IMMOFINANZ GROUP

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IMMOFINANZ with stable operating performance in the first three quarters, Net profit reduced – New share buyback program resolved

KEY FIGURES (in MEUR)	**1 May 2014 - 31 Jan. 2015**	**Δ in %**	**1 May 2013 - 31 Jan. 2014**
Rental income	**344.4**	**-4.5%**	**360.7**
Results of asset management	**263.0**	**-10.6%**	**294.2**
Results of property sales	**12.9**	**n.a.**	**-0.7**
Results of property development	**3.1**	**-7.0%**	**3.3**
Expenses not directly attributable	**-44.8**	**-30.2%**	**-64.2**
Results of operations	**241.9**	**-0.2%**	**242.3**
EBIT	**955.6**	**>100%**	**377.9**
Net profit from continued operations	**79.2**	**-44.3%**	**142.1**
Gross cash flow*	**214.9**	**-18.1%**	**262.3**
Net Loan to Value	**47.6%**[1]	**-9.3%**	**52.5%**[2]

* The comparable prior year figure is including 100% BUWOG

The results of operations generated by IMMOFINANZ Group were stable in year-on-year comparison at EUR 241.9 million for the first three quarters of 2014/15 (Q1-3 2013/14: EUR 242.3 million). Net profit totalled EUR 79.2 million for the first three quarters of 2014/15 (Q1-3 2013/14: EUR 142.1 million or EUR 220.2 million incl. 100% of BUWOG). This decline resulted primarily from the negative effects caused by the foreign exchange-adjusted revaluation of investment properties, which reflected the decline in the value of properties in Eastern Europe and above all in Russia, Poland, the Czech Republic and Slovakia. Foreign exchange-adjusted revaluation results of EUR -99.1 million in the first three quarters reduced net profit, but have no effect on cash.

The third quarter of the reporting year also included a negative effect from the IFRS-valuation of the 2014-2019 bond exchangeable into BUWOG shares. However, these non-cash valuation effects of EUR -31.1 million from the exchangeable bond are contrasted by undisclosed reserves of approx. EUR 107.8 million as of 31 January attributable to the 49%-stake in BUWOG. Net profit for the third quarter 2014/15 amounts to EUR 109.4 million (second quarter 2014/15: EUR -16.2 million, first quarter 2014/15: EUR -14.0 million).

“The third quarter of our 2014/15 financial year was characterised by the significant weakening of the Russian Ruble versus the Euro and US Dollar. We therefore decided to continue our policy of temporary reductions in the lease payments for the tenants in our five Moscow shopping centers. These steps will not only help our long-standing partners in a difficult situation, but also ensure continued high occupancy in our shopping centers”, says CEO Eduard Zehetner. “The effects of these measures are clearly reflected in our rental income for the third quarter: the rental income from Russia performed positively in the first quarter of 2014/15 and stable during the second quarter (in like-for-like

[1] *LTV net: actual remaining debt (nominal debt) less liquid funds and the exchangeable bond (in the money) divided by fair value*

[2] *LTV net: actual remaining debt (nominal debt) less liquid funds divided by fair value*

comparison with the respective previous quarter), but fell by 14% to EUR 38.2 million in the third quarter. The number of visitors in our Moscow shopping centers is roughly 10% lower than in the first three quarters of the previous year (excluding *GOODZONE*)."

In view of the ongoing reductions and exchange rate freeze, further declines in rental income and receivable write-downs from Russia can be expected over the coming quarters from the current point of view.

The other core countries of IMMOFINANZ Group recorded stable development.

Sustainable free cash flow (FFO) amounted to EUR 102.5 million for the first three quarters of 2014/15, which represents an annualised FFO yield after tax of 7.4%[3] based on market capitalisation. After FFO of EUR 16.7 million in the second quarter of 2014/15, this indicator rose to EUR 38.2 million in the third quarter. The increase in FFO was supported by higher earnings from property sales, lower tax payments and lower interest expense.

The negative effects in Russia and scheduled property sales led to a decline in Group rental income to EUR 344.4 million (Q1-3 2013/14: EUR 360.7 million). The results of property sales totalled EUR 12.9 million, compared with EUR -0.7 million in the first three quarters of the previous year. The results of property development were stable at EUR 3.1 million (Q1-3 2013/14: EUR 3.3 million).

Payout policy

The 2014/15 share buyback programme that started shortly before the end of the 2014 calendar year has since been concluded. Nearly 10.2 million shares were purchased over the stock exchange for a total price of approx. EUR 23.0 million by the beginning of March. On 13 March 2015, a new share buyback programme was approved with a volume of up to 30 million shares and an upper price limit of EUR 3.20. Roughly 44.5 million treasury shares (originating from the financing transaction with treasury shares, which will be repaid on schedule) will be withdrawn before the start of the buyback.

The payment of a cash dividend for the 2014/15 financial year is dependent on whether IMMOFINANZ AG can record a distributable balance sheet profit. In light of current and further developments in Russia, the Executive Board of IMMOFINANZ has decided not to issue concrete guidance on the amount of a possible dividend. However, there are positive effects, such as the increase in the price of the BUWOG share, which are currently generating undisclosed reserves.

BUWOG with 50% increase in share price

The majority spin-off of BUWOG nearly one year ago has led to a completely new valuation of this former subsidiary's residential assets in Austria and Germany. Instead of roughly 40% discount under the IMMOFINANZ umbrella, BUWOG is now the only Austrian real estate company in the Prime Market segment that is trading at a premium to the net asset value (NAV). This premium equalled roughly 15% in mid-March (based on the NAV as of 31 October 2014). A look at the share price shows an increase of nearly 50% over the initial listing price of EUR 13.20 on the Vienna Stock Exchange at the end of April 2014 (closing price on 17 March: EUR 19.86) – and this despite a dividend payment of

[3] *Sustainable cash flow (excl. BUWOG): Gross cash flow (EUR 214.9 million) + interest received on financial investments (EUR 3.3 million) – interest paid (EUR 113.2 million) - cash outflows for derivative transactions (EUR 15.4 million) + results of property sales (EUR 12.9 million) based on market capitalisation as of 17 March 2015 (share price: EUR 2.79) excl. treasury shares and market capitalisation of the BUWOG shares held (EUR 969.3 million based on a share price of EUR 19.86 as of 17 March 2015).*

EUR 0.69 per share. Including the dividend, the BUWOG share generated an impressive total return of 55.7% in almost 11 months.

As stated in connection with the spin-off, we plan to sell our 49% stake in BUWOG over the medium-term and with a minimum impact on the market. We took the first step to monetarise this investment in the previous year by issuing a EUR 375.0 million exchangeable bond for part of the BUWOG shares.

Announcement of a voluntary takeover offer by O1/CA Immo

Initially on 25 February and most recently on 16 March 2015, O1 Group Limited and CA Immo announced their intention to make a voluntary tender offer for a minority interest in IMMOFINANZ. “Although we welcome this interest in our company and the new shareholders, we consider the indicated offer prices (EUR 2.51 and EUR 2.80) to be completely unsatisfactory because they do not reflect the value of our share. We are pleased to see that our strategy is attractive for investors and appreciate the renewed confidence of the branch in the earnings potential of East European portfolios”, says CEO Zehetner.

DEVELOPMENTS IN DETAIL:

The results of operations generated by IMMOFINANZ Group were stable in year-on-year comparison at EUR 241.9 million for the first three quarters of 2014/15 (Q1-3 2013/14: EUR 242.3 million). A like-for-like comparison of adjusted rental income in 2014/15 shows stable development in the second quarter versus the first quarter (-0.1%), but the third quarter brought a decline of -5.9% to EUR 107.3 million compared with EUR 114.1 million in the second quarter. This development resulted, above all, from the tense situation in Russia and the related ongoing uncertainty. Rental income from Russia was EUR 6.1 million lower than the second quarter at EUR 38.2 million. From the current point of view, further declines in like-for-like rental income in Russia cannot be excluded in the coming quarters. Developments in the other core countries of IMMOFINANZ Group were generally stable during the reporting period.

Net profit totalled EUR 79.2 million for the first three quarters of 2014/15 (Q1-3 2013/14: EUR 142.1 million or EUR 220.2 million incl. 100% of BUWOG). This decline resulted primarily from the negative effects caused by the foreign exchange-adjusted revaluation of investment properties, which reflected the decline in the value of properties in Eastern Europe and above all in Russia, Poland, the Czech Republic and Slovakia. Foreign exchange-adjusted revaluation results of EUR -99.1 million in the first three quarters reduced net profit, but have no effect on cash.

In the third quarter of 2014/15, valuation results adjusted for foreign exchange effects were stable in like-for-like comparison with 31 October 2014 (EUR -8.1 million or -0.1%). Negative valuation effects are attributable to Russia (EUR -73.9 million due to the economic situation) and Slovakia (EUR -13.9 million due to planned refurbishments). They are contrasted by positive effects from Austria (EUR +63.9 million) and Germany (EUR +12.0 million), in both countries owing to the high demand from investors.

The third quarter of the reporting year also included a negative effect from the IFRS-valuation of the 2014-2019 exchangeable bond for BUWOG shares. The sound increase in the price of the BUWOG share during the current financial year led to an increase in the value of this liability to EUR 406.1 million (nominal value: EUR 375.0 million). A revaluation of the BUWOG shares that back the liability was not possible due to accounting rules because the equity method has to be used to record the investment in BUWOG. However, these non-cash valuation effects of EUR -31.1 million from the exchangeable bond are contrasted by undisclosed reserves. The exchangeable bond is backed by approx. 23.1 million of the roughly 48.8 million BUWOG shares held by IMMOFINANZ. As of 31 January 2015, the book price of this investment equalled EUR 15.11 per share and the stock market price was EUR 17.32 per share. The undisclosed reserves attributable to the roughly 48.8 million BUWOG shares amounted to approx. EUR 107.8 million as of 31 January 2015.

Sustainable free cash flow (FFO) amounted to EUR 102.5 million for the first three quarters of 2014/15, which represents an annualised FFO yield after tax of 7.4%[4] based on market capitalisation. After FFO of EUR 16.7 million in the second quarter of 2014/15, this indicator rose to EUR 38.2 million in the third quarter. The increase in FFO was supported by higher earnings from property sales, lower tax payments and lower interest expense.

The declines in Russia and scheduled property sales led to a decrease in Group rental income to EUR 344.4 million (Q1-3 2013/14: EUR 360.7 million). The results of property sales totalled EUR 12.9 million, compared with EUR -0.7 million in the first three quarters of the previous year. The results of property development were stable at EUR 3.1 million (Q1-3 2013/14: EUR 3.3 million). The results of operations equalled EUR 241.9 million (Q1-3 2013/14: EUR 242.3 million).

Results of asset management

IMMOFINANZ Group recorded rental income of EUR 344.4 million in the first three quarters of 2014/15. This represents a decline of 4.5% compared with the first three quarters of the previous year (EUR 360.7 million) and resulted mainly from the planned sale of properties and temporary reductions in lease payments in Russia.

The results of asset management totalled EUR 263.0 million, for a year-on-year decline of 10.6%. This development also reflected the increase in property expenses that resulted, in particular, from the write-off of Russian receivables. These write-offs amounted to EUR 15.5 million and are attributable, among others, to tenants who were forced to terminate their business activities because of the crisis. The remaining outstanding rent receivables in Russia after the write-offs totalled EUR 16.0 million as of 31 January 2015.

Results of property sales

Property sales generated results of EUR 12.9 million in the first three quarters of 2014/15 (Q1-3 2013/14: EUR -0.7 million). The portfolio optimisation included the sale of smaller properties as well as three logistics properties in Switzerland to a Credit Suisse AG real estate fund and the subsequent strategic exit from the Swiss market. In addition, a logistics property in the German city of Vaihingen an der Enz was sold to Geneba Properties, a Dutch company.

Results of property development

The sale of real estate inventories and the valuation of active development projects generated results of EUR 3.1 million in the first three quarters of 2014/15 (Q1-3 2013/14: EUR 3.3 million). In October 2014, IMMOFINANZ Group opened the first shopping center in its new VIVO! brand in the Polish city of Piła. This shopping center has roughly 24,000 sqm of rentable space and had an occupancy rate of 91% on the opening date. A STOP.SHOP. in Żary, Poland, was also completed during the reporting period (approx. 3,500 sqm of rental space), which increased the number of locations in this retail warehouse chain to 52.

[4] *Sustainable cash flow (excl. BUWOG): Gross cash flow (EUR 214.9 million) + interest received on financial investments (EUR 3.3 million) – interest paid (EUR 113.2 million) - cash outflows for derivative transactions (EUR 15.4 million) + results of property sales (EUR 12.9 million) based on market capitalisation as of 17 March 2015 (share price: EUR 2.79) excl. treasury shares and market capitalisation of the BUWOG shares held (EUR 969.3 million based on a share price of EUR 19.86 as of 17 March 2015).*

Administrative expenses
Administrative expenses that are not directly attributable (overhead costs and personnel expenses) were cut from EUR -64.2 million in the first three quarters of the previous year to EUR -44.8 million. This decline resulted from a reduction in legal, auditing and consulting costs, a decline in personnel expenses and lower additions to provisions.

Results of operations, EBIT, EBT and net profit
Results of operations remained stable in year-on-year comparison at EUR 241,9 million for the first three quarters of 2014/15 (Q1-3 2013/14: EUR 242.3 million, change of -0.2%). The decline in rental income due to profitable property sales was contrasted by lower expenses that are not directly attributable.

Revaluation results adjusted for foreign exchange effects amounted to EUR -99.1 million (Q1-3 2013/14: EUR -58.9 million), above all due to a decline in the value of properties in Russia, Poland, Czech Republic and Slovakia. Russia is expected to experience a recession this year, but the discount factors used for valuation in the other countries were increased because of numerous completions in the office segment and the resulting increased pressure on prices as well as the ongoing reserved economic growth. In contrast, positive valuation effects were recorded in Austria and Germany. The real estate market in Austria and Germany is currently characterised by sound development due to the low interest rate levels and their reputation as “safe havens“.

Revaluation results resulting from foreign exchange effects were clearly positive at EUR 814.2 million (Q1-3 2013/14: EUR 194.8 million) due to the increase in the Euro versus the Ruble during the reporting period. Other revaluation results totalled EUR 713.7 million (Q1-3 2013/14: EUR 135.5 million). EBIT rose from EUR 377.9 million in the first three quarters of the previous year to EUR 955.6 million for the reporting period based on positive foreign exchange effects.

Financial results declined to EUR -738.9 million (Q1-3 2013/14: EUR -174.1 million). This position includes non-cash foreign exchange accounting effects of EUR -549.4 million (Q1-3 2013/14: EUR -48.3 million), which mainly represent the increase in USD financial liabilities that is contrasted by currency-related gains in property values as well as the non-cash effects from the translation of EUR intercompany loans. Other financial results (EUR -69.6 million; Q1-3 2013/14: EUR -1.8 million) were negatively affected, among others by the increase in the liability from the 2014-2019 exchangeable bond due to the above-mentioned strong increase in the price of the BUWOG share during the reporting period. Earnings before tax amounted to EUR 216.7 million for the first three quarters of 2014/15 (Q1-3 2013/14: EUR 203.8 million).

Net profit declined to EUR 79.2 million (Q1-3 2013/14: EUR 142.1 million or EUR 220.2 million incl. 100% of BUWOG), primarily due to negative effects from the foreign exchange-adjusted valuation of properties (EUR -99,1 million) and the valuation of the liability from the 2014-2019 exchangeable bond for BUWOG shares (EUR -31.1 million)

Cash flow
Gross cash flow declined to EUR 214.9 million (Q1-3 2013/14: EUR 262.3 million), primarily due to the lower results of asset management and decrease in rental income from Russia. Moreover, the comparable prior year value still includes the cash flow from the BUWOG Group. Cash flow from operating activities declined from EUR 197.8 million to EUR 142.7 million due to the increase in receivables and other assets (EUR -83.2 million) due to the progress of construction in the *Gerling Quartier*. Cash flow from investing activities decreased to EUR 118.0 million (Q1-3 2013/14:

EUR 191.4 million), while cash flow from financing activities improved from EUR -684.2 million to EUR 118.1 million and led to high cash reserves of EUR 627.2 million.

Net Asset Value (NAV)
Net asset value declined to EUR 4.40 as of 31 January 2015 (30 April 2014: EUR 4.56) due to the negative total comprehensive income recorded for the period (i.e. the decline in property values combined with the parallel elimination of foreign exchange gains).

Book value per share
The book value per share amounts to EUR 3.96 as of January 2015 (30 April 2014: EUR 4.19).

The report on the first three quarters of IMMOFINANZ AG as of 31 January 2015 can be reviewed on the company's website under http://www.immofinanz.com/en/investor-relations/financial-reports/ starting on 19 March 2015.

On IMMOFINANZ Group
IMMOFINANZ Group is the leading listed commercial real estate investor and developer in Central and Eastern Europe. The company is included in the leading ATX index of the Vienna Stock Exchange and also trades on the Warsaw Stock Exchange. Since its founding in 1990, the company has compiled a high-quality property portfolio that now comprises more than 470 investment properties with a carrying amount of approx. EUR 6.8 billion. As a "real estate machine" the company concentrates on linking its three core business areas: the development of sustainable, specially designed prime properties in premium locations, the professional management of these properties and cycle-optimised sales. IMMOFINANZ Group concentrates its activities in the retail, office and logistics segments of eight regional core markets: Austria, Germany, Czech Republic, Slovakia, Hungary, Romania, Poland and Russia. Further information under: http://www.immofinanz.com / http://blog.immofinanz.com / http://properties.immofinanz.com

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