

# Investor Presentation October 2008



# Profitable growth on three pillars

## Vivacon is well positioned in its three business units

### Investment Management

More than 40,000 residential units acquired since 2004.

Sourcing, aggregation and marketing of small- to mid-sized portfolios and ground lease cash flows in off-market transactions

Nationwide network and 20 people in-house acquisition

Vivacon plans to conduct portfolio transactions on pre-agreed investor acquisition contracts in long term cooperations with institutional investors

### Asset Management

Comprehensive asset management services for more than 10.000 units owned directly or through JV

Property management for c. 58,000 residential units with a market value of c. EUR 4.5 bn

Nationwide property management presence in 250 locations with c. 600 employees

Further increase in annual ground lease cash flows by direct acquisition of ground lease portfolios

### Development

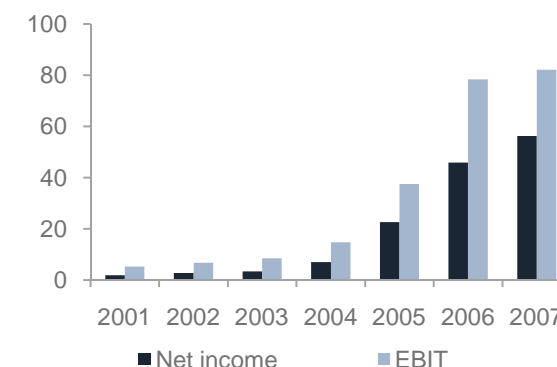
More than 3,580 sold residential units since foundation in 1997, leading market position in development and distribution of landmark, designer and luxury apartments

Experienced team with 11 years of market presence in high-end residential development

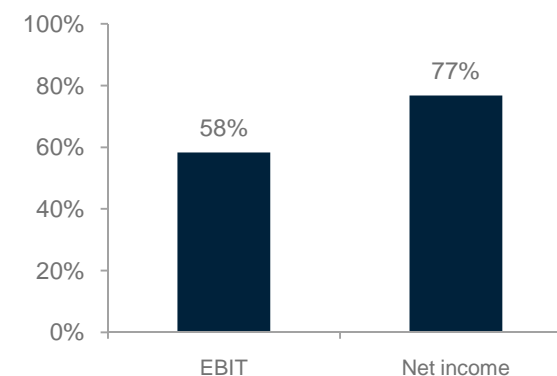
11 new projects being developed in all major German regional markets

Order backlog of EUR 77.5m and 300m pipeline volume at June-end gives visibility

### Earnings development (EUR m)



### Growth (CAGR 2001-2007) in %



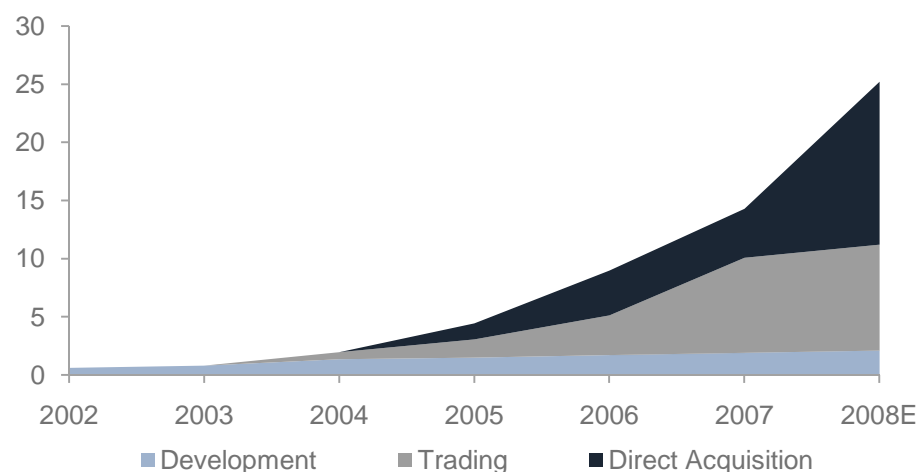
# Investment Management



# Evolution of the business model

Since its foundation, the company's core strategy has been the creation of ground leases

**Total initial annual ground lease income (EUR m)**



## Ground lease cash flows year-end 2008E

|                    |                   |
|--------------------|-------------------|
| Development        | c. EUR 2m         |
| Portfolio trading  | c. EUR 9m         |
| Direct acquisition | c. EUR 14m        |
| <b>Total</b>       | <b>c. EUR 25m</b> |

- Vivacon's strategy has been unchanged since the foundation of the company to generate and acquire secure, long-dated and 100% CPI-indexed ground lease cash flows
- Ground lease acquisitions will become an important earnings driver with an amount of initial annual ground leases of already EUR 16.2m p.a. (as of 30th June)
- Vivacon expects to acquire up to EUR 10m in annual ground leases in the full year 2008 and to reach its communicated net income guidance even without further significant residential portfolio transactions

# Characteristics of ground leases

## Differences between rents and ground lease cash flows

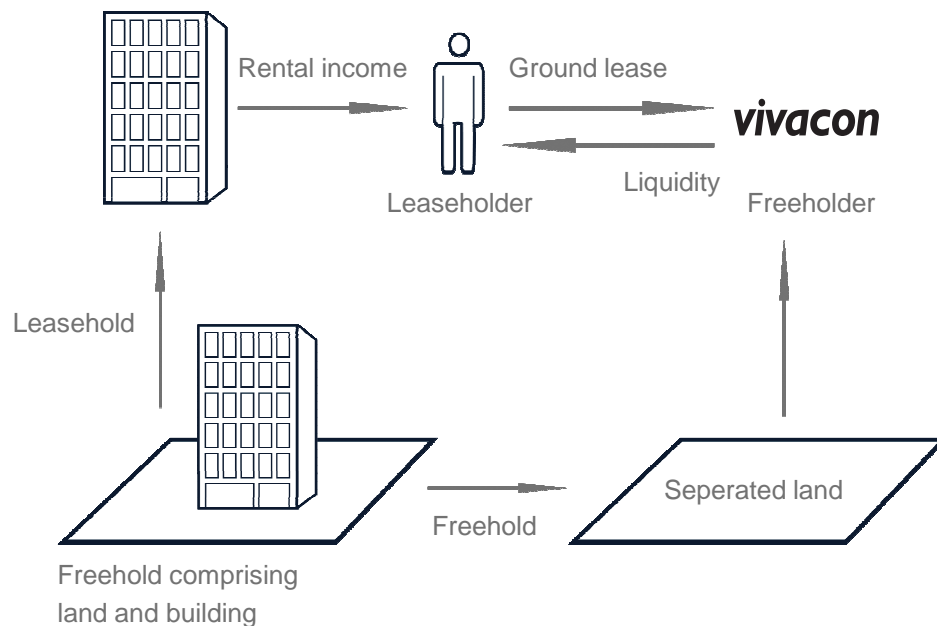
| Comparison of rental and ground lease cash flows |                                    |   |                              |   |
|--|------------------------------------|---|------------------------------|---|
|  | Residential rents                  |   | Ground lease cash flows      |   |
| Duration   | Average 3-7 years                  | x | 198 years                    | ✓ |
| Security   | In general 3 month cash deposit    | x | Building on the land         | ✓ |
| Operating costs                                  | 20-30 % of net rent                | x | Only cash flow monitoring    | ✓ |
| CAPEX  | 4.5-8.5 %                          | x | No CAPEX                     | ✓ |
| Indexation                                       | Individual negotiation with tenant | x | Automatically 100%CPI-linked | ✓ |
| Valuation multiple                               | 11-13x                             | x | 24.7x                        | ✓ |
| Discount factor                                  | 9.1%-7.7%                          | x | 4.05%                        | ✓ |

22.10.2008 | 6

# Direct ground lease acquisition

## A significant earnings contributor in the future

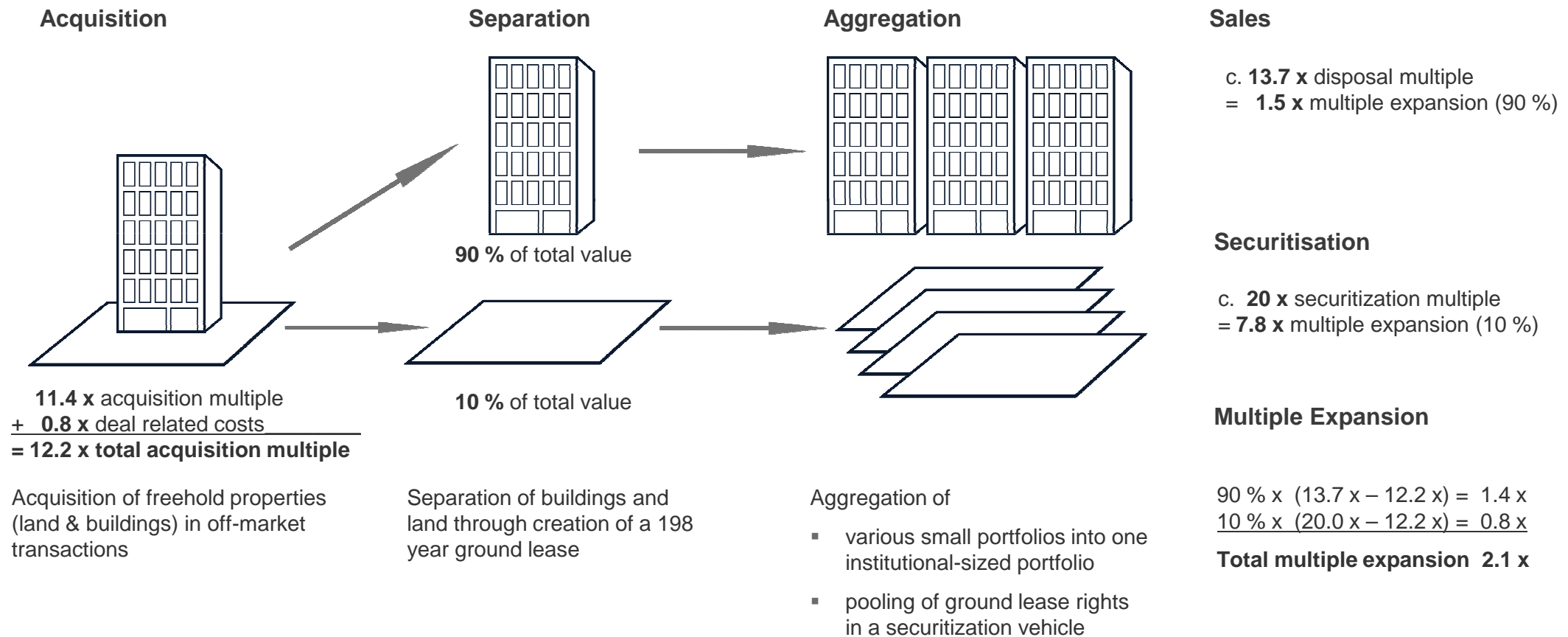
### Structure chart of direct groundlease acquisitions



- Ground lease acquisitions will become a key focus of the business operations of Vivacon
- Out of the ground lease portfolio as of June 30th (EUR 16.2m), some EUR 6m already result from direct 3rd party acquisitions (c. 38% of total)
- With the proceeds of Convertible Bond issue (EUR 24m) and the recently secured NIBC credit facility (>EUR 100m – 90% LTV), Vivacon is well prepared to profit from business opportunities
- Advantages for Vivacon
  - Faster creation of ground lease cash flows (direct acquisition instead of buying portfolios, separation of building and land and disposal under lease hold)
  - Less capital intensive (only acquisition of land and no need of financing the complete freehold comprising of land and buildings)
  - Less risk (no disposal risk as with portfolio transactions)

# Value Extraction through Separation of Land and Buildings

## Additional value generated through ground lease creation



# Direct ground lease acquisition

## A significant earnings contributor in the future

|                    | Rationale   | Potential market size  |
|--------------------|---|--|
| Public sector      | <ul style="list-style-type: none"> <li>- Budget deficits</li> <li>- No disposal of residential units for political reasons</li> <li>- Cash inflow through the disposal of part of the assets</li> </ul>                         | All public sector owned assets with state guaranteed cash flows like town halls, universities, hospitals, schools, infrastructure assets...      |
| Commercial sector  | <ul style="list-style-type: none"> <li>- SME firms find it difficult to raise debt or equity in the current market environment</li> </ul>   | All commercial properties with a good potential third party use such as office buildings, shopping malls, logistics or health care properties... |
| Residential sector | <ul style="list-style-type: none"> <li>- Cash inflow through the disposal of part of the assets</li> <li>- Large scale residential owners are facing difficult financing conditions and need to reduce their gearing</li> </ul> | c. 40m residential units in Germany  |



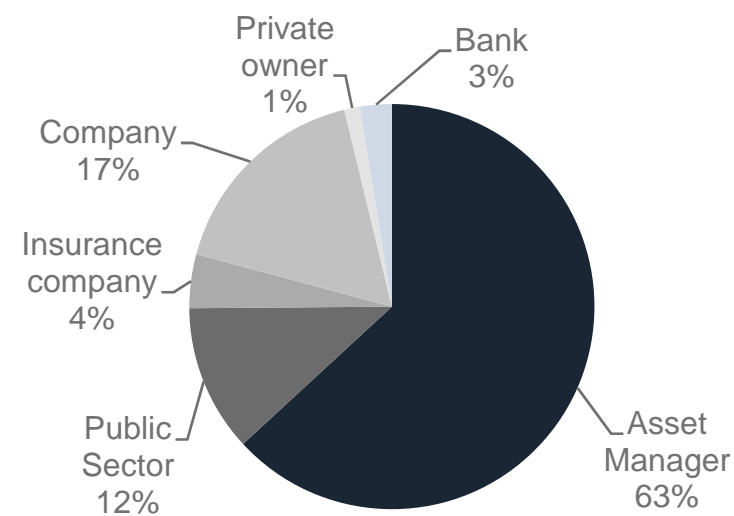
22.10.2008 | 9

# Direct ground lease acquisition

## Sample of current ground lease acquisition projects

| Potential Seller                        | Type        | Annual Ground lease<br>CF (EUR m) |
|---|-------------|-----------------------------------|
| Asset Manager                           | Commercial  | 2.8                               |
| Asset Manager                           | Commercial  | 2.2                               |
| Public Sector                           | Residential | 0.5                               |
| Insurance company                       | Residential | 0.4                               |
| Company                                 | Residential | 0.8                               |
| Company                                 | Residential | 0.3                               |
| Company                                 | Residential | 0.2                               |
| Private owner                           | Residential | 0.1                               |
| Public Sector                           | Municipal   | 0.2                               |
| Bank                                    | Residential | 0.2                               |
| Public Sector                           | Municipal   | 0.2                               |
| ...                                     | ...         | ...                               |
| <b>Average ground lease acquisition</b> |             | <b>0.7</b>                        |

Sample split of current ground lease acquisition projects (EUR m)

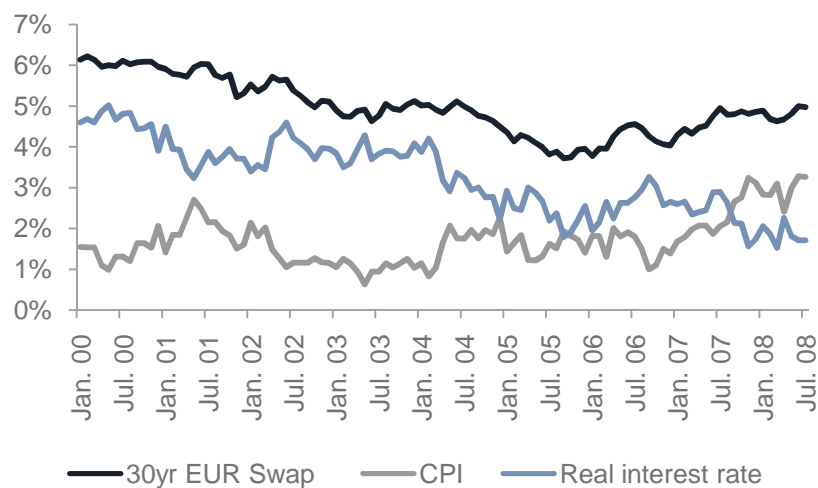


22.10.2008 | 10

# Development of interest rates and inflation

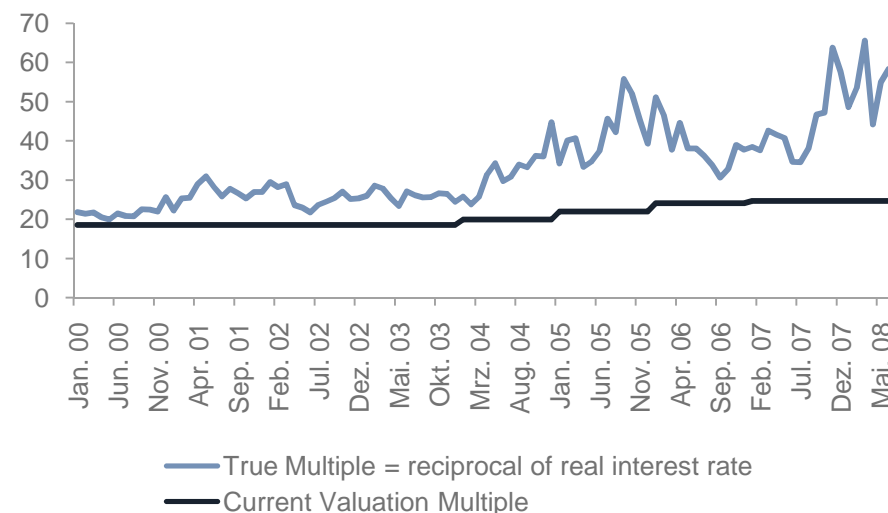
## The real interest rate has declined since 2000

Interest and CPI development (in %)



Source: Bloomberg and Vivacon calculations

Multiple development



Source: Bloomberg, Vivacon and own calculations

- Ground lease cash flows are 100% CPI-indexed, i.e. for valuation reasons the real interest rate is used
- Over the last 8 years, the nominal interest rate has declined and inflation has increased. This has resulted in a reduction of the real interest rate
- Vivacon is valuating its ground lease cash flows in the balance sheet by adding a safety cushion (125 bp) on the real interest rate and applies a discount rate of 4.05% which represents a multiple of 24.7x

# Asset Management

## Management of assets with recurring cash flows



# Asset Management

## Strong basis of stable and recurring earnings in the coming years

Rental  
revenues

EUR 19m

- Rental income from residential units owned and managed by Vivacon between acquisition and disposal time. Annual rental income of currently owned

Ground lease  
revenues

EUR 17m

- High visibility due to long-term (up to 198 years), inflation-protected (100% CPI-linked) and very secure (entire buildings as collateral) ground lease cash flows
- Different sources of new ground leases: i) portfolio transactions, ii) direct ground lease acquisition, iii) landmark condominium disposal

Property Mgmt.  
revenues

EUR 24m

- 80% stake in Curanis – one of the leading German property managers. The Curanis Group manages more than 58,000 residential and commercial units with a market volume of EUR 4.5bn at more than 250 locations in Germany

Asset Mgmt  
activities

EUR 1m

- Operating partner of and 30% shareholding in WIAG Immobilien AG (Joint Venture with Forum Partners for opportunistic portfolios), which currently owns c. 4,800 units generating approximately EUR 14.9m annual rental revenues

Total revenue  
contribution

EUR 60m

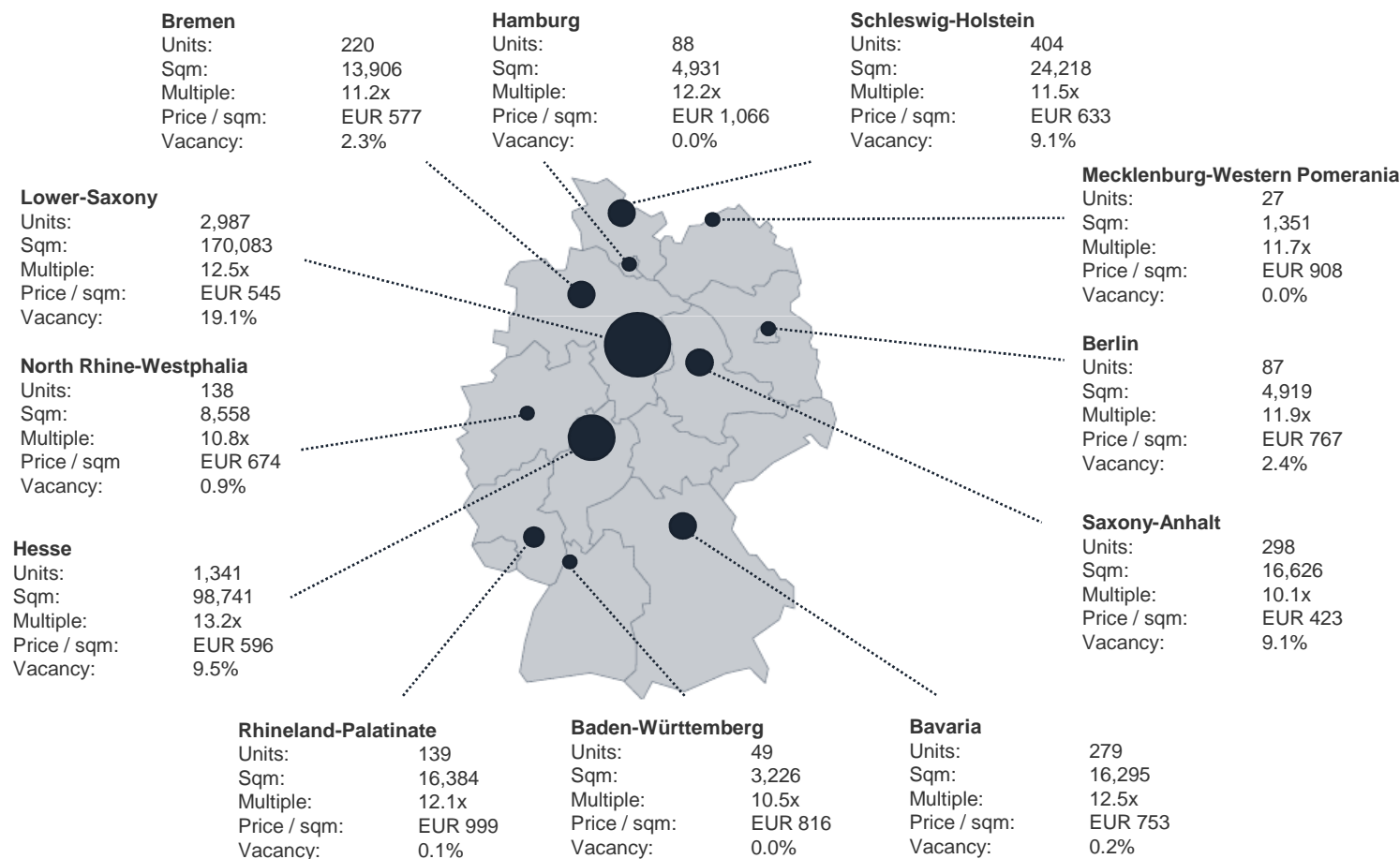
**Asset management – including property management since 2008 – provides an ever larger share of company earnings**

# Asset Management

Strong basis of stable and recurring earnings in the coming years

## Key figures

- units: 6,057
- sqm: 379,239
- Multiple 12.3x
- Price/sqm EUR 605



# Development Business





# Development Business

A record number of new projects in landmark conversion and designer apartments

## Cologne



### Am Clarenbach

32 units, volume EUR 19m  
Notarized volume: 47%

## Mainz



### Dalberger Hof

51 units, volume EUR 21m  
Notarized volume: 46%

## Berlin



### yoo

100 units, volume EUR 77m  
Sale start: September 2008

## Berlin



### Luisenstadt

375 units, volume EUR 95m  
Sale start: September 2008

- In 2007, Vivacon started 11 new projects of which 7 projects went already into marketing. In addition the first commercial real estate project (future Vivacon HQ) was marketed and sold
  - 6 landmark projects (sales volume of EUR 160m and 662 units in total)
  - 3 yoo projects (sales volume of EUR 184m and 239 units in total)
  - 2 high-end projects (sales volume of EUR 83m and 125 units in total)
- In 2008, Vivacon has already started 4 new projects (EUR 61m sales volume and 198 units)



**EUR 77.5m order back-log (June 08) and EUR 300m pipeline of upcoming development projects offers high earnings visibility**

# Development Business

A record number of new projects in landmark conversion and designer apartments

## Designer apartments

- Exclusive license to realize Philippe Starck-designed real estate projects in Germany
- Already two objects (Hamburg and Munich) in progress; The third (Düsseldorf: EUR 50m project volume) and fourth (Berlin: EUR 75m project volume) are in the pipeline
- Project volumes EUR 30–50m each, approx. one new project per year

## yoo

- Philippe Starck is one of the most commercially successful designers in the world
- Vivacon and YOO Holdings Ltd. have established YOO Deutschland GmbH as a Joint Venture (50/50), which owns the exclusive license for the realization of Philippe Starck designed real estate projects in Germany



## Hamburg



Hafencity,  
59 units, volume EUR 42m

## Munich



Thalkirchnerstraße,  
69 units, volume EUR 56m

## Düsseldorf



Schlossuferresidenz,  
55 units, volume EUR 51m

## Berlin



Am Zirkus,  
100 units, volume EUR 77m



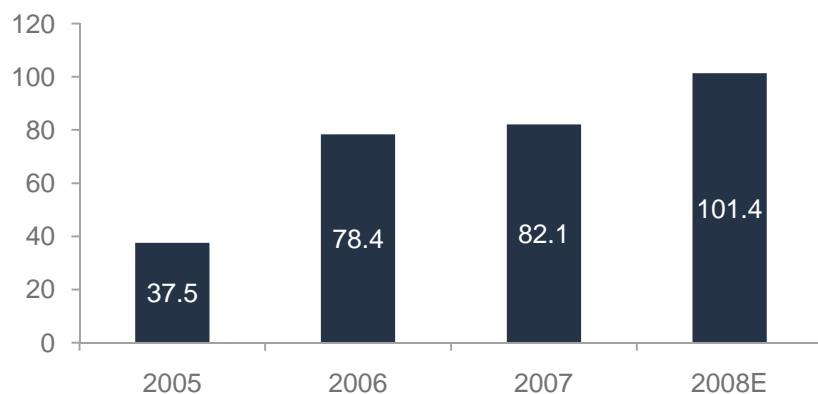
# Financials



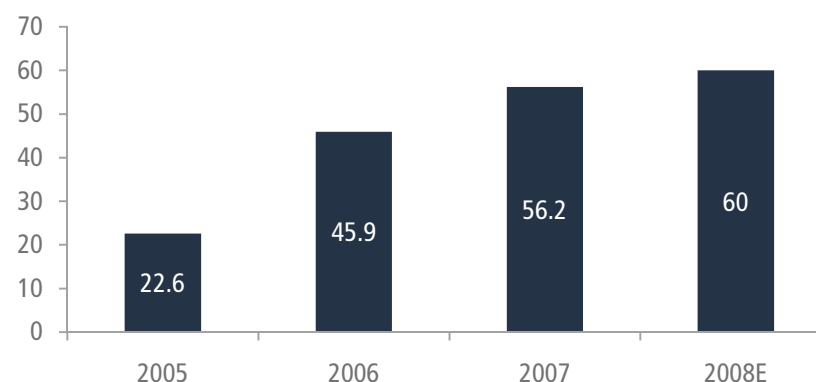
# EBIT and Net Income Development

## Further improvements to record levels

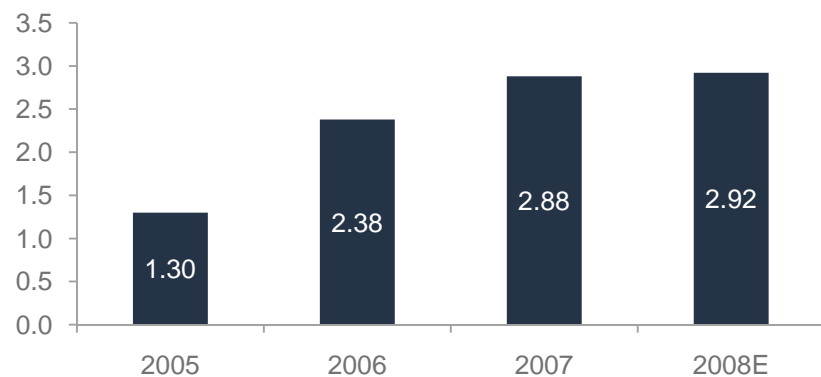
### EBIT development (EUR m)



### Net income development (EUR m)



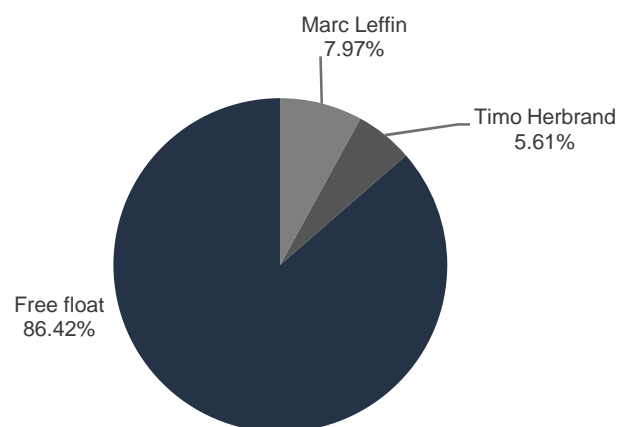
### EPS development (EUR m)



- EBIT 2007 increase by 5% yoy due to approximately same transaction volume as in 2006 including investments into the organization
- EBIT margin 2007 (as percentage of transaction volume) remained strong at 14.5% (2006: 13.7%)
- Net income 2006 increased by 23% yoy – including release of deferred taxes (EUR 8.4m) - and was in-line with communicated company guidance
- ROE 2007 reached 30.7% in 2007 (34.2% in 2006)

# Facts and Figures

## Shareholder Structure

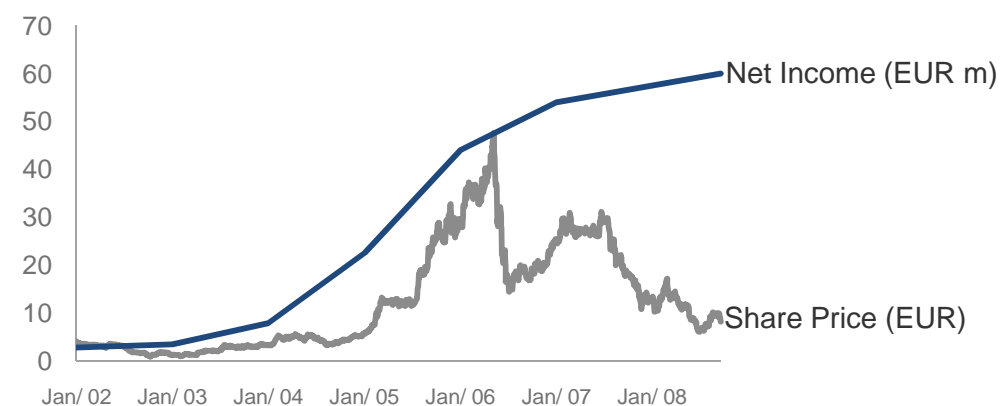


## Largest published shareholdings

|              |                                 |
|--------------|---------------------------------|
| DWS          | 2.97% (Filing date: 15/04/2008) |
| SIA Funds AG | 2.03% (Filing date: 10/07/2008) |
| UBS          | 1.59% (Filing date: 04/06/2008) |

Source: Vivacon & Reuters

## Share price vs. net income development



Source: Datastream and Vivacon

## Facts & Figures

|                       |   |
|-----------------------|---|
| Shareholders' Equity: | EUR 234 m (22% equity ratio)            |
| Shares Outstanding :  | 19.8m                                   |
| Index Segments:       | SDAX, FTSE EPRA/NAREIT, DAX 100 intern. |
| Founded:              | 1997                                    |
| Employees:            | 95 (FY2007 average)                     |

# Outlook

## Investment Management

- The ground lease generation model of Vivacon is further evolving from the original sale of apartments to individual investors, to larger institutional portfolio investors and to direct ground lease portfolio acquisitions
- The business has reached a level where the company extracts quite sizeable ground lease cash-flows of > EUR 10m p.a. from direct ground lease acquisitions in quasi sale & lease-back transactions
- Acquisitions of up to EUR 10m ground-lease cash flows should contribute significantly to full-year earnings

## Asset Management

- Total annual revenue of EUR 60m comprising of more than EUR 17m in annual ground-leases, EUR 19m rental income from current owned portfolios as well as the 80% stake in Curanis – one of the leading German property managers
- 30% stake in WIAG Immobilien AG (Joint Venture with Forum Partners for opportunistic portfolios), which currently owns c. 4,800 units generating approximately EUR 14.9m annual rental revenues

## Development

- Order backlog of EUR 77.5m and some EUR 300m project volume at the end of June gives visibility and confidence
- Beside the 11 projects started in 2007, further 4 projects with a total volume of EUR 61m already started in 2008



**Management confirms its net income guidance of EUR 60m in 2008**

22.10.2008 | 21

# Contact and Disclaimer

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