Taubman

Taubman Centers, Inc.

Taubman Asia
Blackstone Transactions

February 14, 2019

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Overview

Transactions

- Taubman has agreed to sell 50% of its interests in Starfield Hanam, CityOn.Xi'an and CityOn.Zhengzhou to Blackstone
- Value: $480 million ($960 million gross valuation of Taubman's interests)
- Cap rate: 4.1% percent(1)
- Earn-Out: Taubman can earn up to an additional $50 million, based on 2019 performance of the assets
- Management: Taubman will retain responsibility for participating in the day to day management of the properties, with Blackstone paying a property services fee
- Targeted closing dates: Serial closings expected throughout 2019

Benefits

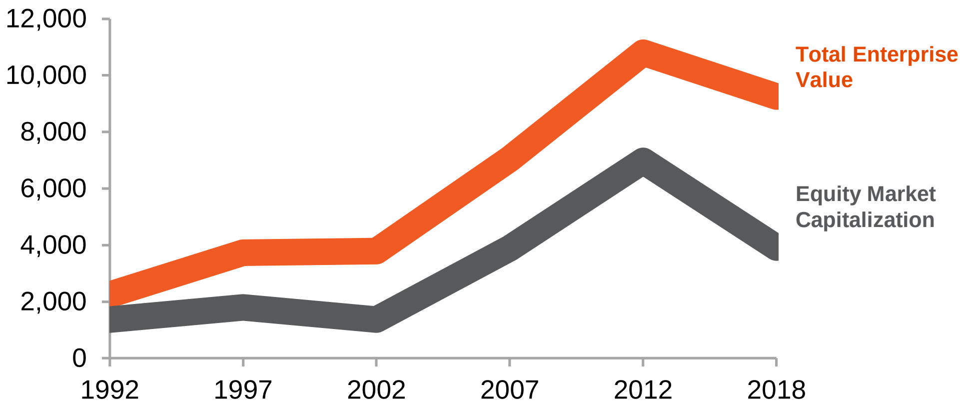
- Demonstrates value creation of Taubman Asia assets (~$325 million)
- Recovery of nearly all our equity investment while retaining half our ownership
- Substantial debt reduction (expect 2019 Pro Forma Debt-to-EBITDA lowered by ~0.5x)
- Significantly improves liquidity (~$455 million)
- Annualized earnings accretion(2) (~$0.08 - $0.10 per share)
- Enhanced ability to grow the Asia asset base with Blackstone as potential partner
  - Increased deal flow, Improved access to capital
  - Access to Blackstone's real estate expertise, relationships, network and market knowledge

(1) Based on 2018 NOI
(2) Pro forma assuming closings and shares outstanding as of 1/1/2019. Estimated accretion is two-thirds from management fee income and one-third from lower borrowing costs.

A History of Recycling Capital for Growth

- Our strategy has consistently been to recycle capital for growth, minimizing our need to raise common equity
- This transaction represents another opportunity for the company to grow, while reducing leverage, without issuing additional equity
- Historically our growth has been largely self-funded
  - On a net basis, we have issued only $50 million of common equity since the IPO
  - Nonetheless, our market capitalization has increased over four times since the IPO, about 26 years ago

Market Capitalization (since 1992 IPO)



Portfolio History – Recycling Capital

Number of centers owned at IPO (1992)	19
Centers developed	20
Centers acquired	11
Centers sold/exchanged	(27)
Number of centers owned today	23
Number of centers under construction	1
Total Number of Centers	24

The Sale Portfolio

- Approximately $635 million invested in the ground up development of the three centers below
- Assets are located in high-growth markets with favorable supply dynamics
- Strategic local retail partners that are dominant in their markets

Starfield Hanam – Hanam, South Korea

- Year Opened: 2016 GLA: 1,701,000 Sq. Ft
- Ownership Following Transaction: 17.15%
- Strategic Partner: Shinsegae
- Occupancy: 100%
- Anchors: Shinsegae, Traders, PK Market
- Produced total sales in excess of $825mm in 2018, making it one of the most productive retail assets in the world

CityOn.Xi'an – Xi'an, China

- Year Opened: 2016 GLA: 996,000 Sq. Ft
- Ownership Following Transaction: 25%
- Strategic Partner: Wangfujing
- Occupancy: 100%
- Anchors: Wangfujing
- One of the best mixed-use developments in Xi'an with office tower, luxury residence, shopping center and 5 star hotel

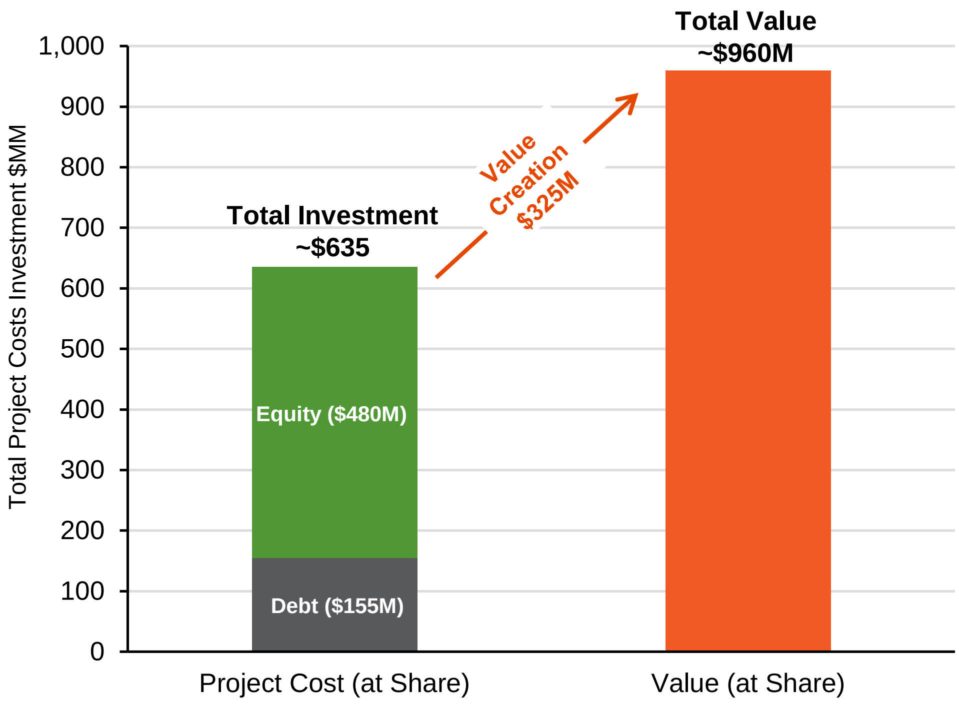
CityOn.Zhengzhou – Zhengzhou, China

- Year Opened: 2017 GLA: 917,000 Sq. Ft
- Ownership Following Transaction: 24.5%
- Strategic Partner: Wangfujing
- Occupancy: 100%
- Anchors: Wangfujing, G-Super
- Located in the new economic and cultural hub and is one of the highest productivity assets in Zhengzhou

Value Creation

- Our initial group of investments in Asia have created significant value
- Approximately $325 million (at share) of net value has been created on a total project cost of about $635 million (at share)
- Net proceeds of $315 million will be received after taxes, fees, transaction costs and Blackstone's allocation of their beneficial interest in third-party debt

Taubman Asia Project Value Creation



Value Creation Process

Project	Opening Year	Investment in $MM (at share through 09/30/18)
CityOn.Xi'an	2016	148
Starfield Hanam	2016	330
CityOn.Zhengzhou	2017	157
Total Investment		**635**

Expected Return of Capital – Sources & Uses

Overview

- Net proceeds from the Blackstone sale are expected to be approximately **$315 million**, following the allocation of third-party debt to our partner, taxes, closing costs and closing allocations
- In addition, **$140 million** is expected to be returned to Taubman as a result of a refinancing of the two China assets (existing contributed equity and cash collateral)
- About **$455 million** is expected to be retained and increase liquidity

Sale Proceeds (millions)

Value	$480	
Debt assumption (est.)	(140)	
Working Capital Adjustments (est.)	(7)	
Net Sale proceeds	$333	(a)

Refinance Proceeds (millions)

Partner Loans – Xi'an & Zhengzhou	$127	
Return of contributed equity and cash collateral	***140***	
Total Refinancing Proceeds	$267	(b)
Total Proceeds (Sources) (a) + (b)	$600	(c)

Use of Proceeds (millions)

Retained Cash (increased liquidity)	***$455***	
Refinance Loan Repayment	127	
Taxes, Fees & Transaction Costs	18	
Total Cash Uses	$600	(c)

Retained Cash (millions)

Net Sale Proceeds	$333	(a)
Taxes, Fees & Transaction Costs	(18)	
Net Proceeds	***$315***	

Property-Level Capital Structure

Brief History

- In China, as a foreign investor the company has been subject to hurdles in funding the construction of our two developments
  - Non-traditional financing arrangements (partner loan, fully cash collateralized bank loans, Free Trade Zone (FTZ) loans) were required
  - These loans have been matched by Wangfujing (50% partner) via onshore member loans, so we are equal in the capital structures with our local partner
- In South Korea, construction of Starfield Hanam was capitalized through a conventional non-recourse construction facility
- Through this transaction we expect to **simplify the capital structure**, **repatriate cash**, **reduce debt** and **increase liquidity**

Capital Structure, at share 9/30/18

Debt	Ownership %	Taubman Share
Starfield Hanam	34.3%	$114
CityOn.Xi'an	50%	$0
CityOn.Zhengzhou	49%	$41
Total Debt		**$155**
Equity		
Net Contributions (Taubman)		$353
Partner Loans (Xi'an)		$82
Partner Loans (Zhengzhou)		$45
Total Equity		***$480***
Total Capitalization		**$635** (b)

Pro Forma Capital Structure, including Blackstone & China Refinancings

Debt	TCO Ownership %	Taubman Share	Blackstone Share	Total
Starfield Hanam	17.15%	$57	$57	$114
CityOn.Xi'an	25.0%	$41	$41	$82
CityOn.Zhengzhou	24.5%	$42	$42	$84
Total Debt		**$140**	**$140**	**$280**
Equity				
Net Contributions (Taubman)		$40		$40
Net Contributions (Blackstone)			$340	$340
Retained Equity (Taubman)		$300		$300
Total Equity		***$340***	***$340***	***$680***
Total Capitalization				**$960** (a)

Value Creation (a) - (b)	**$325**

See Appendix for additional reconciliations

Balance Sheet is Strengthened

Balance Sheet Impact

- This transaction is expect to yield additional liquidity of ~$455 million, which will be used to pay down the Company's $1.1 billion line of credit
  - $140 million of proceeds, as a result of the China property-level re-financings
  - $315 million from the Blackstone transaction

Balance Sheet Metrics

- Improved balance sheet metrics (all changes compared to 2019 budget, absent a transaction):
  - Debt-to-EBTIDA Ratio: lowered by ~0.5x, (results in low 8x range)
  - Interest Coverage Ratio: improved by ~25 bps (about 3x)
  - Fixed Charge Ratio: improved by ~20 bps (about 2.3x)

Forward Looking Language

For ease of use, references in this document to “Taubman Centers,” “company,” “Taubman” or an operating platform mean Taubman Centers, Inc. and/or one or more of a number of separate, affiliated entities. Business is actually conducted by an affiliated entity rather than Taubman Centers, Inc. itself or the named operating platform.

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Other factors include, but are not limited to: changes in market rental rates; unscheduled closings or bankruptcies of tenants; relationships with anchor tenants; trends in the retail industry; challenges with department stores; changes in consumer shopping behavior; the liquidity of real estate investments; the company’s ability to comply with debt covenants; the availability and terms of financings; changes in market rates of interest and foreign exchange rates for foreign currencies; changes in value of investments in foreign entities; the ability to hedge interest rate and currency risk; risks related to acquiring, developing, expanding, leasing and managing properties; competitors gaining economies of scale through M&A and consolidation activity; changes in value of investments in foreign entities; risks related to joint venture properties; insurance costs and coverage; security breaches that could impact the company’s information technology, infrastructure or personal data; costs associated with response to technology breaches; the loss of key management personnel; shareholder activism costs and related diversion of management time; labor discord, war, terrorism; maintaining the company’s status as a real estate investment trust; changes in the laws of states, localities, and foreign jurisdictions that may increase taxes on the company’s operations; changes in global, national, regional and/or local economic and geopolitical climates; changes in and/or difficulties in operating in foreign political environments; difficulties in operating with foreign vendors and joint venture and business partners; and difficulties of complying with a wide variety of foreign laws including laws affecting funding and use of cash, corporate governance, property ownership restrictions, development activities, operations, anti-corruption, taxes, and litigation; changes in and/or requirements of complying with applicable laws and regulations in the U.S. that affect foreign operations, including the U.S. Foreign Corrupt Practices Act; differing lending practices, including lower loan-to-value ratios and increased difficulty in obtaining construction loans or timing thereof; lower initial investment returns than those generally experienced in the U.S.; and differences in cultures including adapting practices and strategies that have been successful in the U.S. mall business to retail needs and expectations in new markets. You should review the company's filings with the Securities and Exchange Commission, including “Risk Factors” in its most recent Annual Report on Form 10-K and subsequent quarterly reports, for a discussion of such risks and uncertainties.

Use of Non-GAAP Measures

Within this presentation the Company uses certain non-GAAP operating measures, including EBITDA, beneficial interest in EBITDA, Net Operating Income, and Funds from Operations. Definitions of these measures, their use and utility, and reconciliations to the most comparable GAAP measures can be found in the Company's Fourth Quarter 2018 Supplemental Information (which can be found at taubman.com).

The aforementioned Non-GAAP measures included in this presentation may include estimates of future EBITDA, NOI, and/or FFO performance of the Company's investment properties. Such forward-looking non-GAAP measures may differ significantly from the corresponding GAAP measure, net income, due to depreciation and amortization, tax expense, and/or interest expense, some or all of which management has not quantified for the future periods.

Also within this investor presentation, the Company provides its beneficial interest in certain financial information of its Unconsolidated Joint Ventures. This beneficial information is derived as the Company's ownership interest in the investee multiplied by the specific financial statement item being presented. Investors are cautioned that deriving the Company's beneficial interest in this manner may not accurately depict the legal and economic implications of holding a non-controlling interest in the investee

Appendix – Additional Reconciliations

Taubman Asia Total Equity Contributions (Pre-Transaction)

Net Contributions (Taubman)	$354	
Partner Loans	$127	(c)
Total Equity Contributions	*$480*	(a)

Taubman Asia Total Equity Contributions (Post-Transaction)

Total Equity Contributions	*$480*	(a)
Net Proceeds from Blackstone Transaction	($315)	(b)
Return of Partner Loans	($127)	(c)
Net Contributions (Taubman)	*$39*	

Reconciliation of Value Creation

Value Creation	$325
Working Capital Adjustment	($7)
Taxes, Fees & Trans Costs	($18)
Retained Equity (Taubman)	*$300*

Capitalization to Net Proceeds

Value	**$480**	
Blackstone Allocation of Debt	($140)	
Net Contributions (Blackstone)	*$340*	
Working Capital Adjustment	($7)	
Taxes, Fees & Trans Costs	($18)	
Net Proceeds from Blackstone Transaction	*$315*	(b)