

# Business Development

The strong earnings development recorded by IMMOFINANZ in the previous year continued during the first half of 2019. Rental income rose by 10.8% (including the effects from the initial application of IFRS 16) to EUR 131.8 million. After an adjustment for the IFRS 16 effects, the increase equalled 4.2%. The decline in rental income which resulted from the sale of non-strategic properties was more than offset by completions and acquisitions. The results of asset management increased 6.6% to EUR 101.0 million, the operating profit rose by 63.9% to EUR 203.4 million and sustainable FFO 1 (before tax) from the standing investment business improved by 22.0% to EUR 59.0 million. Net profit more than doubled to EUR 185.3 million.

## INCOME STATEMENT

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

All amounts in TEUR	Q1–2 2019	Q1–2 2018
Rental income	131,837	118,967
<b>Results of asset management</b>	<b>100,970</b>	<b>94,751</b>
<b>Results of property sales</b>	<b>1,683</b>	<b>20,649</b>
<b>Results of property development</b>	<b>14,309</b>	<b>24,159</b>
Other operating income	4,079	3,100
Other operating expenses	-22,304	-27,816
<b>Results of operations</b>	<b>98,737</b>	<b>114,843</b>
<b>Revaluation result from standing investments and goodwill</b>	<b>104,668</b>	<b>9,272</b>
<b>Operating profit (EBIT)</b>	<b>203,405</b>	<b>124,115</b>
<b>Financial results</b>	<b>-4,644</b>	<b>1,511</b>
<b>Earnings before tax (EBT)</b>	<b>198,761</b>	<b>125,626</b>
<b>Net profit for the period from continuing operations</b>	<b>181,821</b>	<b>89,453</b>
Net profit or loss from discontinued operations	3,454	-3,240
<b>Net profit or loss</b>	<b>185,275</b>	<b>86,213</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 10.8%, or EUR 12.9 million, to EUR 131.8 million in the first half of 2019. After the adjustment of effects totalling EUR 7.8 million from the initial application of IFRS 16, the increase equalled EUR 5.1 million, or 4.2%, to EUR 123.9 million. The margin equalled 81.6% after an adjustment for the IFRS 16 effects and personnel expenses from the asset management business.

Property expenses reflected the previous year at EUR -23.7 million (Q1–2 2018: EUR -23.6 million). The vacancy costs included in operating expenses fell by 15.4% to EUR -4.1 million. In total, the results of asset management improved by 6.6% to EUR 101.0 million (Q1–2 2018: EUR 94.8 million).

### RESULTS OF PROPERTY SALES AND PROPERTY DEVELOPMENT

The results of property sales amounted to EUR 1.7 million, whereby the comparable prior year period included a substantial positive effect from the recycling of accumulated historical foreign exchange differences to the income statement (Q1–2 2018: EUR 20.7 million). The results of property development totalled EUR 14.3 million (Q1–2 2018: EUR 24.2 million).

### RESULTS OF OPERATIONS

Other operating expenses amounted to EUR -22.3 million and were 19.8% lower than the previous year (Q1–2 2018: EUR -27.8 million). After an adjustment for the payment of a one-time special bonus of EUR -4.0 million to the Executive Board in the first half of 2018 for the successful restructuring of the Group, the cost savings equalled EUR 1.5 million or 6.3%. The results of operations totalled EUR 98.7 million for the first half of 2019 (Q1–2 2018: EUR 114.8 million).

### REVALUATION

Results from the revaluation of investment property and goodwill increased significantly to EUR 104.7 million (Q1–2 2018: EUR 9.3 million), above all due to the positive market development in Germany and Austria.

## FINANCIAL RESULTS AND TAXES

Financing costs declined by 6.4% to EUR -31.6 million, among others owing to a reduction in the Group's expenses for financing (30 June 2019: 1.99% per year including derivatives). Other financial results equalled EUR -16.2 million and were lower than the previous year (Q1-2 2018: EUR -0.3 million), primarily due to the valuation of interest rate derivatives in the current low-interest environment.

The share of profit/loss from equity-accounted investments amounted to EUR 43.4 million (Q1-2 2018: EUR 31.3 million), whereby the proportional share of earnings from the S IMMO investment represents the main component. Financial results for the first half of 2019 totalled EUR -4.6 million (Q1-2 2018: EUR 1.5 million).

## NET PROFIT

Net profit from continuing operations improved substantially to EUR 181.8 million (Q1-2 2018: EUR 89.5 million). The results of discontinued operations were positively influenced, above all, by tax reimbursements from Russia and equalled EUR 3.5 million (Q1-2 2018: EUR -3.2 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.

Net profit more than doubled to EUR 185.3 million (Q1-2 2018: EUR 86.2 million). Basic earnings per share equalled EUR 1.72 (Q1-2 2018: EUR 0.79) and diluted earnings per share EUR 1.53 (Q1-2 2018: EUR 0.73).

## 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 22.0% to EUR 59.0 million during the reporting period (Q1-2 2018: EUR 48.4 million). FFO 1 per share increased by 25.5% to EUR 0.54 (Q1-2 2018: EUR 0.43), whereby this indicator excludes dividends as well as the economic interest in S IMMO (respectively CA IMMO in the previous year). Including the respective dividend payments, FFO 1 (before tax) equals EUR 72.7 million and EUR 0.67 per share (Q1-2 2018: EUR 68.9 million and EUR 0.62 per share).

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 (before tax, excluding the S IMMO dividend) equals EUR 53.5 million or EUR 0.49 per share.

## FUNDS FROM OPERATIONS (FFO)

All amounts in TEUR	P&L Q1-2 2019	Adjustments	FFO Q1-2 2019	FFO Q1-2 2018 (adjusted)
<b>Results of asset management</b>	100,970	-146	100,824	95,135
<b>Results of property sales</b>	1,683	-1,683		
<b>Results of property development</b>	14,309	-14,309		
Other operating income	4,079	-2,731	1,348	2,010
Other operating expenses	-22,304	724	-21,580	-21,692
<b>Results of operations</b>	<b>98,737</b>	<b>-18,145</b>	<b>80,592</b>	<b>75,453</b>
Other revaluation results	104,668	-104,668		
<b>Operating profit (EBIT)</b>	<b>203,405</b>	<b>-122,813</b>	<b>80,592</b>	<b>75,453</b>
Financing costs	-31,586			
Financing income	1,152			
Foreign exchange differences	-1,454			
Other financial results	-16,152			
Net profit or loss from equity-accounted investments	43,396			
<b>Financial results</b>	<b>-4,644</b>	<b>-16,917</b>	<b>-21,561</b>	<b>-27,073</b>
<b>Earnings before tax (EBT) / FFO 1 before tax (excl. CA Immo/S IMMO)</b>	<b>198,761</b>	<b>-139,730</b>	<b>59,031</b>	<b>48,380</b>
<b>FFO 1 per share before tax</b>			<b>0.54</b>	<b>0.43</b>
Dividends from S IMMO/CA Immo			13,650	20,552
<b>EBT / FFO 1 before tax incl. S IMMO/CA Immo</b>			<b>72,681</b>	<b>68,932</b>
<b>FFO 1 per share before tax incl. S IMMO/CA Immo</b>			<b>0.67</b>	<b>0.62</b>
<b>Including accrued interest on the bond 2023</b>				
<b>FFO 1 before tax (excl. S IMMO/CA Immo)</b>			<b>59,031</b>	
Accrued interest corporate bond 2023		-5,502	-5,502	
<b>FFO 1 before tax (excl. S IMMO/CA Immo) adjusted</b>			<b>53,530</b>	
<b>FFO 1 per share adjusted for accrued interest</b>			<b>0.49</b>	
Number of shares (as per EPS formula) for the calculation:			108,426,046	111,530,821

## BALANCE SHEET

The condensed balance sheet is shown below:

All amounts in TEUR	30 June 2019	in %	31 Dec. 2018	in %
Investment property	4,353,248		3,893,568	
Property under construction	261,496	78.1%	397,540	75.3%
Real estate inventories	868		46,932	
Assets held for sale	24,931		57,162	
Other assets	111,347	1.9%	107,413	1.8%
Equity-accounted investments	431,524	7.3%	397,671	6.8%
Trade and other receivables	194,934	3.3%	305,628	5.2%
Cash and cash equivalents	560,446	9.4%	631,754	10.8%
<b>Assets</b>	<b>5,938,794</b>	<b>100.0%</b>	<b>5,837,668</b>	<b>100.0%</b>
Equity	2,798,371	47.1%	2,800,341	48.0%
Liabilities from convertible bonds	282,675	4.8%	284,638	4.9%
Financial liabilities	2,265,627	38.1%	2,140,884	36.7%
Trade and other payables	178,482	3.0%	199,025	3.4%
Other liabilities	64,616	1.1%	74,050	1.3%
Deferred tax liabilities	349,023	5.9%	338,730	5.8%
<b>Equity and liabilities</b>	<b>5,938,794</b>	<b>100.0%</b>	<b>5,837,668</b>	<b>100.0%</b>

The value of the property portfolio amounted to EUR 4.6 billion and represented 78.1% of total assets as of 30 June 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 56.8 million and EUR 13.5 million, respectively, in the balance sheet positions "investment property" and "property under construction".

The equity-accounted investments totalled EUR 431.5 million, whereby EUR 430.2 million are attributable to S IMMO. Based on the roughly 19.5 million shares held by IMMOFINANZ, the book value of the S IMMO share equals EUR 22.06.

Financial liabilities rose by EUR 124.7 million, or 5.8%, to EUR 2.3 billion during the first half of 2019. Of this total, EUR 71.2 million are attributable to lease liabilities and reflect the initial application of IFRS 16. IMMOFINANZ issued an unsecured corporate bond with a volume of EUR 500.0 million in the first quarter of 2019; the net proceeds were used to refinance existing secured financial liabilities and for general corporate purposes.

## EPRA INDICATORS

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

Diluted EPRA NAV per share rose to EUR 29.24 as of 30 June 2019 (31 December 2018: basic EUR 28.80). Diluted EPRA NNNAV per share equals EUR 28.64 (31 December 2018: basic EUR 28.44).

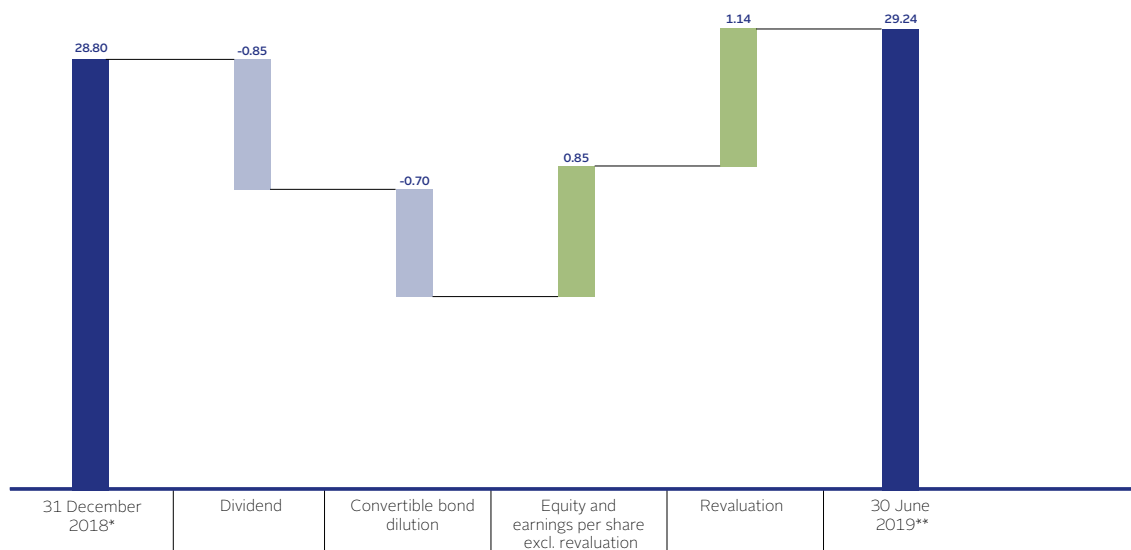
The calculation of EPRA NAV and EPRA NNNAV as of 30 June 2019 – in contrast to 31 December 2018 and 31 March 2019 – includes the diluting effects which would result from the conversion of the IMMOFINANZ convertible bond 2024 because this bond was "in the money" at the end of the reporting period. The dilution equalled EUR 0.70 per share. Including the dividend payment of EUR 0.85 in the second quarter of 2019, (diluted) EPRA NAV per share equalled EUR 30.09 and basic earnings per share EUR 30.79.

The book value per share rose by 4.5% to EUR 27.48 as of 30 June 2019 (31 December 2018: EUR 26.29). After an adjustment for the dividend, this represents an increase of 7.8%.

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

	30 June 2019		31 December 2018	
	in TEUR	in EUR per share	in TEUR	in EUR per share
<b>Equity excl. non-controlling interests</b>	<b>2,816,794</b>		<b>2,816,934</b>	
Diluting effects of convertible bond 2024	282,675		0	
<b>Diluted equity excl. non-controlling interests after an adjustment for convertible bonds and the exercise of options</b>	<b>3,099,469</b>		<b>2,816,934</b>	
Undisclosed reserves in real estate inventories	2		202	
Fair value of derivative financial instruments	26,070		12,515	
Deferred taxes on investment property	308,033		283,502	
Deferred taxes on real estate inventories and derivative financial instruments	-5,017		-2,641	
Goodwill resulting from deferred taxes	-24,507		-24,507	
<b>Number of shares excl. treasury shares (in 1,000)</b>		<b>102,516</b>		<b>107,143</b>
<b>Potential shares (in 1,000)</b>		<b>13,903</b>		<b>0</b>
<b>EPRA NAV (diluted)</b>	<b>3,404,050</b>	<b>29.24</b>	<b>3,086,005</b>	<b>28.80</b>
Fair value of derivative financial instruments	-26,070		-12,515	
Effect of fair value measurement of financial liabilities	-45,013		-15,499	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	16,270		6,485	
Deferred taxes on investment property	-14,515		-16,793	
<b>EPRA NNNAV (diluted)</b>	<b>3,334,722</b>	<b>28.64</b>	<b>3,047,683</b>	<b>28.44</b>

## DEVELOPMENT OF EPRA NAV PER SHARE



\* Number of shares as of 31 December 2018 in thousand: 107,143 (basic)

\*\* Number of shares as of 30 June 2019 in thousand: 116,419 (diluted)

## EPRA EARNINGS PER SHARE

EPRA earnings per share equalled EUR 0.79, respectively EUR 0.80 per share after company-specific adjustments.

All amounts in TEUR	Q1-2 2019	Q1-2 2018
<b>Weighted average number of shares (in 1,000)</b>	<b>108,426</b>	<b>111,531</b>
<b>Net profit or loss from continuing operations excl. non-controlling interests</b>	<b>182,980</b>	<b>91,260</b>
Revaluation of investment properties and development properties	-122,840	-41,776
Results of property sales	-1,682	-20,656
Goodwill impairment, negative differences and earn-out effects on income	0	100
Changes in fair value of financial instruments	16,204	1,842
Acquisition costs on share deals	4	4
Taxes in respect of EPRA adjustments	11,066	6,242
EPRA adjustment in respect of joint ventures and non-controlling interests	-480	-6,749
<b>EPRA earnings</b>	<b>85,252</b>	<b>30,267</b>
<b>EPRA earnings per share</b>	<b>0.79</b>	<b>0.27</b>
<b>Company-specific adjustments</b>		
Recognition of outside basis difference CA Immo Group	0	2,437
One-time effects in other operating expenses	493	0
Foreign exchange gains and losses	1,454	-1,244
Deferred taxes in respect of company-specific adjustments	-313	241
<b>Company-specific adjusted earnings</b>	<b>86,887</b>	<b>31,702</b>
<b>EPRA earnings per share after company-specific adjustments</b>	<b>0.80</b>	<b>0.28</b>

## EPRA NET INITIAL YIELD

The EPRA net initial yield increased from roughly 5.5% in the first half of 2018 to 5.8%.

All amounts in TEUR	Q1–2 2019	Q1–2 2018
Investment property	4,320,244	3,808,103
Investment property – proportional share of joint ventures	1,267	46,268
Less undeveloped land	-191,376	-179,802
Less undeveloped land – proportional share of joint ventures	0	-1,283
<b>Total property portfolio</b>	<b>4,130,135</b>	<b>3,673,286</b>
Allowance for estimated purchasers' costs	0	66,119
<b>Gross value of total property portfolio</b>	<b>4,130,135</b>	<b>3,739,406</b>
Annualised cash rental income	267,250	239,051
Annualised cash rental income – proportional share of joint ventures	0	1,889
Non-recoverable property operating expenses	-25,926	-33,695
Non-recoverable property operating expenses – proportional share of joint ventures	-6	-54
<b>Annualised net rental income</b>	<b>241,318</b>	<b>207,191</b>
<b>EPRA net initial yield</b>	<b>5.8%</b>	<b>5.5%</b>

The material reportable transactions with related companies and persons are disclosed in note 7.0 to the consolidated interim financial statements.