

PRESS RELEASE

25 March 2009



Business-Immobilien AG

ECO Business-Immobilien AG: Increase in revenues – negative earnings due to impairment charges

- **Further increase in revenues: + 54% to EUR 74.8 million**
- **Positive net cash earnings of EUR 5.0 million**
- **Earnings negatively influenced by market-related impairment charges and decline on investment market**
- **Property sales in 2009 will safeguard liquidity and strengthen equity: trading portfolio and other objects sold to convert Immobilien Invest SE**

Vienna, 25 March 2009. The development of earnings at ECO Business-Immobilien AG (Vienna Stock Exchange: ECO) in 2008 was negatively influenced by the financial crisis and the resulting effects on the real economy. In spite of a further improvement in revenues to EUR 74.8 million, Group earnings fell to EUR -35.7 million for the reporting year (2007: EUR 32.8 million). This shift was triggered above all by a market-related decline in the value of the portfolio during the second half of the year, which amounted to roughly 5% of property assets. However, net cash earnings (FFO after interest and tax, incl. impairment charges) were positive at EUR 5.0 million despite a substantial rise in finance costs and a challenging market environment throughout the entire year. The equity ratio equalled 33.7% as of the balance sheet date on 31 December 2008.

“As a consequence of the financial crisis, the stable core markets of ECO – Austria and Germany – were characterised by in part declining market prices and higher yield expectations for business properties in 2008. The determination of market prices was also very difficult because the investment market has more or less come to a standstill. This weak environment forced us to recognise impairment charges equal to roughly 5% of property assets in spite of our conservative valuation approach – since the founding of ECO, we have revalued our properties by no more than 1.5% per year – and that was the primary reason for the negative development of earnings. We continued to record steady growth in our core operating business, the rental of business properties“, explained Friedrich Scheck, Chief Executive Officer of ECO.

Revenues and earnings

Revenues rose by 54% to EUR 74.8 million in 2008 (2007: EUR 48.6 million). This growth resulted above all from the acquisition of the former BAWAG properties at the end of 2007, which made their first full year's contribution to revenues in 2008. The increase in revenues was also supported by stable rental prices in the company's core markets and a concentration on tenants with sound credit ratings. The liquidity shortage on financial markets had an unfavourable effect on the investment market for business properties during the entire year. Accordingly, income from the sale of properties declined from EUR 16.5 million in 2007 to EUR 4.5 million for 2008. However, the profit margin on these sales in relation to the IFRS carrying amounts remained clearly positive at 22.3%.

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Operating profit (EBIT) fell to EUR -6.8 million, compared with EUR 60.8 million in 2007. “The main cause of the drop in EBIT was the net loss from fair value adjustments, which totalled EUR 49.0 million or roughly 5.0% of property assets – compared with a net gain of EUR 17.1 million from fair value adjustments in the prior year“, indicated Wolfgang Gössweiner, Chief Financial Officer of ECO. In addition to a lower volume of property sales, EBIT was also negatively affected by non-recurring expenses related to the cancellation of a property transaction during the second quarter of 2008.

Financial results deteriorated from EUR -19.1 million in 2007 to EUR -43.2 million for the reporting year, and were influenced by significantly higher finance costs. The increase in finance costs resulted from a substantial rise in the volume of financing from EUR 491.8 million in 2007 to EUR 740.9 million for 2008 as well as higher average basis interest rates in the reporting year. Profit before tax fell from EUR 41.7 million in 2007 to EUR -49.9 million in 2008. Earnings per share equalled EUR -1.05 for 2008, compared with EUR 1.11 in the previous year.

Net cash earnings (FFO after interest and tax, incl. impairment charges), which illustrates the operating strength of ECO, was positive at EUR 5.0 million in 2008 despite the substantial year-on-year increase in finance costs, but remained below the EUR 24.7 million recorded in 2007. The positive operating development of the company supported an increase in FFO before interest and tax to EUR 48.1 million (2007: EUR 44.2 million).

Solid equity ratio

A decrease in liabilities as of the balance sheet date led to an improvement in the equity ratio, which rose from 32.6% at the end of 2007 to 33.7% as of 31 December 2008. The loan-to-value ratio (LTV) equalled 64.5% as of 31 December 2008 (2007: 66.1%). Equity of EUR 375.1 million was contrasted primarily by non-current liabilities of EUR 470.8 million (2007: EUR 618.3 million). Approximately one-third of the company's debt financing was hedged against fluctuations in interest rates. Excluding the effects of hedging instruments, the average interest rate for the ECO Group equalled roughly 3.9% at the end of the reporting year (basis interest rate incl. margin). Cash and cash equivalents totalled EUR 14.6 million as of the balance sheet date (2007: EUR 34.7 million) and were increased at the beginning of 2009 by proceeds of over EUR 100 million from the sale of properties.

Net asset value (NAV) per share declined from EUR 12.40 to EUR 10.80, primarily as a result of the above-mentioned impairment charges. Adjusted NAV equalled EUR 10.72 per share.

Stable occupancy in the ECO properties

The property portfolio of ECO Business-Immobilien AG comprised 117 objects with a combined value of EUR 1.07 billion at the end of 2008. During the past year, ECO focused primarily on the management of the properties in its portfolio. “The occupancy of the ECO properties was further stabilised by a continuous improvement in the attractiveness of the objects as well as new rentals and the conclusion of long-term agreements with dependable tenants“, added Friedrich Scheck.

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Portfolio optimisation: 50% stake in trading portfolio sold to conwert

In order to further strengthen its focus on office and commercial properties, ECO sold objects that cannot be classified in full under this segment of business and/or are used predominately for residential purposes. These properties comprise 50% of the Allianz trading portfolio (EUR 52.0 million) as well as individual objects in Austria and Germany with a combined value of EUR 61.3 million. The properties were purchased by the conwert Group, which previously held the remaining 50% stake in the Allianz portfolio. The agreed purchase price was based on an appraisal by independent experts as of 31 December 2008. As a result of the current market environment and the resulting effect on property valuations, the sale price of EUR 113.3 million is less than the historical acquisition cost of the related properties. This transaction will not only optimise the ECO portfolio, but will also largely repay the liability to the conwert Group. The transferred portfolio is comprised mostly of residential objects at inner city locations and also includes a hotel in Austria and two senior citizens' residences in Germany. Following the completion of the sale in 2009, ECO will only hold portfolios in the investment and development segments of business.

During the first weeks of 2009, ECO sold two properties in Vienna to private investors for a total of EUR 112.7 million. These funds will strength the liquidity of the company over the long-term and also increase the equity ratio.

Outlook on 2009

Since the further development of the real economy and the duration and extent of the current recession are difficult to estimate, ECO assumes the 2009 financial year will be characterised by a difficult market environment. The commercial property sector has remained comparatively robust in the core ECO markets of Austria and Germany, but the economic crisis will still have an impact on business. "In total, we expect a continuation of the tense price situation and a reserved investment market", observed Wolfgang Gössweiner.

In addition to the optimisation of the portfolio through the sale of selected objects, activities for the coming year will concentrate on the management of the existing properties. "We are currently conducting a thorough analysis of each object to ensure optimal realisation. Ongoing measures to improve the equipment, structure and realisation of the ECO properties should ensure a stable level of occupancy and rental prices in times of a downturn, and also form the basis for an increase in value and earnings when the current market trend reverses. We intend to utilise selective prospects for acquisitions and also take advantage of opportunities for sales. Financing has already been secured for projects in the development portfolio, and these assignments will now be completed. However, our current plans do not call for the start of any new projects", commented Friedrich Scheck on the strategic focus for 2009.

Effective asset management should allow ECO to meet its current expenses from operating income and also generate positive cash earnings in 2009. ECO expects rental income will remain stable in comparison with the previous year, while proceeds from the sale of properties will be used above all to reduce debt and strengthen liquidity. Therefore, the equity ratio should increase in relation to the 2008 level. In the financing area, ECO will profit from the decline in interest rates and should record an improvement in financial results compared with 2008.

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Selected Company Data in accordance with IFRS

		01-12/2008	01-12/2007
Revenues	(TEUR)	74,794	48,589
Thereof rental income	(TEUR)	61,668	39,959
Income from the disposal of non-current assets	(TEUR)	4,517	16,508
Net gain/(loss) from changes in the fair value of investment properties	(TEUR)	-48,985	17,146
Operating profit (EBIT)	(TEUR)	-6,790	60,801
Profit before tax (EBT)	(TEUR)	-49,940	41,654
Profit after tax (after minority interests)	(TEUR)	-35,698	32,772
Earnings per share	(EUR)	-1.05	1.11
Weighted average number of shares	(Nr.)	34,100,000	29,550,000
FFO (funds from operations) before interest and tax, incl. impairment charges ¹⁾	(TEUR)	48,067	44,195
Cash earnings (FFO - funds from operations) after interest and tax ²⁾	(TEUR)	4,991	24,723
NAV per share	(EUR)	10.80	12.40

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

Balance sheet indicators

Balance Sheet – Summary (TEUR)	31/12/2008	31/12/2007
Non-current assets	1,085,709	1,244,766
Thereof investment properties	981,890	1,140,019
Thereof construction in progress	40,421	34,746
Thereof properties available for sale	51,881	58,319
Current assets	27,904	93,330
Total Assets	1,113,614	1,338,095
Equity and reserves	375,113	435,685
Thereof minority interests	6,918	12,784
Non-current liabilities	470,846	618,343
Current liabilities	267,654	284,067
Total Equity and Liabilities	1,113,614	1,338,095

Property Data

	31/12/2008	31/12/2007
Number of objects	117	127
Thereof investment portfolio	72	73
Thereof trading portfolio	41	46
Thereof development projects	4	8
Rentable space in m ² *	662,700	668,000
Thereof trading portfolio	39,100	42,800
Thereof development projects	38,800	53,100
Garage spaces (number)	3,530	3,380
Thereof trading portfolio	270	280
Thereof development projects	150	230
Property assets (in TEUR)	1,074,192	1,233,083
Thereof properties under construction	40,421	34,746
Thereof trading portfolio	51,881	58,319

* Garage spaces were included at 20 m² each

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