

# Business Development

IMMOFINANZ doubled the results of operations to EUR 35.5 million in the first quarter of 2018 (Q1 2017: EUR 17.8 million), and rental income rose by 3.3% to EUR 59.0 million. The results of asset management increased by a sound 14.1% to EUR 45.0 million following a substantial reduction in property expenses. Both the results of property sales and the results of property development turned clearly positive: the results of property sales improved to EUR 3.5 million (Q1 2017: EUR -6.0 million) and the results of property development to EUR 1.8 million (Q1 2017: EUR -5.8 million).

Financing costs were significantly lower, as expected, with a decline of 38.6% to EUR -16.4 million as a result of the refinancing activities carried out in 2017 (Q1 2017: EUR -26.7 million). The share of profit/loss from equity investments amounted to EUR 8.9 million, whereby the previous year was positively influenced, above all, by valuation effects from the investments in CA Immo and BUWOG (Q1 2017: EUR 134.1 million). Financial results totalled EUR -4.5 million for the reporting period (Q1 2017: EUR 93.0 million).

Net profit from continuing operations equalled EUR 4.3 million (Q1 2017: EUR 101.7 million). The total net profit for the IMMOFINANZ Group (including a subsequent effect from the sale of the logistics portfolio) amounted to EUR 1.0 million (Q1 2017: EUR 80.7 million).

## INCOME STATEMENT

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

All amounts in TEUR	Q1 2018	Q1 2017
Rental income	59,008	57,108
<b>Results of asset management</b>	<b>45,041</b>	<b>39,473</b>
<b>Results of property sales</b>	<b>3,544</b>	<b>-5,966</b>
<b>Results of property development</b>	<b>1,756</b>	<b>-5,752</b>
Other operating income	2,206	1,094
Other operating expenses	-17,017	-11,096
<b>Results of operations</b>	<b>35,530</b>	<b>17,753</b>
<b>Other revaluation results</b>	<b>-3,788</b>	<b>-3,813</b>
<b>Operating profit (EBIT)</b>	<b>31,742</b>	<b>13,940</b>
<b>Financial results</b>	<b>-4,508</b>	<b>93,013</b>
<b>Earnings before tax (EBT)</b>	<b>27,234</b>	<b>106,953</b>
<b>Net profit for the period from continuing operations</b>	<b>4,339</b>	<b>101,700</b>
Net profit or loss from discontinued operations	-3,386	-21,000
<b>Net profit or loss</b>	<b>953</b>	<b>80,700</b>

## 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 3.3% to EUR 59.0 million, compared with EUR 57.1 million in the first quarter of the previous year. Completions and new rentals more than offset the decline in rental income resulting from the sale of properties which no longer correspond to the Group's strategy.

Revenues rose by 4.5% to EUR 82.6 million (Q1 2017: EUR 79.1 million). The results of asset management increased by a sound 14.1% to EUR 45.0 million (Q1 2017: EUR 39.5 million). Property expenses fell substantially by 21.1% year-on-year to EUR -16.1 million (Q1 2017: EUR -20.4 million). This decline resulted primarily from a reduction in fit out costs (EUR -2.2 million versus EUR -3.8 million), vacancy costs (EUR -2.4 million versus EUR -3.4 million), operating costs charged to building owners (EUR -3.9 million versus EUR -4.4 million) and maintenance costs (EUR -3.2 million versus EUR -3.4 million).

## RESULTS OF PROPERTY SALES AND PROPERTY DEVELOPMENT

The results of property sales turned positive at EUR 3.5 million in the first quarter of 2018 (Q1 2017: EUR -6.0 million). The results of property development improved to EUR 1.8 million (Q1 2017: EUR -5.8 million) based on positive valuation effects from the *FLOAT* and *trivago Campus* development projects in Düsseldorf.

## RESULTS OF OPERATIONS

The results of operations doubled to EUR 35.5 million in the first quarter of 2018 (Q1 2017: EUR 17.8 million). Other operating expenses rose to EUR -17.0 million (Q1 2017: EUR -11.1 million), 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 at EUR -11.6 million. Personnel expenses adjusted for the special bonuses were 9.4% lower than the comparable prior year value at EUR -8.3 million (Q1 2017: EUR -9.1 million).

## REVALUATION, FINANCIAL RESULTS AND EBT

The revaluation of investment property totalled EUR -3.7 million (Q1 2017: EUR -3.6 million). Financing costs fell, as expected, by a substantial 38.6% to EUR -16.4 million (Q1 2017: EUR -26.7 million) due to the extensive refinancing measures carried out in 2017. Other financial results amounted to EUR 1.2 million, compared with EUR -15.6 million in the first quarter of the previous year which was influenced primarily by the measurement of derivatives and the incentivised conversion of the 2018 convertible bond. The share of profit/loss from equity-accounted investments amounted to EUR 8.9 million, whereby the previous year was positively influenced, above all, by valuation effects from the investments in CA Immo and BUWOG (Q1 2017: EUR 134.1 million). Financial results totalled EUR -4.5 million for the reporting period (Q1 2017: EUR 93.0 million).

Earnings before tax (EBT) totalled EUR 27.2 million (Q1 2017: EUR 107.0 million). Income tax amounted to EUR -22.9 million (Q1 2017: EUR -5.3 million) and contains EUR -15.2 million of deferred taxes to reflect the income taxes that could become due in later financial years. Included here, among others, are EUR -6.6 million of deferred taxes related to the investment in CA Immo (outside basis differences) which were recognised following the start of the sale process in April. Current income tax expenses of EUR -7.7 million include approximately EUR -3.0 million of taxes that resulted from the liquidation of Aviso Zeta.

## NET PROFIT

Net profit from continuing operations equalled EUR 4.3 million for the reporting period (Q1 2017: EUR 101.7 million).

The results of discontinued operations totalled EUR -3.4 million (Q1 2017: EUR -21.0 million). Included here 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 (including the subsequent effect from the sale of the logistics portfolio) equalled EUR 1.0 million (Q1 2017: EUR 80.7 million).

## BALANCE SHEET

The condensed balance sheet is shown below:

All amounts in TEUR	31 March 2018	in %	31 Dec. 2017	in %
Investment property	3,699,846		3,729,519	
Property under construction	443,409	73.3%	404,064	73.6%
Real estate inventories	42,533		61,221	
Assets held for sale	244,693		265,148	
Other tangible assets	1,569	0.03%	1,719	0.03%
Intangible assets	24,970	0.4%	25,056	0.4%
Equity-accounted investments	696,475	11.5%	685,984	11.3%
Trade and other receivables	351,684	5.8%	365,137	6.0%
Other financial assets	13,654	0.2%	32,015	0.5%
Deferred tax assets	5,910	0.1%	5,291	0.1%
Income tax receivables	10,634	0.2%	9,621	0.2%
Cash and cash equivalents	509,414	8.4%	477,889	7.9%
<b>ASSETS</b>	<b>6,044,791</b>	<b>100.0%</b>	<b>6,062,664</b>	<b>100.0%</b>
<b>Equity</b>	<b>2,810,329</b>	<b>46.5%</b>	<b>2,808,043</b>	<b>46.3%</b>
Liabilities from convertible bonds	279,643	4.6%	313,217	5.2%
Financial liabilities	2,340,456	38.7%	2,306,418	38.0%
Trade and other payables	204,109	3.4%	242,656	4.0%
Income tax liabilities	12,649	0.2%	5,704	0.1%
Provisions	57,326	0.9%	58,853	1.0%
Deferred tax liabilities	338,763	5.6%	325,112	5.4%
Financial liabilities held for sale	1,516	0.0%	2,661	0.04%
<b>EQUITY AND LIABILITIES</b>	<b>6,044,791</b>	<b>100.0%</b>	<b>6,062,664</b>	<b>100.0%</b>

Assets totalled EUR 6.0 billion as of 31 March 2018 (31 December 2017: EUR 6.1 billion) and comprise non-current assets of EUR 5.0 billion and current assets of EUR 1.1 billion.

The value of the property portfolio amounted to EUR 4.4 billion and represented 73.3% of total assets as of 31 March 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.

The additions to property under construction include, among others, the *trivago Campus* and *FLOAT* development projects in Germany and *STOP SHOP* properties in Serbia.

Other financial assets declined to EUR 13.7 million (31 December 2017: EUR 32.0 million), above all due to the sale of the remaining BUWOG shares. The 436,443 BUWOG shares still held by IMMOFINANZ after the conversion of the convertible bond 2018 were sold to Vonovia SE during the first quarter of 2018 in connection with a takeover offer.

The investments accounted for at equity totalled EUR 696.5 million (31 December 2017: EUR 686.0 million). Of this total, EUR 694.7 million are attributable to the investment in the CA Immo Group. The book price of the CA Immo investment therefore equalled EUR 27.04 per share.

Cash and cash equivalents increased from EUR 477.9 million as of 31 December 2017 to EUR 509.4 million as of 31 March 2018.

Equity amounted to EUR 2.8 billion as of 31 March 2018 (31 December 2017: EUR 2.8 billion). Liabilities totalled EUR 3.2 billion (31 December 2017: EUR 3.2 billion). The non-current component equalled EUR 2.4 billion and the current component EUR 0.8 billion. The equity ratio equalled 46.5% as of 31 March 2018 (31 December 2017: 46.3%).

## CASH FLOW STATEMENT

The condensed cash flow statement is presented below:

All amounts in TEUR	Q1 2018	Q1 2017
Gross cash flow after tax	21,783	30,286
Cash flow from operating activities	-4,478	41,772
Cash flow from investing activities	34,926	125,790
Cash flow from financing activities	685	106,500

### FUNDS FROM OPERATIONS 1 & 2 (FFO 1 & 2)

All amounts in TEUR	Q1 2018	Q1 2017 <sup>1</sup>	Change	Change in %
<b>Gross cash flow before tax from continuing operations</b>	<b>26,937</b>	<b>26,634</b>	<b>303</b>	<b>1.1%</b>
Dividends received from equity-accounted investments	3,520	0	3,520	n.a.
Interest and dividends received from financial instruments	62	278	-216	-77.7%
Interest paid	-14,816	-21,574	6,758	31.3%
Derivatives <sup>2</sup>	-2,870	-4,785	1,915	40.0%
Adjustments for costs from property transactions and development projects as well as non-recurring effects included in gross cash flow	8,650	2,626	6,024	≥ +100.0%
Economic interest in FFO 1 of the CA Immo Group <sup>3</sup>	7,649	6,491	1,158	17.8%
<b>FFO 1 before tax (sustainable FFO from asset management)</b>	<b>29,132</b>	<b>9,670</b>	<b>19,462</b>	<b>≥ +100.0%</b>
Results of property sales <sup>4</sup>	3,544	-5,966	9,510	n.a.
<b>FFO 2 (incl. results of property sales) before tax</b>	<b>32,676</b>	<b>3,704</b>	<b>28,972</b>	<b>≥ +100.0%</b>
Cash Taxes	-1,780	-10,693	8,913	83.4%
<b>FFO 2 after tax</b>	<b>30,896</b>	<b>-6,989</b>	<b>37,885</b>	<b>n.a.</b>

In order to show sustainable FFO 1 from standing investments, results of property sales and property development have been deducted in full.

1 The comparable prior year figures were adjusted accordingly.

2 Excl. non-recurring effects from early termination due to sales or refinancing

3 The economic interest in the CA Immo Group is based on the investment held by IMMOFINANZ in relation to the number of CA Immo shares outstanding – similar to the recognition of the proportional share of earnings under the equity method.

4 Result corresponds to P&L line item and includes non-cash components and FX effects.

## 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:

	31 March 2018		31 December 2017	
	in TEUR	in EUR per share	in TEUR	in EUR per share
<b>Equity excl. non-controlling interests</b>	<b>2,826,287</b>		<b>2,821,521</b>	
Diluting effects of convertible bond 2018	0		19,121	
<b>Diluted equity excl. non-controlling interests after an adjustment for convertible bonds and the exercise of options</b>	<b>2,826,287</b>		<b>2,840,642</b>	
Undisclosed reserves in the investment in the CA Immo Group	138,878		123,993	
Undisclosed reserves in real estate inventories	74		74	
Fair value of derivative financial instruments	6,399		7,375	
Deferred taxes on investment property	282,347		274,977	
Deferred taxes on real estate inventories and derivative financial instruments	-1,440		-1,643	
Goodwill excl. deferred taxes	-24,785		-24,848	
<b>Number of shares excl. treasury shares (in 1,000)</b>		<b>1,119,253</b>		<b>1,116,174</b>
<b>Potential shares (in 1,000)</b>		<b>0</b>		<b>9,893</b>
<b>EPRA NAV</b>	<b>3,227,760</b>	<b>2.88</b>	<b>3,220,570</b>	<b>2.86</b>
Fair value of derivative financial instruments	-6,399		-7,375	
Effect of fair value measurement of financial liabilities	11,817		5,737	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	-1,588		197	
Deferred taxes on investment property	-19,220		-17,495	
<b>EPRA NNNAV</b>	<b>3,212,370</b>	<b>2.87</b>	<b>3,201,634</b>	<b>2.84</b>

The EPRA net asset value totalled EUR 3.2 billion. The EPRA NAV per share rose to EUR 2.88 (31 December 2017: EUR 2.86), and the EPRA NNNAV per share equalled EUR 2.87 (31 December 2017: EUR 2.84).

## EPRA EARNINGS PER SHARE

All amounts in TEUR	Q1 2018	Q1 2017
<b>Weighted average number of shares (in 1,000)</b>	<b>1,117,600</b>	<b>1,042,203</b>
<b>Net profit or loss from continuing operations excl. non-controlling interests</b>	<b>5,469</b>	<b>102,274</b>
Revaluation of investment properties and development properties	-1,085	-1,710
Results of property sales	-3,544	5,965
Goodwill impairment, negative differences and earn-out effects on income	100	212
Changes in fair value of financial instruments	-1,736	2,325
Taxes in respect of EPRA adjustments	169	-1,337
EPRA adjustment in respect of joint ventures and non-controlling interests	0	863
<b>EPRA earnings</b>	<b>-627</b>	<b>108,590</b>
<b>EPRA earnings per share</b>	<b>-0.001</b>	<b>0.104</b>
<b>Company specific adjustments</b>		
Result from termination of equity accounting of BUWOG AG	0	-25,841
Result from incentivised conversion of the convertible bond 2018	0	12,539
Recognition of outside basis difference CA Immo Group	6,596	0
Foreign exchange gains and losses	-393	6
Impairment loss/reversal CA IMMO Group	0	-84,146
Deferred tax in respect of the company specific adjustments	-50	3,226
<b>Company-specific adjusted earnings</b>	<b>5,526</b>	<b>14,374</b>
<b>EPRA earnings per share after company-specific adjustments</b>	<b>0.005</b>	<b>0.014</b>

The EPRA earnings per share equalled EUR -0.001, respectively EUR 0.005 per share after company-specific adjustments, in the first quarter of 2018.

## EPRA NET INITIAL YIELD

All amounts in TEUR	Q1 2018	Q1 2017
Investment property	3,808,103	4,837,176
Investment property - proportional share of joint ventures	46,268	43,468
Less undeveloped land	-179,802	-206,607
Less Russian portfolio	0	-997,316
Less undeveloped land - proportional share of joint ventures	-1,283	-1,928
<b>Total property portfolio</b>	<b>3,673,286</b>	<b>3,674,793</b>
Allowance for estimated purchasers' costs	66,119	66,146
<b>Gross value of total property portfolio</b>	<b>3,739,406</b>	<b>3,740,939</b>
Annualised cash rental income	239,051	229,127
Annualised cash rental income - proportional share of joint ventures	1,889	1,716
Non-recoverable property operating expenses	-33,695	-40,741
Non-recoverable property operating expenses - proportional share of joint ventures	-54	-51
<b>Annualised net rental income</b>	<b>207,191</b>	<b>190,052</b>
<b>EPRA NIY</b>	<b>5.54%</b>	<b>5.08%</b>

The EPRA net initial yield rose by 5.1% to 5.5% year-on-year during the reporting period.