

Analyst presentation

Q3 2008 Results – 13th November 2008



Key Figures



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Key figures – Q3 Results

EUR m	Q3 07	Q3 08	yoy%
Transaction volume	14.2	19.1	34%
Revenues	60.3	47.6	-21%
EBIT	20.4	67.2	230%
Group net income	17.4	33.9	94%
<u>Net income after minorities</u>	<u>16.7</u>	<u>34.7</u>	<u>108%</u>
Undiluted EPS (Euro)	0.86	1.75	104%
Order backlog	117.7	57.9	-51%
Traded apartments	60	100	67%

EUR m	9M 07	9M 08	yoy%
Transaction volume	342.6	165.2	-52%
Revenues	117.8	126.1	7%
EBIT	39.2	87.1	122%
Group net income	32.9	35.1	7%
<u>Net income after minorities</u>	<u>31.7</u>	<u>34.7</u>	<u>9%</u>
Undiluted EPS (Euro)	1.63	1.75	9%
Order backlog	117.7	57.9	-51%
Traded apartments	7,528	3,069	-59%

- In comparison to last year, transaction volume declined in a market environment that is still characterized by hesitancy on the buy side. As in the last year, Vivacon has not arranged a portfolio transaction in Q3 but managed to increase the transaction volume in the development business
- Revenues in 9M 2008 increased by 7% yoy mainly because of:
 - Curanis revenues (EUR 19.0m)
 - Rental revenues of EUR 29.2m (+80% yoy)
 - Ground lease revenues of EUR 10.8m (+54% yoy)
- The share of recurring revenues (ground lease income, rental income and property management income) rose to 47% of group revenues (9M 2007: 20%)
- EBIT increased by 230% yoy (Q3 2008) respectively 122% yoy (9M 2008) and was influenced by the following one-off impacts:
 - Factor adjustment to 26.7x due to declining real interest rates but unchanged risk premium results in non-cash earnings of EUR 37.3m
 - Negative, non cash impact of EUR -6.5m due to the market valuation of the inflation swap (9M 2007: EUR -3.7m)
- The financial result includes a negative non cash impact due to the market valuation of the interest swap (EUR -4.8m), whereas in 9M 2007 the impact resulted to EUR +6.7m

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Sales split

Increasing proportion of recurring revenues

EUR m	Q3 07	Q3 08	yoy%
Sales to Private Investors	18.9	28.4	50%
Sales to Institutional Investors	32.5	0.1	-100%
Rental income	6.3	8.0	27%
Ground lease income	2.5	4.0	58%
Property Management	0.0	7.2	n.m.
Total	60.3	47.6	-21%

EUR m	9M 07	9M 08	yoy%
Sales to Private Investors	46.2	66.2	43%
Sales to Institutional Investors	48.4	0.9	-98%
Rental income	16.2	29.2	80%
Ground lease income	7.0	10.8	54%
Property Management	0.0	19.0	n.m.
Total	117.8	126.1	7%

- Sales growth in of the Private Investor business, which was mainly supported by the design segment (yoo Hamburg and yoo Munich) as well as revenue recognition of the office development "Rheinauhafen"
- Sales to Institutional Investors declined due to limited portfolio disposal activities resulting from current market environment impacted by the financial crisis. In 2007, an asset deal in the amount of c. EUR 30.7m was also included in the revenue figure
- Strong growth of recurring ground lease income (+54% yoy) as Vivacon continued to generate ground lease cash flows over the last year via direct ground lease acquisitions as well as portfolio trading
- Sales from property management only relate to the Curanis group which was acquired effective as of Jan 1st 2008 and is developing as planned

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Segment split

Growth in the private investors business

EUR m	Q3 07	Q3 08	yoy%
Transaction volume			
Private Investors	14.2	17.6	24%
Institutional Investors	0.0	1.5	<i>n.m.</i>
Total transaction volume	14.2	19.1	35%

Revenues			
Private Investors	19.7	30.2	53%
Institutional Investors	40.5	18.9	-53%
others	0.0	-1.5	<i>n.m.</i>
Total revenues	60.3	47.6	-21%

EUR m	9M 07	9M 08	yoy%
Transaction volume			
Private Investors	77.8	59.2	-24%
Institutional Investors	264.8	106.0	<i>n.m.</i>
Total transaction volume	342.6	165.2	-52%

Revenues			
Private Investors	2.8	3.7	32%
Institutional Investors	36.5	84.3	131%
others	-0.1	-0.9	<i>n.m.</i>
Total revenues	39.2	87.1	122%

- Group revenues increased by 34% yoy in Q3 2008 (9M 2008: -52%), which was supported by the development business
- Revenues stream of the Institutional Investor business shifted from portfolio trading activities to recurring revenues.
- In 2007, Vivacon's largest portfolio transaction (EUR 220m) was included in the transaction volume and also effected revenues

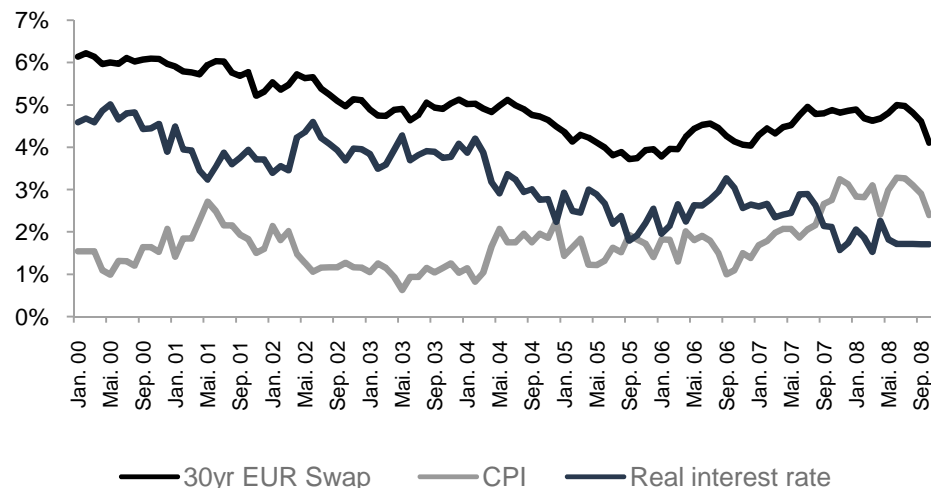
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Valuation of ground leases

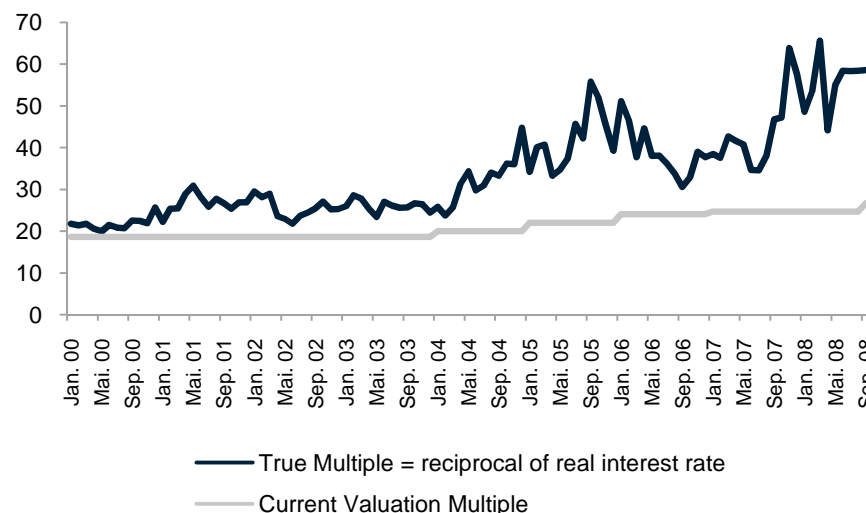
Real interest rate due to inflation component inherent in ground lease cash flows

- Ground lease acquisitions will become an important earnings driver with an amount of initial annual ground leases of EUR 19.8m (as at 30th September)
- Vivacon's strategy has been unchanged since foundation to generate secure, long-dated and 100% CPI-indexed ground lease cash flows
- Multiple adjustment due to declining real interest rate figure resulting from higher inflation expectations compared to the beginning of the year. The risk premium of 135bp has been unchanged
- Non-cash earnings from factor adjustment (EUR 37.3m) are partly compensated by non cash expenses from the market valuation of inflation and interest swaps (EUR -11.3m). These swaps are only related to securitized ground rent cash flows

Interest and CPI development (in %)



Multiple development



Source: Datastream, Federal Statistical Office, Erste Bank, Vivacon calculations

Placement of 3rd securitization beginning of November

- Beginning of November 2008 Vivacon placed a 3rd securitization of ground rent cash flows
 - Total transaction volume: EUR 90m
 - Securitized ground lease cash flow: EUR 4.29m p.a.
 - Refinancing multiple: 21.0x
 - Loan to value (according to appraisal): 58%
 - Underlying real estate: 7,953 residential and commercial units
 - Term of the securitization: 7 years
 - Rating: AAA (complete transaction)
- The total transaction volume of the three securitizations amounts to EUR 269.5m with an underlying ground lease cash flow of EUR 12.1m p.a.
- High quality of secured ground lease cash flows is underpinned by placement in current difficult capital market environment and AAA rating of the complete tranche.
- Characteristics of ground lease cash flows:
 - 100% CPI-indexed
 - generally 198 year dated
 - secured by a first ranking lien in the ground register
 - incurring of almost no operating expenses.
- Use of proceeds, which are received at closing: i) repayment of the acquisition financing, ii) repayment of short-term liabilities and iii) acquisition of further ground lease portfolios

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Investment Management

Acquisition of direct ground lease cash flows

- In Q3 2008 Vivacon acquired further ground lease cash flows of EUR 3.0m p.a., dated 198 years and 100% CPI-indexed
- Ground rent cash flows relate to 830 units of mixed usage
- Since the beginning of the year, the company has already acquired c. EUR 5.0m p.a. in direct ground leases through portfolio acquisitions
- Further direct ground lease acquisitions are currently in negotiation, but the current market environment leads to expanded negotiation processes and higher uncertainty. Therefore planned signings may be realised only in the next business year.

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Development

Further projects and co-operations

- Acquisition of the Collegium Marianum complex in Rhenish Neuss on a c. 10,000 sqm large plot of land. Some 7,000 sqm of living area will be redeveloped to approximately 70 condominiums.
- Foundation of joint venture Medicon GmbH, which signed a German-wide partnership for marketing and distribution of real estate properties with Deutsche Apotheker- und Ärztebank (apoBank). Medicon GmbH, will offer apartments as capital investments to more than 300,000 apoBank clients
- Marketing start of 2 projects in Berlin in Q3 2008:

Berlin

**yoo**

Units: 100

Sales volume: EUR 77m

Sale start: 04. Sept. 2008

Living area: 13,200 sqm

Berlin

**Luisenstadt**

Units: 310

Sales volume: EUR 95m

Sale start: 04. Sept 2008

Living area: 26,000 sqm

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Outlook

Vivacon will concentrate in 2008 on direct ground-lease acquisitions

Investment Management

- The ground lease generation model of Vivacon is further evolving from the original sale of apartments to individual investors, to larger institutional portfolio investors and to direct ground lease portfolio acquisitions
- The company is in negotiations about new direct ground lease portfolios as well as disposals of real-estate portfolios currently held for sale.
- Difficult market environment due to financial crisis. The market is currently characterized by extended negotiation processes as well as a strong decline in portfolio transactions. This leads to higher uncertainty of future contract signings

Asset Management

- High visibility due to c. EUR 19.8m ground-leases as per September 2008 and c. EUR 19m rental income (cold rent) from current portfolios
- Completion of value chain by the Curanis acquisition provides growth potential in the property management area

Development

- Order backlog of EUR 57.9m and some EUR 300m project volume at the end of Sept. 2008



Due to the current difficult market environment and the uncertainty of future contract signings, the management is not holding up its communicated full-year earnings guidance

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