

ECO Business-Immobilien AG: Stable revenues – earnings negatively affected by 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 by 55% 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.

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

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.

The ECO property portfolio 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

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in a decline in the vacancy rate from the June 2008 level. In other words, the impairment losses recognised for the reporting period were in no way related to the operational performance of the ECO property portfolio.

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.

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	(Stk.)	34,100,000	27,730,000
FFO (funds from operations) before interest and taxes, incl. impairment charges ¹⁾	(TEUR)	38,982	27,364
Cash earnings (FFO – funds from operations) after interest and taxes ²⁾	(TEUR)	5,981	13,379
NAV per share	(EUR)	11.83	12.04

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

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

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Property Data

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

* Garage spaces were included at 20 m² each

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