

IMMOFINANZ: Net profit for the first three quarters negatively influenced by Russia, settlement of nearly all legal proceedings with investors

KEY FIGURES (IN MEUR)*	1 MAY 2015- 31 JAN. 2016	Δ IN %	1 MAY 2014- 31 JAN. 2015
Rental income	238.3	-24.0%	313.5
Results of asset management	147.4	-38.0%	237.9
Results of property sales	12.9	-8.9%	14.2
Results of property development	-34.9	n.a.	3.4
Results of operations	82.6	-62.7%	221.1
Revaluation of investment properties (foreign exchange-adjusted and foreign exchange-based)	219.1	-67.8%	681.1
Financial results	-364.1	-45.5%	-668.2
Net profit	-146.1	n.a.	123.8
Cash flow from operating activities	95.3	-33.2%	142.7

* Due to the sale of the logistics portfolio, the earnings contribution from these properties is now reported under results of discontinued operations. The comparable prior year data were adjusted accordingly.

IMMOFINANZ recorded net profit of EUR -146.1 million for the first three quarters of 2015/16 (Q1-3 2014/15: EUR 123.8 million). The year-on-year decline was caused primarily by approx. EUR 400 million of negative effects from the foreign exchange-adjusted valuation of the Russian portfolio and by a decrease in rental income to EUR 238.3 million (Q1-3 2014/15: EUR 313.5 million) that resulted from temporary rent reductions in Moscow and the planned sale of properties. The results of operations amounted to EUR 82.6 million (Q1-3 2014/15: EUR 221.1 million).

“Results for the first three quarters of 2015/16 continue to reflect the tense political and economic situation in Russia. This situation is evident, on the one hand, through the decline in rental income and, on the other hand, in valuation results. The further significant deterioration of the general environment in Russia at the turn of the year, the continuation of EU sanctions against Russia into the summer and the outlook that the Russian economy will apparently remain in recession during 2016 led us to commission the newly appointed appraiser for our CEE portfolio, CBRE, with a special valuation of our five Moscow retail properties as of 31 January 2016. This valuation resulted in a foreign exchange-adjusted impairment loss of roughly EUR 400 million”, explained Oliver Schumy, CEO of IMMOFINANZ. “We are using the current situation in Russia to further improve the positioning of our shopping centers and to reduce our costs. For example: we entered into a cooperation with ECE, the market leader in the European shopping center segment, to manage our *Golden Babylon Rostokino*. This partnership should have a positive effect on occupancy by the end of 2016.”

Like-for-like rental income (i.e. adjusted for new acquisitions, completions and sales) rose slightly by 1.5% over the previous quarter to EUR 73.9 million in the third quarter of 2015/16. This increase was supported, above all, by higher occupancy in the Romanian shopping centers. The adjusted rental income from the Russian properties remained stable at EUR 19.8 million in the third quarter (Q2 2015/16: EUR 19.6 million), whereby the weaker

Ruble exchange rate was offset by the increased Christmas business. The rental income generated in Russia totalled EUR 63.1 million in the first three quarters of 2015/16 (Q1-3 2014/15: EUR 124.2 million).

In the office segment, new rental contracts were finalised during the first three quarters for approx. 150,000 sqm (including major leases in Düsseldorf for the new trivago and Uniper corporate headquarters) and contracts for 150,600 sqm were extended. In the retail segment, new rental contracts were signed for 65,900 sqm and contracts for 81,500 sqm were extended. The standing investment portfolio currently has an occupancy rate of 83.2% (retail: 92.4%, office: 75.2%).

“We have implemented numerous measures in recent months to substantially increase the occupancy in our properties, above all in the office segment. The first effects of these measures are now evident and, based on previously signed contracts, we can confirm that the occupancy rate in our office portfolio will increase by roughly five percentage points to roughly 80% by the end of April 2016”, indicated CEO Schumy.

The foreign exchange-adjusted revaluations totalled EUR -379.3 million (Q1-3 2014/15: EUR -116.9 million) and resulted chiefly from write-downs to the Moscow retail properties. They were contrasted by positive revaluation effects from Romania (increased rental income from the Romanian shopping centers) and Austria (positive market environment). The foreign exchange-based revaluations totalled EUR 598.4 million, compared with EUR 798.0 million in the comparable prior year period. They originated almost entirely in Russia, since the Euro is the functional currency in all other core countries, and resulted from the translation of the Ruble property values in the local Russian companies following the strong appreciation of the Euro versus the Ruble during the reporting period.

Financial results totalled EUR -364.1 million (Q1-3 2014/15: EUR -668.2 million), whereby net financing expense amounted to EUR -119.5 million (Q1-3 2014/15: EUR -122.4 million). Financial results also included foreign exchange effects of EUR -343.3 million (Q1-3 2014/15: EUR -544.9 million). Net profit equalled EUR -146.1 million (Q1-3 2014/15: EUR 123.8 million) and represented earnings per share (diluted) of EUR -0.15 (Q1-3 2014/15: EUR 0.13). The NAV (net asset value) per share equalled EUR 3.77 (30 April 2015: EUR 4.19).

Cash and cash equivalents fell EUR -170.9 million below the level on 30 April 2015 to EUR 219.8 million as of 31 January 2016 due to the planned repayment of financial liabilities and represented EUR 0.23 per share (excluding treasury shares).

Outlook

“In recent weeks, we were able to conclude nearly all of the difficult and prolonged legal proceedings with investors”, commented Oliver Schumy, CEO of IMMOFINANZ. The settlement with Advofin, a company that finances legal proceedings and represented over 3,000 investors, had an acceptance rate of 100%. The settlement with other legal protection insurance companies also has been executed with similarly high acceptance. A total of EUR 75 million has been paid out to date. The remaining proceedings represent a value in dispute of approx. EUR 10 million, and the goal here is to also reach a settlement in the near future.

The focus for the management of the standing investments remains unchanged and is directed to improving operating performance and raising occupancy rates in order to increase stable income. The conditions in the core markets, with the exception of Russia, are considered favourable for business development. In contrast, the forecasts for future economic developments in Russia are still connected with substantial uncertainty and reliable estimates are not possible. The temporary rent reductions and fixed exchange rates for the tenants in the Moscow shopping centers will be re-evaluated quarterly and continued if necessary.

The planned measures to increase cash flow also include the further reduction of financing costs in the currently favourable market environment (31 January 2016: 3.51% excl. derivatives and 3.78% incl. derivatives) as well as the reduction of corporate overheads.

As announced on 2 February 2016, plans call for the payment of an ordinary dividend of EUR 0.06, in each case, for the 2015/16 financial year and for the 2016 abbreviated financial year. The dividend could be higher if there is a significant improvement in the Russian economy – a potential development that is relevant, above all, for the 2016 abbreviated financial year.

Detailed information on the developments and further indicators are provided in the attached documents (see attached pdf).

The report by IMMOFINANZ AG on the first three quarters of 2015/16 as of 31 January 2016 will be available on the company's website under <http://www.immofinanz.com/en/investor-relations/financial-reports> starting on 17 March 2016.

On IMMOFINANZ

IMMOFINANZ is a commercial real estate company whose activities are focused on the retail and office segments of eight core markets in Europe: Austria, Germany, Czech Republic, Slovakia, Hungary, Romania, Poland and Moscow. The core business includes the management and development of properties. The company has a real estate portfolio of approx. EUR 5.8 billion that covers more than 380 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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