

PRESS RELEASE

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ECO Business-Immobilien AG: Half-year results affected by impairment charges – portfolio optimisation reduces net debt and strengthens balance sheet structure

- **Portfolio optimisation: property sales strengthen equity ratio**
- **Reduction in debt and lower interest rates improve financial results**
- **Earnings negatively influenced by impairment charges**

Vienna, 25 August 2009. The development of business at ECO Business-Immobilien AG (Vienna Stock Exchange / Prime Market: ECO) during the first half of 2009 was negatively influenced by the recession and by the effects of the international financial crisis on European business property markets. As a reaction to this difficult operating environment the company focused on the further optimisation of the property portfolio and the strengthening of the balance sheet structure through the sale of selected objects. The sale of 55 properties with a total value of approx. EUR 240 million supported a substantial reduction in net debt and raised the equity ratio to 39.3%. These sales reduced the property portfolio from EUR 1,074.2 million at year-end 2008 to EUR 843.6 million. Accordingly, revenues totalled EUR 31.7 million for the first half of 2009 for a decline versus the comparable prior year period. As a result of market-related impairment charges to the property portfolio (EUR -25.3 mill.), profit after tax fell to EUR -14.6 million (1-6/2008: EUR 5.8 mill.).

“The adverse climate on international financial markets hit the capital-intensive property branch particularly hard. This situation was aggravated by stagnation on the business property market, and required fast action. We reacted immediately to the shift in our operating environment, and adjusted our portfolio and financing structure to meet these changes. ECO is now well prepared to meet any continuation of these difficult market conditions“, commented Friedrich Scheck, Chief Executive Officer of ECO.

Revenues and earnings

ECO generated revenues of EUR 31.7 million during the first six months of 2009. However, these results were substantially less than the comparable prior year period (EUR 36.8 mill.) as expected due to the substantial reduction in the property portfolio. Income from the disposal of non-current assets fell to EUR 0.1 million for the first half of 2009 (1-6/2008: EUR 3.3 mill.) because the proceeds from the sale of properties exceeded the latest IFRS carrying values by only a slight amount.

The valuation of the property portfolio by independent experts resulted in impairment charges of EUR 25.3 million for the reporting period, which represent approx. 3% of property assets. These charges reflected the difficult operating environment on the business property market as well as a lack of reference transactions. In the first half of 2008 ECO recorded a net gain of EUR 5.4 million from fair value adjustments. The impairment charges were primarily responsible for the decline in earnings before interest and taxes (EBIT) to EUR -8.3 million, compared with EUR 25.8 million for the first half of 2008.

The lower volume of financing and the positive effects of favourable interest rates on existing liabilities supported an improvement in financial results to EUR -11.2 million for the first half of 2009 (1-6/2008: EUR -21.2 mill.). Profit before tax equalled EUR -19.5 million, versus EUR 4.7

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million in the comparable prior year period. Profit after tax amounted to EUR -14.7 million (1-6/2008: EUR 3.8 mill.). Funds from operations (FFO after interest and taxes) were negative at EUR -14.0 million (1-6/2008: EUR 6.7 mill.). This shift was caused by the sale of properties at prices below historical acquisition cost as a consequence of the current market climate.

Improvement in balance sheet structure and reduction in liabilities

The sale of properties by ECO during the reporting period triggered a decline in the balance sheet total from EUR 1.1 billion at the end of 2008 to EUR 897.4 million as of 30 June 2009. "The objective of this programme was to sustainably improve our financing structure. We succeeded in reducing liabilities, and were able to improve the equity ratio to nearly 40% since the beginning of this year and decrease net debt by 29% to EUR 498.7 million as of 30 June 2009", emphasised Chief Financial Officer Wolfgang Gössweiner. The equity ratio rose from 33.7% at year-end 2008 to 39.3% as of 30 June 2009. Non-current liabilities fell from EUR 470.8 million on 31 December 2008 to EUR 394.8 million, and current liabilities dropped from EUR 267.7 million to EUR 150.1 million. The recognition of impairment charges to the property portfolio triggered a decrease in net asset value (NAV) per share from EUR 10.80 at year-end 2008 to EUR 10.27 per share.

Optimisation of property portfolio

After an adjustment for reporting period sales, the ECO portfolio comprised 63 properties with approx. 551,000 m² of rentable space and a total value of EUR 843.6 million at the end of the first half of 2009 (year-end 2008: EUR 1,074 million). The streamlining of the portfolio further underscored the company's specialisation on office and commercial properties. ECO also carried out an analysis of all its properties during the reporting period, which will form the basis for the future realisation of these objects. The vacancy rate (13.6%, excluding objects under renovation) and average rents (EUR 10.5/m² in the office segment and EUR 9.8/m² in the retail segment) remained generally stable in relation to the levels at year-end 2008.

Outlook on 2009

The continued optimisation of the core segment "investment portfolio" has top priority for ECO during the remainder of 2009. "The best possible utilisation of each object will be achieved by improving the furnishings and structure or – in cases where the potential for optimisation has been exhausted – by safeguarding rental income over the long-term or starting the sale process", added Friedrich Scheck. As a consequence of the difficult market situation, no new development projects will be launched in 2009.

In spite of the current recessionary market environment, ECO has set a goal to maintain a stable level of occupancy in its investment properties and thereby hold rental income at a constant level. That should provide the best possible protection for liquidity and support the generation of positive cash earnings from operations. The realisation of opportunities for the sale of properties will provide added liquidity. The Management Board expects a further increase in the equity ratio over the 2008 financial year. In addition, low interest rates and the reduction of liabilities should support an improvement in financial results.

ECO expects a continuation of the tense and challenging market climate despite the latest improvements in economic forecasts and first signs of modest recovery on the capital market. Further impairment charges to the investment portfolio cannot be excluded in this environment.

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Selected Company Data in accordance with IFRS

		1-6/2009	1-6/2008
Revenues	(TEUR)	31,734	36,804
<i>Thereof rental income</i>	(TEUR)	25,825	30,663
Income from the disposal of non-current assets	(TEUR)	119	3,312
Net gain/(loss) from changes in the fair value of investment properties	(TEUR)	-25,313	5,419
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(TEUR)	17,034	20,452
Operating profit (EBIT)	(TEUR)	-8,299	25,844
Profit before tax (EBT)	(TEUR)	-19,516	4,682
Profit after tax (after minority interests)	(TEUR)	-14,552	5,757
Earnings per share	(EUR)	-0.43	0.17
Weighted average number of shares	(Stk.)	34,100,000	34,100,000
FFO (funds from operations) before interest and tax, incl. impairment charges ¹⁾	(TEUR)	-2,770	27,970
Cash earnings (FFO - funds from operations) after interest and tax ²⁾	(TEUR)	-14,010	6,685
NAV per share	(EUR)	10.27	12.61

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 Data

Consolidated balance sheet – summary in TEUR	30/06/2009	31/12/2008
Non-current assets	855,464	1,085,709
<i>Thereof investment properties</i>	807,302	981,890
<i>Thereof properties under construction</i>	36,256	40,421
Current assets	41,974	27,904
Total assets	897,437	1,113,614
Equity and reserves	352,489	375,113
<i>Thereof minority interests</i>	2,381	6,918
Non-current liabilities	394,829	470,846
Current liabilities	150,120	267,654
Total equity and liabilities	897,437	1,113,614

Property Data

	30/06/2009	30/06/2008
Number of objects	63	122
<i>Thereof investment portfolio</i>	61	70
<i>Thereof trading portfolio</i>	0	46
<i>Thereof development projects</i>	2	6
Rentable space in m ² *	551,000	651,400
Garage spaces (number)	2,870	3,560
Property assets (in TEUR)	843,559	1,083,903
<i>Thereof properties under construction</i>	36,256	36,457

* Garage spaces were included at 20 m² each / parking areas included

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