profit turned strongly positive at EUR 135.0 million in Q1-3 2018, compared with the first three quarters of the previous year which were negatively influenced by the sale of the Russian portfolio (EUR -59.1 million). Basic earnings per share equalled EUR 1.23 and diluted earnings per share EUR 1.14 (Q1-3 basic and diluted 2017: EUR -0.55).

“We can now see the results of IMMOFINANZ’s repositioning as one of the leading commercial real estate companies in Central and Eastern Europe with a focus on the office and retail asset classes – and the expected improvement is clearly visible in our key performance indicators for the 2018 financial year. The Group has a very solid foundation for further growth and is successfully positioned to utilise the opportunities resulting from changes in the market environment”, commented Oliver Schumy, CEO of IMMOFINANZ, on these developments.

The sustainable FFO1 (before tax) from the standing investment business improved by 100.0% to EUR 63.0 million. In addition, FFO 1 (before tax) per share increased by 83.9% to EUR 0.57. FFO 1 does not include the dividend or the economic interest in CA Immo or S IMMO. Including the dividend payment of EUR 20.6 million from CA Immo in 2018, FFO 1 would equal EUR 83.5 million or EUR 0.75 per share.

Robust balance sheet indicators

IMMOFINANZ has a robust balance sheet structure with an equity ratio of 48.2% (31 December 2017: 46.3%). Cash and cash equivalents rose to EUR 685.4 million (31 December 2017: EUR 477.9 million). Consequently, the net loan-to-value ratio equalled only 35.9% (31 December 2017: 40.8%). Average financing costs declined further and, at the end of September, equalled 1.80% excluding derivatives (31 December 2017: 1.97%) and 2.17% including derivatives (31 December 2017: 2.31%).

The EPRA NAV rose by 3.5% over the level on 31 December 2017 to EUR 3,334.1 million. The EPRA NAV per share equalled EUR 27.24 after the distribution of the EUR 0.70 dividend in May and including the diluting effects of the convertible bond 2024 (31 December 2017: EUR 28.60). After an adjustment for the dilution, the EPRA NAV per share equalled EUR 28.00. The calculation of the EPRA NAV as of 30 September 2018 includes the diluting effects which would result from the conversion of the IMMOFINANZ convertible bond 2024. These effects were included for the first time because of the convertible bond was “in the money” as of 30 September 2018 and rational investors would therefore be expected to convert their bonds. The book value per share rose to EUR 25.54 (31 December 2017: EUR 25.28).

Occupancy rate increased to 94.5%

The real estate portfolio covered 223 properties with a carrying amount of EUR 4.3 billion as of 30 September 2018. Most of these properties – roughly 86% or EUR 3.7 billion – are standing investments. Their occupancy rate rose to 94.5% during the first three quarters (31 December 2017: 94.2%). Based on IFRS rental income, that represents a gross return of 6.2% (31 December 2017: 6.4%).

Outlook

IMMOFINANZ plans to take further steps to optimise its financing structure in the coming months. These steps will include possible issuance of bonds (Eurobonds) to lock in financing costs over the long-term.

The closing for the purchase of 29.14% of the shares in S IMMO took place at the end of September 2018. The reciprocal investment between IMMOFINANZ and S IMMO creates a very good starting position for a possible combination of the two companies.

The outlook – which calls for FFO 1 of more than EUR 100.0 million in the 2019 financial year - is confirmed. Plans for the current 2018 financial year also include an increase in the dividend to EUR 0.8 (2017: EUR 0.7) per share.

Results in detail

Rental income rose by 0.9% to EUR 175.7 million in the first three quarters of 2018 (Q1-3 2017: EUR 174.1 million). Rental income amounted to EUR 56.7 million in Q3 2018 and was lower than the comparable prior year value (EUR 59.2 million) and previous quarters due to the sale of properties (among others, office properties in Cologne). After an adjustment for sales, completions and acquisitions, rental income rose by 3% to EUR 150.8 million in Q1-3 2018. This increase was based on higher occupancy rates in the individual markets and on higher rental income.

Property expenses were 20.4% lower year-on-year at EUR -47.9 million (Q1-3 2017: EUR -60.2 million). This decline resulted primarily from a reduction in the costs for fit-outs (EUR -1.2 million versus EUR -8.2 million) and vacancies (EUR -6.6 million versus EUR -8.9 million). Maintenance costs totalled EUR -16.3 million in Q1-3 2018 (including EUR -8.5 million in Q3) and were slightly higher than the prior year level of EUR -16.0 million. It reflects the increase expected in the second half of 2018 compared with the first half-year. The growth in rental income combined with the reduction in property expenses led to an increase of 9.7% in the **results of asset management** to EUR 134.5 million (Q1-3 2017: EUR 122.6 million).

The **results of property sales** improved substantially from EUR 2.7 million in the first three quarters of the previous year to EUR 28.1 million, primarily due to the reclassification of foreign exchange differences. The **results of property development** turned positive at EUR 23.7 million following a loss in the previous year (Q1-3 2017: EUR -26.1 million). This improvement was based, in particular, on positive revaluation effects from development projects in Germany during the first half-year.

The **results of operations** more than doubled to EUR 149.7 million (Q1-3 2017: EUR 66.2 million). Other operating expenses rose slightly to EUR -41.0 million (Q1-3 2017: EUR -39.9 million) – as reported in Q1 2018 – among others due to the payment of a one-time special bonus of EUR -4.0 million to the Executive Board for the successful restructuring of the Group. Other non-recurring effects of approximately EUR -6.3 million involved one-off expenses and costs for special projects related to the simplification of the corporate structure. After an adjustment for the special bonus, personnel expenses were 8.6% lower year-on-year at EUR -22.6 million (Q1-3 2017: EUR -24.8 million).

The **revaluation of investment property** (foreign exchange-adjusted and foreign exchange-based) totalled EUR 0.5 million for the reporting period (Q1-3 2017: EUR -0.1 million). In contrast, the **total revaluation results** recorded by IMMOFINANZ in Q1-3 2018 were clearly positive at EUR 31.2 million (Q1-3 2017: EUR 11.3 million). This amount includes EUR 16.4 million (Q1-3 2017: EUR 7.9 million) of foreign exchange-adjusted revaluations. Positive effects were provided, among others, by an increase in the value of the *FLOAT* and *trivago Campus* development projects in Germany, whereby the latter was reclassified to investment property as of 30 June 2018, and by two office properties, the *myhive Metroffice* in Bucharest and the *Polus Towers* in Bratislava. The start of modernisation in the *VIVO! Cluj* shopping center represented a temporary negative valuation effect. Foreign exchange-based revaluations totalled EUR 14.8 million for the reporting period (Q1-3 2017: EUR 3.4 million) and were related to properties in non-core countries whose functional currency is not the Euro.

Financing costs declined, as expected, by 31.5% to EUR -51.3 million (Q1-3 2017: EUR -75.0 million) as a result of the extensive refinancing measures carried out in 2017. **Other financial results** turned positive at EUR 4.3 million, whereby the comparable prior year period (EUR -10.1 million) was negatively influenced, above all, by the valuation of derivatives and the earnings effect from the incentivised conversion of the convertible bond 2018.

The share of **profit/loss from equity-accounted investments** amounted to EUR 72.6 million (Q1-3 2017: EUR 175.1 million). Included here are a book gain of EUR 66.2 million on the sale of the CA Immo shares, EUR 24.0 million for the proportional share of CA Immo earnings for the first half of 2018 and an impairment loss of EUR -25.1 million to the investment in S IMMO. The S IMMO share had a market price of EUR 17.2 as of 30 September 2018, but

the recorded book value equalled EUR 18.7 and was therefore lower than the purchase price of EUR 20.0 per share. In the comparable prior year period, the share of profit/loss from equity-accounted investments was significantly influenced by the very positive development of the CA Immo and BUWOG share prices. **Financial results** totalled EUR 32.3 million for the first three quarters of 2018 (Q1-3 2017: EUR 88.6 million).

Income tax amounted to EUR -46.7 million (Q1-3 2017: EUR -37.7 million) and contains EUR -29.4 million of deferred taxes for the income taxes that could become due in later financial years. These deferred taxes include, among others, EUR -10.7 million from property valuation.

Net profit improved significantly to EUR 135.0 million (Q1-3 2017: EUR -59.1 million) and represents basic earnings per share of EUR 1.23 (Q1-3 2017: EUR -0.55), respectively diluted earnings per share of EUR 1.14 (Q1-3 2017: EUR -0.55).

The report by IMMOFINANZ AG on the on the first three quarters of the 2018 financial year as of 30 September 2018 will be available on the company's website under <http://www.immofinanz.com/en/investor-relations/financial-reports> starting on 29 November 2018.

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 4.3 billion and covers more than 220 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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