

# PRESS RELEASE

25 November 2008



Business-Immobilien AG

## **ECO Business-Immobilien AG: Stable revenues – earnings negatively affected by revaluation losses**

- **Further increase in revenues: + 55% to EUR 55.4 million**
- **Positive net cash earnings of EUR 6.0 million**
- **Earnings negatively affected by financial market crisis and revaluation losses**

**Vienna, 25 November 2008.** ECO Business-Immobilien AG, which is traded in the Prime Market segment of the Vienna Stock Exchange, recorded an increase in revenues for the first nine months of 2008. However, the financial crisis had a negative effect on the development of earnings. Revenues rose to EUR 55.4 million, but profit for the period was negative at EUR -16.8 million (1-9/2007: EUR 20.2 mill.) above all due to market-related impairment charges of approx. 2% to the value of the property portfolio. Net cash earnings (FFO after interest and taxes, incl. impairment charges) were positive at EUR 6.0 million in spite of the challenging environment.

“The period from July to September was the most difficult quarter experienced by the finance and property branch this year. The core business of ECO – property rentals – continued to show sound development and supported a further improvement in revenues. However the difficult market environment also led to the recognition of impairment losses by ECO, which totalled EUR 1.1 million for the first nine months or roughly 2% of the property portfolio, and had a non-cash impact on our earnings“, explained Friedrich Scheck, Chief Executive Officer of ECO Business-Immobilien AG.

### **Development of revenues and earnings**

Revenues increased year-on-year to EUR 55.4 million for the first three quarters of 2008. This growth was driven above all by acquisitions made in the prior year and the effective asset management of investment properties. The transaction market for business properties came to a virtual standstill during the third quarter. Against the backdrop of this operating environment, ECO recorded gains of EUR 3.6 million on the sale of properties during the first nine months of this year (1-9/2007 EUR 6.0 mill.). The proceeds on sale exceeded the relevant IFRS values by 25.8%.

The market-related impairment charges to the portfolio and exceptional expenses related to the cancellation of a property transaction during the second quarter of 2008 led to a decline in profitability indicators in relation to the comparable prior year period. Operating profit (EBIT) totalled EUR 7.5 million for the first three quarters of 2008, compared with EUR 40.8 million in the first three quarters of 2007. Financial results were negative at EUR -32.9 million because of the higher volume of financing. Profit before tax (EBT) declined to EUR -25.4 million and profit after tax fell to EUR -18.7 million (1-9/2007: EUR 20.4 mill.).

FFO (funds from operations), which exclude revaluation gains and exceptional non-cash effects, also reflect the increase in interest rates and financing volume that have taken place during the past year. Net cash earnings (FFO after interest and taxes, incl. impairment charges) were still clearly positive at EUR 6.0 million (1-9/2007: 13.4 mill.). The operational development of the company had a clearly positive effect, and supported a strong

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improvement in FFO before interest and taxes from EUR 27.4 million in the comparable prior year period to EUR 39.0 million.

## Solid equity ratio

The equity ratio equalled 36% and the loan-to-value ratio (LTV) 63% as of 30 September 2008. Loans from banks and insurance companies amounted to EUR 685 million at the end of the reporting period, whereby roughly one-third was hedged against fluctuations in interest rates. The average interest rate was 5.60% for the reporting period.

Net asset value (NAV) per share declined from EUR 12.04 at the end of September 2007 to EUR 11.83, in particular as a result of the above-mentioned impairment charges. Adjusted NAV equalled EUR 12.06 per share.

## Further optimisation of the property portfolio

The ECO property portfolio von ECO covered 123 objects with a combined value of EUR 1.1 billion as of 30 September 2008. Activities in the third quarter of this year also focused on the optimisation of the existing ECO properties and the completion of development projects. The successful implementation of these effective asset management programmes was reflected in a decline in the vacancy rate from the June 2008 level. "The impairment losses recognised for the reporting period were in no way related to the operational management of the ECO properties", emphasised Friedrich Scheck.

## Outlook on 2008

The future development of financial markets and the resulting effects on the real economy are difficult to predict at the present time. ECO therefore expects the market environment will remain challenging during the last three months of this year.

Based on the development of business during the third quarter, the Management Board assumes that revenues and earnings for 2008 will fall substantially below the prior year level. These results will not reflect the steady improvement in rental income, but will be caused above all by a lack of positive revaluation results. Current developments also indicate that negative earnings for the full year cannot be excluded due to the possible recognition of additional impairment losses. However, cash earnings are expected to be positive for 2008.

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## Company Data in acc. with IFRS

		01-09/2008	01-09/2007
Revenues	(TEUR)	55,424	35,818
Thereof rental income	(TEUR)	45,838	29,369
Income from the disposal of non-current assets	(TEUR)	3,600	5,973
Net gains from the adjustment of fair value	(TEUR)	-23,638	13,487
Earnings before interest and tax (EBIT)	(TEUR)	7,452	40,833
Profit before tax (EBT)	(TEUR)	-25,419	27,303
Profit for the year (after minority interests)	(TEUR)	-16,807	20,149
Earnings per share	(EUR)	-0.49	0.73
Weighted average number of shares	(nr.)	34,100,000	27,730,000
FFO (funds from operations) before interest and taxes, incl. impairment charges <sup>1)</sup>	(TEUR)	38,982	27,364
Cash earnings (FFO – funds from operations) after interest and taxes <sup>2)</sup>	(TEUR)	5,981	13,379
NAV per share	(EUR)	11.83	12.04

<sup>1)</sup> EBIT + depreciation and amortisation +/- fair value adjustments +/- impairment charges

<sup>2)</sup> EBIT + depreciation and amortisation +/- fair value adjustments +/- impairment charges – financial results – income taxes paid

## Property Data

	30/09/2008	30/09/2007
Number of objects	123	116
Thereof investment portfolio	72	61
Thereof trading portfolio	45	52
Thereof development portfolio	6	3
Rental space in m <sup>2</sup> *	666,200	506,600
Thereof trading portfolio	42,100	46,500
Thereof development portfolio	46,000	25,500
Garage spaces (number)	3,570	2,490
Thereof trading portfolio	270	290
Thereof development portfolio	230	60
Property portfolio (in TEUR)	1,094,828	755,173
Thereof construction in progress	46,301	30,488
Thereof trading portfolio	57,539	61,803

\* Garage spaces were included at 20 m<sup>2</sup> each

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**For additional information contact:**

**ECO Business-Immobilien AG**

Friedrich Scheck, Chief Executive Officer

Tel +43 1 535 21 99

E [scheck@eco-immo.at](mailto:scheck@eco-immo.at)

**Hochegger|Financials**

Roland Mayrl

Tel +43 1 504 69 87-31

E [r.mayrl@hochegger.com](mailto:r.mayrl@hochegger.com)

This release contains forward-looking estimates and statements that were made on the basis of the information available at this time. These forward-looking statements are usually described in terms such as "expect", "estimate", "plan", "reckon", "assume", "should", "supposed to", "can", etc. Forward-looking statements reflect the point of view at the time they are made. ECO would like to point out that the actual circumstances and, consequently, the actual results realised at a later date may differ from the forecasts presented in this report for a variety of reasons.