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IMMOFINANZ Group records increase in net profit for 2013/14 – Property sales top EUR 1 billion

KEY FIGURES (in MEUR)*	**1 May 2013 - 30 April 2014**	**Δ in %**	**1 Mai 2012 - 30 April 2013**
Rental income	**506.7**	**-7.2%**	**546.2**
Rental income like-for-like	**472.7**	**-1.3%**	**478.7**
Results of asset management	**401.2**	**-5.9%**	**426.5**
Results of property sales	**32.8**	**-52.4%**	**68.8**
Results of property development	**-39.9**	**-19.0%**	**-33.5**
Expenses not directly attributable	**-92.8**	**3.0%**	**-95.6**
Results of operations	**319.2**	**-19.5%**	**396.4**
Operating profit (EBIT)	**521.1**	**54.0%**	**338.4**
Net profit**	**180.4**	**62.8%**	**110.8**

***** *The spin-off of the residential property subsidiary BUWOG led to the adjustment of values on individual lines for both of the above financial years.*
*** Net profit includes earnings from discontinued operations.*

IMMOFINANZ Group announces net profit totalling EUR 180.4 million for 2013/14, for a year-on-year increase of 62.8%. Rental income was lower as a result of the extensive, planned property sales. The delayed completion of the *GOODZONE* shopping center in Moscow prevented the full recovery of this decline during the past year. Rental income amounted to EUR 506.7 million (-7.2%) and results of operations totalled EUR 319.2 million (-19.5%). In like-for-like comparison (i.e. after an adjustment for new acquisitions, completions and sales), rental income was generally stable (-1.3% to EUR 472.7 million). Property sales set a new record at roughly EUR 1 billion.

“The past financial year was shaped by the successful BUWOG spin-off. BUWOG has been very well received by the capital market – the discount to the net asset value has declined significantly“, explained Eduard Zehetner, CEO of IMMOFINANZ Group. “In the development area, we completed our *GOODZONE* shopping center in Moscow. The original plans called for *GOODZONE* to make a contribution to rental income during the entire 2013/14 financial year and offset the properties we sold, in particular the *Silesia City Center*. This will now be the case in 2014/15.“

Results of property sales totalled EUR 32.8 million (2012/13: EUR 68.8 million). Properties, including funds, with a combined value of slightly over EUR 1 billion were sold during 2013/14 (2012/13: EUR 661.3 million). “We originally intended to sell EUR 2.5 billion of properties over a five-year period. After only four years, we had reached a volume of EUR 2.7 billion – and that at a double-digit margin over the book value“, added Zehetner. In accordance with IFRS, the revaluation gains connected with the two largest sales – the *Silesia City Center* and the *Egerkingen* logistics property – were included in results for 2012/13, but the derecognition of the properties and the cash flows were only recorded in 2013/14.

Results of property development amounted to EUR -39.9 million (2012/13: EUR -33.5 million). These negative results were caused, among others, by delays and construction cost overruns on the *GOODZONE* project in Moscow due to the bankruptcy of the former general contractor and the higher discount rates used by the appraisers for property valuation due to the current political situation.

Based on the comparatively low valuation of *GOODZONE*, appropriate increases in value can be expected over the coming years.

Revaluation results adjusted for foreign exchange effects amounted to EUR -177.9 million (2012/13: EUR -31.4 million) and are attributable, above all, to the Russian property portfolio. These results reflect the political unrest in Ukraine and the previously imposed, as well as potential sanctions against Russia. **Revaluation results resulting from foreign exchange effects** improved from EUR 96.6 million to EUR 311.0 million, above all due to an increase in the Euro versus the Russian Ruble during the reporting year. The revaluation results also include a positive non-recurring effect of EUR 77.7 million from an earn-out adjustment for the *Rostokino* shopping center in Moscow (versus a negative non-recurring effect of EUR -106.4 million in the prior year). This positive effect reflected successful negotiations by IMMOFINANZ over the price for the remaining 50% of the shopping center.

Net profit rose by 62.8% to EUR 180.4 million. Diluted earnings per share equalled EUR 0.18 as of 30 April 2014 (2012/13: EUR 0.11). The net asset value declined from EUR 5.79 to EUR 4.57 as of 30 April 2014, above all due to the spin-off of BUWOG.

OUTLOOK:

"We are expecting continued positive development in our core markets, they should benefit from an ongoing gradual economic recovery. This is also true for Russia, assuming an escalation of the crisis and long-term negative effects on the purchasing power of the population can be avoided", indicated CEO Eduard Zehetner.

The political tensions between Russia and Ukraine and the reciprocal economic sanctions between the EU and Russia represent uncertainty factors. The effects of this crisis on the commercial development of IMMOFINANZ Group's target markets, above all Russia, cannot be estimated at the present time. "Neither a weak Ruble nor underlying fears of war among the population would be beneficial for our business in Russia over the medium- to long-term because either of these factors could lead to decline in consumer spending. We therefore hope to see an early easing of the situation in Ukraine. In general, Russia still has substantial potential for growth," added Zehetner.

The rental income from the Russian portfolio is generally coupled to the Euro or US Dollar, but an ongoing decline in the Ruble would have a negative effect on tenants' cost structures. As indicated in the report on the first three quarters of 2013/14, short-term arrangements were concluded with a number of tenants in the Moscow shopping centers to reduce the currency-related pressure. This also proved to be a sustainable procedure during the 2008/09 financial crisis.

Asset Management will continue to focus on the further reduction of vacancies in the individual asset classes. A wide range of operational measures (stronger customer orientation and local market presence through decentralisation, relationship and key account management etc.) is designed to raise occupancy rates in the office segment to the retail level (> 90%) over the medium-term.

The goal for **Development** is to increase activities and generate solid earnings contributions. As of 30 April 2014 the development projects under construction had an expected post-completion fair value of EUR 773.2 million. This level is expected to increase up to EUR 2.0 billion over the medium-term, whereby the focus will be directed to the markets in Germany, Poland, Russia and Romania.

Plans for **Trade** call for maintaining the speed reached in property sales during the past years, which represents an average annual volume of approx. EUR 500.0 million to EUR 600.0 million. The Executive Board is optimistic that the realisable sale prices will continue to confirm the conservative valuation approach.

The IMMOFINANZ Executive Board will not propose a dividend payment to the annual general meeting for the 2013/14 financial year. This decision is based, above all, on the fact that IMMOFINANZ invested major parts of its internally generated funds in German residential properties during the past year. This strategy supported the positioning of BUWOG as a German-Austrian residential property company and paved the way for the majority spin-off from IMMOFINANZ.

The dividend payment should be resumed starting with the current financial year. From the present point of view, a distribution of EUR 0.15 to EUR 0.20 per share is targeted for 2014/15, whereby a combination of dividend and share buyback programme is possible.

DEVELOPMENTS IN DETAIL:

INCOME STATEMENT

Results of asset management

Results of asset management include rental income, other revenues, operating income and operating costs as well as directly allocated expenses. Rental income fell by 7.2% to EUR 506.7 million in 2013/14 (2012/13: EUR 546.2 million). This decline resulted from the planned sale of properties and was not fully offset due to the delayed completion of the *GOODZONE* shopping center in Moscow. The compensatory effects of the reinvestment will only take effect during the 2014/15 financial year and equalise these declines when the shopping center reaches full operations. Other rental income, which includes the residential and hotel asset classes, was substantially lower during the reporting year. This decline reflects IMMOFINANZ Group's strategy to withdraw from these areas of business. The property sales in these asset classes were reflected in a further sharpening of the corporate profile. Further planned sales will lead to a continued decline in other rental income in the future. Among the properties sold during the reporting year was the *Hilton Vienna Danube*.

In like-for-like comparison (i.e. after an adjustment for new acquisitions, completions and sales), rental income was generally stable (-1.3% from EUR 478.7 million to EUR 472.7 million).

Revenues declined – similar to rental income – by 7.8% to EUR 643.8 million. Results of asset management totalled EUR 401.2 million, for a year-on-year decrease of 5.9%. This decrease was less than the change in revenues and rental income due to a reduction in costs, above all maintenance and building owner's expenses.

Asset management will continue to focus on the further reduction of vacancies in the individual asset classes. A wide range of operational measures (stronger customer orientation and local market presence through decentralisation, relationship and key account management etc.) should raise occupancy rates in the office segment to the retail level (> 90%) over the medium-term.

Results of property sales

Results of property sales amounted to EUR 32.8 million in 2013/14 (2012/13: EUR 68.8 million). Properties with a combined value of EUR 863.1 million were sold during the first three quarters alone and marked the premature conclusion of the five-year, EUR 2.5 billion sales programme that was launched at the beginning of 2010/11. Property sales, including fund sales, totalled EUR 2,671.1 million from May 2010 to April 2014. IMMOFINANZ Group plans to maintain the speed reached in the transaction area during the past years, which represents an average annual volume of approx. EUR 500.0 million to EUR 600.0 million.

The portfolio optimisation involved the sale of smaller properties in Austria as well as the *Hilton Vienna Danube* in Vienna, the retail warehouse in Horn, the *Silesia City Center* in Poland and the *Egerkingen* logistics property in Switzerland. The sale of the *Silesia City Center* shopping center for EUR 412.0 million to an international consortium headed by Allianz represents one of the largest transactions on the Eastern European real estate market in recent years. In accordance with IFRS, the revaluation gains connected with the *Silesia* and *Egerkingen* sales were included in the financial statements as of 30 April 2013, while the derecognition of the properties and the cash flows were reported in 2013/14. In addition to further cycle-optimised sales, the portfolio optimisation will continue during 2014/15 (exit from non-core countries and non-strategic asset classes) above all in Switzerland and the USA.

Results of property development

Results of property development cover the sale of real estate inventories as well as the valuation of development projects completed during the reporting year or currently in progress. In 2013/14 results of property development equalled EUR -39.9 million (2012/13: EUR -33.5 million). These negative results were caused, among others, by delays and construction cost overruns on the *GOODZONE* project in Moscow due to the bankruptcy of the former general contractor and the higher discount rates used by the appraisers for property valuation due to the current political situation. Based on the comparatively low valuation of *GOODZONE*, appropriate increases in value can be expected over the coming years.

After the end of the reporting year, the first condominium apartments in the *Gerling Quartier* in Cologne were transferred to their new owners. The first phase of construction on the *Gerling Quartier* should be completed in 2014/15. In addition, IMMOFINANZ Group's first VIVO! shopping center is scheduled to open in Pila (Poland) during the final quarter of 2014 and a further VIVO! in the Polish city of Stalowa Wola will follow during 2015.

Results of operations

Results of operations amounted to EUR 319.2 million, or 19.5% below the previous year (EUR 396.4 million). This decline is attributable primarily to lower rental revenues and lower results from property sales. Expenses not directly attributable (overhead costs and personnel expenses) were reduced by 3.0% to EUR -92.8 million (2012/13: EUR -95.6 million) – in spite of the higher expenses connected with the BUWOG spin-off.

EBIT, financial results and EBT

EBIT rose by 54.0% year-on-year to EUR 521.1 million in 2013/14. Other revaluation results were positive at EUR 201.9 million (2012/13: EUR -58.0 million). Revaluation results adjusted for foreign exchange effects amounted to EUR -177.9 million (2012/13: EUR -31.4 million) and are attributable, above all, to the Russian property portfolio. These results reflect the political unrest in Ukraine and the previously imposed, as well as potential sanctions against Russia. Revaluation results resulting from foreign exchange effects improved from EUR 96.6 million to EUR 311.0 million, above all due to an increase in the Euro versus the Russian Ruble during the reporting year. The revaluation results also include a positive non-recurring effect of EUR 77.7 million from an earn-out adjustment for the *Rostokino* shopping center in Moscow (versus a negative non-recurring effect of EUR -106.4 million in the prior year). This positive effect reflected successful negotiations by IMMOFINANZ over the price for the remaining 50% of the shopping center.

Financial results declined slightly to EUR -290.3 million (2012/13: EUR -275.1 million). Financing costs were reduced by 5.8% to EUR -203.7 million, among others through the sale of properties. Financial results also include non-cash foreign exchange effects of EUR -135.8 million (2012/13: EUR -32.5 million), which more or less represent the counterparts to the currency-related value increases in the

Russian portfolio. The share of profit/loss from associated companies increased, among others, due to the positive development of the Hungarian Trigranit investment and a valuation effect from the BUWOG investment to EUR 43.5 million (2012/13: EUR -2.9 million).

The earn-out adjustment for the purchase of the remaining 50% of *Rostokino* and positive foreign exchange effects led to an increase in earnings before tax to EUR 230.8 million (2012/13: EUR 63.2 million).

Net profit

Net profit rose by 62.8% to EUR 180.4 million. The year-on-year increase in income taxes is attributable to property sales and to subsequent tax payments following a tax audit in Russia. The increase in deferred taxes resulted primarily from non-recoverable deferred tax assets that were not recognised and from tax effects related to a possible future tax liability on the sale of the BUWOG investment.

Earnings per share

Diluted earnings per share from continuing operations equalled EUR 0.08 as of 30 April 2014 (2012/13: EUR 0.01). Diluted earnings per share from discontinued operations equalled EUR 0.10 as of 30 April 2014 (2012/13: EUR 0.10).

BALANCE SHEET

Investment property represented 75.7% of total assets as of 30 April 2014 and is reported on the balance sheet under the following positions: investment property, property under construction, real estate inventories and non-current assets held for sale. IMMOFINANZ Group recorded a year-on-year decline of EUR 3.2 billion in investment property to EUR 7.2 billion in 2013/14, chiefly due to the BUWOG spin-off and the sale of properties as part of the five-year sales programme.

Investments in associated companies rose from EUR 72.3 million to EUR 827.1 million. This increase resulted from the partial spin-off of BUWOG together with the subsequent accounting for the remaining stake held by IMMOFINANZ Group as a financial investment and from an increase in the carrying amount of the Hungarian Trigranit investment. This represents 8.6% of the company's assets and explains the decline in investment property as a per cent of total assets.

Other financial assets rose from EUR 213.9 million to EUR 417.3 million. The increase reflected IMMOFINANZ's subscription of the BUWOG convertible bond, a step that enabled BUWOG to purchase nearly 18,000 housing units in Germany. This strong positioning on the German market was an important prerequisite for the independence and spin-off of BUWOG. The EUR 260.0 million convertible bond was issued at the end of April 2014, with IMMOFINANZ as the sole subscriber.

Cash and cash equivalents fell from EUR 738.5 million to EUR 244.9 million and represent 2.6% of total assets. This decline resulted mainly from the decrease in cash and cash equivalents following the BUWOG spin-off, the financing of residential property acquisitions by BUWOG in Germany, the repayment of the syndicated loan and the payment of the outstanding purchase price for the remaining 50% stake in *Rostokino*.

Assets totalled EUR 9.57 billion as of 30 April 2014. The non-current component equalled EUR 8.42 billion and the current component EUR 1.14 billion.

IMMOFINANZ Group had equity of EUR 4.3 billion as of 30 April 2014 (2012/13: EUR 5.3 billion), whereby the year-on-year decline was related chiefly to the BUWOG spin-off. The equity ratio equalled

44.5% as of 30 April 2014 and was slightly higher than the prior year despite the decline in equity (2012/13: 42.3%).

Financial liabilities, including liabilities from convertible bonds, fell by EUR 1.2 billion year-on-year due to the BUWOG spin-off and totalled EUR 4.2 billion as of 30 April 2014.

Trade and other payables fell from EUR 854.0 million to EUR 377.0 million – also as a consequence of the BUWOG spin-off.

Liabilities totalled EUR 5.3 billion as of 30 April 2014. The non-current component equalled EUR 3.6 billion and the current component EUR 1.7 billion.

The individual positions as a per cent of total capital show the very limited influence of the BUWOG spin-off on the balance sheet structure.

CASH FLOW STATEMENT

All cash flow figures include cash flow from discontinued operations.

Gross cash flow fell by 18.3% from EUR 408.5 million to EUR 333.6 million and cash flow from operating activities declined by 27.4% to EUR 287.8 million (2012/13: EUR 396.3 million). Property sales and the resulting lower operating income, negative one-off tax payments and costs for the BUWOG spin-off were the main reasons for this shift. As explained above in the analysis of the results of asset management, delays in the completion of development projects (above all, the *GOODZONE* shopping center) prevented the full offset of this decline.

Cash flow from investing activities amounted to EUR 105.2 million for the reporting year (2012/13: EUR -26.3 million). Cash flow from financing activities consisted primarily of additions to and reductions in financial liabilities, bonds and convertible bonds as well as the dividend payment. This position totalled EUR -911.0 million for the reporting year (2012/13: EUR -201.1 million) due to the repayment of the syndicated loan and other loan repayments related to property sales.

Cash and cash equivalents fell from EUR 738.5 million to EUR 244.9 million. The main factors for this decline were the decrease in cash and cash equivalents following the BUWOG spin-off, the financing of residential property acquisitions by BUWOG in Germany, the repayment of the syndicated loan and the payment of the outstanding purchase price for the remaining 50% stake in *Rostokino.*

KEY DATA

Earnings data

The year-on-year decline in the operating indicators was related to property sales and the delayed completion of development projects. For example: rental income and results of operations were 7.2% and 19.5%, respectively, lower than the previous year. Cash flow was also negatively influenced by these developments. In contrast, EBIT rose by 54.0% and net profit by 62.8%. Additional details are provided in the analysis of the income statement and cash flow statement.

Asset data

IMMOFINANZ's balance sheet total declined by 23.9% as a result of the BUWOG spin-off. The reporting year brought an improvement in the equity ratio from 42.3% to 44.5%. The net loan to value and gearing indicators rose to 52.8% and 87.9%, respectively (2012/13: 47.1% and 87.8%) due to the comparatively low debt in the spun-off BUWOG properties.

Property data

The 2013/14 financial year was shaped by the BUWOG spin-off, as is illustrated by the development of the property indicators. The number of properties fell by 70.4% to 521 and rentable space dropped 41.4% to 3,825,325 sqm. The occupancy rate declined from 89.5% to 85.0%. The lower occupancy rate is explained by the spun-off residential properties in the BUWOG portfolio – the occupancy in these properties is very high and represents a typical feature of this asset class.

Stock exchange data

The book value per share equalled EUR 4.18 (2012/13: EUR 5.23). Net asset value amounted to EUR 4.57 as of 30 April 2014 (2012/13: EUR 5.79) and triple net asset value to EUR 4.34 (2012/13: EUR 5.38) – these indicators were also influenced by the BUWOG spin-off. The unadjusted share price declined 13.9% to EUR 2.67. After an adjustment for the effects of the BUWOG spin-off, the share performance was positive with an increase of 7.1% from EUR 2.50 to EUR 2.67.

The annual report of IMMOFINANZ AG for 2013/14 can be reviewed on the company's website under http://www.immofinanz.com/en/investor-relations/financial-reports/ starting on 19 August 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 520 investment properties with a carrying amount of approx. EUR 7.2 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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