

# Company presentation June 2017

GROWING CASHFLOWS

**TAG**  
Immobilien AG

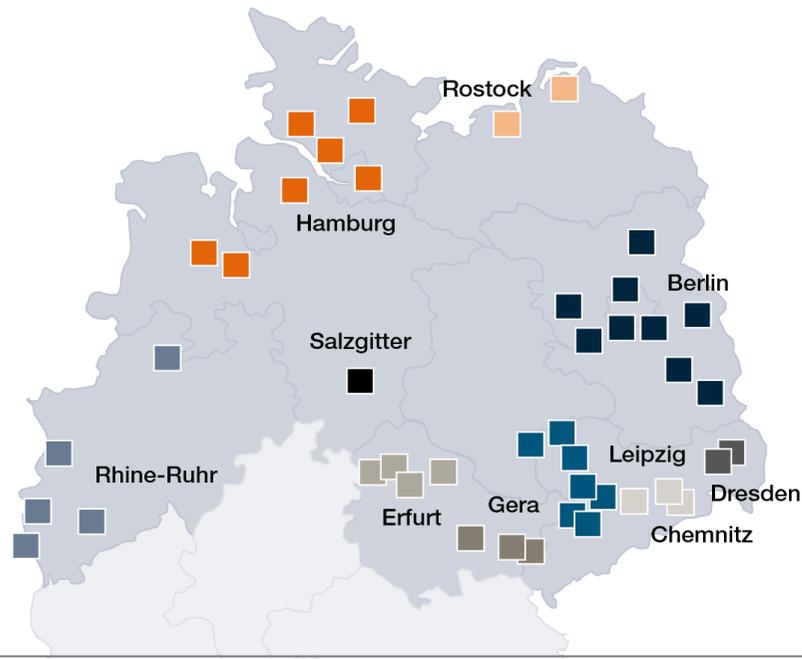
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# TAG 2017

TAG overview and strategy

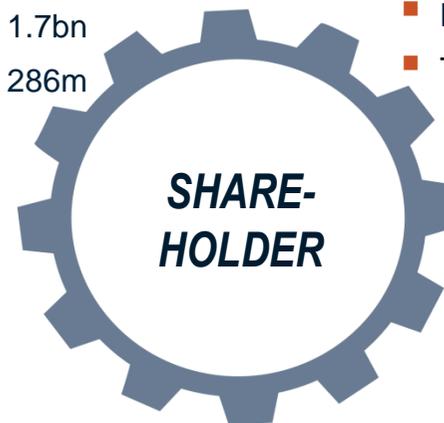
# TAG overview



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



- GAV (31 Mar-2017): EUR 3.9bn
- EPRA NAV (31 Mar-2017): EUR 1.7bn
- Rental income (Q1 2017 annualised): EUR 286m



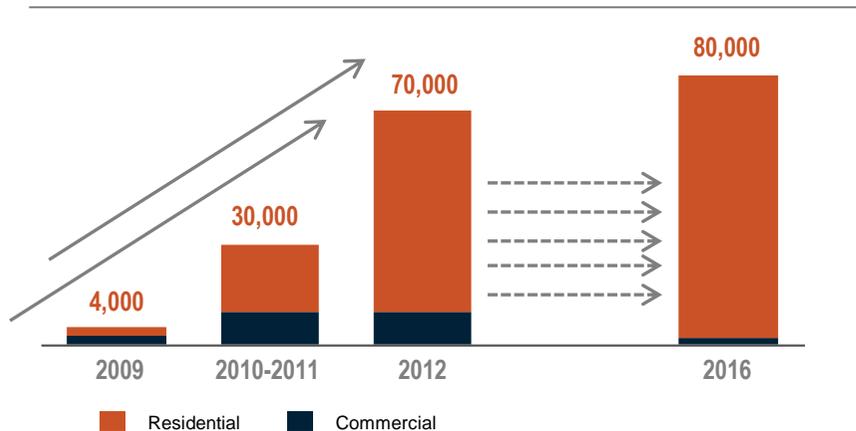
- Market cap (31 Mar-2017) EUR 1.8bn
- TOP 3 shareholders
  - VBL (Germany): 15.8%
  - MFS (USA): 12.0%
  - Capital Group (USA): 10.2%

# 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

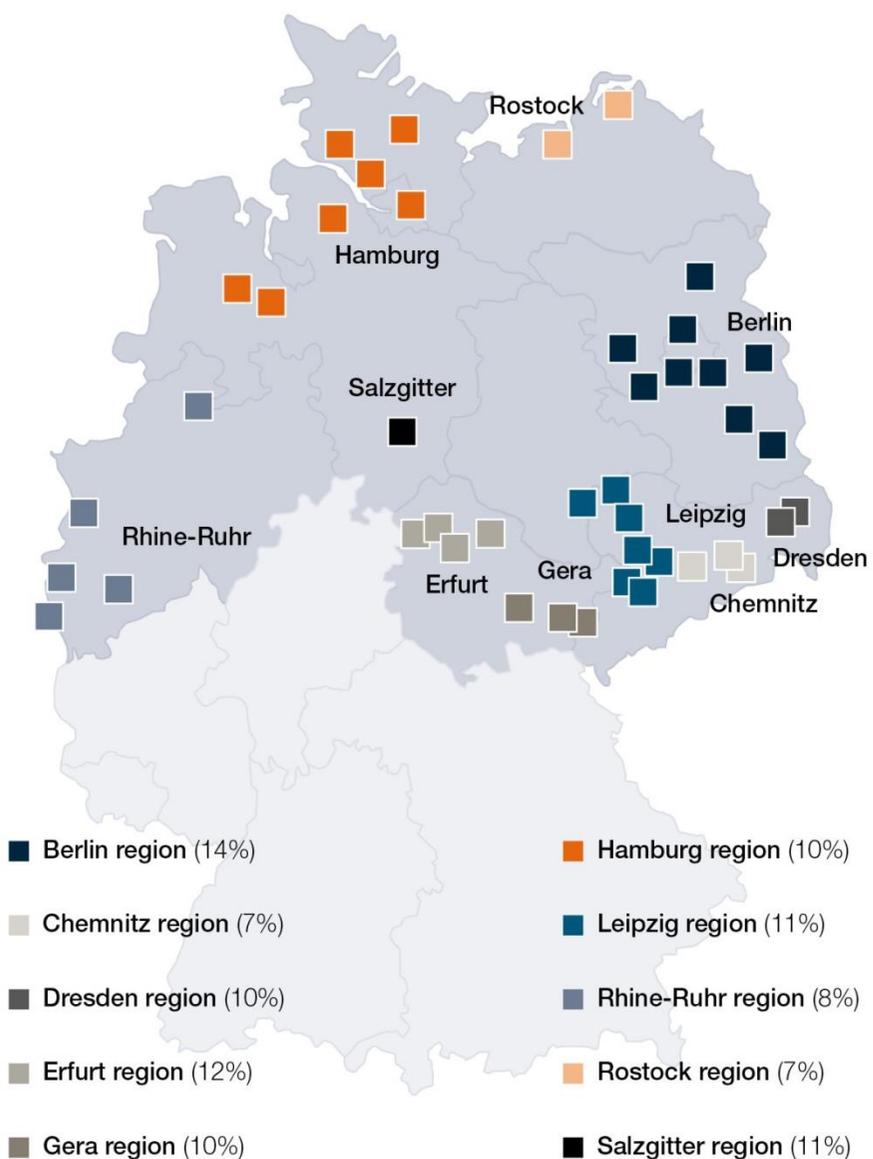


\* 'ABBA': investing in A locations in B cities and B locations in A cities

# TAG 2017

TAG portfolio

# TAG portfolio in total as of 31 Mar-2017

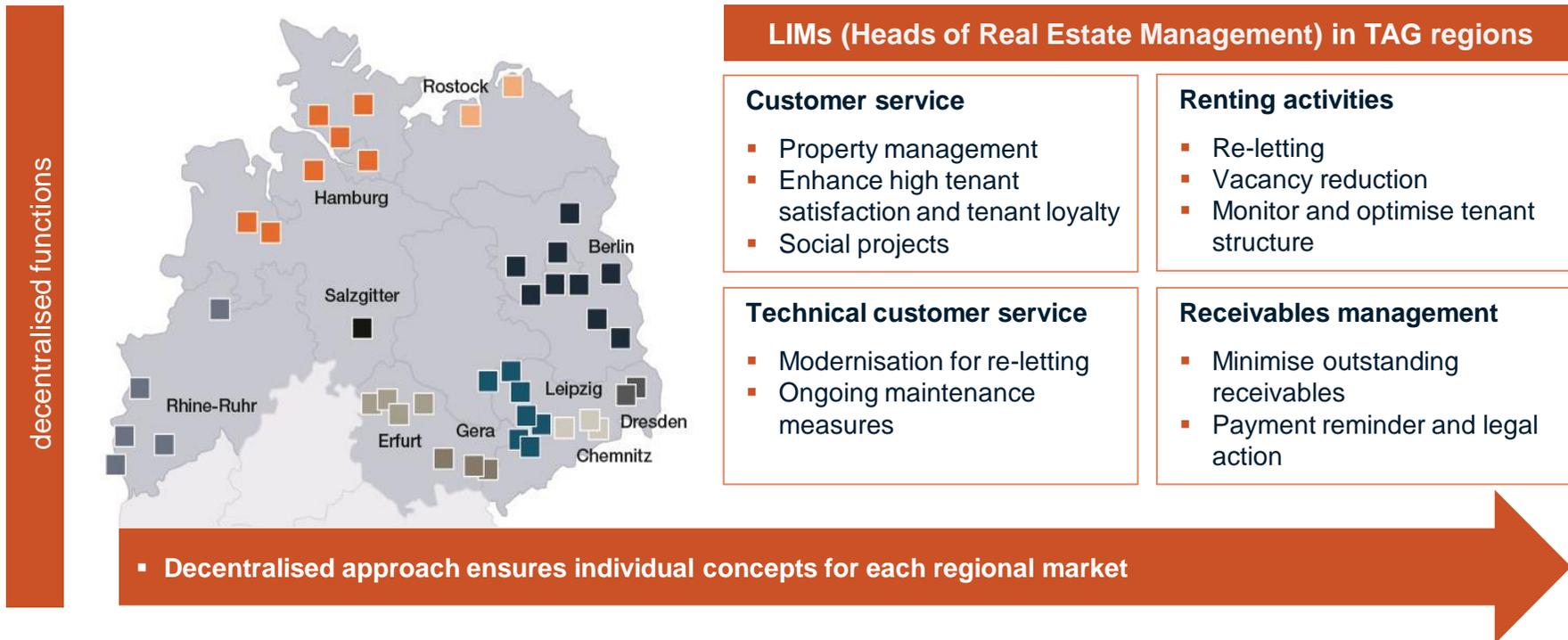
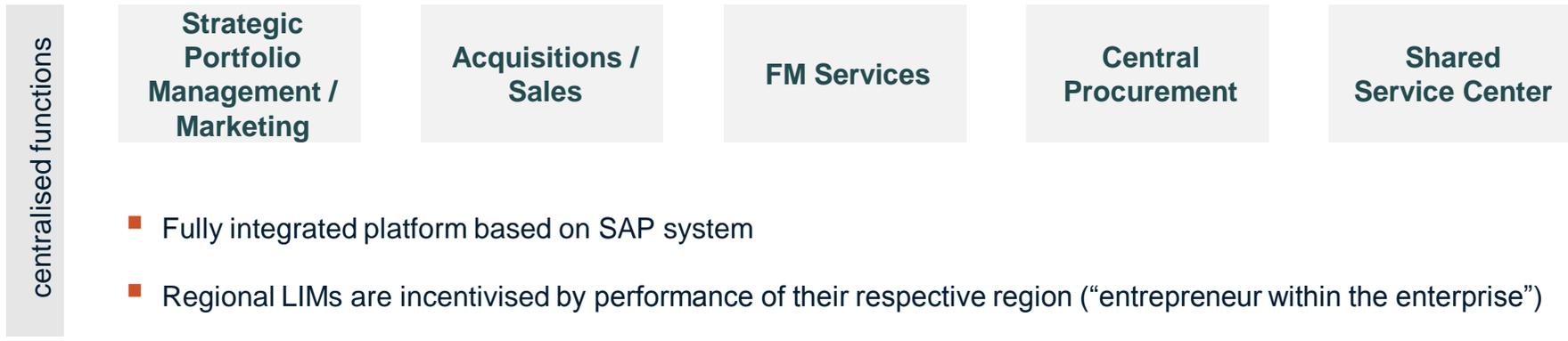


% acc.: proportional IFRS book value real estate volume

- TAG is a leader in affordable housing in Northern and Eastern Germany
- East Germany in all its fundamentals is catching up – real estate investments in these regions are highly profitable
- TAG's employees are located throughout 10 defined regions in or around mid-sized German cities
- TAG's local presence is a big advantage for the company

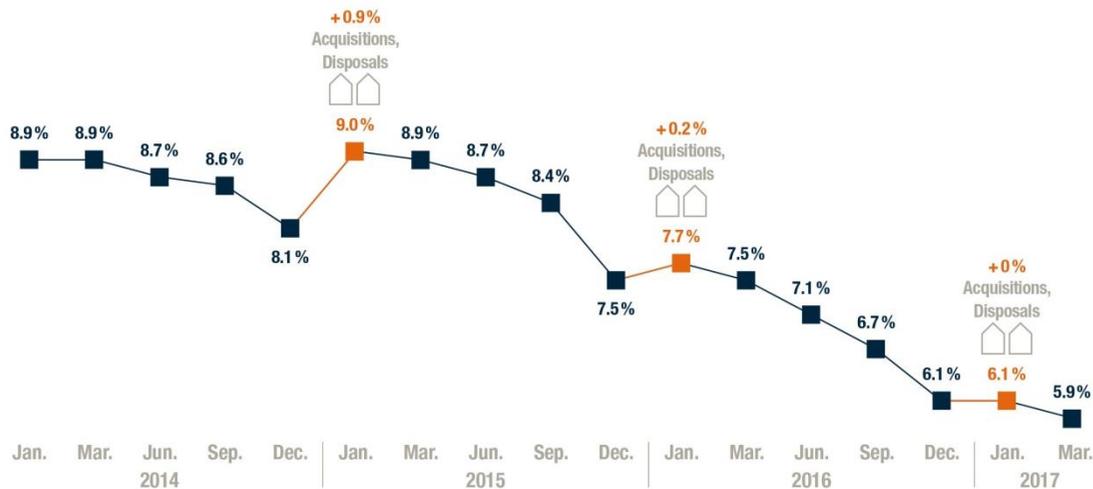
Portfolio as of	31 Mar-2017	31 Dec-2016
Units	79,628	79,754
Rentable area in sqm	4,867,160	4,878,022
Real estate volume in TEUR	3,851,920	3,856,572
Annualised current net cold rent in TEUR (total)	286,240	286,434
Current net cold rent in EUR/ sqm (total)	5.23	5.23
Current net cold rent in EUR/ sqm (residential units)	5.11	5.11
Vacancy in % (total)	6.4	6.5
Vacancy in % (residential units)	5.9	6.1
L-f-I rental growth in %	1.9	2.0
L-f-I rental growth in % (including vacancy reduction)	3.4	3.7

# TAG decentralised management structure



# TAG strong vacancy reduction track record

## Vacancy development residential units in total



## Vacancy development residential units per region

### Q1 2017

Salzgitter	from 7.5 % to 6.7 %	-0.8 percentage points
Berlin	from 6.8 % to 6.5 %	-0.3 percentage points
Hamburg	from 4.3 % to 4.1 %	-0.2 percentage points
Erfurt	from 2.5 % to 2.4 %	-0.1 percentage points
Gera	from 9.7 % to 9.6 %	-0.1 percentage points
Leipzig	from 4.7 % to 4.6 %	-0.1 percentage points
Chemnitz	from 11.8 % to 11.8 %	0.0 percentage points
Dresden	from 3.8 % to 3.9 %	+0.1 percentage points
Rhine-Ruhr	from 3.4 % to 3.6 %	+0.2 percentage points
Rostock	from 4.4 % to 4.8 %	+0.4 percentage points

### 2016

Salzgitter	from 12.1 % to 7.5 %	-4.6 percentage points
Chemnitz	from 15.6 % zu 13.1 %	-2.5 percentage points
Erfurt	from 4.3 % zu 2.6 %	-1.7 percentage points
Leipzig	from 5.9 % zu 4.5 %	-1.4 percentage points
Gera	from 10.9 % to 9.7 %	-1.2 percentage points
Rostock	from 5.4 % to 4.4 %	-1.0 percentage points
Dresden	from 4.7 % to 3.8 %	-0.9 percentage points
Hamburg	from 5.1 % to 4.3 %	-0.8 percentage points
Rhine-Ruhr	from 3.9 % to 3.5 %	-0.4 percentage points
Berlin	from 6.7 % to 6.8 %	+0.1 percentage points



Elmshorn

# TAG attractive rental growth

## L-f-I rental growth residential units

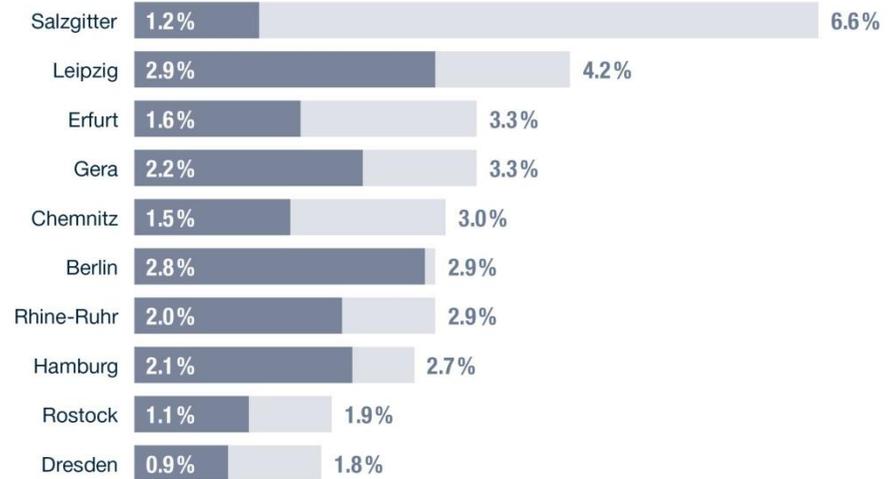


## Investments residential units

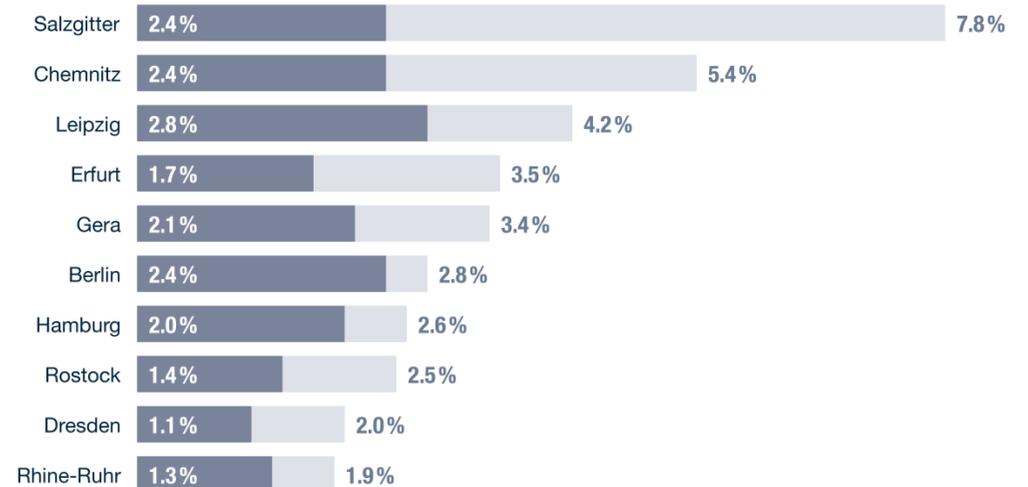
in EUR/sqm	2014 (12 months)	2015 (12 months)	2016 (12 months)	Q1 2017 (3 months)
Maintenance and capex	13.37	15.15	15.41	3.21

## L-f-I rental growth per region

### Q1 2017



### 2016



■ Basis I-f-I ■ Including vacancy reduction

# TAG annual valuation by CBRE

## Main results of last annual valuation carried out in Q3 2016

- Valuation gains from strong operational development (i.e. vacancy reduction and rental growth) as a sign of strong underlying business fundamentals and TAG's overperformance
- Total valuation gains of EUR 163.8m in 9M 2016 vs. 94.1m in 9M 2015:
  - Primarily driven by stronger rental growth and vacancy reduction (EUR 93.3m in 9M 2016)
  - Rather moderate yield compression on aggregate portfolio basis (EUR 70.5m in 9M 2016)
- Yield compression in "A-Locations" as well as in "B-Locations"

## Key metrics

	Mar-2017	Dec-2016	Dec-2015
Value EUR/sqm	c. 790	c. 790	c. 750
Gross yield	7.4%	7.4%	7.6%
Implied multiple	13.5x	13.5x	13.2x

Conservative valuation based on positive operational developments



Schwerin



Riesa

TAG 2017

TAG return on capex

# TAG modernisation as a driver for internal growth

■ **Modernisation is key element of TAG's strategy**

Capex measures can be broken down into

- Modernisation during re-letting (tenant turnover)
- Modernisation of vacant flats (longer term vacancy)
- 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 
$$\frac{\text{Incremental revenues}}{\text{Total investment}} = \text{Return on investment}$$

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

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

\* Subject to scope of measures

# TAG strong returns on capex

**Total capex**  
 Q1 2017: EUR 7.9m  
 FY 2016: EUR 46.5m  
 (FY 2015: EUR 40.1m)

**Single unit program  
 (Equity financed)**

Share of total capex: c.65% in Q1 2017  
 (c.56% in FY 2016, c.65% FY 2015)

Return on total investment: c.30%-35%

Return on equity invested: c.30%-35%

**Property based program  
 (Modernisation capex, partly debt financed)**

Share of total capex: c.35% in Q1 2017  
 (c.44% in 2016, c.35% FY 2015)

Return on total investment: c.8%-12%

Return on equity invested: c.15%-20%

**Modernisation of vacant flats  
 (Modernisation capex)**

Share of total capex:  
 c.33% in Q1 2017 (c.36% FY 2016/ c. 41% in FY 2015)

Return on total investment: c.45%-50%

Return on equity invested: c.45%-50%

**Modernisation during re-letting  
 (Capitalised maintenance)**

Share of total capex:  
 c.32% in Q1 2017 (c.20% FY 2016/ c.24% FY 2015)

Return on total investment: c.6%-10%

Return on equity invested: c.6%-10%

# Modernisation of vacant flats (longer term vacancy)

Case Study – Freiberg „Am Mühlteich/ Maxim Gorki“ (acquired Sep-2014)

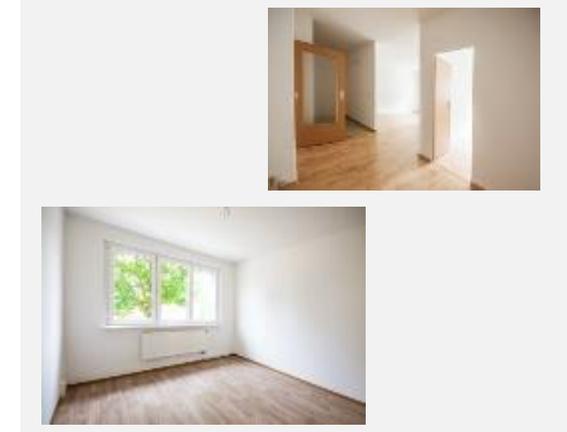
## Pre modernisation



## Measures

- Units: 128
- Vacancy at acquisition date: 10.5%
- Vacancy today: 2.3%
- Interior refurbishment
- Completed in Q1 2015

## Post modernisation



## Description

- Acquired in Sep-2014 within a portfolio of 1,500 units in Saxony
- Example presented: refurbishment of 7 Units
- Total investment: EUR 67,200
- Modernisation cost per unit: EUR 9,600
- Expenditure on time per unit: 4 weeks
- Equity-financed
- TAG modernizes between 1,000 and 1,500 vacant flats per annum

## Calculation

(in EUR thousands)	
<b>Incremental revenues</b>	
Incremental revenues from new lettings	27.7
Saved maintenance costs	0.0
Saved ancillary costs from vacancy reduction	5.7
<b>Total incremental revenues</b>	<b>33.4</b>
<b>Total investment</b>	<b>67.2</b>
<b>Return on total investment</b>	<b>49.7%</b>
<b>Return on equity invested</b>	<b>49.7%</b>

# Modernisation large modernisation measures

## Case Study – Erfurt „Am Ringsee“ (acquired April-2012)

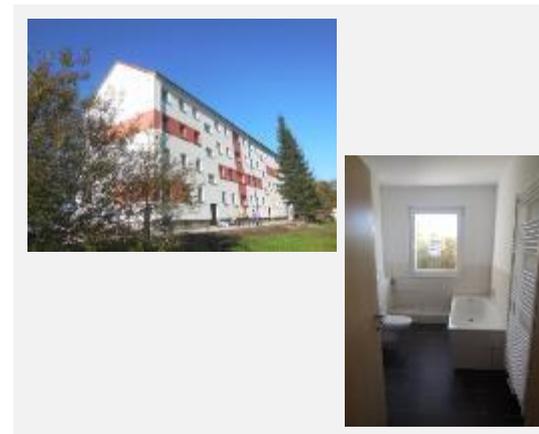
### Pre modernisation



### Measures

- Units: 20
- Vacancy at acquisition date: 98%
- Vacancy today: 0%
- Interior and exterior refurbishment for the duration of 1 year
- Completed in 2014/2015

### Post modernisation



### Description

- Acquired in April-2012 as part of the 25,000 units portfolio of DKB Immobilien AG
- Facade-, roof- and electric overhaul
- New windows and sanitary facilities
- Creation of private garden areas
- Financing:
  - Bank loans of EUR 735,000 (57%) at 2.36% p.a. leading to financing costs of EUR 17,350 p.a.
  - Equity of EUR 562,700 (43%)

### Calculation

(in EUR thousands)	
<b>Incremental revenues</b>	
Incremental revenues from new lettings	112.6
Saved maintenance costs	0.0
Saved ancillary costs from vacancy reduction	20.6
<b>Total incremental revenues</b>	<b>133.2</b>
<b>Total investment</b>	<b>1.292.7</b>
<b>Return on total investment</b>	<b>10.3%</b>
<b>Return on equity invested</b>	<b>20.6%</b>

TAG  
2017

TAG acquisitions and disposals

# TAG acquisition principles



- 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%)



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



- < 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 2016 and Q1 2017

Signing	Thuringia/ Saxony- Anhalt Nov-2016	Thuringia Dec-2016	Saxony-Anhalt Dec-2016	NRW Dec-2016	Total FY2016	Brandenburg Feb-2017	Saxony- Anhalt Mar-2017	Total Q1 2017
<b>Units</b>	353	887	303	107	1,650	1,441	1,252	2,693
<b>Rentable area sqm</b>	20,370	48,803	18,246	9,369	96,788	73,312	65,112	138,424
<b>Current net cold rent</b> EUR/sqm/month	4.42	4.66	4.66	4.68	4.61	4.77	4.82	---
<b>Vacancy</b>	11.0%	2.7%	8.5%	1.0%	5.4%	19.3%	7.2%	13.7%
<b>Purchase price</b> in EUR m	11.1	34.3	11.7	6.5	63.6	41.9	42.9	84.8
<b>Current net cold rent</b> in EUR m p.a.	0.96	2.66	0.96	0.54	5.12	3.42	3.47	6.89
<b>Location</b>	Erfurt, Altenburg	Gotha	Dessau	Hemer/Iserlo hn	---	City of Brandenburg	Halle an der Saale	---
<b>Closing</b>	Dec-2016	Dec-2016	Dec-2016	Dec-2016	---	End of Q2 2017	End of Q2 2017	---
<b>Multiples</b>	11.6x	12.9x	12.2x	12.1x	12.4x	12.3x	12.4x	12.3x

c. 4,300 units acquired in Q3 2016 and Q1 2017 at attractive acquisition multiples averaging 12.3x (8.1% gross yield)

# TAG disposals 2016 and Q1 2017

Signing	Commercial Objects 2016	Privatisation and ongoing disposals 2016	Total FY 2016	Privatisation and ongoing disposals Q1 2017
Units	2	717	719	684
Actual net cold rent EUR/sqm/month	---	---	---	---
Actual net cold rent in EUR m p.a.	1.1	2.3	3.4	1.8
Vacancy	---	---	---	---
Selling price in EUR m	12.4	37.3	49.7	11.2
Net cash proceeds in EUR m	12.4	25.8	38.2	5.0
Book profit (IFRS) EURm after revaluation	0.2	5.1	5.3	0.5
Location	Leipzig, Freiburg	Various locations	---	Various locations
Closing	Q1 2017	2016	---	Q1 and Q2 2017
Multiples	11.3x	16.2	14.6	6.2

Only few disposals in 2016 and Q1 2017, concentrating on sales of non-core assets

TAG  
2017

TAG financing structure

# TAG cost of debt and LTV

## Cost of debt Ø



- Continuous reduction of average cost of debt in FY 2015-2017.
- Upcoming refinancings of bank loans and corporate bond in 2017 and 2018 will reduce borrowing costs further.

## LTV



- LTV target of c.55% (before effects from valuation gains, 50-55% when including such uplifts).
- Current LTV of c.55% ensures efficient capital structure as well as stable and conservative financing structure given TAG's current moderate valuation level for the portfolio (Fair Value per sqm of c. EUR 790 and LTV of c. 55% leads to average financial debt per sqm of c. EUR 440).



Chemnitz



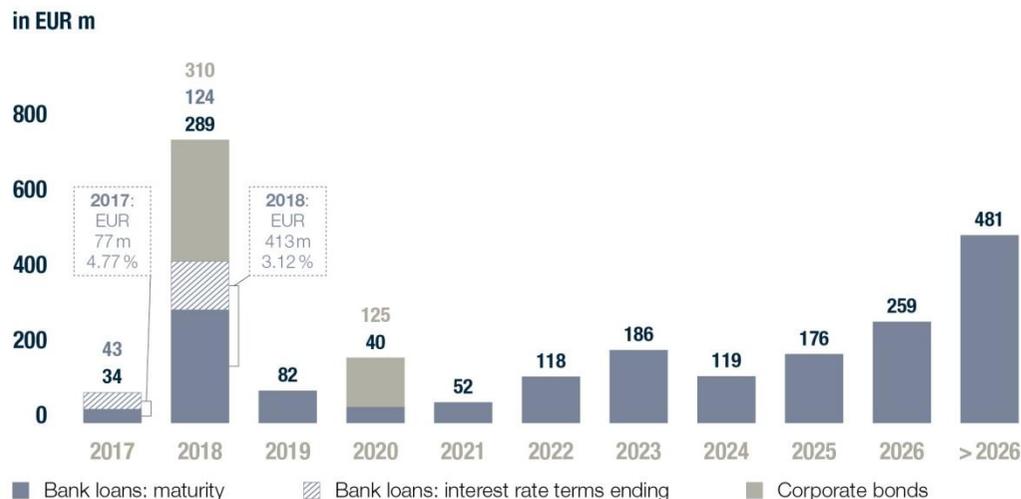
Riesa



Görlitz

# TAG debt financing structure

## Debt maturity profile as of 31 Mar-2017 in EUR millions

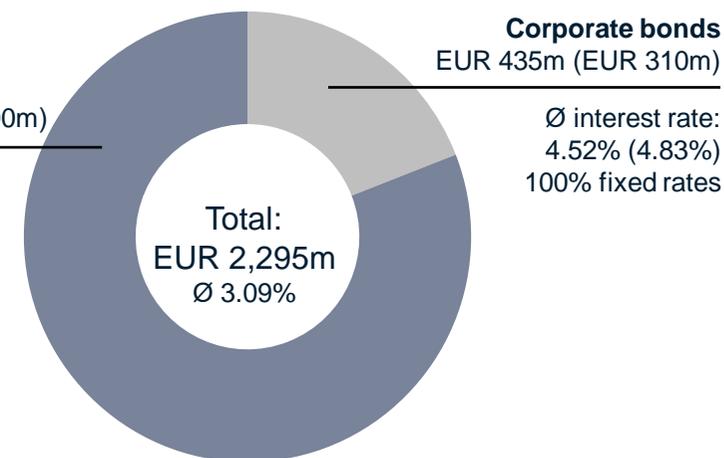


## Interest rates and maturities <sup>(1)</sup>

### Bank loans

EUR 1,860m (EUR 490m)

Ø interest rate:  
2.75% (3.4%)  
94% fixed rates



## Average maturities as of 31 Mar-2017

- Bank loans: 9.8 years (31 Dec-2016: 9.7 years)
- Total financial debt: 8.3 years (31 Dec-2016: 8.3 years)

## Upcoming refinancing in the short- to medium-term

- Until 31 Dec-2018, a total of EUR 490m of bank loans (2017: EUR 77m; 2018: EUR 413m) will mature or can be refinanced at no breakage fees at expiration; in-place average interest rate of these loans at 3.4% p.a.
- TAG is currently financing new mortgage secured bank loans at all-in interest cost at c. 1.6% - 1.9% p.a. for a 10 year term
- Refinancing of corporate bond of EUR 310m (effective interest rate 4.83%) maturing in Aug-2018 is expected to lead to further interest cost savings

(in EUR millions)	Q1 2017	Q4 2016	FY2016
<b>+ Interest income</b>	0.6	0.5	2.8
<b>- Interest expenses</b>	-18.5	-19.5	-92.6
<b>+ net profit from investments/ associates</b>	0.0	-0.2	0.3
<b>= Net financial result</b>	-17.9	-18.8	-89.5
thereof non-cash financial result related to convertible bonds	0.0	0.0	0.6
thereof non-cash financial result related to corporate bonds	0.2	0.2	0.8
thereof non-cash related to derivatives	-0.1	-0.1	0.3
thereof other non-cash financial result and one-offs <sup>(2)</sup>	0.3	0.7	12.0
<b>= Net financial result (cash, after one-offs)</b>	-17.5	-18.0	-75.8

(1) Numbers in brackets show refinancing volumes and interest rates until 31 Dec-2018

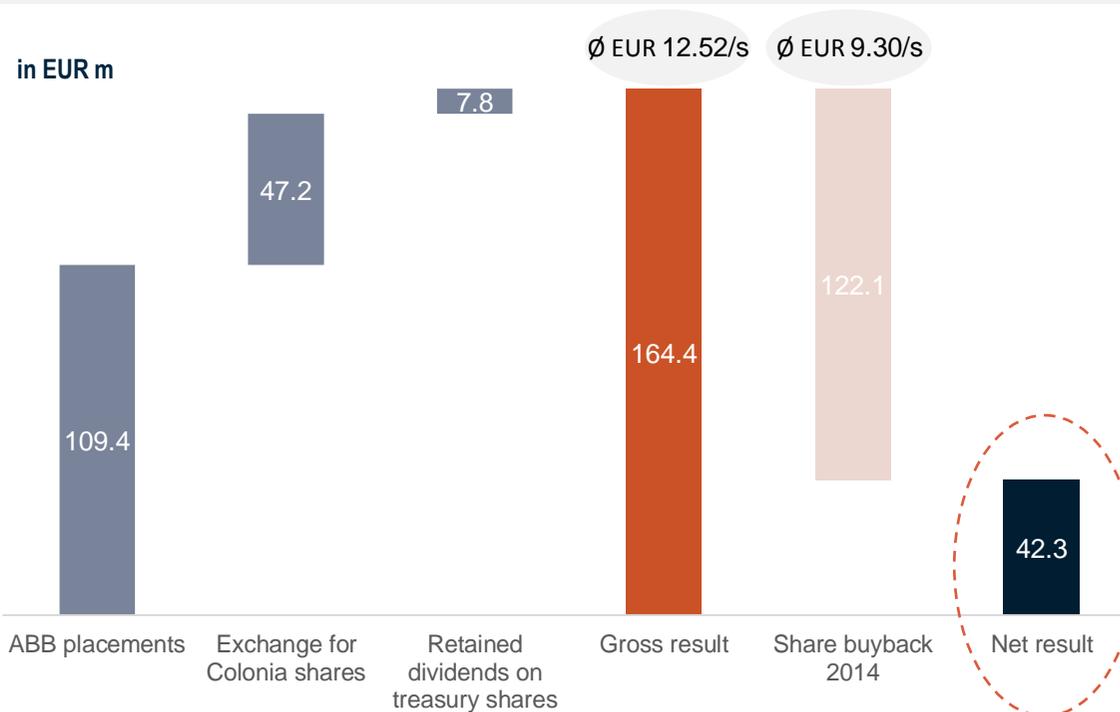
(2) Includes other non cash financial income, one-offs from refinancing and breakage fees

# TAG share buy back and placements 2014-2017

Treasury share placement in Q1 2017

- ABB transaction on 6 Mar-2017
- Placement price: EUR 12.48/s
- 8.1% premium to last EPRA NAV/s
- Only 2.0% discount to last XETRA closing price
- Gross proceeds of EUR 51.1m for new acquisitions and for further optimising the capital structure
- Last remaining shares from share buyback in Sep-/Oct-2014; transaction demonstrates TAG's ability to successfully execute its capital recycling strategy also on the liabilities side

Value creation from share buyback 2014-2017



- Share buyback in 2014 created EUR 42.3m of additional value for shareholders
- 13.1m treasury shares acquired in 2014 at **EUR 9.30/s**
- Placements of all 13.1m shares in 2015-2017 via two ABBs (9.1m shares) and two exchange transactions (4.0m TAG shares in exchange for further shares of subsidiary Colonia Real Estate AG)
- Average selling price (including saved dividends): **EUR 12.52/s**

# TAG 2017

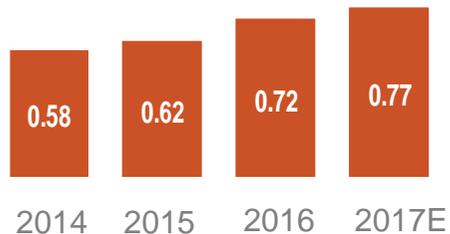
TAG outlook 2017

# TAG outlook 2017

Guidance  
FY 2017

- **FFO** EUR 110m – EUR 112m (FY 2016: EUR 97.0m)
- **FFO/s** EUR 0.77 (FY 2016: EUR 0.72)
- **Dividend/s** EUR 0.60 (FY 2016: EUR 0.57)

## FFO per share in EUR



## Dividend per share in EUR



Gera



Stralsund



Chemnitz

# TAAG 2017

APPENDIX

# TAG portfolio details by region Q1 2017

Region	Units #	Rentable area sqm	IFRS BV TEUR	In-place yield	Vacancy Mar. 2017	Vacancy L-f-I Dec. 2016	Actual 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	9,841	567,966	520,087	6.5%	6.5%	6.8%	5.29	6.04	2.8%	2.9%	1.35	1.38
Chemnitz	7,347	423,409	268,317	8.0%	11.8%	11.8%	4.78	4.88	1.5%	3.0%	1.35	3.23
Dresden	6,190	402,016	375,266	6.7%	3.9%	3.8%	5.41	5.51	0.9%	1.8%	1.02	1.10
Erfurt	9,365	527,731	453,713	6.9%	2.4%	2.5%	5.04	5.54	1.6%	3.3%	0.98	1.65
Gera	9,689	564,080	385,243	7.6%	9.6%	9.7%	4.79	5.07	2.2%	3.3%	1.53	1.52
Hamburg	7,212	441,410	387,101	7.0%	4.1%	4.3%	5.34	5.63	2.1%	2.7%	1.66	0.54
Leipzig	8,903	527,618	389,800	7.8%	4.6%	4.7%	5.03	5.14	2.9%	4.2%	1.09	1.07
Rhine-Ruhr	4,985	324,570	295,230	6.8%	3.6%	3.4%	5.33	5.74	2.0%	2.9%	3.13	1.04
Rostock	5,469	325,096	273,214	7.2%	4.8%	4.4%	5.28	5.60	1.1%	1.9%	1.69	1.26
Salzgitter	9,175	562,957	409,488	7.7%	6.7%	7.5%	5.03	5.29	1.2%	6.6%	2.17	3.30
<b>Total residential units</b>	<b>78,176</b>	<b>4,666,853</b>	<b>3,757,460</b>	<b>7.2%</b>	<b>5.9%</b>	<b>6.1%</b>	<b>5.11</b>	<b>5.43</b>	<b>1.9%</b>	<b>3.4%</b>	<b>1.55</b>	<b>1.66</b>
Acquisitions	---	---	---	---	---	7.2%	---	---	---	---	---	---
Commercial units within resi. portfolio	1,251	159,948	---	---	17.5%	17.5%	7.62	---	---	---	---	---
<b>Total residential portfolio</b>	<b>79,427</b>	<b>4,826,801</b>	<b>3,757,460</b>	<b>7.5%</b>	<b>6.3%</b>	<b>6.4%</b>	<b>5.19</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>1.50</b>	<b>1.60</b>
Other	201	40,359	94,460	5.0%	11.8%	11.6%	11.08	---	---	---	1.93	4.21
<b>Grand total</b>	<b>79,628</b>	<b>4,867,160</b>	<b>3,851,920</b>	<b>7.4%</b>	<b>6.4%</b>	<b>6.5%</b>	<b>5.23</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>1.50</b>	<b>1.62</b>

# TAG portfolio valuation details Q1 2017

Region (in EUR millions)	Mar-2017 Fair Value (IFRS)	Mar-2017 Fair Value (EUR/sqm)	Mar-2017 Implied multiple	Q1 2017 Revaluation gain / loss	Q1 2017 Share of yield compression	Q1 2017 Share of operational performance/ other market developments	Q1 2017 Capex	Q1 2017 Net acquisitions and other movements	Dec-2016 Fair Value (IFRS)	Dec-2016 Fair Value (EUR/sqm)	Dec-2016 Implied multiple
Berlin	520.1	865.1	14.5	-0.1	0.0	-0.1	0.8	-2.6	522.0	864.5	14.6
Chemnitz	268.3	609.8	12.1	0.0	0.0	0.0	1.4	40.4	226.5	585.6	12.0
Dresden	375.3	904.0	14.4	0.0	0.0	0.0	0.4	0.0	374.8	902.9	14.4
Erfurt	453.7	823.7	13.7	0.0	0.0	0.0	0.9	45.2	407.7	830.4	13.8
Gera	385.2	650.7	12.6	-0.1	0.0	-0.1	0.9	1.7	382.8	651.5	12.7
Hamburg	387.1	860.2	13.8	0.0	0.0	0.0	0.2	-0.6	387.5	860.4	13.8
Leipzig	389.8	721.7	12.4	0.0	0.0	0.0	0.6	16.6	372.9	725.0	12.4
Rhine-Ruhr	295.2	860.3	13.7	-0.1	0.0	-0.1	0.3	7.0	288.0	860.6	13.7
Rostock	273.2	828.6	13.6	0.0	0.0	0.0	0.4	0.0	272.8	827.4	13.6
Salzgitter	409.5	725.3	12.7	0.0	0.0	0.0	1.9	0.0	407.6	722.0	12.7
<b>Total residential units</b>	<b>3,757.5</b>	<b>778.5</b>	<b>13.3</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.3</b>	<b>7.7</b>	<b>107.4</b>	<b>3,642.6</b>	<b>778.7</b>	<b>13.4</b>
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-111.8	111.8	722.4	13.0
<b>Total residential portfolio</b>	<b>3,757.5</b>	<b>778.5</b>	<b>13.3</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.3</b>	<b>7.7</b>	<b>-4.4</b>	<b>3,754.4</b>	<b>776.9</b>	<b>13.4</b>
Other	94.5	2,340.5	20.0	0.0	0.0	0.0	0.2	-7.9	102.2	2,251.9	17.3
<b>Grand total*</b>	<b>3,851.9</b>	<b>791.4</b>	<b>13.5</b>	<b>-0.3</b>	<b>0.0</b>	<b>0.3</b>	<b>7.9</b>	<b>-12.3</b>	<b>3,856.6</b>	<b>790.6</b>	<b>13.5</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)	Q1 2017	Q4 2016	FY 2016
<b>Rental income</b>	<b>71.5</b>	<b>70.0</b>	<b>275.2</b>
Expenses from property management	-12.5	-10.2	-50.5
<b>Net rental income</b>	<b>59.0</b>	<b>59.8</b>	<b>224.7</b>
Net revenue from sales	0.1	0.0	1.8
Other operating income	2.2	2.5	6.4
Valuation result	-0.3	-0.6	163.1
Personnel expenses	-9.9	-9.9	-38.1
Depreciation	-0.9	-0.9	-3.0
Other operating expenses	-4.5	-5.4	-18.7
<b>EBIT</b>	<b>45.8</b>	<b>45.5</b>	<b>336.2</b>
Net financial result	-17.9	-18.8	-89.5
<b>EBT</b>	<b>27.9</b>	<b>26.7</b>	<b>246.7</b>
Income tax	-5.8	-0.1	-46.0
<b>Net income</b>	<b>22.1</b>	<b>26.6</b>	<b>200.7</b>

- Rental income in Q1 2017 increased due to acquisitions at year-end 2016 and further rental growth and vacancy reduction in Q1 2017.

- Higher expenses from property management in Q1 2017 compared to Q4 2016 mainly due to higher maintenance costs in Q1 2017 and service charge settlements carried out in Q4 2016.

- Lower other operating expenses in Q1 2017 (Q4 2016 affected by various year end-expenses and transaction costs from acquisitions).

- Increased net financial result in Q1 2017 due to lower interest costs. Cash interest result improved to EUR -17.5m (EUR -18.0m in Q4 2016).

- Income taxes predominantly relate to deferred taxes. Current cash taxes in Q1 2017 of EUR 0.7m (EUR 1.7m in FY 2016).

# TAG EBITDA, FFO and AFFO calculation

(in EUR m)	Q1 2017	Q4 2016	FY 2016
<b>Net income</b>	<b>22.1</b>	<b>26.6</b>	<b>200.7</b>
+ Income tax	5.8	0.1	46.0
+ Net financial result	17.9	18.8	89.5
<b>EBIT</b>	<b>45.8</b>	<b>45.5</b>	<b>336.2</b>
+ Adjustments			
Net revenue from sales	-0.1	0.0	-1.8
Valuation result	0.3	0.6	-163.1
Depreciation	0.9	0.9	3.0
One-offs (mainly project costs and severance payments personnel costs)	0.0	0.0	0.9
<b>EBITDA (adjusted)</b>	<b>46.9</b>	<b>47.0</b>	<b>175.2</b>
- Net financial result (cash, after one-offs)	-17.5	-18.1	-75.8
- Cash taxes	-0.7	-1.1	-1.7
- Cash dividend payments to minorities	-0.2	-0.7	-0.7
<b>FFO I</b>	<b>28.5</b>	<b>27.1</b>	<b>97.0</b>
- Capitalised maintenance	-2.5	-2.3	-9.2
<b>AFFO before modernisation capex</b>	<b>26.0</b>	<b>24.8</b>	<b>87.8</b>
- Modernisation capex	-5.4	-9.3	-37.3
<b>AFFO</b>	<b>20.6</b>	<b>15.5</b>	<b>50.5</b>
Net revenue from sales	0.1	0.0	1.8
<b>FFO II</b>	<b>28.6</b>	<b>27.1</b>	<b>98.8</b>
(FFO I + net revenue from sales)			
Weighted average number of shares outstanding (in '000)	143,481	142,344	135,666
<b>FFO I per share (EUR)</b>	<b>0.20</b>	<b>0.19</b>	<b>0.72</b>
<b>AFFO per share (EUR)</b>	<b>0.14</b>	<b>0.11</b>	<b>0.37</b>

- EBITDA (adjusted) decreased slightly by EUR 0.1m in Q1 2017 compared to Q4 2016. Reduced net rental income is almost offset by lower other operating expenses.

- FFO I in Q1 2017 increased by EUR 1.4m compared to Q4 2016 due to improved net cash financial result (+EUR 0.5m) and lower cash taxes.

- AFFO (FFO I after total capex) increased strongly in Q1 2017 by EUR 5.1m compared to Q4 2016.

- Number of shares outstanding increased in Mar-2017 by 4.1m to 146.4m due to placement of treasury shares in Mar-2017
- 60,000 treasury shares remaining for management compensation in shares.

# TAG EPRA Earnings

(in EUR millions)	Q1 2017	Q4 2016	FY 2016
<b>Net income</b>	<b>22.1</b>	<b>26.6</b>	<b>200.7</b>
Valuation result	0.3	0.6	-163.1
Deferred income taxes on valuation result	3.7	-0.2	43.6
Net revenues from sales	-0.1	0.0	-1.8
Cash taxes on net revenues from sales	0.0	0.2	0.7
Fair value valuation of derivative financial instruments	-0.1	-0.1	0.3
Breakage fees bank loans and payments for early conversion of convertible bond	0.0	0.1	10.5
Cash dividend payments to minorities	-0.2	-0.7	-0.7
<b>EPRA Earnings</b>	<b>25.7</b>	<b>26.5</b>	<b>90.2</b>
Deferred income taxes (other than on valuation result)	1.3	-0.9	0.7
Other non cash financial result	0.6	0.8	2.9
One off's personnel costs and project costs	0.0	0.0	0.9
Depreciation	0.9	0.9	3.0
Cash taxes on net revenues from sales	0.0	-0.2	-0.7
<b>FFO I</b>	<b>28.5</b>	<b>27.1</b>	<b>97.0</b>
Weighted average number of shares (outstanding)	143,481	142,344	135,666
<b>EPRA Earnings per share (in EUR)</b>	<b>0.18</b>	<b>0.19</b>	<b>0.66</b>
<b>FFO I per share (in EUR)</b>	<b>0.20</b>	<b>0.19</b>	<b>0.72</b>

# TAG balance sheet (IFRS)

(in EUR millions)	31 Mar-2017	31 Dec-2016
<b>Non-current assets</b>	<b>3,842.2</b>	<b>3,843.6</b>
Investment property	3,772.0	3,777.8
Deferred tax assets	38.3	38.8
Other non-current assets	31.9	27.0
<b>Current assets</b>	<b>253.1</b>	<b>156.2</b>
Real estate inventory	51.3	51.7
Cash and cash equivalents	128.1	74.5
Other current assets	73.7	30.0
<b>Non-current assets held-for-sale</b>	<b>18.7</b>	<b>17.0</b>
<b>TOTAL ASSETS</b>	<b>4,114.0</b>	<b>4,016.8</b>
<b>Equity</b>	<b>1,438.2</b>	<b>1,365.6</b>
Equity (without minorities)	1,423.2	1,350.9
Minority interest	15.0	14.7
<b>Non-current liabilities</b>	<b>2,462.7</b>	<b>2,399.6</b>
Financial debt	2,169.4	2,110.8
Deferred tax liabilities	277.0	272.3
Other non-current liabilities	16.3	16.5
<b>Current liabilities</b>	<b>213.1</b>	<b>251.6</b>
Financial debt	131.3	159.5
Other current liabilities	81.8	92.1
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,114.0</b>	<b>4,016.8</b>
LTV	55.8%	57.1%

- Increase in cash and cash equivalents mainly due to placement of 4.1m treasury shares in Mar-2017.
- Purchase price payment of c. EUR 40m for acquisitions effective in Q2 2017 already made as of 31 Mar-2017 (prepayment shown under Other current assets).

- LTV reduction by 130 bps in Q1 2017 mainly driven by placement of 4.1m treasury shares in Mar-2017.

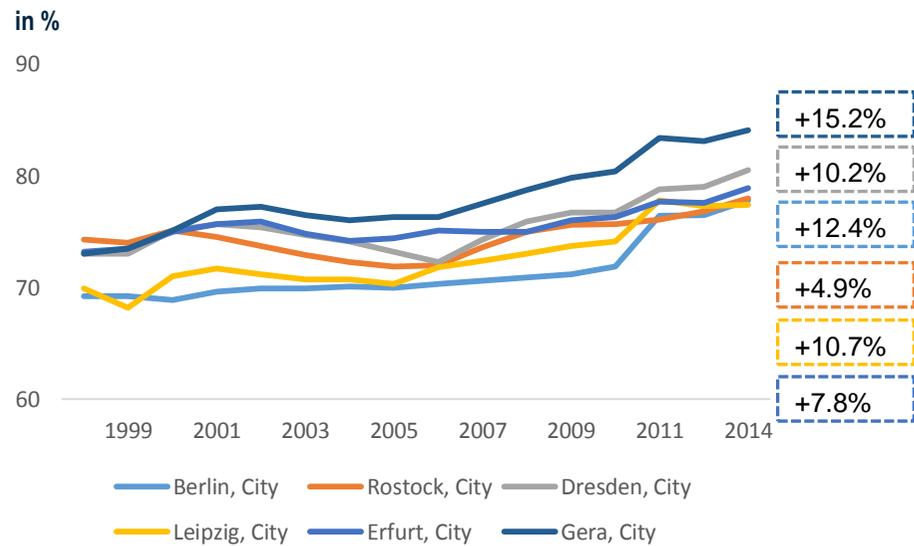
# TAG NAV calculation

(in EUR millions)	31 Mar-2017	31 Dec-2016
<b>Equity (without minorities)</b>	<b>1,423.2</b>	<b>1,350.9</b>
+ Deferred taxes on investment properties and financial derivatives	290.9	287.1
+ Fair value of financial derivatives	3.5	4.0
<b>= EPRA NAV</b>	<b>1,717.6</b>	<b>1,642.0</b>
- Standardized transaction costs	-225.2	-225.4
<b>= EPRA NAV (incl. standardized transaction costs)</b>	<b>1,492.4</b>	<b>1,416.6</b>
<i>Number of shares outstanding (in '000)</i>	<i>146,439</i>	<i>142,344</i>
<b>EPRA NAV per share (EUR)</b>	<b>11.73</b>	<b>11.53</b>
<b>EPRA NAV per share (EUR) (incl. standardized transaction costs)</b>	<b>10.19</b>	<b>9.95</b>

- NAV per share development of EUR +0.20 in Q1 2017:
  - c. EUR +0.02 placement of treasury shares
  - c. EUR +0.18 increase mainly due to net income in Q1 2017.

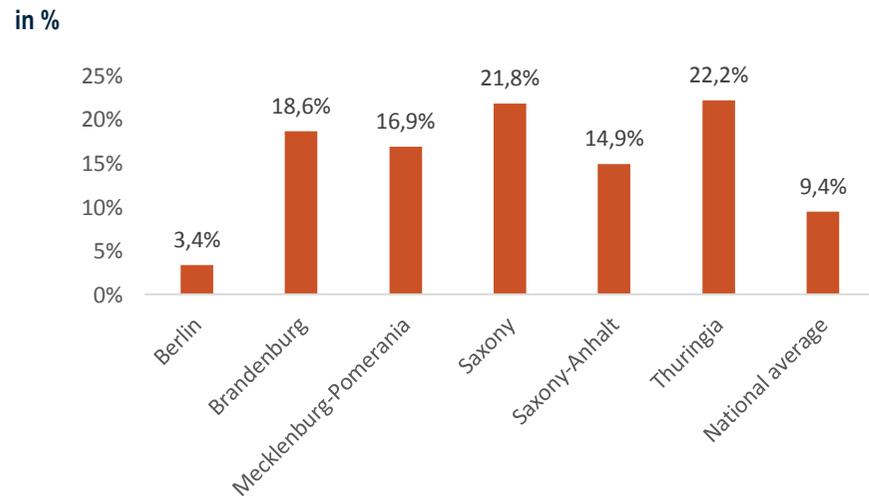
# Eastern German real estate market **fundamentals**

Change in employment rates 1998–2014<sup>1)</sup>



- In the regions that are part of the TAG portfolio, employment has increased significantly
- Average employment increased by approximately 9.8% from 1998 to 2014

Growth in GDP per person employed 2000–2015<sup>2)</sup>



- The highest growth in GDP per person employed in the period from 2000 to 2015 was recorded in Thuringia: 22.2%
- Followed by Saxony with a 21.8% increase in GDP per person employed
- The national average growth in GDP per person employed was only 9.4%

Sources:

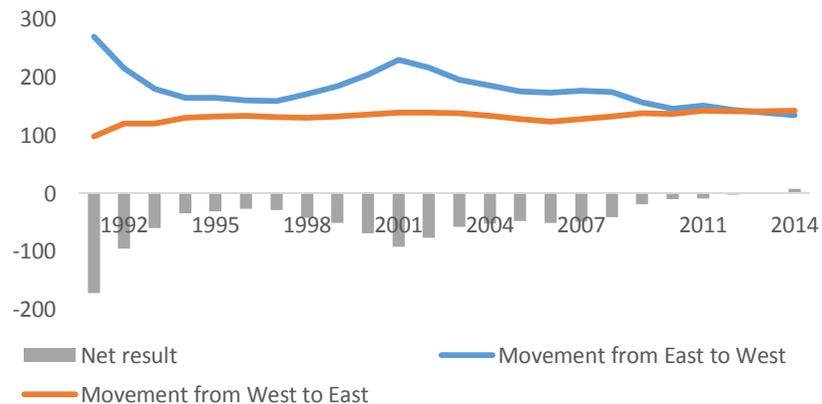
1) Federal Institute for Population Research "Migration between East and West Germany", 1991 to 2014

2) Federal Statistical Office, Study: "Migration Patterns in the East"

# East German real estate market demographics

Migration between Eastern and Western Germany<sup>1)</sup>

People in 1000



Sources:

1) Federal Institute for Population Research "Migration between East and West Germany", 1991 to 2014

2) Federal Statistical Office, Study: "Migration Patterns in the East"

3) Federal Institute for Population Research "Migration between East and West Germany", 1991 to 2014

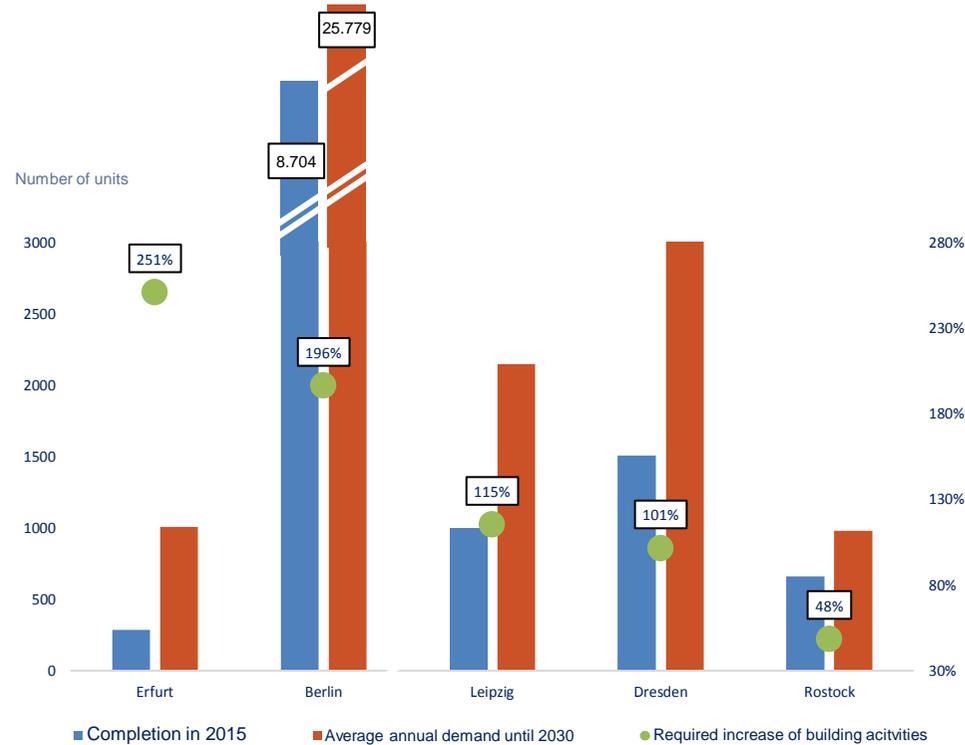
- Since the fall of the Berlin Wall, about 1.8 million people from Eastern Germany have moved to Western Germany – mostly young people between 18 and 30 years old<sup>2)</sup>
- This development has come to an end, that is, the population figures stabilised. In 2013, for the first time, more people immigrated to the five Eastern German states than emigrated from them<sup>3)</sup>

From 2008 to 2013 total net migration to East Germany improved steadily and was positive for the first time in 2012

# Eastern German real estate market **lack of supply**

## Gap between units built and demand

People in 1000



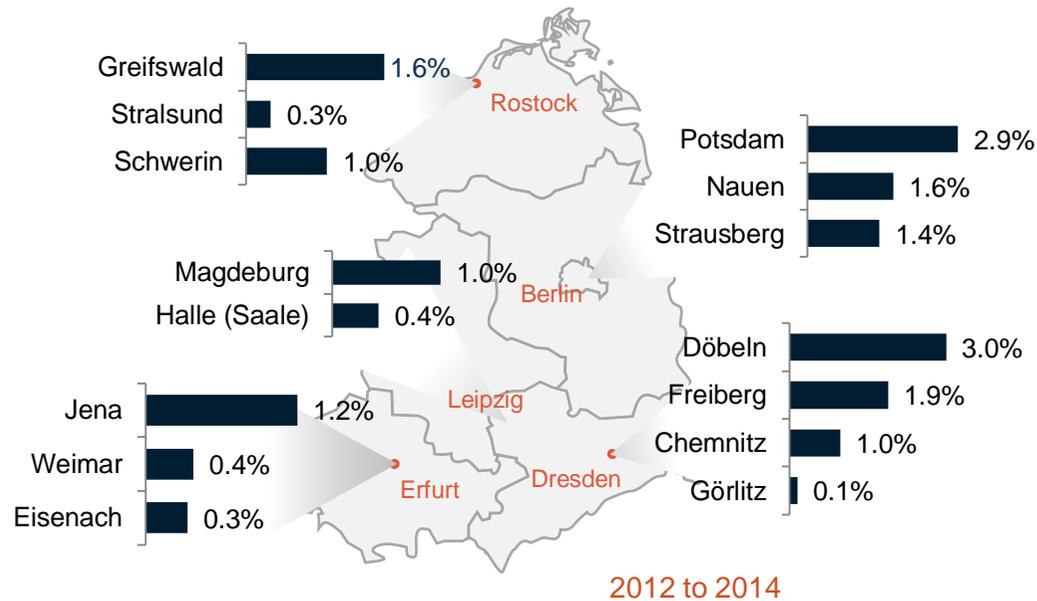
- Significant shortage of housing units in major Eastern German cities
- Annual completion rate needs to be doubled in Leipzig and Dresden, tripled in Berlin and even quadrupled in Erfurt in order to match annual demand
- Situation indicates further upside potential in market rents and housing prices

Source: Bulwiengesa as of February 2017

Current completion rate does not meet annual demand forecasts

# TAG housing market report Eastern Germany

## Population over time



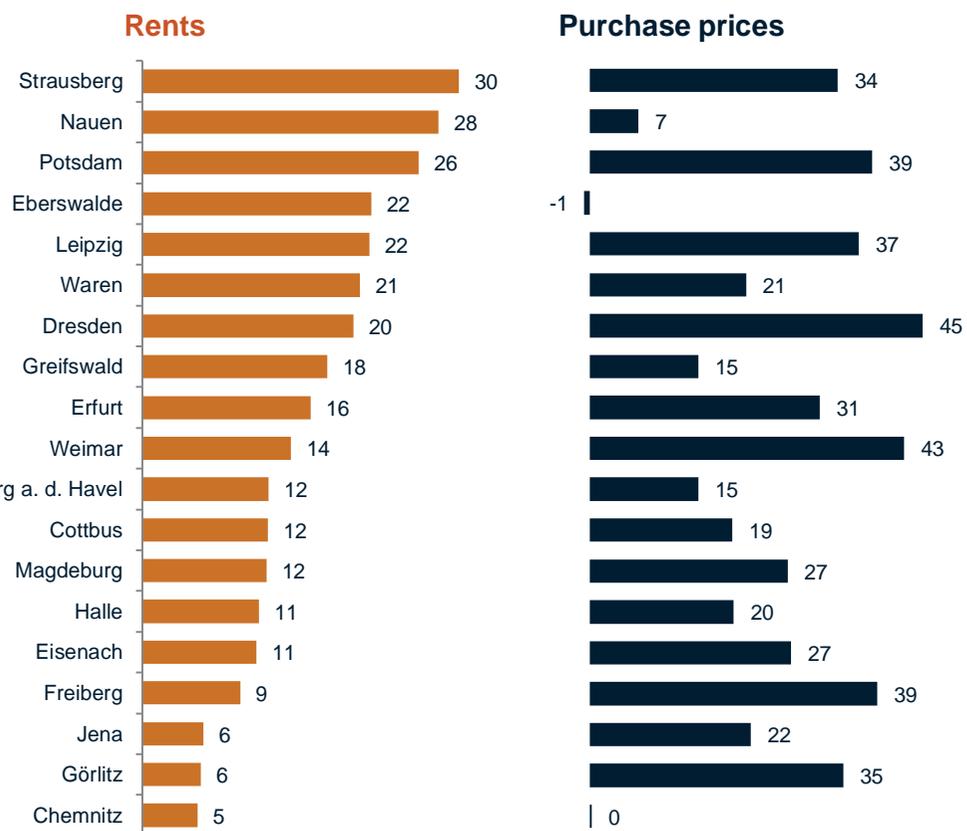
Source: Housing market report Eastern Germany 2016 TAG Immobilien AG in cooperation with Wüest & Partner

- The population drain from Eastern Germany in the years after the German reunification has been stopped
- From 2012 to 2014, the number of residents in 14 of the 27 cities surveyed grew by 1% or more
- Leipzig (+4.5%), Döbeln (+3.0%) and Potsdam (+2.9%) enjoyed the strongest growth in population
- The metropolitan feeder regions are becoming more and more popular

Stable growth in TAG's key regions and increasingly positive trend

# TAG housing market report Eastern Germany

## Rents and purchase prices over time in select Eastern German cities



- In all 27 locations surveyed, the rents have increased
- In 11 Eastern German locations, purchase prices skyrocketed by more than 30% over five years
- Another 10 Eastern German locations saw purchase prices increasing by 10-30% over five years

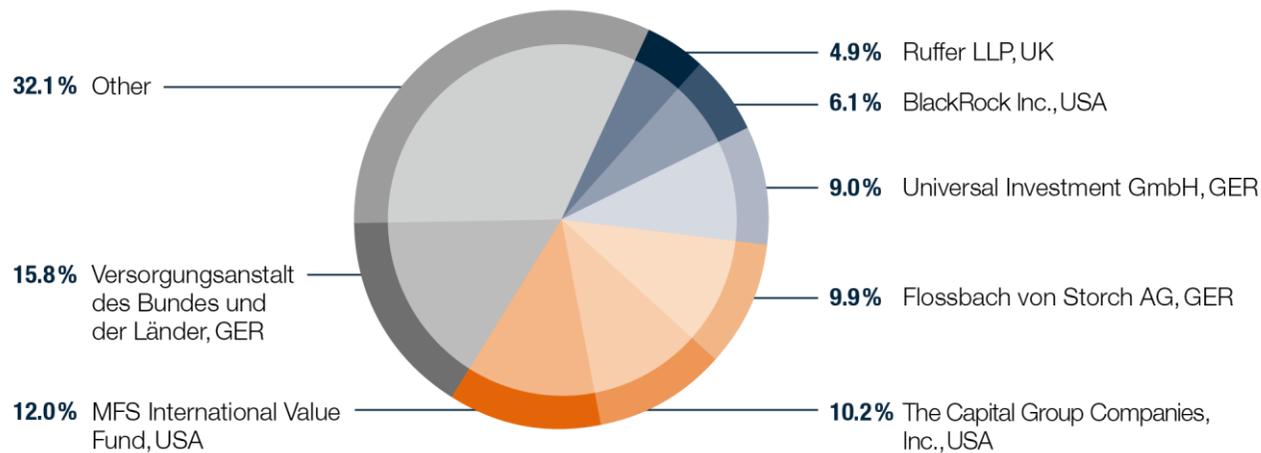
2011 to 2016 in %

Source: Housing market report Eastern Germany 2016 TAG Immobilien AG in cooperation with Wüest&Partner

Increasing attractiveness and influx of population are driving up rents and purchase prices in Eastern Germany

# TAG shareholder structure

Shareholder structure as of 31 Mar-2017



- Number of shares (issued) 146.5m
- Market capitalisation (31 Mar-2017) EUR 1.8bn
- Stock indices MDAX/EPRA
- Free Float \* 100%
- National and international investors with long term investment strategy represent the majority of shareholders



Riesa



Wittenberg



Frödenberg

\* Deutsche Börse definition including institutional investors

# TAG management board



**Claudia Hoyer**  
**COO**

- Key responsibilities: Property and Asset Management, Acquisitions and Disposals, Shared Service Center
- 
- Age 45
  - Joined TAG as a member of the management board 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 44
  - Joined TAG as CFO in April 2014
  - Business degree, CPA, CVA, 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 60
  - With TAG for more than 15 years, has been a member of the management board since April 2011
  - Law degree, over 25 years of experience in real estate legal affairs

# TAG management board compensation (bonus)

## ■ Components

- 50% paid in cash
- 50% in shares (treasury shares)

## ■ Criteria

Based in full on per share data, i.e. annual increase compared to previous year in

- Share price (adjusted for dividend payments)
- FFO/s
- NAV/s (adjusted for dividend payments)
- EBT/s (excluding valuation result)

## ■ Cap

- EUR 250,000 per board member

## ■ Restrictions/payments

- Shares restricted for three years
- Cash component paid in two annual instalments



Dresden



Lauta



Großräschen

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