

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## Business Development

The strong earnings development recorded by IMMOFINANZ in the previous year continued into the first quarter of 2019. Rental income improved by 10.5% (including the effects from the initial application of IFRS 16), respectively by 4.1% (excluding IFRS 16 effects) to EUR 65.2 million. Results of operations rose by 3.7% to EUR 36.8 million and sustainable FFO 1 (before tax) from the standing investment business climbed 35.0% to EUR 28.1 million. Net profit also increased significantly year-on-year to EUR 30.4 million in the reporting period (Q1 2018: EUR 1.0 million).

### INCOME STATEMENT

A condensed version of the consolidated income statement is presented below:

All amounts in TEUR	Q1 2019	Q1 2018
Rental income	65,230	59,008
<b>Results of asset management</b>	<b>50,355</b>	<b>45,041</b>
<b>Results of property sales</b>	<b>1,028</b>	<b>3,544</b>
<b>Results of property development</b>	<b>-4,617</b>	<b>1,756</b>
Other operating income	771	2,206
Other operating expenses	-10,694	-17,017
<b>Results of operations</b>	<b>36,843</b>	<b>35,530</b>
Revaluation result from standing investments and goodwill	7,104	-3,788
<b>Operating profit (EBIT)</b>	<b>43,947</b>	<b>31,742</b>
<b>Financial results</b>	<b>-18,397</b>	<b>-4,508</b>
<b>Earnings before tax (EBT)</b>	<b>25,550</b>	<b>27,234</b>
<b>Net profit for the period from continuing operations</b>	<b>25,566</b>	<b>4,339</b>
Net profit or loss from discontinued operations	4,864	-3,386
<b>Net profit or loss</b>	<b>30,430</b>	<b>953</b>

### RESULTS OF ASSET MANAGEMENT

The results of asset management include rental income, other revenues, operating income and operating costs as well as the expenses directly attributable to investment property. Rental income rose by 10.5%, or EUR 6.2 million, to EUR 65.2 million. After the adjustment of effects totalling EUR 3.8 million from the initial application of IFRS 16, the increase equalled EUR 2.4 million or 4.1%. The decline in rental income from the sale of properties which do not fit in with the corporate strategy was more than offset by completions and acquisitions.

Property expenses declined by 17.3% to EUR -11.3 million (Q1 2018: EUR -13.7 million). This reduction was supported primarily by a decline in fit-out costs (EUR -0.9 million versus EUR -2.2 million). The vacancy costs included in operating expenses fell by 13.3% to EUR -2.1 million.

In total, the increase in rental income and decline in property expenses led to an improvement of 11.8% in the results of asset management to EUR 50.4 million (Q1 2018: EUR 45.0 million).

## RESULTS OF PROPERTY SALES AND PROPERTY DEVELOPMENT

The results of property sales amounted to EUR 1.0 million (Q1 2018: EUR 3.5 million), and the results of property development equalled EUR -4.6 million (Q1 2018: EUR 1.8 million). As previously reported, the sale of the hotel in Cologne which is leased to 25hours and other units in the *Gerling Quartier* closed during Q1 2019. Real estate inventories included EUR 450,000 from the *Gerling Quartier* as of 31 March 2019.

## RESULTS OF OPERATIONS

The results of operations improved by 3.7% to EUR 36.8 million. Other operating expenses fell by 37.2% year-on-year to EUR -10.7 million (Q1 2018: EUR -17.0 million). After an adjustment for the payment of a one-time special bonus of EUR -4.0 million to the Executive Board in 2018 for the successful restructuring of the Group, the cost savings equalled EUR 2.3 million or 17.8%.

## REVALUATION

Results from the revaluation of investment property and goodwill turned positive and equalled EUR 7.1 million (Q1 2018: EUR -3.8 million). This change was supported, above all, by the revaluation of the *Na Prikope* property in the inner city of Prague. IMMOFINANZ acquired a 50% interest in this revitalised office project during Q1 2019 and is now its sole owner.

## FINANCIAL RESULTS AND TAXES

Financing costs declined by 8.9% to EUR -14.9 million, among others due to a reduction in the Group's expenses for financing (31 March 2019: 1.94% p.a. including derivatives). Other financial results equalled EUR -7.9 million and were lower than the previous year (Q1 2018: EUR 1.2 million), in particular due to the valuation of derivatives.

The share of profit/loss from equity-accounted investments amounted to EUR 4.9 million (Q1 2018: EUR 8.9 million), whereby EUR 4.5 million are attributable to the proportional share of S IMMO earnings. Financial results for Q1 2019 totalled EUR -18.4 million (Q1 2018: EUR -4.5 million).

## NET PROFIT

Net profit from continuing operations increased substantially to EUR 25.6 million (Q1 2018: EUR 4.3 million). The results of discontinued operations were influenced, above all, by tax reimbursements from Russia and equalled EUR 4.9 million (Q1 2018: EUR -3.4 million). As reported in connection with the sale of the Russian portfolio to the FORT Group at the end of 2017, IMMOFINANZ can participate in a positive outcome of ongoing proceedings for the reimbursement of withholding and property taxes.

IMMOFINANZ recorded a significant improvement in net profit to EUR 30.4 million in Q1 2019 (Q1 2018: EUR 1.0 million). Basic earnings per share equalled EUR 0.28 (Q1 2018: EUR 0.02) and diluted earnings per share EUR 0.25 (Q1 2018: EUR 0.02).

## FUNDS FROM OPERATIONS (FFO)

The development of sustainable funds from operations, an important profitability indicator for the real estate branch, underscores IMMOFINANZ's stronger earning power. FFO 1 (before tax) from the standing investment business rose by 35.0% to EUR 28.1 million during the reporting period (Q1 2018: EUR 20.8 million), which represents FFO 1 per share of EUR 0.26 (Q1 2018: EUR 0.19). After the inclusion of future interest payments for the corporate bond 2023 which was issued in January 2019 (coupon: 2.625%, first coupon payment in January 2020), FFO 1 adjusted over the quarters for this effect equals EUR 25.8 million (plus 24.2%) or FFO 1 per share of EUR 0.24 (Q1 2018: EUR 0.19). This FFO 1 does not include the economic interest in S IMMO.

## FUNDS FROM OPERATIONS (FFO)

All amounts in TEUR	P&L Q1 2019	Adjustments	FFO Q1 2019	FFO Q1 2018 (adjusted)
Results of asset management	50,355	297	50,652	45,107
Results of property sales	1,028	-1,028		
Results of property development	-4,617	4,617		
Other operating income	771	-197	574	875
Other operating expenses	-10,694	-45	-10,739	-11,334
Results of operations	36,843	3,644	40,487	34,648
Other revaluation results	7,104	-7,104		
Operating profit (EBIT)	43,947	-3,460	40,487	34,648
Financing costs	-14,301			
Financing income	100			
Foreign exchange differences	-1,106			
Other financial results	-7,943			
Net profit or loss from equity-accounted investments	4,853			
Financial results	-18,397	5,960	-12,437	-13,864
Earnings before tax (EBT) / FFO 1 before tax (excl. CA Immo/S IMMO)	25,550	2,500	28,050	20,784
Net profit or loss from discontinued operations	4,864	-4,864		
FFO 1 before tax (excl. S IMMO/CA Immo)			28,050	20,784
Accrued interest corporate bond 2023		-2,229	-2,229	
FFO 1 before tax (excl. S IMMO/CA Immo) adjusted			25,821	20,784
Number of shares (according to EPS calculation)			109,362,447	111,760,043
FFO 1 per share before tax			0.26	0.19
FFO 1 per share adjusted for accrued interest			0.24	0.19

## BALANCE SHEET

The condensed balance sheet is shown below:

All amounts in TEUR	31 March 2019	in %	31 Dec. 2018	in %
Investment property	4,032,484		3,893,568	
Property under construction	450,985	75.3%	397,540	75.3%
Real estate inventories	800		46,932	
Assets held for sale	26,204		57,162	
Other assets	110,697	1.8%	107,413	1.8%
Equity-accounted investments	405,991	6.8%	397,671	6.8%
Trade and other receivables	288,169	4.8%	305,628	5.2%
Cash and cash equivalents	672,466	11.2%	631,754	10.8%
<b>Assets</b>	<b>5,987,796</b>	<b>100.0%</b>	<b>5,837,668</b>	<b>100.0%</b>
Equity	2,782,680	46.5%	2,800,341	48.0%
Liabilities from convertible bonds	280,052	4.7%	284,638	4.9%
Financial liabilities	2,330,433	38.9%	2,140,884	36.7%
Trade and other payables	185,060	3.1%	199,025	3.4%
Other liabilities	73,527	1.2%	74,050	1.3%
Deferred tax liabilities	336,044	5.6%	338,730	5.8%
<b>Equity and liabilities</b>	<b>5,987,796</b>	<b>100.0%</b>	<b>5,837,668</b>	<b>100.0%</b>

The value of the property portfolio amounted to EUR 4.5 billion and represented 75.3% of total assets as of 31 March 2019. These properties are reported on the balance sheet under the following positions: investment property, property under construction, real estate inventories and non-current assets held for sale. Non-current assets held for sale include properties as well as other assets which will be transferred to the buyer in the event of a sale.

The initial application of IFRS 16 led to an increase of EUR 56.4 million and EUR 13.2 million, respectively, in the balance sheet positions "investment property" and "property under construction".

Of the properties classified as held for sale as of 31 December 2018, three office properties and one property in the other assets class were sold during Q1 2019. These transactions reduced the balance of held-for-sale properties to EUR 26.2 million.

Financial liabilities rose by 8.8% to EUR 2.3 billion as of 31 March 2019. Approximately EUR 70.7 million of this total are attributable to lease liabilities and reflect the initial application of IFRS 16. In addition, an unsecured corporate bond with a volume of EUR 500.0 million was issued in Q1 2019; the net proceeds will be used to refinance existing secured financial liabilities and for general corporate purposes.

## EPRA INDICATORS

### NET ASSET VALUE (NAV) AND TRIPLE NET ASSET VALUE (NNNAV)

EPRA NAV per share equalled EUR 29.36 as of 31 March 2019 (31 December 2018: EUR 28.80), and EPRA NNNAV per share equalled EUR 28.85 (31 December 2018: EUR 28.44).

These EPRA NAV and EPRA NNNAV calculations did not include any potential diluting effects from the conversion of the IMMOFINANZ convertible bond 2024 because the bond was not "in the money" as of 31 March 2019.

The book value per share rose to EUR 26.74 as of 31 March 2019 (31 December 2018: EUR 26.29).

The results of the NAV and NNNAV calculations are shown below:

	31 March 2019		31 March 2018	
	in TEUR	in EUR per share	in TEUR	in EUR per share
<b>Equity excl. non-controlling interests</b>	<b>2,799,893</b>		<b>2,816,934</b>	
<b>Diluted equity excl. non-controlling interests after an adjustment for convertible bonds and the exercise of options</b>	<b>2,799,893</b>		<b>2,816,934</b>	
Undisclosed reserves in real estate inventories	0.0		202	
Fair value of derivative financial instruments	16,935		12,515	
Deferred taxes on investment property	285,738		283,502	
Deferred taxes on real estate inventories and derivative financial instruments	-3,281		-2,641	
Goodwill resulting from deferred taxes	-24,507		-24,507	
<b>Number of shares excl. treasury shares (in 1,000)</b>		<b>104,713</b>		<b>107,143</b>
<b>EPRA NAV</b>	<b>3,074,777</b>	<b>29.36</b>	<b>3,086,005</b>	<b>28.80</b>
Fair value of derivative financial instruments	-16,935		-12,515	
Effect of fair value measurement of financial liabilities	-33,069		-15,499	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	11,549		6,485	
Deferred taxes on investment property	-15,612		-16,793	
<b>EPRA NNNAV</b>	<b>3,020,710</b>	<b>28.85</b>	<b>3,047,683</b>	<b>28.44</b>

## EPRA EARNINGS PER SHARE

EPRA earnings per share equalled EUR 0.14, respectively EUR 0.12 per share after company-specific adjustments.

All amounts in TEUR	Q1 2019	Q1 2018
<b>Weighted average number of shares (in 1,000)</b>	<b>109,362</b>	<b>1,117,600</b>
<b>Net profit or loss from continuing operations excl. non-controlling interests</b>	<b>25,972</b>	<b>5,469</b>
Revaluation of investment properties and development properties	-6,050	-1,085
Results of property sales	-1,027	-3,544
Goodwill impairment, negative differences and earn-out effects on income	0	100
Changes in fair value of financial instruments	7,028	-1,736
Acquisition costs on share deals	6	0
Taxes in respect of EPRA adjustments	-10,085	169
EPRA adjustment in respect of joint ventures and non-controlling interests	-52	0
<b>EPRA earnings</b>	<b>15,791</b>	<b>-627</b>
<b>EPRA earnings per share</b>	<b>0.144</b>	<b>-0.001</b>
<b>Company-specific adjustments</b>		
Recognition of outside basis difference CA Immo Group	0	6,596
One-time effects in other operating expenses	-4,915	0
Foreign exchange gains and losses	1,107	-393
Deferred taxes in respect of company-specific adjustments	1,036	-50
<b>Company-specific adjusted earnings</b>	<b>13,019</b>	<b>5,526</b>
<b>EPRA earnings per share after company-specific adjustments</b>	<b>0.119</b>	<b>0.005</b>

## EPRA NET INITIAL YIELD

The EPRA net initial yield increased from roughly 5.5% in Q1 2018 to 6.1% in Q1 2019.

All amounts in TEUR	Q1 2019	Q1 2018
Investment property	4,000,789	3,808,103
Investment property – proportional share of joint ventures	1,267	46,268
Less undeveloped land	-171,820	-179,802
Less undeveloped land – proportional share of joint ventures	0	-1,283
<b>Total property portfolio</b>	<b>3,830,236</b>	<b>3,673,286</b>
Allowance for estimated purchasers' costs	72,774	66,119
<b>Gross value of total property portfolio</b>	<b>3,903,011</b>	<b>3,739,406</b>
Annualised cash rental income	266,162	239,051
Annualised cash rental income – proportional share of joint ventures	0	1,889
Non-recoverable property operating expenses	-26,428	-33,695
Non-recoverable property operating expenses – proportional share of joint ventures	-8	-54
<b>Annualised net rental income</b>	<b>239,727</b>	<b>207,191</b>
<b>EPRA net initial yield</b>	<b>6.1%</b>	<b>5.5%</b>