



# Company presentation FY 2017 February 2018

GROWING CASHFLOWS

**TAG**  
Immobilien AG

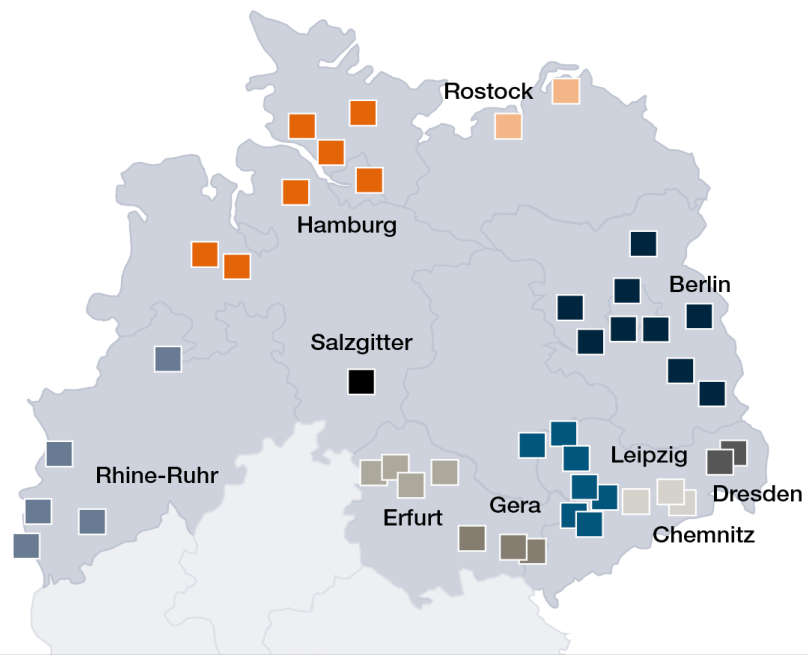
# Content

<b>I.</b>	<b>TAG overview and strategy</b>	<b>3</b>
<b>II.</b>	<b>TAG portfolio FY 2017</b>	<b>7</b>
<b>III.</b>	<b>TAG services business</b>	<b>13</b>
<b>IV.</b>	<b>TAG return on capex</b>	<b>17</b>
<b>V.</b>	<b>TAG acquisitions and disposals FY 2017</b>	<b>22</b>
<b>VI.</b>	<b>TAG financing structure</b>	<b>26</b>
<b>VII.</b>	<b>TAG guidance FY 2018</b>	<b>30</b>
<b>VIII.</b>	<b>Appendix</b>	
	<ul style="list-style-type: none"><li>▪ Portfolio details, valuation details</li><li>▪ Income statement, EBITDA, FFO and AFFO, balance sheet, EPRA NAV, EPRA earnings, LTV calculation</li><li>▪ Shareholder structure</li><li>▪ Management Board</li></ul>	

# TAG 2018

TAG overview and strategy

# TAG overview



TAG is among the leading players in the German listed residential sector and stands for affordable housing in Northern and Eastern Germany



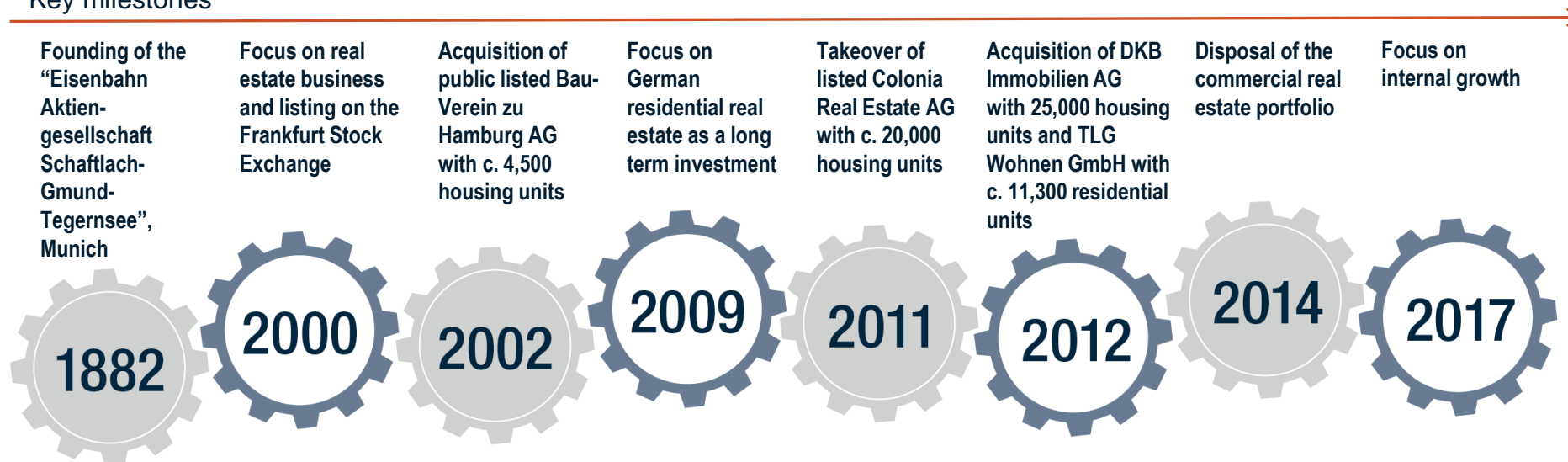
- GAV (31 Dec-2017): EUR 4.6bn
- EPRA NAV (31 Dec-2017): EUR 2.0bn
- Rental income: EUR 303m (31 Dec-2017 annualised):



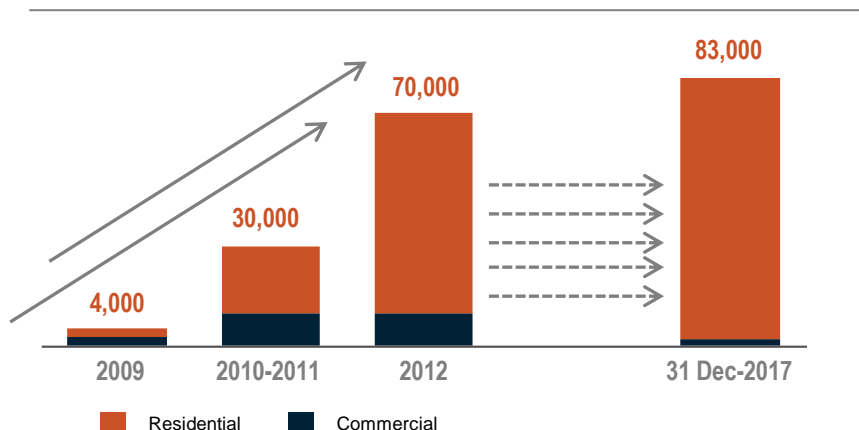
- Market cap (31 Dec-2017): EUR 2.3bn
- TOP 3 shareholders
  - VBL (Germany): 13.8%
  - MFS (USA): 11.4%
  - Capital Group (USA): 9.9%

# TAG history

## Key milestones



## Number of units



- TAG followed an accelerated growth path over the past years
- TAG was a consolidator from 2009 – 2012; attractive acquisition prices at that time
- Over the same period, TAG significantly improved its operating profitability
- As of 2012, TAG has reached its critical mass and shifted its focus away from growth

# TAG strategy: internal growth as main driver

GROW  
ING  
CASH  
FLOWS



MARKET  
LEADERSHIP  
IN NORTHERN  
AND EASTERN  
GERMANY

## Segment leadership

- TAG has been the first to implement the 'ABBA'\* approach in the listed German residential sector
- TAG is among the largest owners of residential properties in East Germany



CONSERVATIVE  
CAPITAL  
STRUCTURE AND  
DISCIPLINE

## Capital structure and acquisitions

- Stable and long-term financing structure as strategic goal
- Disciplined and conservative approach regarding new acquisitions



EFFECTIVE  
AND LEAN  
ORGANISATION

## Attractive investment profile

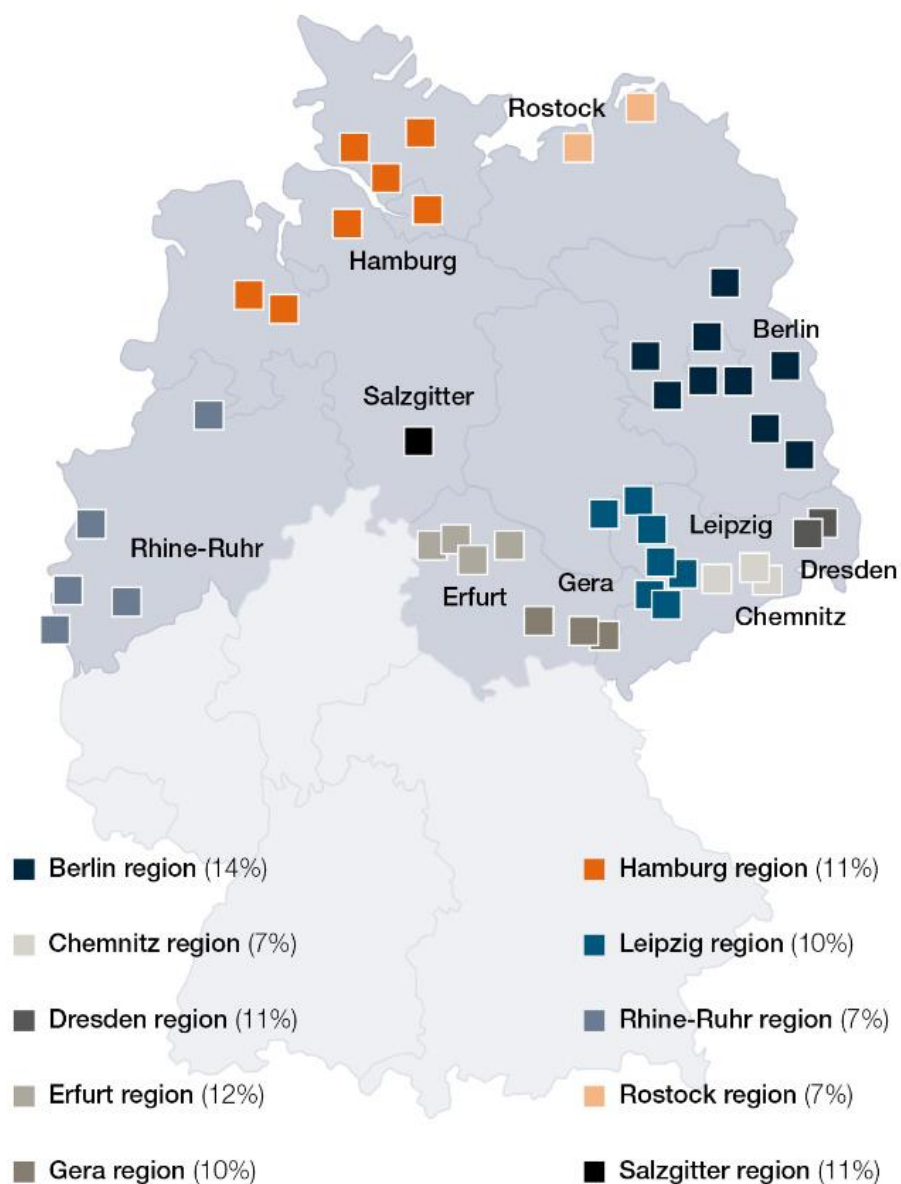
- Focus on profitable growth and not on growth in absolute terms
- Local presence is a key element of TAG's asset management approach

\* 'ABBA': investing in A locations in B cities and B locations in A cities

# TAG 2018

TAG portfolio FY 2017

# TAG portfolio in total as of 31 Dec-2017



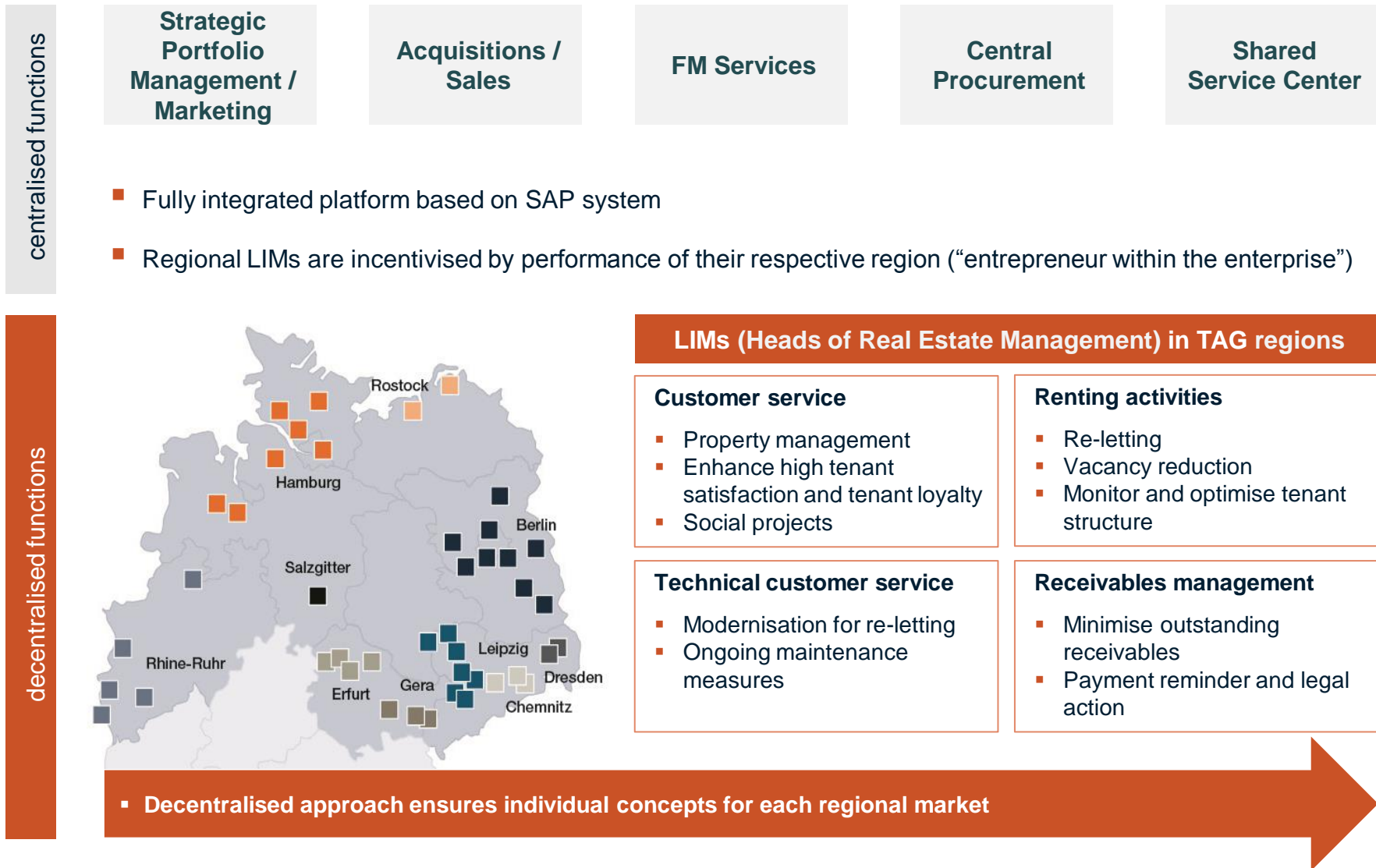
% acc.: proportional IFRS book value real estate volume

- TAG is a leader in affordable housing in Northern and Eastern Germany.
- The portfolio is structured in ten defined regions in and around large and mid-sized cities.
- The management of these regions is conducted in a decentralized fashion.
- TAG's local presence ensures high operational efficiency and strengthens local sourcing and asset management capabilities.

Portfolio as of	31 Dec-2017	31 Dec-2016
Units	83,140	79,754
Rentable area in sqm	5,054,778	4,878,022
Real estate volume in EURm	4,275.4	3,856.6
Annualised current net cold rent in EURm (total portfolio)	303.3	286.4
Current net cold rent in EUR/sqm / month (total portfolio)	5.31	5.23
Current net cold rent in EUR/sqm month (residential units)	5.20	5.11
Vacancy in % (total portfolio)	5.8	6.5
Vacancy in % (residential units)	4.8	6.1
L-f-I rental growth in % (Y-o-Y)	2.0	2.0
L-f-I rental growth in % (including vacancy reduction, Y-o-Y)	3.1	3.7



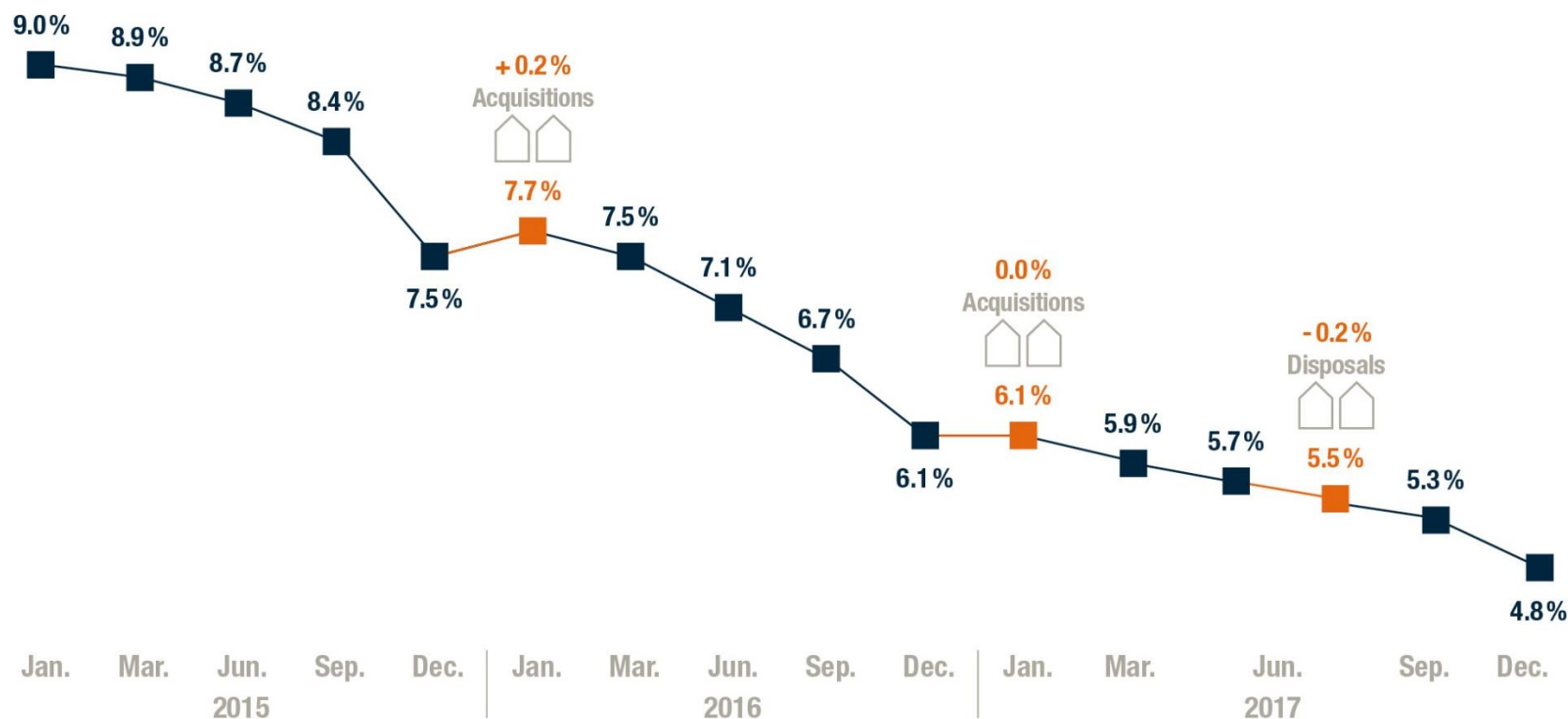
# TAG decentralised management structure



# TAG strong vacancy reduction continues

Expert in sourcing, acquiring and managing residential properties

- TAG exhibits strong local presence in its core regions which allows for excellent market knowledge and efficient operation of properties.
- Levering on its strong local network TAG explicitly aims to acquire smaller and / or geographically diversified portfolios for which competition is relatively low.
- TAG explicitly aims to acquire assets with higher vacancy rates and / or rental upside potential which is then lifted by TAG's active asset management by selective investment of capex and refurbishment measures.
- Vacancy reduction of newly acquired properties provides an additional source of rental income and value growth. This is underpinned by recent results with c. 25% (gross) revaluation result stemming from operational measures rather than from yield compression.

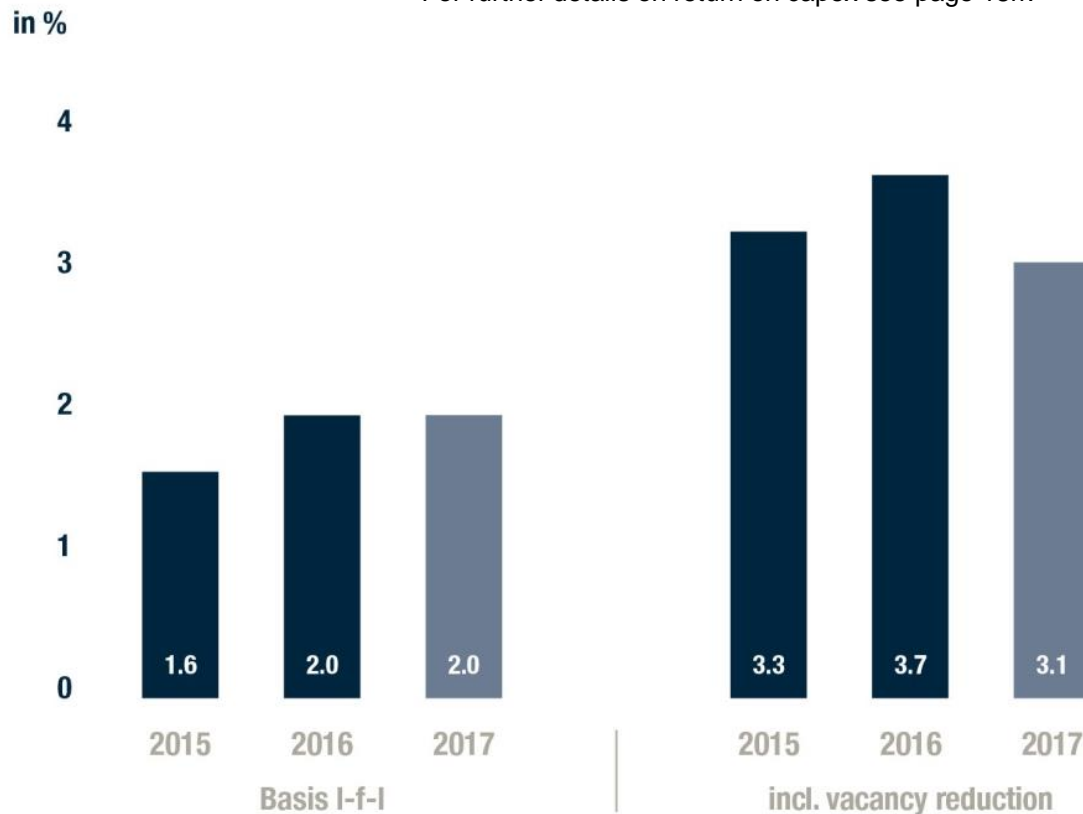


# TAG attractive and efficient rental growth

Rental growth achieved with moderate investments

- TAG creates attractive rental growth from
  - regular rent increases and tenant turnover (“basis I-f-I rental growth”) and
  - from vacancy reduction (leading to “total I-f-I rental growth”)
- Targeted and efficient capex strategy: investments in vacancy reduction result in highly attractive returns: c. 8%-13% in the property based program and c. 45%-50% in the single unit program regarding modernisation of vacant flats\*
- Basis I-f-I rental growth, achieved without large modernisation programs for existing tenants or in the re-letting process, shows sound underlying fundamentals in TAG’s markets

\*For further details on return on capex see page 18ff.



in EUR/sqm	2015 (FY)	2016 (FY)	2017 (FY)
Maintenance and capex	15.15	15.41	15.12

# TAG portfolio valuation FY 2017

- Total valuation gain of EUR 549.7m before change in treatment of transaction costs (H1 2017: EUR 296.2m / H2 2017: EUR 253.5m) leads to c. 14% annual valuation uplift and c. 80 bps gross yield reduction in 2017:
  - c. EUR 411.6m gain from yield compression (H1 2017: EUR 209.8m / H2 2017: EUR 201.8m)
  - c. EUR 138.1m gain from stronger rental growth and vacancy reduction (H1 2017: EUR 86.4m / H2 2017: EUR 51.7m)
- Net valuation gain of EUR 293.0m in 2017 (EUR -256.7m effect from change in treatment of transaction costs).
- Since 30 Jun-2017: Alignment in treatment of transaction cost with peer group due to increased uncertainty of future treatment of share deals with respect to real estate transfer tax: full deduction of potential transaction costs for the full portfolio.

## Key metrics

	Dec-2017	Jun-2017	Dec-2016 (adjusted for transaction costs)	Dec-2016 (as reported)
Book value (EUR/sqm)	c. 845	c. 800	c. 740	c. 790
Gross yield	7.1%	7.4%	7.9%	7.4%
Implied multiple	14.1x	13.5x	12.7x	13.5x

**Valuation remains at conservative levels with c. EUR 845 / sqm and 7.1% gross yield**



Gera



Stralsund



Chemnitz

# TAG 2018

TAG service business

# TAG services business

## ■ Facility management (100% owned subsidiary)

- Caretaker services, cleaning services and gardening
- In place since 2012
- Main target: improve quality in comparison to external services

	2016	2017	2018E
Revenues (EURm)	6.5	9.2	9.5
No. of employees	222	309	308
FFO impact (EURm)	0.3	0.4	0.5

**TAG** Immobilien Service GmbH

c. 46,000 units covered in 2017  
c. 60,000-65,000 units as long-term goal (c. 75% of total portfolio)



## ■ Craftsmen services (100% owned subsidiary)

- Modernisation of apartments (vacant flats and during re-letting process)
- In place since 2015
- Main target: quick availability of craftsmen in regions with frequent bottlenecks regarding external modernisation work

	2016	2017	2018E
Revenues (EURm)	1.6	2.6	4.5
No. of employees	29	56	69
FFO impact (EURm)	0.0	-0.2	0.2

**TAG** Handwerker-service GmbH

5 locations in 2017: Brandenburg an der Havel, Chemnitz, Döbeln, Dresden and Leipzig



# TAG services business

## Energy services (100% owned subsidiary)

- Heating services for tenants (TAG as owner and operator of heating facilities)
- In place since 2016
- Main target: create additional income for TAG and reduce energy costs/ service charges for tenants

### ENERGIE

Wohnen Service GmbH

in EUR/m	2016	2017	2018E
Revenues (EURm)	4.5	13.0	17.5
No. of employees	3	6	8
FFO impact (EURm)	0.7	0.9	1.0

c. 23,000 units covered in 2017  
c. 70,000-75,000 units as long-term goal (c. 90% of total portfolio)

## Multimedia services (100% owned subsidiary)

- Cable television and other multimedia services for tenants (TAG as owner of “network level 4”, long-term contracts with signal-suppliers)
- In place since 2016
- Main target: create additional income for TAG and reduce cable television costs/ service charges for tenants

### MULTIMEDIA

Immobilien GmbH

	2016	2017	2018E
Revenues (EURm)	0.1	7.4	7.8
No. of employees	1	2	2
FFO impact (EURm)	0.0	2.7	2.8

c. 50,000 units covered in 2017  
c. 70,000-75,000 units as long-term goal (c. 90% of total portfolio)



# TAG services business

## ■ Condominium management (100% owned subsidiary)

- Condominium management (“WEG-Verwaltung”) for homeowners’ associations
- Includes management for third parties as well as management of units owned by TAG
- 4 main locations (Berlin, Erfurt, Gera and Hamburg) within the TAG regions
- In place since 2001
- Main target: create additional income for TAG and ensure high quality standards regarding asset and property

**BAU-VEREIN  
ZU HAMBURG**  
Hausverwaltungsgesellschaft mbH

Ein Unternehmen der  
TAG Immobilien Gruppe



in EUR/m	2016	2017	2018E
Revenues (EURm)	1.6	1.8	1.9
No. of employees	26	29	30
FFO impact (EURm)	0.3	0.3	0.3



c. 8,000 units covered in 2017



# TAG 2018

TAG return on capex

# TAG return on capex

## Modernisation is key element of TAG's strategy

Capex measures can be broken down into

- Modernisation of vacant flats  
(longer term vacancy)
  - Modernisation during re-letting  
(tenant turnover)
  - Large modernisation measures  
(comprehensive building-related measures)
- Using modernisation as a means to upgrade the rental profile and constitution of its portfolio is a valid part of TAG's strategy
  - It is in TAG's very own interest to track the success of these measures, which TAG wants also disclose to its shareholders
  - In most cases large modernisation measures are financed via bank loans and equity, all other modernisation measures are equity-financed

## Methodology

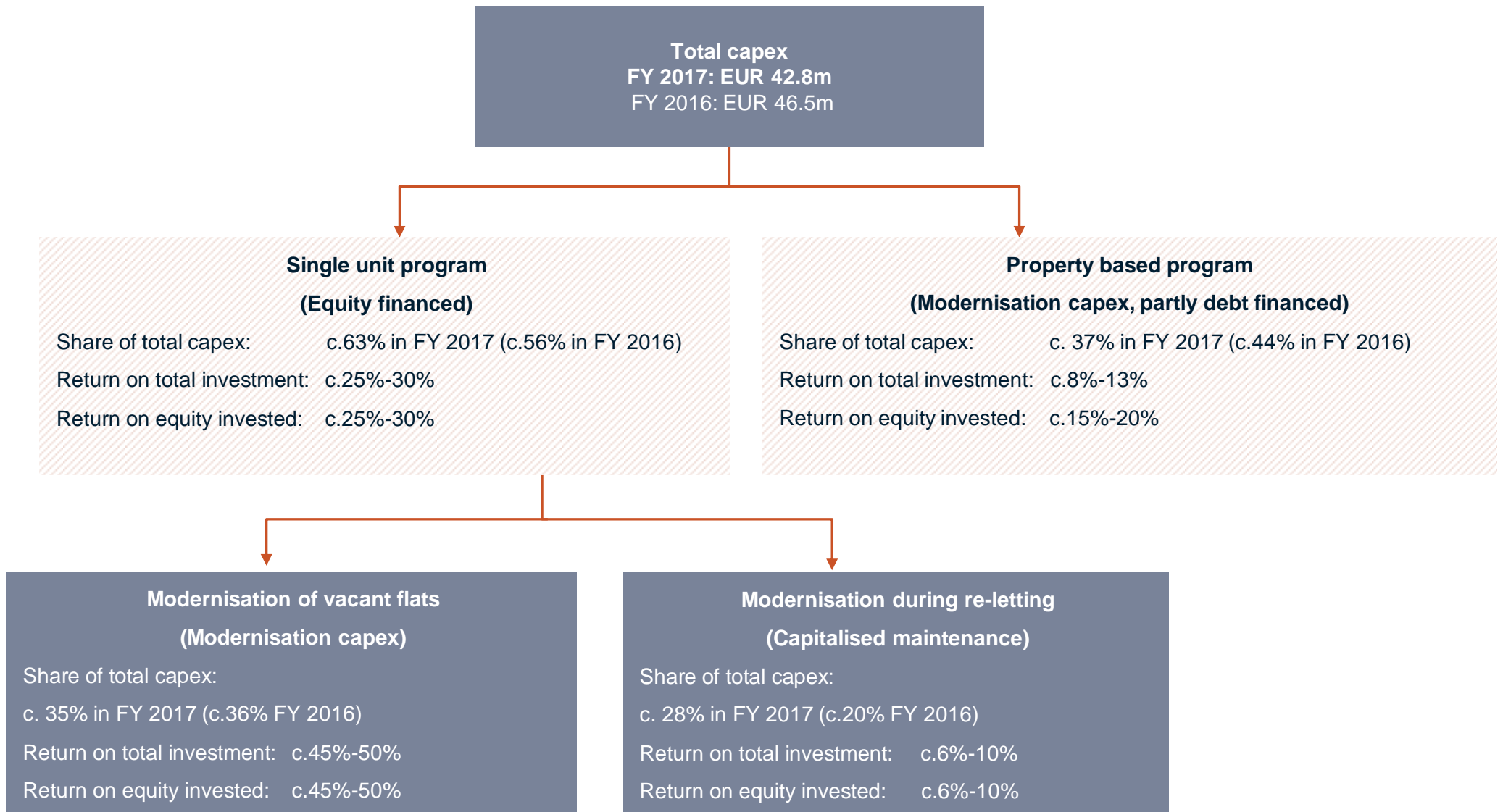
$$1 \quad \frac{\text{Incremental revenues}}{\text{Total investment}} = \text{Return on investment}$$

$$2 \quad \frac{\text{Incremental revenues} - \text{financing costs}}{\text{Equity invested}} = \text{Return on equity invested}$$

	Modernisation during re-letting	Modernisation of vacant flats	Large modernisation measures
Incremental revenues from modernisation surcharge	(✓)*	✗	(✓)*
+ Incremental revenues from new lettings	✓	✓	✓
+ Saved maintenance costs	✗	✗	(✓)*
+ Saved ancillary costs from vacancy reduction	✗	✓	(✓)*
= Incremental revenues			

\* Subject to scope of measures

# TAG return on capex



# TAG 2018

TAG acquisitions and disposals FY 2017

# TAG acquisition principles

## ACCRETION

- NAV/s & FFO/s accretive purchases only
  - Rigorous pricing discipline
  - Purchase multiples should not be significantly below average portfolio gross yield (currently at 7.4%)

## GEOGRAPHIES

- Focus on portfolios in existing TAG locations/ regions
  - Low marginal costs for asset and property management
  - Detailed market knowledge

## TYPICAL DEAL SIZE AND CHARACTERISTICS

- < EUR 20m – too big for retail investors, too small for family offices, below the radar of our peer group
- < EUR 50m portfolio split in different regions, the deal matches if the portfolio is located at existing TAG locations, hence asset and property management at lowest marginal costs
- pure residential
- no development projects



# TAG acquisitions FY 2017

Signing	Brandenburg	Saxony-Anhalt	Saxony-Anhalt, Lower Saxony, Thuringia	Saxony	Thuringia	Total
	Feb-2017	Mar-2017	Jun-2017	Oct-2017	Nov-2017	2017
<b>Units</b>	1,441	1,252	1,445	328	480	<b>4,946</b>
<b>Current net cold rent</b> EUR/sqm/month	4.77	4.82	4.78	4.91	4.32	<b>4.78</b>
<b>Vacancy</b>	19.3%	7.2%	6.3%	31.4%	22.7%	<b>13.8%</b>
<b>Purchase price</b> in EURm	41.9	42.9	63.0	11.2	12.5	<b>171.5</b>
<b>Current net cold rent</b> in EURm p.a.	3.42	3.47	5.34	0.77	1.07	<b>14.07</b>
<b>Location</b>	Brandenburg an der Havel	Halle an der Saale	Various (e.g. Halle an der Saale, Goslar, Meiningen)	Chemnitz	Gotha	---
<b>Closing</b>	Jun-2017	Jun-2017	Jun-2017 (mainly)	Dec-2017	Dec-2017	---
<b>Multiples</b>	12.3x	12.4x	11.8x	14.6x	11.7x	<b>12.2x</b>



Brandenburg



Halle an der Saale



Chemnitz

c. 5,000 units acquired in FY 2017 at an average acquisition multiple of 12.2x (8.2% gross yield)

# TAG disposals FY 2017

Signing	Brandenburg Feb-2017	Freiburg Jun-2017	Berlin Oct-2017	Halle an der Saale Nov-2017	Ongoing disposals 2017	Total 2017
<b>Units</b>	535	457	267	265	427	<b>1,951</b>
<b>Current net cold rent</b> EUR/sqm/month	3.61	6.21	6.65	3.48	---	---
<b>Vacancy</b>	33.4%	0.0%	3.5%	23.9%	---	---
<b>Selling price</b> in EURm	5.5	59.0	36.1	6.6	22.5	<b>129.7</b>
<b>Current net cold rent</b> in EURm p.a.	0.96	2.67	1.16	0.53	1.62	<b>6.94</b>
<b>Net cash proceeds EURm</b>	0.0	41.2	c. 30.3	6.6	20.5	<b>c. 98.5</b>
<b>Book profit</b> in EURm	0.1	13.5 (before revaluation to selling price at 30 Jun-2017)	1.8 (before revaluation to selling price at 31 Dec-2017)	0.8 (before revaluation to selling price at 31 Dec-2017)	1.7	<b>17.9</b>
<b>Location</b>	Brandenburg an der Havel	Freiburg	Berlin	Halle an der Saale	Various (e.g. Berlin, Hamburg, Gera)	---
<b>Closing</b>	Jun-2017	Nov-2017	Mar-2018 (expected)	Jan-2018	2017/2018	---
<b>Multiples</b>	5.7x	22.1x	31.1x	12.4x	13.9x	<b>18.7x</b>
<b>Comments</b>	Disposal of assets with lower quality	Disposal in high- priced and non- strategic market	Disposal in high-priced market	Disposal of assets with lower quality	Also includes sales of non- core assets	---



Brandenburg



Freiburg



Berlin

c. 2,000 units sold in FY 2017 at an average multiple of 18.7x (5.3% gross yield)

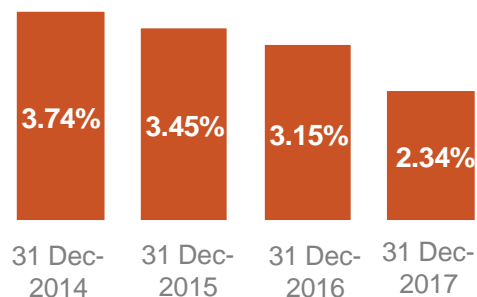
# TAG 2018

## TAG financing structure



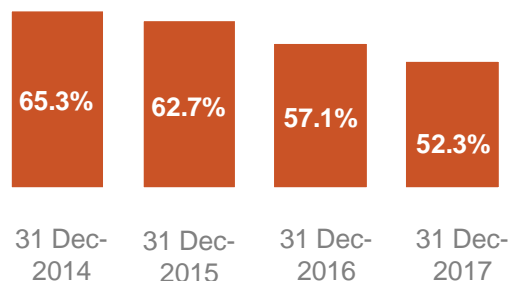
# TAG cost of debt and LTV

## Cost of debt Ø



- Continuous reduction of average cost of debt from FY 2015 onwards.
- Average cost of debt as of 31 Dec-2017 excluding already refinanced corporate bond due Aug-2018 (effective coupon 4.83%) on a pro-forma basis down to 2.14%.

## LTV\*



- New and reduced LTV target of c. 50% (formerly c. 55%) as a consequence of strong portfolio valuation development to be reached by YE 2018.
- Current LTV ensures efficient use of capital as well as stable and conservative financing structure given TAG's moderate portfolio valuation level (fair value per sqm of c. EUR 845 and current LTV of 52.3% leads to average financial debt per sqm of only c. EUR 440).

\*For further details on LTV calculation see Appendix page 41



Chemnitz



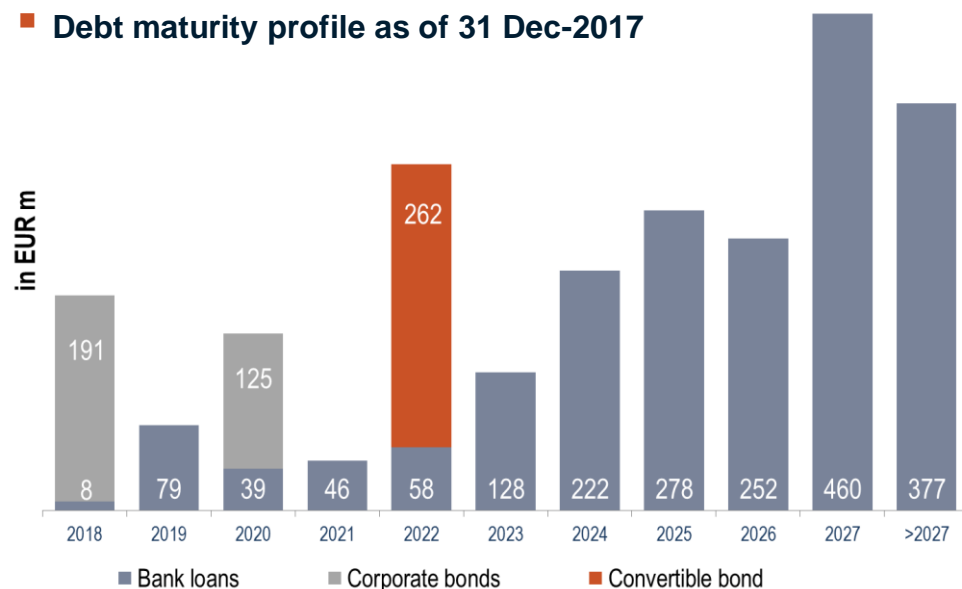
Riesa



Görlitz

# TAG debt financing structure

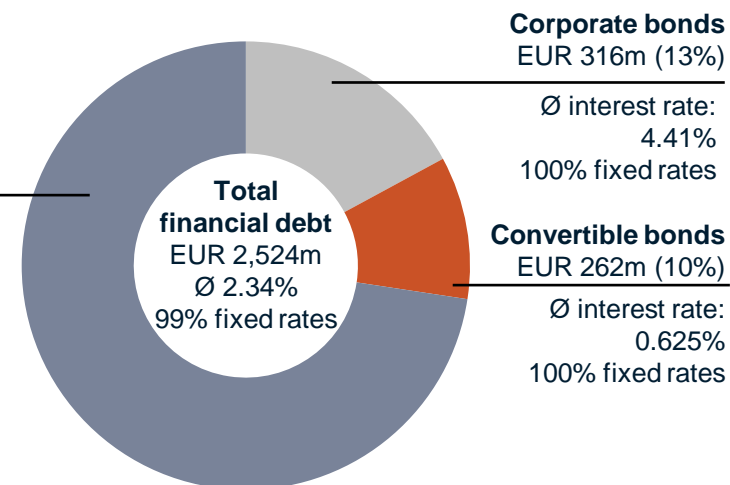
## Debt maturity profile as of 31 Dec-2017



## Interest rates

**Bank loans**  
EUR 1,946m (77%)

Ø interest rate:  
2.24%  
98% fixed rates



## Investment Grade rating

- Moody's: Baa3 (outlook stable)

## Average maturities as of 31 Dec-2017

- Bank loans: 10.3 years (31 Dec-2016: 9.7 years)
- Total financial debt: 8.6 years (31 Dec-2016: 8.3 years)

## Overview refinancing activities in 2017

- EUR 634.4m of bank loans refinanced in FY 2017. Ongoing refinancing of smaller bank loans maturing or with interest terms ending in 2018-2020 (c. EUR 80m-130m p.a., average coupons of c. 2.9%-3.6% p.a.) likely to lead to further interest cost savings.
- Issuance of new convertible bond 2017/2022 of EUR 262.0m in Aug-2017 (coupon 0.625% p.a., c.50% effective conversion premium). Repurchase of EUR 119.0m of corporate bonds 2013/2018 in Sep-/Dec-2017 (effective coupon 4.83% p.a., remaining EUR 191.0m to be repaid in Aug-2018)

(in EUR millions)	FY 2017	FY 2016	Q4 2017
+ Interest income	3.0	2.8	1.4
- Interest expenses	-88.0	-92.6	-18.7
+ Net profit from investments	2.6	0.3	2.7
<b>= Net financial result</b>	<b>-82.4</b>	<b>-89.5</b>	<b>-14.6</b>
thereof non-cash financial result from convertible/corporate bonds	1.1	1.2	0.5
thereof breakage fees bank loans and early repayment of bonds	14.4	10.5	0.9
thereof other non-cash financial result (e.g. from derivatives)	-0.1	2.0	-2.3
<b>= Net financial result (cash, after one-offs)</b>	<b>-67.0</b>	<b>-75.8</b>	<b>-15.5</b>
ICR (EBITDA adjusted/net financial result cash, after one-offs)	3.0x	2.3x	3.2x
Net financial debt/EBITDA adjusted	11.3x	12.5x	11.2x

# TAG capital market financing

## Rationale for the transactions in August 2017

- Use market window to secure attractive financing conditions early on
- Structure of convertible bond minimizes dilution, gives TAG maximum flexibility with respect to repayment and impacts positively on FFO I
- Address refinancing of EUR 310m corporate bond well ahead of maturity

## Newly issued EUR 262m convertible bond

- Volume: EUR 262m
- Maturity: 5 years until 1 Sep-2022
- Coupon: 0.625% p.a.
- Initial conversion price: EUR 17.93 (c.50% effective conversion premium including dividend protection)

- Settlement as of 1 Sept-2017
- Use of proceeds: Refinancing and general corporate purposes

## Outstanding EUR 191m corporate bond

- Outstanding Volume: EUR 191m
- Original Volume: EUR 310m
- Issue date: Aug-2013/ Feb-2014
- Maturity: 5 years until 7 Aug-2018
- Coupon (effective): 5.125% p.a. (EUR 200m tranche)  
4.300% p.a. (EUR 110m tranche)
- Issue price: 100% (EUR 200m tranche as of Aug-2013)  
103% (EUR 110m tranche as of Feb-2014)

- Invitation to bond holders to offer for purchase in Aug-2017
- Acceptance rate of the bond creditors to sell the bonds back in Sep-2017: 37.5%
- Principal amount accepted of EUR 116m
- Outstanding amount of EUR 194m

## Outstanding EUR 125m corporate bond

- Volume: EUR 125m
- Issue date: Jun-2014
- Maturity: 6 years until 25 Jun-2020
- Coupon: 3.750% p.a.



Erfurt



Freiberg



Dessau

# TAG 2018

TAG guidance FY 2018

# TAG guidance FY 2018

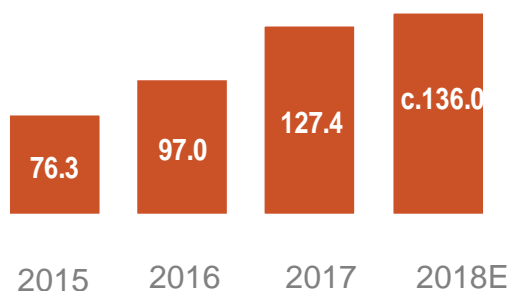
## Results FY 2017

- **FFO** **EUR 127.4m** (guidance 2017: EUR 119m-121m , FY 2016: EUR 97.0, **31% increase Y-o-Y**); difference to guidance from Aug-2017 mainly driven by c. EUR 3.2m lower maintenance costs and c. EUR 1.9m lower financing costs).
- **FFO/s** **EUR 0.87** (guidance 2017: EUR 0.82, FY 2016: EUR 0.72, **21% increase Y-o-Y**)
- **Dividend/s** **EUR 0.65** (guidance 2017: EUR 0.62, FY 2016: EUR 0.57, **14% increase Y-o-Y**)

## Guidance FY 2018 (unchanged, to be reviewed in Q1/Q2 2018)

- **FFO** **EUR 135m-137m** (7% increase Y-o-Y)
- **FFO/s** **EUR 0.93** (7% increase Y-o-Y, based on 146.4m outstanding shares)
- **Dividend/s** **EUR 0.70** (8% increase Y-o-Y, equals 75% of FFO)

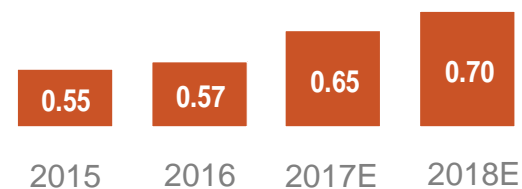
FFO in EURm



FFO per share in EUR



Dividend per share in EUR



# TAG 2018

APPENDIX

# TAG portfolio details by region

Region	Units #	Rentable area sqm	IFRS BV EURm	In-place yield	Vacancy Dec-2017	Vacancy Dec-2016	Current net cold rent EUR/sqm	Re-letting rent EUR/sqm	L-f-I rental growth Y-o-Y	L-f-I rental growth Y-o-Y incl. vacancy reduction	Maintenance EUR/sqm	Capex EUR/sqm
Berlin	9,243	532,461	566.2	5.9%	4.9%	6.8%	5.52	6.11	3.8%	4.0%	5.37	6.42
Chemnitz	7,334	423,646	278.4	7.9%	9.7%	13.1%	4.81	4.84	0.8%	3.3%	7.38	22.08
Dresden	6,191	402,194	431.0	6.0%	3.1%	3.8%	5.54	5.72	2.5%	3.3%	3.34	5.53
Erfurt	9,357	527,535	498.1	6.4%	1.7%	2.6%	5.10	5.59	1.7%	2.7%	4.66	5.70
Gera	9,664	562,343	390.0	7.7%	8.6%	9.7%	4.87	5.20	1.9%	3.0%	5.23	10.15
Hamburg	7,099	434,834	421.1	6.5%	4.0%	4.3%	5.44	5.72	2.2%	2.2%	8.22	4.32
Leipzig	8,849	524,187	409.5	7.5%	3.6%	4.5%	5.08	5.35	1.1%	2.0%	5.22	5.18
Rhine-Ruhr	4,429	283,262	271.5	6.4%	2.9%	3.5%	5.27	5.48	1.5%	1.8%	11.16	6.39
Rostock	5,468	325,028	283.7	7.1%	3.2%	4.4%	5.35	5.53	1.5%	2.6%	6.27	8.00
Salzgitter	9,177	563,077	449.2	7.3%	5.2%	7.5%	5.15	5.32	2.7%	5.4%	7.71	14.11
<b>Total residential units</b>	<b>76,811</b>	<b>4,578,567</b>	<b>3,998.8</b>	<b>6.8%</b>	<b>4.8%</b>	<b>6.1%</b>	<b>5.20</b>	<b>5.47</b>	<b>2.0%</b>	<b>3.1%</b>	<b>6.24</b>	<b>8.88</b>
Acquisitions*	4,915	282,263	182.0	7.9%	14.4%	---	4.98	---	---	---	1.06	2.72
Commercial units within resi. portfolio	1,221	154,760	---	---	17.6%	17.5%	7.53	---	---	---	--	--
<b>Total residential portfolio</b>	<b>82,947</b>	<b>5,015,590</b>	<b>4,180.8</b>	<b>7.1%</b>	<b>5.7%</b>	<b>6.5%</b>	<b>5.25</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>5.76</b>	<b>8.26</b>
Other	193	39,188	94.7	5.7%	9.9%	11.6%	12.77	---	---	---	6.68	35.21**
<b>Grand total</b>	<b>83,140</b>	<b>5,054,778</b>	<b>4,275.4</b>	<b>7.1%</b>	<b>5.8%</b>	<b>6.5%</b>	<b>5.31</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>5.76</b>	<b>8.47</b>

\* no full year contribution to TAG portfolio

\*\* including development project in Munich (EUR 1.3m capex)

# TAG vacancy reduction and rental growth

## Vacancy development per region

2017

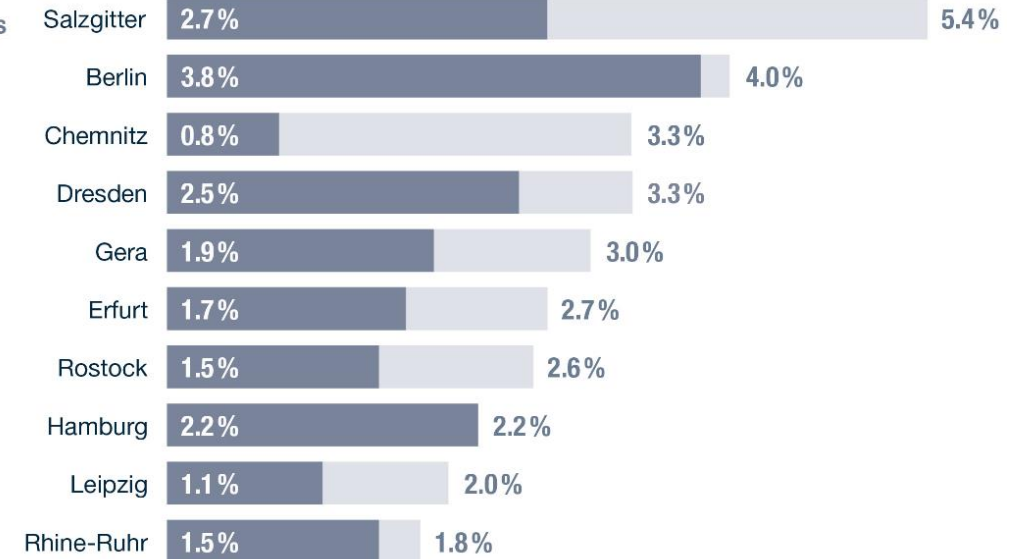


2016

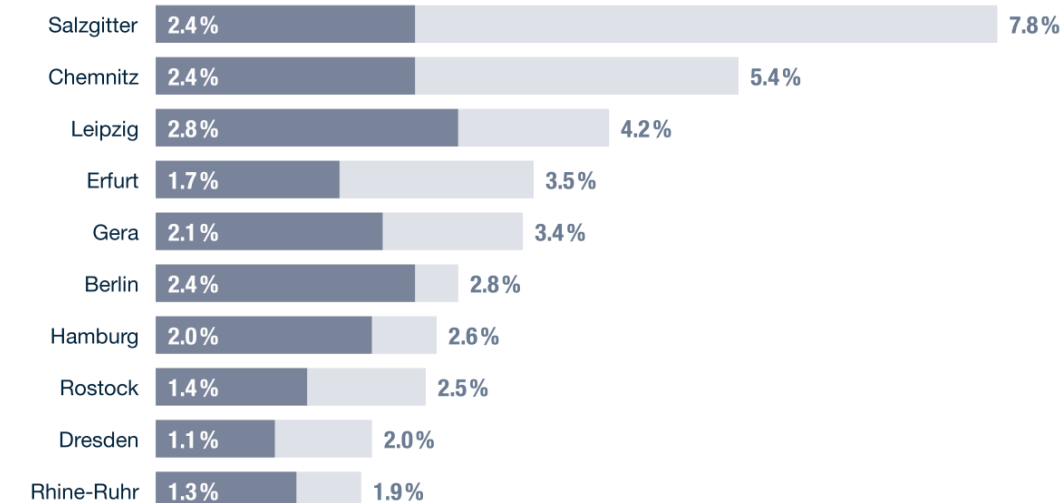


## L-f-I rental growth per region (Y-o-Y)

2017



2016



APPENDIX



# TAG portfolio valuation details

Region (in EUR millions)	Dec-2017 Fair value (IFRS)	Dec-2017 Fair value (EUR/sqm)	Dec-2017 Implied multiple	FY 2017 Revaluation gain / loss	Share of yield compression	Share of operational performance/ other market developments	Change in treatment of transaction costs	FY 2017 Net revaluation gain/loss	Dec-2016 Fair value (IFRS)	Dec-2016 Fair value (EUR/sqm)	Dec-2016 Implied multiple
Berlin	566.2	1,002.4	15.8x	98.2	78.8	19.4	-42.1	56.2	522.0	864.5	14.6x
Chemnitz	278.4	606.7	11.9x	20.0	13.5	6.5	-17.5	2.5	226.5	585.6	12.0x
Dresden	431.0	1,038.3	16.1x	80.5	65.8	14.7	-26.5	54.0	374.8	902.9	14.4x
Erfurt	498.1	862.6	14.1x	83.9	66.1	17.8	-41.5	42.4	407.7	830.4	13.8x
Gera	390.0	660.7	12.5x	36.5	21.6	15.0	-36.0	0.6	382.8	651.5	12.7x
Hamburg	421.1	950.0	14.9x	44.6	37.4	7.2	-7.7	36.9	387.5	860.4	13.8x
Leipzig	409.5	763.1	12.8x	51.8	36.9	14.9	-28.1	23.7	372.9	725.0	12.4x
Rhine-Ruhr	271.5	917.3	14.5x	42.2	32.1	10.1	-2.7	39.6	288.0	860.6	13.7x
Rostock	283.7	860.9	13.8x	25.3	20.2	5.2	-21.7	3.7	272.8	827.4	13.6x
Salzgitter	449.2	795.6	13.4x	65.5	39.3	26.2	-31.7	33.7	407.6	722.0	12.7x
<b>Total residential units</b>	<b>3,998.8</b>	<b>837.2</b>	<b>14.0x</b>	<b>548.6</b>	<b>411.6</b>	<b>137.0</b>	<b>-255.5</b>	<b>293.1</b>	<b>3,642.6</b>	<b>778.7</b>	<b>13.4x</b>
Acquisitions 2017 (2016)	182.0	761.4	15.0x	0.4	0.0	0.4	0.0	0.4	111.8	722.4	13.0x
<b>Total residential portfolio</b>	<b>4,180.8</b>	<b>833.6</b>	<b>14.0x</b>	<b>549.0</b>	<b>411.6</b>	<b>137.3</b>	<b>-255.5</b>	<b>293.5</b>	<b>3,754.4</b>	<b>776.9</b>	<b>13.4x</b>
Other	94.7	2,415.6	17.5x	0.7	0.0	0.7	-1.2	-0.4	102.2	2,251.9	17.3x
<b>Grand total*</b>	<b>4,275.4</b>	<b>845.8</b>	<b>14.1x</b>	<b>549.7</b>	<b>411.6</b>	<b>138.1</b>	<b>-256.7</b>	<b>293.0</b>	<b>3,856.6</b>	<b>790.6</b>	<b>13.5x</b>

\* Real estate inventory (IAS 2) and real estate within property, plant and equipment (IAS 16) valued at historical/amortized cost under IFRS.

# TAG income statement (IFRS)

(in EUR millions)		FY 2017	FY 2016 (adjusted)*	Q4 2017	Q3 2017 (adjusted)*
<b>Rental income</b>	<b>1</b>	<b>293.0</b>	<b>275.2</b>	<b>75.0</b>	<b>74.7</b>
Expenses from property management		-57.1	-55.8	-15.9	-15.8
<b>Net rental income</b>	<b>2</b>	<b>235.9</b>	<b>219.4</b>	<b>59.1</b>	<b>58.9</b>
Net revenue from services	<b>3</b>	15.3	7.6	5.1	5.9
Net revenue from sales		0.0	1.8	-0.9	0.3
Other operating income		5.7	4.1	1.3	1.3
Valuation result	<b>4</b>	293.0	163.1	253.7	-0.2
Personnel expenses		-41.4	-38.1	-10.8	-10.5
Depreciation		-3.9	-3.0	-1.1	-0.9
Other operating expenses	<b>5</b>	-25.8	-18.7	-13.1	-4.4
<b>EBIT</b>		<b>478.9</b>	<b>336.2</b>	<b>293.3</b>	<b>50.5</b>
Net financial result	<b>6</b>	-82.4	-89.5	-14.6	-26.4
<b>EBT</b>		<b>396.5</b>	<b>246.7</b>	<b>278.7</b>	<b>24.2</b>
Income tax	<b>7</b>	-82.8	-46.0	-58.7	-4.5
<b>Net income</b>		<b>313.7</b>	<b>200.7</b>	<b>220.0</b>	<b>19.6</b>

\*Prior year periods adjusted for separate presentation of net revenues from services

**1** Strong increase in rental income of EUR 17.8m Y-o-Y driven by new acquisitions (c. 5,000 units in FY 2017) and total I-f-I rental growth of 3.1%.

**2** Net rental income improved by EUR 16.5m Y-o-Y mainly as a result of increased rents (EUR 17.8m); higher maintenance expenses of EUR 4.1m (+16%) to a large part compensated by lower service charge leakage and other cost savings.

**3** Net revenue from services nearly doubled, (+EUR 7.7m) in 2017, in line with extended services business.

**4** Net valuation gain of EUR 293.0m (after change in treatment of transaction costs) and gross valuation gain of EUR 549.7m; total valuation uplift of c.14% in 2017.

**5** Increased other operating expenses due to EUR 8.5m provision for real estate transfer tax risks from prior years.

**6** Net financial result contains EUR 14.4m breakage fees and expenses for early repayments of bank loans and bonds (2016: EUR 10.5m); net financial result (cash, after one-offs) improved by EUR 8.8m Y-o-Y.

**7** Income tax mainly contains deferred taxes; cash tax expenses in 2017 at EUR 3.1m (2016: EUR 1.7m).

# TAG EBITDA, FFO and AFFO calculation

(in EUR millions)	FY 2017	FY 2016	Q4 2017	Q3 2017
<b>Net income</b>	<b>313.7</b>	<b>200.7</b>	<b>220.0</b>	<b>19.6</b>
+ Income tax	82.8	46.0	58.7	4.5
+ Net financial result	82.4	89.5	14.6	26.4
<b>EBIT</b>	<b>478.9</b>	<b>336.2</b>	<b>293.3</b>	<b>50.5</b>
+ Adjustments				
Net revenue from sales	0.0	-1.8	0.9	-0.3
Valuation result	-293.0	-163.1	-253.7	0.2
Depreciation	3.9	3.0	1.1	0.9
One-offs (2017: provision for real estate transfer tax risks; 2016: project and personnel costs)	8.5	0.9	8.5	0.0
<b>EBITDA (adjusted)</b>	<b>198.3</b>	<b>175.2</b>	<b>50.1</b>	<b>51.3</b>
<i>EBITDA (adjusted) margin</i>	67.7%	63.7%	66.8%	68.7%
- Net financial result (cash, after one-offs)	-67.0	-75.8	-15.5	-16.5
- Cash taxes	-3.1	-1.7	-0.3	-0.7
- Cash dividend payments to minorities	-0.8	-0.7	-0.2	-0.2
<b>FFO I</b>	<b>127.4</b>	<b>97.0</b>	<b>34.1</b>	<b>33.9</b>
- Capitalised maintenance	-12.0	-9.2	-2.8	-5.6
<b>AFFO before modernisation capex</b>	<b>115.4</b>	<b>87.8</b>	<b>31.3</b>	<b>28.3</b>
- Modernisation capex	-30.8	-37.3	-10.4	-6.2
<b>AFFO</b>	<b>84.6</b>	<b>50.5</b>	<b>20.9</b>	<b>22.1</b>
Net revenue from sales	0.0	1.8	-0.9	0.3
<b>FFO II</b>	<b>127.4</b>	<b>98.8</b>	<b>33.2</b>	<b>34.2</b>
(FFO I + net revenue from sales)				
<i>Weighted average number of shares outstanding (in '000)</i>	145,709*	135,666	146,439*	146,439
<b>FFO I per share (EUR)</b>	<b>0.87</b>	<b>0.72</b>	<b>0.23</b>	<b>0.23</b>
<b>AFFO per share (EUR)</b>	<b>0.58</b>	<b>0.37</b>	<b>0.14</b>	<b>0.15</b>

**1** Improved EBITDA of EUR 23.1m Y-o-Y mainly result of higher net rental income (+EUR 16.5m), higher net revenue from services (+EUR 7.7m) and, as an opposing effect, higher personnel expenses (- EUR 3.3m).

EBITDA margin in 2017 improved by 400bps in comparison to 2016.

**2** In addition to improved EBITDA of EUR 23.1m, FFO I (+EUR 30.4m) also benefited from reduced net financial result (cash, after one-offs) of EUR 8.8m; higher cash taxes of EUR 1.4m.

FFO I margin in 2017 improved to 43.5% (35.2%, 2016).

**3** AFFO increased by EUR 34.1m due to increase in FFO I of EUR 30.4m and lower capex of EUR 3.7m Y-o-Y.

**4** FFO II does not take into account (by definition) book profits before revaluation to selling price of disposals of EUR 16.1m in 2017 (see details on book profits on disposals on page 25).

\*Excluding potential shares from convertible bond 2017/2022 (trades out of the money)

# TAG balance sheet (IFRS)

(in EUR millions)	31 Dec-2017	30 Sep-2017	31 Dec-2016
<b>Non-current assets</b>	<b>4,243.8</b>	<b>3,993.8</b>	<b>3,843.6</b>
Investment property	1 4,166.0	3,925.6	3,777.8
Deferred tax assets	45.4	36.4	38.8
Other non-current assets	32.4	31.8	27.0
<b>Current assets</b>	<b>339.2</b>	<b>272.5</b>	<b>156.2</b>
Real estate inventory	48.1	47.7	51.7
Cash and cash equivalents	2 263.7	194.3	74.5
Other current assets	27.4	30.5	30.0
<b>Non-current assets held-for-sale</b>	<b>51.5</b>	<b>61.9</b>	<b>17.0</b>
<b>TOTAL ASSETS</b>	<b>4,634.5</b>	<b>4,328.2</b>	<b>4,016.8</b>
<b>Equity</b>	<b>1,646.6</b>	<b>1,426.7</b>	<b>1,365.6</b>
Equity (without minorities)	1,625.9	1,409.9	1,350.9
Minority interest	20.7	16.8	14.7
<b>Non-current liabilities</b>	<b>2,618.1</b>	<b>2,719.7</b>	<b>2,399.6</b>
Financial debt	2,238.6	2,407.5	2,110.8
Deferred tax liabilities	358.9	291.5	272.3
Other non-current liabilities	20.6	20.7	16.5
<b>Current liabilities</b>	<b>369.8</b>	<b>181.7</b>	<b>251.6</b>
Financial debt	275.2	97.1	159.4
Other current liabilities	94.6	84.6	92.2
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,634.5</b>	<b>4,328.2</b>	<b>4,016.8</b>
<b>LTV*</b>	<b>3 52.3%</b>	<b>57.0%</b>	<b>57.1%</b>

\*For further details on LTV calculation see Appendix page 41

1 Book value of investment properties increased by EUR 388.2m in 2017 mainly due to portfolio valuation (+EUR 293.0m) and new acquisitions (+EUR 171.5m) less disposals (-EUR 127.9m).

2 Increased cash position after issuance of convertible bond of EUR 262.0m and partial repurchase of corporate bond of EUR 119.0m. Net cash proceeds in Q4 2017 from disposals of EUR 41.2m. EUR 62.3m of short term bank loans repayed ahead of maturity in Q4 2017.

Expected net cash proceeds in Q1 2018 from disposals of c. EUR 36.9m. Large part of acquisitions from 2017 not yet refinanced, offering further liquidity.

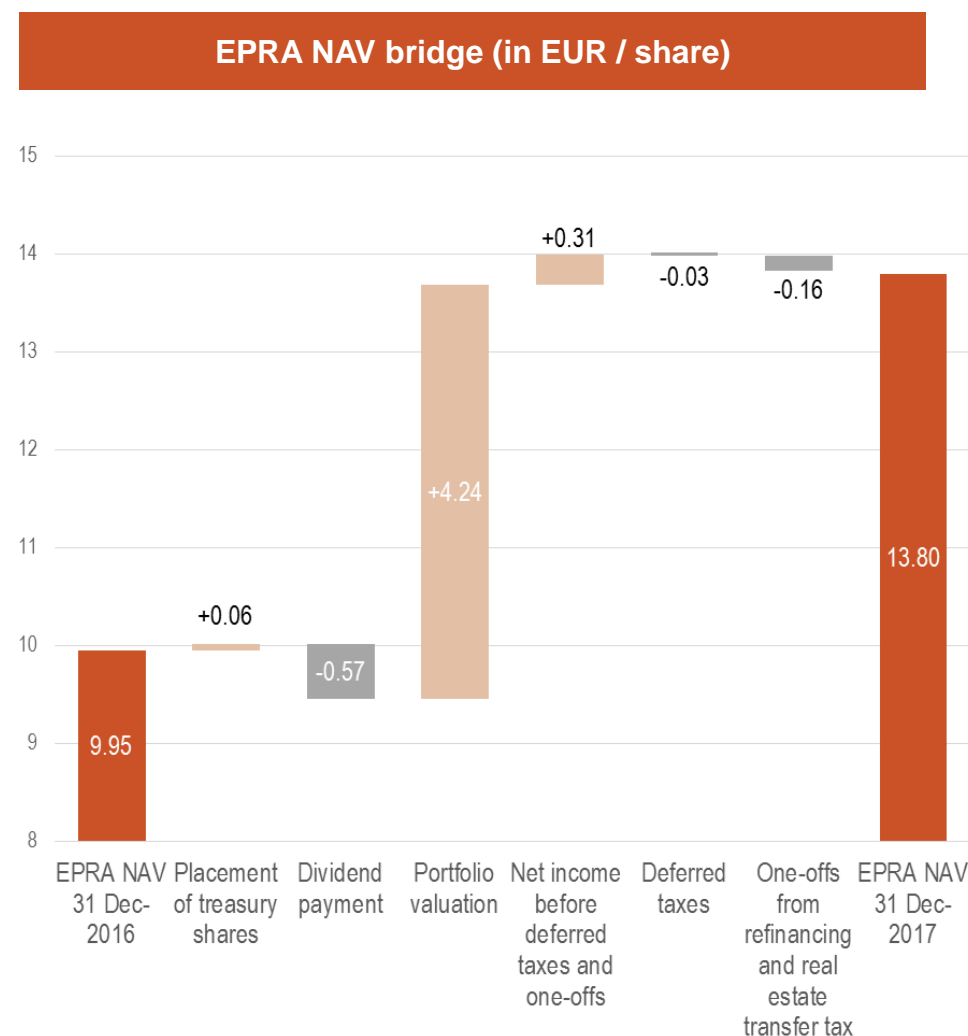
3 Change in LTV (-480 bps) mainly driven by:

- placement of 4.1m treasury shares in Mar-2017: c. -120 bps
- dividend payment in May-2017: c. +210 bps
- portfolio valuation in Jun-2017: c. -440 bps
- other changes (mainly disposals and ongoing results/amortisation bank loans): c. -130 bps

# TAG EPRA NAV calculation

(in EUR millions)	31 Dec-2017	30 Sep-2017	31 Dec-2016
<b>Equity (without minorities)</b>	<b>1,625.9</b>	<b>1,409.9</b>	<b>1,350.9</b>
+ Deferred taxes on investment properties and financial derivatives	362.3	305.9	287.1
+ Fair value of financial derivatives	8.4	7.5	4.0
+ Difference between fair value and book value for properties valued at cost	24.8	12.0	0.0
<b>= EPRA NAV</b>	<b>2,021.4</b>	<b>1,735.3</b>	<b>1,642.0</b>
- Standardized transaction costs	0.0	0.0	-225.4
<b>= EPRA NAV (incl. standardized transaction costs)</b>	<b>2,021.4</b>	<b>1,753.3</b>	<b>1,416.6</b>
<i>Number of shares outstanding (in '000)</i>	<i>146,439*</i>	<i>146,439*</i>	<i>142,344</i>
<b>EPRA NAV per share (EUR)</b>	<b>13.80</b>	<b>11.85</b>	<b>11.53</b>
<b>EPRA NAV per share (EUR) (incl. standardized transaction costs)</b>	<b>13.80</b>	<b>11.85</b>	<b>9.95</b>

\*Excluding potential shares from convertible bond 2017/2022 (trades out of the money)



APPENDIX

# TAG EPRA Earnings

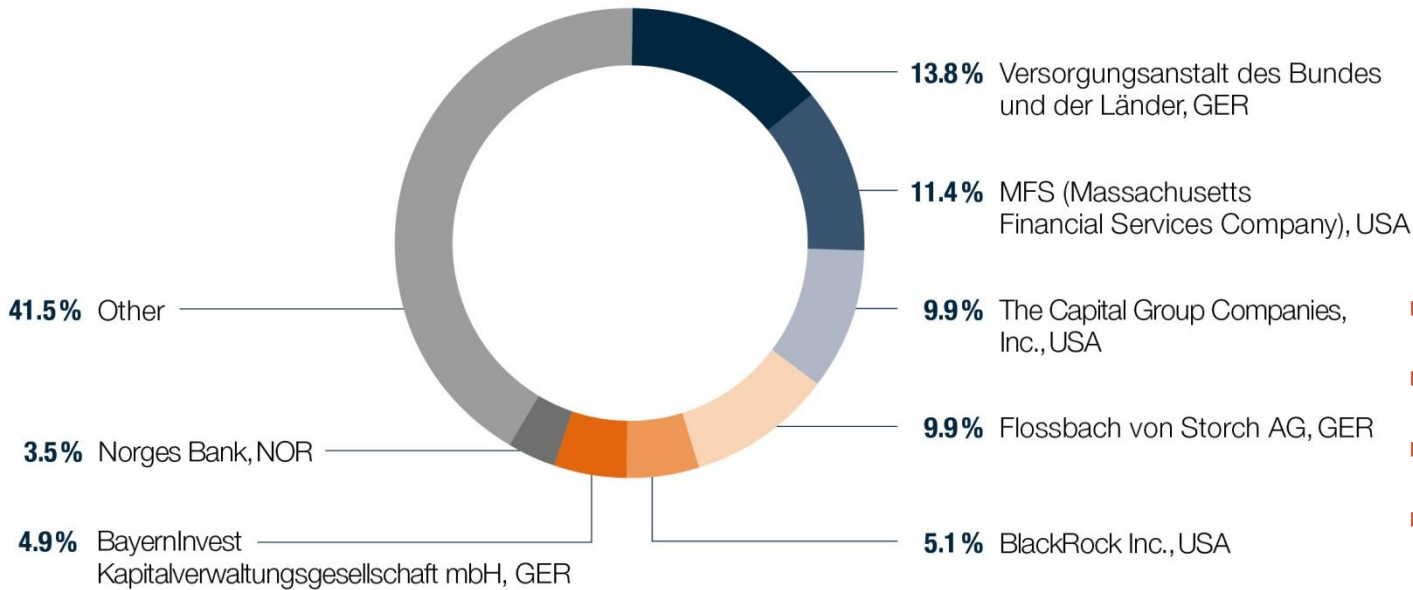
(in EUR millions)	FY 2017	FY 2016	Q4 2017	Q3 2017
<b>Net income</b>	<b>313.7</b>	<b>200.7</b>	<b>220.1</b>	<b>19.6</b>
Valuation result	-293.0	-163.1	-253.7	0.2
Deferred income taxes on valuation result	76.9	43.6	64.1	0.0
Net revenues from sales	0.0	-1.8	0.9	-0.3
Cash taxes on net revenues from sales	0.0	0.7	0.0	0.0
Fair value valuation of derivative financial instruments	1.2	0.3	0.7	0.6
Breakage fees bank loans and payments for repurchase/conversion of bonds	14.4	10.5	1.1	7.8
Cash dividend payments to minorities	-0,8	-0.7	-0.2	-0.2
<b>EPRA Earnings</b>	<b>112.4</b>	<b>90.2</b>	<b>33.0</b>	<b>27.7</b>
Deferred income taxes (other than on valuation result)	2.8	0.7	-5.8	3.9
Other non cash financial result	-0.2	2.9	-2.6	1.4
One off's ( 2017: provision for real estate transfer tax risks; 2016: project and personnel costs)	8.5	0.9	8.5	0.0
Depreciation	3.9	3.0	1.2	0.9
Cash taxes on net revenues from sales	0.0	-0.7	0.0	0.0
<b>Adjusted EPRA Earnings (FFO I)</b>	<b>127.4</b>	<b>97.0</b>	<b>34.3</b>	<b>33.9</b>
Weighted average number of shares (outstanding)	145,709	135,666	146,439	146,439
<b>EPRA Earnings per share (in EUR)</b>	<b>0.77</b>	<b>0.66</b>	<b>0.23</b>	<b>0.19</b>
<b>Adjusted EPRA Earnings (FFO I) per share (in EUR)</b>	<b>0.87</b>	<b>0.72</b>	<b>0.23</b>	<b>0.23</b>

# TAG LTV calculation

(in EUR millions)	31 Dec-2017	30 Sep-2017	31 Dec-2016
Non-current and current liabilities to banks	1,935.4	1,927.1	1,826.5
Non-current and current liabilities from corporate bonds	322.2	322.0	443.7
Non-current and current liabilities from convertible bonds	256.2	255.5	0.0
Cash and cash equivalents	-264.2	-194.3	-74.5
<b>Net financial debt</b>	<b>2,249.6</b>	<b>2,310.3</b>	<b>2,195.7</b>
Book value of investment properties	4,166.0	3,925.6	3,777.8
Book value of property reported under property, plant and equipment	9.8	9.9	10.1
Book value of property held as inventory	48.1	47.7	51.7
Book value of property reported under non-current assets held-for-sale	51.5	61.9	17.0
<b>Real estate volume</b>	<b>4,275.4</b>	<b>4,045.1</b>	<b>3,856.6</b>
Book value of property for which purchase prices have already been paid (or received) in advance	-0.3	-0.9	-9.0
Difference between fair value and book value for properties valued at cost	24.8	12.0	0.0
<b>Relevant real estate volume for LTV calculation</b>	<b>4,299.9</b>	<b>4,056.2</b>	<b>3,847.6</b>
<b>LTV</b>	<b>52.3%</b>	<b>57.0%</b>	<b>57.1%</b>

# TAG shareholder structure

Shareholder structure as of 31 Dec-2017



■ Number of shares (issued)	146.5m
■ Market capitalisation (31 Dec-2017)	EUR 2.3bn
■ Stock indices	MDAX/EPRA
■ Free Float *	100%
* Deutsche Börse definition including institutional investors	



Erfurt



Gera



Wittenberg



# TAG management board



**Claudia Hoyer**  
**COO**

- Key responsibilities: Property and Asset Management, Acquisitions and Disposals, Shared Service Center
- 
- Age 45
  - Joined TAG as COO in July 2012
  - Business degree, member of the board of DKB Immobilien AG from 2010 to 2012, more than 15 years of experience in residential real estate and property management



**Martin Thiel**  
**CFO**

- Key responsibilities: Controlling, Accounting, Financing, Taxes, Corporate Finance and Investor Relations
- 
- Age 45
  - Joined TAG as CFO in April 2014
  - Business degree, CPA over 15 years of experience as Auditor and Tax consultant with real estate clients



**Dr. Harboe Vaagt**  
**CLO**

- Key responsibilities: Legal, Human Resources and Transactions
- 
- Age 61
  - With TAG for more than 15 years, member of the management board since April 2011
  - Law degree, over 25 years of experience in real estate legal affairs

# TAG notes

# TAG notes

# TAG Contacts

**Martin Thiel**  
**CFO**

Phone: +49 40 380 32-222

Fax: +49 40 380 32-388

[ir@tag-ag.com](mailto:ir@tag-ag.com)

**Dominique Mann**  
**Head of Investor & Public Relations**

Phone: +49 40 380 32-305

Fax: +49 40 380 32-388

[ir@tag-ag.com](mailto:ir@tag-ag.com)

**TAG Immobilien AG**

Steckelhörn 5  
20457 Hamburg

Phone: +49 40 380 32-0

Fax: +49 40 380 32-388

[www.tag-ag.com](http://www.tag-ag.com)