

# Investor Presentation

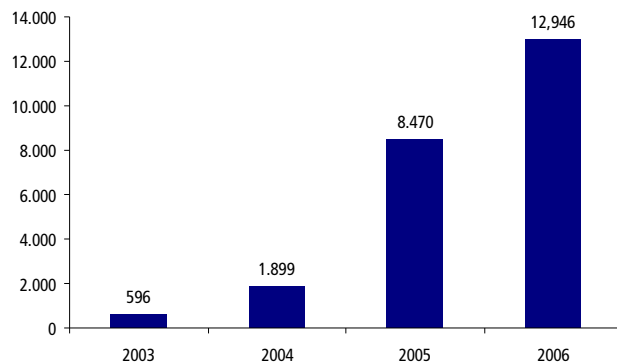
June 2007



# Vivacon is becoming the most active intermediary in the German housing market

**vivacon AG**

**Number of traded apartments (total)**



85%

Institutional Investor



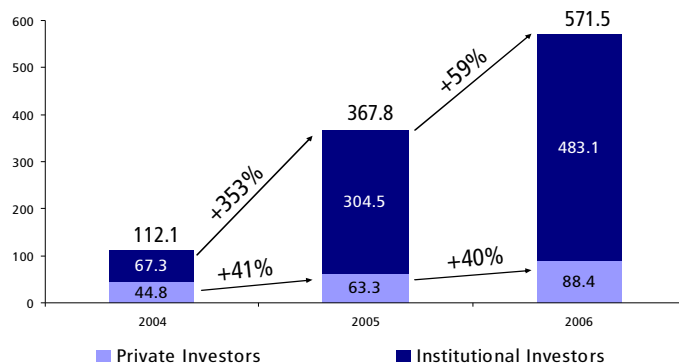
## Institutional Trading

With approximately 12,800 acquired apartments in 2006, Vivacon is one of the most active players in the German market

## Asset Management

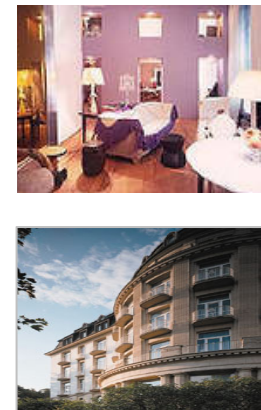
Vivacon has build up an experienced asset management team and intends to further expand its activities. First step with Forum Partners Joint Venture

**Transaction volume (EUR m)**



15%

Private Investor



## Philippe Starck designer apartments

Exclusive license for the realization of Philippe Starck designed real estate projects in Germany. Already 2 objects (Hamburg and Munich) in progress

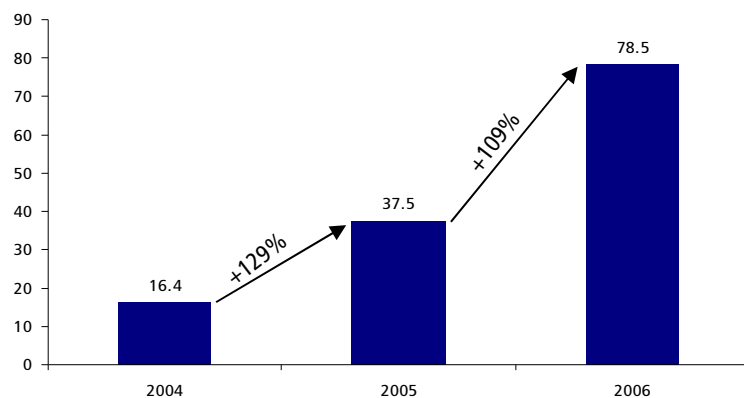
## Landmark buildings

German market leader in conversion of landmark buildings under ground lease terms

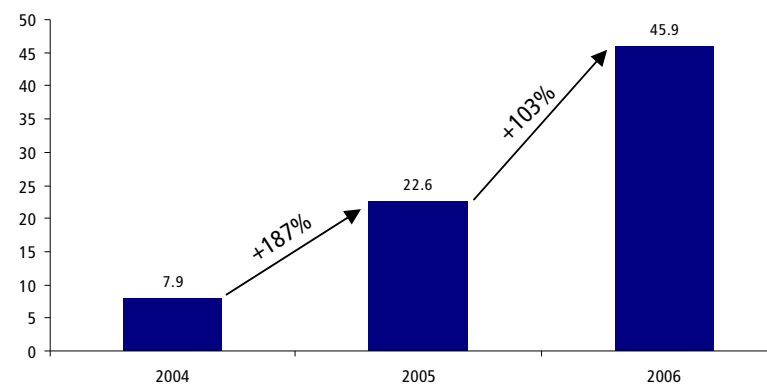
**Evolving into a leading intermediary on the German residential real estate market**

## EBIT and Net income development (2004-2006)

**EBIT development (EUR m)**



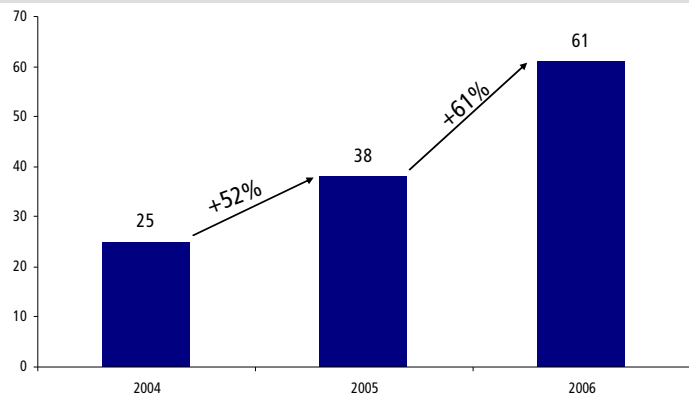
**Net income development (EUR m)**



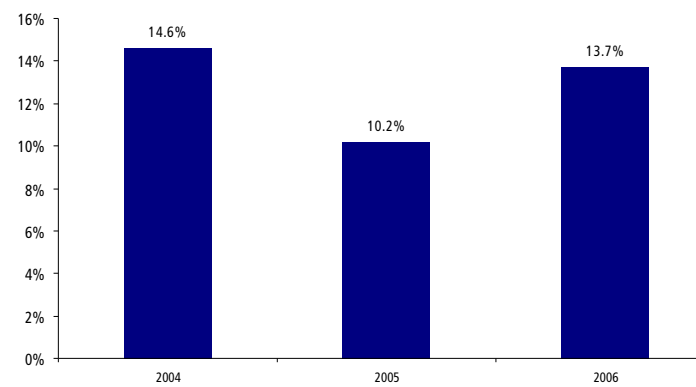
- Further strong increase in EBIT (+109% yoy) and Net income (+103% yoy) in FY 2006.
- EBIT margin (as percentage of transaction volume) remained strong at 13.7% (2005: 10.2%)
- All costs incurred by Vivacon AG relating to the postponed IPO of Vivacon German Properties PLC (c. EUR 4m) are fully expensed

# Key efficiency parameters (2004-2006)

**Number of employees (average)**

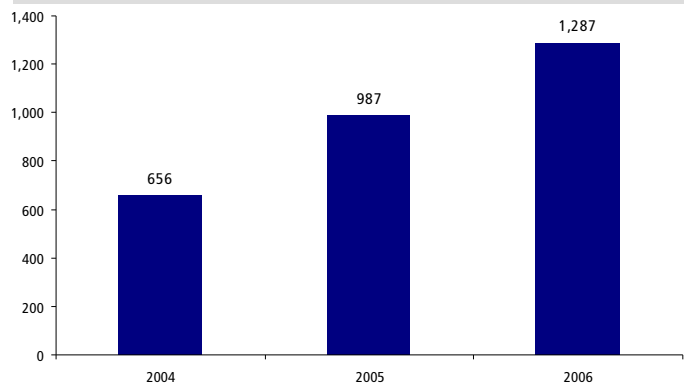


**EBIT margin \*) (%)**

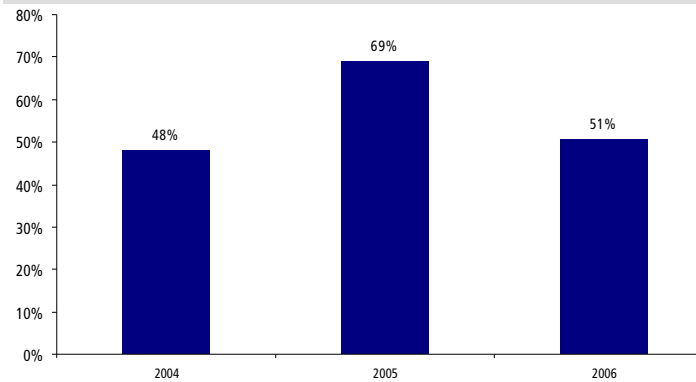


*\*) EBIT margin as percentage of transaction volume*

**EBIT per employee (average) in EUR '000**



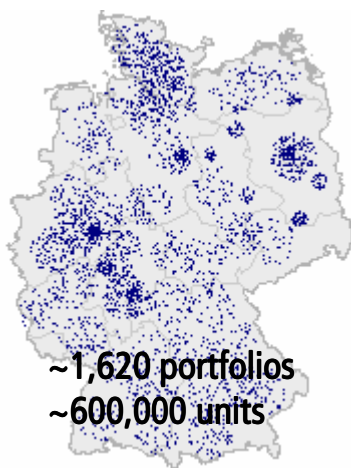
**Pretax Return on Equity \*\*) (%)**



*\*\*) EBT / Shareholders equity at beginning of the year*

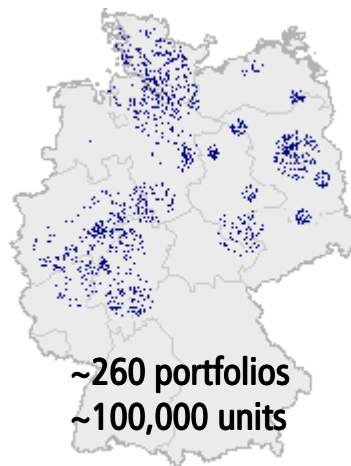
# Sourcing process and volumes

## Opportunities offered



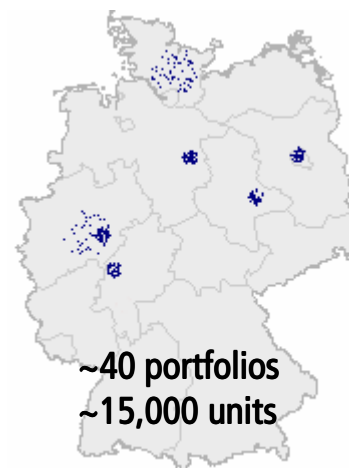
Offered about 600,000 units in 2006. 80-85% were immediately declined as key requirements like unit size, acquisition multiple or location were not met

## Desktop Due Diligence



Of the remaining units, Vivacon declined another large number following further screening and desktop due diligence

## LOI / Due Diligence



Detailed due diligence and signing of LOI to secure exclusivity for the portfolio

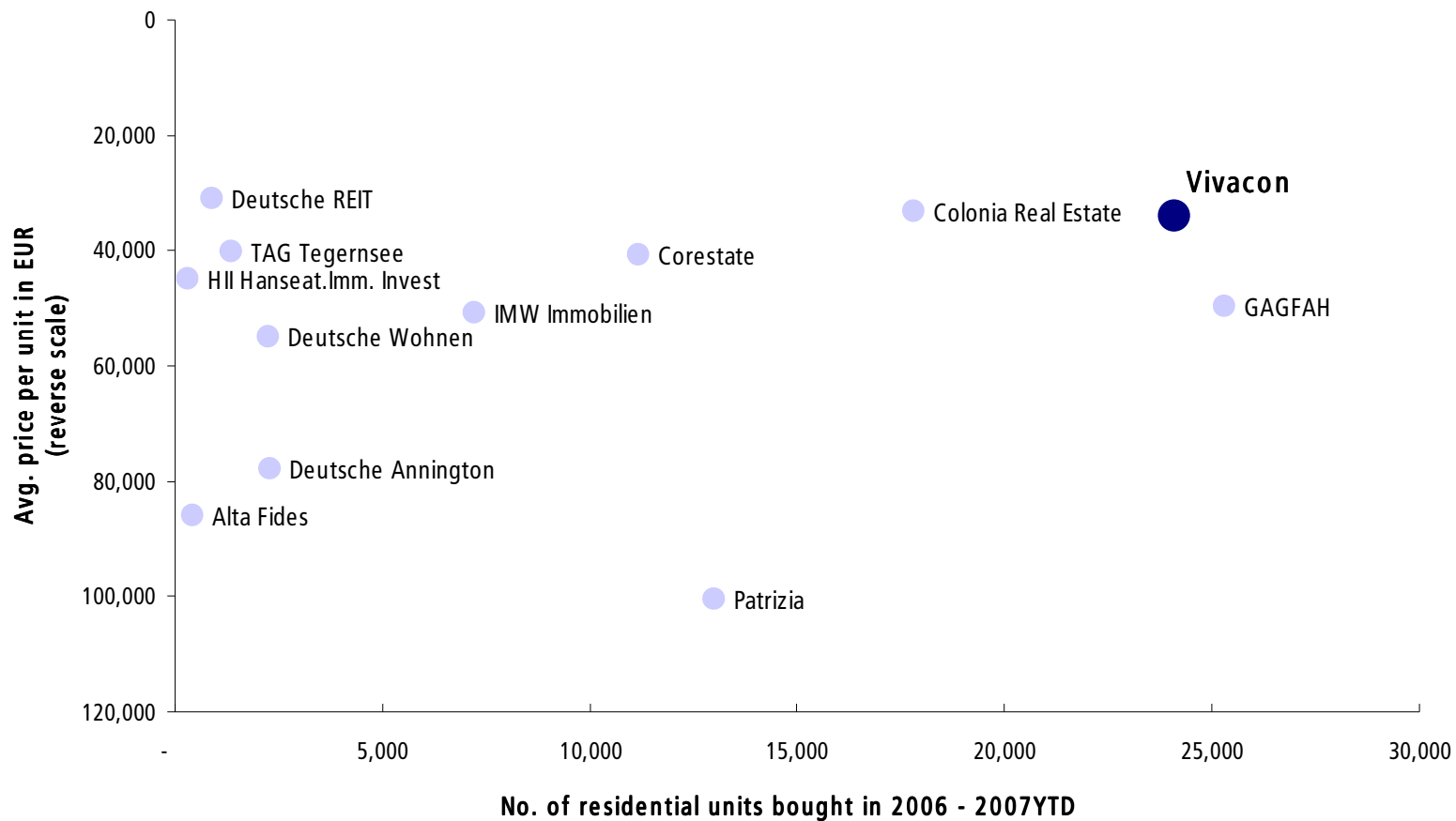
## Acquisition



Vivacon acquired 36 portfolios with 12,795 units

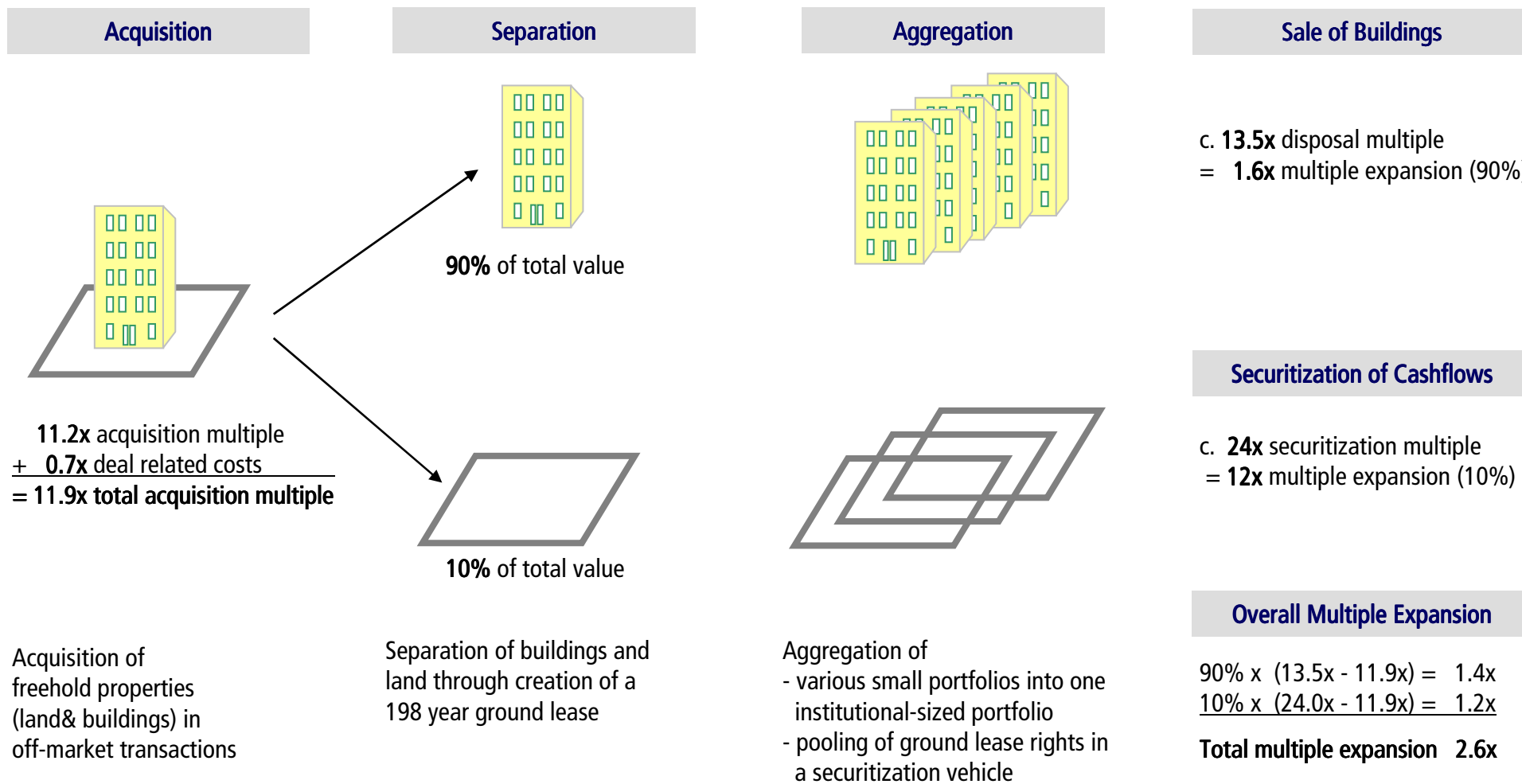


# The most efficient purchaser in the German residential market



Source: REITs Deutschland, press releases, corporate news, Vivacon estimates and calculations

# Extraction of value from two arbitrage opportunities

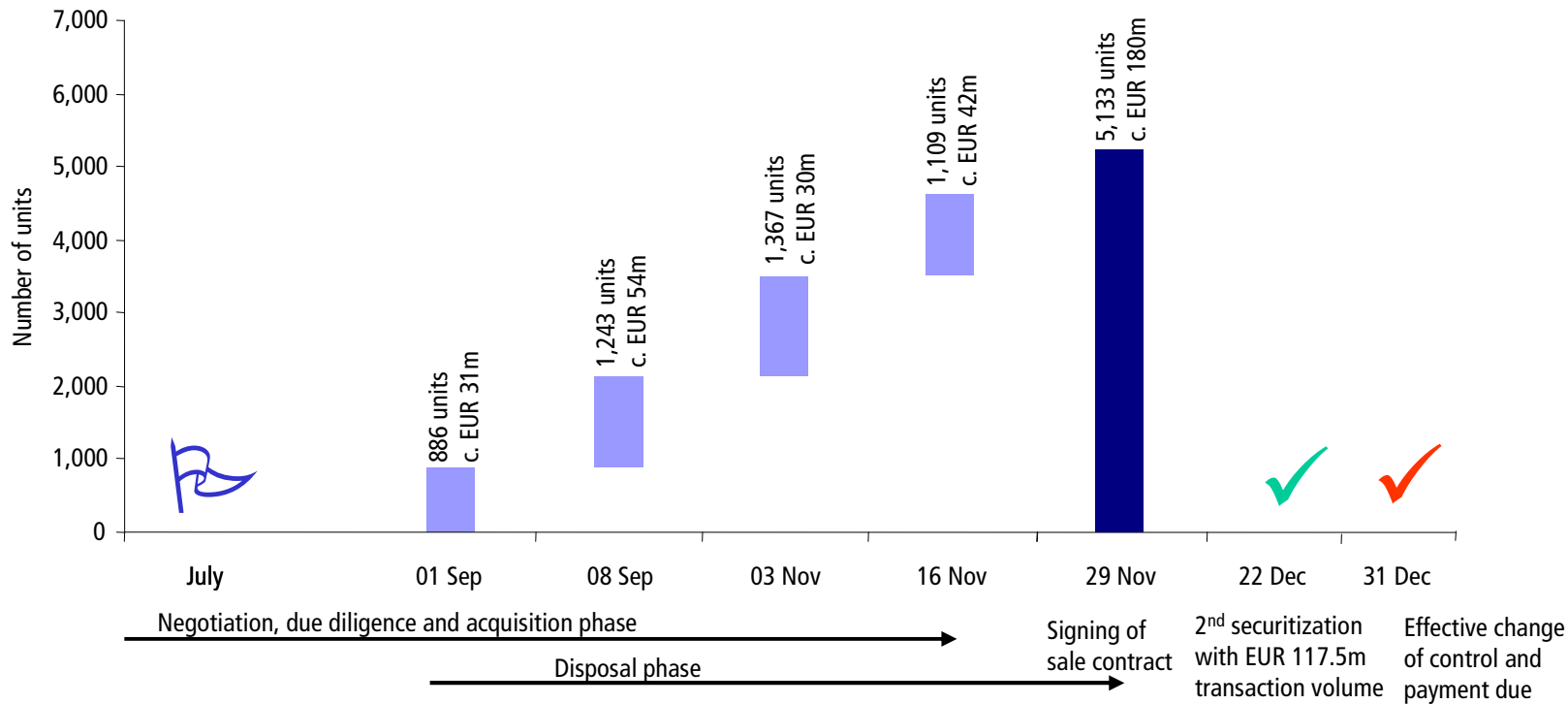




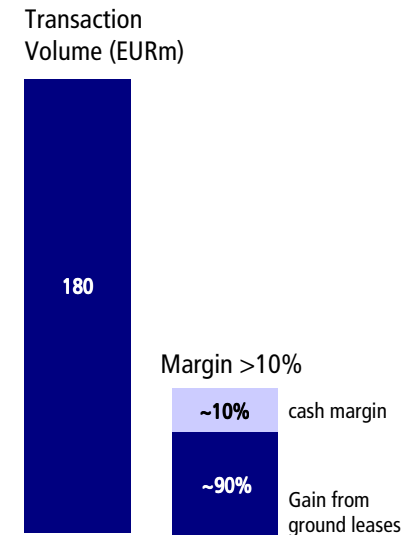
# Sample transaction process

- Vivacon has acquired more than 6,000 units in several portfolio transactions within the months Aug 06 to Nov 06 at a total acquisition multiple of 11.4x
- The company bundled the majority of the acquired portfolios in a new portfolio and sold it to an international institutional investor at the end of November. The portfolio was sold under ground lease terms (initial annual ground lease rent: EUR 1.04m)

## Sample acquisition and disposal process and timeline



## Economics



# Sample of acquisitions since December 2006



## Acquisition I

- **Location:** North Rhine-Westphalia, Bavaria, Lower Saxony and Thuringia
- **Units:** 1,391 units totalling 84,100 m<sup>2</sup>
- **Volume:** c. EUR 37m
- **Date:** 27 Dec 2006



## Acquisition III

- **Location:** North Rhine-Westphalia, Lower Saxony, Hesse, Bremen, Schleswig-Holstein
- **Units:** 6,812 units totalling 411,200 m<sup>2</sup>
- **Volume:** c. EUR 210m
- **Date:** 30 March 2007



## Acquisition II

- **Location:** Berlin, Bremerhaven and Cologne
- **Units:** 1,463 units totalling 86,000 m<sup>2</sup>
- **Volume:** c. EUR 59m
- **Date:** 06 Feb 2007



## Acquisition IV

- **Location:** Bremen, Bavaria, Lower Saxony, North Rhine-Westphalia and Schleswig-Holstein
- **Units:** 3,014 units totalling 191,000 m<sup>2</sup>
- **Volume:** c. EUR 112m
- **Date:** 30 May 2007

# Sample of recent disposals



## Transaction I

- **Location:** Western Ruhr valley and Northern Germany.
- **Units:** 2,366 units totalling 153,000 m<sup>2</sup>
- **Volume:** EUR 91m
- **Date:** 02 June 2006



## Transaction III

- **Location:** predominantly Northern Germany and North Rhine-Westphalia
- **Units:** 5,133 units totalling 305,700 m<sup>2</sup>
- **Volume:** EUR 180m
- **Date:** 29 Nov 2006



## Transaction II

- **Location:** predominantly North Rhine-Westphalia and Saxony-Anhalt
- **Units:** 5,046 units totalling 272,000 m<sup>2</sup>
- **Volume:** EUR 210m
- **Date:** 29 Sept 2006



## Transaction IV

- **Location:** predominantly Northern Germany, Berlin, Bavaria and North Rhine-Westphalia
- **Units:** 5,662 units totalling 356,260 m<sup>2</sup>
- **Volume:** EUR 220m
- **Date:** 11 June 2007

## Securitization transactions in 2006

In 2006 Vivacon AG completed two securitizations of ground lease receivables with a total volume of EUR 179.5 m

	<b>German Ground Lease Finance 2006-I</b>	<b>German Ground Lease Finance 2006-II</b>
<b>Date</b>	March 2006	December 2006
<b>Issue volume:</b>	EUR 62m	EUR 117.5m
<b>Term:</b>	30 years (expected maturity)	7 years (expected maturity)
<b>Rating:</b>	Aa2 (100%) from Moody's	Aaa (100%) from Fitch Aaa (65%) and Aa3 (35%) from Moody's
<b>Underlying cashflow:</b>	c. EUR 2.8m	c. EUR 4.9m
<b>Number of rental units:</b>	4.144	10.934
<b>Multiple</b>	22.2x	24.1x

# Asset Management

## Case study "Bielefeld / Celle"



- Strong vacancy reduction from approx. 30% in January to 5.3% in August
- Overall rental income increased by 9.6% in 7 months
- Reduction of various operating costs (e.g. insurance fees, concierge costs)

## Case study "Berlin-Marzahn"



- Letting Success: Vacancy reduction by over 60 % from 90 vacant apartments as at 1<sup>st</sup> Novemebr 2006 to 35 vacant apartments as at 20<sup>th</sup> May 2007
- Outstanding rent receivables have been reduced from 158,000 EUR (end September 2006) to 44,100 EUR end of April 2007
- Fluctuation reduced through service concept

- Vivacon has build up an experienced asset management team
- The asset management team manages the residential apartments currently held by Vivacon
- Asset management activities include implementation of rent increase and reduction of operating costs strategy as well as coordination of property management



# Conversion of landmark buildings –Latest projects

**Neuer Garten, Düsseldorf**



170 units, volume EUR 33m

**Am Karlsbad, Berlin**



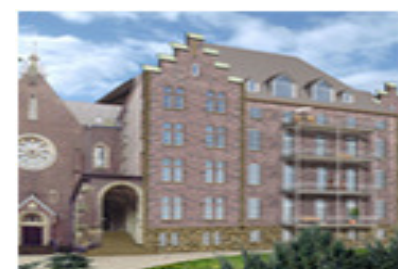
107 units, volume EUR 21m

**Kontorhaus, Bremen**



82 units, volume EUR 14m

**Kloster Geistigen, Hennef**



57 units, volume EUR 9m

**Palais am Stadtkai, Mülheim**



65 units, volume EUR 16m

**Kaisergärten, Leipzig**



36 units, volume EUR 6m

**Geistinger Park, Hennef**



65 units, volume EUR 17m

**Sommerhaus, Fürth**



74 units, volume EUR 11m

# Philippe Starck designer apartments

**YOO project Hamburg**



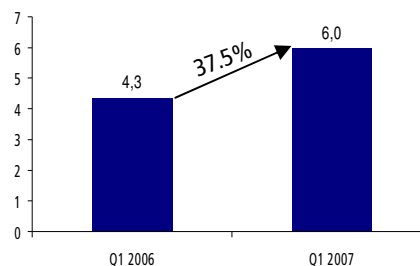
60 units, volume EUR 40m

**YOO project Munich**

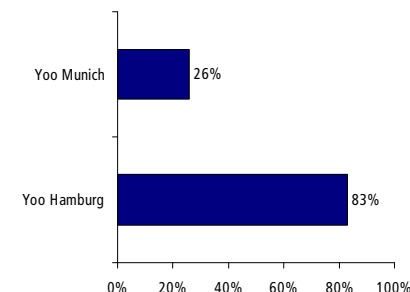


65 units, volume EUR 58m

**Notarized volume (EUR m)**



**Sales progress**



- Philippe Starck is one of the commercially most 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 licence for the realisation of Philippe Starck designed real estate projects in Germany
- Project volumes EUR 30–50m each, approx. one new project per year
- First project started in Hamburg (begin of construction 06/2006) with EUR 40m sales volume; second project is in Munich with sales volume of approximately EUR 58m
- Next potential sites: Berlin, Cologne, Düsseldorf, Frankfurt

# Housing stock in Germany

## Breakdown of the German Housing Stock

	Housing units	
<b>Public Sector</b>		
municipal housing associations	2.744.000	7%
housing cooperatives	2.288.000	6%
public housing associations	390.000	1%
churches	137.000	0%
<b>subtotal</b>	<b>5.559.000</b>	<b>14%</b>
<b>Institutional Investors</b>		
private sector housing companies	2.597.000	7%
corporate non-core real estate subsidiaries	1.613.000	4%
<b>subtotal</b>	<b>4.210.000</b>	<b>11%</b>
<b>Private Investors</b>		
private landlords	10.386.000	27%
owners of sublets	3.405.000	9%
<b>subtotal</b>	<b>13.791.000</b>	<b>36%</b>
<b>Owner occupiers</b>		
in single or dual family homes	12.249.000	32%
in multi-family homes	2.881.000	7%
<b>subtotal</b>	<b>15.130.000</b>	<b>39%</b>
<b>Total housing supply</b>	<b>38.690.000</b>	<b>100%</b>

*Most likely sellers*

## Drivers of the Supply in the German Residential Market

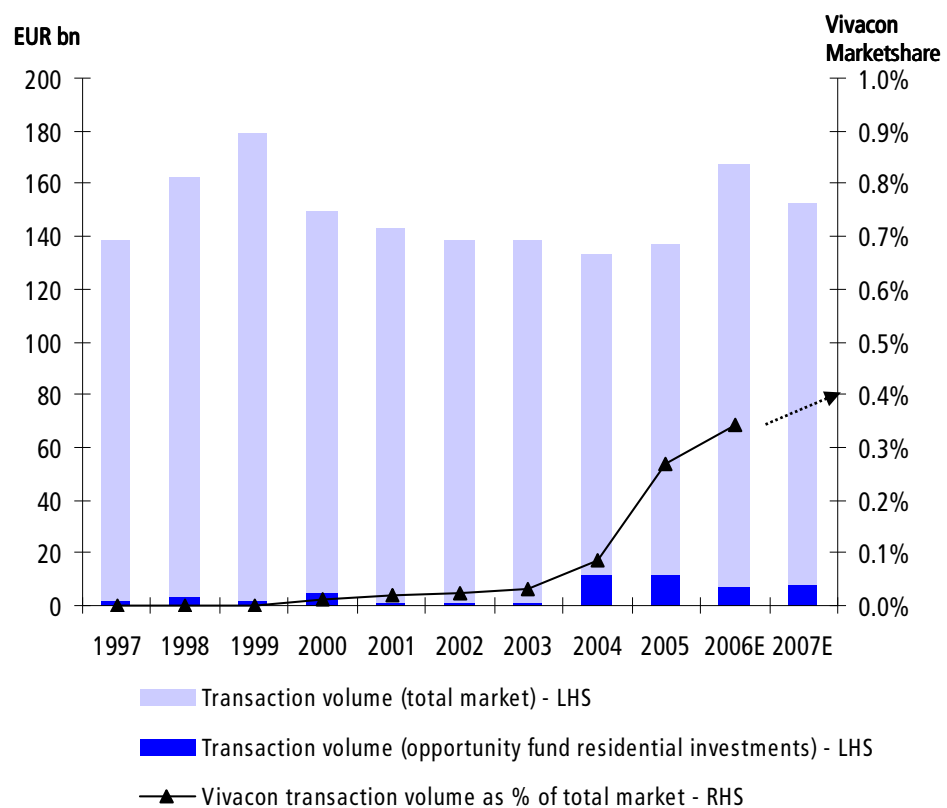
- The disproportional high share of non-profit and non-core owners of residential properties explains the wide gap between the low home ownership rate in Germany (46%) and that of most other Western-European markets (>65%)
- State owned housing companies are rapidly sold off to private investors in order to help balance the deficits of the public sector
- Corporates are under pressure to re-allocate capital to core activities and are divesting their employees housing subsidiaries (E.ON, ThyssenKrupp, RWE, etc.)
- While currently some EUR 30bn have already been invested by opportunity funds, another 7m units with a market value of >EUR 300bn (at current avg. prices of EUR 48,000 per unit) could come to market as the public sector and corporates divest further housing stock, following the example of housing privatization in the UK

Source: Federal Bureau of Statistics, GdW



# Transaction volume of the German real estate market

## Real estate transaction volume in Germany 1997-2007E



### Tremendous total market size

- Over the last decade, the German real estate market has seen transaction volumes of consistently over EUR 140bn p.a.
- Substantial market potential with sufficient room for a professional intermediary like Vivacon

### Limited market impact by opportunity fund transactions

- Contrary to public opinion, opportunity fund deals of residential real estate have only had a limited impact (less than 9% of total turnover) on overall real estate market pricing and volume dynamics

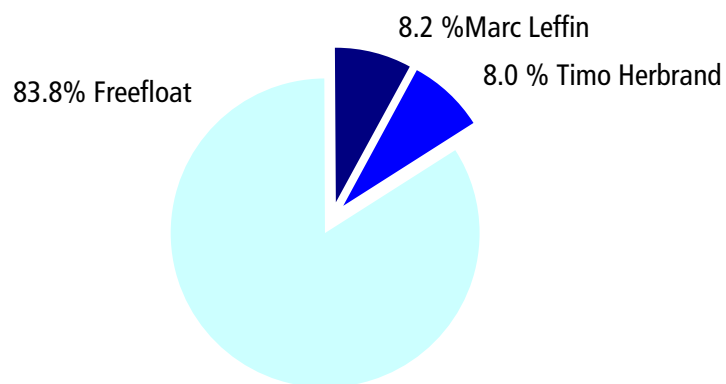
### Market share potential for Vivacon

- Despite becoming one of the most active intermediaries in the residential real estate market in Germany, Vivacon still has only a small but quickly growing market share (from 0.08% in 2004 to 0.34% in 2006) with a lot of room for further expansion
- Further significant growth potential due to strong supply of mid-sized, off-market deals and high levels of demand from global investors seeking exposure to German real estate

Source: press releases, DEGI Research, HSH Nordbank

# Facts and Figures

## Shareholder structure



### Facts:

Headquarter:	Cologne
Founded:	1997
IPO	2001
Employees	> 100

## Share price development (EUR)



Source: Deutsche Börse

### Figures:

Shareholders' Equity:	EUR 183 m (26% equity ratio)
Market Capitalization:	EUR ~ 560m
Shares Outstanding :	19.4m
Index Segment:	SDAX

## Summarized investment highlights

### Growth

- Net income CAGR c. 90% p.a. since its IPO in 2001
- Continuously profitable since foundation 10 years ago.

### Profitability

- 50% pretax ROE
- 13.7% EBIT margin
- EUR 1.28m EBIT per employee in 2006

### Market potential

- EUR 571.5m transaction volume vs. c. EUR 167bn total German real estate transaction volume of in 2006
- 12,946 traded apartments vs. c. 39m total apartments

### Market volume

- With 12,946 traded apartments in 2006, Vivacon is one of the most active players in the German residential market

### Value

- EPS 2007E: EUR 2.80 – EUR 3.00
- Dividend 2006: EUR 0.40

Backup information

# Executive board



**MARC LEFFIN**

CEO

- 38 years, Dipl.-Kfm. (MBA)
- Real estate economist (EBS)
- Bauconsult GmbH, Köln
- at Vivacon AG since 1997 (co-founder)



**MICHAEL JUNG**

CFO

- 40 years, Dipl.-Kfm. (MBA)
- Director Investment Banking at Deutsche Bank AG, Frankfurt,
- Director Investment Banking at Rothschild GmbH, Frankfurt/London
- at Vivacon AG since 2004



**TIMO HERBRAND**

CIO

- 35 years, Dipl.-Kfm. (MBA)
- GEV GmbH, Düsseldorf
- at Vivacon AG since 1997 (co-founder)



**MICHAEL RIES**

CMO

- 39 years, Dipl.-Immobilienwirt (real estate economist)
- Marketing Director at Concordia Bau und Boden AG
- Marketing Director at SAB AG
- at Vivacon AG since 2000



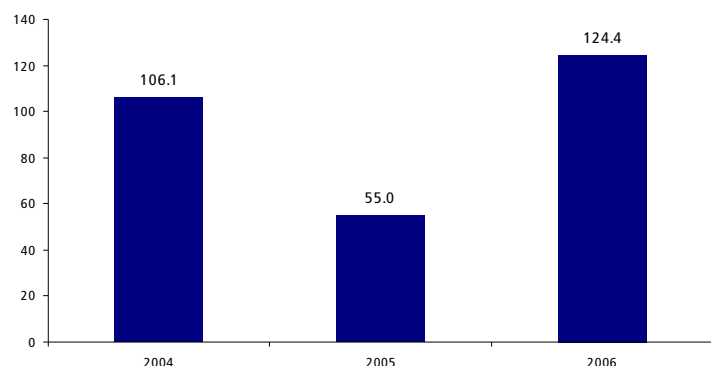
**Oliver Priggemeyer**

COO

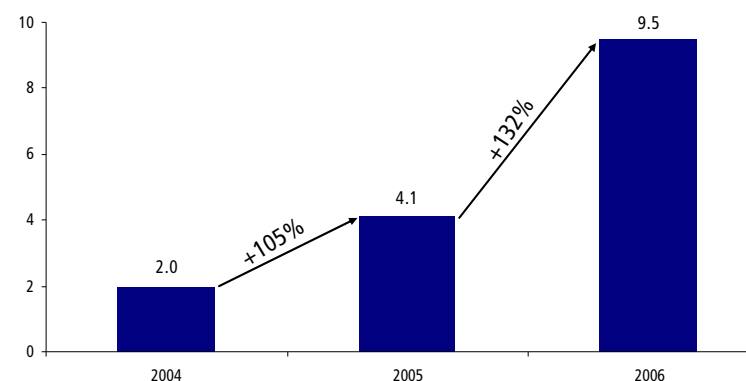
- 38 years, savings bank business management graduate
- CEO EPM Assetis GmbH, Düsseldorf
- ITCM Immobilien Consulting und Management, Düsseldorf/Hamburg
- Westdeutsche Immobilien Holding
- at Vivacon AG as of 1<sup>st</sup> July 07

# Revenue development (2004-2006)

Revenue development (EUR m)



Total initial annual ground lease income (year-end in EUR m)



Revenue split (EUR m)

	2004	2005	2006
Sales to third parties	102.9	49.2	104.4
Rental income	2.4	3.8	15.7
Ground lease income	0.8	2.0	4.3
<b>Total revenue</b>	<b>106.1</b>	<b>55.0</b>	<b>124.4</b>

- Total revenues increased by 126% yoy to EUR 124m. Strongest revenue contributor was sales to third parties (84% of total revenues)
- Ground leases income increased to EUR 4.3m (+120% yoy). The initial annual ground lease cash flow at the end of December 2006 amounted to EUR 9.5m
- Strong growth in rental income (+308% yoy) due longer holding period of portfolios in 2006

## Q1 2007 key figures

EUR m	Q1 06	Q1 07	yoy%
Transaction volume	12.0	65.8	450%
Revenues	9.4	24.5	162%
EBIT	-1.5	6.2	n.m.
Net income	-2.7	3.3	n.m.
Undiluted EPS (Euro)	-0.14	0.17	n.m.
Order backlog	73.6	112.8	53%
Traded apartments	42	1,106	2,533%
Employees (average)	50	77	54%

- Transaction volume (notarized selling prices) increased, whereas both business segment contributed to the growth
- Revenues increased strongly, mainly due to strong growth in the Private Investor business segment (Q1 07: EUR 16.6m vs. EUR 4.7m in Q1 06).
- Positive EBIT in historic weak Q1, whereas both segments contributed positively to group EBIT
  - Institutional Investor business: EUR 1.7m (Q1 06: -1.4m)
  - Private Investor business: EUR 4.4m (Q1 06: EUR -0.1m)
- Vivacon has further build up its' employee base for future expansion.
- Some EUR 113m order backlog at the End of March 2007 gives confidence for future sales and earnings growth

## Q1 2007 segment split

EUR m	Q1 06	Q1 07	yoy%
<b>Transaction Volume</b>			
Private Investor	12.0	41.7	248%
Institutional Investor	0	24.1	n.m.
<b>Total Transaction volume</b>	<b>12.0</b>	<b>65.8</b>	<b>458%</b>
<b>EBIT</b>			
Private Investor	-1.4	1.7	n.m.
Institutional Investor	-0.1	4.4	n.m.
<b>Total EBIT</b>	<b>-1.5</b>	<b>6.2</b>	<b>n.m.</b>

- Strong growth in transaction volume (notarized selling prices) due to
  - Private Investor business (+248% yoy) – including the development project disposal (future Vivacon HQ)
  - Institutional Investor business (disposal of portfolio to JV with Forum partners)
  
- Both business segments generated a positive EBIT, whereas the Institutional Investor business contributed c. 71% to group EBIT



## Unprecedented investor interest for the German residential real estate market

**vivacon AG**

Status	Date	Buyer	Seller	Residential units	Transaction volume	Ø Price per unit
closed	Jan-01	TerraFirma	Eisenbahnerwohnungen	64,000	3,800,000,000 €	59,375 €
closed	Jan-04	KGAL Leasing	Viterra	27,000	550,000,000 €	20,370 €
closed	May-04	Cerberus Whitehall	GSW	66,000	2,105,000,000 €	31,894 €
closed	Jul-04	Fortress	GAGFAH	82,000	3,700,000,000 €	45,122 €
closed	Dec-04	Morgan Stanley / Corpus	Thyssen Krupp	48,000	2,100,000,000 €	43,750 €
closed	Dec-04	Blackstone Group	WCM	31,000	1,390,000,000 €	44,839 €
closed	Dec-04	Cerberus Whitehall	Deutsche Bank	7,500	<i>347,778,567 €</i>	46,370 €
closed	Dec-04	TerraFirma	RWE	4,500	225,000,000 €	50,000 €
closed	Dec-04	Babcock & Brown	DAL	13,500	<i>626,001,421 €</i>	46,370 €
closed	Mar 05	Oaktree	GEHAG	21,000	1,000,000,000 €	47,619 €
closed	Mar 05	GE Real Estate Germany	HPE	4,400	190,000,000 €	43,182 €
closed	May 05	TerraFirma	Viterra	138,000	7,000,000,000 €	50,725 €
closed	Jul-05	Fortress	NILEG	30,000	1,500,000,000 €	50,000 €
closed	Nov-05	Cerberus	Baubecon	22,850	<i>1,300,000,000 €</i>	56,893 €
closed	Mar 06	Fortress	Woba Dresden	48,000	1,700,000,000 €	35,417 €
closed	May-06	Archstone	DeWAG	6,100	518,000,000 €	84,918 €
closed	Sept. 06	GEHAG	ESG	6,100		
announced	Oct-06	Fonciere des Regions	MSREF	40,000	2,100,000,000 €	52,500 €
announced	Oct-06	Pirelli RE	DGAG	22,100	1,500,000,000 €	67,873 €
closed	Nov-06	GAGFAH	GBH AG	9,000	411,000,000 €	45,667 €
pending			LEG NRW	110,000		
pending			Wohnungsgesellschaft Schwerin	14,500		
pending			KoWo Erfurt	5,100		
				<b>684,950</b>	<b>32,062,779,988</b>	<b>46,810 €</b>

*italics = estimates*

## Joint Venture with Forum Partners

- **Partner:** Forum Partners is a globally active real estate investment company with over US\$1.2 billion under management and 40 investments in 17 countries across Europe and Asia
- **Intention:** The joint venture, WIAG Wohnimmobilien AG ("WIAG"), will predominantly focus on under-managed portfolios where WIAG can add value and significantly increase net operating income
- **Target volume:** EUR 300m residential properties investments initially, with the EUR 100m Saxony-Anhalt portfolio as a first joint investment
- **Stake:** Vivacon will initially hold a minority stake of 30%, which will be reduced to 15% in the mid-term. The remaining stake is held by Forum Partners
- **Economics:** Vivacon will identify investment opportunities and manage the assets on behalf of WIAG. In return, it will receive 50% of the ground lease income beside a much lower equity participation
- **Reason:**
  - Expansion of activities into "opportunistic" market segment with an experienced partner
  - Generating 50% of ground lease income despite much lower equity commitment
  - Value appreciation opportunity of an equity stake through active asset management

# The German real estate market in perspective

	Germany	UK	USA
Real Estate / GDP	45.0%	56.3%	45.0%
Public Real Estate / Total Real Estate	0.6%	5.5%	9.9%
Public Real Estate / Total Public Market	0.5%	1.8%	3.3%

Source: EPRA

- Residential real estate accounts for 58% of the total real estate market – but very few listed German companies are active in this market
- Public real estate accounts for only 0.6% of the total real estate in Germany. In comparison to the UK (5.5%) and USA (9.9%) this demonstrates a lot of additional market capacity for publicly traded real estate.
- Publicly listed real estate accounts for only 0.5% of the total market cap in Germany compared to 1.8% in the UK and 3.3% in the USA

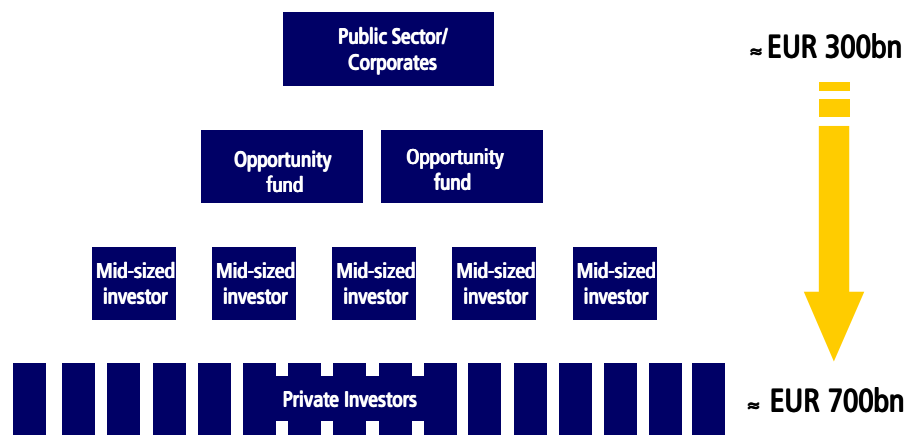
## Breakdown of the German Real Estate Market

Residential Real Estate	in %
- single or double family homes	31%
- multifamily homes	27%
subtotal	58%
Non residential real estate	42%
Total Real Estate	100%

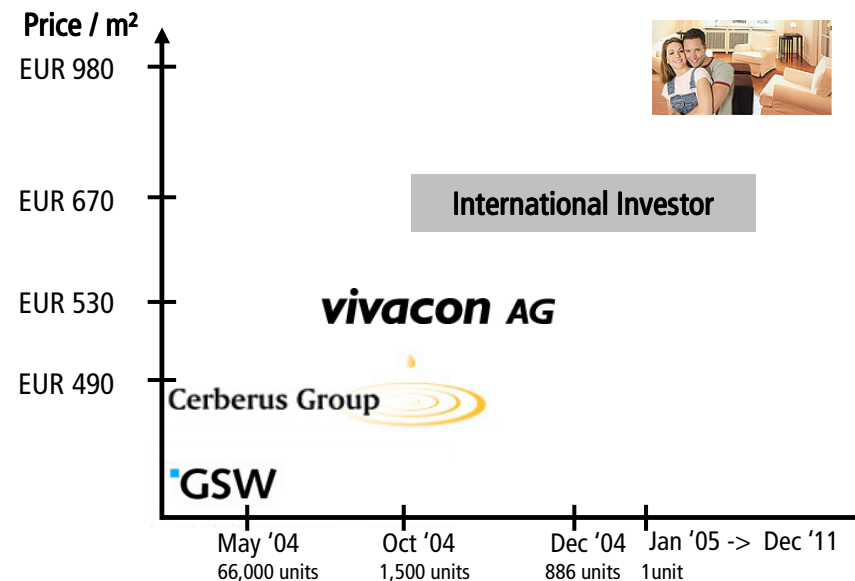
Source: Federal Statistical Office, Euroconstruct, IFO Institute Estimates

# Trade flows

## Value creation at various investor levels



## The recent GSW example



- As apartments are sold in multiple steps from their current public sector/corporate owners to the actual tenants/ private investors, the price level increases with every step along this value chain. The total market opportunity available to Vivacon therefore is substantially bigger than the EUR 300bn in the primary market.
- The recent example of the gradual sale and break-down of the GSW portfolio through Cerberus, Vivacon and the institutional investor demonstrates the quick turn-over and price increase potential in the German residential real estate market

# Contacts

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