



# **TLG Immobilien AG**

## **Q3-2014 Results Update**

28 November 2014

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TLG has no obligation whatsoever to update or revise any of the information, forward-looking statements or the conclusions contained herein or to reflect new events or circumstances or to correct any inaccuracies which may become apparent subsequent to the date hereof.

### Growth Platform

Market leading integrated platform in Berlin and East Germany's growth regions, set-up for further portfolio growth

### Portfolio

High quality €1.5bn commercial portfolio – core portfolio with WALT of 7.8 years, low vacancy of only 3.5%, generating a 7.5% rental yield

### Cash Generation

Strong cash flow profile generating FFO of €40.4 million in first 9M, up 28% compared to previous year

### Financing

Conservative funding profile, committed LTV corridor of 45-50% and best in class cost of debt of sub-3%, coupled with 5.7 years average debt maturity

<b>1</b>	<b>Highlights YTD – 2014</b>
<b>2</b>	<b>Portfolio</b>
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### Achievements Q1-Q3 2014

- Strong operating performance YTD: 2.1% „like-for-like“ annual net rent growth in core portfolio, EPRA vacancy down to 3.5%

- Best-in-class financing structure implemented: LTV of 46% (40% pro-forma for net IPO proceeds) and cost of debt sub-3%

- Successful return to acquisition path with approx. €125m of closed/ signed transactions year-to-date

### IPO

- Successful IPO in Oct-2014 despite volatile markets: Total offering size of €375m (34.9m shares) incl. €100m gross proceeds to TLG from capital raise

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## Stable Portfolio Development

### TLG Core Regions



### TLG Portfolio as of 30-Sep-2014

	Office	Retail	Hotel	Core portfolio	Non-core portfolio	Total
<b>Units</b>	46	271	5	322	167	489
<b>Total property assets (IFRS, €m)</b>	525	668	189	1,382	127	1,509
<b>Annualized net rent (€m)</b>	36.0	54.9	12.4	103.3	13.3	116.6
<b>EPRA-Vacancy (%)</b>	7.5%	1.1%	1.3%	3.5%	13.0%	4.6%
<b>WALT (years)</b>	5.9	7.1	16.4	7.8	5.6	7.6
<b>Lettable area (sqm)</b>	365,432	485,210	75,852	926,494	409,936	1,336,430

- Overall EPRA **vacancy rate further reduced to 3.5%** for core portfolio and improved overall vacancy level to 4.6% for the total portfolio
- Rental yield of 7.5% for core portfolio as of 30 Sep 2014 remains high
- Core portfolio with WALT of 7.8 years

## Significant acquisition activity year-to-date

Q1 – Q3 2014

Q4 2014

### Berlin Office



**Kaiserin-Augusta-Allee 104-106, Berlin**  
(1)

Total investment	€20.1m
Date of closing	Feb-2014
Annual net rent	€1.4m
Rental yield	7.1%
WALT	4.3 years
Vacancy	11%
Top tenants	VHV, Media Broadcast

### Leipzig Office



**Richard-Wagner-Straße 1, 2-3, Leipzig**  
(1)

Total investment	€49.4m
Date of closing	Sep-2014
Annual net rent	€3.2m
Rental yield	6.3%
WALT	5.2 years
Vacancy	6%
Top tenants	Deutsche Bahn, apo-bank

- closed -

### Berlin Office



**Köpenicker Straße 30-31, Berlin**  
(1)

Total investment	€23.0m
Date of closing	Oct-2014
Annual net rent	€1.3m
Rental yield	5.9%
WALT	6.5 years
Vacancy	12%
Top tenants	Verdi, Deutsche Bahn

- signed -

### Berlin Retail



**Adlergestell 296 + 299-305, Berlin**  
(2)

Total investment	€33.0m
Date of signing	Nov-2014
Annual net rent	€3.0m
Rental yield	9.1%
WALT	6.0 years
Vacancy	0%
Top tenants	OBI, POCO Domäne

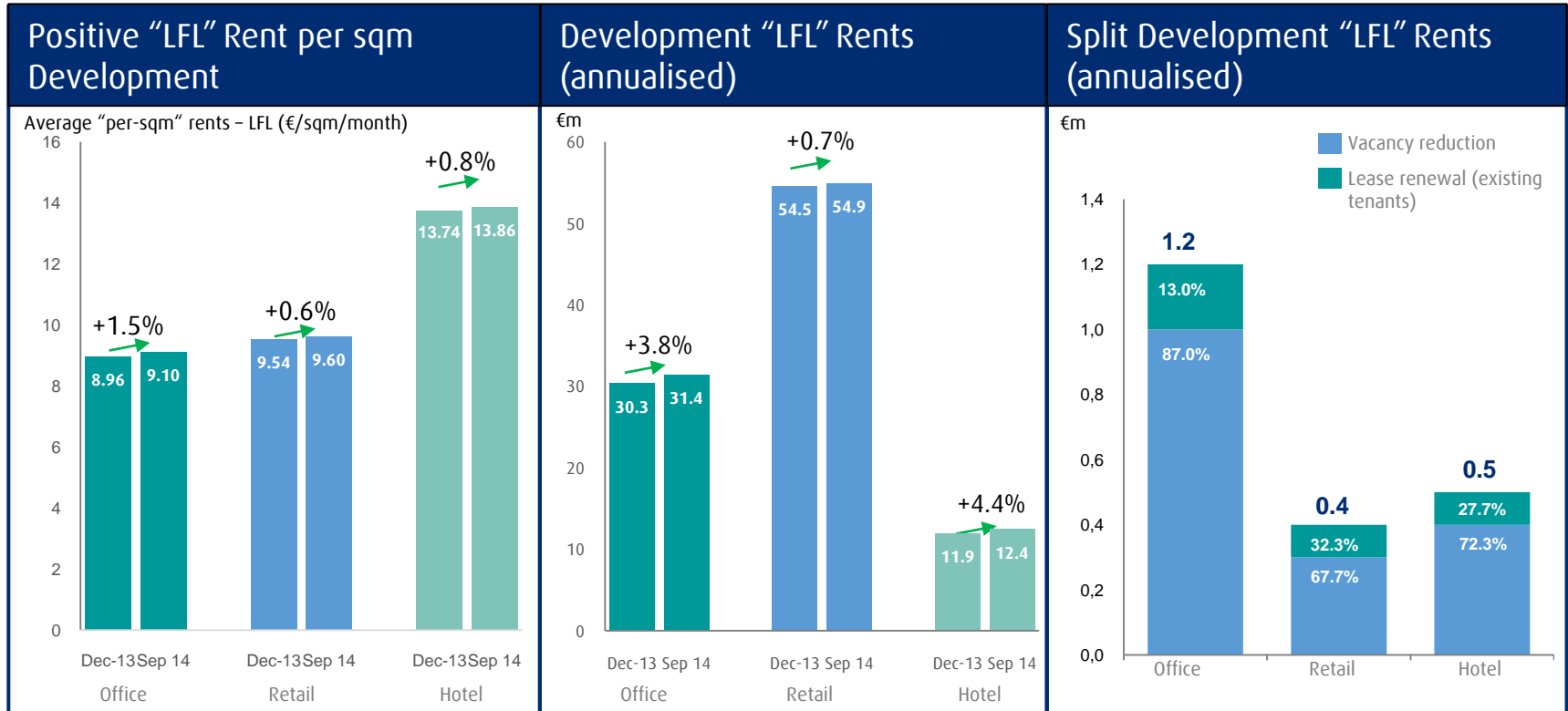
- Acquisitions with total investment volume of approx. €125m YTD, whereof €69m were closed until 30-Sep-2014 and €56m with closing in Q4/2014 or Q1/2015

(1) As per 30-September 2014

(2) Data applies to date of purchase (signing)

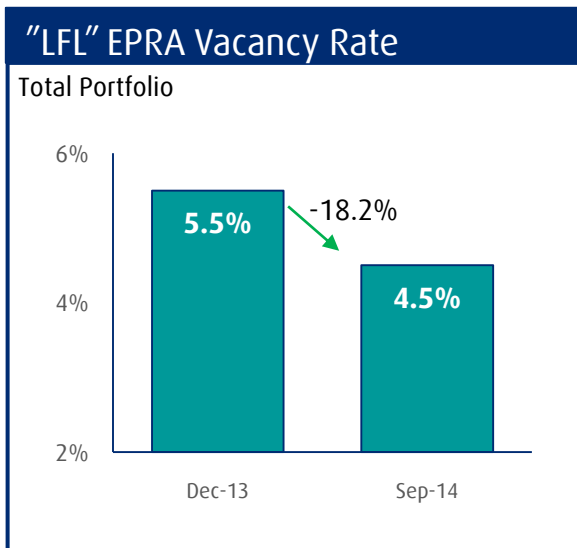


## Positive “LFL” Rental Development in Core Portfolio



- TLG **successfully increased** its core portfolio annual net rent by 2.1% on a like-for-like (“LFL”) basis compared to Dec-2013
- Office segment with particularly positive performance, **showing growth in annual net rent of 3.8%**, an increase in WALT by 0.2 years and growth in average rents per sqm of 1.5% since beginning of the year

## Significant “LFL” Vacancy Reduction in Total Portfolio



**“LFL” Vacancy Overview**

Sep-2014	Office	Retail	Hotel	Core Portfolio	Non-core Portfolio	Total
<b>Lettable area (sqm)</b>	324,085	485,210	75,852	885,147	409,936	1,295,083
<b>Vacant area (sqm)</b>	27,283	8,858	1,099	37,240	98,761	136,000
<b>EPRA vacancy rate</b>	7.4%	1.1%	1.3%	3.3%	13.0%	4.5%
<b>Absolute change EPRA vacancy rate vs. Dec-2013</b>	-1.4%	-0.4%	-3.2%	-1.1%	-0.8%	-1.0%

- **EPRA vacancy rate of the core portfolio decreased from 4.4% to 3.3% on a “like-for-like” basis**
- Letting successes regarding commercial units within two hotels in Dresden and Rostock reduced Hotel vacancy rate to nearly zero
- **In the first nine months of 2014 TLG successfully re-let and/ or renewed rental contracts for 100k sqm in the core portfolio and 184k sqm in the total portfolio**

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## Continuous Improvement in Operations on Track

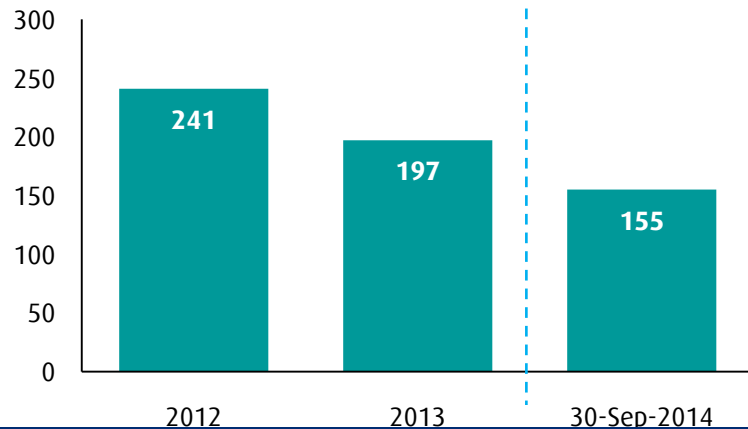
### Platform Streamlining

- TLG has invested a total of c.€45m to enhance cost efficiency of the operating platform as well as to significantly improve funding costs
- Additional "one-off" costs to prepare Initial Public Offering

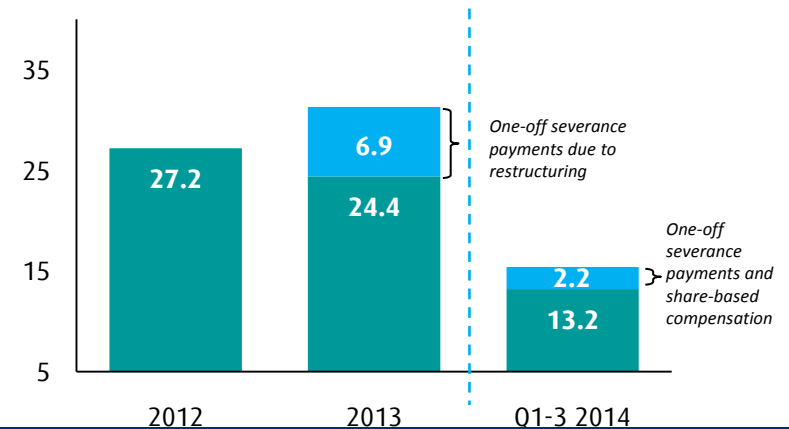
### Overhead Costs

- Completion of the corporate restructuring program reducing overhead and platform costs to €18-19m p.a. from 2015 onwards on a stabilized basis

### FTE Development



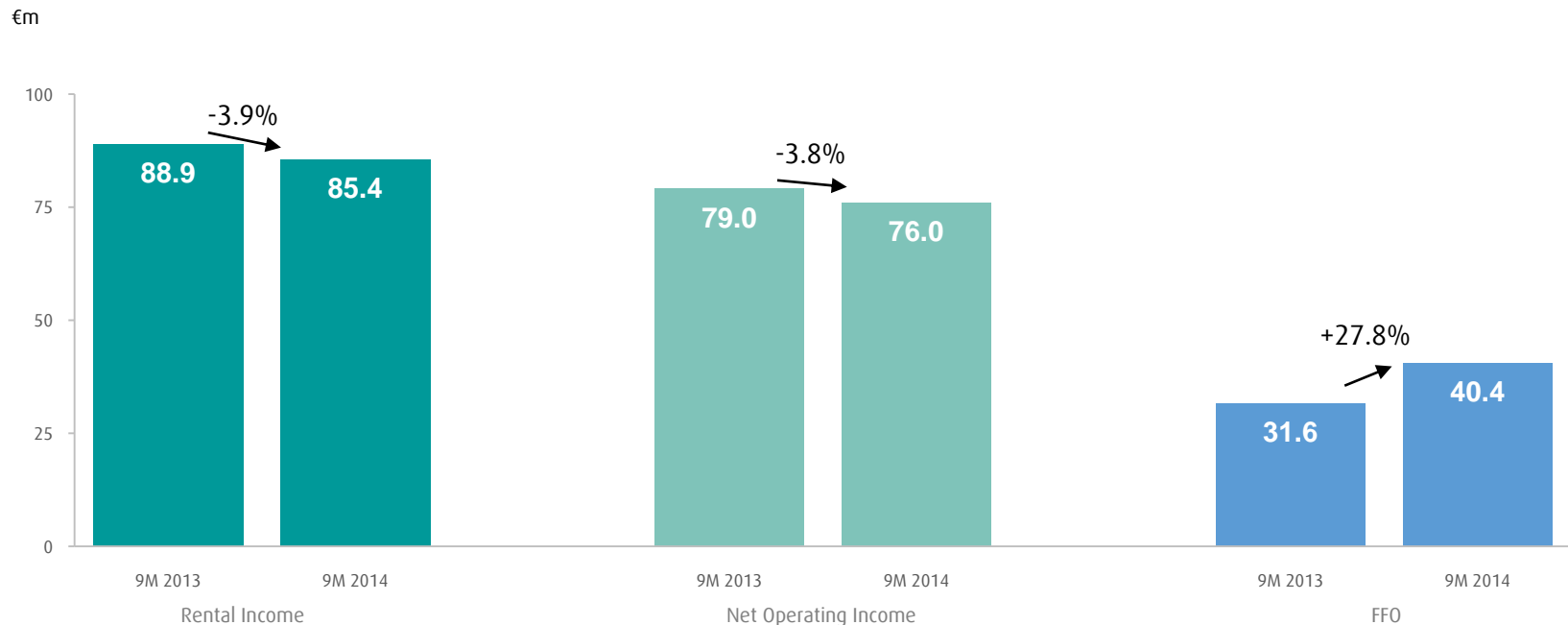
### Platform Cost Reduction (€m)<sup>(1)</sup>



<sup>(1)</sup> Platform costs comprised of personnel (€11.9m) and other operating expenses (€7.4m), adjusted for IPO-related costs of €3.9m until 30-Sep-2014

## 28% FFO growth achieved Y-o-Y

### Rental Income, NOI and FFO Development



- Slight decrease in rental income and NOI primarily related to sale of non-core properties in Q4 2013 with associated reduction of annualised net rent of approx. €9m
- Positive development of FFO primarily related to continuous improvement in overhead cost and improved financing structure

## Q3 P&L positively impacted by cost improvements

### Income Statement

(€m)	FY 2013 (audited)	9M 2013 (unaudited)	9M 2014 (unaudited)
<b>Rental income</b>	<b>118.3</b>	<b>88.9</b>	<b>85.4</b>
<b>Net operating income from letting activities</b>	<b>106.3</b>	<b>79.0</b>	<b>76.0</b>
Result from the remeasurement of investment property	72.2	60.2	47.2
Fair value remeasurements	58.0	55.5	15.2
Gains from disposals (incl. signed)	14.2	4.7	32.0
Results from the disposals of investment property	0.5	0.5	2.2
Results from the disposals of real estate inventory	7.8	7.7	5.9
Other operating income	18.7	5.5	8.9
Personnel expenses	(23.4)	(19.3)	(11.9)
Depreciation	(1.5)	(1.1)	(1.0)
Other operating expenses	(7.8)	(3.8)	(7.4)
<b>Earnings before interest and taxes (EBIT)</b>	<b>172.8</b>	<b>128.7</b>	<b>119.9</b>
Net interest	(35.4)	(25.8)	(17.9)
Other financial expenses	9.0	8.2	(2.1)
<b>Earnings before taxes (EBT)</b>	<b>146.4</b>	<b>111.2</b>	<b>99.9</b>
Income taxes	(47.3)	(35.9)	(31.5)
<b>Net income</b>	<b>99.1</b>	<b>75.3</b>	<b>68.5</b>
Other comprehensive income (OCI)	(0.1)	0.0	(8.5)
<b>Total comprehensive income for the year</b>	<b>99.0</b>	<b>75.3</b>	<b>60.0</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 €15.2m in 9M 2014 and €32.0m gains in relation to disposal of assets (incl. deals signed but not closed)
- 3 Increase mainly due to compensation from main shareholder for IPO expenses (€2.9m)
  - Decrease in personnel expenses primarily related to optimization of workforce and organization
- 4 Significant reduction mainly achieved in course of comprehensive refinancing of higher cost debt in H1-2014
- 5 Effect relates to hedge accounting
- 6

## Maintaining a Strong Balance Sheet

### Balance Sheet

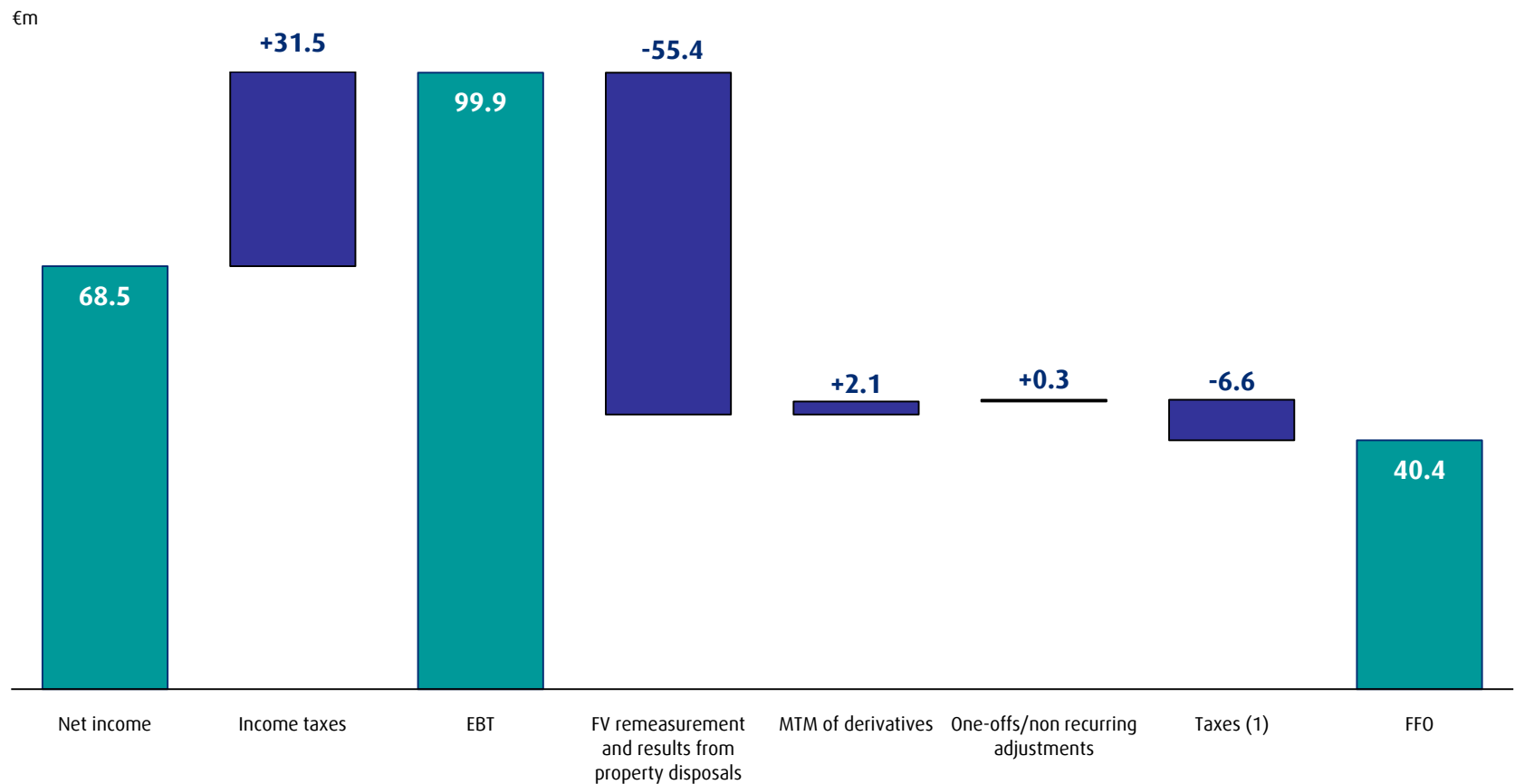
(€m)		FY 2013 (audited)	9M 2014 (unaudited)
<b>Non-current assets</b>		<b>1,448.1</b>	<b>1,502.2</b>
Investment property (including advance payments)	1	1,417.4	1,468.3
Property, plant and equipment	2	17.8	14.2
Other non-current assets		9.4	12.8
Deferred tax assets		3.6	6.9
<b>Current assets</b>		<b>187.6</b>	<b>106.1</b>
Inventories		13.4	1.5
Receivables and other current assets		17.4	20.2
Cash and cash equivalents		138.9	57.0
Assets classified as held for sale		17.8	27.4
<b>Total assets</b>		<b>1,635.7</b>	<b>1,608.3</b>
<b>Equity</b>		<b>801.0</b>	<b>630.7</b>
<b>Liabilities</b>		<b>834.7</b>	<b>977.6</b>
<b>Non-current liabilities</b>		<b>630.3</b>	<b>854.2</b>
Liabilities to financial institutions	3	513.0	727.9
Provisions and other non-current liabilities	4	29.1	24.4
Deferred tax liabilities		88.1	101.9
<b>Current liabilities</b>		<b>204.4</b>	<b>123.3</b>
Liabilities to financial institutions		113.2	29.1
Tax liabilities		44.3	57.9
Other provisions	5	16.2	13.1
Trade payables		14.6	14.3
Other current liabilities		16.1	9.0
<b>Total equity and liabilities</b>		<b>1,635.7</b>	<b>1,608.3</b>

### Comments

- 1 Change in investment property YTD mainly driven by acquisitions (€70.0m), capitalization of construction activities (€9.2m), reclassification of properties as assets held for sale (€77.8m), and remeasurements of fair value (thereof €15.2m FV adjustments and €32.0m gains from disposals, incl. deals signed but not closed)
- 2 PP&E contains €13.0m of real estate assets held for own use reported at historical depreciated costs as per IAS16
- 3 Increase of non-current financial liabilities by refinancing current liabilities and new loans
- 4 Reduction impacted by restructuring of swap portfolio during 9M-2014
- 5 Mainly including provisions for litigation risk of €11.7m as of 30-Sep-2014. Difference 9M-2014 to 2013 mainly related to utilization for HR restructuring (€2.4m) and reversal of provision following successful lawsuit (€2.2m)

## FFO of first 9M supporting full-year target of €50m

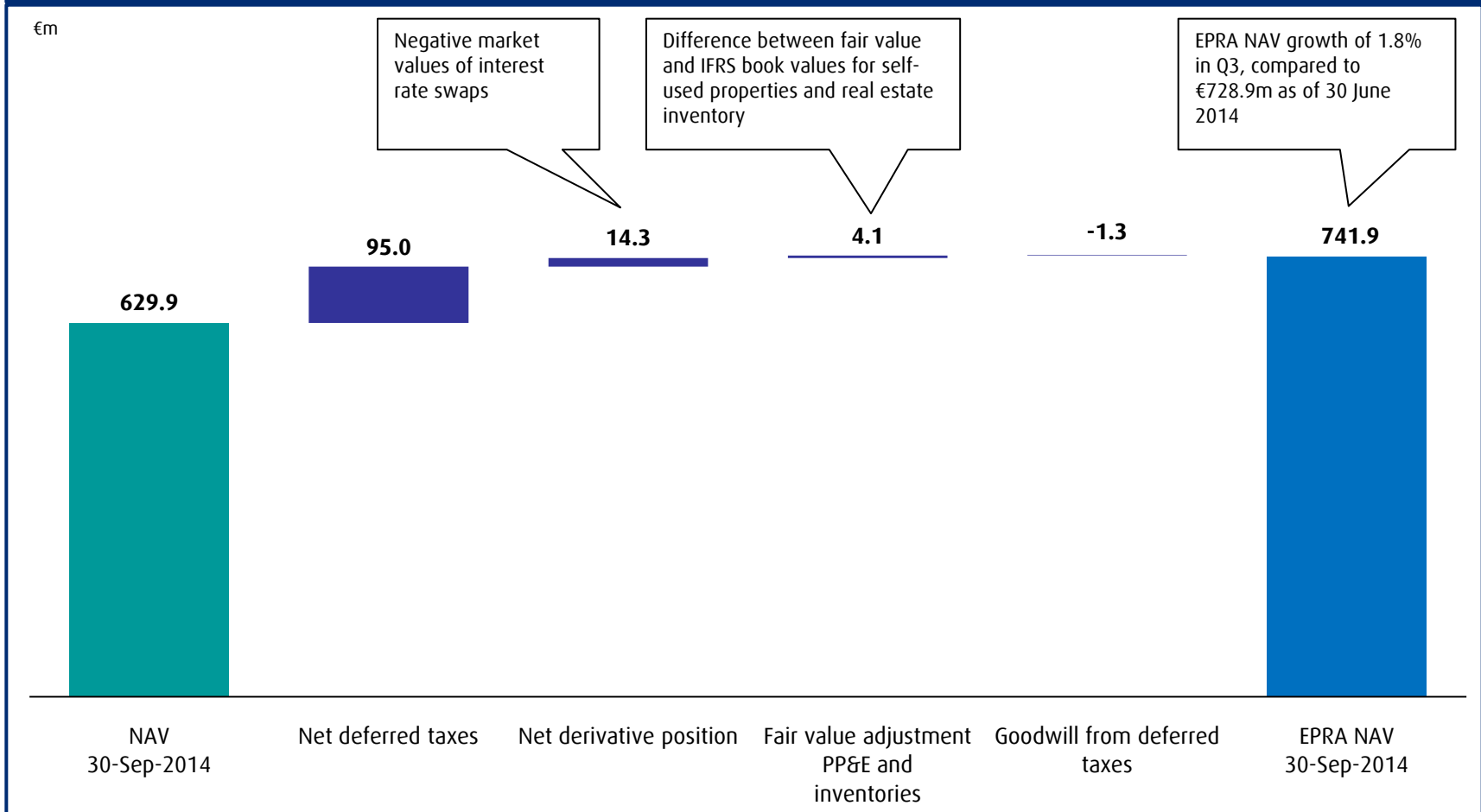
### FFO Reconciliation 9M 2014



(1) Including income taxes, deferred taxes, correction of current income taxes and tax effects due to adjustments

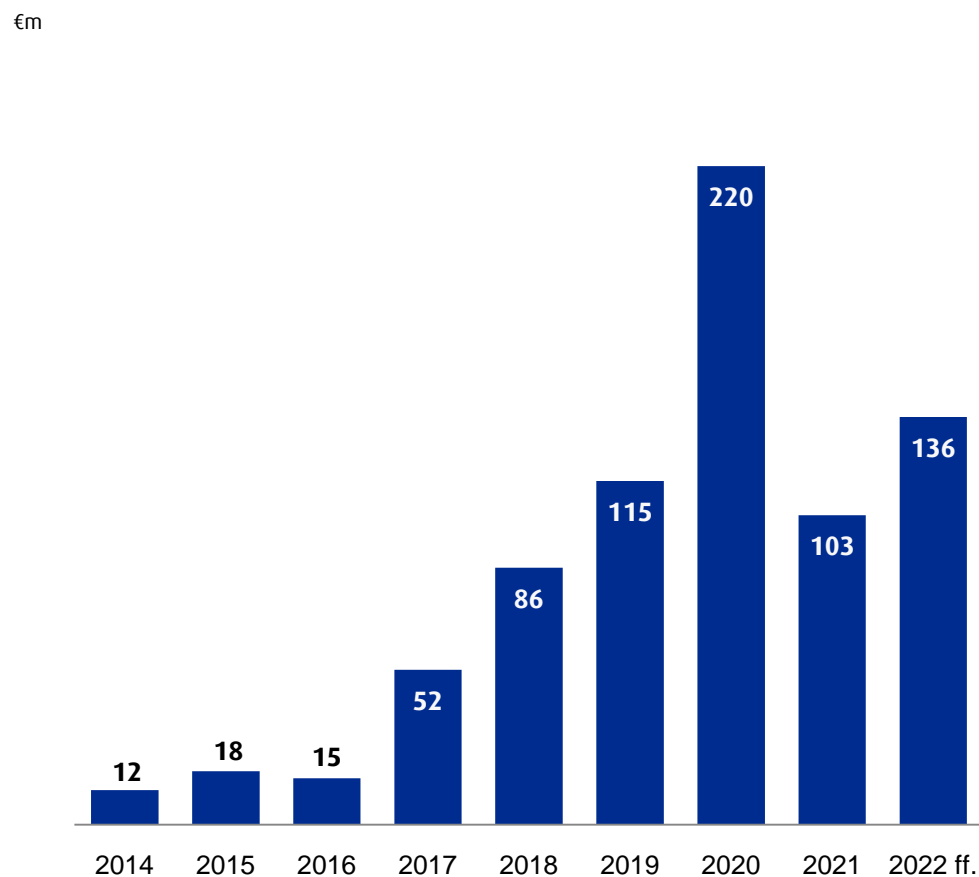


## EPRA NAV Reconciliation



## Committed to Conservative Financing Structure

### Maturity profile as of 30-Sep-2014



### Debt structure and debt service

(€m)	30-Sep-2014
Gross debt (€m)	757.0
LTV (%)	46.4
Avg. interest rate (%)	2.95
Avg. weighted maturity (years)	5.7
Interest rate fixed or hedged (%)	98

### Comments

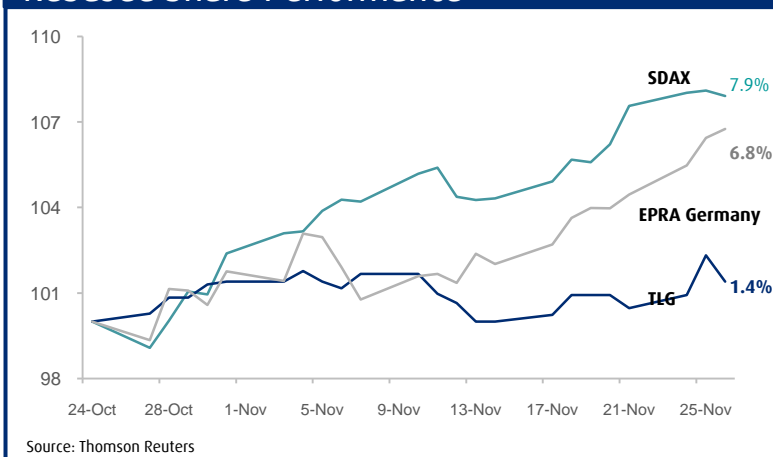
- No significant maturities in next years
- Only bank debt and no publicly traded debt securities
- Debt of €10m maturing in Nov-2014 will be rolled over with a long-term financial loan
- Liabilities to financial institutions are based on an active business relationship with a pool of approx. 20 financial institutions
- Post IPO LTV of 40% (including net proceeds from capital raise)

## TLG Share Information

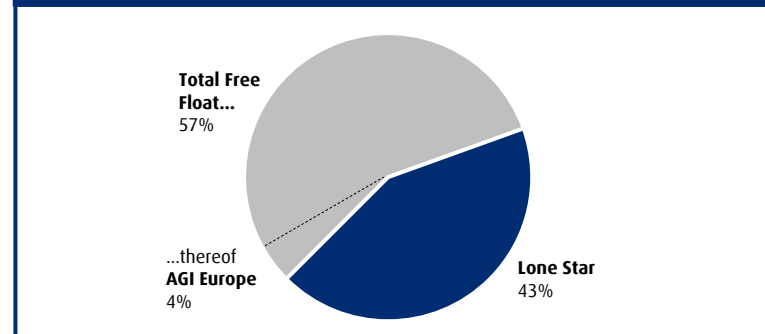
### Basic Share Data as of 26 November 2014

Symbol	TLG
Share price (XETRA)	€10.90
ISIN	DE000A12B8Z4
YTD	1.40%
Primary exchange	Xetra
Market capitalization	€668.2m
Shares outstanding	61.3 million

### Rebased Share Performance



### Shareholder Structure<sup>(1)</sup>



### Broker Coverage and Corporate Events

Analyst coverage	Analyst name	Date
UBS	Osmaan Malik	26-Sep-2014
J.P. Morgan	Tim Leckie	26-Sep-2014
Commerzbank	Thomas Rothäusler	26-Sep-2014
HSBC	Thomas Martin	26-Sep-2014
Kempen & Co.	Bernd Stahli	26-Sep-2014
Financial calendar	Date	
2014 Annual Report	30 Apr-2015	
Q1-2015 Report	01-Jun-2015	

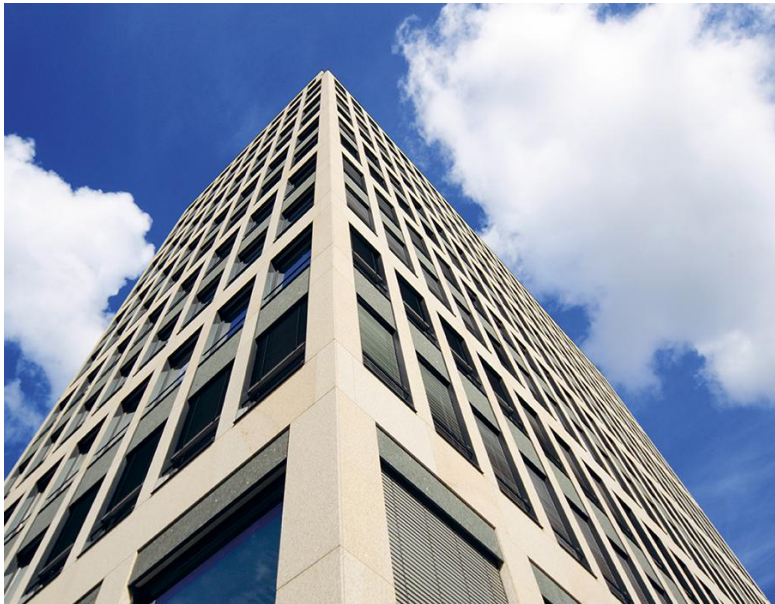
(1) Free float includes shares formerly attributed to Mercantil Valores; other free float comprises only shareholding of no more than 3%, according to shareholding notifications received by TLG IMMOBILIEN AG

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<p><b>Rental Income</b></p>	<ul style="list-style-type: none"> <li>▪ Continue rental growth from further reduction of condensed vacancies, active (re-) letting and integration of newly acquired assets</li> </ul>
<p><b>Acquisitions</b></p>	<ul style="list-style-type: none"> <li>▪ Ongoing screening and due diligence of acquisition opportunities in line with portfolio growth strategy</li> <li>▪ Focus on office and retail assets in TLG's core regions</li> </ul>
<p><b>Disposals</b></p>	<ul style="list-style-type: none"> <li>▪ Further disposals of "non-core" assets in line with portfolio strategy</li> </ul>
<p><b>FFO</b></p>	<ul style="list-style-type: none"> <li>▪ 2014 expected FFO of €50m</li> </ul>
<p><b>Dividend</b></p>	<ul style="list-style-type: none"> <li>▪ Stub dividend for 2014 of €10-15m</li> <li>▪ Expected pay-out 70% - 80% of FFO for FY2015</li> </ul>

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## Contact Details



### **TLG IMMOBILIEN AG**

Hausvogteiplatz 12

D-10117 Berlin

[www.tlg.de](http://www.tlg.de)

### **Sven Annutsch (Head of IR)**

Telefon: +49 - 30 - 2470 - 6089

Fax: +49 - 30 - 2470 - 7446

Email: [ir@tlg.de](mailto:ir@tlg.de)