

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## Business Development

The strong earnings development recorded by IMMOFINANZ in the previous year continued during the first three quarters of 2019. Rental income rose by 15.8% (including the reclassifications under the results of asset management from the initial application of IFRS 16) to EUR 203.4 million. After an adjustment for these IFRS 16 reclassifications, the increase in rental income equalled 9.0%. The decline in rental income which resulted from the sale of non-strategic properties was more than offset by acquisitions and completions. The results of asset management increased 14.3% to EUR 153.8 million, the operating profit (EBIT) rose by 58.0% to EUR 237.1 million and sustainable FFO 1 (before tax) from the standing investment business improved by 47.4% to EUR 92.8 million. Net profit was 50.1% higher at EUR 202.6 million.

## INCOME STATEMENT

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

All amounts in TEUR	Q1–3 2019	Q1–3 2018
Rental income	203,404	175,667
<b>Results of asset management</b>	<b>153,825</b>	<b>134,534</b>
<b>Results of property sales</b>	<b>3,673</b>	<b>28,118</b>
<b>Results of property development</b>	<b>9,122</b>	<b>23,748</b>
Other operating income	5,369	4,306
Other operating expenses	-32,246	-41,018
<b>Results of operations</b>	<b>139,743</b>	<b>149,688</b>
<b>Revaluation result from standing investments and goodwill</b>	<b>97,383</b>	<b>425</b>
<b>Operating profit (EBIT)</b>	<b>237,126</b>	<b>150,113</b>
<b>Financial results</b>	<b>-24,491</b>	<b>32,328</b>
<b>Earnings before tax (EBT)</b>	<b>212,635</b>	<b>182,441</b>
<b>Net profit for the period from continuing operations</b>	<b>199,161</b>	<b>135,775</b>
Net profit or loss from discontinued operations	3,454	-771
<b>Net profit or loss</b>	<b>202,615</b>	<b>135,004</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 15.8%, or EUR 27.7 million, to EUR 203.4 million. After an adjustment for reclassifications of EUR 12.0 million within the results of asset management from the initial application of IFRS 16, the rental income increased by EUR 15.7 million, or 9.0%, to EUR 191.4 million. The asset management margin (excl. IFRS 16 reclassifications and personnel expenses from asset management activities) equalled 80.7%.

Property expenses were 7.3% lower year-on-year at EUR -38.3 million (Q1–3 2018: EUR -41.3 million). The vacancy costs included in operating expenses fell by 6.4% to EUR -6.2 million. In total, the results of asset management improved by 14.3% to EUR 153.8 million in the first three quarters of 2019 (Q1–3 2018: EUR 134.5 million).

## RESULTS OF PROPERTY SALES AND PROPERTY DEVELOPMENT

The results of property sales amounted to EUR 3.7 million, in comparison with the first three quarters of the previous year which included a substantial positive effect from the recycling of accumulated historical foreign exchange differences to the income statement (Q1–3 2018: EUR 28.1 million). The results of property development totalled EUR 9.1 million (Q1–3 2018: EUR 23.7 million).

## RESULTS OF OPERATIONS

Other operating expenses fell by 21.4% year-on-year to EUR -32.2 million (Q1–3 2018: EUR -41.0 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 4.8 million or 11.6%. The results of operations totalled EUR 139.7 million for the first three quarters of 2019 (Q1–3 2018: EUR 149.7 million).

## REVALUATION

Results from the revaluation of investment property and goodwill increased significantly to EUR 97.4 million (Q1–3 2018: EUR 0.4 million), above all due to the positive market development in Germany and Austria.

## FINANCIAL RESULTS AND TAXES

Financing costs totalled EUR -51.5 million for the first three quarters of 2019 and remained at the prior year level (Q1–3 2018: EUR -51.3 million) in spite of property acquisitions (in particular, the *Warsaw Spire* in Q3 2019) and a related increase in the volume of financing. Average financing costs, including hedging, fell to 1.95% per year (30 September 2018: 2.17%). Other financial results equalled EUR -21.1 million and were lower than the previous year (Q1–3 2018: EUR 4.3 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 47.1 million (Q1–3 2018: EUR 72.6 million), with the proportional share of earnings from the S IMMO investment representing the main component. Financial results for the first three quarters of 2019 totalled EUR -24.5 million (Q1–3 2018: EUR 32.3 million).

## NET PROFIT

Net profit from continuing operations improved substantially to EUR 199.2 million (Q1–3 2018: EUR 135.8 million). The results of discontinued operations were positively influenced, above all, by tax reimbursements from Russia in the first quarter and equalled EUR 3.5 million (Q1–3 2018: EUR -0.8 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 rose by 50.1% to EUR 202.6 million (Q1–3 2018: EUR 135.0 million). Basic earnings per share equalled EUR 1.90 (Q1–3 2018: EUR 1.23) and diluted earnings per share EUR 1.69 (Q1–3 2018: EUR 1.14).

## 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 47.4% to EUR 92.8 million during the reporting period (Q1–3 2018: EUR 63.0 million). FFO 1 per share (before tax) increased by 50.9% to EUR 0.86 (Q1–3 2018: EUR 0.57), 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) equalled EUR 106.4 million or EUR 0.99 per share (Q1–3 2018: EUR 83.5 million or EUR 0.75 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 84.0 million or EUR 0.78 per share.

## FUNDS FROM OPERATIONS (FFO)

All amounts in TEUR	P&L Q1-3 2019	Adjustments	FFO Q1-3 2019	FFO Q1-3 2018
<b>Results of asset management</b>	<b>153,825</b>	<b>-60</b>	<b>153,765</b>	<b>134,897</b>
<b>Results of property sales</b>	<b>3,673</b>	<b>-3,673</b>		
<b>Results of property development</b>	<b>9,122</b>	<b>-9,122</b>		
Other operating income	5,369	-3,001	2,368	3,433
Other operating expenses	-32,246	3,243	-29,003	-30,714
<b>Results of operations</b>	<b>139,743</b>	<b>-12,613</b>	<b>127,130</b>	<b>107,616</b>
Other revaluation results	97,383	-97,383		
<b>Operating profit (EBIT)</b>	<b>237,126</b>	<b>-109,996</b>	<b>127,130</b>	<b>107,616</b>
Financing costs	-51,518			
Financing income	1,776			
Foreign exchange differences	-753			
Other financial results	-21,118			
Net profit or loss from equity-accounted investments	47,122			
<b>Financial results</b>	<b>-24,491</b>	<b>-9,860</b>	<b>-34,351</b>	<b>-44,660</b>
<b>Earnings before tax (EBT) / FFO 1 before tax (excl. S IMMO/CA Immo)</b>	<b>212,635</b>	<b>-119,856</b>	<b>92,779</b>	<b>62,955</b>
<b>FFO 1 per share before tax</b>			<b>0.86</b>	<b>0.57</b>
Dividends from S IMMO/CA Immo			13,650	20,552
<b>EBT/FFO 1 before tax incl. S IMMO/CA Immo</b>			<b>106,429</b>	<b>83,507</b>
<b>FFO 1 per share before tax incl. S IMMO/CA Immo</b>			<b>0.99</b>	<b>0.75</b>
<b>Including accrued interest on the bond 2023</b>				
<b>FFO 1 before tax (excl. S IMMO/CA Immo)</b>			<b>92,779</b>	
Accrued interest corporate bond 2023		-8,810	-8,810	
<b>FFO 1 before tax (excl. S IMMO/CA Immo) adjusted</b>			<b>83,969</b>	
<b>FFO 1 per share adjusted for accrued interest</b>			<b>0.78</b>	
Number of shares (as per EPS formula) for the calculation:			107,387,703	110,971,562

## BALANCE SHEET

The condensed balance sheet is shown below:

All amounts in TEUR	30 Sept. 2019	in %	31 Dec. 2018	in %
Investment property	4,903,108		3,893,568	
Property under construction	213,435	83.8%	397,540	75.3%
Real estate inventories	868		46,932	
Assets held for sale	72,125		57,162	
Other assets	111,179	1.8%	107,413	1.8%
Equity-accounted investments	442,661	7.1%	397,671	6.8%
Trade and other receivables	195,708	3.2%	305,628	5.2%
Cash and cash equivalents	256,891	4.1%	631,754	10.8%
<b>Assets</b>	<b>6,195,975</b>	<b>100.0%</b>	<b>5,837,668</b>	<b>100.0%</b>
Equity	2,784,898	44.9%	2,800,341	48.0%
Liabilities from convertible bonds	283,126	4.6%	284,638	4.9%
Financial liabilities	2,515,309	40.6%	2,140,884	36.7%
Trade and other payables	195,564	3.2%	199,025	3.4%
Other liabilities	69,030	1.1%	74,050	1.3%
Deferred tax liabilities	348,048	5.6%	338,730	5.8%
<b>Equity and liabilities</b>	<b>6,195,975</b>	<b>100.0%</b>	<b>5,837,668</b>	<b>100.0%</b>

The value of the property portfolio amounted to EUR 5.2 billion and represented 83.8% of total assets as of 30 September 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.

Investment property, as reported on the balance sheet, rose by EUR 1.0 billion to EUR 4.9 billion during the first three quarters of 2019. This increase resulted, above all, from the third quarter acquisition of two office properties in Warsaw and Prague plus a retail park portfolio as well as the reclassification of completed development projects. The initial application of IFRS 16 was responsible for an increase of EUR 64.7 million in investment property.

The equity-accounted investments totalled EUR 442.7 million, whereby EUR 440.7 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 22.60.

Financial liabilities rose by EUR 374.4 million, 17.5%, to EUR 2.5 billion during the first three quarters of 2019. Lease liabilities represent EUR 80.0 million of this total and resulted from the initial application of IFRS 16. The remaining increase was related primarily to financing for properties acquired in the third quarter (above all, the *Warsaw Spire*). The increase in financial liabilities was also based on the unsecured corporate bond with a volume of EUR 500.0 million which was issued by IMMOFINANZ 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 29.59 as of 30 September 2019 (31 December 2018: basic EUR 28.80). Diluted EPRA NNNAV per share equalled EUR 28.97 (31 December 2018: basic EUR 28.44).

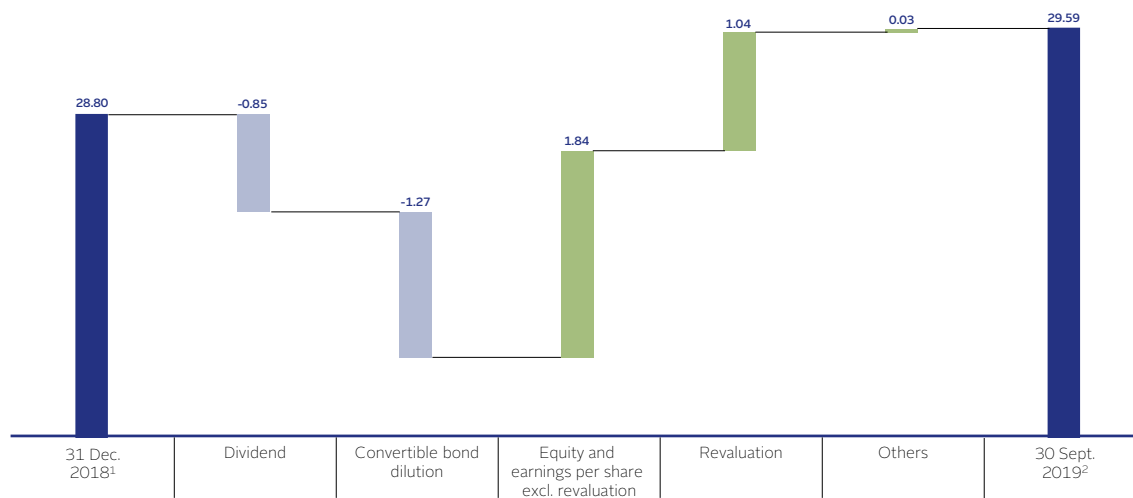
The calculation of EPRA NAV and EPRA NNNAV as of 30 September 2019 – in contrast to 31 December 2018 and 31 March 2019 – includes the diluting effects which would result from the conversion of the IMMOFINANZ convertible bond 2024 because this bond was “in the money” at the end of the reporting period. The dilution equalled EUR 1.27 per share. Including the dividend payment of EUR 0.85 in the second quarter of 2019, (diluted) EPRA NAV per share equalled EUR 30.44 and basic earnings per share EUR 31.71.

The book value per share rose by 5.7% to EUR 27.79 (31 December 2018: EUR 26.29). After an adjustment for the dividend, this represents an increase of 8.9%.

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

	30 September 2019		31 December 2018	
	in TEUR	in EUR per share	in TEUR	in EUR per share
<b>Equity excl. non-controlling interests</b>	<b>2,803,276</b>		<b>2,816,934</b>	
Diluting effects of convertible bond 2024	283,126		0	
<b>Diluted equity excl. non-controlling interests after an adjustment for convertible bonds and the exercise of options</b>	<b>3,086,402</b>		<b>2,816,934</b>	
Undisclosed reserves in real estate inventories	0.1		202.0	
Fair value of derivative financial instruments	28,560		12,515	
Deferred taxes on investment property	310,685		283,502	
Deferred taxes on real estate inventories and derivative financial instruments	-5,578		-2,641	
Goodwill resulting from deferred taxes	-24,184		-24,507	
<b>Number of shares excl. treasury shares (in 1,000)</b>		<b>100,877</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>3,395,886</b>	<b>29.59</b>	<b>3,086,005</b>	<b>28.80</b>
Fair value of derivative financial instruments	-28,560		-12,515	
Effect of fair value measurement of financial liabilities	-47,872		-15,499	
Deferred taxes on derivative financial instruments and the fair value measurement of financial liabilities	17,546		6,485	
Deferred taxes on investment property	-11,931		-16,793	
<b>EPRA NNNAV (diluted)</b>	<b>3,325,069</b>	<b>28.97</b>	<b>3,047,683</b>	<b>28.44</b>

## DEVELOPMENT OF EPRA NAV PER SHARE



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

2 Number of shares as of 30 September 2019 in thousand: 114,780 (diluted)

## EPRA EARNINGS PER SHARE

EPRA earnings per share rose to EUR 1.03, respectively EUR 1.06 per share after company-specific adjustments.

All amounts in TEUR	Q1–3 2019	Q1–3 2018
<b>Weighted average number of shares (in 1,000)</b>	<b>107,388</b>	<b>110,972</b>
<b>Net profit or loss from continuing operations excl. non-controlling interests</b>	<b>200,934</b>	<b>137,667</b>
Revaluation of investment properties and development properties	-112,643	-33,033
Results of property sales	-3,672	-28,118
Goodwill impairment, negative differences and earn-out effects on income	323	100
Changes in fair value of financial instruments	21,154	-2,597
Acquisition costs on share deals	0	16
Taxes in respect of EPRA adjustments	4,760	10,639
EPRA adjustment in respect of joint ventures and non-controlling interests	-362	-5,482
<b>EPRA earnings</b>	<b>110,495</b>	<b>79,194</b>
<b>EPRA earnings per share</b>	<b>1.03</b>	<b>0.71</b>
<b>Company-specific adjustments</b>		
Sale CA Immo	0	-66,203
Result from incentivised conversion of the convertible bond 2018	0	19
One-time effects in other operating expenses	3,040	8,174
Impairment loss S IMMO	0	25,129
Foreign exchange gains and losses	753	-73
Deferred taxes in respect of company-specific adjustments	-661	8,195
<b>Company-specific adjusted earnings</b>	<b>113,627</b>	<b>54,436</b>
<b>EPRA earnings per share after company-specific adjustments</b>	<b>1.06</b>	<b>0.49</b>

## EPRA NET INITIAL YIELD

The EPRA net initial yield equalled 5.3%.

All amounts in TEUR	Q1–3 2019	Q1–3 2018
Investment property	4,849,663	3,918,014
Investment property – proportional share of joint ventures	1,267	54,498
less undeveloped land	-189,204	-210,786
less undeveloped land – proportional share of joint ventures	0	-1,690
<b>Total property portfolio</b>	<b>4,661,726</b>	<b>3,760,036</b>
Allowance for estimated purchasers' costs	0	67,681
<b>Gross value of total standing investment portfolio</b>	<b>4,661,726</b>	<b>3,827,717</b>
Annualised cash rental income	274,165	245,123
Annualised cash rental income – proportional share of joint ventures	0	1,966
Non-recoverable property operating expenses	-29,220	-32,217
Non-recoverable property operating expenses – proportional share of joint ventures	-6	-105
<b>Annualised net rental income</b>	<b>244,939</b>	<b>214,767</b>
<b>EPRA net initial yield</b>	<b>5.3%</b>	<b>5.6%</b>