

**IMMOFINANZ confirms results: First quarter 2014/15 with solid operational performance, but negatively affected by FX-related revaluations**

| KEY FIGURES (in MEUR)              | 1 May 2014 -<br>31 July 2014 | Δ in % | 1 May 2013 -<br>31 July 2013 |
|------------------------------------|------------------------------|--------|------------------------------|
| Rental income                      | 117.6                        | -6.8%  | 126.1                        |
| Results of asset management        | 95.4                         | -13.5% | 110.3                        |
| Results of property sales          | 7.3                          | n.a.   | -0.9                         |
| Results of property development    | -2.0                         | n.a.   | 3.3                          |
| Expenses not directly attributable | -13.2                        | -30.9% | -19.0                        |
| Results of operations              | 90.9                         | -6.5%  | 97.2                         |
| Operating profit (EBIT)            | 11.9                         | -92.3% | 155.3                        |
| Net profit                         | -14.0                        | n.a.   | 119.8                        |
| Cashflow from operating activities | 73.3                         | 12.9%  | 64.9                         |

IMMOFINANZ Group generated solid results of operations amounting to EUR 90.9 million in the first quarter of the 2014/15 financial year. The year-on-year decline of 6.5% (Q1 2013/14: EUR 97.2 million) resulted, above all, from the planned sale of properties in the previous financial year. Rental income remained generally stable in like-for-like comparison during 2013/14 (-1.3%), but the first quarter of 2014/15 saw an increase of 1.4% (versus Q4 2013/14). These figures confirm the preliminary data for Q1 2014/15 that were announced by IMMOFINANZ on 19 September.

In spite of this solid operating performance, net profit for the first quarter of 2014/15 was negative at EUR -14.0 million (Q1 2013/14: EUR 119.8 million). This development resulted primarily from negative effects caused by the foreign exchange-based revaluation of investment properties, which reflected the increase in the value of the Ruble versus the Euro and US Dollar from the beginning of May to the end of July 2014. These foreign exchange-based revaluation results of EUR -75.9 million reduced net profit, but have no effect on cash. The foreign exchange-adjusted revaluation results did not have a significant effect on net profit and amounted to EUR -2.7 million for the first quarter.

The development of the Ruble since the beginning of August 2014 points to a reversal of this effect during the second quarter of 2014/15. In other words, positive foreign exchange-based results from the revaluation of the investment properties are to be expected from the current point of view.

“In 2013/14, which saw a substantial decline in the value of the Ruble versus the Euro and US Dollar, the foreign exchange-based revaluation of investment properties made a positive contribution of EUR 311.0 million to Group net profit. The fluctuations in the Ruble exchange rate cause high volatility in our income statement from time to time. However, it is important to note that these are non-cash positions”, explained Eduard Zehetner, CEO of IMMOFINANZ Group.

Excluding the negative non-cash effects from exchange rates and derivatives, Group net profit for the first quarter of 2014/15 equals EUR 47.6 million. This represents a 3.7% increase over the first quarter of 2013/14 (EUR 45.9 million).

Recurring free cash flow (FFO) amounted to EUR 47.7 million for the reporting period, which

represents an annualised FFO yield after tax of 11.4%.\*

An additional factor is that the proportional share of quarterly results for the BUWOG Group, in which IMMOFINANZ holds an investment of 49%, are not included in first quarter earnings because BUWOG announces its quarterly results after IMMOFINANZ Group. This timing difference in the preparation of financial statements will lead to a one quarter shift in the inclusion of BUWOG's quarterly results in IMMOFINANZ Group's earnings. Therefore, the initial inclusion will take place in the second quarter of 2014/15, when the proportional share of BUWOG results for the first quarter of 2014/15 is taken into account.

Rental income declined to EUR 117.6 million during the first quarter of 2014/15 (Q1 2013/14: EUR 126.1 million) following the sale of properties. The results of property sales improved from EUR -0.9 million in the previous year to EUR 7.3 million. The results of property development declined from EUR 3.3 million to EUR -2.0 million. Accordingly, the results of operations fell by 6.5% to EUR 90.9 million (Q1 2013/14: EUR 97.2 million).

Despite the negative results recorded for the first quarter, net asset value per share rose slightly to EUR 4.57 as of 31 July 2014 (30 April 2014: EUR 4.56). The book value per share equalled EUR 4.21 as of 31 July 2014 (30 April 2014: EUR 4.19).

## OUTLOOK:

“Our plans for 2014/15 include the repayment of the financing with treasury shares (approx. EUR 150.0 million) as well as the so-called equity bridge (EUR 260.0 million), which represents the financing we concluded for the full subscription of the BUWOG convertible bond”, indicated Eduard Zehetner, CEO of IMMOFINANZ. “That will lead to a substantial reduction in financing costs. The repayment of the financing that involved the use of treasury shares as collateral will also allow for the cancellation of these shares.” With respect to the BUWOG convertible bond that was subscribed by IMMOFINANZ, BUWOG is entitled to call and repay the bond in full by the end of January 2015. BUWOG management has already announced that it will most probably exercise this option.

Furthermore, the Executive Board of IMMOFINANZ plans to resume dividend payments for the 2014/15 financial year. The dividend (including a possible share buyback) should range from EUR 0.15 to EUR 0.20 per share.

IMMOFINANZ Group expects an ongoing positive development in the region's core markets, which should benefit from a gradual economic recovery. However, the geopolitical tensions in Ukraine and the threatening expansion of the sanctions against Russia represent uncertainty factors. The Organisation for Economic Cooperation and Development (OECD) reacted to this situation by issuing a downward revision to its economic forecasts in mid-September 2014. The exact effects of the Ukraine crisis on the commercial development of the IMMOFINANZ core markets, above all Russia, are impossible to estimate at the present time.

The rental income from the Russian portfolio is generally denominated in Euros or US Dollars, but an ongoing decline in the Ruble would have a negative effect on tenants' cost structures. As indicated in the 2013/14 annual report, short-term arrangements were concluded with a number of tenants in the

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\* Recurring cash flow (excl. BUWOG): Gross cash flow (EUR 80.9 million) + interest received on financial investments (EUR 1.3 million) – interest paid (EUR 36.5 million) - cash outflows for derivative transactions (EUR 5.4 million) + results of property sales (EUR 7.3 million) based on market capitalisation as of 18 September 2014 (share price: EUR 2.37), excl. treasury shares and market capitalisation of the BUWOG shares held (EUR 731.7 million based on a share price of EUR 14.99 as of 18 September 2014).

Moscow shopping centers to reduce the currency-related pressure on rental costs and thereby support their economic viability. This also proved to be a sustainable procedure during the 2008/09 financial crisis.

IMMOFINANZ Group expects an increase in the value of the company during the 2014/15 financial year based on the further optimisation of the portfolio, the planned increase in occupancy, cost reductions after the spin-off of the residential property subsidiary BUWOG and the steady pursuit of successful property sales as well as increased development activities with a focus on Germany, Poland, Russia and Romania.

## **DEVELOPMENTS IN DETAIL:**

### **Results of asset management**

IMMOFINANZ Group recorded rental income of EUR 117.6 million in the first quarter of 2014/15. This represents a decline of 6.8% compared with the first quarter of the previous year (EUR 126.1 million) and resulted from the planned sale of properties.

The results of asset management declined by 13.5% to EUR 95.4 million (Q1 2013/14: EUR 110.3 million), also due to a year-on-year increase in expenses from investment properties.

### **Results of property sales**

Property sales generated results of EUR 7.3 million (Q1 2013/14: EUR -0.9 million). The portfolio optimisation included the sale of smaller properties as well as two logistics properties in Poland and the Czech Republic.

### **Results of property development**

The sale of real estate inventories and the valuation of active development projects generated results of property development of EUR -2.0 million during the reporting period (Q1 2013/14: EUR 3.3 million). The results of property development were negative in the first quarter of 2014/15 because no development projects were completed or opened.

### **Administrative expenses**

Administrative expenses that are not directly attributable (overhead costs and personnel expenses) fell from EUR -19.0 million in the first quarter of the prior year to EUR -13.2 million. This decline resulted from a reduction in legal, auditing and consulting costs as well as the release of provisions.

### **Results of operations, EBIT, EBT and net profit**

The results of operations declined 6.5% year-on-year to EUR 90.9 million due to the successful and scheduled sale of properties (Q1 2013/14: EUR 97.2 million).

Valuation results adjusted for foreign exchange effects amounted to EUR -2.7 million (Q1 2013/14: EUR -7.9 million). Valuation results resulting from foreign exchange effects were clearly negative at EUR -75.9 million (Q1 2013/14: EUR 66.0 million) due to the increase in the value of the Ruble versus the Euro during the reporting period. Therefore, EBIT declined substantially from EUR 155.3 million in the prior year to EUR 11.9 million.

Financial results improved to EUR -30.4 million (Q1 2013/14: EUR -40.1 million). This position includes non-cash foreign exchange accounting effects of EUR 17.1 million (Q1 2013/14: EUR -15.4 million). Other financial results (EUR -5.2 million; Q1 2013/14: EUR 13.8 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 115.2 million in the first quarter of the previous year to EUR -18.5 million for the reporting period.

Net profit for the first quarter of 2014/15 was negative at EUR -14.0 million (Q1 2013/14: EUR 119.8 million) due to the negative non-cash effects from exchange rates, the valuation of derivatives and the initial inclusion of the proportional share of BUWOG results starting in the next quarter.

### **Cash flow (excl. BUWOG)**

Gross cash flow declined from EUR 99.0 million in the first quarter of the previous year to EUR 80.9 million, above all due to the planned sale of properties and the initial inclusion of the proportional share of cash flow from the BUWOG Group starting in the next quarter. Cash flow from operating activities rose from EUR 64.9 million to EUR 73.3 million. Cash flow from investing activities fell to EUR -203.7 million (Q1 2013/14: EUR 18.7 million), and cash flow from financing activities increased from EUR -210.2 million to EUR 150.6 million. The purchase of the BUWOG convertible bond is included under cash flow from investing activities as an investment, while the funds borrowed to finance the bond purchase are included in cash flow from financing activities.

The report on the first quarter of IMMOFINANZ AG as of 31 July 2014 can be reviewed on the company's website under <http://www.immofinanz.com/en/investor-relations/financial-reports/> starting on 24 September 2014.

### **On IMMOFINANZ Group**

*IMMOFINANZ Group is one of the leading listed property companies in 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 6.9 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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