

Business Development

IMMOFINANZ more than tripled the results of operations to EUR 114.8 million in the first half of 2018 (Q1-2 2017: EUR 33.8 million), and rental income rose by 3.5% to EUR 119.0 million. The results of asset management increased by a sound 19.8% to EUR 94.8 million, supported by a sizeable reduction in property expenses. Substantial improvement was recorded in both the results of property sales and the results of property development: the results of property sales rose to EUR 20.6 million (Q1-2 2017: EUR 2.0 million), while the results of property development turned positive at EUR 24.2 million following a loss in the first half of the previous year (Q1-2 2017: EUR -28.9 million).

Financial results benefited from a strong decline in financing costs. The refinancing transactions carried out in the previous year led to a reduction of 35.3% to EUR -33.8 million. Financial results declined, as expected, from EUR 104.4 million to EUR 1.5 million due to the absence of the high positive valuation effects recorded in 2017 from the CA Immo and BUWOG investments. Net profit for the first half of 2018 totalled EUR 86.2 million, compared with EUR 105.3 million in the first half of the previous year, and earnings per share (basic) equalled EUR 0.79 (Q1-2 2017: EUR 1.05).

INCOME STATEMENT

A condensed version of the consolidated income statement is presented below:

Amounts in TEUR	Q1-2 2018	Q1-2 2017
Rental income	118,967	114,906
Results of asset management	94,751	79,060
Results of property sales	20,649	2,045
Results of property development	24,159	-28,931
Other operating income	3,100	5,392
Other operating expenses	-27,816	-23,773
Results of operations	114,843	33,793
Other revaluation results	9,272	1,979
Operating profit (EBIT)	124,115	35,772
Financial results	1,511	104,383
Earnings before tax (EBT)	125,626	140,155
Net profit for the period from continuing operations	89,453	113,143
Net profit or loss from discontinued operations	-3,240	-7,876
Net profit or loss	86,213	105,267

RESULTS OF ASSET MANAGEMENT

The results of asset management include rental income, other revenues, operating income and operating costs as well as the expenses directly attributable to investment property. Rental income rose by 3.5% to EUR 119.0 million, compared with EUR 114.9 million in the first half of the previous year. Revenues increased by 3.6% to EUR 165.8 million (Q1-2 2017: EUR 160.1 million).

Property expenses were 31.8% lower year-on-year at EUR -28.4 million (Q1-2 2017: EUR -41.7 million). This decline resulted primarily from a reduction in the costs for fit-outs (EUR -0.8 million versus EUR -6.5 million), vacancies (EUR -4.9 million versus EUR -6.1 million) and maintenance (EUR -7.9 million versus EUR -8.8 million). The growth in rental income combined with the reduction in property expenses led to an increase of 19.8% in the results of asset management to EUR 94.8 million (Q1-2 2017: EUR 79.1 million).

RESULTS OF PROPERTY SALES AND PROPERTY DEVELOPMENT

The results of property sales improved substantially from EUR 2.0 million in the first half of the previous year to EUR 20.6 million. The results of property development turned positive at EUR 24.2 million following a loss in the previous year (Q1-2 2017: EUR -28.9 million) and resulted, in particular, from positive revaluation effects on the *FLOAT* and *trivago Campus* development projects in Düsseldorf.

RESULTS OF OPERATIONS

The results of operations more than tripled to EUR 114.8 million in the first half of 2018 (Q1-2 2017: EUR 33.8 million). Other operating expenses rose to EUR -27.8 million (Q1-2 2017: EUR -23.8 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 -1.4 million involved costs related to the simplification of the corporate structure. After an adjustment for these non-recurring factors, other operating expenses were 5.7% lower year-on-year at EUR -22.4 million. Personnel expenses adjusted for the special bonuses were 8.3% below the comparable prior year value at EUR -15.7 million (Q1-2 2017: EUR -17.2 million).

REVALUATION, FINANCIAL RESULTS AND EBT

The revaluation of investment property totalled EUR 9.4 million (Q1-2 2017: EUR 2.7 million). Financing costs fell, as expected, by a substantial 35.3% to EUR -33.8 million (Q1-2 2017: EUR -52.2 million) due to the extensive refinancing measures carried out in 2017. The share of profit/loss from equity-accounted investments amounted to EUR 31.3 million (including EUR 24.0 million attributable to the CA Immo investment), whereby the previous year was positively influenced by valuation effects from the very positive development of the CA Immo and BUWOG share prices (Q1-2 2017: EUR 164.2 million). Financial results totalled EUR 1.5 million for the reporting period (Q1-2 2017: EUR 104.4 million).

Earnings before tax (EBT) totalled EUR 125.6 million (Q1-2 2017: EUR 140.2 million). Income tax amounted to EUR -36.2 million (Q1-2 2017: EUR -27.0 million), whereby EUR -31.9 million represent deferred taxes for the income taxes that could become due in later financial years. Included here, among others, are EUR -18.2 million from property valuation.

NET PROFIT

Net profit from continuing operations equalled EUR 89.5 million in the first half of 2018 (Q1-2 2017: EUR 113.1 million).

The results of discontinued operations totalled EUR -3.2 million (Q1-2 2017: EUR -7.9 million). Included here – as reported in Q1 2018 – are subsequent costs related to tax proceedings involving the logistics properties which were sold in 2016, but are attributable to IMMOFINANZ as the owner at that time.

Net profit for the first half of 2018 equalled EUR 86.2 million (Q1-2 2017: EUR 105.3 million) and represents earnings per share (basic) of EUR 0.79 (Q1-2 2017: EUR 1.05).

BALANCE SHEET

The condensed balance sheet is shown below:

Amounts in TEUR	30 June 2018	in %	31 Dec 2017	in %
Investment property	3,881,368	73.2%	3,729,519	
Property under construction	327,120	(excl.	404,064	73.6%
Real estate inventories	42,257	CA Immo	61,221	
Assets held for sale	864,850	share)	265,148	
Other tangible assets	1,161	0.02%	1,719	0.03%
Intangible assets	24,793	0.4%	25,056	0.4%
Equity-accounted investments	5,418	0.1%	685,984	11.3%
Trade and other receivables	313,410	5.2%	365,137	6.0%
Other financial assets	10,717	0.2%	32,015	0.5%
Deferred tax assets	4,936	0.1%	5,291	0.1%
Income tax receivables	10,747	0.2%	9,621	0.2%
Cash and cash equivalents	563,719	9.3%	477,889	7.9%
ASSETS	6,050,496	100.0%	6,062,664	100.0%
Equity	2,761,600	45.6%	2,808,043	46.3%
Liabilities from convertible bonds	282,262	4.7%	313,217	5.2%
Financial liabilities	2,406,220	39.8%	2,306,418	38.0%
Trade and other payables	190,246	3.1%	242,656	4.0%
Income tax liabilities	7,610	0.1%	5,704	0.1%
Provisions	49,065	0.8%	58,853	1.0%
Deferred tax liabilities	352,204	5.8%	325,112	5.4%
Financial liabilities held for sale	1,289	0.02%	2,661	0.0%
EQUITY AND LIABILITIES	6,050,496	100.0%	6,062,664	100.0%

Assets totalled EUR 6.1 billion as of 30 June 2018 (31 December 2017: EUR 6.1 billion) and comprise non-current assets of EUR 4.4 billion and current assets of EUR 1.7 billion.

The value of the property portfolio amounted to EUR 4.4 billion and represented 73.2% of total assets as of 30 June 2018. These properties are reported on the balance sheet under the following positions: investment property, property under construction, real estate inventories and non-current assets held for sale. Non-current assets held for sale include properties as well as other assets which will be transferred to the buyer in the event of a sale. This asset category has a carrying amount of EUR 688.4 million and consists primarily of the equity-accounted investment in CA Immo. After the sale was announced at the beginning of July 2018, this investment was reclassified from non-current assets to assets held for sale. The closing of the sale is expected to take place in the third quarter of 2018.

The equity-accounted investments totalled EUR 5.4 million after the reclassification of the CA Immo investment (31 December 2017: EUR 686.0 million).

The following properties were transferred from property under construction to investment property during the reporting period: the *trivago Campus*, a car park at the *Cluster Produktionstechnik* in Germany and two STOP SHOP retail parks in Serbia.

Other financial assets declined to EUR 10.7 million (31 December 2017: EUR 32.0 million) due to the sale of the remaining BUWOG shares. The 436,443 BUWOG shares held by IMMOFINANZ after the conversion of the convertible bond 2018 were sold to Vonovia SE in connection with the takeover offer during the first quarter of 2018.

Cash and cash equivalents increased from EUR 477.9 million as of 31 December 2017 to EUR 563.7 million.

Equity amounted to EUR 2.8 billion as of 30 June 2018 (31 December 2017: EUR 2.8 billion). Liabilities totalled EUR 3.3 billion (31 December 2017: EUR 3.3 billion), whereby the non-current component equalled EUR 2.4 billion and the current component EUR 0.9 billion. The equity ratio equalled 45.6% as of 30 June 2018 (31 December 2017: 46.3%).

CASH FLOW STATEMENT

The condensed cash flow statement is presented below:

Amounts in TEUR	Q1-2 2018	Q1-2 2017
Gross cash flow after tax	57,096	67,159
Cash flow from operating activities	24,130	44,450
Cash flow from investing activities	97,679	102,364
Cash flow from financing activities	-35,518	-30,250

FUNDS FROM OPERATIONS (FFO)

Amounts in TEUR	P&L Q1-2 2018	Adjustments	FFO Q1-2 2018	FFO Q1-2 2017 (adjusted)
Results of asset management	94,751		94,751	79,060
Results of property sales	20,649	-20,649		
Results of property development	24,159	-24,159		
Other operating income	3,100	-379	2,721	4,814
Other operating expenses	-27,816	5,940	-21,876	-23,349
Results of operations	114,843	-39,247	75,596	60,525
Other revaluation results	9,272	-9,272		
Operating profit (EBIT)	124,115	-48,519	75,596	60,525
Financing costs	-33,762			
Financing income	3,085			
Foreign exchange differences	1,244			
Other financial results	-319			
Net profit or loss from equity-accounted investments	31,263			
Financial results	1,511	-28,727	-27,216	-32,695
Earnings before tax (EBT) / FFO 1	125,626	-77,246	48,380	27,830
Net profit or loss from discontinued operations	-3,240	3,240		
FFO 1 before tax (excl. CA Immo)			48,380	27,830
Number of shares (EPS)			111,530,821	102,444,646
FFO 1 per share before tax			0.43	0.27

The development of sustainable funds from operations, an important profitability indicator for the real estate branch, underscores IMMOFINANZ's strong earning power. FFO 1 (before tax) from the standing investment business improved by roughly 73.8% to EUR 48.4 million. In addition, FFO 1 (before tax) per share increased by 59.7% to EUR 0.43. FFO 1 does not include the dividend or the economic interest in CA Immo.

EPRA INDICATORS

NET ASSET VALUE (NAV) AND TRIPLE NET ASSET VALUE (NNNAV)

Net asset value (NAV) is calculated in accordance with the Best Practices Recommendations issued by the European Public Real Estate Association (EPRA). The EPRA NAV concept is used to present the fair value of equity on a long-term basis in order to give investors an overview of a company's sustainable asset position. The calculation of EPRA NAV also includes the undisclosed reserves in real estate inventories as well as the (negative) fair value of derivative financial instruments. Undisclosed reserves are not included in carrying amounts in accordance with IFRS accounting rules, while the (negative) fair values of derivative financial instruments regularly serve as a means of hedging long-term financing so these gains or losses will remain hypothetical as of the balance sheet date. The deferred taxes on these items are included. In accordance with the EPRA NAV concept, the calculation should include the deferred taxes that would be realised on the sale of property. Goodwill, which arises as a technical figure due to the recognition of deferred taxes on business combinations, is deducted.

Triple net asset value (NNNAV) is also calculated in accordance with the EPRA's Best Practices Recommendations. The calculation of EPRA NNNAV involves an adjustment to reverse the (negative) fair value of derivative financial instruments from the NAV calculation. In addition, financial liabilities are restated at their fair value. This calculation also includes the deduction of the deferred taxes expected from the sale of properties. Asset deals generally result in the full realisation of deferred taxes, while the assumption for sales through share deals is that IMMOFINANZ will (economically) bear 50% of the deferred tax liabilities.

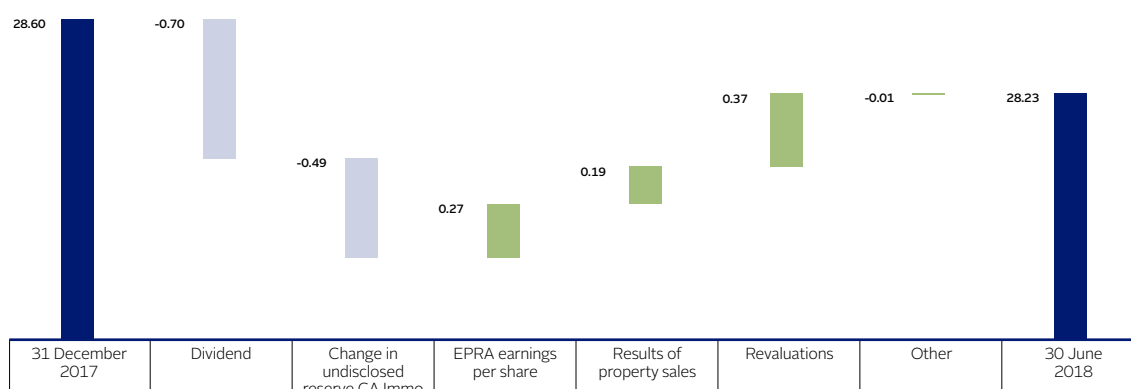
The EPRA NNNAV calculation also includes the deferred taxes from the adjustments to derivative financial instruments and from the fair value measurement of financial liabilities. The objective is to give investors an overview of the current value of all assets and liabilities.

The results of the NAV and NNNAV calculations are shown below:

	30 June 2018		31 December 2017	
	in TEUR	in EUR per share	in TEUR	in EUR per share
Equity excl. non-controlling interests	2,779,749		2,821,521	
Diluting effects of convertible bond 2018	0		19,121	
Diluted equity excl. non-controlling interests after an adjustment for convertible bonds and the exercise of options	2,779,749		2,840,642	
Undisclosed reserves in the investment in the CA Immo Group	67,067		123,993	
Undisclosed reserves in real estate inventories	74		74	
Fair value of derivative financial instruments	10,098		7,375	
Deferred taxes on investment property	291,421		274,977	
Deferred taxes on real estate inventories and derivative financial instruments	-2,299		-1,643	
Goodwill excl. deferred taxes	-24,507		-24,848	
Number of shares excl. treasury shares (in 1,000)		110,585		111,617
Potential shares (in 1,000)		0		989
EPRA NAV	3,121,603	28.23	3,220,570	28.60
Fair value of derivative financial instruments	-10,098		-7,375	
Effect of fair value measurement of financial liabilities	10,580		5,737	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	-420		197	
Deferred taxes on investment property	-20,144		-17,495	
EPRA NNNAV	3,101,521	28.05	3,201,634	28.43

The EPRA NAV per share equalled EUR 28.23 after the dividend payment of EUR 0.70 in May (31 December 2017: EUR 28.60), and the EPRA NNNAV per share equalled EUR 28.05 (31 December 2017: EUR 28.43).

EPRA NAV BRIDGE



EPRA EARNINGS PER SHARE

Amounts in TEUR	Q1-2 2018	Q1-2 2017
Weighted average number of shares (in 1,000)	111,531	102,445
Net profit or loss from continuing operations excl. non-controlling interests	91,260	115,538
Revaluation of investment properties and development properties	-41,776	-11,485
Results of property sales	-20,656	-2,045
Goodwill impairment, negative differences and earn-out effects on income	100	733
Changes in fair value of financial instruments	1,842	-2,856
Acquisition costs on share deals	4	0
Taxes in respect of EPRA adjustments	6,242	1,380
EPRA adjustment in respect of joint ventures and non-controlling interests	-6,749	1,657
EPRA earnings	30,267	102,923
EPRA earnings per share	0.271	1.005
Company specific adjustments		
Result from termination of equity accounting of BUWOG AG	0	-25,841
Result from incentivised conversion of the convertible bond 2018	0	12,580
Recognition of outside basis difference CA Immo Group	2,437	
Foreign exchange gains and losses	-1,244	-22
Impairment loss/reversal CA IMMO Group	0	-91,850
Deferred tax in respect of the company specific adjustments	241	3,041
Company-specific adjusted earnings	31,702	830
EPRA earnings per share after company-specific adjustments	0.284	0.008

EPRA earnings per share equalled EUR 0.27, respectively EUR 0.28 per share after company-specific adjustments.

EPRA NET INITIAL YIELD

Amounts in TEUR	Q1-2 2018	Q1-2 2017
Investment property	3,961,884	4,825,684
Investment property - proportional share of joint ventures	54,498	44,498
Less undeveloped land	-216,722	-209,919
Less Russian portfolio	0	-976,410
Less undeveloped land - proportional share of joint ventures	0	-1,958
Total property portfolio	3,799,660	3,681,895
Allowance for estimated purchasers' costs	68,394	66,274
Gross value of total property portfolio	3,868,054	3,748,169
Annualised cash rental income	243,209	229,535
Annualised cash rental income - proportional share of joint ventures	1,913	1,729
Non-recoverable property operating expenses	-31,766	-37,819
Non-recoverable property operating expenses - proportional share of joint ventures	-136	-56
Annualised net rental income	213,220	193,389
EPRA Net Initial Yield	5.512%	5.160%

The EPRA net initial yield rose from 5.2% in the first half of the previous year to 5.5% for the reporting period.