

## HETA ASSET RESOLUTION AG | Publication Interim Financial Report 2016

Klagenfurt am Wörthersee, 25th August 2016

- Result of the first six months 2016 and liabilities side structure importantly impacted by the effects of the FMA's mandate notice II issued on 10<sup>th</sup> April 2016
- Financial figures for Heta pursuant to UGB/BWG as at 30. June 2016: drop in total assets by EUR 0.4 billion to EUR 9.2 billion, period result after tax totals EUR +7.5 billion and undoes the previous negative equity.
- Interim financial assets for the HETA holding company pursuant to IFRS as at 30th June 2016: drop in total assets from EUR 11.2 billion to EUR 10.3 billion, result after tax at EUR +6.9 billion, positive equity at EUR +1.1 billion.
- Development during first six months: swift progress in portfolio reduction, costs below plan, successful completion of sales and re-payments in loan portfolio increase available liquidity from EUR 4.3 billion to EUR 5.3 billion.

The Board of HETA ASSET RESOLUTION AG (HETA) has today presented the semi-annual results pursuant to UGB/BWG and the semi-annual financial report on the basis of the consolidated interim financial statement pursuant to IFRS as at 30th June 2016. The results for the first six months and the liabilities side structure have been importantly impacted by the effects of the application of the FMA's mandate notice II dated 10<sup>th</sup> April 2016. HETA-CEO Wirt.-Ing. Sebastian Prinz von Schoenaich-Carolath: "The progress of the wind-down to date far exceeds our expectations. However, it should be noted that the remaining assets will be more difficult to utilize due to their complexity as well as due to political uncertainties in Europe. Nevertheless, we believe that our objective to complete the sale of 80 percent of the assets before the end of 2018 is achievable."

## Financial statement pursuant to UGB/BWG

HETA is a wind-down unit as defined by the Federal Law on the Creation of a Wind-Down Unit (GSA) whose company purpose is the administration of its assets. Since 1<sup>st</sup> March 2015 HETA has been subject to a payment moratorium issued by the the Financial Market Authority (FMA) for "considerable liabilities" pursuant to BaSAG (mandate notice I). On 10th April 2016 the FMA issued another mandate notice (mandate notice II) applying numerous wind-down measures as defined by BaSAG (refer to press statement of 10<sup>th</sup> April 2016). Due to HETA's special situation the Board considers the financial statement of HETA ASSET RESOLUTION AG pursuant to UGB/BWG as the more relevant presentation of an exact picture of the asset, financial, and liquidity situation of the creditors.

In the course of the implementation of the effects of mandate notice II HETA as at 30<sup>th</sup> June 2016 shows profits after tax totalling +7,479 million for the period. Mandate notice II accounted for EUR +7,153 million. At EUR +9,446 million this extraordinary result was due to the drop in „considerable liabilities“ (liability cut to 46.02 % and 0 %) and at EUR -2,293 million from the formation of reserves that had to be created in connection with mandate notice II. "Core capital" derecognition (reduction to 0 %) is shown at EUR +3,494 million in the profit and loss account after the period surplus under the special item capital reduction

pursuant to BaSAG. The reduction of liabilities and of equity in total hence produces a total effect of EUR +10,646 million in the profit and loss account for the first six months.

The operative result of EUR +330 million (1-12/2015: EUR +175 million) (result from ordinary business activity) for the first six months was clearly positive. In addition to clearly reduced personnel and material expenditures this reduction also resulted from lower interest expenditures in connection with mandate notice II following its cut in current interest accrued as from 10th April 2016 to 0 % in connection with mandate notice II.

Due to the constant drop in interest-bearing bonds and loans, negative interest on liquidity, and interest expenditures for „considerable liabilities“ to be considered up to 9<sup>th</sup> April 2016 the net interest result was negative at EUR -80 million. (1-12/2015: EUR -152 million). During the first six months of the business year the commission result was EUR -15 million (1-12/2015: EUR -91 million) and was also affected by the effects of mandate notice II. Personnel expenditures totalled EUR -19 million (1-12/2015: EUR -41 million), administrative expenditures (material expenses) were EUR -22 million (1-12/2015: EUR -85 million). Total operative results were negative at EUR -78 million (1-12/2015: EUR -287 Mio.). The gross total from the valuation of the current and fixed assets was EUR +408 million (1-12/2015: EUR +462 million) resulting essentially from realised profits, the termination of derivative items, and the dissolution of value adjustments as well as previously created warranty provisions from sales contracts.

The results for the first six months of 2016 after taxes on profits and other taxes totaling EUR -4 million (1-12/2015: EUR -11 Mio.) consisted in a period surplus of EUR +7,479 million (1-12/2015: EUR -492 million).

## **Balanced equity after mandate notice II**

The balance sheet situation was also dominated by the effects of mandate notice II. Liabilities and reserves during the first six months of 2016 dropped from EUR 17,035 million (31.12.2015) by EUR 7,880 million to EUR 9,154 million. Due to the effects of mandate notice II HETA's semi-annual results as at 30th June 2016 were positive with substantial changes still possible over the course of the wind-down period subject to the future outcome of the company's wind-down process. This amount is shown in the financial statement under liabilities as above as a provision for uncertain liabilities in connection with the wind-down process. In addition provisions had to be made for payments to third parties still to be expected in the future in implementation of the 46.02% rate given in the notice by creating a provision reserve. As at 30<sup>th</sup> June 2016 at EUR 0 HETA's equity status is no longer negative (31.12.2015: EUR -7,479 million).

On the asset side the cash position augmented as a consequence of the wind-down process: as a result of repayments in the loan portfolio, individual sales transactions, and the successful completion of the Centrice sale (performing real estate portfolio) liquidity kept with central banks increased during the first six months of 2016 by EUR 1,053million to EUR 5,327 million (31.12.2015: EUR 4,273 million). Other assets account for EUR 1,946 million (31.12.2015: EUR 2,504 million) consisting of receivables from group affiliates and third parties, receivables from banks totalling EUR 1,430 million (31.12.2015: EUR 2,054 million),

fixed-interest assets as well as stocks totaling EUR 211 million (31.12.2015: EUR 375 million), participations and shares in group companies totalling EUR 69 million (31.12.2015: EUR 85 million) as well as other assets totalling EUR 170 million (31.12.2015: EUR 256 million). Over the first six months the balance sheet total dropped by EUR 402 million to EUR 9.154 million (31.12.2015: EUR 9,556 million). The major part of this drop was due to the repayment of cover fund liabilities which had to be considered „non-considerable liabilities as defined by mandate notice II.

## **Unsolved legal disputes**

HETA faces a large number of legal disputes, in particular in connection with the application of BaSAG, which are of major relevance for the company's future development and harbour essential risks. For further details reference is made to the statements in the notes to the semi-annual financial statement 2016.

## **Auditor's certificate**

The semi-annual financial report pursuant to UGB/BWG as at 30th June 2016 was fully approved by the auditors. As already in previous years this approval also includes amendments in which the auditors point out essential explanations by the Board in the notes.

## **Consolidated financial statement pursuant to IFRS**

The total consolidated period result after tax for the first half of 2016 is EUR +6,858 million (1-6/2015: EUR -1,112 million). The result is substantially impacted by the implementation of the debt cut imposed by the FMA. The debt cut led to a creditor participation pursuant to BaSAG of a total of EUR 6,977 million (1-6/2015: EUR 0 million).

The period result before tax from the company divisions to be continued considering the result from companies assessed „at equity“ at an amount of EUR 0 Mio. (1-6/2015: EUR 0 Mio.) totalled EUR +6,937 million (1-6/2015 adjusted value: EUR -1.092 million). After deducting the taxes on profits of EUR -14 million (1-6/2015 adjusted value: EUR -2 million) the result for the period after taxes from divisions to be continued totals EUR +6.922 million (1-6/2015 adjusted value: EUR -1.093 million).

The period result after taxes from discontinued business divisions totalling EUR -64 million (1-6/2015: EUR -19 million) of the Italian affiliate HETA Asset Resolution Italia S.r.l. (HARIT) also includes the valuation result from the expected sale of the company. HARIT is shown in the „Italy“ segment as an independent business division. Based on current estimates the closing is expected before the end of the second six months of 2016.

On the cost side expenditures in comparison with the previous year dropped by a total of EUR 9 million to EUR -65 million. Personnel expenditures dropped from EUR -39 million by EUR 5 million to EUR -34 million, mainly due to a further drop in the number of employees in the group. Other administrative expenditures totalled EUR -30 million (1-6/2015: EUR -33 million). Depreciations of fixed assets and immaterial assets dropped to EUR -1 million (1-6/2015: EUR -2 million)

## **Liability side dominated by debt cut**

The liability side of the consolidated balance sheet as at 30<sup>th</sup> June was also dominated by the debt cut. Mandate notice II applied the wind-down measures pursuant to BaSAG to HETA. The derecognition of the considerable liabilities necessitated by the creditor participation produces a total liability and provisions total that is EUR 7.0 billion below the comparable figure as at 31<sup>st</sup> December 2015. In addition, the subscribed capital and subordinate capital of HETA were reduced to zero. This as a consequence changes the total picture of group liabilities as the result shows an exchange in liabilities.

Consolidated equity (excluding minorities) is positive totalling EUR 1.1 billion (31.12. 2015: EUR -5.7 billion). The equity shown in the IFRS consolidated interim financial statement, however, does not constitute any claim by the HETA owners. The amount rather serves to cover future losses, in particular from the sale of performing loans as well as of the wind-down costs.

During the first six months of 2016 the balance sheet total dropped by EUR 0.8 billion from EUR 11.2 billion (31.12.2015) to EUR 10.3 billion. Whilst cash reserves expanded by EUR 1.1 billion due to the progress made in the portfolio wind-down receivables from banks and customers, derivatives and also equities held as well as other assets declined. As a result of the sale of the Centrice Group closed in June 2016 it was excluded from the HETA Group as early as at 31<sup>st</sup> December 2015 as a group earmarked for sale during the first six months of 2016.

## **Publications**

The consolidated Interim Financial Report as at 30th June 2016 is part of the semi-annual financial report pursuant to § 87 para 1 BörseG. The voluntarily prepared semi-annual financial statement pursuant to UGB/BWG is published in a separate document. Both the Interim Financial Report as well as the financial statement are published on the company's website ([www.heta-asset-resolution.com](http://www.heta-asset-resolution.com) → Investor relations → Financial reports & presentations). Reference is made to either document for further information.

The English versions will be published at the end of August or beginning of September 2016.

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