



# TREVERIA PLC

Annual Results: Year Ended 31 December 2009



# Presentation Team

---

**Michael Neubuerger – Chief Executive Officer**

Treveria Asset Management

Phone: +49 69 244 333 154

Email: [michael.neubuerger@treveria.de](mailto:michael.neubuerger@treveria.de)

**Dr. Bernhard Fuhrmann – Chief Financial Officer**

Treveria Asset Management

Phone: +49 69 244 333 156

Email: [bernhard.fuhrmann@treveria.de](mailto:bernhard.fuhrmann@treveria.de)



# 2009 Year End Results presentation agenda

**Update on Treveria: Michael Neubuerger**

Financials: Bernhard Fuhrmann

Asset Management and Market Update: Michael Neubuerger

Strategic Outlook: Michael Neubuerger

Appendix

# Update on Treveria

---

- Assets
  - Market environment: real estate market in Germany reviving
  - Erosion of value has stopped
  - No new major tenants failures in H2/2009
  
- New management / business organization
  - New board and management established in January 2010
  - Relocation and professionalization of the whole team in Germany
  
- New approach will concentrate on asset management
  
- RETT liability caused by restructuring in 2008; management is seeking to mitigate impact



# 2009 Year End Results presentation agenda

Update on Treveria: Michael Neubuerger

**Financials: Bernhard Fuhrmann**

Asset Management and Market Update: Michael Neubuerger

Strategic Outlook: Michael Neubuerger

Appendix

# Financial highlights

---

- Decline in property valuation stopped (adj. for sales: up 0.4% in H2/2009)
- Property assets of €1,840m after revaluation as at 31 December 2009 (31 December 2008: €2,017m), reflecting a decline in valuation of 8.7%
- Gross rental income for the period of €145.1m (2008: €155.1m). Bad debts increased by 9.5%. Decline of rents slowed down in H2/2009:
  - Ca. €5m reduced rent due to insolvencies of Hertie, Sinn Leffers, Karstadt and Woolworth
  - Ca. €4m reduced rent due to portfolio sale in November 2008
- 2008 financials restated for German Real Estate Transfer Tax provision of €40.2m
- Adjusted profit after tax\* for the period of €8.5m (2008: €20.8m) mainly due to reduced rent and higher costs
- Adjusted EPS\*\* for the period of 1.40c (2008: 3.40c) mainly due to reduced rent and higher costs
- Adjusted\*\*\* NAV per share of 34.6c down 44% from 61.8c as at 31 December 2008; mainly due to revaluation deficit
- Total cash position remains strong with €128m; €83m held at the parent company level; cash position in parent company is €58m at April 2010

\*Adjusted profit after tax excludes the charge for real estate transfer tax in 2008, revaluation movement, profits on the disposal of investment properties and related costs, strategic review and management reorganisation costs, movements on the fair value of derivative financial instruments and deferred tax.

\*\*Adjusted EPS excludes the charge for real estate transfer tax in 2008, revaluation movement, profits on the disposal of investment properties and related costs, strategic review and management reorganisation costs, movements on the fair value of derivative financial and deferred tax.

\*\*\*Adjusted NAV per share excludes derivative financial instruments and deferred tax on revaluation surpluses.

# Income Statement

	Year ended 31 December 2009	Year ended 31 December 2008 Restated
	€000	€000s
Gross rental income	145,073	155,079
Direct costs	(32,157)	(32,264)
<b>Gross profit</b>	<b>112,916</b>	<b>122,815</b>
Administrative expenses	(12,530)	(6,571)
<b>Adjusted<sup>1</sup> operating profit</b>	<b>100,386</b>	<b>116,244</b>
Net finance costs	(87,119)	(92,879)
<b>Adjusted<sup>1</sup> profit before tax</b>	<b>13,267</b>	<b>23,365</b>
Current tax	(4,769)	(2,526)
Adjusted profit after tax	8,498	20,839
Adjusted non-controlling interests	(33)	(244)
<b>Adjusted earnings</b>	<b>8,465</b>	<b>20,595</b>
<b>Adjusted<sup>1</sup> EPS (€ cent)</b>	<b>1.40c</b>	<b>3.40c</b>

## Notes 2008:

- Includes asset management fees of €8.3m

## Notes 2009:

- Asset management internalised – fees of €0.0m
- Property management fees up by €1.0m
- Property management termination fee paid to Cushman Wakefield for Treveria C Sarl of €2.0m
- Service charge income €1.9m lower than 2008
- Service charge expenditure €0.5m higher than 2008
- Other Property Costs €1.5m higher than 2008
- Repairs €1.3m higher than 2008

## Notes 2008:

- Staff costs included in asset management fee

## Notes 2009:

- Staff costs of €4.6m
- Legal and professional fees increased by €1.2m

<sup>1</sup> Adjusted earnings excludes the charge for real estate transfer tax in 2008, revaluation movement, profit after tax on sales of investment properties, deferred tax and movement of derivative financial instruments. The weighted average number of shares used for adjusted EPS calculations is 603.4 m (2008: 606.5m)

# Balance Sheet

	2009	2008
	€m	Restated €m
<b>Investment properties</b>	<b>1,840</b>	<b>2,017</b>
Current assets		
Cash and short term deposits	128	146
Other	25	25
	<b>153</b>	<b>171</b>
Current liabilities		
Bank loan	(1,443)	(100)
Derivative financial instruments	(24)	(22)
Other	(91)	(87)
	<b>(1,558)</b>	<b>(209)</b>
<b>Total assets less current liabilities</b>	<b>435</b>	<b>1,979</b>
Bank loans	(248)	(1,625)
Deferred tax	(7)	(11)
Other	(3)	0
<b>Net assets</b>	<b>177</b>	<b>343</b>
<b>Adjusted NAV per share (€ cent)</b>	<b>34.6</b>	<b>61.8</b>

As at 31 December 2009 the Group cash balance was €128m of which €83m was held by the parent Company  
Unencumbered properties or properties with no outstanding loan at 31 December 2009 totalled €13.8m

Adjusted NAV per share excludes derivative financial instruments and deferred tax on revaluation surpluses.

# Real Estate Transfer Tax (RETT) provision of €40.2m

---

- Resulted from a transaction which took place as part of the separation of Treveria from Dawnay Day
- At 2 December 2008 unification of shares in Treveria Properties S.à.r.l. (owned previously 89% by Treveria Holdings S.à.r.l. and 11% by Arba S.à.r.l.) triggered German Real Estate Transfer Tax
- RETT affects all silos apart from Silo C where Treveria owns an interest of 94.9%
- Treveria Holdings S.à.r.l. has made a provision of €40.2m
- Transaction does not trigger any RETT liability for parent company
- Treveria is seeking to mitigate RETT effect and investigating whether recovery or compensation can be sought from any other parties

## Debt overview

---

- Current average blended interest rate under facilities inclusive of margin is 4.8% (2008: 4.9%)
  - Reduction in average rate due to recent reductions in floating rates. New cap in Silo E and new swap in Silo F/K in negotiation
  - At December 31 2009, about 5.5% of the group's loans were at floating rates protected by interest rate caps (2008: 6.5%)
- Total bank loans in the group's five non-recourse debt silos €1.69bn (2008: €1.74bn)
- Banking covenants
  - Gross LTV ratio was 92.3% (2008: 86.2%) and the net LTV ratio was 85.4% (2008: 78.9%) against 'cash trap' LTV ratios of between 76% and 85% and 'hard breach' LTV ratios of between 76% and 95%
  - Each facility benefits from sufficient interest cover or, in one case, debt service cover of between 112% and 156% against 'hard breach' covenants of between 105% and 120%
- Three silos remain in cash trap



# 2009 Year End Results presentation agenda

Update on Treveria: Michael Neubuerger

Financials: Bernhard Fuhrmann

Asset Management and Market Update: Michael Neubuerger

Strategic Outlook: Michael Neubuerger

Appendix

# Approach to asset management being professionalized

---

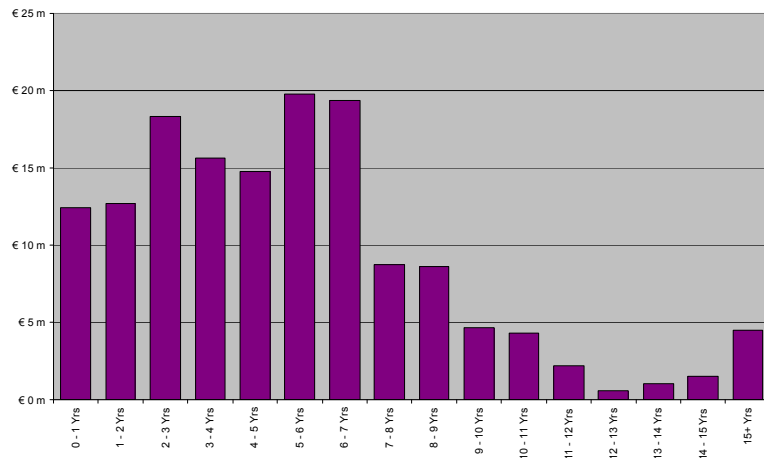
- In mid 2009 Treveria Asset Management set up an internal letting team with many years of experience in the German retail market. Offices located in Hamburg, Düsseldorf, Frankfurt and Munich
- Additional asset management functions will be established to further improve portfolio management performance
- Developing a clear and rational asset management strategy for new lettings, investments and sales
- Rigid cost management
- Some assets in top locations and with attractive leases have been identified for divestment in order to take advantage of current demand and market pricing
- Focused approach to improve underperforming assets with increasing return on investment in the future

# Letting activities

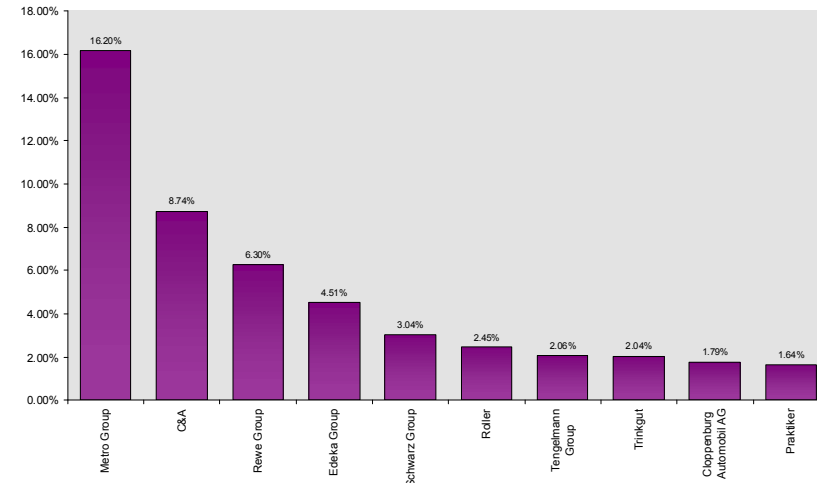
- ERV of vacant space as at 31 December 2009 of 7.86% of current rent roll (31 December 2008: 9.33%)
- Vacant space by portfolio area as at 31 December 2009 of 12.70% (31 December 2008: 12.71%)

Activity in Year Ended 31 December 2009	Leases signed	Annual rent
New leases signed – previously let space	256	€9.1m
New leases signed – previously vacant space	37	€0.33m
<b>Total new leases</b>	<b>293</b>	<b>€9.44m</b>
<b>Indexation uplift in 2009</b>	<b>127</b>	<b>€0.23m</b>

**Weighted Average Lease Length**  
31-Dec-09 = 5.14 years (31-Dec-08 = 5.27 Years)



**Top 10 Tenant Groups**  
(Since 2008 Hertie and Sinn Leffers have left this Group)



# German retail real estate market improving

---

- The German investment market still remains below the boom years of 2005-2007 but first signs of recovery seen in the last quarter of 2009
- Foreign investors are coming back as the German real estate market shows low overall volatility
- Retail and residential sectors are stable with a good outlook; while the office-market is still waiting for recovery
- High demand for core retail and well located residential assets from open-ended funds, HNWI and private investors
- Based on the market situation and limited investment opportunities, rising multiples are expected



# 2009 Year End Results presentation agenda

Update on Treveria: Michael Neubuerger

Financials: Bernhard Fuhrmann

Asset Management and Market Update: Michael Neubuerger

Strategic Outlook: Michael Neubuerger

Appendix

# Key functions internalized / moving to Germany

---

- New management with long term German real estate market experience: Michael Neubuerger (CEO), Bernhard Fuhrmann (CFO), Karl von der Lohe (Head of Asset Management)
- Hiring of additional staff planned in order to establish an active and effective asset management team in Germany
- Closing of London operational headquarters to fully concentrate the operational business in Germany
- The new board actively promotes new strategy

# Optimizing value in the company

---

- German retail real estate market has stabilized and is showing signs of improvement
- Good portfolio mainly comprised of well located assets provides flexibility
- Restructuring and optimizing each single silo by
  - active asset management
  - deleveraging through selective sales and value enhancement program
  - negotiating loans and loan extensions
- Optimizing single silos will optimize the company's value

*With all these ongoing measures we expect to further stabilize Treveria's position with the banks, secure in-depth relationships with our tenants and regain market recognition as a leading investor and manager of German retail real estate assets*



# 2009 Year End Results presentation agenda

Update on Treveria: Michael Neubuerger

Financials: Bernhard Fuhrmann

Asset Management and Market Update: Michael Neubuerger

Strategic Outlook: Michael Neubuerger

Appendix

# Income statement

	Year ended 31 December 2009	Year ended 31 December 2008
	€000	Restated €000s
Gross rental income	145,073	155,079
Direct costs	(32,157)	(32,264)
<b>Net rental income</b>	<b>112,916</b>	<b>122,815</b>
Profit from sale of investment properties	1,233	3,906
Deficit on revaluation of investment properties	(174,464)	(282,934)
Deficit on revaluation of investment properties arising from German Real Estate Transfer Tax	0	(40,200)
Strategic review and management restructuring costs	0	(4,418)
Administrative expenses	(12,530)	(6,571)
<b>Operating loss</b>	<b>(72,845)</b>	<b>(207,402)</b>
Finance revenue	1,583	5,043
Finance expense	(88,758)	(100,651)
Change in fair value of derivative financial instruments	(5,033)	(20,831)
<b>Loss before tax</b>	<b>(165,053)</b>	<b>(323,841)</b>
Income tax (charge)/credit	(1,424)	11,694
<b>Loss for the year</b>	<b>(166,477)</b>	<b>(312,147)</b>
<b>Attributable to:</b>		
Equity holders of the parent	(165,675)	(309,277)
Non-controlling interests	(802)	(2,870)
<b>Loss for the year</b>	<b>(166,477)</b>	<b>(312,147)</b>

# Analysis of rental income and service charge

	Year ended 31 December 2009 €000	Year ended 31 December 2008 Restated €000s
Gross rental income	150,111	159,679
Less: bad debts	(5,038)	(4,600)
	<b>145,073</b>	<b>155,079</b>
Service charge income	21,524	23,387
Adjustment in relation to prior year's service charge recovery	(1,695)	(2,700)
Service charge expenditure	(32,376)	(30,802)
Ground rent/lease charges	(5,267)	(5,617)
Repairs and maintenance	(5,601)	(3,305)
Asset management fee	0	(8,348)
Property management fee	(7,249)	(3,921)
Other	(1,493)	(958)
	<b>(32,157)</b>	<b>(32,264)</b>
<b>Net Rental Income</b>	<b>112,916</b>	<b>122,815</b>