MAGNAT publishes 2010/2011 financial year results

- Consolidated net result of EUR -15.2 million strongly affected by special effects (previous year: EUR -14.0 million)
- Higher earnings from rent and property disposals offset by impairment charges applied to at-equity valuations and receivables
- Equity ratio improves slightly to 63.2%, net debt down to EUR 45.1 million compared with EUR 50.7 million, and liquidity of EUR 5.3 million as of March 31, 2011

Frankfurt am Main, July 28, 2011 – At its meeting today, the Supervisory Board of MAGNAT Real Estate AG ("MAGNAT", ISIN DE000A0XFSF0) concerned itself extensively with the single-entity annual financial statements and consolidated financial statements for the 2010/2011 financial year, including the management reports for both the single-entity and the Group, which have been audited and furnished with unqualified audit certificates. Supervisory Board adopted the single-entity annual financial statements, and approved the consolidated financial statements.

Earnings in the 2010/2011 financial year were impacted by countervailing trends: tangible growth in rental earnings from portfolio properties to EUR 3.0 million, compared with EUR 2.4 million in the previous year, a EUR 2.3 million disposal gain on the sale of properties – no properties were sold in the previous year – and a marked improvement in the net financial result to EUR 0.8 million (previous year: EUR -3.6 million), were offset, to the tune of EUR -11.1 million (compared with EUR -5.8 million) of higher losses on companies measured at-equity, and a loss on asset management arising from services rendered for third parties (EUR -0.5 million, compared with EUR 0.2 million).

Earnings before interest and tax (EBIT) amounted to EUR -16.0 million, compared with EUR -10.0 million, and earnings before tax stood at EUR -15.1 million, compared with EUR -13.5 million. The consolidated net result amounted to EUR -15.2 million, compared with EUR -14.0 million in the previous year. After deducting minority interests (EUR -1.9 million, compared with EUR -2.8 million), EUR -13.3 million was attributable to shareholders, compared with EUR -11.2 million. This is equivalent to earnings per share of EUR -0.96, compared with EUR -1.35. An average of 13,889,651 shares were in issue in the year under review, compared with 8,329,329 in the previous year.

Earnings from the rental of portfolio properties benefited from both a 5.0% increase in revenue – a direct consequence of the further reduction in the void rate – and a 6.9% reduction in operating expenses. Earnings on property disposals reflect the successful resale of property as part of house builders schemes in Austria within the Asset Management business area.

With regard to earnings from Asset Management arising from services rendered for third parties, it should be noted that this segment was not consolidated until August 31, 2009 in the previous year. Accordingly, revenue in the year under review was up by almost 75% to EUR 1.3 million, compared with EUR 0.7 million. The increase in expenses to EUR 1.7 million, compared with EUR 0.5 million in the previous year, essentially reflects a valuation allowance applied to receivables arising from Asset Management services due from the Austrian bond companies, which communicated to MAGNAT on February 25, 2011 that they would initiate reorganisation proceedings, totalling EUR 1.3 million necessitated in this connection.

Impairment charges based on updated valuation surveys burdened earnings on companies measured at equity to the tune of a total of EUR 5.0 million. The surveys, which are prepared annually, identified the need for write-downs primarily for the Ukrainian investments. In addition, and as a consequence of a restructuring under corporate law, EUR 2.5 million of losses were reported on a Polish development project. In contrast, a corresponding positive change arose from the measurement of loans issued to the project company, which is reported under the financial result.

Additionally, a EUR 3.4 million impairment charge connected with the interest in the operating company for the Hotel Palais Schwarzenberg project placed a burden on earnings. MAGNAT holds a 25.1% interest in Schwarzenberg, equivalent to EUR 4.1 million of equity. At the same time, MAGNAT has an exit right from this company, which the company utilised after the end of the financial year. In light of the debate that has entered the public arena concerning its former partner's solvency, MAGNAT has already written down the respective at-equity valuation in the 2010/2011 financial statements. It has done this irrespective of the fact that MAGNAT will deploy all legal means to satisfy its receivable.

The tax claim submitted by the Turkish tax authorities subsequent to partial disposals from the YKB portfolio was reduced to EUR 6 million, as already reported, and this provision was carried through the income statement in the YKB portfolio. The 33% share attributable to MAGNAT amounts to EUR 2 million.

Other operating income rose from EUR 2.8 million to EUR 5.0 million in the year under review. General administrative costs increased from EUR 4.6 million to EUR 7.5 million primarily due to the first-time consolidation on a 12 month basis of Asset Management. Other operating expenses were up to EUR 7.1 million in the reporting year, compared with EUR 5.0 million in the previous year. It should be noted in this context that, along with the aforementioned valuation allowances applied to receivables, a further EUR 3.9 million of specific valuation allowances were required for receivables (previous year: EUR 2.0 million). Other operating expenses were also burdened by an impairment charge of EUR 1.8 million applied to portfolio properties due to a valuation survey, compared with EUR 1.4 million in the previous year. Excluding these one-off effects, other operating expenses were reduced by 15.5% to EUR 1.4 million.

The reversal of an impairment charge applied to loans made to the Polish project company exerted a positive impact on financial income. In the previous year, financial expenses still included impairment charges applied to loans to companies measured at equity.

Total assets fell by 15.4%, from EUR 176.7 million in the previous year to EUR 149.4 million in the 2010/2011 financial year. The liquidity position amounted to EUR 5.3 million as of the reporting year balance sheet date, compared with EUR 8.8 million in the previous year. The equity ratio stood at 63.2%, compared with 63.1% in the previous year. Net debt (financial debt minus cash) amounted to EUR 45.1 million in the year under review, compared with EUR 50.7 million in the previous year.

Due to changes in real estate valuation services, and revaluations of receivables, the net asset value calculated in line with EPRA regulations amounted to EUR 85.7 million as of the balance sheet date, compared with EUR 106.0 million. This corresponds to EUR 6.17 of net assets per share, compared with EUR 7.60 in the previous year. Both of these earnings per share measurements are based on 13,894,651 shares in issue.

The annual financial report for the 2010/2011 financial year will be available from July 29, 2011 at the company's website at www.magnat.ag.

About MAGNAT

MAGNAT Real Estate AG is the first Frankfurt-listed real estate company that focuses on property development in Eastern European, Austrian and German conurbation areas.

MAGNAT is an integrated real estate group, covering the entire value chain comprising the purchase, development and sale of projects and construction land. The Group also offers real estate asset management for third parties.

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