IMMOFINANZ GROUP

Press Release | Corporate News **Vienna, 17 December 2014**

IMMOFINANZ with stable operating performance in the first half year, but burdened by Russian crisis – share repurchase program resolved

KEY FIGURES (in MEUR)	**1 May 2014 - 31 Oct. 2014**	**Δ in %**	**1 May 2013 - 31 Oct. 2013**
Rental income	**234.6**	**-4.7%**	**246.1**
Results of asset management	**184.4**	**-11.0%**	**207.1**
Results of property sales	**5.7**	**-20.8%**	**7.2**
Results of property development	**5.1**	**n.a.**	**-8.2**
Expenses not directly attributable	**-29.8**	**33.2%**	**-44.6**
Results of operations	**169.5**	**1.6%**	**166.8**
Operating profit (EBIT)	**194.4**	**-15.5%**	**230.2**
Net profit*	**-30.2**	**n.a.**	**165.0**
Gross cashflow*	**143.9**	**-24.6%**	**190.9**

* The comparable prior year figure is including 100% BUWOG

The results of operations generated by IMMOFINANZ Group were stable in a year-on-year comparison at EUR 169.5 million in the first half of 2014/15 (H1 2013/14: EUR 166.8 million). In spite of this performance, net profit for the first half of 2014/15 was negative at EUR -30.2 million (H1 2013/14: EUR 110.3 million resp. EUR 165.0 million incl. 100% BUWOG). This development resulted primarily from the negative effects caused by the foreign exchange-adjusted revaluation of investment properties in the second quarter, which reflected the decline in the value of properties in Eastern Europe and above all in Russia, Poland and the Czech Republic. These foreign exchange-adjusted revaluation results of EUR -75.0 million reduced net profit, but have no effect on cash. Current income tax expense was also higher in the second quarter, among others due to the sale of logistics properties in Switzerland. Earnings before tax improved substantially over the first quarter to plus EUR 8.9 million in the second quarter (Q1 2014/15: EUR -18.5 million), but net profit for the second quarter was negative at EUR -16.2 million (Q1 2014/15: EUR -14.0 million).

“The Ruble continued to weaken against US Dollar and Euro during the second quarter of our 2014/15 financial year, this trend has intensified within the last weeks and days, with the decline in the Ruble from the beginning of 2014 to the beginning of December amounting to nearly 40%. These developments have also had an effect on our business in Russia and, in turn, could have a stronger-than-expected influence on our operating results during the coming quarters through the extension of short-term temporary reductions in lease payments and a possible further decline in the exchange rate”, says Eduard Zehetner, CEO of IMMOFINANZ Group. The continued deterioration of the situation in Russia would presumably also have negative consequences for the foreign exchange-adjusted revaluation of the Group’s Russian assets.

“The tenants in our Moscow shopping centers are confronted with a variety of problems, above all from the sharp drop in the Ruble. That means an increase in costs because in general our lease agreements are fixed in US Dollars or Euros. In order to support these long-term partnerships, we have met with numerous retailers in recent months and offered temporary reductions in lease payments on a case by case basis. That will help them to reduce the higher costs caused by foreign exchange effects. Since the Ruble has fallen further in the past months, we will have to continue this temporary payment reduction policy”, comments Zehetner. “We do not expect any significant improvement in the situation in Russia over the short-term, but hope at best for an unsteady sideward development during the coming months. In spite of the current uncertainties, we believe in the Russian market and in Russia as an economic factor. Moscow and the surrounding region are still undersupplied with high-quality retail space compared to other major European cities. We will therefore continue to evaluate new investments with a moderate volume in this market."

Payout policy:

The Executive Board and the supervisory board of IMMOFINANZ AG have resolved today to carry out the share repurchase program 2014-15 with an intended volume of up 10,167,053 shares (see also ad hoc-announcement on 17 December 2014). "The strong decline in the price of IMMOFINANZ shares due to the crisis in Russia and the related high discount to net asset value provide an attractive opportunity to buy back our own shares", says CEO Zehetner.

The payment of a cash dividend for the current financial year 2014/15 depends on the attainment of a distributable balance sheet profit of IMMOFINANZ AG. In light of current and further developments in Russia, the Executive Board doesn't provide a concrete guidance on the size of a potential dividend.

DEVELOPMENTS IN DETAIL:

The results of operations generated by IMMOFINANZ Group were stable in a year-on-year comparison at EUR 169.5 million in the first half of 2014/15 (H1 2013/14: EUR 166.8 million). A slight increase in like-for-like rental income from the final quarter of 2013/14 to the first quarter of 2014/15 (+1.4%) was followed by stable like-for-like development in the second quarter (-0.04% versus Q1 2014/15).

The like-for-like decline in rental income in Russia equalled -1.1% (versus Q1 2014/15), but there was an increase in impairment losses to receivables from previous quarters due to the rising uncertainty. From the current point of view, an increase in impairment losses to Russian receivables in the coming quarters is likely.

In spite of this solid operating performance, net profit for the first half of 2014/15 was negative at EUR -30.2 million (H1 2013/14: EUR 110.3 million resp. EUR 165.0 million incl. 100% BUWOG). This development resulted primarily from the negative effects caused by the foreign exchange-adjusted revaluation of investment properties in the second quarter, which reflected the decline in the value of properties in Eastern Europe and above all in Russia, Poland and the Czech Republic. These foreign exchange-adjusted revaluation results of EUR -75.0 million reduced net profit, but have no effect on cash. Income tax expense was also higher in the second quarter due to the sale of logistics properties in Switzerland. Earnings before tax improved substantially over the first quarter to plus EUR 8.9 million in the second quarter (Q1 2014/15: EUR -18.5 million), but net profit for the second quarter was negative at EUR -16.2 million (Q1 2014/15: EUR -14.0 million).

Sustainable free cash flow (FFO) amounted to EUR 64.3 million for the first half of 2014/15, which represents an annualised FFO yield after tax of 9.8%[1] based on market capitalisation. After an FFO of EUR 47.7 million in the first quarter 2014/2015, the FFO totalled EUR 16.7 million in the second quarter 2014/15. This reduction in FFO is explained almost equally by lower property sales in the

[1] *Sustainable cash flow (excl. BUWOG): Gross cash flow (EUR 143.9 million) + interest received on financial investments (EUR 2.6 million) – interest paid (EUR 76.0 million) - cash outflows for derivative transactions (EUR 11.9 million) + results of property sales (EUR 5.7 million) based on market capitalisation as of 16 December 2014 (share price: EUR 2.03) excl. treasury shares and market capitalisation of the BUWOG shares held (EUR 756.0 million based on a share price of EUR 15.49 as of 16 December 2014).*

second quarter, higher income tax payments in Switzerland and an increase in gross rent receivables in Russia.

Rental income declined to EUR 234.6 million following the sale of properties during the first half of 2014/15 (H1 2013/14: EUR 246.1 million). The results of property sales totalled EUR 5.7 million, compared with EUR 7.2 million in the previous year. The results of property developed improved from EUR -8.2 million to EUR 5.1 million. Consequently, the results of operations increased by 1.6% to EUR 169.5 million (H1 2013/14: EUR 166.8 million).

Results of asset management
IMMOFINANZ Group recorded rental income of EUR 234.6 million in the first half of 2014/15. This represents a decline of 4.7% compared with the first half of the previous year (EUR 246.1 million) and resulted mainly from the planned sale of properties.

The results of asset management totalled EUR 184.4 million, which represents a year-on-year decline of 11.0%. This development reflected an increase in property expenses that resulted, in particular, from the write-off of Russian receivables. These write-offs amounted to EUR 7.9 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 following write-offs totalled EUR 12.9 million as of 31 October 2014 and are opposed to advance payments of EUR 6.5 million.

Results of property sales
Property sales generated results of EUR 5.7 million in the first half of 2014/15 (H1 2013/14: EUR 7.2 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.

Results of property development
The sale of real estate inventories and the valuation of active development projects generated results of EUR 5.1 million in the first half of 2014/15 (H1 2013/14: EUR -8.2 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.

Administrative expenses
Administrative expenses that are not directly attributable (overhead costs and personnel expenses) were cut from EUR -44.6 million in the first half of the previous year to EUR -29.8 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
In spite of lower rental revenues the results of operations slightly increased by 1.6% year-on-year to EUR 169.5 million due to the successful and scheduled sale of properties (H1 2013/14: EUR 166.8 million).

Revaluation results adjusted for foreign exchange effects amounted to EUR -75.0 million (H1 2013/14: EUR -41.6 million), above all due to a decline in the value of properties in Russia, Poland and the Czech Republic. The causal factors identified by the external appraisers for the Russian market included the general uncertainty over future economic developments, while the decisive factors for Poland and the Czech Republic were related mainly to the pricing pressure due to numerous recently completed projects in the office sector and the restrained economic growth.

In contrast, revaluation results resulting from foreign exchange effects were clearly positive at EUR 101.0 million (H1 2013/14: EUR 107.7 million) due to the increase in the Euro versus the Ruble during the reporting period. Other revaluation results equalled EUR 24.9 million (H1 2013/14: EUR 63.4 million). EBIT fell from EUR 230.2 million in the previous year to EUR 194.4 million.

Financial results declined to EUR -204.1 million (H1 2013/14: EUR -80.3 million). This position includes non-cash foreign exchange accounting effects of EUR -104.6 million (H1 2013/14: EUR -7.3 million). These represent mainly USD financial liabilities offset by currency related gains in property values on the one hand and the purely non-cash conversion effects of EUR inter-company loans to Russian subsidiaries on the other (EUR 35.0 million). Other financial results (EUR -23.6 million; H1 2013/14: EUR 6.6 million) were negatively affected, among others by the non-cash valuation of derivatives that are held to hedge interest rate risk. These factors reduced earnings before tax from EUR 149.9 million in the first half of the previous year to EUR -9.7 million.

Net profit for the first half of 2014/15 was negative at EUR -30.2 million (H1 2013/14: EUR 110.3 million resp. EUR 165.0 million incl. 100% BUWOG) due to the negative valuation of properties (EUR -75.0 million).

Cash flow[2]

Gross cash flow declined from EUR 190.9 million in the first half of the previous year to EUR 143.9 million, above all due to higher income tax payments of EUR 9.4 million on the gain from the sale of Swiss logistics properties, which was included in the previous quarter as required by IFRS. In addition, the increase in gross rent receivables of EUR 17.4 million in Russia and the absence of cash flow from the BUWOG Group had a negative impact on gross cash flow. Cash flow from operating activities declined from EUR 141.4 million to EUR 82.6 million. Cash flow from investing activities was substantially lower at EUR -110.8 million (H1 2013/14: EUR 402.2 million), and cash flow from financing activities improved from EUR -636.4 million to EUR 194.0 million.

Net Asset Value (NAV)

Net asset value per share declined to EUR 4.48 as of 31 October 2014 due to the negative results recorded for the first half-year (30 April 2014: EUR 4.56).

Book value per share

The book value per share amounts to EUR 4.11 per 31 October 2014 (30 April 2014: EUR 4.19).

Outlook

IMMOFINANZ Group expects continued positive development or steady economic recovery in the region’s core markets, in spite of the subdued growth that has resulted from the geopolitical risks like the crisis in Ukraine and the tensions in the Near East. The exception in this region is Russia, which is now projected to fall into a recession in 2015. The Russian economy is facing a number of challenges caused by the steady and strong decline in the Ruble, the low oil price and the growing consumer uncertainty. However, the unusually low oil price could drive growth in 2015 for the countries that benefit from lower-priced imports of this raw material. The effects of the crisis in Ukraine on the commercial development of the IMMOFINANZ target markets, above all Russia, cannot be estimated at the present time.

[2] The comparable prior year figures including BUWOG operating segment

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The tenants in IMMOFINANZ Group's Moscow shopping centers are confronted with a variety of problems, above all from the sharp drop in the Ruble. That means an increase in costs because in general the lease agreements are fixed in US Dollars or Euros. In order to support these long-term partnerships, discussions have been held with numerous retailers in recent months and temporary reductions in lease payments have been offered on a case by case basis. IMMOFINANZ also intends to continue this temporary payment reduction policy since the Ruble has fallen further in the past months. The current situation indicates that like-for-like rental income in Russia will decline in the coming quarters. Based on the above-mentioned developments after the balance sheet date, further write-downs and/or write-offs to the outstanding receivables in the third quarter of 2014/15 have to be expected.

The continued deterioration of the situation in Russia would presumably also have negative consequences for the foreign exchange-adjusted revaluation of our Russian assets.

Following the spin-off of the majority holding and the successful listing of the former residential property subsidiary BUWOG at the end of the 2013/14 financial year, IMMOFINANZ Group holds an equity stake of 49% in BUWOG, which it intends to sell over the medium-term – but at least at the book value per share and with a minimal impact on the market. BUWOG has received a significantly higher valuation from investors than it did under the IMMOFINANZ umbrella. The discount between the price of the BUWOG share and the net asset value (NAV) has declined substantially since the initial listing. This discount, which was implicitly roughly 36% before the spin-off based on the IMMOFINANZ share price, has since been reduced significantly. The BUWOG share was initially listed in the Prime Standard segment of the Frankfurt Stock Exchange at EUR 13.00 and in the Prime Market of the Vienna Stock Exchange at EUR 13.20. The price of the BUWOG share has risen further since that time to an annual high to date of EUR 15.93 (Vienna Stock Exchange).

In addition to the 49% equity stake, IMMOFINANZ also invested in a EUR 260.0 million 3.5% convertible bond issued by BUWOG. BUWOG is entitled to call this bond in full up to 27 December 2014 and to repay the nominal value at 101%. The BUWOG management has announced that this call option will be exercised, which will result in cash inflows (excluding interest) of more than EUR 262.6 million for IMMOFINANZ Group.

IMMOFINANZ Group will use the liquidity from the sale of the BUWOG shares and the BUWOG convertible bond to repay existing, more expensive financing, for current and planned portfolio investments, opportunistic growth opportunities and general corporate purposes.

The report on the first half-year of IMMOFINANZ AG as of 31 October 2014 can be reviewed on the company's website under http://www.immofinanz.com/en/investor-relations/financial-reports/ starting on 18 December 2014.

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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