



**TAG Immobilien AG**

**Q1 2011**





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## **TAG investment case**

- I. Focus: High-quality EUR 1.3 bn German residential real estate in metropolitan regions such as Hamburg, Berlin, North Rhine Westphalia, Salzgitter, Leipzig and Munich**
- II. Plus: Solid EUR 477m German commercial real estate with solvent tenants (45% Siemens)**
- III. Solid financing structure (Loan to Value 60%), average loan maturity of 5.3 years**
- IV. Team with high expertise; low-cost internal administration**
- V. Flexible corporate structures, able to swiftly adjust to market changes and act on opportunities**
- VI. Considerable potential for increasing book value**
  - Rental growth
  - Further vacancy reduction
  - Exploiting one-off market opportunities

# **Strategic situation of the Group**

## **I. Consolidation mostly completed**

- No more write-downs/depreciation of the properties expected
- No refinancing issues
- Significant reduction in non-property-related costs
- Personnel costs dropped to EUR 8.8 m (in total 2010) for the period compared to the previous year (reduction of 19%)
- Reduction of vacancy (and attendant reduction of vacancy costs):
  - Total: 7.4% (45,076 sqm) 2009/ 5.3% (42,663 sqm) 2010

## **II. Portfolio restructuring**

- Residential focus on
  - Increase Bau-Verein holding from 71% to 91%
  - Purchase of a portfolio of residential flats in Berlin (paid with own shares at 5.50 EUR/share) as well as in NRW and in Saxony (again financed by issuing new TAG shares)
- Dispose of properties with insufficient yields (ROI)
- Purchase additional properties and portfolios if they have a positive impact on NAV, P&L and cash flow
- Commercial focus on asset management; no major transactions needed or planned
- Purchase of the shareholding of HSH Real Estate of the existing Joint Venture

## **III. Strategic opportunity**

- Increasing the business volume will lead to a higher profitability as the current proportion of fixed and step-fixed costs is very high
- Acquisitions and integration of portfolio at existing locations at nearly zero marginal cost
- Improving profitability and cash flow and enhance NAV

## **IV. Long-term perspective**

- Focused, transparent access to an attractive asset class – with the best possible cash flows and yields (returns)

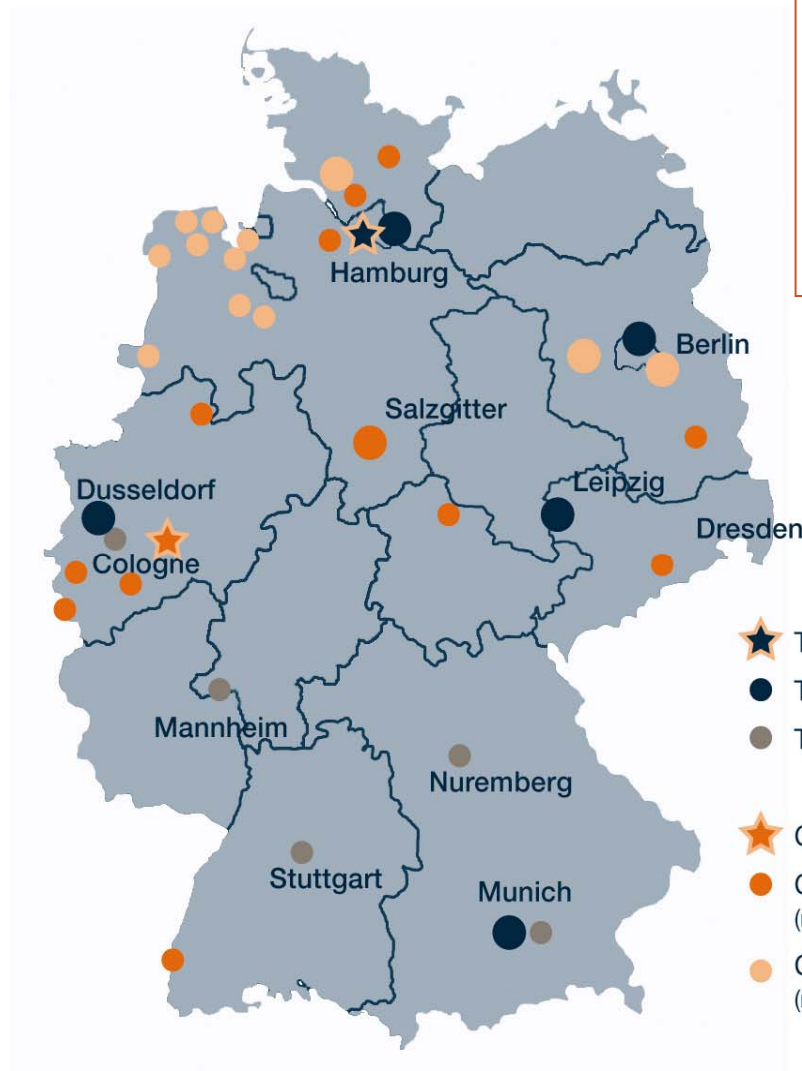


# Combined entity TAG – Colonia: Strategic rationale – business plan

- **Critical mass**
  - The combined entity becomes a serious player in terms of size, market liquidity, investability etc.
  - Both companies have high fixed costs. Combined entity can improve profitability significantly
- **Strong potential for synergies EUR 25-30 m in total**
  - EUR 4 m: Operational synergies: moving property management to TAG from current external providers of Colonia (cut down VAT)
  - EUR 3 m: Combination of the LARUS and Solutions teams, thereby realising operational synergies (moving offices together etc.) and creating a serious asset management player
  - EUR 10 m: General overhead reductions (central units, Management Board etc.)
  - EUR 3 m: TAG can help refinance some Colonia loans at better conditions (due to better rating etc.)
  - Most of these synergies should be in place no later than in 2012, some already in 2011
- **Better operational performance**
  - Proven value enhancement and cost cutting capabilities of TAG management to be applied to Colonia portfolio
  - EUR 8 m: Vacancy reduction track record at TAG: this could mean higher rents at Colonia and lower service charge leakages and other vacancy costs
- Synergies and improved operational performance could therefore lead to significant annual cash and P&L improvements
- This should also lead to higher asset values at the Colonia part of the portfolio and better refinancing terms in turn
- We expect the deal to be NAV accretive from day one



# Combined entity TAG - Colonia: Portfolio



	Total	TAG	Colonia
Units	26,517	7,508	19,009
Floor Area sqm	1,971,613	799,270	1,172,343
Real Estate Volume TEUR	1,679,929	862,983	816,946
Vacancy %	12.5	7.4	15.9
Net Actual Rent EUR/sqm	5.23	6.05	4.78

- ★ TAG headquarter and portfolio
- TAG portfolio residential ● more than 1,000 units
- TAG portfolio commercial
- ★ Colonia headquarter
- Colonia portfolio (residential - inhouse AM) ● more than 1,000 units
- Colonia portfolio (residential - outsourced AM) ● more than 1,000 units

# **Combined entity TAG - Colonia:** **Synergies, attractive platform and critical mass**

<b>Strong potential revenue and cost synergies</b>	<ul style="list-style-type: none"> <li>▪ General overhead reductions <ul style="list-style-type: none"> <li>▪ Branches, administration, management</li> </ul> </li> <li>▪ Lower vacancies expected at Colonia as TAG has proven track record of reducing vacancies rapidly <ul style="list-style-type: none"> <li>▪ Combination of the LARUS and Solutions teams</li> </ul> </li> <li>▪ Operational synergies <ul style="list-style-type: none"> <li>▪ Occupancy, direct costs</li> </ul> </li> <li>▪ Reduction of funding costs at Colonia level</li> </ul>
<b>Creating an attractive platform</b>	<ul style="list-style-type: none"> <li>▪ Management expertise, know-how concentration on the asset and property management</li> <li>▪ One of the larger residential real estate investment companies third party asset managers in Germany</li> </ul>
<b>Critical mass</b>	<ul style="list-style-type: none"> <li>▪ € 4.3 bn third party commercial assets under management <ul style="list-style-type: none"> <li>▪ TAG (LARUS)            EUR 2.2 bn</li> <li>▪ Colonia (Solutions)   EUR 2.1 bn</li> </ul> </li> <li>▪ € 1.8 bn German real estate portfolio <ul style="list-style-type: none"> <li>▪ TAG                        EUR 967 m, 7,700 units</li> <li>▪ Colonia                   EUR 826 m, 19,009 residential units</li> </ul> </li> <li>▪ From German real estate smallcap to European real estate midcap with market capitalisation of close to € 500 m (fully diluted)</li> <li>▪ More access to international investors</li> </ul>



## Combined entity TAG - Colonia: Restructuring and integration

### Already initiated :

- Merge the asset management business
- Sell Colonia's housing privatisation business
- Review outsourced services, taking them over in the Group (accounting, administrative departments a.o.)
- Merge the administrative departments and central tasks and leveraging synergy effects
- Continue vacancy reduction in the residential inventories
- Cover refinancing requirements of Colonia

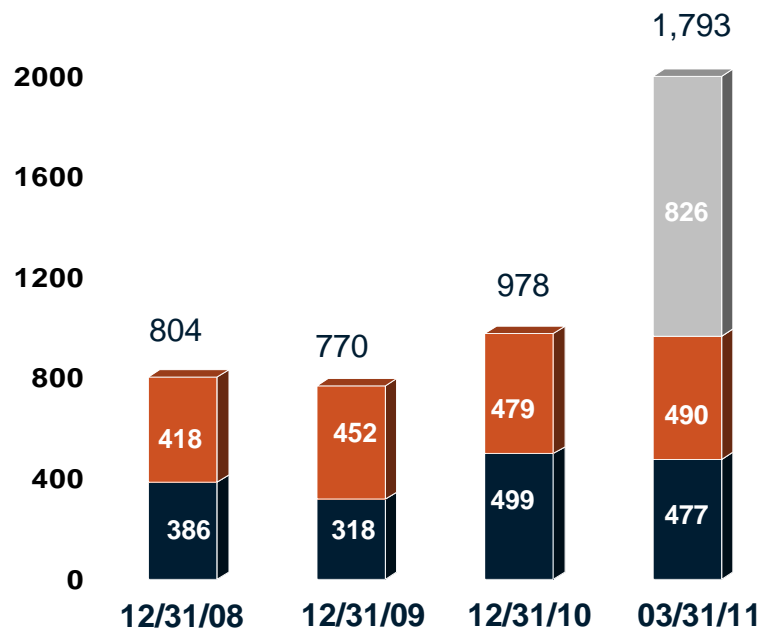
**These measures are to be largely completed by the end of 2011 and will have positive effect on the income statement.**



# Portfolio total

## Real estate volume

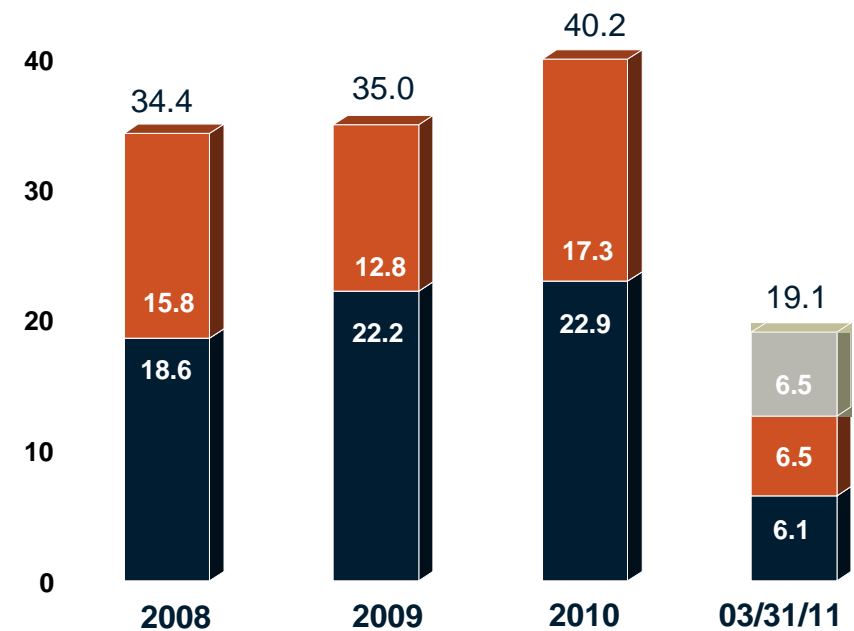
Volumen in EUR million



- Portfolio of residenital real estate
- Portfolio of commercial real estate
- Colonia in total

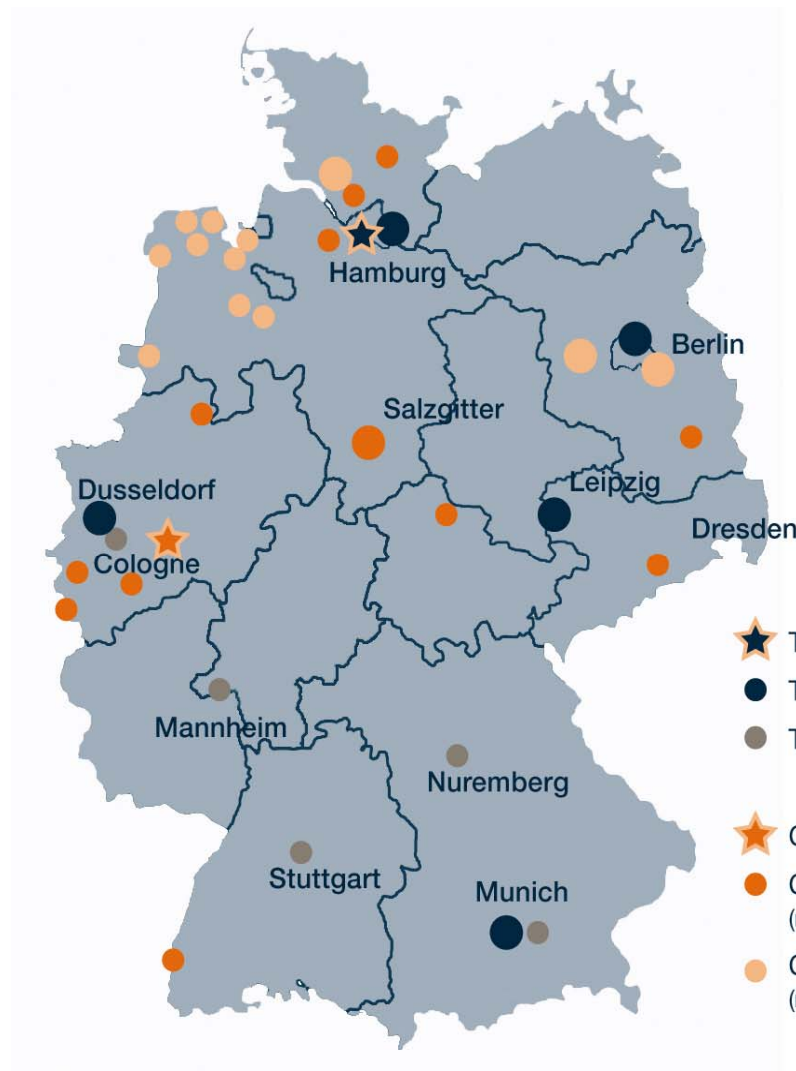
## Rental profit per segment

in EUR million



- Residential real estate
- Commercial real estate
- Colonia in total (figures consolidated for 2 months)

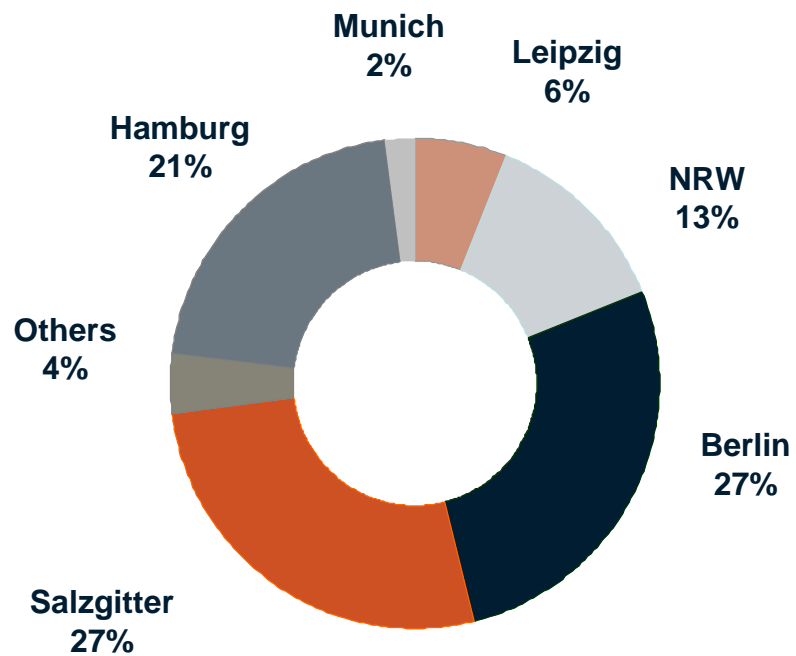
# Portfolio residential



	Total	TAG	Colonia
<b>Units</b>	26,517	7,508	19,009
<b>Floor Area sqm</b>	1,692,491	463,593	1,165,898
<b>Real Estate Volume TEUR</b>	1,263,095	458,049	805,046
<b>Vacancy %</b>	13.3	6.3	16.0
<b>Net Actual Rent EUR/sqm</b>	4.98	5.56	4.72

- ★ TAG headquarter and portfolio
- TAG portfolio residential ● more than 1,000 units
- TAG portfolio commercial
- ★ Colonia headquarter
- Colonia portfolio (residential – inhouse AM) ● more than 1,000 units
- Colonia portfolio (residential – outsourced AM) ● more than 1,000 units

## Portfolio residential by region\*



\*as of 03/31/2011 by book value



# Portfolio residential by region

## Region Hamburg

Average asset rent: EUR 5.33

- Number of accommodation units: 5,105
- 21% of the residential portfolio (by book value)

## Region Berlin

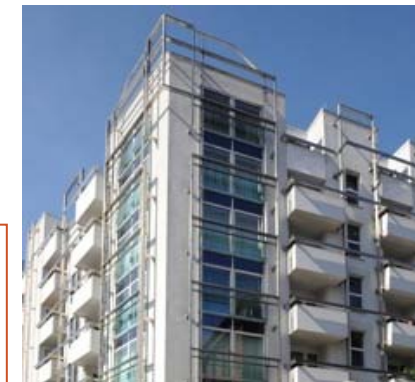
Average asset rent: EUR 4.78

- Number of accommodation units: 7,208
- 27% of the residential portfolio (by book value)

## Region Saxony/Leipzig

Average asset rent: EUR 4.35

- Number of accommodation units: 1,797
- 6% of the residential portfolio (by book value)



## Others

Average asset rent: EUR 5.68

- Number of accommodation units: 725
- 4% of the residential portfolio (by book value)

## Region North Rhine-Westphalia and Others

Average asset rent: EUR 5.48

- Number of accommodation units: 2,642
- 13% of the residential portfolio (by book value)

## Region Salzgitter

Average asset rent: EUR 4.66

- Number of accommodation units: 8,864
- 27% of the residential portfolio (by book value)

## Munich

Average asset rent: EUR 9.81

- Number of accommodation units: 176
- 2% of the residential portfolio (by book value)





# Portfolio Salzgitter – concrete next steps

## **Vacancy reduction**

- Overall vacancy in Salzgitter: 10%
- Vacancy in our portfolio: 24%
- We are in above-average location...making a single digit vacancy target obvious
- 2,000 units are missing for elderly tenants
- Chances/angles for marketing:
  1. Simply having a decent product (capex, see further down)
  2. Take tenants not from neighbours but from neighbouring parts of Salzgitter

## **Rent increases**

- This is not a joke...
- The rent can be hiked in Lebenstedt and generally in studios and 1 bedroom apartments

# **Portfolio Salzgitter – concrete next steps**

## **Service charge leakage**

- Vacancy reduction alone helps
- We are missing meters for most utilities
- Unfortunate contractual issues
- Mistakes in previous year's service charges reconciliation
- Opportunities in changing service charge accounting circles (way too few at the moment)

## **Maintenance costs**

- Risk-sharing with general contractor

## **Marketing**

- Downsize dramatically and focus on direct channels

## **External managers**

- Gradual internalisation at lower marginal cost

## **Other external fees**

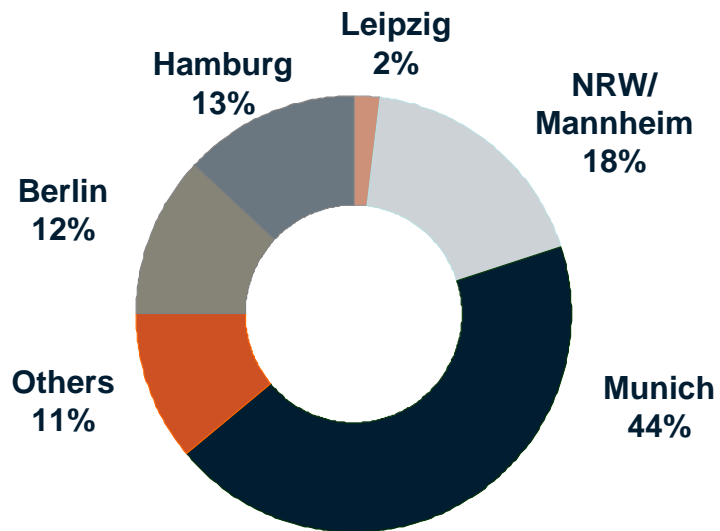
- Full internalisation at zero marginal cost



# Portfolio commercial

	12/31/2009	12/31/2010	03/31/2011
• sqm total	342,911 sqm	335,686 sqm	342,122 sqm
• sqm rental	324,971 sqm	323,063 sqm	312,617 sqm
• current rental p.a. net of charged costs (EUR m)	26.6	26,0	25.9
• current rental net of charged costs (EUR/sqm)	6.81	6.70	6.91
• vacancy	5.2%	3.8%	8.6%

## Real estate portfolio by region\*



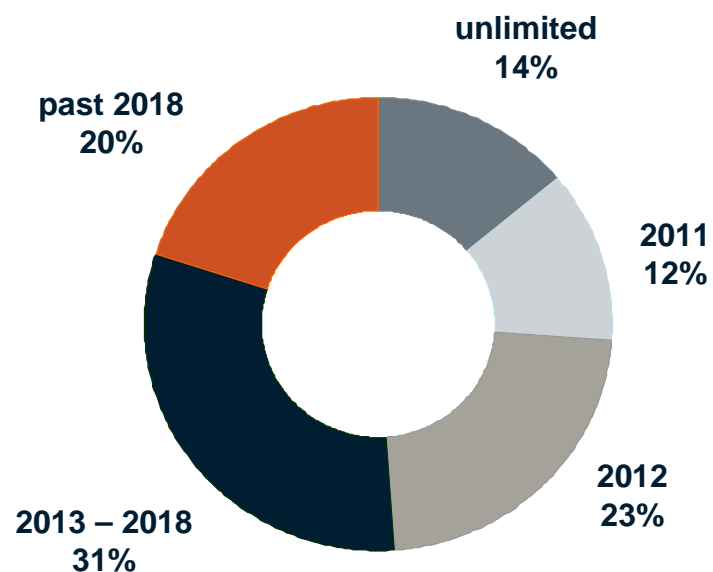
\*as of 03/31/2011 by book value



Bartholomäusstraße, Nuremberg

# Portfolio commercial

## Duration of commercial rental agreements\*



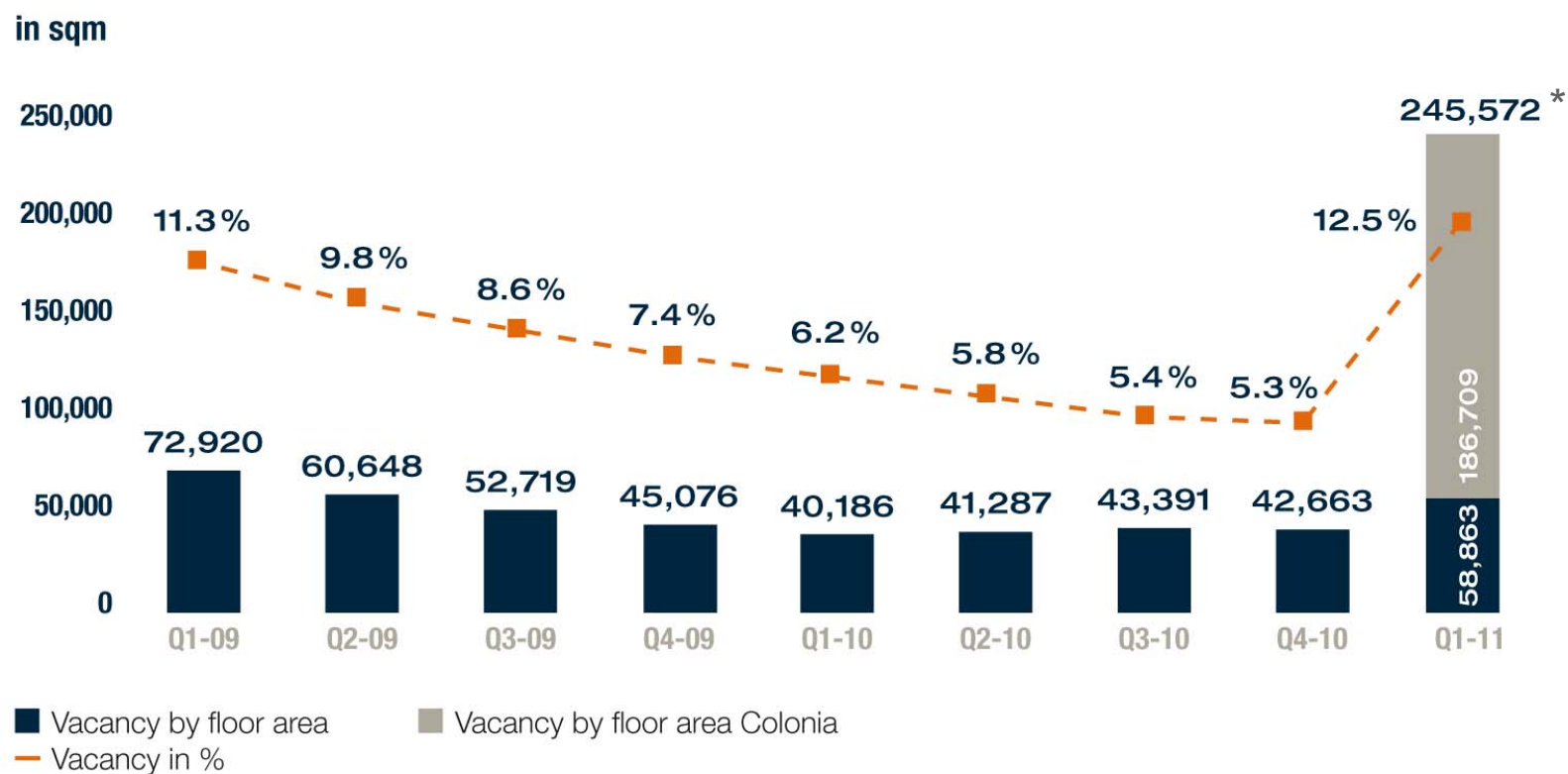
\*as of 12/31/2010 by rental income

## TOP 5 tenants\*\*

Tenants	Rental p.a. in TEUR	in % of annualised rental 2010
Siemens AG	11,527	45%
State/City authorities	1,676	7%
Federal Employment Office	984	4%
Linde Gas Therapeutics	506	2%
Kratzer Automations AG	465	2%
<b>Total</b>	<b>15,160</b>	<b>59%</b>

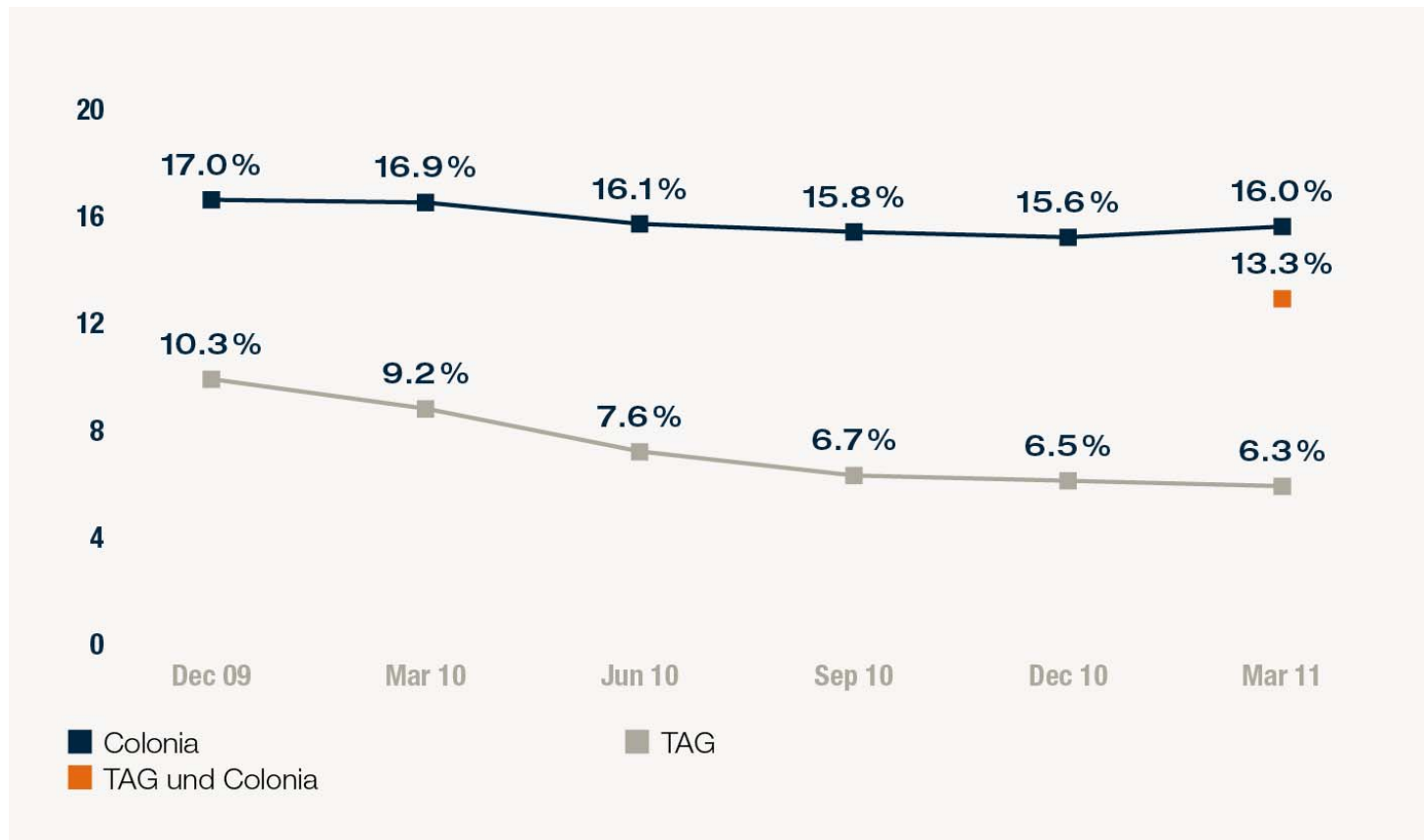
\*\* Commercial real estate – annualised rental 2011 25,764 TEUR

## Portfolio – vacancy rate reduction – total



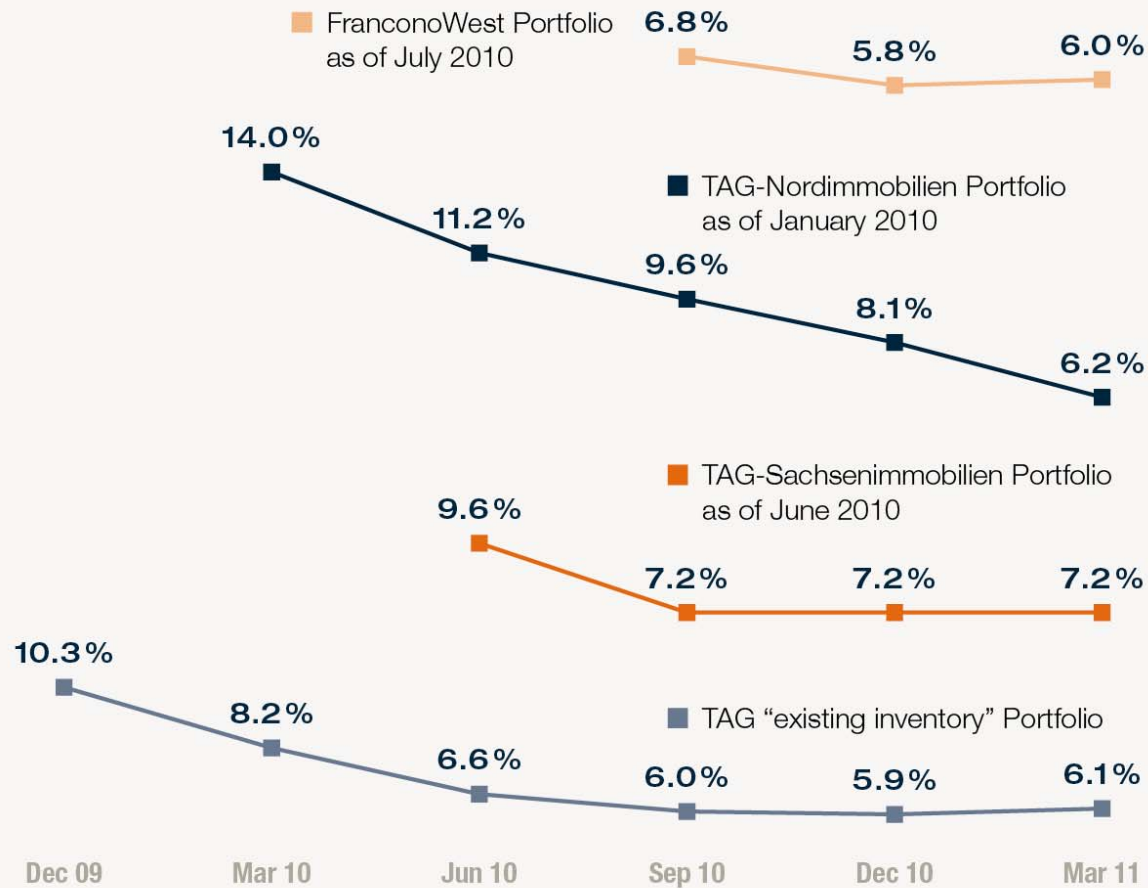
\* includes a former Siemens office in Munich which is now for sale

## Portfolio – vacancy rate reduction – residential



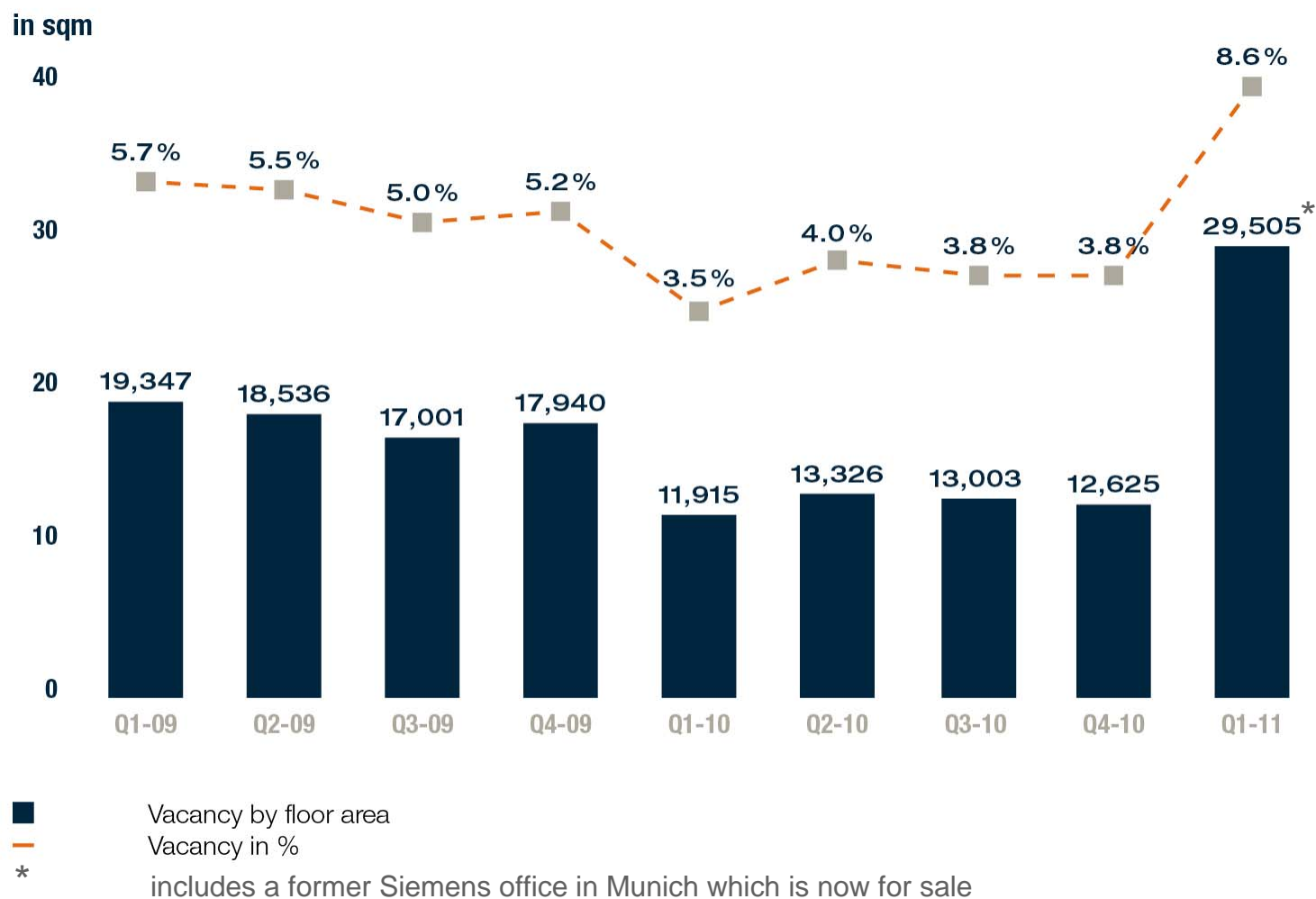


## Portfolio – vacancy rate reduction – residential



Proven track record of reducing vacancies rapidly and steadily in new acquisitions

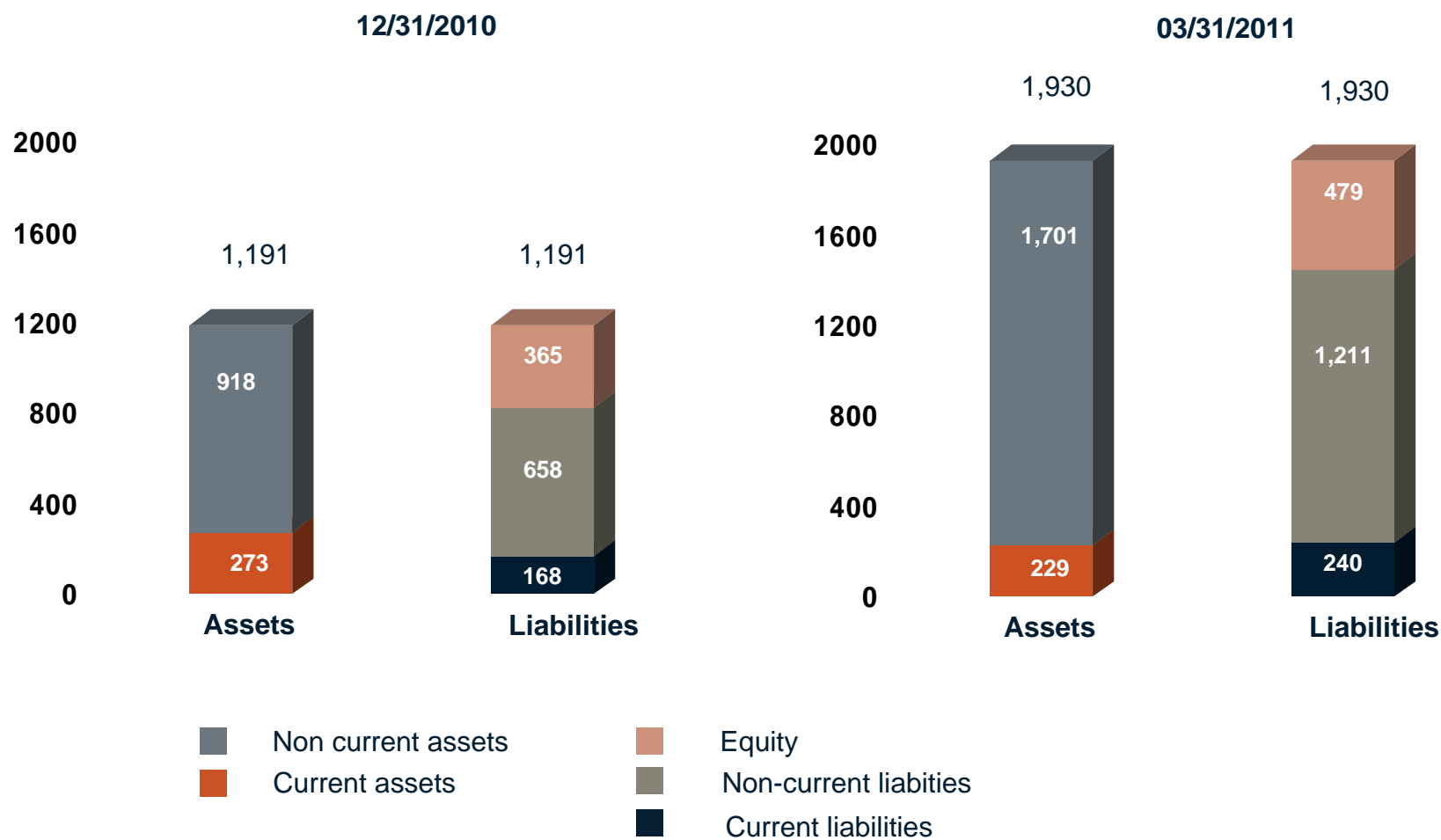
## Portfolio – vacancy rate reduction – commercial





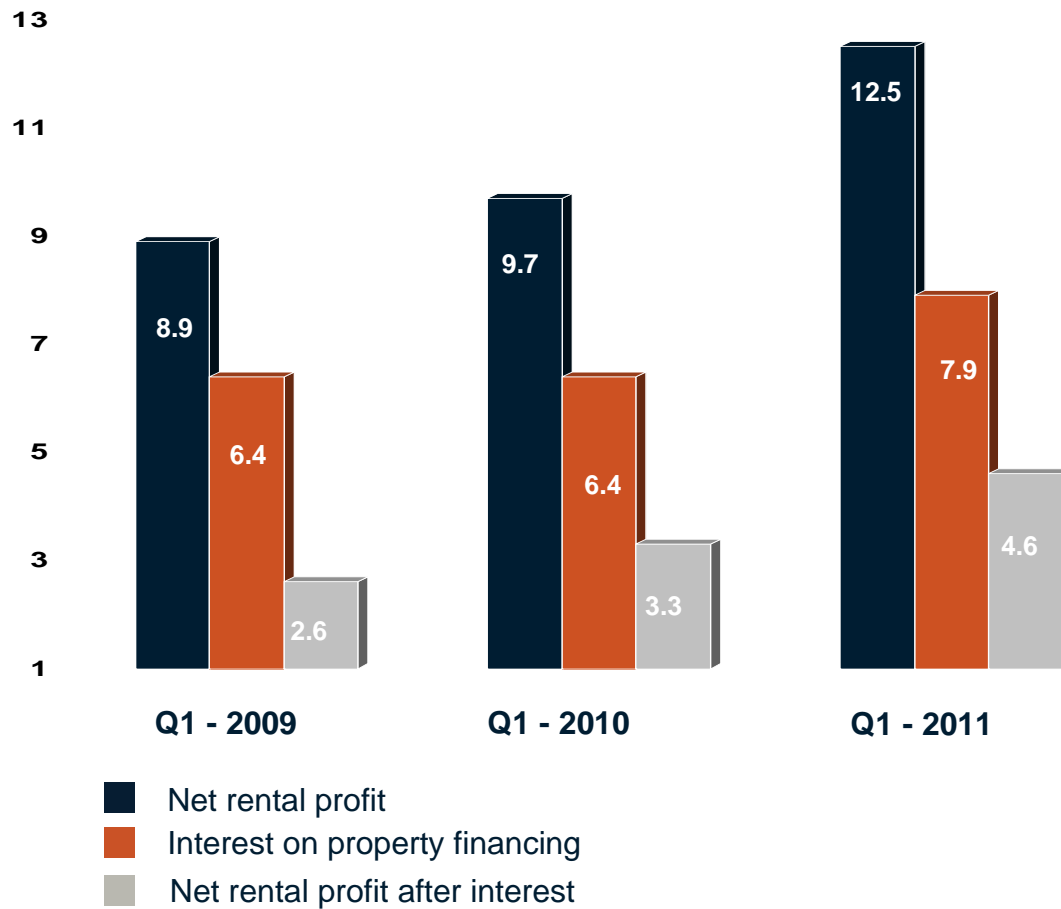
# **Group financials (IFRS)**

## **Consolidated balance sheet** (in EUR m)



## Group financials (IFRS)

### TAG rental financial result (without Colonia)



- Rental profit in TAG even before Colonia acquisition
- Vacancy reduction
- Better cost structure
- Carry after interest shows that growth is profitable

# Financial structure

## TAG Credit periods as of 12/31/2010:

	EUR m	
2011:	114	17%
2012:	117	18%
2013:	54	8%
2014:	62	10%
2015:	57	9%
2016:	44	7%
2017:	146	23%
2018:	15	2%
2019:	0	0%
2020:	38	6%
<hr/>		
<b>Total</b>	<b>647</b>	<b>100%</b>



Stahlwiete, Hamburg

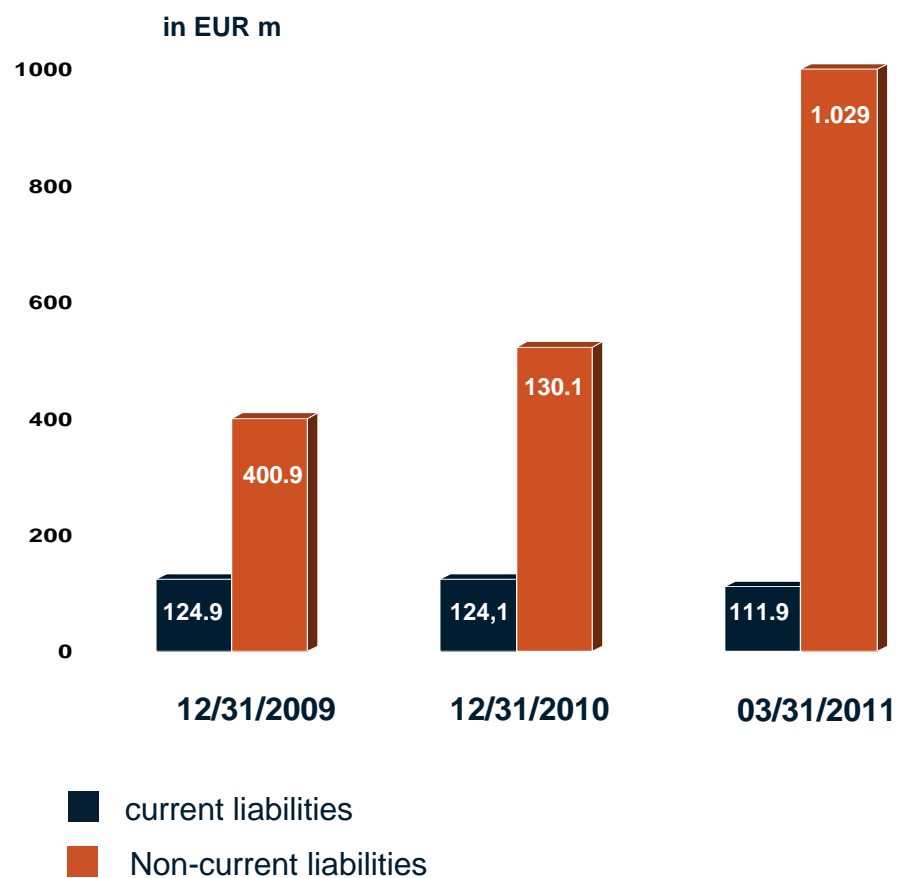


## Financial structure

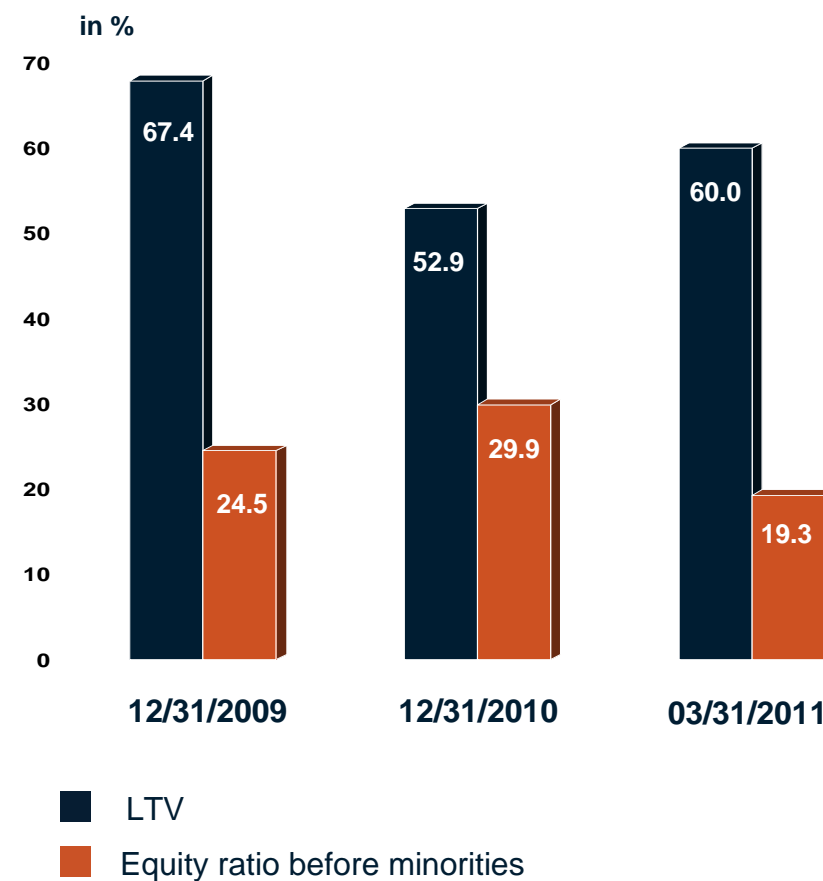
	12/31/2010	12/31/2009	12/31/2008
<b>Bank borrowings in TEUR</b>	<b>647,655</b>	<b>525,856</b>	<b>538,042</b>
non-current	523,512	400,939	407,980
current	124,143	124,917	130,062
net borrowing costs	-31,185	-25,329	-27,910
<b>Average interest levels in %</b>	<b>12/31/2010</b>	<b>12/31/2009</b>	<b>12/31/2008</b>
non-current	4.7	4.9	5.6
current	2.3	3.9	5.7
<b>Swaps/Caps to minimise risk of changing interest rates</b>	<b>12/31/2010</b>	<b>12/31/2009</b>	<b>12/31/2008</b>
nominal volume in TEUR	313,343	299,399	316,919
interest rate in %	4.5	4.5	4.4
Ø maturity in years	4.0	4.1	5.5

# Financial structure

## Bank borrowings



## Loan to Value / Equity ratio



# Stock market data TAG as of 03/31/2011

**High/Low (Q1- 2011)** EUR 7.10/EUR 6.39

**Number of shares** 58.57 m

**Market capitalisation** EUR 403 m

**Stock exchange** SDAX/EPRA

**Free Float \*** 95%

\* Deutsche Börse definition including institutional investors

## Shareholder structure

Ruffer LLP, UK 20%

Taube Hodson Stonex, UK 7%

Asset Value Investors, UK 6%

IPConcept/FvS Strategie SICAV, L 5%

Group of investors Dr. Ristow, D 5%

in %



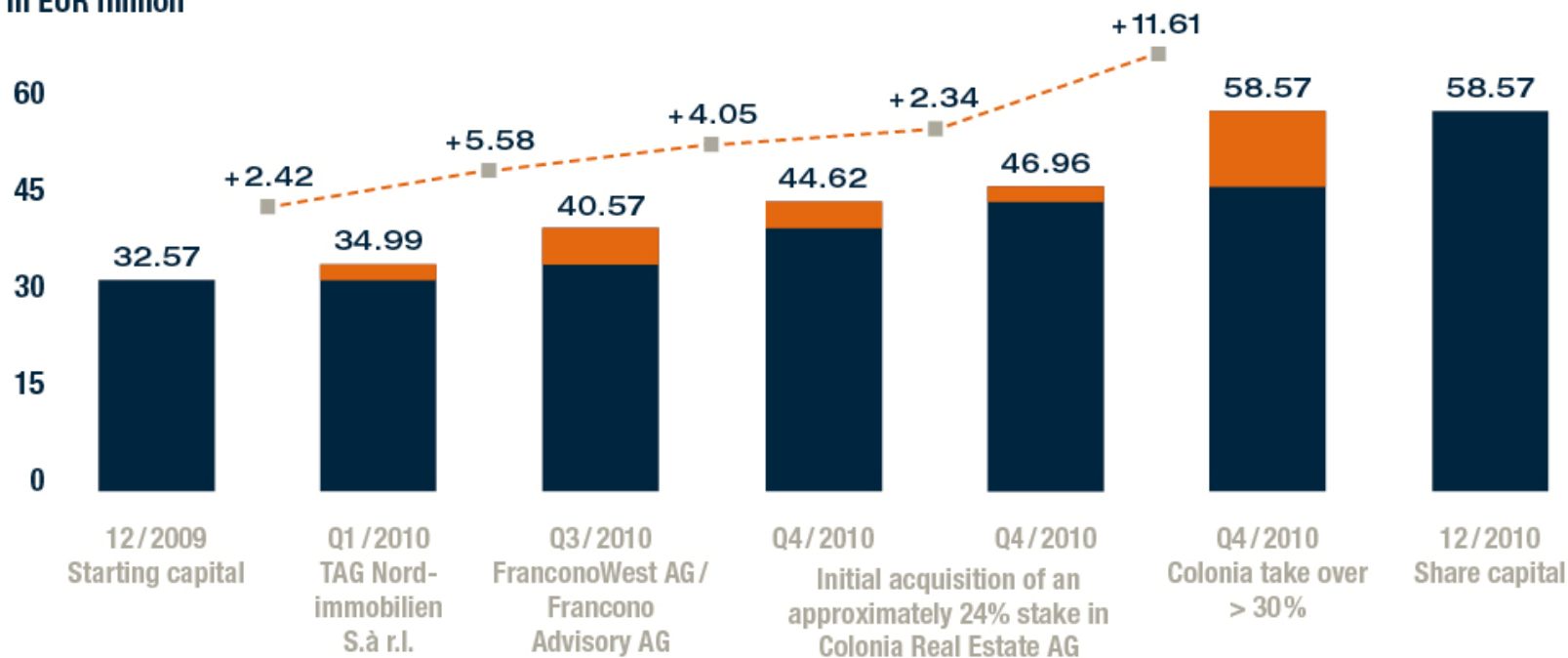
— TAG share  
— SDAX  
— EPRA-Index

Share



# Capital increases and acquisitions of TAG in 2010

Number of no-par value shares  
in EUR million



Share

## Outlook 2011

- Operations successfully strengthened
  - Vacancy reduction further intensified
  - Portfolio optimised and strategically expanded
  - Active asset and property management bears fruit
- Liquidity secured with stable cash flows
- Continued systematic optimisation of cost processes and efficiency as acquisitions are integrated
- No further depreciations and provisions in 2010, instead positive valuation effects
- Attractive market chances and opportunities such as > 50% takeover of Colonia Real Estate AG
- Outlook for 2011: EBT of EUR 50-60 m  
NAV per share of EUR 8.00







# Management Board

## Rolf Elgeti, CEO

- Colonia Real Estate AG, Management Board since February 2011)
- TAG Immobilien AG, Management Board (since July 2009), supervisory board from 2008 onwards
- Bau-Verein zu Hamburg AG, Management Board (since July 2009)
- Founder of Elgeti Ashdown Advisors Ltd. (2007)
- Setting up and management of various German real estate investment funds (since 2003)
- UBS Warburg, Commerzbank, ABN Amro: (chief) equity strategist, London (1999 – 2007)

## Hans-Ulrich Sutter, CFO

- Colonia Real Estate AG, Management Board since April 2011)
- TAG Immobilien AG, Management Board (since April 2008)
- Bau-Verein zu Hamburg AG, Management Board (since October 2008)
- Deutsche Real Estate AG, CFO until 09/2007
- GSW Gemeinnützige Siedlungs- und Wohnungsbaugesellschaft, responsible for financial matters until 03/2006
- CFO in DAX 30 Company (Fresenius Medical Care, 1998) as well as in large Multinationals (Coke Germany, Procter & Gamble Germany)

## Dr. Harboe Vaagt

- Management Board since April 2011 in TAG Immobilien AG, Bau-Verein zu Hamburg AG
- Head of Legal Department of TAG for over 12 years

## Supervisory Board

**Dr. Lutz R. Ristow**, Chairman of the Supervisory Board TAG (since 2007), Colonia (since 4/2011)

**Prof. Dr. Ronald Frohne** (since 2001), **Rolf Hauschildt** (since 2001), **Andrés Cramer** (since 2009)

**Employee representative: Wencke Röckendorf** (since 2010), **Andrea Mäckler** (since 2010)



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