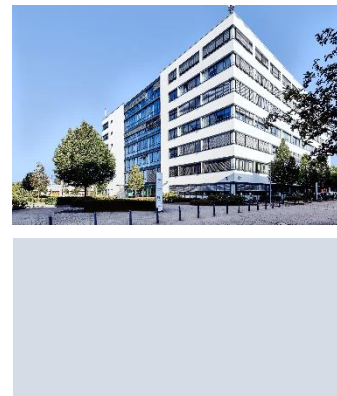
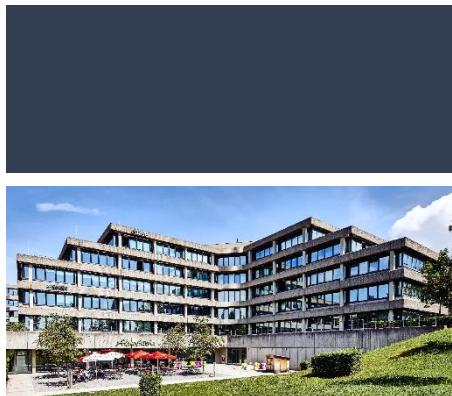




# 2Q2019 Results Presentation

7 August 2019



# Important Notice

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# Agenda

|          |                               | Slide     |
|----------|-------------------------------|-----------|
| <b>1</b> | <b>About IREIT Global</b>     | <b>4</b>  |
| <b>2</b> | <b>Key Highlights</b>         | <b>6</b>  |
| <b>3</b> | <b>Portfolio Summary</b>      | <b>14</b> |
| <b>4</b> | <b>European Market Review</b> | <b>17</b> |
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# About IREIT Global



*Berlin Campus*



# About IREIT Global

## First Singapore-listed REIT with Europe-focused Mandate

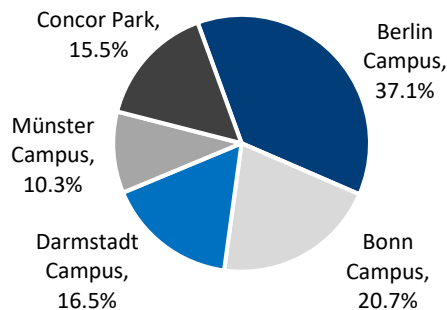
**Investment Mandate:** Principally invests, directly or indirectly, in a portfolio of income-producing real estate in Europe which is used primarily for office, retail and industrial (including logistics) purposes, as well as real estate-related assets

**Current Portfolio:** 5 freehold office assets in Germany, with total NLA of c.200,600 sqm and valuation of €526.4m

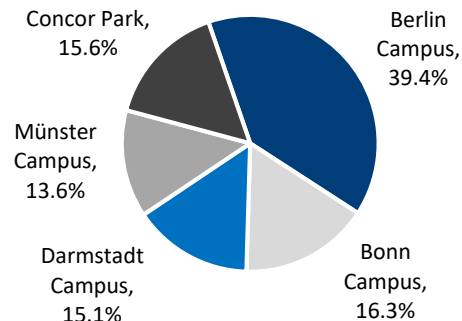
**Manager:** IREIT Global Group Pte. Ltd., a subsidiary of Tikehau Capital, an asset management and investment group listed in France. City Developments Limited (CDL), a leading real estate operating company listed in Singapore, is also a strategic investor in the Manager

**Distribution Policy:** At least 90% of annual distributable income; distributions to be made on a semi-annual basis

**Valuation as at 30 Jun 2019**



**Net Lettable Area as at 30 Jun 2019**



# Key Highlights

2



*Bonn Campus*

# Key Figures At A Glance



## 2Q2019 Performance

Gross Revenue

**+1.8% YoY**

Distribution per Unit

**+1.3% YoY<sup>1</sup>**

Annualised DPU Yield

**7.7%<sup>2</sup>**



## Portfolio Management<sup>3</sup>

Occupancy Rate

**98.6%**

Appraised Value

**€526.4m**

WALE<sup>4</sup>

**4.6 years**



## Capital Management<sup>3</sup>

Aggregate Leverage

**36.2%**

Interest Rate<sup>5</sup>

**1.5%**

% of Loans Hedged

**100%**

<sup>1</sup> In S\$ terms

<sup>2</sup> Based on IREIT's 1H2019 DPU of 2.93 Singapore cents and closing unit price as at the last trading day of 2Q2019

<sup>3</sup> As at 30 Jun 2019

<sup>4</sup> Weighted average lease to expiry

<sup>5</sup> Effective interest rate computed over the tenure of the borrowings

# Key Highlights



## Consistent Results

- Net property income for 2Q2019 was relatively stable at €7.9m, registering a marginal decrease of 0.6% YoY
- DPU was 1.3% higher YoY at 1.51 Singapore cents. This brings the 1H2019 DPU to 2.93 Singapore cents, translating to an annualised DPU yield of 7.7%<sup>1</sup>



## Portfolio Improvement

- Portfolio occupancy rate remained steady QoQ at 98.6% as at 30 Jun 2019
- A number of leases for the key tenants at Concor Park were extended, resulting in an improvement of the portfolio WALE to 4.6 years. 99.6% of the portfolio leases are due for renewal only from FY2022 and beyond
- A new lease commencing on 1 Jul 2019 was also secured at Münster South Building
- Portfolio valuation at €526.4m, marking an increase of 4.3% from the value as at 31 Dec 2018. Consequently, NAV was up 2.1% during the period to €0.49 per unit



## Lower Gearing

- Aggregate leverage declined 1.8 percentage points QoQ to 36.2% due largely to the higher portfolio valuation
- No refinancing requirements as existing borrowings will only mature in Jan 2026

<sup>1</sup> Based on IREIT's 1H2019 DPU of 2.93 Singapore cents and closing unit price as at the last trading day of 2Q2019



# Operating & Financial Performance

| (€ '000)                                | 2Q2019 | 2Q2018 | Variance (%) |
|---|--------|--------|--------------|
| Gross Revenue                           | 8,807  | 8,653  | 1.8          |
| Property Operating Expenses             | (952)  | (750)  | 26.9         |
| Net Property Income                     | 7,855  | 7,903  | (0.6)        |
| Income Available for Distribution       | 6,682  | 6,470  | 3.3          |
| Income to be Distributed to Unitholders | 6,014  | 5,823  | 3.3          |

- 2Q2019 net property income was relatively stable, registering a decrease of 0.6% YoY. While total property operating expenses increased by 26.9%, the impact on net property income was marginal as a majority of the increase in expenses were recoverable from tenants
- Income available for distribution increased by 3.3% YoY due mainly to lower finance expenses post refinancing of borrowings in Feb 2019

# Distribution Per Unit

| Distribution per Unit   | 1H2019            | 1H2018 | Variance (%) |
|-------------------------|-------------------|--------|--------------|
| <b>Before Retention</b> |                   |        |              |
| - € cents               | 2.04              | 2.03   | 0.5          |
| - S\$ cents             | 3.26 <sup>1</sup> | 3.29   | (0.9)        |
| <b>After Retention</b>  |                   |        |              |
| - € cents               | 1.84              | 1.82   | 1.1          |
| - S\$ cents             | 2.93 <sup>1</sup> | 2.95   | (0.7)        |

- DPU in S\$ terms was impacted by weaker SGD/EUR exchange rates<sup>1</sup>
- 1H2019 DPU represents an annualised distribution yield of 7.7% based on IREIT's closing unit price of S\$0.765 as at the last trading day of 2Q2019

<sup>1</sup> The DPU in S\$ was computed after taking into consideration the forward foreign currency exchange contracts entered into to hedge the currency risk for distribution to Unitholders

# Distribution Details

|                                    |                                  |
|------------------------------------|----------------------------------|
| <b>Distribution Period</b>         | <b>1 Jan 2019 to 30 Jun 2019</b> |
| <b>Distribution per Unit (DPU)</b> | <b>2.93 Singapore cents</b>      |
| <b>Ex-Date</b>                     | <b>16 Aug 2019 (Friday)</b>      |
| <b>Books Closure Date</b>          | <b>19 Aug 2019 (Monday)</b>      |
| <b>Payment Date</b>                | <b>27 Aug 2019 (Tuesday)</b>     |

# Financial Position

| € '000                                 | As at 30 Jun 2019 | As at 31 Dec 2018 | Variance (%) |
|--|-------------------|-------------------|--------------|
| Investment Properties                  | 526,400           | 504,900           | 4.3          |
| Total Assets                           | 554,871           | 528,875           | 4.9          |
| Borrowings                             | 199,474           | 193,215           | 3.2          |
| Total Liabilities                      | 241,592           | 223,268           | 8.2          |
| Net Assets Attributable to Unitholders | 313,279           | 305,607           | 2.5          |
| NAV per Unit (€/unit) <sup>1</sup>     | 0.49              | 0.48              | 2.1          |
| NAV per Unit (S\$/unit) <sup>2</sup>   | 0.75              | 0.75              | -            |

- The NAV per Unit in S\$ terms did not increase in tandem with that in € terms due to a weaker EUR/SGD exchange rate

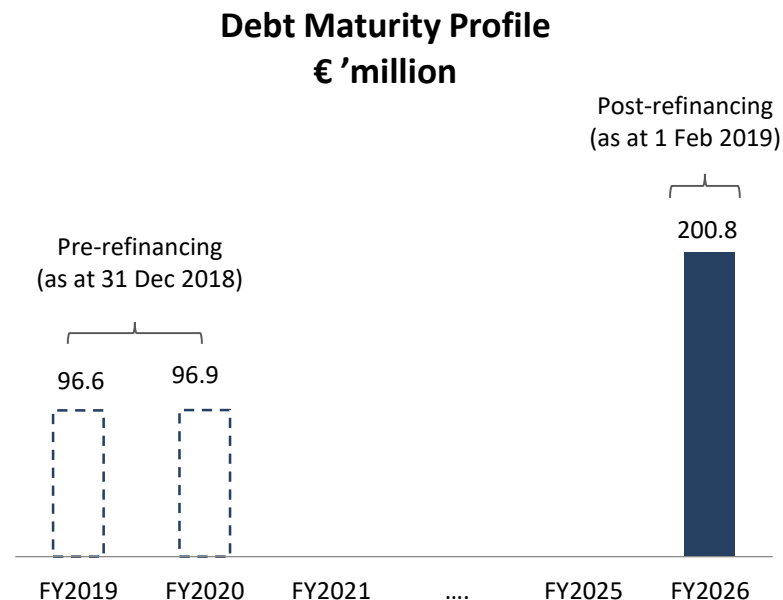
<sup>1</sup> The NAV per Unit was computed based on net assets attributable to Unitholders as at 30 Jun 2019 and 31 Dec 2018, and the Units in issue and to be issued as at 30 Jun 2019 of 636.0m (31 Dec 2018: 633.4m)

<sup>2</sup> Based on S\$1.5383 per € as at 30 Jun 2019 and S\$1.5618 per € as at 31 Dec 2018 extracted from MAS website



# Capital and Currency Management

|  | As at 30 Jun 2019 | As at 31 Dec 2018 |
|--|-------------------|-------------------|
| Gross Borrowings Outstanding (€'m)             | 200.8             | 193.5             |
| Aggregate Leverage <sup>1</sup>                | 36.2%             | 36.6%             |
| Effective Interest Rate per Annum <sup>2</sup> | 1.5%              | 2.0%              |
| Interest Coverage Ratio <sup>3</sup>           | 11.1x             | 8.4x              |
| Weighted Average Debt Maturity                 | 6.6 years         | 1.1 years         |



- On 1 Feb 2019, IREIT drew down the new loan facilities of €200.8m maturing in Jan 2026 to repay the then existing bank borrowings of €193.5m
- Interest rate swaps were entered into to hedge 100% of the interest of the new loan facilities, resulting in an all-in cost of debt of c.1.5% p.a. over the loan tenure
- As distributable income in € will be paid out in S\$, IREIT has implemented a policy of hedging approximately 80% of its income to be repatriated from overseas to Singapore on a quarterly basis, one year in advance

<sup>1</sup> Based on total debt over deposited properties

<sup>2</sup> Effective interest rate computed over the tenure of the borrowings

<sup>3</sup> Based on net property income over interest expense for 2Q2019 and 4Q2018



## Portfolio Summary

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*Darmstadt Campus*

# Portfolio Summary

|  | BERLIN<br>CAMPUS                 | BONN<br>CAMPUS                                     | DARMSTADT<br>CAMPUS                                | MÜNSTER<br>CAMPUS                                  | CONCOR<br>PARK                                | TOTAL          |
|--|----------------------------------|--|--|--|---|----------------|
| Location                                 | Berlin                           | Bonn   | Darmstadt  | Münster  | Munich  |                |
| Completion Year                          | 1994                             | 2008   | 2007   | 2007   | 1978 and fully refurbished in 2011            |                |
| Net Lettable Area (sqm)                  | 79,097                           | 32,736   | 30,371   | 27,183   | 31,222  | <b>200,609</b> |
| Car Park Spaces                          | 496                              | 652  | 1,189  | 588  | 516   | <b>3,441</b>   |
| Occupancy Rate <sup>1</sup>              | 100.0%                           | 100.0%   | 100.0%   | 93.3%  | 97.1%   | <b>98.6%</b>   |
| No. of Tenants                           | 8                                | 1  | 1  | 1  | 12  | <b>21</b>      |
| Key Tenant(s)                            | Deutsche Rentenversicherung Bund | GMG, a wholly-owned subsidiary of Deutsche Telekom | GMG, a wholly-owned subsidiary of Deutsche Telekom | GMG, a wholly-owned subsidiary of Deutsche Telekom | Allianz, ST Microelectronics, Ebase, Yamaichi |                |
| WALE <sup>2</sup>                        | 5.0                              | 3.8  | 3.3  | 3.8  | 7.7   | <b>4.6</b>     |
| Independent Appraisal <sup>3</sup> (€ m) | 195.1                            | 108.8  | 87.1   | 54.0   | 81.4  | <b>526.4</b>   |

<sup>1</sup> Based on all current leases in respect of the properties as at 30 Jun 2019

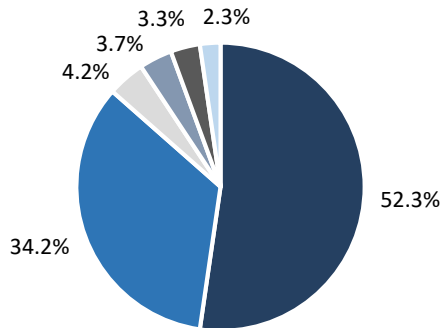
<sup>2</sup> Based on gross rental income as at 30 Jun 2019

<sup>3</sup> Based on independent valuations as at 30 Jun 2019

# Portfolio Summary (cont'd)

## Blue-Chip Tenant Mix

### Key Tenants <sup>1</sup>

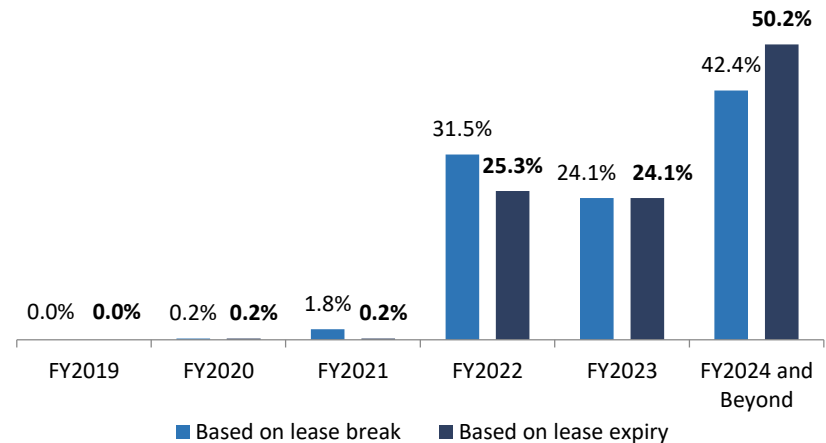


- GMG - Deutsche Telekom
- Deutsche Rentenversicherung Bund
- ST Microelectronics
- Allianz Handwerker Services GmbH
- Ebase
- Others

## Stable Leases

### Lease Break & Expiry Profile

Weighted Average Lease Expiry: 4.6 years<sup>1</sup>



**99.6% of portfolio leases<sup>1</sup> will be due for renewal only in FY2022 and beyond<sup>2</sup>**



**Deutsche Telekom** is one of the world's leading integrated telcos with around c. 178m mobile customers, c. 28m fixed-network lines and c. 20m broadband lines. S&P's long-term rating stands at BBB+.



**Deutsche Rentenversicherung Bund** is Europe's largest statutory pension insurance company with over 57m customers and 'AAA' credit rating.



**ST Microelectronics** is one of the world's largest semiconductor companies with net revenues of US\$9.66b in 2018 and BBB credit rating.



**Allianz Handwerker Services** is a unit of Allianz SE, one of the world's largest insurance companies. S&P's long-term rating stands at AA.



**ebase GmbH** is part of the FNZ Group, a global fintech company. As a B2B direct bank, ebase is a full service partner for financial distributors, insurance companies, banks, asset managers and other companies.

<sup>1</sup> Based on gross rental income as at 30 Jun 2019

<sup>2</sup> 6.2% of the leases is subject to lease break option in FY2022



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## European Market Review



*Münster Campus*

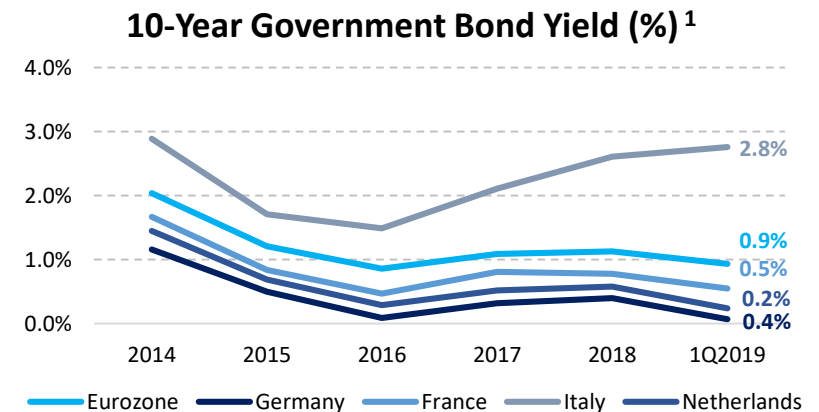
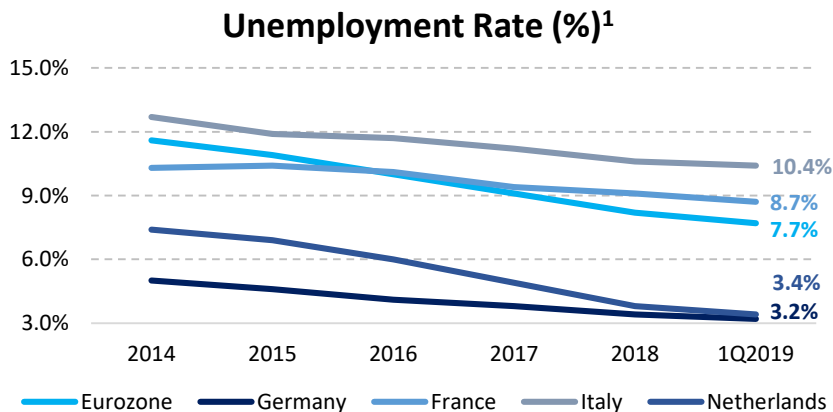
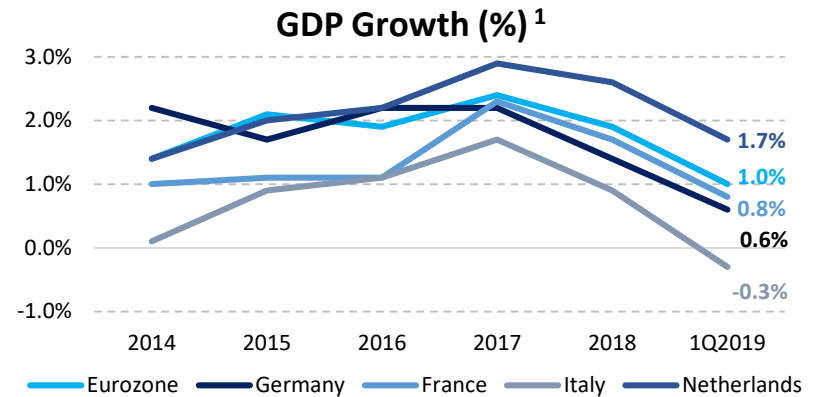
# Economic Backdrop

## Europe's Economy Supported by Healthy Employment and Low Interest Rates

Growth has moderated on the back of trade tensions and geopolitical uncertainties, including Brexit. According to ECB's Jun 2019 forecasts, Europe's GDP growth for 2019 is expected to be at 1.2%, compared to 1.8% in 2018.

However, interest rates have continued to be favourable and employment rate and private consumption have remained healthy.

ECB is also committed to support the European economy with low interest rates.



<sup>1</sup> Eurostat

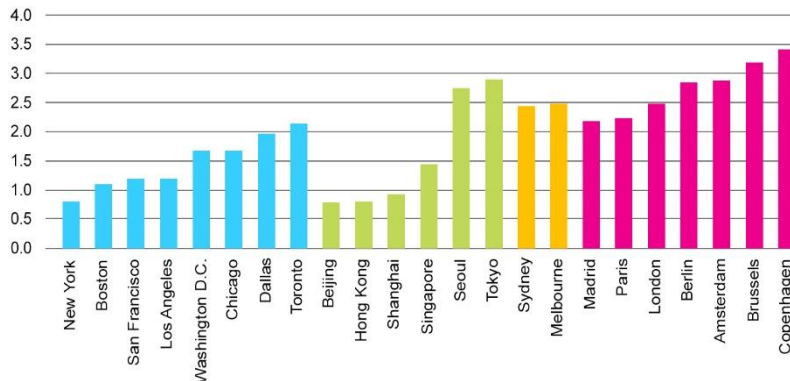
# Real Estate Market

## European Office Markets Continues to See Positive Leasing Activity and Rising Rents

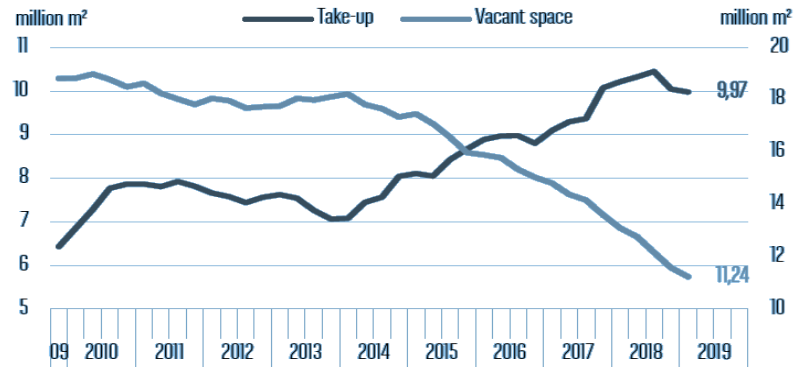
European office markets continue to benefit from firm occupier demand and muted new development completion. This results in the downtrend in average vacancy rates and upward pressure in office rents.

The attractive spreads between European prime office yields and government bonds supplemented by an additional spread in favour of secondary market office yields should continue to support investment demand in the secondary locations.

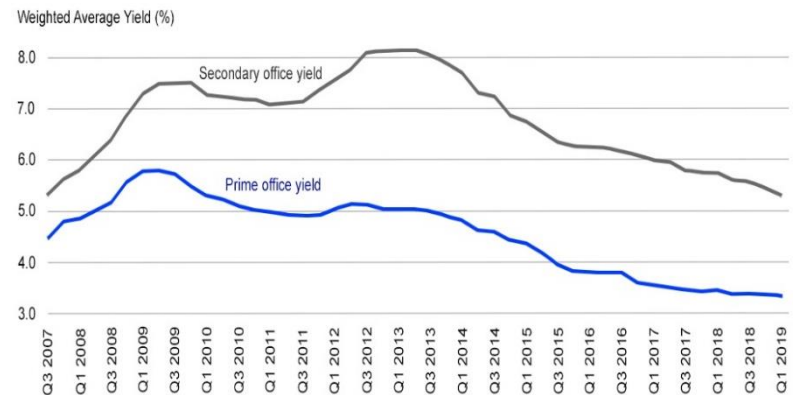
### Prime Office Net Yield Spread over Local 10-year Government Bond Yield (%)<sup>2</sup>



### Office Take-up for 15 cities in Western Europe<sup>1</sup>



### European Prime and Secondary Office Yields<sup>2</sup>



<sup>1</sup> BNPP Main Office Markets in Europe, 1Q2019

<sup>2</sup> CBRE Property Market Outlook Continental Europe, 2019



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## Looking Ahead



*Concor Park*



# Looking Ahead

## Real Estate Market

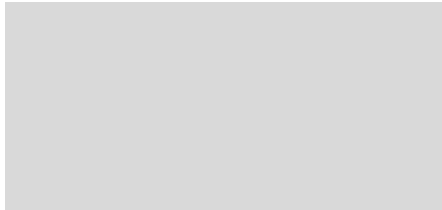
- Despite the moderation in global economic growth and uncertain political landscape, the German office real estate market has continued to benefit from healthy occupier demand, rising rents and investment volumes
- The attractive spreads between European prime office yields and government bonds supplemented by an additional spread in favour of secondary market office yields should continue to support investment demand

## Leasing Profile

- During the quarter, the Manager has concluded a number of lease extensions for the key tenants at Concor Park
- At the Münster South Building, the Manager has also secured an 8.5-year lease commencing on 1 Jul 2019 with a new tenant for the entire second floor previously vacated by the single tenant
- The positive outcome on the leasing front is expected to lend greater stability to IREIT's portfolio

## Key Focus

- As part of its proactive asset management strategy, the Manager will continue to engage its tenants and undertake various initiatives to upkeep the existing properties as they age in order to ensure strong tenant retention
- It will also constantly review IREIT's portfolio for value creation and repositioning opportunities, as well as seek investment opportunities to strengthen IREIT's portfolio
- While the real estate investment market remains very competitive and future acquisitions may have some dilutive impact on distributions in the short term, the Manager is of the view that building IREIT's portfolio base is a necessary step for diversification and scale



# Thank You

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