IMMOFINANZ

Press Release | Corporate News

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IMMOFINANZ grows stronger in the first half of 2017: Significant increase in Group net profit to EUR 105.3 million

- Total net profit increases to EUR 105.3 million (H1 2016: EUR -243.3 million), net profit from continuing operations (excl. Russia) rises to EUR 113.1 million (EUR -123.9 million)
- Strong growth of 4.6% in like-for-like rental income
- Occupancy rate (excl. Russia) reaches new high of 92.8%
- Net LTV (excl. Russia) improves to 46.0% (31. December 2016: 49.0%)
- FFO 1 increases to EUR 43.3 million (H1 2016: EUR 10.3 million)
- Ordinary dividend of EUR 0.06 per share planned for FY 2017

KEY FIGURES (IN MEUR)	Q1-2 2017	Δ IN %	Q1-2 2016*
Rental income	114.9	-0.9%	115.9
Results of asset management	79.1	10.0%	71.9
Results of property sales	2.0	n/a	-12.6
Results of property development	-28.9	n/a	7.3
Results of operations	33.8	-32.2%	49.8
Revaluations	8.3	n/a	-81.6
Financial results	104.4	n/a	-58.0
Net profit for the period from continuing operations	113.1	n/a	-123.9
Net profit	105.3	n/a	-243.3
FFO 1 (excl. results of property sales and development)	43.3	≥100.0%	10.3
FFO 2 (incl. results of property sales)	45.4	n/a	-2.2

* The harmonisation of the financial year with the calendar year as of 31 December 2016 resulted in the presentation of comparative data which are based on the corresponding period in the 2016 calendar year. Consequently, this data does not reflect the data previously published for the first half of the abbreviated 2016 financial year (Q1-Q2 2016A).

The retail portfolio Moscow, which was presented as a discontinued operation for the first time in IMMOFINANZ’s consolidated financial statements as of 31 December 2016, is also included in these new comparative figures in accordance with IFRS 5 – i.e. through the separate presentation of the retail portfolio Moscow as a discontinued operation in the consolidated income statement.

IMMOFINANZ recorded a significant increase in net profit to EUR 105.3 million in the first half of 2017 (H1 2016: EUR -243.3 million). Net profit from continuing operations, i.e. excluding Russia, totalled EUR 113.1 million (H1 2016: EUR -123.9 million). Rental income remained stable at EUR 114.9 million (H1 2016: EUR 115.9 million) despite the continuing sale of non-strategic properties. After an adjustment for new acquisitions, completions and sales (like-for-like), rental income rose by a sound 4.6% to EUR 92.4 million. The results of asset management increased by 10.0% to EUR 79.1 million, and financial results turned sharply positive at EUR 104.4 million (H1 2016: EUR -58.0 million). This improvement resulted, above all, from positive valuation effects related to the investments in CA Immo and BUWOG.

The results of discontinued operations totalled EUR -7.9 million and represent the discontinued core market Russia (H1 2016: EUR -119.4 million). The rental income generated in Russia rose by 13.9% to EUR 43.4 million in the first half of 2017 (H1 2016: EUR 38.1 million). The five Moscow shopping centers had a combined fair value of EUR 976.4 million as of 30 June 2017 (31 December 2016: EUR 1,024.1 million).

"We improved and strengthened IMMOFINANZ's positioning over the past six months: our occupancy rate rose to a new high of 92.8% and we made substantial progress in increasing cost efficiency. Our credit profile improved significantly, and we also terminated the last historical legal disputes at the shareholders' level", commented Oliver Schumy, CEO of IMMOFINANZ, on recent developments. "As announced, we are currently working on the separation of our Moscow retail properties. We are in advanced talks with potential buyers and are optimistic that the transaction will be realised by year-end as planned."

Financing costs fell by 4.4% to EUR -52.2 million in the first half year (H1 2016: EUR -54.6 million), above all due to the interest savings which resulted from the incentivised conversion of 43.4% of the convertible bond 2018 (coupon: 4.25%) at the beginning of the year and the issue of the new convertible bond 2024 (coupon: 2.0%). Average financing costs, excluding Russia and excluding derivatives, equalled 2.38%, respectively 2.27% including the corporate bond which was redeemed at the beginning of July (31 December 2016: 2.64%). The net loan-to-value ratio improved considerably, with a decline of three percentage points to 46.0% (excl. Russia) during the past six months. Personnel costs were reduced by 23.8% to EUR -17.2 million in the first half year, or by 20.6% including the discontinued operation Russia.

The occupancy rate in the IMMOFINANZ portfolio (excluding Russia) rose by more than three percentage points to 92.8% as of 30 June 2017 (31 December 2016: 89.6%). The occupancy rate in the office properties improved to 90.1% (31 December 2016: 87.3%) and, at 96.2%, the retail properties are essentially fully rented (31 December 2016: 93.0%). The occupancy rate in the Retail Moscow properties equalled 87.1% as of 30 June 2017 (31 December 2016: 87.7%).

Results in detail

Rental income remained stable during the first half year of 2017 at EUR 114.9 million (H1 2016: EUR 115.9 million). The decline in rental income resulting from the sale of properties was offset by completions and new rentals. Rental income rose by 1.7% to EUR 56.6 million in the office sector, but declined by 2.0% to EUR 49.1 million in the retail sector. This slight reduction resulted primarily from portfolio adjustments to the retail properties in Austria.

The results of asset management increased by 10.0% year-on-year to EUR 79.1 million (H1 2016: EUR 71.9 million). Property expenses amounted to EUR -41.7 million (H1 2016: EUR -50.0 million) and included a decline in maintenance costs (EUR -8.8 million versus EUR -12.8 million) as well as an increase in fit-out costs for newly rented space (EUR -6.5 million versus EUR -3.0 million) following the conclusion of large-scale rental contracts. A substantial decline was also recorded in operating costs charged to building owners (EUR -6.0 million versus EUR -10.6 million).

The results of property sales amounted to EUR 2.0 million in the first half of 2017 (H1 2016: EUR -12.6 million) and reflected the further optimisation of the portfolio. Positive foreign exchange-adjusted valuation effects on the sale of the properties in the *Gerling Quartier* were contrasted by negative effects from the sale of smaller and/or non-strategic office buildings in Austria, the Czech Republic and Poland as well as retail properties in Austria. These transactions had a combined sales volume of EUR 122.8 million (EUR 106.1 million of asset deals and EUR 16.7 million of share deals).

The results of property development equalled EUR -28.9 million (H1 2016: EUR 7.4 million). These results are attributable primarily to additional costs for real estate inventories in the *Gerling Quartier* as well as outstanding obligations related to the transfer, repair of deficiencies and completion of the Cologne properties. The termination of activities in Cologne had a total negative effect of EUR -17.8 million on pre-tax earnings in the second quarter of 2017 (net effect of transaction results and the results of property development).

The results of operations equalled EUR 33.8 million compared with EUR 49.8 million in the first half of 2016. Other operating expenses fell by 8.6% year-on-year to EUR -23.8 million (H1 2016: EUR -26.0 million), chiefly due to a decline in legal, auditing and consulting fees (EUR -6.0 million versus EUR -9.3 million).

The foreign exchange-adjusted revaluation of investment property equalled EUR 3.5 million (H1 2016: EUR -93.4 million). Financial results amounted to EUR 104.4 million (H1 2016: EUR -58.0 million). Financing costs fell by 4.4% to EUR -52.2 million (H1 2016: EUR -54.6 million), above all due to the interest savings which resulted from the incentivised conversion of 43.4% of the convertible bond 2018 (coupon: 4.25%) at the beginning of the year and the issue of the new convertible bond 2024 (coupon: 2.0%). Other financial results of EUR -10.4 million (H1 2016: EUR -2.6 million) resulted chiefly from the valuation of derivatives at EUR -9.3 million and the earnings effect of EUR -12.6 million from the incentivised conversion of the convertible bond 2018. The valuation of the BUWOG shares at the market price on 30 June 2017 contributed a further EUR 9.0 million.

The share of profit/loss from equity-accounted investments amounted to EUR 164.2 million (H1 2016: EUR 1.0 million) and consisted primarily of the following: EUR 28.3 million for the proportional share of earnings from CA Immo, a valuation gain of EUR 91.9 million on the CA Immo shares, a gain of EUR 18.0 million on the sale of 4.5 million BUWOG shares and a valuation gain of EUR 25.8 million at the market price following the termination of equity accounting for the BUWOG investment. The book price of the CA Immo share equalled EUR 25.17 on 30 June 2017 (31 December 2016: EUR 21.02).

Earnings before tax (EBT) amounted to EUR 140.2 million in the first half of 2017 (H1 2016: EUR -126.5 million). Income tax expense equalled EUR -27.0 million for the reporting period (H1 2016: EUR 2.7 million).

The results of discontinued operations totalled EUR -7.9 million and represent the discontinued core market Russia (H1 2016: EUR -119.4 million, thereof EUR -102.0 million attributable to Russia). The rental income from Russia rose to EUR 43.4 million in the first half of 2017 (H1 2016: EUR 38.1 million), primarily due to a year-on-year improvement in the Ruble exchange rate. The occupancy rate in the five Moscow shopping centers equalled 87.1% as of 30 June 2017 (31 December 2016: 87.7%). The foreign exchange-adjusted revaluation – which represents the change in the value of the Russian investment properties in US Dollar translated into the Euro – totalled EUR 6.5 million in the first half of 2017 (H1 2016: EUR -65.9 million).

Net profit from continuing operations totalled EUR 113.1 million in the first half of 2017 (H1 2016: EUR -123.9 million). Net profit (including the results of discontinued operations) amounted to EUR 105.3 million (H1 2016: EUR -243.3 million). Diluted earnings per share equalled EUR 0.09 (H1 2016: EUR -0.24).

Sustainable FFO 1 (excluding the results of property sales and property development) increased to EUR 43.3 million (H1 2016: EUR 10.3 million), while FFO 2 (including the results of property sales) rose to EUR 45.4 million (H1 2016: EUR -2.2 million).

The EPRA net asset value rose by 9.2% to EUR 3,291.0 million (31 December 2016: EUR 3,014.2 million). The higher number of shares and the potential dilution through the convertible bond 2018 led to a decline in the EPRA NAV per share to EUR 2.90 (31 December 2016: EUR 3.12). The diluting effects that could result from the conversion of the IMMOFINANZ convertible bond 2018 were included in this calculation for the first time in the reporting period because the convertible bond 2018 was "in the money" as of 30 June 2017 and rational investors can therefore be expected to convert their bond certificates.

Cash and cash equivalents rose from EUR 189.3 million on 31 December 2016 to EUR 310.0 million on 30 June 2017. This increase resulted from the multi-stage refinancing transaction carried out in January which included, among others, the issue of a new convertible bond with a term extending to 2024 and the placement of roughly 4.5 million BUWOG shares on the market. IMMOFINANZ has a robust balance sheet structure with an equity ratio of 39.9% (31 December 2016: 37.8%) and a net loan-to-value (net LTV) ratio of 46.0%, respectively 49.5% including Russia (31 December 2016: 49.0%, resp. including Russia 52.2%).

Outlook

The separation of the Russian retail properties should be completed, as previously announced, by the end of 2017. A next step will involve the resumption of detailed work with CA Immo on the planned merger of the two companies. Plans for the 2017 financial year include the payment of an ordinary dividend of EUR 0.06 per share.

The report by IMMOFINANZ AG on the first half of the 2017 financial year as of 30 June 2017 will be available on the company's website under http://www.immofinanz.com/en/investor-relations/financial-reports starting on 30 August 2017.

On IMMOFINANZ

IMMOFINANZ is a commercial real estate group whose activities are focused on the retail and office segments of seven core markets in Europe: Austria, Germany, Czech Republic, Slovakia, Hungary, Romania and Poland. The core business covers the management and development of properties, whereby the STOP SHOP (retail), VIVO! (retail) and myhive (office) brands represent strong focal points that stand for quality and service. The real estate portfolio has a value of approx. EUR 4.1 billion (excluding Russia) and covers more than 240 properties. IMMOFINANZ is listed on the stock exchanges in Vienna (leading ATX index) and Warsaw. Further information under: http://www.immofinanz.com

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