

# TLG IMMOBILIEN AG

2014 Full-Year Results

April 2015



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# AGENDA

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# Key highlights in 2014

## Operating Performance

- Strong operating performance drives cash generation and vacancy reduction: 3.7% „like-for-like“ annual net rent growth and „like-for-like“ EPRA vacancy down by 1.4 p.p. to 3.0%, both in core portfolio
- Rental income of €114.8m producing above-guidance FFO of €52.37m in FY2014

## Platform

- Efficiently set-up and scalable platform with unique ability to integrate additional assets at marginal costs
- Reduced platform expenses through significant restructuring program in 2013/2014; Full restructuring savings effect from 2015 onwards

## Balance Sheet

- Net LTV of 40% with weighted average loan maturity of 5.7 years
- Currently operating with marginal cost of debt of sub-2%
- Total EPRA NAV of €914.0m (equivalent to €14.91 per share)

## Growth

- Successfully re-started acquisitions activity in 2014 with approx. €126m of closed/ signed transactions
- Committed to accelerate core portfolio growth from leveraging unique market position and local reach in core regions

# AGENDA

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# Growth in portfolio value and rental income achieved

## TLG IMMOBILIEN portfolio as of 31 December 2014

	Office	Retail	Hotel	Core portfolio	Non-core portfolio	Total	Comparison to 31 Dec 13
IFRS portfolio value (€m)	553.5	668.8	191.4	<b>1,413.7</b>	112.3	<b>1,526.0</b>	 +4.3% 1,462.4
Units	47	271	5	<b>323</b>	137	<b>460</b>	 -113 units 573
Annualised net rent (€m)	39.0 <sup>(1)</sup>	54.8	12.4	<b>106.3</b>	12.5	<b>118.9</b>	 +5.7% 112.5
Rental yield (%) <sup>(2)</sup>	7.2	8.2	6.2	<b>7.5</b>	11.2	<b>7.8</b>	 +0.1p.p. 7.7%
EPRA-Vacancy (%)	6.7	1.0	1.1	<b>3.2</b>	10.7	<b>3.9</b>	 -1.6p.p. 5.5%
WALT (years)	5.7	6.9	16.1	<b>7.6</b>	5.5	<b>7.4</b>	 -6.3% 7.9
Average rent (€/sqm)	9.56	9.59	13.85	<b>9.94</b>	3.60	<b>8.38</b>	 +5.9% 7.91

(1) Excluding rents from owner-occupied properties (€1m) (2) Yields calculated on fair market values



**Die Welle,**  
Karl-Liebknecht-Straße, Berlin



**Marktplatz Friedrichshagen,**  
Bölschestraße, Berlin



**Forum am Brühl,**  
Richard-Wagner-Straße, Leipzig

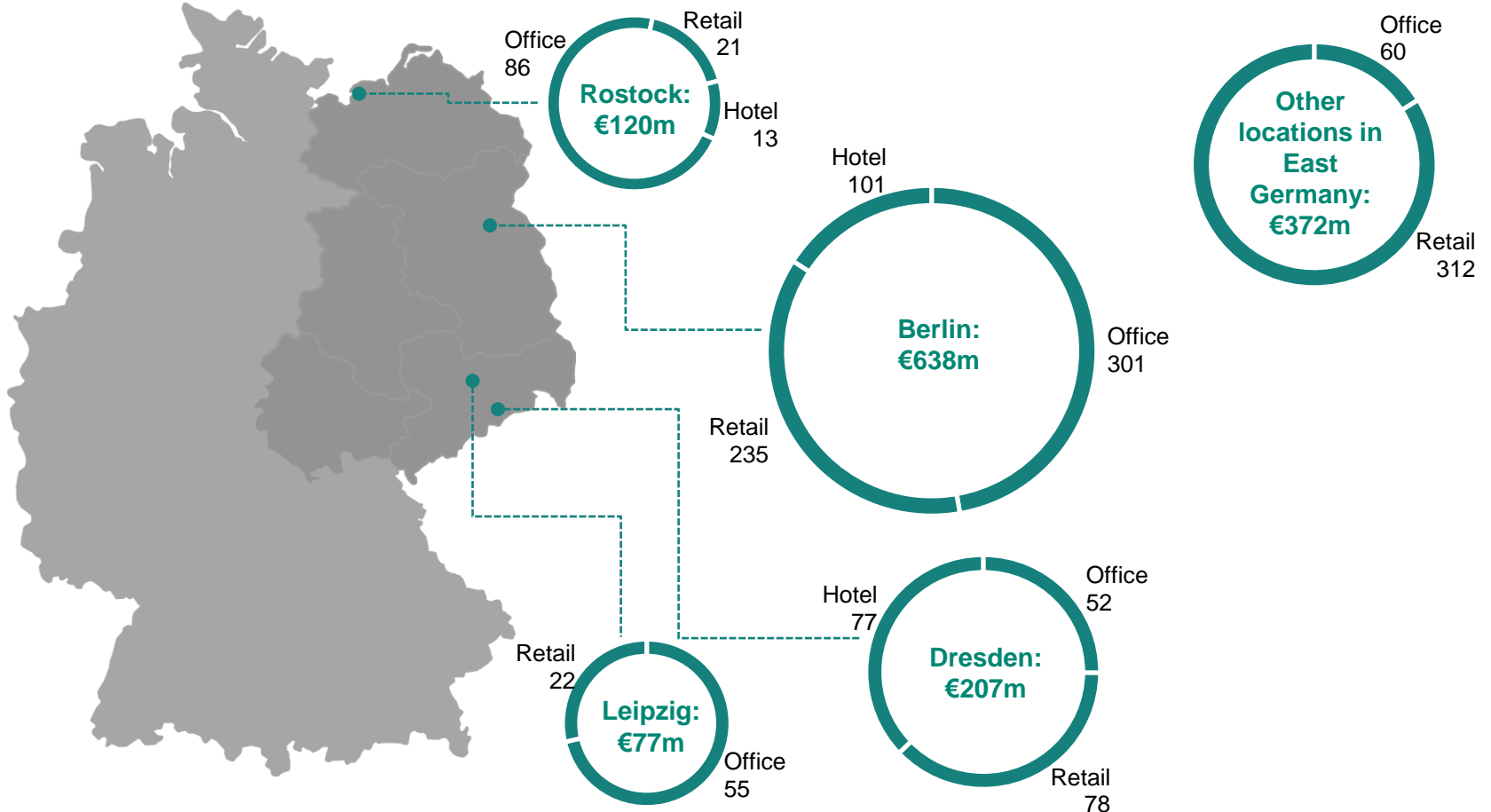


**Hotel de Saxe,**  
Neumarkt, Dresden

# Continued focus on Berlin and key East German cities

## Core portfolio split

in € million





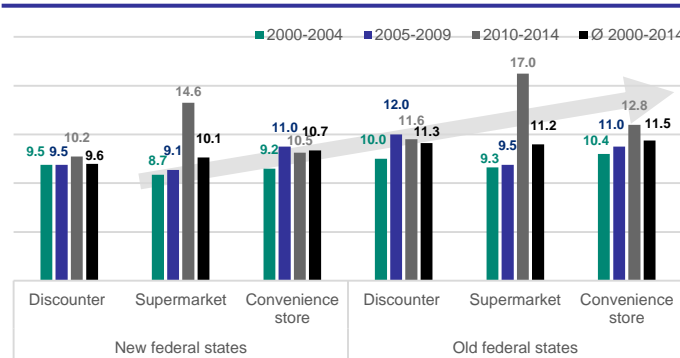
# Promising fundamentals for East German retail market

## Strong development in all core cities

- Berlin market expected to remain in strong focus of international and national expanding retailers
- Dresden, Leipzig and Rostock noted continuing growth in turnover per capita
- Purchasing power growth in all major cities between 4% and 5% between 2011 and 2013

### Development of average rents in food retail

in €/ sqm/ month



### Overview of retail market fundamentals in TLG IMMOBILIEN's core markets

	Purchasing power per capita (2013)	Change of purchasing power (2011-2013)	Turnover per capita (2013)	Change of turnover per capita (2011-2013)	Retail centrality (2013)
<b>Berlin</b>	€5,310	+5.2%	€5,115	+0.8%	107.8%
<b>Dresden</b>	€5,269	+4.1%	€5,252	+1.9%	110.1%
<b>Leipzig</b>	€5,010	+5.1%	€4,788	+1.4%	103.3%
<b>Rostock</b>	€5,115	+4.3%	€4,753	+1.8%	102.0%

- Significant growth in retail purchasing power in TLG IMMOBILIEN's core markets providing for solid retail fundamentals

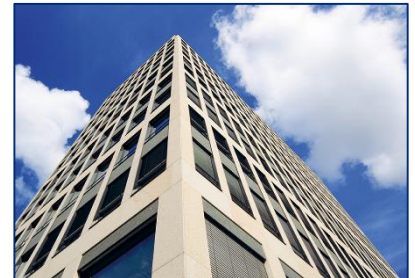
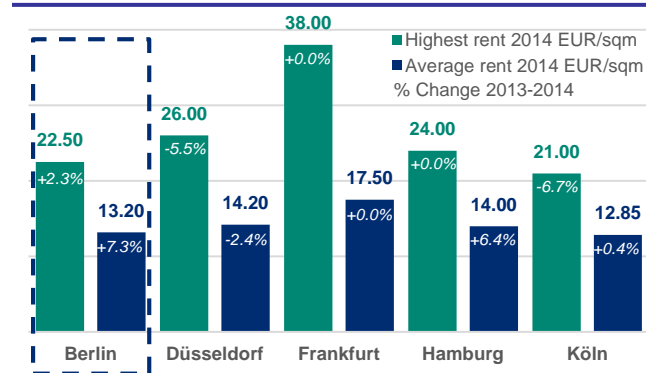


# Continuing growth in the office market with Berlin's performance standing out

- Most of East German office markets have experienced strong growth in average rents
- Berlin outperforming all Tier 1 office markets in West Germany on increase of average rents
- Main East German office markets noted decreasing vacancy rates – within a slightly growing local sector

## Rental development

in €/ sqm/ month



## Overview of selected office market fundamentals in TLG IMMOBILIEN's core markets

	Berlin	Dresden	Leipzig	Rostock
Number of office employees (2013)	682,990	107,951	103,502	38,379
Office vacancy (2013)	5.5%	9.9%	15.8%	7.8%
<i>Change of office vacancy (2011-2013)</i>	-1.5%	-0.7%	-2.9%	-0.4%
Total office area (2013) (sqm)	18,633,151	2,704,938	2,788,547	982,877
<i>Change of total office area (2011-2013)</i>	1.0%	0.5%	0.5%	0.7%

- Ongoing reduction in office vacancy levels across the board in TLG IMMOBILIEN's core markets

# Berlin hotel market already ranking No. 3 in Europe

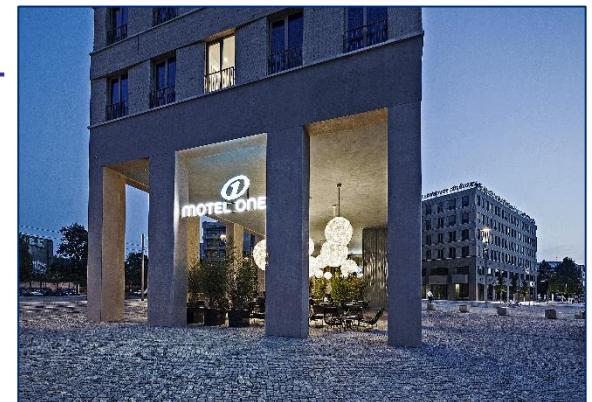
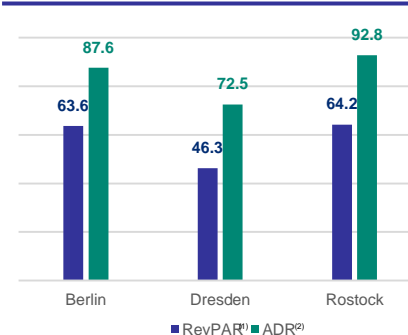


- Number of hotel accommodations in Berlin has been growing steeply every year. In 2013, Berlin recorded 26.9m accommodations, thereby reaching third place in Europe, only behind London and Paris
- Promising outlook for continuing growth: Already between January and November 2014, people spent 26.5m nights in Berlin's hotels, indicating another record year for 2014
- *Investitionsbank Berlin* expects accommodations to reach 30m per year already in 2016
- Also Dresden and Rostock show positive development among relevant hotel KPIs

▪ Positive trend in accommodation growth in TLG IMMOBILIEN's hotel markets expected to continue

	Number of accommodations (2013)	Change of accommodations (2011-2013)	Average room occupancy (2013)
<b>Berlin</b>	€26.9m	+21%	73%
<b>Dresden</b>	€4.1m	+9%	64%
<b>Rostock</b>	€1.8m	+20%	69%

Rate per room in €



▪ Berlin hotel market standing out in terms of momentum and accommodations growth; trend expected to continue

# Positive “LFL” development of rents in core portfolio

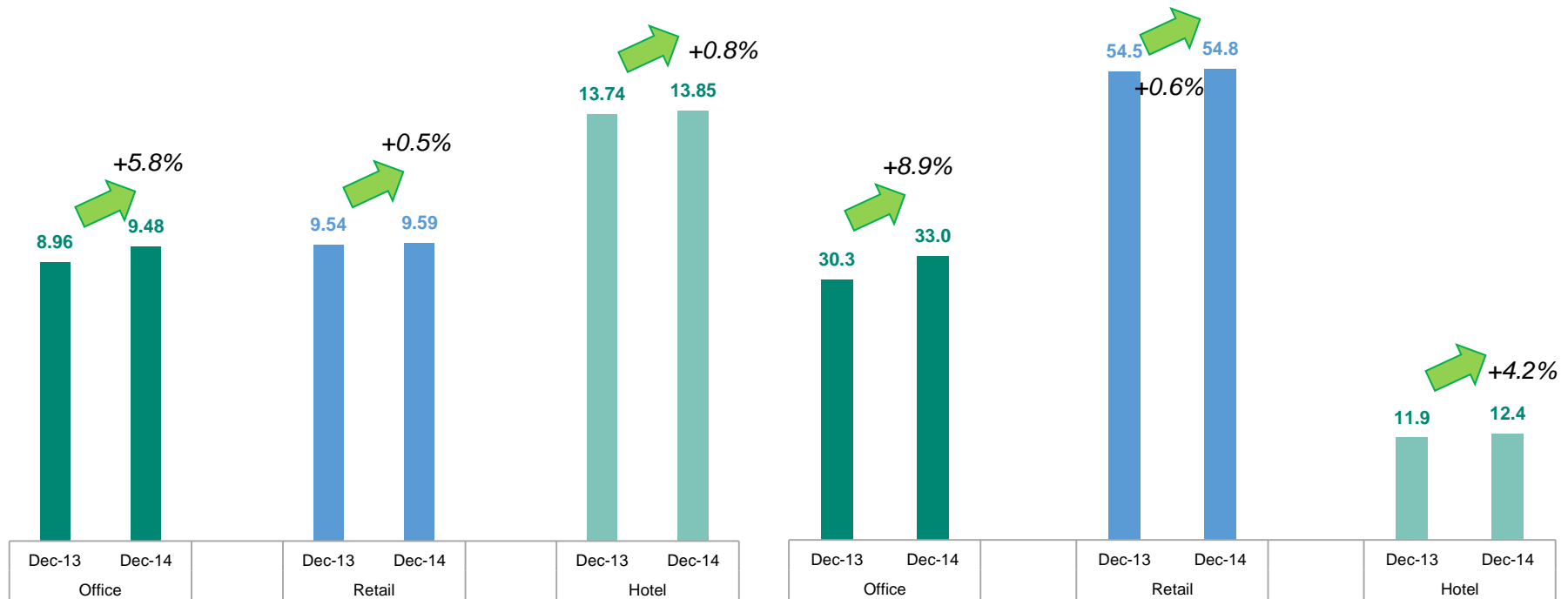
## Positive “like-for-like” rent development

### Rent per sqm development

in € / sqm/ month

### “LFL” net rent development (annualised)

in € million



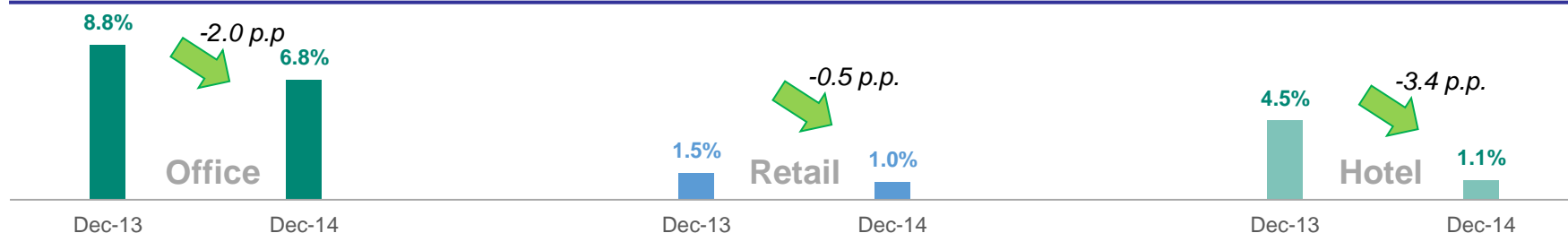
- Significant letting successes resulting in **material increase in TLG IMMOBILIEN’s core portfolio annual net rent by 3.7%** on a like-for-like (“LFL”) basis, compared to Dec-2013
- **Office segment** with particularly positive performance, **showing growth in annual net rent of 8.9%** and growth in average rents per sqm of 5.8%

# Further "LFL" vacancy reduction in core portfolio

## EPRA vacancy by segment

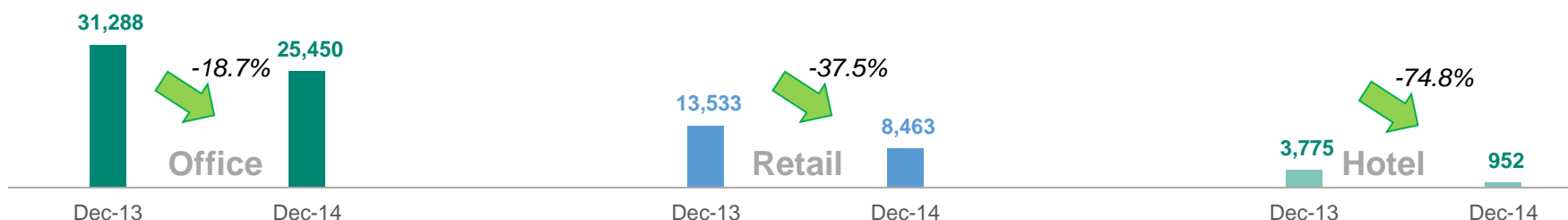
### EPRA vacancy

in %



### Vacant sqm

in number of sqm



- Further "LFL" EPRA vacancy reduction to 3.0% in core portfolio (4.4% as of Dec-2013)
- Decrease of EPRA vacancy and vacant areas **across all segments** due to new lease contracts
- Total **vacant areas decreased by more than 28% to 34,865 sqm in core portfolio** and by more than 13% to 99,935 sqm in TLG IMMOBILIEN's total portfolio

# Realisation of significant profit through disposals

## Further parts of non-core portfolio were sold successfully

### Disposal proceeds

in € million



### Disposal proceeds by asset class

Asset class	Number of units	Share of proceeds	Average proceeds (€k)
Undeveloped land	123	57%	515
Service properties	5	25%	5,612
Office	10	10%	1,064
Industrial	13	6%	538
Residential	3	3%	982

### Disposal proceeds by regions

Location	Number of units	Share of proceeds	Average proceeds (€k)
Berlin	12	42%	3,876
Dresden, Leipzig, Rostock	32	28%	984
Others	110	30%	309

- Disposals achieved a profit of more than 10% on IFRS book values
- Undeveloped land accounted for 57% of total proceeds

# Successful return to portfolio growth in 2014

- closed acquisitions -

## Berlin Office



**Kaiserin-Augusta-Allee 104-106,  
Berlin<sup>(1)</sup>**

## Leipzig Office



**Richard-Wagner-Straße 1, 2-3,  
Leipzig<sup>(1)</sup>**

## Berlin Office



**Köpenicker Straße 30-31,  
Berlin<sup>(1)</sup>**

## Berlin Retail



**Adlergestell 296 + 299-305,  
Berlin<sup>(2)</sup>**

Total investment	€20.1m
Date of closing	Feb-2014
Annual net rent	€1.4m
Rental yield	7.0%
WALT	4.0 years
Vacancy	11%
Top tenants	VHV, Media Broadcast

Total investment	€49.4m
Date of closing	Sep-2014
Annual net rent	€3.2m
Rental yield	6.3%
WALT	5.0 years
Vacancy	1% <sup>(3)</sup>
Top tenants	Deutsche Bahn, apo-bank

Total investment	€23.0m
Date of closing	Oct-2014
Annual net rent	€1.5m
Rental yield	6.5%
WALT	5.9 years
Vacancy	2%
Top tenants	Verdi, Deutsche Bahn

Total investment	€33.0m
Date of closing	Feb-2015
Annual net rent	€3.0m
Rental yield	9.1%
WALT	6.0 years
Vacancy	0%
Top tenants	OBI, POCO Domäne

- Acquisitions with total investment volume of approx. €126m in 2014, whereof €93m were closed until 31 Dec 2014 and €33m with closing in Q1/2015



# Update on acquisitions 2015 YTD

- closed acquisitions in Q1 2015 -

## Dresden Office



**Ferdinandplatz,  
Dresden<sup>(1)</sup>**

## Rostock Office



**Doberaner Straße,  
Rostock**

- signed acquisitions -

## Berlin area Retail<sup>(3)</sup>



**Bahnhofs-Passage  
Bernau bei Berlin**

## Berlin area Retail<sup>(3)</sup>



**Handelszentrum  
Strausberg**

Total investment	€11.2m
Date of closing	Mar-2015
Annual net rent	€0.7m
Rental yield	6.4%
WALT	2.5 years
Vacancy	4%
Top tenants	City of Dresden, HUK Coburg, SEB AG

Total investment	€15.5m
Date of closing	Mar-2015
Annual net rent	€1.3m
Rental yield	8.7%
WALT	4.0 years
Vacancy	8.5%
Top tenants	HUK Coburg, Federal state authority

Total investment	€50.3m
Date of signing	Apr-2015
Annual net rent	€4.0m
Rental yield	8.0%
WALT	c. 4.0 years
Vacancy	0.5%
Top tenants	Edeka, C&A, MediMax, Rossmann

Total investment	€35.6m
Date of signing	Apr-2015
Annual net rent	€3.0m
Rental yield	8.5%
WALT	c. 4.0 years
Vacancy	0.5%
Top tenants	Edeka, C&A, MediMax, Rossmann

- Acquisitions with total investment volume of approx. €114m<sup>(2)</sup> YTD 2015.
- TLG IMMOBILIEN is actively working on an additional tangible acquisition pipeline

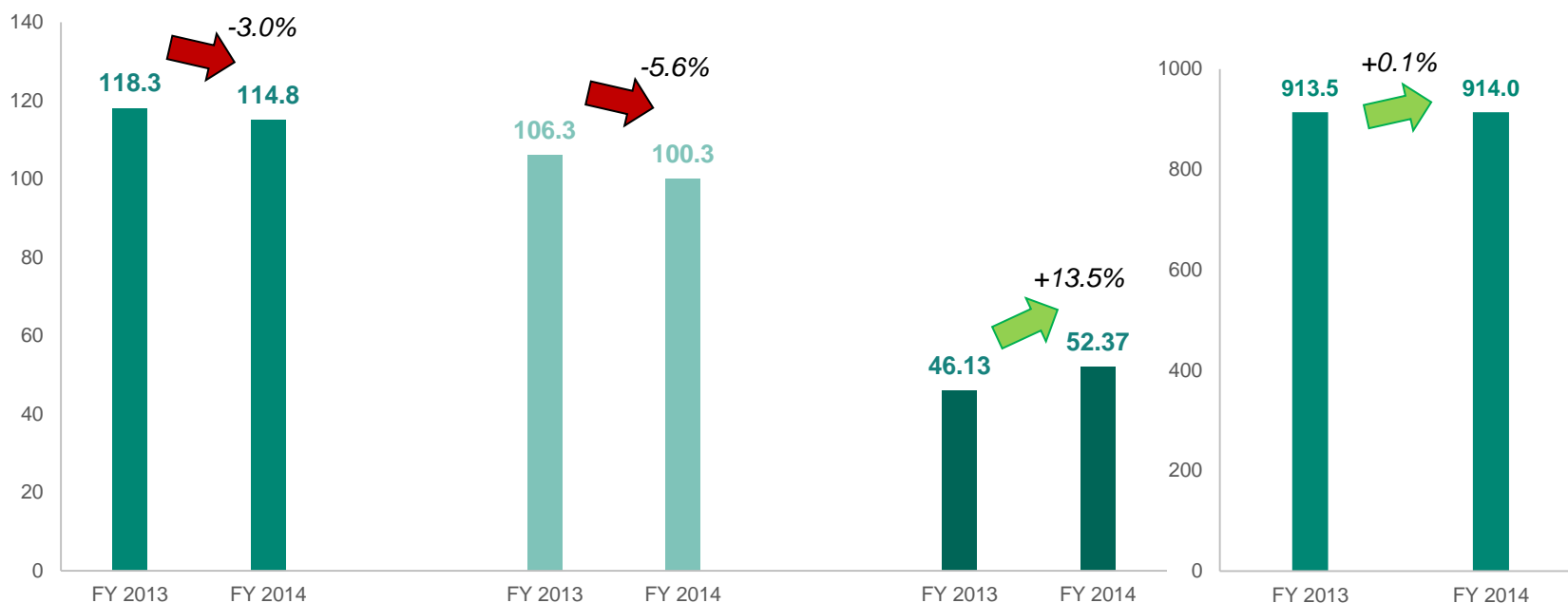
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# Key financial metrics y-o-y

## Rental income, NOI, FFO and EPRA NAV development

in € million



Rental Income	Net Operating Income	FFO	EPRA NAV
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- Slight decrease in rental income and NOI primarily driven by sale of non-core properties in Q4 2013 with associated reduction of annualised rental income of approx. €9m, and normalised NOI margin in 2014
- Further reduction in overhead costs and improved financing structure leading to substantial FFO growth
- Total EPRA NAV on same level as per year-end 2013, but up significantly (by 23%) from Q3-2014

# Key financial metrics since IPO

## Key metrics in € million

	FY 2014	Q4 2014	Q3 2014
GRI	114.8	29.4	28.4
NOI	100.3	24.3	26.0
FFO	52.37	12.0	14.0
FFO/s (€)	0.85 <sup>(4)</sup> / 0.97 <sup>(2)</sup>	0.20 <sup>(4)</sup> / 0.20 <sup>(3)</sup>	0.23 <sup>(4)</sup> / 0.27 <sup>(5)</sup>
EPRA NAV/s (€)	14.91	14.91	14.27
Rental yield <sup>(1)</sup>	7.8%	7.8%	7.7%
Net LTV	40.3%	40.3%	46.4%
IFRS Portfolio Value	1,526.0	1,526.0	1,508.6

Impacted by higher maintenance costs in Q4 2014 as planned

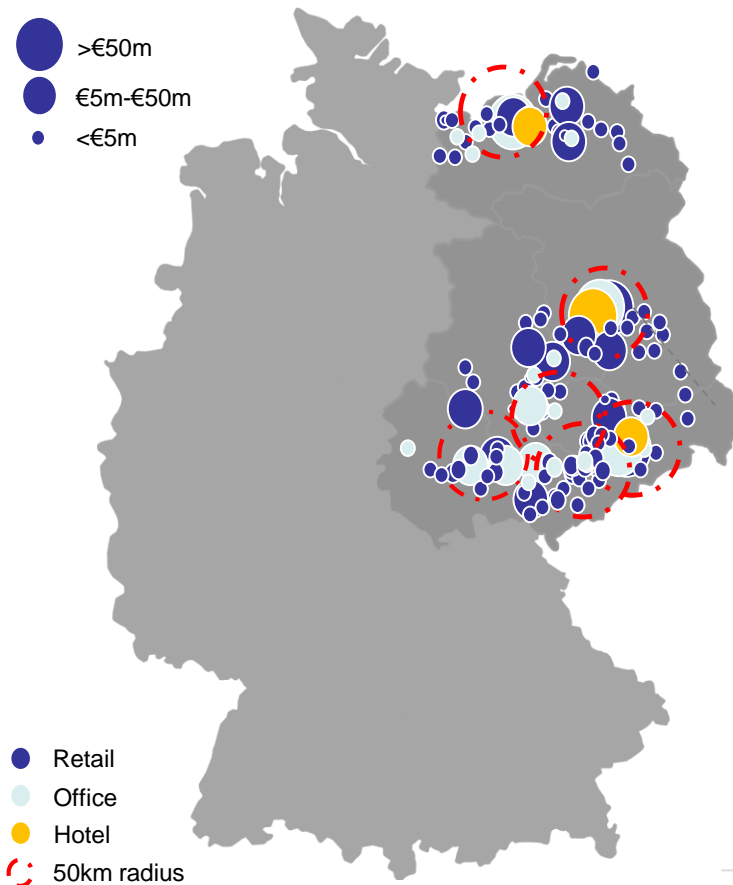
Note: Unaudited financials as of 23 February 2015

(1) Based on annualized numbers; (2) Based on weighted number of shares of 53.7m; (3) Based on weighted number of shares of 58.9m; (4) Based on year-end number of shares of 61.3m

(5) Based on number of pre IPO bearer shares of 52m

# Platform set-up

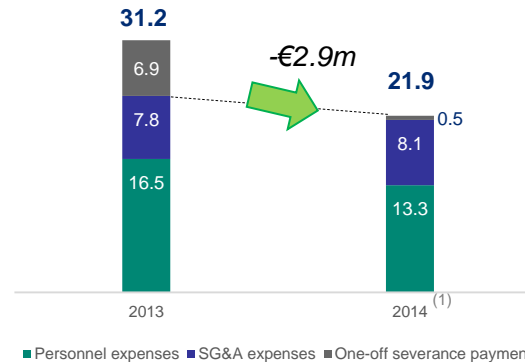
## Platform set-up follows portfolio strategy



### Portfolio management close to the assets

	Number of properties	Share of total employees
Berlin	50-100	31%
Dresden	>100	29%
Rostock	50-100	20%
Leipzig	>100	8%
Erfurt	<50	6%
Chemnitz	<50	6%

### Platform cost in € million



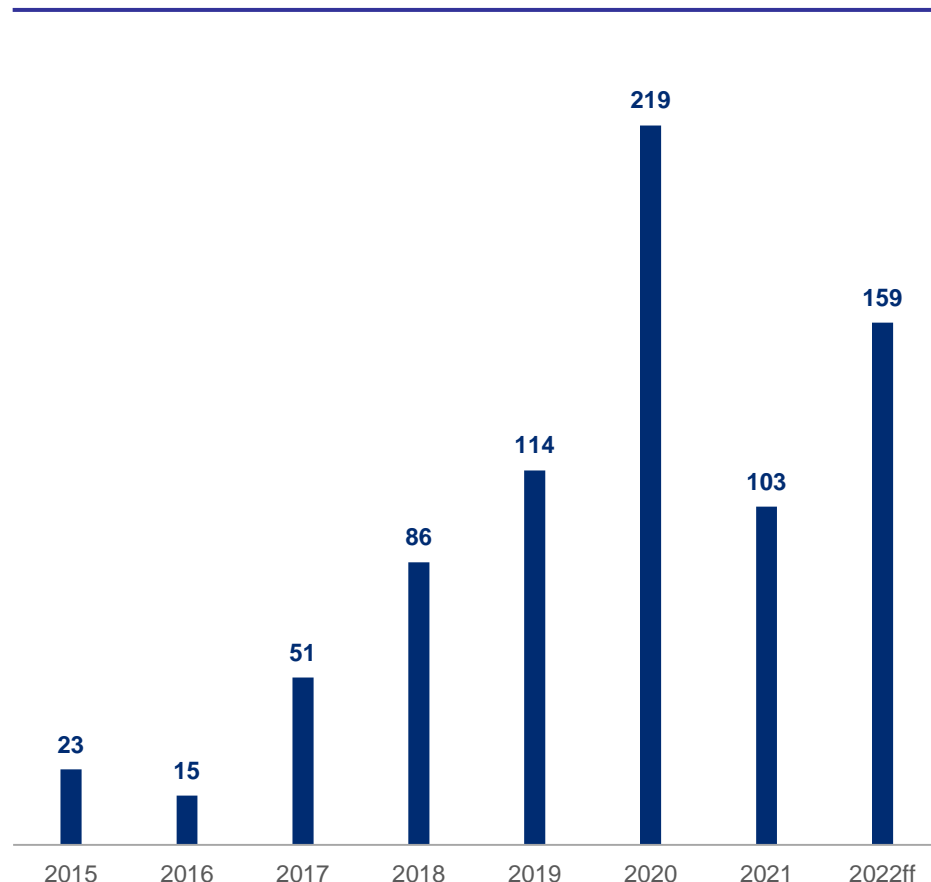
### Comments

- Two branches in Berlin and Dresden
- Additional local offices in **Leipzig, Rostock, Chemnitz** und **Erfurt**
- 89%<sup>(2)</sup> of total assets in 50km radius of TLG IMMOBILIEN branches
- More than half of TLG IMMOBILIEN employees working close to properties
- Reduction of total platform costs from €24.3m in 2013 to €21.4m in 2014 driven by reduction of workforce and ongoing optimisation of platform
- Full financial benefit of platform restructuring measures only to be visible in FY2015

# Committed to conservative financing structure

## Maturity profile as of 31 December 2014<sup>(1)</sup>

in € million



## Debt structure and debt service as of 31 December 2014

in € million

Gross debt (€m)	770
LTV (%)	40
Avg. interest rate (%)	2.95
Avg. weighted maturity (years)	5.7
Interest rate fixed or hedged (%)	99

### Comments

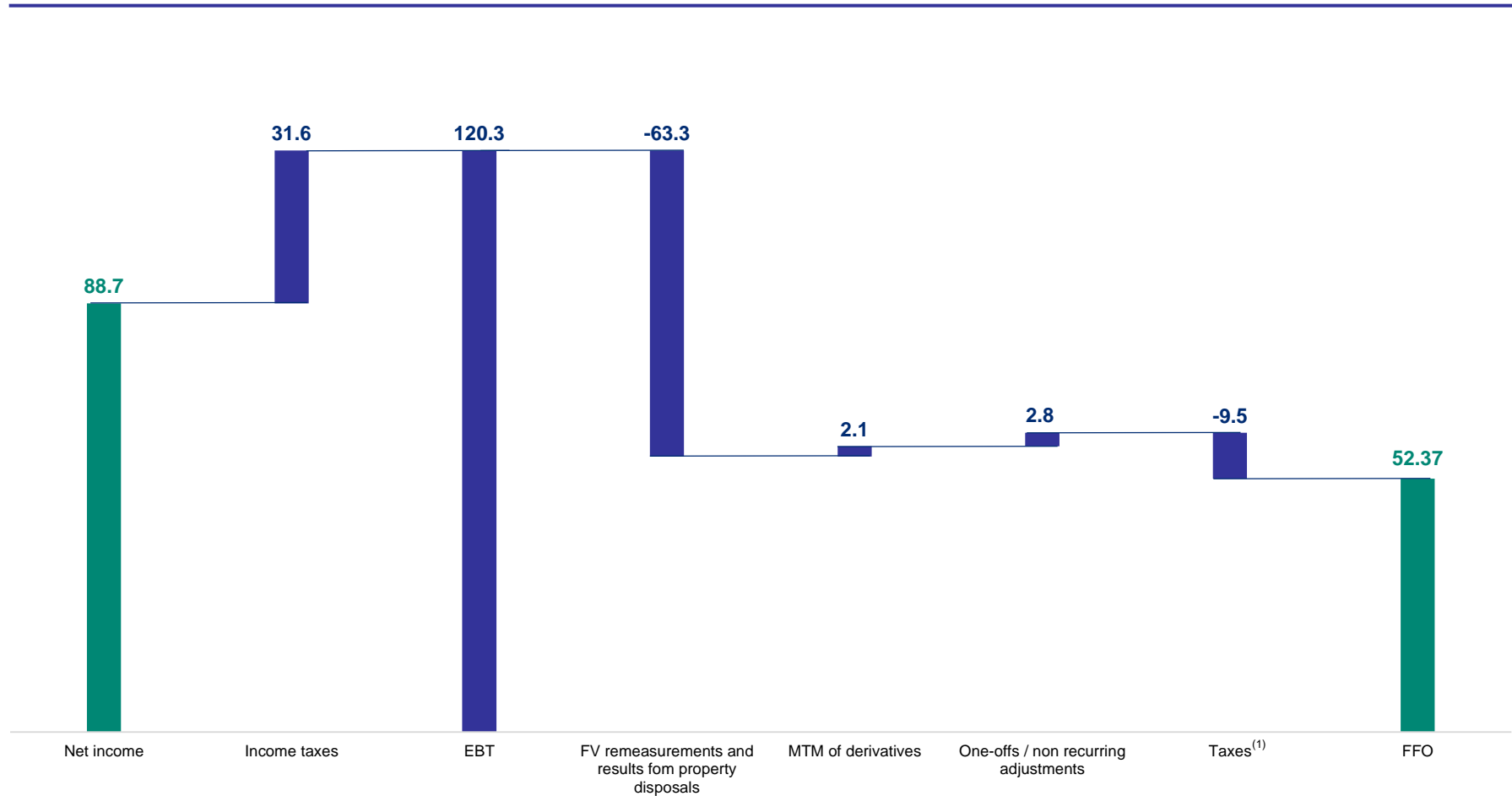
- No significant refinancing coming up in next three years (less than €90m of maturities)
- Only bank debt and no publicly traded debt securities
- Liabilities to financial institutions are based on an active business relationship with a pool of approx. 19 financial institutions



# FFO bridge for 2014, resulting in total FFO of €52.37m

## FFO Reconciliation FY 2014

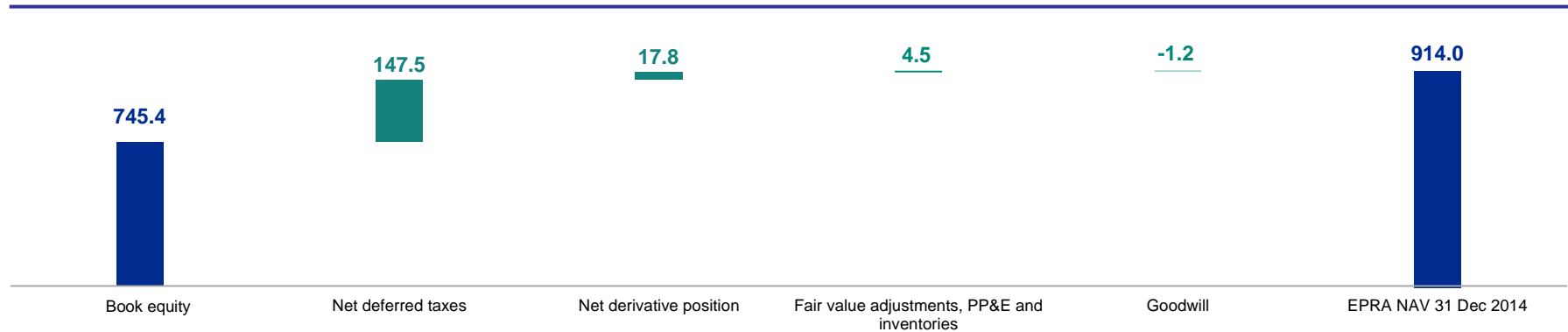
in € million



# Significant EPRA NAV growth resulting in NAV/s of €14.91

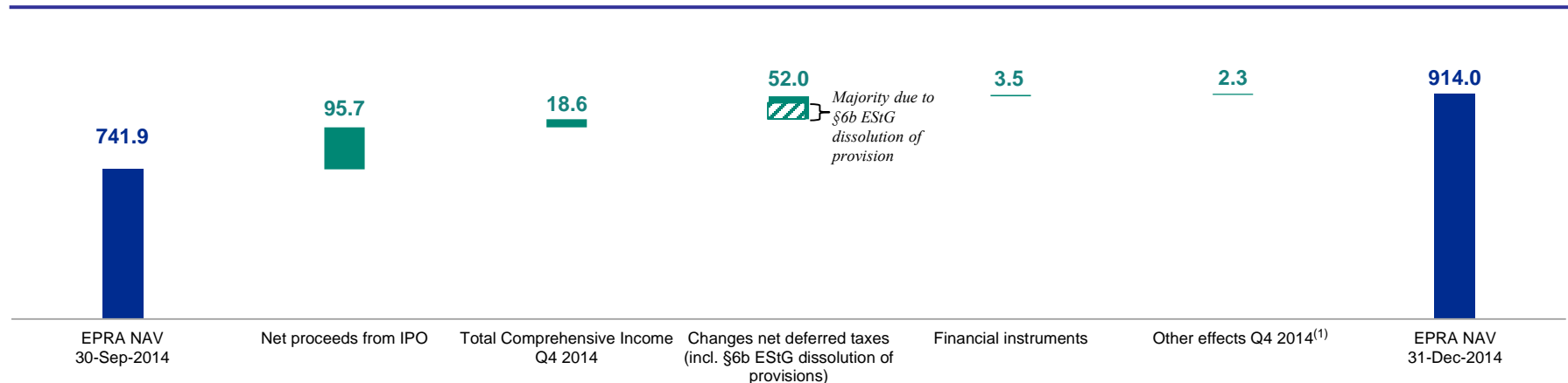
## EPRA NAV reconciliation

in € million



## Development in Q4 2014

in € million



# P&L positively impacted by cost improvements

## Income Statement

in € million		2014	2013
<b>Rental income</b>		<b>114.8</b>	<b>118.3</b>
<b>Net operating income from letting activities</b>	1	<b>100.3</b>	<b>106.3</b>
Result from the remeasurement of investment property	2	52.7	72.2
Results from the disposals of investment property		3.3	0.5
Results from the disposals of real estate inventory		7.3	7.8
Other operating income	3	16.8	18.7
Personnel expenses	4	(17.4)	(23.4)
Depreciation		(1.2)	(1.5)
Other operating expenses	5	(15.7)	(7.8)
<b>Earnings before interest and taxes (EBIT)</b>		<b>146.1</b>	<b>172.8</b>
Net interest	6	(23.7)	(35.4)
Other financial result		(2.1)	9.0
<b>Earnings before taxes (EBT)</b>		<b>120.3</b>	<b>146.4</b>
Income taxes		(31.6)	(47.3)
<b>Net income</b>		<b>88.7</b>	<b>99.1</b>
Other comprehensive income (OCI)	7	(11.8)	(0.1)
<b>Total comprehensive income for the year</b>		<b>76.8</b>	<b>99.0</b>

## Comments

- 1 Slight decrease in NOI from letting activities primarily related to sale of non-core properties
- 2 Driven by reduction of ERPA vacancy rate and continuous increase in in-place rents/ sqm. Includes fair value gains in the amount of €52.7m, thereof 66% gains in relation to disposal of assets (incl. deals signed but not closed)
- 3 2014 include €9.8m of reimbursement of IPO related costs, €1.9m reversal of bad debt allowance, €1.7m insurance gains
- 4 Decrease in personnel expenses primarily related to optimization of workforce and organization. Further, 2014 expenses include €3.4m IPO related one-off share-based payments as well as €0.5m one-off severance payments
- 5 2014 number include €9.9m IPO related one-off cost and reversal of accrual of €2.3m
- 6 Significant reduction despite increased debt mainly achieved in course of comprehensive refinancing of higher cost debt in H1-2014
- 7 Effect primarily relates to hedge accounting

# Balance sheet further strengthened in 2014

## Balance Sheet

in € million		2014	2013
<b>Non-current assets</b>		<b>1,525.2</b>	<b>1,448.1</b>
Investment property (including advance payments)	1	1,495.5	1,417.4
Property, plant and equipment	2	14.1	17.8
Other non-current assets		12.6	9.4
Deferred tax assets		3.0	3.6
<b>Current assets</b>		<b>212.8</b>	<b>187.6</b>
Inventories		1.5	13.4
Receivables and other current assets		36.7	17.4
Cash and cash equivalents		152.6	138.9
Assets classified as held for sale		22.0	17.8
<b>Total assets</b>		<b>1,738.0</b>	<b>1,635.7</b>
<b>Equity</b>		<b>748.0</b>	<b>801.0</b>
<b>Liabilities</b>		<b>990.0</b>	<b>834.7</b>
<b>Non-current liabilities</b>		<b>909.1</b>	<b>630.2</b>
Liabilities to financial institutions	3	731.1	513.0
Provisions and other non-current liabilities		27.6	29.1
Deferred tax liabilities	4	150.5	88.1
<b>Current liabilities</b>		<b>80.9</b>	<b>204.4</b>
Liabilities to financial institutions	3	39.3	113.2
Tax liabilities	4	9.6	44.3
Other provisions	5	5.7	16.2
Trade payables		13.9	14.6
Other current liabilities		12.4	16.1
<b>Total equity and liabilities</b>		<b>1,738.0</b>	<b>1,635.7</b>

## Comments

- 1 Change in investment property mainly driven by acquisitions (€93.1m), capitalization of construction activities (€12.3m), fair value adjustments and reclassification of properties as assets held for sale (€86.6m),
- 2 Decrease primarily due to reduction of own occupied rental area (PP&E contains €13.9m of properties held for own use)
- 3 Increase of non-current financial liabilities by refinancing current liabilities and new loans
- 4 Increase in deferred taxes mainly due to the usage of the §6b reserves. Actual tax liabilities decreased, whereas deferred taxed increased
- 5 Decrease driven by reduction of provisions for HR restructuring (€2.8m) and litigation risk (€6.9m)

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# Outlook for 2015

## Rental Income

- Continue rental growth from further reduction of condensed vacancies, focused (re-) letting and prolongation of contracts
- Swift integration of newly acquired assets, focusing on full lease-up

## Acquisitions

- Ongoing screening of acquisition opportunities in line with TLG IMMOBILIEN's portfolio strategy
- Clear commitment to growth and strategic target of €2bn portfolio size

## NAV

- Positive property market fundamentals, including increasing investor interest for East Germany and an ongoing improvement of the Berlin market expected to impact fair values
- NAV growth expected to be equally driven by profit generation and revaluation effects

## FFO

- Positive business fundamentals expecting to drive cash generation in portfolio
- Total FFO growth of at least 10% to be expected for 2015

## Dividend

- Management has proposed a stub dividend of €0.25 per share for 2014
- Expected pay-out 70% - 80% of FFO for FY2015



# AGENDA

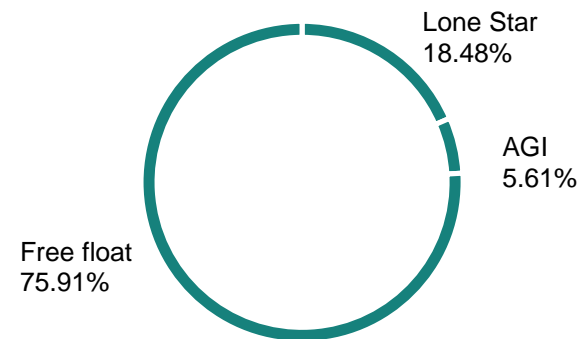
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# TLG IMMOBILIEN share information

## Basic share information (as of 28 April 2015)

Symbol	TLG
Share price (XETRA)	€14.70
ISIN	DE000A12B8Z4
Performance since IPO	36.7%
Primary exchange	Xetra
Market capitalization	€901m
Shares outstanding	61.3 million

## Shareholder structure



Shareholdings according to latest voting rights information

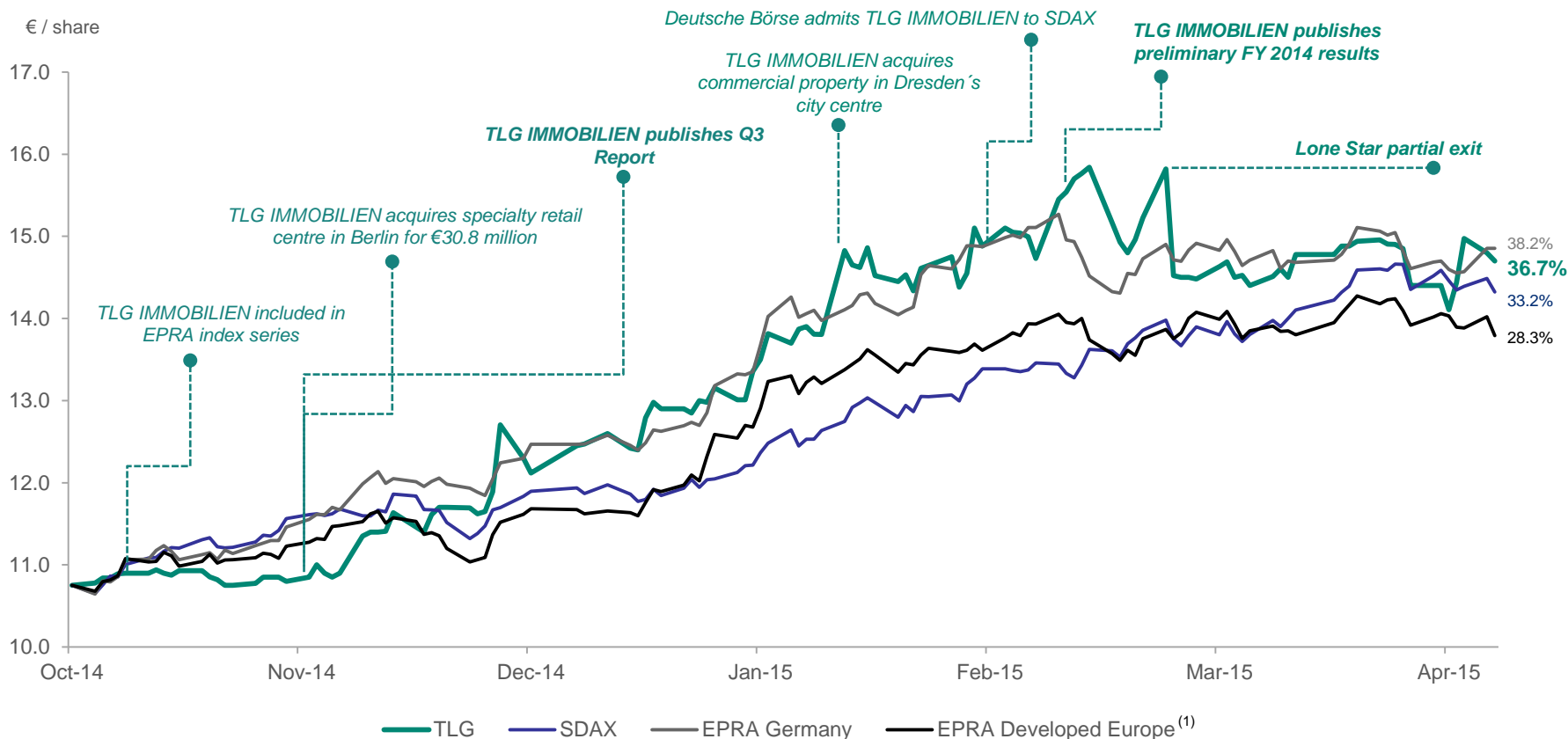
## Broker coverage

Analyst coverage	Target	Analyst name	Date
UBS	€15.5 (Buy)	Osmaan Malik	21-Apr-2015
HSBC	€18.8 (OW)	Thomas Martin	13-Apr-2015
Kempen & Co.	€16.0 (OW)	Remco Simon	31-Mar-2015
J.P. Morgan	€15.0 (Neutral)	Tim Leckie	09-Mar-2015
Commerzbank	€17.5 (Buy)	Thomas Rothäusler	02-Mar-2015

## Increased free-float after Lone Star sell-down

- On 9 March, former majority shareholder Lone Star executed a share placement, by way of an accelerated bookbuilding, to sell a total of 15.0 million TLG IMMOBILIEN shares
- Shares were sold to institutional investors at €14.50
- As a result of the placement, the free-float of TLG IMMOBILIEN increased to 76%

# TLG IMMOBILIEN share performance



- The TLG IMMOBILIEN share has shown a very strong performance since its IPO in October 2014, outperforming both the EPRA Developed Europe and the SDAX

# FINANCIAL CALENDAR & CONTACT DETAILS

<b>Annual Report 2014</b>	April 2015
<b>Q1 2015 Results</b>	June 2015
<b>Annual General Meeting</b>	June 2015
<b>H1 2015 Results</b>	August 2015
<b>Q3 2015 Results</b>	November 2015

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