

# TLG IMMOBILIEN AG

Q3 2015 Results  
November 2015



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# AGENDA

## **1 Highlights Q3 2015**

2 Portfolio

3 Operations and Financials

4 Outlook

5 Appendix

# KEY HIGHLIGHTS Q3 2015

## Portfolio and operations

- **TLG IMMOBILIEN successfully continues growth path** by generating 9.8% YoY growth in rental income to EUR 93.8m in first 9 months of 2015
- Driven by effects of improved cost structure, **FFO shows increase of 18% YoY to EUR 47.8m**
- Dynamic office markets in key locations enable rent renewals and vacancy reduction at favorable conditions

## Balance sheet

- **YTD increase in EPRA NAV/s by 13%** to EUR 16.90, significantly influenced by value uplift of EUR 74m
- Low leverage structure with **Net LTV of 41.1% in Q3 2015**
- Continuously operating with **marginal cost of debt** of c. 2%

## Growth

- TLG IMMOBILIEN continues successful growth path with additional signed acquisition of **EUR 85m; YTD total signed and partly closed transactions of EUR 229m**
- Remaining acquisitions announced in H1 successfully closed in Q3 2015
- Accelerated disposal of Non-core assets with profit of 17% YTD

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# SIGNIFICANT PORTFOLIO GROWTH IN Q3 2015

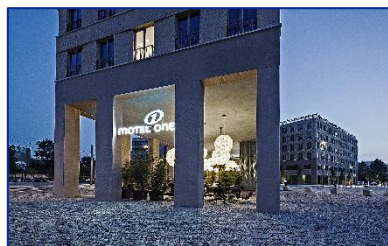
## TLG IMMOBILIEN portfolio as of 30 September 2015



Office Berlin



Retail Rostock



Hotel Dresden

Q3 2015 Update Presentation

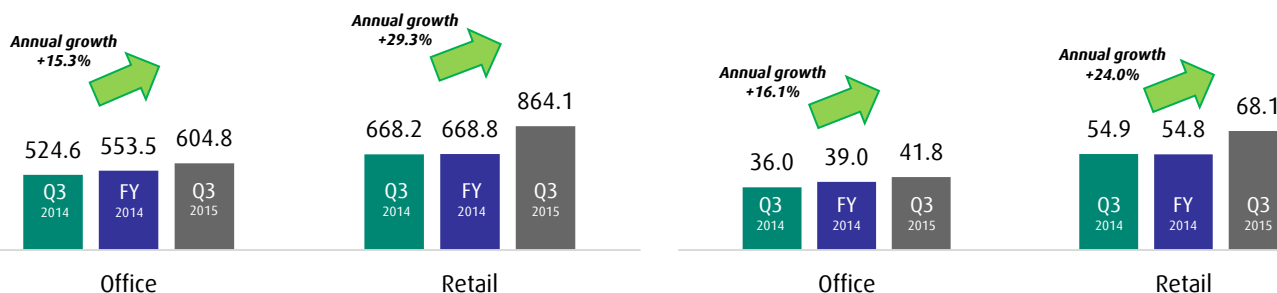
	Office	Retail	Hotel	Core portfolio	Non-core portfolio	Total 30 Sep 15	Total 31 Dec 14	Change
IFRS portfolio value (EUR m)	604.8	864.1	206.6	1,675.5	91.5	1,767.0	1,526.0	+15.8%
Properties (number)	49	278	5	332	115	447	460	-13 units
Annualised in-place rent (EUR m) <sup>(1)</sup>	41.8	68.1	12.6	122.5	10.9	133.4	118.9	+12.2%
In-place rental yield (%) <sup>(2)</sup>	7.0	7.9	5.9	7.3	11.9	7.5	7.8	-0.3p.p.
EPRA Vacancy Rate (%)	6.3	1.8	1.1	3.3	14.7	4.2	3.9	+0.3p.p.
WALT (years)	5.2	6.0	15.4	6.7	5.9	6.7	7.4	-0.7yrs
Average rent (EUR/sqm)	9.54	9.74	14.04	9.98	3.74	8.79	8.38	+4.9%

### IFRS portfolio value development

in EUR million

### Annualised net rent development

in EUR million



(1) Without net rent of (TLG IMMOBILIEN) owner-occupied properties which amounts to EUR 0.9m

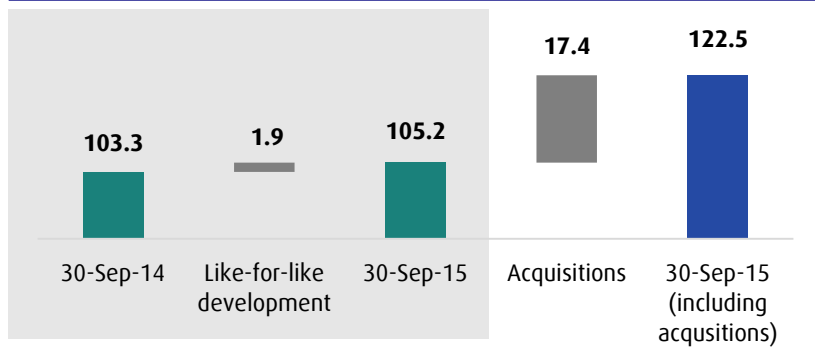
(2) Rental yield = Annualised net rent including (TLG IMMOBILIEN) owner-occupied properties / Market values

# STABLE DEVELOPMENT OF MAJOR KEY METRICS

## Q3 Y-on-Y metrics within Core portfolio influenced by positive like-for-like development and acquired properties

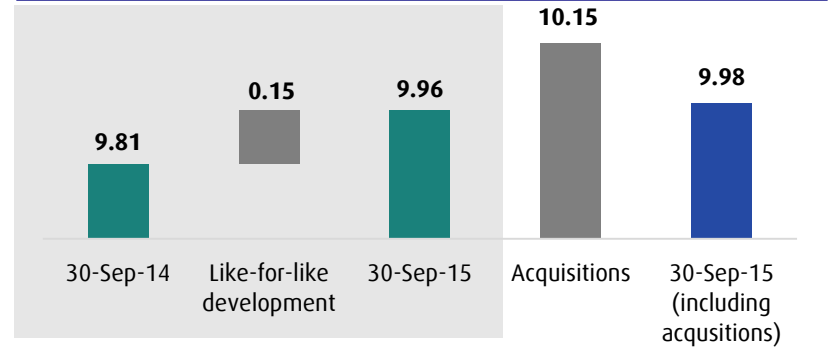
### Annualised in-place rent

in EUR million



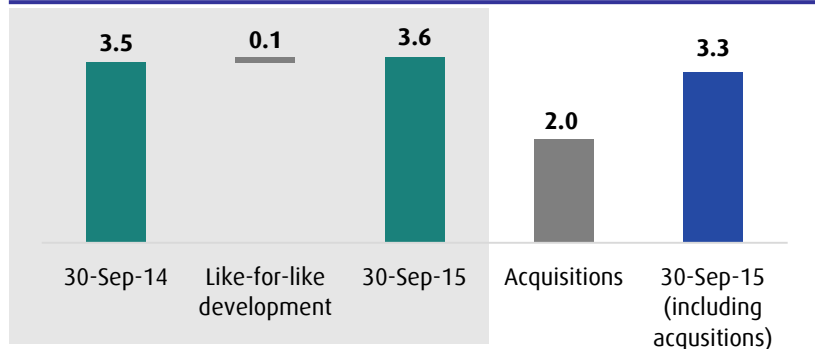
### Average rent

in EUR / sqm / month



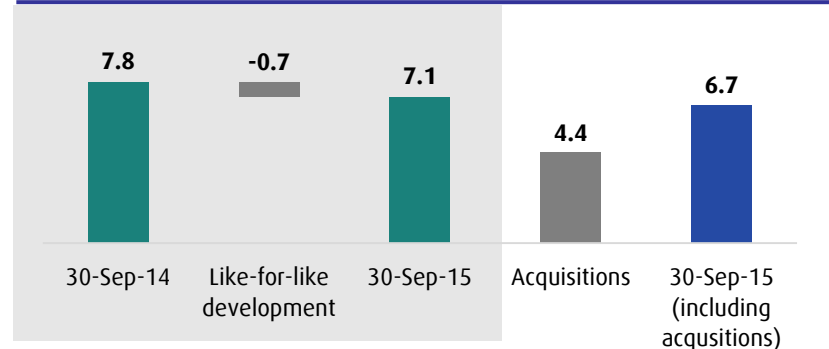
### EPRA Vacancy Rate

in %



### WALT

in years



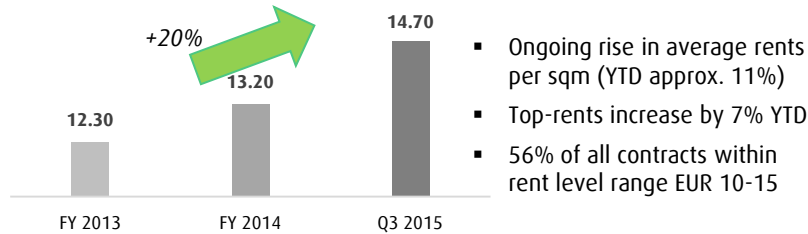
*Like-for-like development*

# SNAPSHOT: TLG IMMOBILIENS'S BERLIN OFFICE PORTFOLIO

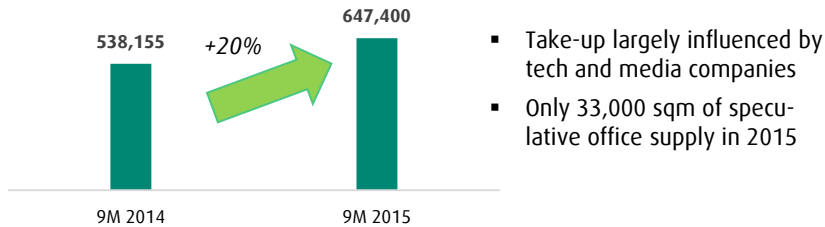
## TLG IMMOBILIEN's Berlin office portfolio benefits from splendid local market environment

### Berlin office market – facts and figures 9M 2015

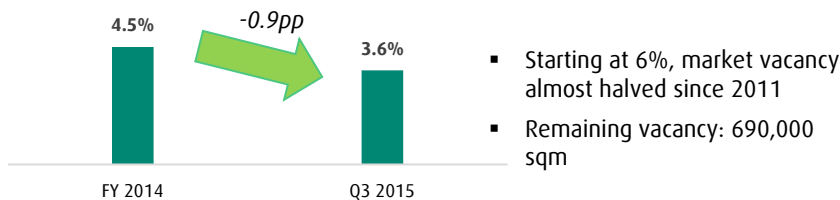
#### Development of average rents in EUR / sqm / month



#### Development of sqm turnover in sqm

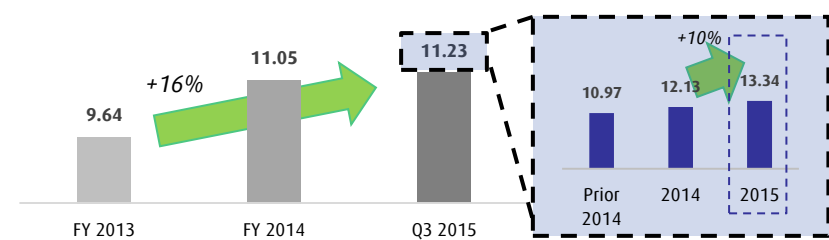


#### Development of Vacancy Rate

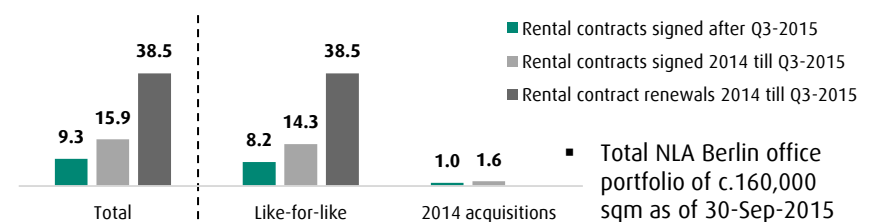


### TLG IMMOBILIEN Berlin office portfolio

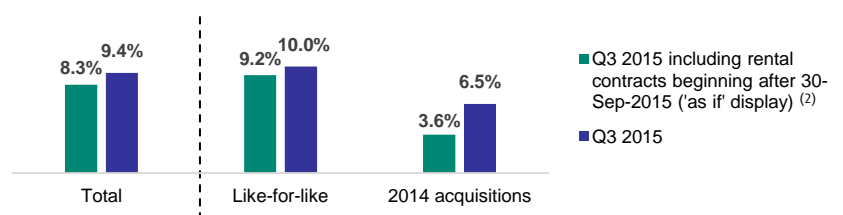
#### Development of average rents (like-for-like)<sup>(1)</sup> in EUR / sqm / month



#### Development of sqm turnover in thsd. sqm



#### Development of EPRA Vacancy Rate





# UPDATE ON RECENT ACQUISITION

## Further delivery on the growth track: Acquisition of the office portfolio 'Blue Five'

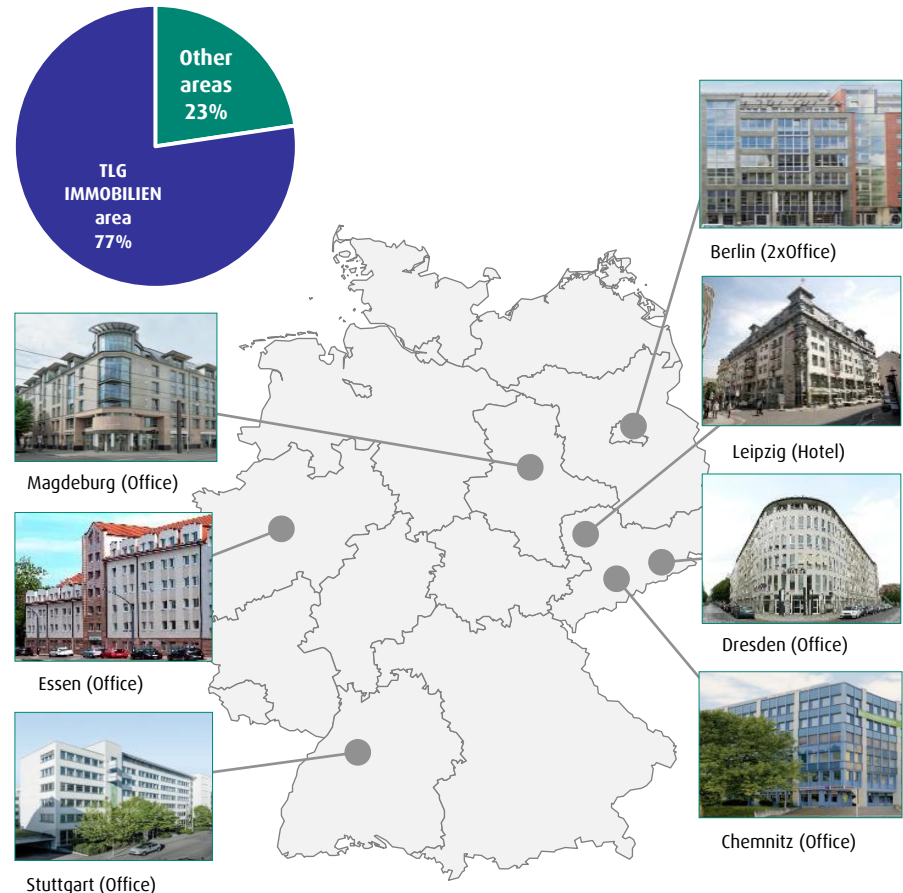
### Description

- Acquisition consists of 8 properties (7 offices and 1 hotel)
- Portfolio comprises c. 70,000 sqm NLA across 7 cities, mostly in eastern Germany
- Largest properties in excellent core CBD locations of Berlin, Leipzig and Dresden (approx. 70% of total value)
- Stable cash-flows from good tenant mix in combination with upside potential from under-rent situations and vacancy reduction
- Properties in Stuttgart and Essen for the time being flagged as 'Non-core'

### Key metrics

Total investment	EUR 84.6m
Date of signing	12 Nov 2015
Annual net rent	EUR 5.6m
In-place rental yield	6.6%
WALT	5.8 years
EPRA Vacancy Rate	12.5%
Top tenants	BlMA, gsub, DAK, Marriott

### Geographical split



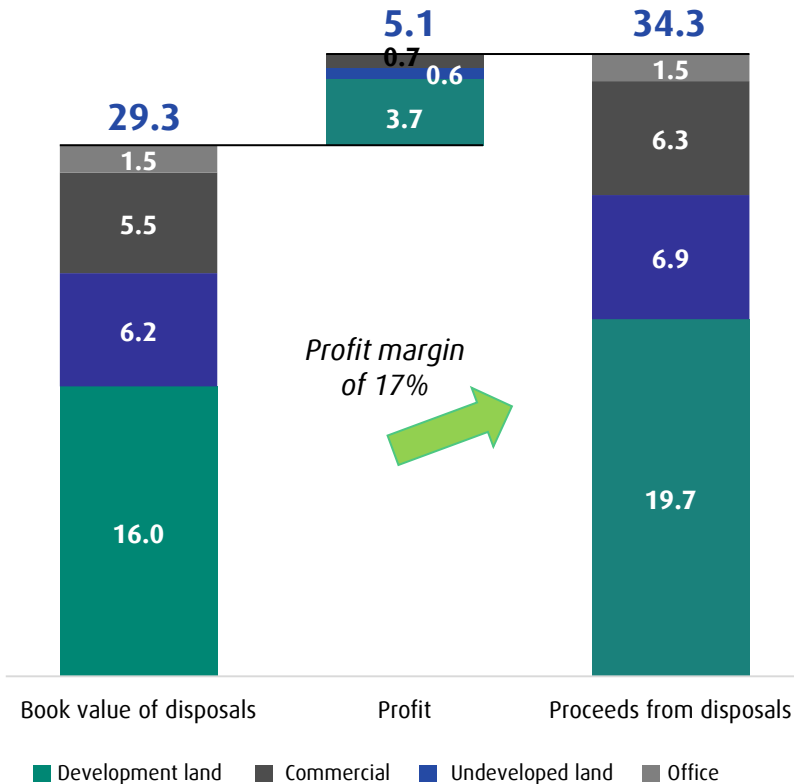
# UPDATE ON NON-CORE SALES

## Non-core disposals driving net income and enabling further enhancement of platform efficiency



### Profit from Non-core portfolio disposals in 9M 2015

in EUR million



- Accelerated sales activity for selected Non-core assets, driven by increased investor’s interest in smaller local markets and specialized properties
- Successful signing for two business parks in November 2015 – sales volume: c. EUR 19m
- Disposal of more complex and thereby work intensive assets further strengthens efficiency of TLG IMMOBILIEN platform
- Contractually agreed disposal of further assets with a total sales volume of approx. EUR 10m (including significant profit margin)

# IFRS PORTFOLIO VALUE INCREASE BY 16% IN 2015 YTD

## IFRS portfolio fair value reconciliation in EUR million



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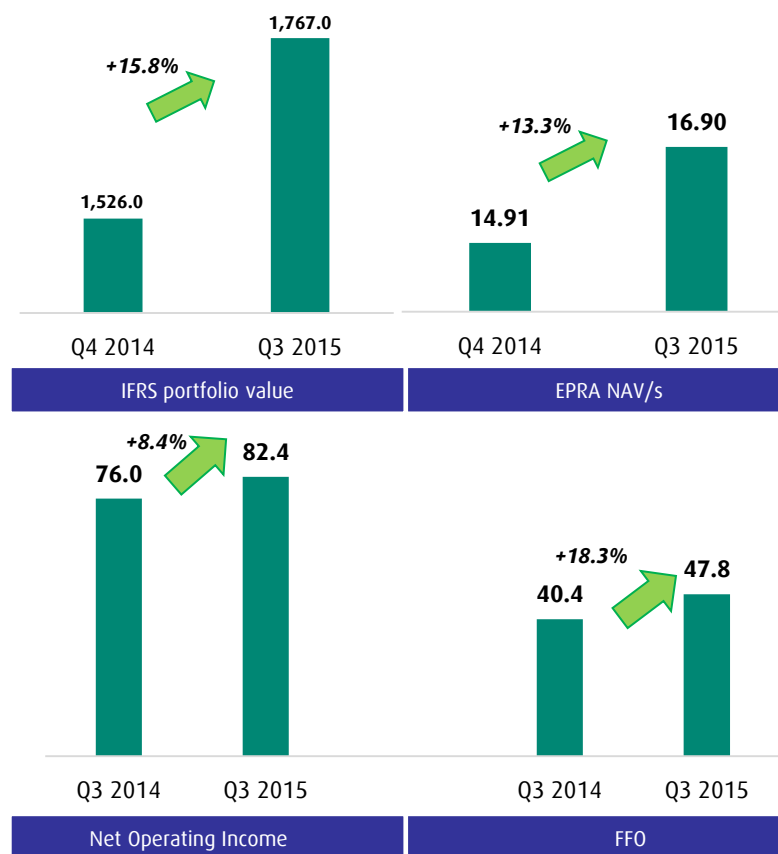
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# IMPROVEMENT IN KEY FINANCIAL METRICS Y-ON-Y

## Key metrics in EUR million

	9M 2015	9M 2014	Comparison
<b>Rental income</b>	<b>93.8</b>	85.4	➔ +9.8%
<b>NOI</b>	<b>82.4</b>	76.0	➔ +8.4%
<b>FFO</b>	<b>47.8</b>	40.4	➔ +18.3%
<b>FFO/s (EUR)</b>	<b>0.78</b>	0.78	➔ +0.0%
<b>In-place rental yield<sup>(1)</sup></b>	<b>7.5%</b>	7.7%	➔ -0.2pp

	Q3 2015	Dec 2014	Comparison
<b>IFRS portfolio value</b>	<b>1,767.0</b>	1,526.0	➔ +15.8%
<b>EPRA NAV/s (EUR)</b>	<b>16.90</b>	14.91	➔ +13.3%
<b>Net LTV</b>	<b>41.1%</b>	40.3%	➔ +0.8pp



(1) Based on annualised in-place rent

# SOLID EARNINGS INCREASE IN 9M 2015

## Income Statement

in EUR million		9M 2015	9M 2014
<b>Rental income</b>		<b>93.8</b>	<b>85.4</b>
<b>Net operating income from letting activities</b>	1	<b>82.4</b>	<b>76.0</b>
Result from the remeasurement of investment property	2	74.3	47.2
Results from the disposals of investment property		4.5	2.2
Results from the disposals of real estate inventory		0.6	5.9
Other operating income	3	4.6	8.9
Personnel expenses	4	(9.2)	(11.9)
Depreciation		(0.6)	(1.0)
Other operating expenses	5	(4.9)	(7.4)
<b>Earnings before interest and taxes (EBIT)</b>		<b>151.7</b>	<b>119.9</b>
Net interest	6	(17.3)	(17.9)
Other financial result	7	(0.2)	(2.1)
<b>Earnings before taxes (EBT)</b>		<b>134.2</b>	<b>99.9</b>
Income taxes		(33.8)	(31.5)
<b>Net income</b>		<b>100.4</b>	<b>68.5</b>
Other comprehensive income (OCI)		1.3	(8.5)
<b>Total comprehensive income</b>		<b>101.7</b>	<b>60.0</b>

## Comments

- 1 Increase in 8.4% NOI from letting activities mainly related to the acquisition of new properties
- 2 Positive remeasurement due to favorable market conditions, furthermore low EPRA Vacancy Rate and long WALT
- 3 9M 2015 mainly includes EUR 1.5m reversal of bad debt allowances, EUR 1.4m insurance gains
- 4 Decrease in personnel expenses as a result of successful restructuring
- 5 Decrease mainly due to IPO expenses in 2014 and the reversal of provisions in 2015 amounting EUR 1.3m (legal issue)
- 6 Relative decrease of interest costs due to loan refinancing despite increase in financial liabilities
- 7 Q3 2014 number includes remeasurement of interest rate hedges without an effective hedging relationship



# STRONG BALANCE SHEET AS PLATFORM FOR GROWTH

## Balance Sheet

in EUR million	30 Sep 2015	31 Dec 2014
<b>Non-current assets</b>	<b>1,783.2</b>	<b>1,525.2</b>
Investment property (including advance payments) <sup>1</sup>	1,756.5	1,495.5
Property, plant and equipment	10.4	14.1
Other non-current assets	13.3	12.6
Deferred tax assets	2.9	3.0
<b>Current assets</b>	<b>63.9</b>	<b>212.8</b>
Real estate inventory	1.1	1.5
Receivables and other current assets	12.7	36.7
Cash and cash equivalents	48.6	152.6
Non-current assets classified as held for sale	1.5	22.0
<b>Total assets</b>	<b>1,847.1</b>	<b>1,738.0</b>
<b>Equity</b> <sup>2</sup>	<b>835.8</b>	<b>748.0</b>
<b>Liabilities</b>	<b>1,011.3</b>	<b>990.0</b>
<b>Non-current liabilities</b>	<b>951.1</b>	<b>909.1</b>
Non-current liabilities to financial institutions <sup>3</sup>	740.5	731.1
Provisions and other non-current liabilities	25.4	27.6
Deferred tax liabilities <sup>4</sup>	185.2	150.5
<b>Current liabilities</b>	<b>60.2</b>	<b>80.9</b>
Current liabilities to financial institutions <sup>3</sup>	34.8	39.3
Tax liabilities	2.7	9.6
Other current provisions	2.7	5.7
Trade payables	14.6	13.9
Other current liabilities	5.3	12.4
<b>Total equity and liabilities</b>	<b>1,847.1</b>	<b>1,738.0</b>

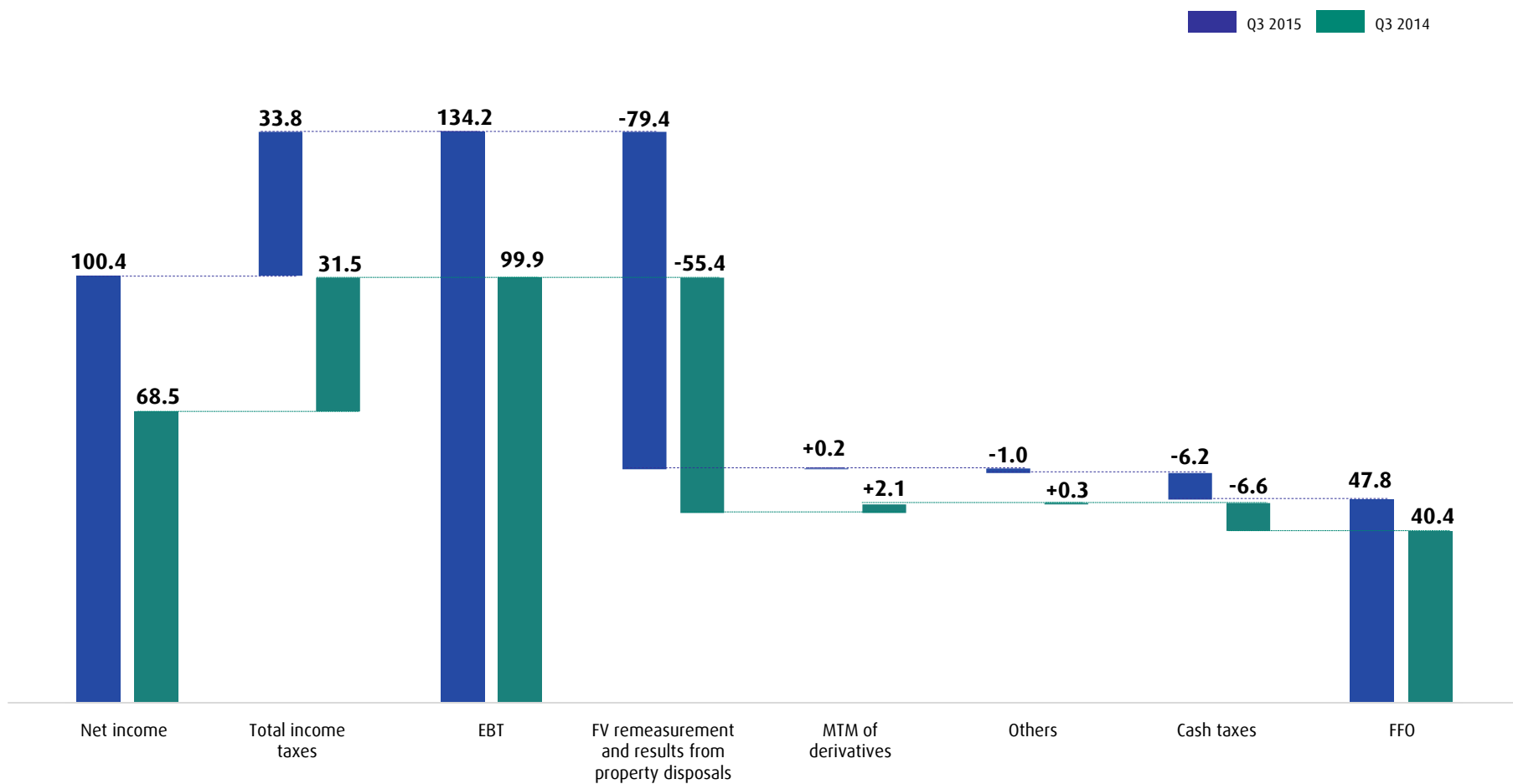
## Comments

- <sup>1</sup> Change in investment property in 9M 2015 mainly driven by acquisitions (EUR 193.1m) and fair value adjustments (EUR 74.3m)
- <sup>2</sup> Equity increased by 11.7% (ratio 45.2%), though dividend payout of EUR 15.3m in June 2015
- <sup>3</sup> Y-on-Y stable financing volume, however increase since last quarter as a result of new acquisition-based financing
- <sup>4</sup> Increase in deferred tax liabilities mainly driven by positive result from the remeasurement of investment property of EUR 74.3m

# FFO BRIDGE 9M 2015, RESULTING IN FFO OF EUR 48M

## FFO Reconciliation 9M 2015 / 9M 2014

in EUR million

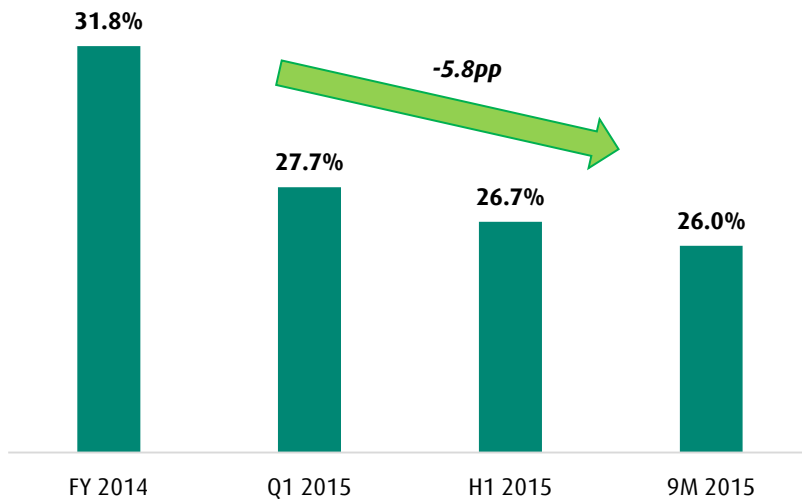


# EPRA COST RATIO DEVELOPMENT

## Ongoing reduction of EPRA Cost Ratios

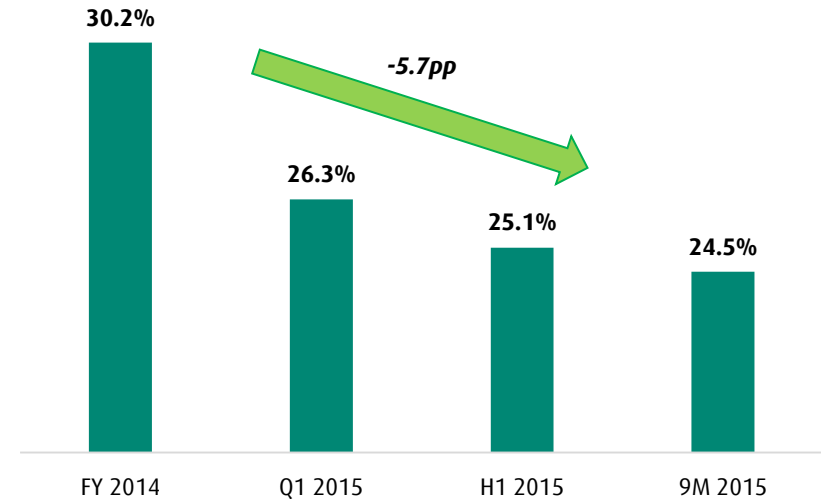
### EPRA Cost Ratio (including direct vacancy costs)

in %



### EPRA Cost Ratio (excluding direct vacancy costs)

in %

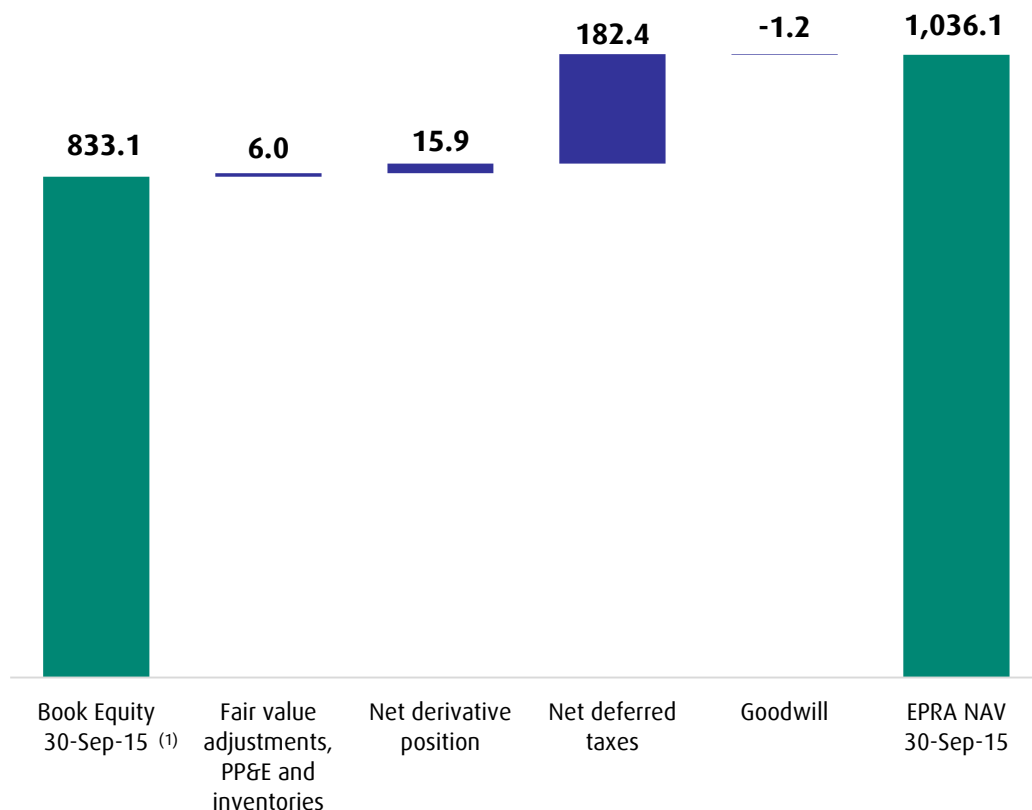


- Ongoing reduction of EPRA Cost Ratios (including and excluding direct vacancy costs)
- Decrease driven by increase in rental income as well as lower personnel expenses

# EPRA NAV GROWTH DRIVING NAV/S TO EUR 16.90

## EPRA NAV Q3 2015 reconciliation

in EUR million



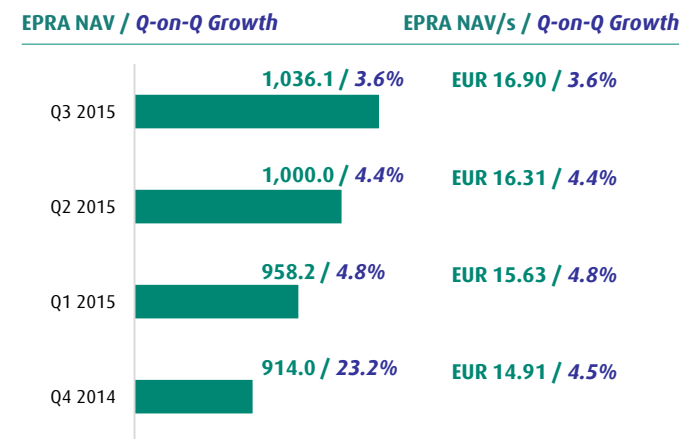
(1) Adjusted for non-controlling interests

## Comments

- Since Q4 2014 **strong increase in EPRA NAV per share by 13%** from EUR 14.91 to EUR 16.90
- Growth in EPRA NAV **mainly driven by increase in remeasurement in investment properties and strong profit generation**

## Quarterly development of EPRA NAV

in EUR million



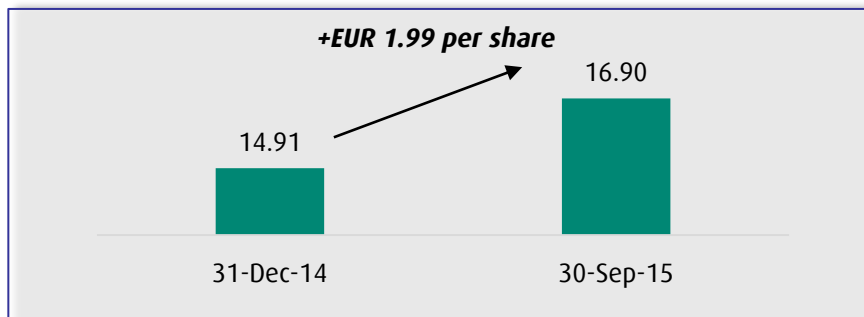
# FOCUS ON FUNDAMENTAL VALUE CREATION IN 9M 2015

## Dividend per share (EUR)

*Payment of EUR 0.25 per share*

+

## Fundamental value: EPRA NAV per share (EUR)



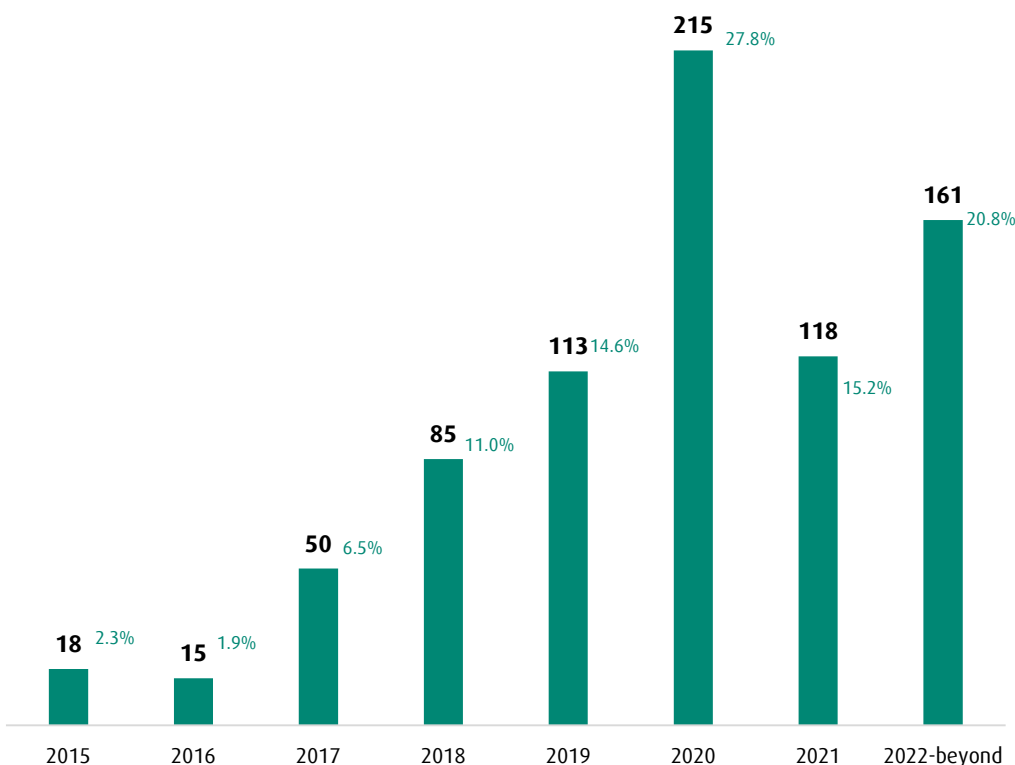
- **Aggregate shareholder value growth of EUR 2.24 per share generated in 2015 YTD**
- **Equal to 15%<sup>(1)</sup> 9M return, based on EPRA NAV/s at the beginning of 2015**

(1) 9M growth of EUR 2.24 per share (EPRA NAV per share growth of EUR 1.99 plus dividend per share of EUR 0.25) divided by EPRA NAV per share as of 31 Dec 2014

# UNCHANGED: CONSERVATIVE FINANCING STRUCTURE

## Maturity profile as of 30 September 2015<sup>(1)</sup>

in EUR million



(1) Excluding regular amortisation payments

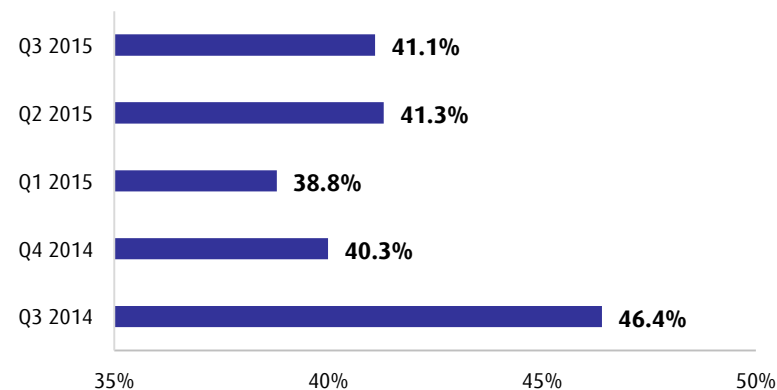
## Debt structure and debt service as of 30 September 2015

in EUR million

Gross debt (EUR m)	775
Net LTV (%)	41.1
Avg. interest rate (%)	2.92
Avg. weighted maturity (years)	5.0
Interest rate fixed or hedged (%)	99

## Net LTV development

in %





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# OUTLOOK

## Operations

- Rental revenues from newly acquired assets starting in 2016
- Further expected letting results with positive impact on key metrics in 2016
- Market environment should allow for enhancement of rent upside in recently acquired assets

## Acquisitions

- Ongoing screening and execution of acquisition opportunities in line with portfolio strategy
- Strategic growth towards EUR 2bn portfolio size by 2017 ahead of plan

## FFO

- Confirmation of increased FFO guidance to approx. EUR 63m for FY 2015, reflecting the positive business development of YTD as well as successful acquisition results

## NAV

- 2015 NAV growth to be driven by secured earnings and further positive development of property values in current market environment

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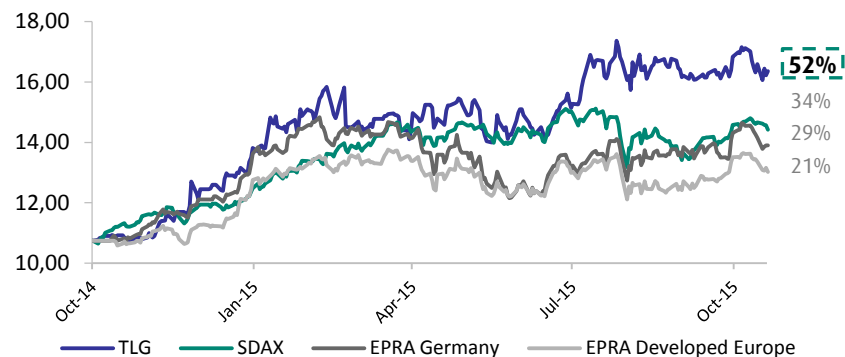
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# TLG IMMOBILIEN SHARE INFORMATION

## Basic share information (as of 12 November 2015)

Symbol	TLG
Share price (XETRA)	EUR 16.36
ISIN	DE000A12B8Z4
Performance since IPO	52%
Primary exchange	XETRA
Market capitalization	EUR 1.0bn
Shares outstanding	61.3 million

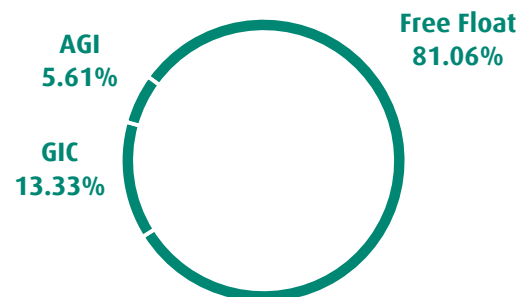
## Share performance since IPO



Source: Thomson Reuters as of 12 November 2015

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## Shareholder structure



Shareholdings according to latest voting rights information  
Free float according to Deutsche Boerse definition

## Coverage by analysts

Analyst coverage	Target	Analyst name	Date
Deutsche Bank	EUR 20.5 (Buy)	Markus Scheufler	12-Nov-2015
Bankhaus Lampe	EUR 21.0 (Buy)	Georg Kanders	10-Nov-2015
Commerzbank	EUR 18.5 (Buy)	Thomas Rothäusler	10-Nov-2015
UBS	EUR 17.5 (Buy)	Osmaan Malik	24-Sep-2015
VICTORIAPARTNERS	EUR 17.25 <sup>(1)</sup>	Bernd Janssen	24-Sep-2015
JP Morgan	EUR 18.0 (Neutral)	Tim Leckie	15-Sep-2015
Kempen & Co.	EUR 17.0 (Neutral)	Remco Simon	04-Sep-2015
HSBC	EUR 18.8 (Buy)	Thomas Martin	05-Aug-2015

Source: Bloomberg as 10 November 2015; Research reports (1) Fair Value range of EUR 16.30 - 18.20

# FINANCIAL CALENDAR AND CONTACT DETAILS

Full-Year 2015 Results	30 March 2016
Q1 2016 Results	13 May 2016
AGM	31 May 2016
Q2 2016 Results	10 August 2016
Q3 2016 Results	11 November 2016

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