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EANS-Adhoc: Sparkassen Immobilien AG / significant EBIT improvement of more than EUR 110m

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annual report

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Sparkassen Immobilien AG: significant EBIT improvement of more than EUR 110m

0. Successful completion of development projects 0. Markets recovering at different speeds 0. Revaluation result shows trend has reversed 0. Profitable sales opportunities: gains on disposal of EUR 9.9m 0. Rental income up by 18.8%

Stock exchange listed Sparkassen Immobilien AG (Bloomberg: SPI:AV, Reuters: SIAG.VI) is publishing its annual results for 2010. The strategy of diversifying into different property use types and regions has proved to be the right one, particularly in light of the varying speeds at which property markets recovered in 2010. Thanks to the widely diversified portfolio, S IMMO Group's total revenues increased to EUR 174.9m. EBIT for the year ended as at 31 December 2010 improved by more than EUR 110m to EUR 60.5m.

Development projects to the value of over EUR 500m completed Sparkassen Immobilien AG was able to successfully complete and open its projects according to plan during the past year - with a total investment volume of about EUR 500m - sometimes under very challenging market conditions.

The Group opened Sun Plaza and Serdika Center, the largest shopping centres in Bucharest and Sofia, respectively. The residential and office building Neutor 1010 in Vienna, with the renowned Austrian office furniture manufacturer Bene as its main tenant, was also officially inaugurated. Almost all of the 34 luxury apartments have already been sold for top prices. The office complex Galvaniho 4, located between Bratislava's city centre and its airport, was also completed and was fully let at its official opening on 31 March 2011.

Markets recovering at varying speeds In Germany, where the economy is progressing very well, S IMMO Group's refurbishment programme produced excellent results in the form of improved occupancy rates and increased property values. The prudence of the Group's valuation policies were confirmed in the Austrian market, where gains from property disposals considerably exceeded estimated values. One of the largest property deals in the Austrian market in 2010 was successfully completed with the acquisition of the OMV Head Office and the neighbouring Hotel Zwei, which is operated as a Courtyard by Marriott.

Progress in Central and Southeastern Europe varies considerably from country to country. While the Czech Republic and Slovakia recovered quickly from the economic crisis, an improvement was only noticeable in Hungary towards the end of 2010. This positive trend gave an additional boost to the letting successes of S IMMO Hungary. Compared with the rest of the European Union, Romania and Bulgaria are taking longer to recover from the economic crisis. In both countries, government measures such as increases in VAT, redundancies and wage cuts in the public sector have all had a marked impact on sales in our shopping centres. However, after a challenging first few months, both shopping centres ended the year with high volume holiday season sales.

Value of property portfolio increased Following successful acquisitions and completions of the development projects, S IMMO Group's property portfolio was worth EUR 2,013.1m as at 31 December 2010 (2009: EUR 1,901m). The portfolio consists of 248 properties with a total usable space of about 1,500,000 m². S IMMO Group attaches great importance to long-term relationships with its tenants, which is reflected in the length of the remaining terms for lease and in an increase in the occupancy rate to 91.7% (2009: 90.3%). The gross rental yield remained stable at 6.6% (2009: 6.7%).

Gross profit up 13.1% to EUR 80.2m Compared with the previous year, all key indicators used to measure the

success of the Company's business have been up: rental income, EBIT and NAV have increased.

S IMMO Group's rental income in 2010 improved considerably to approximately EUR 104m (2009: EUR 87.6m). This increase of 18.8% is mainly attributed to the successful completion and letting of the two shopping centres, and to the additional rental income from properties newly opened and acquired.

Income from hotel operations also reflected the market's recovery. European hotel business started to pick up in mid-2010 and continued to improve throughout the rest of the year, resulting in a significant overall improvement compared with 2009. S IMMO Group's income from hotel operations was up 3.8% to EUR 38.3m (2009: EUR 36.9m). At EUR 29.6m, hotel operating expenses remained unchanged compared with the previous year, therefore the net income from hotel operations came out at EUR 8.7m (2009: EUR 7.2m).

Broken down by region, rental income was as follows: The largest share came from Germany with 34.0% (2009: 38.9%), followed by SEE with 25.1% (2009: 5.4%), Austria with 20.9% (2009: 28.6%) and CEE with 20.0% (2009: 27.1%). Rental income by property use type shows retail contributing 37.9% (2009: 22.3%), followed by offices with 30.2% (2009: 42.1%), residential with 26.9% (2009: 32.2%), and hotels with 5.0% (2009: 3.4%). Earnings from the Vienna and Budapest Marriott Hotels, both leased to hotel operators, are disclosed under revenues from hotel operations. Overall, S IMMO Group's gross profit in 2010 improved by 13.1% to EUR 80.2m (2009: EUR 70.9m).

Advantageous property disposals In the financial year 2010, S IMMO Group took advantage of several attractive opportunities to dispose of properties. During the year a total of eleven properties were sold: nine residential properties in Vienna and Berlin and two office buildings in Vienna. Gains on property disposals amounted to EUR 9.9m (2009: EUR 1.9m), which helped boost EBITDA by a substantial 34.1% to EUR 71.4m (2009: EUR 53.3m).

EBIT up by EUR 110m Operating results (EBIT) improved by more than EUR 110m from a loss of EUR 53.1m in 2009 to a profit of EUR 60.5m in 2010. Net financing costs increased to EUR 41.2m, reflecting higher financing volumes. In 2010, income entitlements of participating certificate holders resulted in expenses of EUR 10.2m, compared with an income side item of EUR 11.2m in 2009. After a loss before taxes of EUR 77.5m in 2009, the financial year 2010 generated a profit before taxes (EBT) of EUR 9.1m - a highly satisfactory result considering the state of the market. For 2010 the Group reported a net profit of EUR 2.1m (2009: net losses of EUR 78.9m). As at 31 December 2010, Sparkassen Immobilien AG's cash reserves stood at EUR 129.7m.

Revaluation results reflect market improvement The revaluation results reflect the differing speeds of economic recovery in the various regions. Properties in Austria and Germany increased in value thanks to the positive performance of the real estate markets and their recovering economies. In comparison, Romania and Bulgaria are taking longer to recover from the economic crisis, and in 2010 their economic growth was still slightly negative. This made a small overall writedown of EUR 0.8m necessary, which corresponds to approximately 0.04% of the portfolio's total value. When compared with the previous year's writedown of EUR 97.2m, however, this is clearly a reversal of the decline, and a positive trend that will continue in the current financial year.

Substantial increase in operating cash flow Funds from operations (FFO) in 2010 amounted to EUR 28.9m (2009: EUR 22m). This encouraging outcome is directly attributable to the completion of the development projects. Net operating income (NOI) improved from EUR 62.7m in 2009 to EUR 75.2m in 2010. Operating cash flow for the year rose from EUR 49.4m in 2009 to EUR 59.2m in 2010. This improvement was closely related to the completion of development projects in the past financial year. S IMMO Group's EPRA net asset value (EPRA NAV) as at 31 December 2010 amounted to EUR 8.34 per share (2009: EUR 8.13).

S IMMO Share currently at 40% discount to NAV The S IMMO share price increased by 5.6% during 2010 and closed the year with a slight gain compared with the end of 2009. The Company is working hard to convince the market of the obvious upside potential and to close the gap between the current share price and NAV. The current share price of EUR 5.00 (closing price on 12 April 2011) shows a discount to EPRA NAV of EUR 8.34 as at 31 December 2010 amounting to 40%. The Group's other objectives are to have the share included in major stock market indices and to simplify the capital structure. The repurchase programme for S IMMO INVEST participating certificates that ended on 08 April 2011 represents a first step in this direction.

Positive three-year outlook The Company looks forward to the future with considerable confidence. In recent months the European property market has experienced a noticeable recovery. Overall, Sparkassen Immobilien AG expects a distinct upwards trend in 2011 and significant gains beginning in 2012/2013. Spreading the portfolio between different property use types and across regions has proved to be the correct diversification policy, and the one that shall be followed in the coming years.

In Germany, Sparkassen Immobilien AG will complete its refurbishment programme by 2013, which will progressively enhance the value of its properties there. In 2011 the group will be selling German properties to the

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