

IMMOFINANZ subsidiary BUWOG acquires 18,000 apartments in Germany – stock market listing of BUWOG via spin-off planned

BUWOG, a wholly owned subsidiary of IMMOFINANZ Group, is going to acquire a residential property portfolio with approx. 18,000 units and 1.09 million sqm of lettable space in Northern Germany. The agreed purchase price for the portfolio amounts to roughly EUR 892 million (EUR 819,-/sqm). The gross yield equals 7.6% based on a vacancy rate of only 2.3%. The transaction will be executed through several share deals and is subject to customary closing conditions (e.g. approval of the antitrust authorities). The closing is expected to take place in the second quarter of 2014. The seller is Solaia RE, a joint venture between Prelios and an investment fund managed by Deutsche Asset & Wealth Management – Real Estate. BUWOG will also take over the residential asset and property management business of Prelios Deutschland with roughly 300 employees.

This transaction will increase the BUWOG portfolio to approx. 54,000 units with 3.72 million sqm of usable space and a gross asset value of EUR 3.49 billion (EUR 939,-/sqm). The gross rental yield of this enlarged portfolio will equal 5.5% based on a vacancy rate of 4.5%. Over 80% of the portfolio's value is bundled in national and provincial capitals, other larger and medium-sized cities and the immediate surrounding areas.

With this acquisition, BUWOG will reach its strategic goal to line up a portfolio of standing investments equally between the core markets of Austria (51% of the residential units) and Germany (49%).

The Executive Board and Supervisory Board of IMMOFINANZ AG have therefore approved a proposal that will be made to shareholders at an extraordinary general meeting, which calls for the spin-off of the wholly owned subsidiary BUWOG and the subsequent listing of BUWOG on the stock exchange. In connection with the spin-off, IMMOFINANZ shareholders will receive one BUWOG share for every 20 IMMOFINANZ shares, such that 51% of BUWOG will be owned by free float investors. This proposal to shareholders includes the admission of the BUWOG share for trading on the stock exchanges in Frankfurt (main listing), Vienna and Warsaw (in each case, the regulated market). After the spin-off IMMOFINANZ will hold a financial investment of 49% in BUWOG AG, which is expected to be reduced over the medium-term.

IMMOFINANZ AG will relinquish management control over the BUWOG Group with this transaction and, in this context, will conclude a de-domination agreement with BUWOG AG. This agreement requires IMMOFINANZ AG to observe certain restrictions in exercising its voting rights from the BUWOG shares.

The implementation of these plans is based on the assumption that the extraordinary general meeting of IMMOFINANZ AG, which is scheduled for 14 March 2014, will approve the spin-off by a three-fourths majority.

“This transaction paves the way for the spin-off of BUWOG and the resulting separation of the residential properties in Germany and Austria from the commercial portfolio of IMMOFINANZ Group. Today, IMMOFINANZ still bundles these two different asset classes that cater to different types of investors. For that reason, our valuation in the public stock market does not reflect the quality of our portfolios. Our decision in favour of a spin-off will allow us to reach our goal of listing BUWOG in a way

that is less dependent on the capital market sentiment than an initial public offering. It will also give existing IMMOFINANZ shareholders an opportunity to fully participate in the further development of BUWOG as a pure residential property group and in IMMOFINANZ with its focus on the commercial real estate business. In addition, BUWOG will gain the necessary independence and access to more flexible financing opportunities“, explained IMMOFINANZ CEO Eduard Zehetner.

”This acquisition represents a milestone in the history of BUWOG which will increase its portfolio to approx. 54,000 units with a gross asset value of roughly EUR 3.49 billion. We will not only remain the largest private investor in the residential property sector in Austria, but in a single step become one of the major players on the German market. At the same time, we differentiate ourselves from the competition with an integrated business model that allows us to cover all relevant functions along the real estate value chain in-house – from project development to value-creating asset management and the sale of individual apartments or entire buildings“, said BUWOG CEO Daniel Riedl. “BUWOG now has roughly the same number of apartments in Germany and Austria, and has therefore completed its strategy to build up a portfolio of similar size in both core markets.”

Details on the portfolio and acquisition:

The portfolio with 1.09 million sqm of lettable space consists primarily of residential properties in Schleswig-Holstein (approx. 990,000 sqm) and Lower Saxony (approx. 85,000 sqm) as well as a smaller group of properties in Mecklenburg-Western Pomerania (approx. 10,000 sqm) and Berlin (approx. 6,000 sqm). Of the total portfolio, 75% (by units) are located in the areas surrounding Kiel, Lübeck, Hamburg and Braunschweig. The acquisition will take the form of several share deals.

The portfolio generated annualised net cold rent of approx. EUR 68 million based on a vacancy rate of 2.3%.

“The buildings, the regional profile and the potential for an increase in value are highly attractive for a portfolio of this size. The geographic distribution also fits exactly with our defined growth region in North-Western Germany“, explained BUWOG CEO Riedl. “The current average rents are – depending on the region – in part substantially below market levels. Our business plan therefore assumes an upward potential for rents in the future.“

The residential properties are currently managed by the asset and property management platform of Prelios Deutschland. This platform with approx. 300 employees will be taken over by BUWOG in parallel to the portfolio acquisition. “This will not only ensure the smooth transition of the portfolio management and equip us with a highly qualified and integrated team, but will also form the basis for the internal management of the entire German portfolio of the BUWOG Group over the medium-term. We will therefore be able to realise synergy effects and ensure further cost-efficient growth in defined regions” Riedl said. In addition, all existing mandates for the property management of approx. 33,000 third party-owned residential units will be transferred to BUWOG.

Financing:

The purchase price of approx. EUR 892 million for the above-mentioned residential property portfolio is payable by BUWOG Group on the closing date, which is expected to take place in the second quarter of 2014. Financing for the purchase price is secured through a combination of roughly EUR 402 million in already committed mortgage loans, approx. EUR 213 million of subsidised loans that will remain in the acquired property companies and the proceeds from the planned issue of a convertible

bond by BUWOG. This market standard convertible bond is expected to have an issue size between EUR 260 million and 310 million and a term of five years.

IMMOFINANZ will subscribe to the full amount of the BUWOG convertible bond. The funds for the subscription will be provided by bridge financing of EUR 260 million from an investment bank and by internal cash sources.

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 1,600 investment properties with a carrying amount of approx. EUR 10.1 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, logistics and residential 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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