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Update on a Potential Immofinanz / S Immo Combination

March 2020

Executive Summary

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- In recent weeks, the share prices of Immofinanz AG (**"Immofinanz"**) and S Immo AG (**"S Immo"**) have been under pressure, mainly due to the impact of Covid-19 and fears of a recession across Europe
- While governments in key geographies are announcing multi-billion aid packages and both companies appear relatively well prepared to deal with the repercussions of the outbreak, it is still too early to fully evaluate the long-term implications of Covid-19 on the European Real Estate market
- On the back of the recent share price declines, Petrus Advisers believe that a **combination of Immofinanz and S Immo would be highly attractive** at this stage, and **would create significant value for shareholders** of both companies:
  - The combined entity would become a **leading real estate platform in Central and Eastern Europe** with a **~€7.4bn[(1)] complementary and balanced property portfolio**, benefitting from leading positions across Retail, Office and Residential
  - A combination would unlock **significant synergies, preliminarily estimated at ~€19m-€28m** on a run-rate and pre-tax basis[(2)], including ~€14m-€20m operating cost savings[(2)] and ~€5m-€8m of financing synergies[(2)]
  - The estimated NPV of the total value creation potential would be comprised of between **~€285m and ~€510m[(3)] on a post-tax basis**, resulting in a **compelling ~13%-23% upside to the pro-forma combined net market value**[(4)]
  - Lastly, recent changes at Immofinanz's Executive Board level have contributed to reduce some of the corporate governance and leadership complexities traditionally associated with a merger

- **As a long-time shareholder of both Immofinanz and S Immo, Petrus Advisers see a combination of the two companies as in the best interest of all shareholders. We see valuation upside on both companies of some 18% from the transaction. We demand that a combination be prepared pro-actively and in a timely manner**

Sources: Company filings, Bloomberg, Factset, Petrus Advisers estimates.

Notes: (1) Pro-forma combined property portfolio as of Sep-2019. (2) Illustrative synergy potential estimates are shown on a run-rate, pre tax and costs to achieve basis. (3) NPV shown on a post-tax and pre-costs to achieve basis, and assumes: (i) ~17% pro-forma blended tax rate; and (ii) ~18x-22x FFO multiple range, in line with average historical levels. (4) Based on the pro-forma combined net market capitalization as of 26/03/2020, adjusted to exclude the companies' cross-holdings at current market value.

Immofinanz / S Immo: A European Leader in Commercial Real Estate

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IMMOFINANZ

S IMMO

1. Create a leading real estate platform across Central and Eastern Europe, with a pro-forma combined property portfolio of ~€7.4bn(1)
2. Merge two highly complementary portfolios, combining Immofinanz's attractive yields with S Immo's highly successful development pipeline
3. Increase diversification, creating a balanced portfolio with leading positions in Germany, Austria and CEE across Office, Retail and Residential
4. Unlock significant operational and financing cost synergies, preliminarily estimated in the ~€19m-€28m range on a run-rate and pre tax basis(2)
5. Enhance scale and credit profile, allowing the combined entity to retain an investment grade rating
6. Increase liquidity and free-float, both in absolute and relative terms, allowing for a potential multiple re-rating

Sources: Company filings, Petrus Advisers estimates. Notes: (1) Pro-forma combined property portfolio as of Sep-2019. (2) Illustrative synergy potential estimates are shown on a run-rate, pre tax and costs to achieve basis.

Compelling Value Creation Potential

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- **A combination would help to unlock significant operating and financing cost synergies, preliminarily estimated in the ~€19m-€28m area, with a mid-point of ~€24m, on a pre-tax and run-rate basis**

Operating Cost Synergies

- **Combination of asset management platforms** and country hubs
- **Corporate overheads** savings
- **Streamlining of both supervisory and management boards**
- Reduced **listing costs**

Illustrative Run-Rate Estimate(1): ~€14m – €20m p.a. Pre-tax

Financing Cost Synergies

- Increased scale and portfolio diversification, allowing combined entity to retain **investment grade rating**
- **Lower funding costs** and enhanced access to capital markets
- **Optimization of** secured and unsecured **financing mix** across the maturity spectrum

Illustrative Run-Rate Estimate(1): ~€5m – €8m p.a. Pre-tax

Total Value Creation Potential

- **Total synergy potential estimated in the ~€19m-€28m area, resulting in a ~€24m p.a. mid-point, on a run-rate, pre-tax and costs-to-achieve basis(1)**
- **Post-tax NPV of the combined synergies estimated in the ~€285m-€510m region(2), equal to ~13%-23% of the pro-forma combined net market value(3)**

Sources: Company filings, Bloomberg, Factset, Petrus Advisers estimates.

Notes: (1) Illustrative synergy potential estimates are shown on a run-rate, pre tax and costs to achieve basis. (2) NPV shown on a post-tax and pre-costs to achieve basis, and assumes: (i) ~17% pro-forma blended tax rate; and (ii) ~18x-22x FFO multiple range, in line with average historical levels. (3) Based on the pro-forma combined net market capitalization as of 26/03/2020, adjusted to exclude the companies' cross-holdings at current market value.

Synergy Potential – Operating Cost Savings

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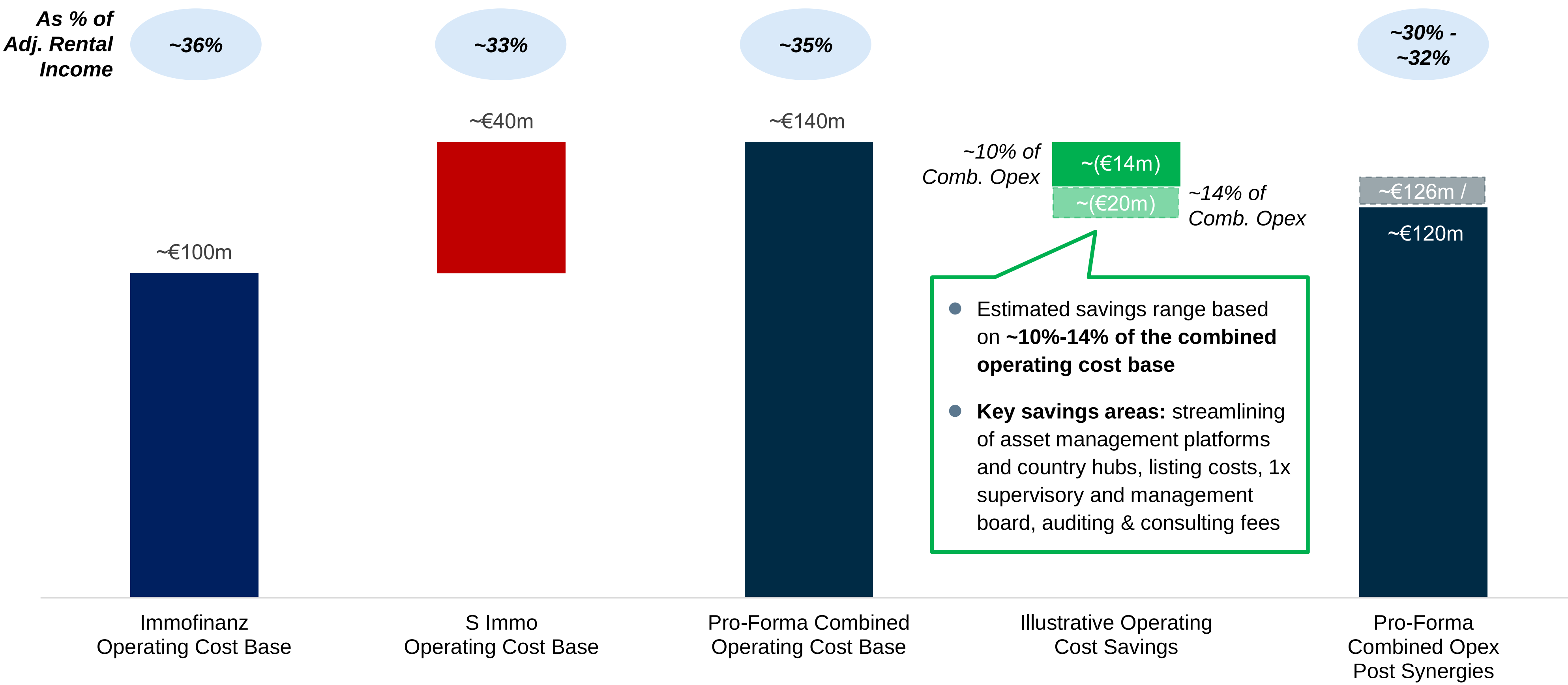
- **A ~10%-14% reduction of the combined operating cost base would result in significant synergies, estimated in the ~€14m-€20m area on a run-rate and pre-tax basis**
- **Key savings areas include efficiencies in the asset management platforms, corporate overheads and listing costs, as well as supervisory and management board costs**

Illustrative Operating Costs Synergy Potential (€m)

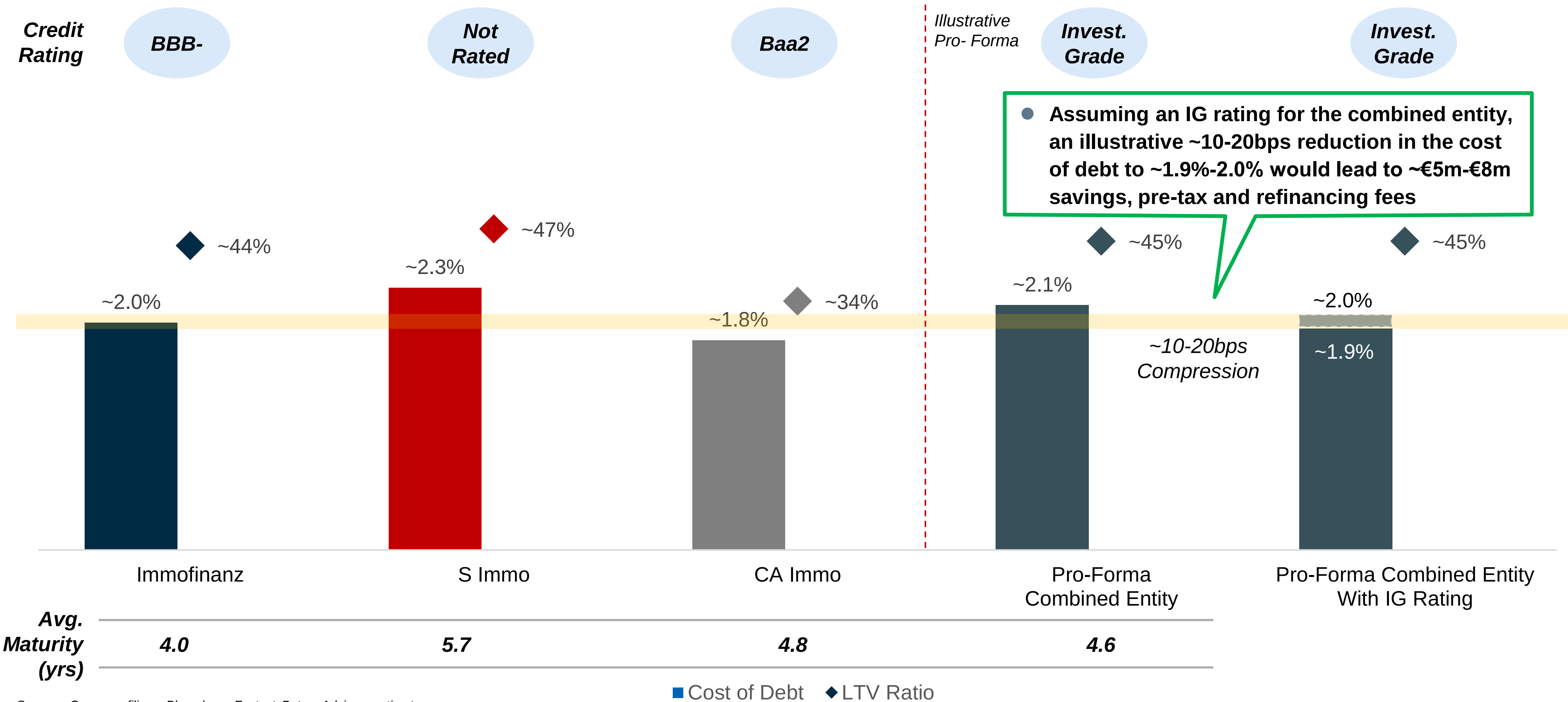


Sources: Company filings, Petrus Advisers estimates.

Synergy Potential – Cost of Debt Savings

- **A combination would lead to enhanced scale and diversification, allowing the combined entity to retain an investment grade rating**
- **An illustrative run-rate cost of debt below ~200bps would result in run-rate savings up to ~€5m-€8m, pre-tax and refinancing fees**

Estimated Run-Rate Cost of Debt – Benchmarking Analysis & Illustrative Synergy Potential



Sources: Company filings, Bloomberg, Factset, Petrus Advisers estimates.

Note: Analysis based on run-rate cost of debt estimated for each company and the combined entity, and adjusted to exclude bonds issued pre 2015.

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