

IMMOFINANZ turns net profit significantly positive with EUR 217.5 million in 2018 – planned increase in dividend to 85 cents per share

- Results of asset management rise by 15.4% to EUR 174.0 million
- Sustainable FFO 1 (before tax) more than doubles to EUR 85.0 million
- Robust balance sheet: net LTV of 37.3%, cash and cash equivalents increase to EUR 631.8 million, financing costs reduced to 1.78% (excl. derivatives)
- Outlook confirmed for FFO 1 of more than EUR 100.0 million in 2019

KEY FIGURES (IN MEUR)	2018	Δ IN %	2017*
Rental income	236.9	1.0%	234.5
Results of asset management	174.0	15.4%	150.8
Results of property sales	27.2	4.7%	26.0
Results of property development	-4.3	85.0%	-28.8
Results of operations	153.1	42.3%	107.6
Financial results	45.3	-49.0%	88.8
Earnings before tax	204.3	2.0%	200.4
Net profit	217.5	n/a	-537.1
FFO 1 (before tax, excl. CA Immo, S IMMO)	85.0	≥ 100.0%	36.9

*adjusted

IMMOFINANZ significantly strengthened its earning power during the 2018 financial year: Results of operations rose by 42.3% to EUR 153.1 million (2017: EUR 107.6 million), and sustainable FFO 1 (before tax) from the standing investment business more than doubled to EUR 85.0 million (2017: EUR 36.9 million). Net profit turned positive with a significant increase to EUR 217.5 million, following a previous year that was negatively influenced, above all, by the sale of the Russian portfolio (2017: EUR -537.1 million).

“We have a clearly defined portfolio with record occupancy of 95.8% and made our business even more efficient through cost reductions – our balance sheet is robust with a comfortable liquidity buffer and comparatively low level of debt. The investment grade rating received in January 2019 underscores IMMOFINANZ’s excellent credit standing and gives us fast and flexible access to liquidity on the international Eurobond market. The past financial year made IMMOFINANZ a significantly stronger player on the European commercial real estate market“, commented Oliver Schumy, CEO of IMMOFINANZ, on the company’s successful reorientation.

Rental income rose by 1.0% to EUR 236.9 million. The decline in rental income from the sale of properties which do not fit in with the corporate strategy was offset by completions and acquisitions as well as higher like-for-like rental income (+2.9% to EUR 196.7 million). The results of asset management increased by 15.4% to EUR 174.0 million due to a substantial reduction in property expenses. The results of property sales climbed to

EUR 27.2 million (2017: EUR 26.0 million), and the results of property development were clearly higher than the previous year at EUR -4.3 million (2017: EUR -28.8 million).

Financial results benefited from a sizeable reduction in financing costs (27.9% decrease to EUR -68.4 million). The share of profit/loss from equity-accounted investments amounted to EUR 108.2 million (2017: EUR 200.0 million) and included EUR 90.1 million from the former investment in CA Immo (book gain on the sale of the share package and proportional share of earnings) as well as EUR 11.2 million from the investment in S IMMO (proportional share of earnings for Q4 2018 and an impairment loss as of 30 September 2018). Financial results totalled EUR 45.3 million in 2018 (2017: EUR 88.8 million). Total **net profit** improved significantly to EUR 217.5 million, following the negative effects from the sale of the retail portfolio in Russia in the previous year (2017: EUR -537.1 million). Basic earnings per share equalled EUR 1.97 and diluted earnings per share EUR 1.80 (2017 basic and diluted: EUR -5.08).

Sustainable FFO 1 (before tax) from the standing investment business more than doubled to EUR 85.0 million (2017: EUR 36.9 million) and FFO 1 per share rose by 120.0% to EUR 0.77 (2017: EUR 0.35). This FFO 1 does not reflect the dividend or the economic interest in CA Immo or S IMMO. Including the dividend of EUR 20.6 million received from CA Immo in 2018, FFO 1 (before tax) equalled EUR 105.6 million or EUR 0.96 per share.

New record occupancy

The real estate portfolio covered 226 properties with a carrying amount of EUR 4.3 billion as of 31 December 2018. Most of these properties – roughly 86% or EUR 3.7 billion – are standing investments. The occupancy rate rose to a record level of 95.8% at the end of December (31 December 2017: 94.2%). Based on IFRS rental income, that represents a gross return of 6.3%¹ (31 December 2017: 6.4%).

Robust balance sheet indicators

IMMOFINANZ has a robust balance sheet structure with an equity ratio of 48.0% (31 December 2017: 46.3%). Cash and cash equivalents rose to EUR 631.8 million (31 December 2017: EUR 477.9 million). Consequently, the net loan-to-value ratio equalled only 37.3% (31 December 2017: 40.8%). Average financing costs declined further and, at the end of December, equalled 1.78% excluding derivatives (31 December 2017: 1.97%) and 2.14% including derivatives (31 December 2017: 2.31%).

EPRA NAV per share equalled EUR 28.80 as of 31 December 2018 (31 December 2017: EUR 28.60). After an adjustment for the EUR 0.70 dividend in May 2018 and share buybacks during the past year (EUR 0.97 per share), the increase equals 6.5%. The EPRA NAV and EPRA NNNNAV calculations as of 31 December 2018 did not include any diluting effects from the conversion of the IMMOFINANZ convertible bond 2024 because the bond was not “in the money” as of that date. The book value per share rose to EUR 26.29 as of 31 December 2018 (31 December 2017: EUR 25.28), for an increase of 10.6% after an adjustment for the dividend and the share buyback.

The annual general meeting on 22 May 2019 will be asked to approve a dividend of 85 cents per share for the 2018 financial year (previous year: 70 cents). That represents a dividend yield of 4.1% (based on the closing price on 28 December 2018) and 3.8% (based on the closing price on 29 March 2019). 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.²

¹ Adjusted for the completion of the *trivago Campus* and the acquisition of STOP SHOP retail parks in 2018

² Subject to certain assumptions, e.g. when the total capital repayment exceeds the tax base of the purchased shares.

Outlook

The guidance is confirmed for FFO 1 of more than EUR 100 million in the 2019 financial year.

A robust balance sheet and available liquidity allow IMMOFINANZ to take advantage of suitable investment opportunities. Activities involving the STOP SHOPS will include further acquisitions and development projects to strengthen the company's leading position as a retail park operator. Further acquisitions are also under evaluation for the office portfolio, for example in the capital cities of Warsaw, Prague and Budapest.

Results in detail

Rental income rose by 1.0% to EUR 236.9 million in 2018 (2017: EUR 234.5 million). The decline in rental income from the sale of properties which do not fit in with the corporate strategy was offset by completions and acquisitions as well as higher like-for-like rental income. At EUR 61.2 million, rental income in Q4 2018 exceeded the preceding quarters.

Property expenses were 22.8% lower year-on-year at EUR -64.0 million (2017: EUR -82.9 million). This reduction was supported, in particular, by a decline in fit-out costs (EUR -2.5 million versus EUR -9.9 million) and maintenance expenses (EUR -24.0 million versus EUR -28.9 million). Vacancy costs, which were reclassified to operating expenses, dropped to EUR -8.5 million (2017: EUR -12.1 million). In total, the increase in rental income and decline in property expenses led to an improvement of 15.4% in the **results of asset management** to EUR 174.0 million (2017: EUR 150.8 million).

The **results of property sales** rose by 4.7% year-on-year to EUR 27.2 million (2017: EUR 26.0 million), whereby the increase resulted chiefly from the reclassification of foreign exchange differences. The **results of property development** improved to EUR -4.3 million (2017: EUR -28.8 million), but were negatively influenced by impairment losses and expenses from real estate inventories related to the transfer of commercial and residential properties in Cologne. The sale of the Cologne hotel leased to 25hours and further units was, however, finalised in January 2019. The remaining assets held for sale and real estate inventories in Cologne (EUR 1.5 million) are expected to be transferred during the first half of 2019.

The **results of operations** improved by 42.3% to EUR 153.1 million (2017: EUR 107.6 million). Other operating expenses generally reflected the previous year at EUR -49.9 million in 2018 (2017: EUR -49.2 million) and – as reported in Q1 2018 – also included 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 -8.6 million involved one-off expenses and special projects related to the simplification of the corporate structure and preparations for the receipt of an investment grade rating and the issue of a benchmark bond. After an adjustment for the special bonus, personnel expenses were 10.5% lower year-on-year at EUR -30.2 million (2017: EUR -33.7 million).

Results from the revaluation of investment property and goodwill increased to EUR 6.0 million (2017: EUR 4.1 million). The total revaluation results recorded by IMMOFINANZ in 2018 amounted to EUR 24.9 million (2017: EUR 28.5 million). Positive effects were provided, among others, by an increase in the value of the *trivago Campus* and *FLOAT* development projects in Germany, whereby the *trivago Campus* was reclassified to investment property as of 30 June 2018.

Financing costs declined substantially, as expected, by 27.9% to EUR -68.4 million as a result of the extensive refinancing measures carried out in 2017 and further optimisation in 2018 (2017: EUR -94.8 million). Other financial results improved to EUR -2.5 million, whereby the previous year (EUR -12.1 million) was negatively influenced, above all, by the valuation of derivatives and the earnings effect from the incentivised conversion of the convertible bond 2018.

The **share of profit/loss from equity-accounted investments** amounted to EUR 108.2 million (2017: EUR 200.0 million). Included here are a book gain of EUR 66.1 million on the sale of the CA Immo shares, EUR 24.0 million for the proportional share of CA Immo earnings for the first half of 2018 and EUR 11.2 million from the S IMMO investment (EUR 36.1 million for the proportional share of Q4 2018 earnings and an impairment loss of EUR -25.1 million which was recognised as of 30 September 2018). The S IMMO investment had a book value of EUR 391.9 million, or EUR 20.1 per share, as of 31 December 2018. In 2017, the share of profit/loss from equity-accounted investments was influenced by the very positive development of the CA Immo and BUWOG share prices. **Financial results** for the 2018 financial year totalled EUR 45.3 million (2017: EUR 88.8 million).

Income tax totalled EUR 14.0 million (2017: EUR -19.4 million), whereby deferred taxes were the largest component at EUR 37.6 million. The finalisation and the sale of the *Gerling Quartier* included the initial recognition of deferred tax assets. **Earnings before tax (EBT)** increased by 2.0% to EUR 204.3 million (2017: EUR 200.4 million).

Net profit from continuing operations rose by 20.6% to EUR 218.3 million (2017: EUR 181.0 million). Total **net profit** improved significantly to EUR 217.5 million, following the negative effects from the sale of the retail portfolio in Russia in the previous year (2017: EUR -537.1 million). Basic earnings per share equalled EUR 1.97 (2017: EUR -5.08) and diluted earnings per share EUR 1.80 (2017: EUR -5.08).

The report by IMMOFINANZ AG on the 2018 financial year as of 31 December 2018 will be available on the company's website under <http://www.immofinanz.com/en/investor-relations/financial-reports> starting on 11 April 2019.

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, Poland, Czech Republic, Slovakia, Hungary and Romania. 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 for quality and service. The real estate portfolio has a value of approx. EUR 4.3 billion and covers more than 220 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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