Press Release | Corporate News

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# IMMOFINANZ: net profit from continuing operations turns strongly positive at EUR 181 million – dividend recommendation raised to 7 cents per share

- Growth of 4.5% in like-for-like rental income
- Increase of 44.4% in results of operations to EUR 107.6 million
- Improvement of 34.0% in FFO 1 to EUR 71.4 million
- Net LTV reduced to 40.8%; financing costs (excl. derivatives) cut to 1.97%
- Occupancy rate sets new record at 94.2%
- Net profit (incl. Russia) negative, as expected, at EUR -537.1 million – includes EUR -540.2 million of pure accounting reclassifications of currency translation differences from Russia (no effect on equity or EPRA NAV)
- EPRA NAV per share equals EUR 2.86 (31.12.2016: EUR 3.12)

| KEY FIGURES (IN MEUR) | 2017 | Δ IN % | 2016* |
|---|---|---|---|
| Rental income | 234.5 | 0.5% | 233.4 |
| Results of asset management | 150.8 | 13.4% | 133.1 |
| Results of property sales | 26.0 | n/a | -18.9 |
| Results of property development | -28.8 | ≤ -100.0% | -6.5 |
| Results of operations | 107.6 | 44.4% | 74.5 |
| Financial results | 88.8 | n/a | -107.6 |
| Net profit for the period from continuing operations | 181.0 | n/a | -147.4 |
| Net profit (incl. discontinued operations / Russia) | -537.1 | -27.3% | -421.8 |
| FFO 1 before tax (excl. results of property sales and development) | 71.4 | 34.0% | 53.2 |
| FFO 2 before tax (incl. results of property sales) | 97.4 | >100% | 34.3 |

* 12-month comparable financial year, unaudited

Net profit from continuing operations (i.e. excluding Russia) returned to the profit zone with a significant improvement to EUR 181.0 million in 2017 (2016*: EUR -147.4 million). That represents earnings per share of EUR 0.17 (2016*: EUR -0.15). Rental income was slightly higher at EUR 234.5 million (2016*: EUR 233.4 million) despite the continuing sale of properties which do not fit in with the corporate strategy. After an adjustment for new acquisitions, completions and sales (like-for-like), rental income grew by a sound 4.5% to EUR 200.0 million (annualised). The results of Asset Management rose by 13.4% to EUR 150.8 million. In total, the results of operations increased by 44.4% to EUR 107.6 million (2016*: EUR 74.5 million). Financial results turned substantially positive at EUR 88.8 million (2016*: EUR -107.6 million), above all due to positive valuation effects from the investments in CA Immo and BUWOG and a reduction in financing costs.

Group net profit for the 2017 financial year (including the results of discontinued operations/Russia) was negative, as expected, at EUR -537.1 million (2016*: EUR -421.8 million). The results from Russia include – as reported in connection with Q3 data – the reclassification of accumulated historical currency translation differences of EUR -540.2 million to the income statement. This reclassification has no effect on cash and does not lead to a reduction in the Group's equity or the EPRA NAV. Earnings from discontinued operations also include (as announced in Q3) a negative valuation effect of EUR -160.6 million, which resulted from the sale of the retail portfolio Moscow to the FORT Group.

"Our principal focus for the 2017 financial year was to systematically eliminate the last major problems from the past and strengthen our balance sheet, optimise the operating business and reduce costs. The sale of the retail portfolio in Russia shortly before the end of the year marked the final point in a long restructuring phase for investors. Our balance sheet has become stronger and weatherproof. IMMOFINANZ's property portfolio totals approximately EUR 4.2 billion, and the value of our investment in CA Immo has increased to over EUR 680 million. Cash and cash equivalents rose substantially to roughly EUR 480 million during the past year, and our debt ratio in the form of net LTV improved to 40.8%", commented Oliver Schumy, CEO of IMMOFINANZ, on this development. "The overriding goal for this multi-year reorientation of IMMOFINANZ was to create a stable and significantly stronger company which pays sustainably attractive dividends, has a solid foundation for future growth and is capable of playing a leading role in the possible future consolidation of the commercial property sector."

A recommendation will be made to the annual general meeting on 11 May 2018, calling for the payment of a 7 cents (EUR 0.07) dividend per share (previous year: 6 cents). The distribution is classified as a repayment of capital under Austrian tax law and is therefore tax-free for natural persons who are resident in Austria and who hold IMMOFINANZ shares as part of their private assets. [1]

Sustainable FFO 1 before tax (excluding the results of property sales and property development) rose to EUR 71.4 million (2016*: EUR 53.2 million) and FFO 2 before tax (including the results of property sales) increased to EUR 97.4 million (2016*: EUR 34.3 million).

## Successful cost reduction

Substantial progress was made in improving cost effectiveness. Personnel expenses (from continuing operations) were reduced by 16.2% to approximately EUR -33.7 million, and financing costs were cut by 13.8% to EUR -94.9 million (2016*: EUR -110.0 million). Average financing costs, excluding derivatives, fell below the 2%-mark for the first time to 1.97% (31 December 2016: 2.64%). The net loan-to-value ratio improved significantly to 40.8% (31 December 2016: 49.0%), and cash and cash equivalents rose to EUR 479.3 million (31 December 2016: EUR 189.3 million).

The occupancy rate increased by 4.6 percentage points to 94.2%, based on a gross return of 6.4% (31 December 2016: 89.6%; gross return: 6.1%). In the office sector, the occupancy rate rose to 91.9% (31 December 2016: 87.3%), whereby the properties bundled under the new myhive office brand have an occupancy rate of 93.0% (gross return: 5.7%). The retail properties are more or less fully rented at 97.2% (31 December 2016: 93.0%). The STOP SHOP retail parks have an occupancy rate of 97.9% (gross return: 7.9%) and the VIVO! shopping centers 96.8% (gross return: 7.8%).

The EPRA net asset value rose by 6.8% to EUR 3.2 billion. The EPRA NAV per share declined to EUR 2.86 (31 December 2016: EUR 3.12), whereby the change resulted primarily from the higher number of underlying shares and the negative valuation effect from the sale of the retail portfolio Moscow. The EPRA triple net asset value rose by 11.6% to EUR 3.2 billion, and the triple NAV per share equalled EUR 2.84 as of 31 December 2017 (31 December 2016: EUR 2.97).

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

## Outlook

Plans call for an increase in the dividend to eight Euro cents (EUR 0.08) per share for the 2018 financial year.

IMMOFINANZ confirms and specifies details on its medium-term guidance for the development of sustainable FFO. The following factors will contribute to the growth of FFO 1 by 2019: further savings of EUR 23.5 million are expected in the area of financing costs, whereby most of this volume will be reached starting from the first quarter of 2018 on as a result of the refinancing measures carried out in 2017. The rental income generated by the completion of development projects is expected to add EUR 21.2 million to FFO. Planned, general cost savings, e.g. on overheads and property expenses, amount to EUR 19.9 million. FFO 1 before tax, excluding the economic interest in CA Immo, should therefore rise to more than EUR 100 million in 2019. A contribution of at least EUR 34.4 million is additionally expected from the investment in CA Immo, based on that company's guidance for 2019.

## Results in detail

Rental income rose slightly to EUR 234.5 million, compared with EUR 233.4 million in the unaudited 12-month period of 2016*. The decline in revenues resulting from the sale of non-strategic properties was offset by completions and new rentals. Rental income rose by 2.5% to EUR 113.3 million in the office sector and by 1.0% to EUR 103.5 million in the retail sector.

The results of asset management improved by a sound 13.4% to EUR 150.8 million (2016*: EUR 133.1 million). Property expenses were 14.9% lower than the previous year at EUR -95.0 million (2016*: EUR -111.5 million). This decline is attributable, above all, to a reduction in maintenance costs (EUR -28.9 million versus EUR -38.9 million*), operating costs charged to building owners (EUR -13.0 million versus EUR -18.1 million*) and vacancy costs (EUR -12.1 million versus EUR -13.2 million*).

The results of property sales turned clearly positive at EUR 26.0 million (2016*: EUR -18.9 million), in particular based on a contribution of EUR 32.9 million (2016*: EUR 5.8 million) from deconsolidations. This contribution resulted almost entirely from the non-cash reclassification of accumulated historical currency translation differences to the income statement following the sale of a Ukrainian land-owning company. The revaluation of properties sold and held for sale (adjusted for and resulted from foreign exchange effects) amounted to EUR -4.8 million (2016*: EUR -10.5 million) and is a consequence, among others, of the portfolio optimisation in the Austrian retail sector.

In spite of substantial positive valuation effects from the development projects in Germany (EUR 35.2 million) – above all *trivago, FLOAT* and the *Cluster Produktionstechnik* which was completed during the reporting year – the results of property development were negative at EUR -28.8 million (2016*: EUR -6.5 million). As reported in the second quarter of 2017, this loss was caused primarily by added costs for real estate inventories in the *Gerling Quartier* and by outstanding obligations related to the transfer, repair of deficiencies and completion of the Cologne properties. The *Gerling Quartier* has already been sold, and the transaction is expected to close in 2018.

The results of operations rose significantly from EUR 74.5 million* in the comparable prior year period to EUR 107.6 million in 2017. Other operating expenses were reduced by 5.6% to EUR -49.2 million (2016*: EUR -52.1 million), among others due to a decline in legal, audit and consulting expenses.

The foreign exchange-adjusted revaluation of investment property totalled EUR 6.5 million (2016*: EUR -109.8 million). Financial results turned clearly positive at EUR 88,8 million (2016*: EUR -107.6 million). The refinancing carried out in 2017 reduced financing costs by 13.8% to EUR -94.9 million (2016*: EUR -110.0 million). Key measures included the interest savings from the incentivised conversions of the convertible bond 2018 (coupon: 4.25%) and the issue of the new convertible bond 2024 (coupon: 2.0%) as well as refinancing at the property level. The 5.25%, EUR 100 million corporate bond was also redeemed during the past year.

Other financial results of EUR -12.1 million (2016*: EUR 13.1 million) are attributable chiefly to the valuation of derivatives at EUR 8.2 million and to the earnings effect from the incentivised conversions of the convertible bond 2018 at EUR -37.7 million. Positive contributions to earnings were made by a revaluation of EUR 11.3 million to the remaining BUWOG shares and a revaluation of EUR 2.9 million to shares in real estate funds.

The share of profit/loss from equity-accounted investments rose substantially to EUR 200.0 million (2016*: EUR -19.8 million) and comprises the following: EUR 61.5 million from the proportional share of earnings from CA Immo and EUR 91.9 million from an increase in the value of the CA Immo shares as well as a profit of EUR 18.1 million on the sale of 4.5 million BUWOG shares and EUR 25.8 million from the market-based valuation of the remaining BUWOG shares following the termination of equity accounting. The book price of the CA Immo share equalled EUR 26.55 as of 31 December 2017 (31 December 2016: EUR 21.02).

Earnings before tax (EBT) improved significantly to EUR 200.4 million (2016*: EUR -168.9 million). Income tax expense totalled EUR -19.4 million for the 2017 financial year (2016*: EUR 21.4 million).

The results of discontinued operations totalled EUR -718.1 million (2016*: EUR -274.4 million) and resulted primarily from the reclassification of accumulated historical currency translation differences of EUR -540.2 million to the income statement. These differences were recorded directly in equity through other comprehensive income (OCI) in previous years in accordance with IAS 21. The reclassification has no effect on cash and does not lead to a reduction in the Group's equity or the EPRA NAV. The negative currency translation differences resulted from IMMOFINANZ's entry into the Russian market at a time, based on the current EUR/RUB exchange rate, when the Ruble was much stronger. Also included here is a negative valuation effect of EUR -160.6 million which resulted from the sale of the retail portfolio Moscow to the FORT Group.

The purchase agreement with the FORT Group was signed on 13 November 2017, and the transaction closed on 6 December 2017. As previously announced, the purchase price of up to RUB 15.0 billion for the net assets includes three components: a cash purchase price of RUB 5.0 billion (converted: approximately EUR 72.0 million) which has already been paid, 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 on the closing date) and an earn-out of up to RUB 9.0 billion which is based on revenues in 2021 but is payable in 2022 and has not yet been recognised by IMMOFINANZ. IMMOFINANZ can also participate with up to RUB 0.8 billion in the possible realisation of contingent receivables from tax refund proceedings which are currently in progress.

The net profit from continuing operations improved substantially to EUR 181.0 million (2016*: EUR -147.4 million) and represents earnings per share of EUR 0.17 (2016*: EUR -0.15). Total net profit (including the results of discontinued operations/Russia) amounted to EUR -537.1 million (2016*: EUR -421.8 million) and represents earnings per share of EUR -0.51 (2016*: EUR -0.43).

The report by IMMOFINANZ AG on the 2017 financial year as of 31 December 2017 will be available on the company's website under http://www.immofinanz.com/en/investor-relations/financial-reports starting on 5 April 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*

IMMOFINANZ

*for quality and service. The real estate portfolio has a value of approx. EUR 4.2 billion and covers more than 230 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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