



Deutsche Wohnen AG

» **Q1 2016 results**

Conference Call, 13 May 2016

» Agenda

1 Highlights Q1 2016

2 Portfolio

3 Financials

4 Guidance & Outlook

5 Appendix

» Financial highlights Q1 2016

Operational development		
In EUR m	Q1 2016	YoY
NOI letting	138.1	+13.2%
<i>NOI margin</i>	<i>80.5%</i>	<i>+3.7ppt</i>
<i>Like-for-like rental growth</i>	<i>3.7%</i>	<i>+1.3ppt</i>
<i>Vacancy rate</i>	<i>1.8%</i>	<i>-0.5ppt</i>
NOI nursing	4.6	+21.1%
<i>FFO contribution</i>	<i>4.0</i>	<i>+17.6%</i>
<i>Occupancy rate</i>	<i>98.4%</i>	<i>+2.2ppt</i>
Earnings from disposals	23.7	+154.8%
<i>Gross margin privatization</i>	<i>33%</i>	<i>-9ppt</i>
<i>Gross margin inst. sales</i>	<i>17%</i>	<i>+7ppt</i>
<i>Free cash flow impact</i>	<i>109.0</i>	<i>+374%</i>
ICR	5.2x	+2x

KPIs		
In EUR m	Q1 2016	YoY
FFO I (after minorities)	100.9	+41.5%
<i>in EUR/ share¹⁾</i>	<i>0.30</i>	<i>+25.0%</i>
<i>FFO I margin</i>	<i>58.8%</i>	<i>+13.9ppt</i>
FFO II (after minorities)	124.6	+54.6%
<i>in EUR/ share¹⁾</i>	<i>0.37</i>	<i>+37.0%</i>
Adj. EBITDA (excl. disposals)²⁾	135.5	+19.6%
<i>Adj. EBITDA margin</i>	<i>79.0%</i>	<i>+7.7ppt</i>
<i>Cost ratio</i>	<i>9.6%</i>	<i>+2.2ppt</i>
<i>Cost per unit³⁾ (in EUR)</i>	<i>412</i>	<i>502</i>
In EUR m	Q1 2016	YTD
EPRA NAV per share (undiluted)⁴⁾	23.39	1.7%
LTV	42%	+4ppt

1) Based on weighted average shares outstanding (Q1 2016: 337.42m; Q1 2015: 298.57m); 2) Adjusted for one-off effects excluding disposals; 3) Corporate expenses annualized divided by avg. units in period; 4) based on 337.4m shares outstanding

» Portfolio update Q1 2016 – focused and concentrated

Strategic cluster	Residential units	% of total measured by fair value	In-place rent ¹⁾ 31/03/2016 EUR/sqm/month	Fair value 31/03/2016 EUR/sqm	Multiple in-place rent	Multiple market rent	Rent potential ²⁾ 31/03/2016 in %	Vacancy 31/03/2016 in %
Strategic core and growth regions	153,283	98.2%	5.95	1,304	18.3	15.3	21%	1.7%
Core ⁺	133,921	88.9%	6.01	1,357	18.8	15.6	24%	1.7%
Core	19,362	9.3%	5.55	950	14.3	12.6	12%	2.3%
Non-core	4,665	1.8%	5.08	706	12.1	10.5	n/a	5.7%
Total	157,948	100%	5.93	1,284	18.1	15.1	21%	1.8%
<i>Thereof Greater Berlin</i>	111,201	73.9%	5.93	1,372	19.3	15.9	23%	1.7%

- Further rent potential in Core⁺ regions of ~24%

- Vacancy rate in Core⁺ portfolio declined by 40bps over 12 months to c. 1.7% (close to structural vacancy)

- Attractive spread in Core⁺ between in-place rent and market rent multiples of more than 3x offer further potential for NAV growth

1) Contractually owed rent from rented apartments divided by rented area; 2) Unrestricted residential units (letting portfolio); rent potential = new-letting rent compared to in-place rent (letting portfolio); 3) Including signed acquisitions and disposals with transfer of ownership after 31/12/2015

» Strong like-for-like development as of 31 March 2016

Like-for-like 31/03/2016	Residential units number	In-place rent ²⁾ 31/03/2016 EUR/sqm	In-place rent ²⁾ 31/03/2015 EUR/sqm	Change y-o-y	Vacancy 31/03/2016 in %	Vacancy 31/03/2015 in %	Change y-o-y
Letting portfolio¹⁾	129,014	6.00	5.78	3.8%	1.5%	1.8%	-0.3pp
Core⁺	115,470	6.06	5.83	3.9%	1.4%	1.6%	-0.2pp
Greater Berlin	95,401	5.99	5.75	4.3%	1.5%	1.7%	-0.2pp
Rhine-Main	8,427	7.40	7.20	2.8%	1.1%	1.4%	-0.3pp
Mannheim/Ludwigshafen	4,762	5.70	5.59	2.0%	0.5%	1.1%	-0.6pp
Rhineland	4,470	5.95	5.77	3.1%	0.9%	1.6%	-0.7pp
Dresden	2,410	5.14	5.08	1.3%	2.5%	2.8%	0.3pp
Core	13,544	5.49	5.37	2.2%	2.1%	2.8%	-0.7pp
Hanover / Brunswick	8,100	5.58	5.42	2.9%	1.7%	2.4%	-0.7pp
Core cities eastern Germany	4,316	5.33	5.31	0.4%	2.8%	3.5%	-0.7pp
Kiel / Lübeck	1,128	5.39	5.24	2.9%	2.9%	3.5%	-0.6pp
Total	136,218³⁾	5.98	5.76	3.7%	1.8%	1.9%	-0.1pp

- Vacancy in Core+ letting portfolio further reduced to 1.4%

- Like-for-like rental growth in Core+ driven by re-letting (c. 1/3) and regular rent increase (c. 2/3) in particular driven by implementation of 2015 Berlin rent table

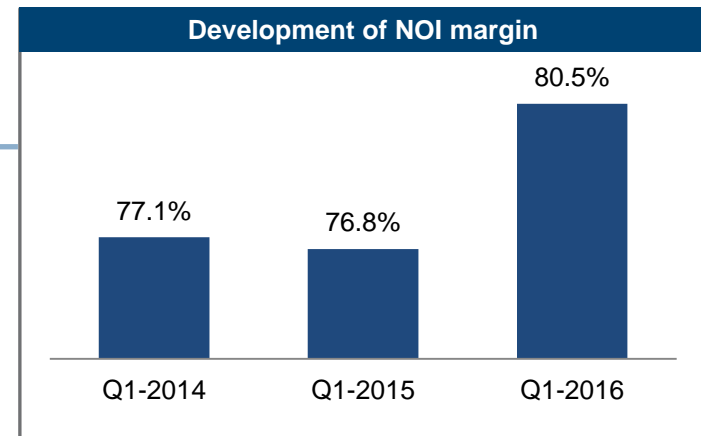
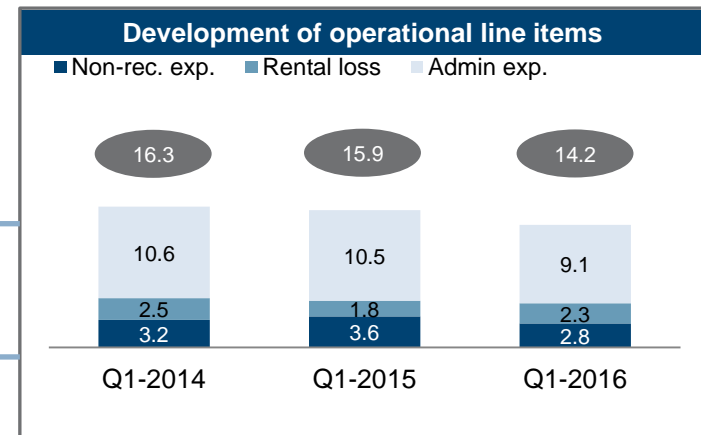
- In Dresden like-for-like rental growth derived from re-lettings only

1) Cluster block sale of strategic core and growth regions allocated to letting portfolio; 2) Contractually owed rent from rented apartments divided by rented area; 3) Total L-f-I stock incl. Non-Core

» Strong earnings and cash contributions from letting

in EUR m	Q1 2016	Q1 2015
Rental income	171.5	158.9
Non-recoverable expenses	(2.8)	(3.6)
Rental loss	(2.3)	(1.8)
Maintenance	(17.4)	(19.0)
Others	(1.8)	(2.0)
Earnings from Residential Property Management	147.2	132.5
Personnel, general and administrative expenses	(9.1)	(10.5)
Net Operating Income (NOI)	138.1	122.0
NOI margin	80.5%	76.8%
NOI in EUR / sqm / month	4.69	4.41

in EUR m	Q1 2016	Q1 2015
Net operating income (NOI)	138.1	122.0
Cash interest expenses	(25.9)	(34.8)
Cash flow from portfolio after cash interest expenses	112.2	87.2



- Increased rental income and further efficiencies in operating business, as well as seasonal lower maintenance expenses, resulting in improved NOI margin

» Growing prices as demonstrated by disposal business

Disposals	Privatization		Institutional sales		Total		
	with closing in	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
No. of units		491	453	1,280	108	1,771	561
Proceeds (EUR m)		43.5	40.0	115.6	9.7	159.1	49.7
Book value		32.8	28.1	99.2	8.8	132.0	36.9
Price in EUR per sqm		1,272	1,285	1,135	951	n/a	n/a
Earnings (EUR m)		7.6	8.7	16.0	0.6	23.7	9.3
Gross margin		33%	42%	17%	10%	21%	35%
Cash flow impact (EUR m)		27	20	82	3	109	23

- Disposal business contributed cash flows of EUR 109m in Q1 2016

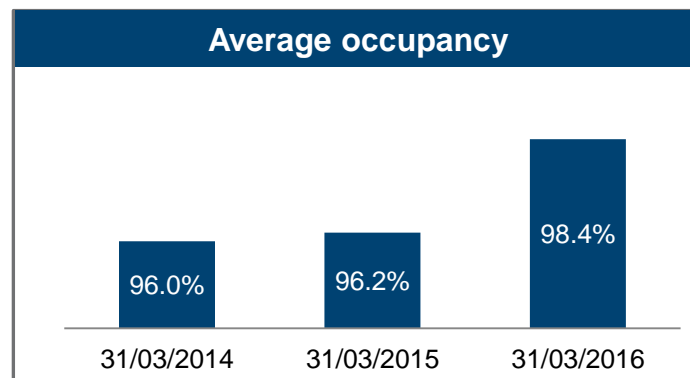
- Privatization: Disposal of below-average quality; significant step up in prices for signed but not yet closed disposals of c. 500 units with on average EUR ~1,600 per sqm (Berlin share of sold units ~60% with gross margins >50%)

- Institutional sales: consisted predominantly of a Berlin city-border portfolio with 900 units

» Attractive FFO contribution from Nursing and Assisted Living

in EUR m	Q1 2016	Q1 2015
Income		
Nursing	13.6	12.9
Living	1.6	1.5
Other	2.0	1.9
Total income	17.2	16.3
Costs		
Nursing and corporate expenses	(3.8)	(4.3)
Staff expenses	(8.8)	(8.2)
Total costs	(12.6)	(12.5)
Earnings from Nursing and Assisted Living (NOI)	4.6	3.8
Cash interest expenses	(0.6)	(0.4)
FFO contribution	4.0	3.4

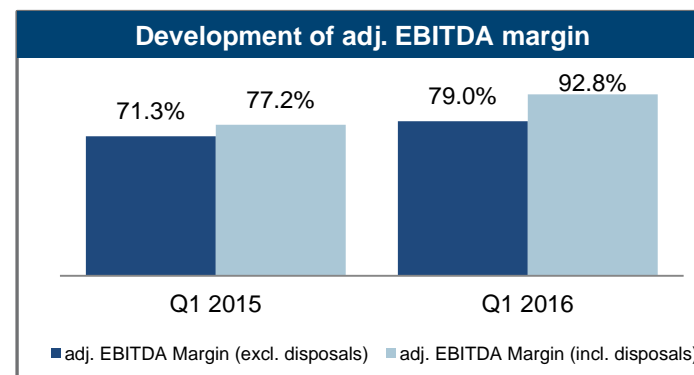
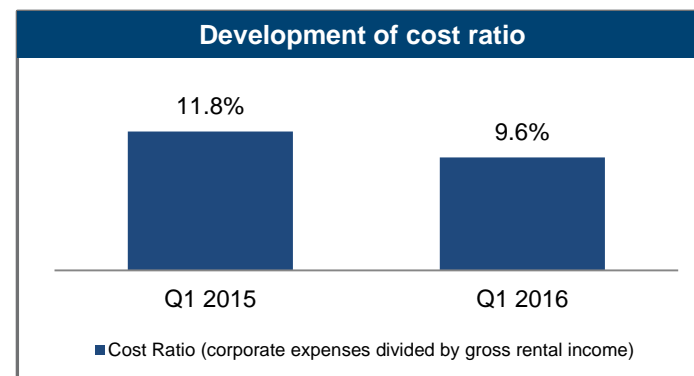
Q1 2016	# of facilities	# of places
Greater Berlin	12	1,442
Saxony	7	475
Others	1	131
In total	20	2,048



- Nursing and Assisted Living business delivers RoCE of c. 10% and RoE of c. 15% based on FV of c. EUR 160m and c. 40% LTV

» Best in class EBITDA margin

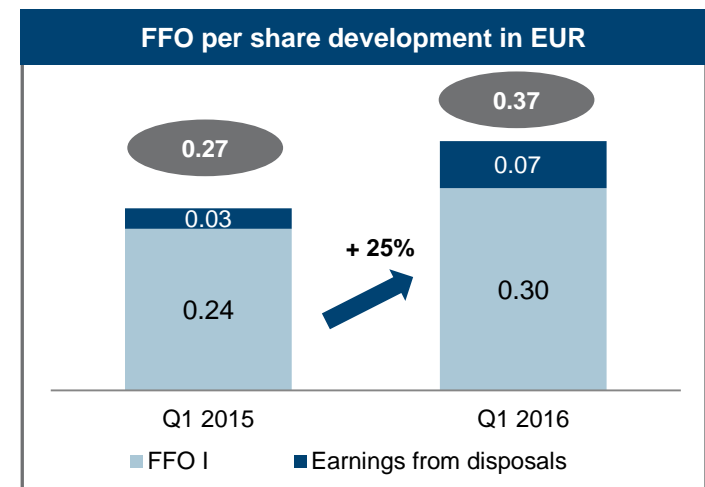
in EUR m	Q1 2016	Q1 2015
Earnings from Residential Property Management	147.2	132.5
Earnings from Disposals	23.7	9.3
Earnings from Nursing and Assisted Living	4.6	3.8
Segment contribution margin	175.5	145.6
Corporate expenses	(16.5)	(18.7)
Other operating expenses/income	0.2	(7.9)
EBITDA	159.2	119.0
One-offs	0.0	3.6
EBITDA (adjusted)	159.2	122.6



- Significant step-up of adj. EBITDA margin by 7.7pp (excl. disposals) driven by improvement of NOI and reduction of corporate expenses

» Operational improvements and acquisitions drive FFO growth

in EUR m	Q1 2016	Q1 2015
EBITDA (adjusted)	159.2	122.6
Earnings from Disposals	(23.7)	(9.3)
At equity valuation	0.2	0.4
Interest expense/ income	(26.1)	(35.0)
Income taxes	(7.1)	(5.5)
Minorities	(1.6)	(1.9)
FFO I	100.9	71.3
Earnings from Disposals	23.7	9.3
FFO II	124.6	80.6
FFO I per share in EUR¹⁾	0.30	0.24
FFO II per share in EUR¹⁾	0.37	0.27



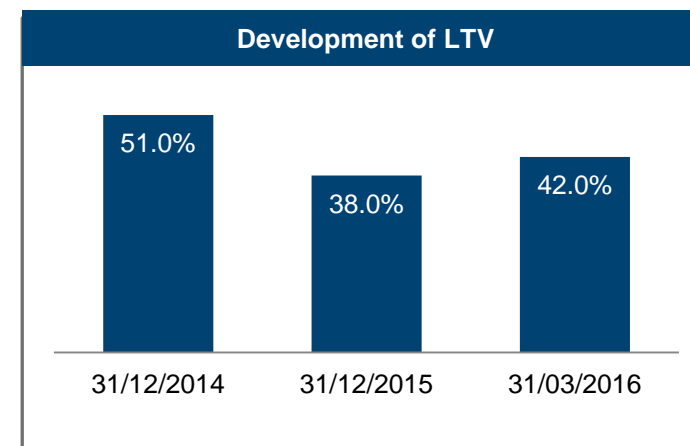
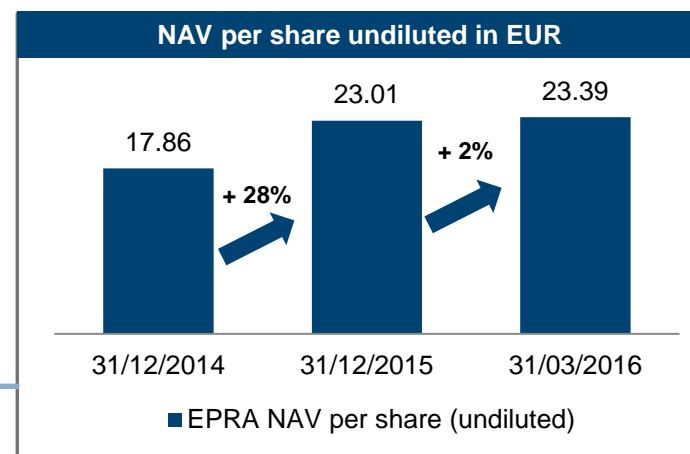
- FFO I per share increased by 25% yoy while leverage was significantly reduced

- Dividend expected to increase by 30% to EUR 0.70 per share for 2016²⁾

¹⁾ Based on weighted average shares outstanding (Q1 2016: 337.42m; Q1 2015: 298.57m); ²⁾ Based on FFO I guidance of at least EUR 360m and 337.4m shares outstanding

» Steady increase of EPRA NAV per share

in EUR m	31/03/2016	31/12/2015
Equity (before non-controlling interests)	6,743.4	6,653.5
Fair values of derivative financial instruments	60.0	44.8
Deferred taxes (net)	1,090.4	1,064.1
EPRA NAV (undiluted)	7,893.8	7,762.4
Shares outstanding in m	337.4	337.4
EPRA NAV per share in EUR (undiluted)	23.39	23.01
Effects of exercise of convertibles	952.5 ¹⁾	952.1 ¹⁾
EPRA NAV (diluted)	8,846.3	8,714.5
Shares diluted in m	370.2	370.2
EPRA NAV per share in EUR (diluted)	23.90	23.54
Goodwill GSW	(535.1)	(535.1)
Shares outstanding in m	337.4	337.4
Adj. NAV per share (undiluted)	21.81	21.42



1) Current strike price: 17.79 EUR and 21.41 EUR corresponds to ~32.7m shares

» Appendix

» Bridge from adjusted EBITDA to profit

in EUR m	Q1 2016	Q1 2015
EBITDA (adjusted)	159.2	122.6
Depreciation	(1.3)	(1.3)
At equity valuation	0.2	0.4
Financial result (net)	(26.2) ¹⁾	(30.0) ¹⁾
EBT (adjusted)	132.1	91.7
Valuation properties	0.0	0.0
Other one-off income	0.0	0.9
One-off costs for transactions	0.0	(4.5)
One-off costs financing	0.0	(5.4)
Restructuring & Reorganization	0.0	0.0
Valuation SWAP and convertible bonds	(4.3)	(109.9)
EBT	127.6	(27.2)
Current taxes	(7.1)	(5.5)
Deferred taxes	(19.9)	(11.5)
Profit	100.6	(44.2)
<i>Profit attributable to the shareholders of the parent company</i>	97.3	(47.1)
Earnings per share ²⁾	0.29	(0.16)

in EUR m	Q1 2016	Q1 2015
Interest expenses	(26.5)	(35.2)
<i>In % of rents</i>	~16%	~22%
Non-cash interest expenses	(0.0)	(5.0)
	(26.5)	(30.2)
Interest income	0.3	0.2
Financial result (net)	(26.2)	(30.0)

Thereof EUR (7.8m) from valuation of derivatives and EUR 3.5m from convertible bonds

1) Adjusted for Valuation of SWAPs and convertible bonds; 2) Based on weighted average shares outstanding (Q1-16: 337.4m; Q1-15: 298.6m)

» Summary balance sheet

Assets

in EUR m	31/03/2016	31/12/2015
Investment properties	12,692.9	11,859.1
Other non-current assets	616.4	614.3
Deferred tax assets	327.7	325.5
Non current assets	13,637.0	12,798.9
Land and buildings held for sale	328.8	66.9
Trade receivables	38.8	13.4
Other current assets	96.3	159.3
Cash and cash equivalents	331.0	661.6
Current assets	794.9	901.2
Total assets	14,431.9	13,700.1

Equity and Liabilities

in EUR m	31/03/2016	31/12/2015
Total equity	6,986.2	6,872.0
Financial liabilities	4,357.7	3,780.4
Convertibles	961.4	965.4
Bonds	500.3	498.3
Tax liabilities	46.1	37.5
Deferred tax liabilities	1,128.9	1,110.2
Derivatives	60.0	44.8
Other liabilities	391.3	391.5
Total liabilities	7,445.7	6,828.1
Total equity and liabilities	14,431.9	13,700.1

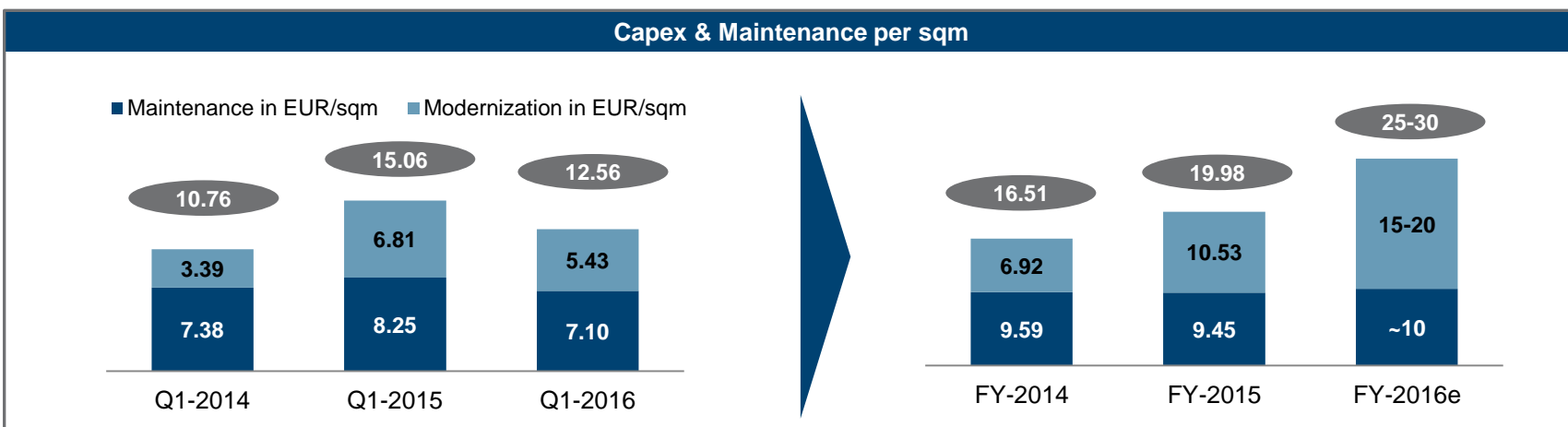
- Investment properties represent ~88% of total assets

- Strong balance sheet structure offering comfort throughout market cycles

» Focused and increasing investments into the portfolio

	Q1 2016	Q1 2015
	EUR m	EUR m
Maintenance (expensed through p&l)	17.4	19.0
Modernization (capitalized on balance sheet)	13.3	15.7
Total	30.7	34.7
Total EUR/ sqm¹⁾	12.52	15.06
Capitalization rate	43.3%	45.2%

Maintenance and capex will increase in the course of the year to EUR 25-30 per sqm



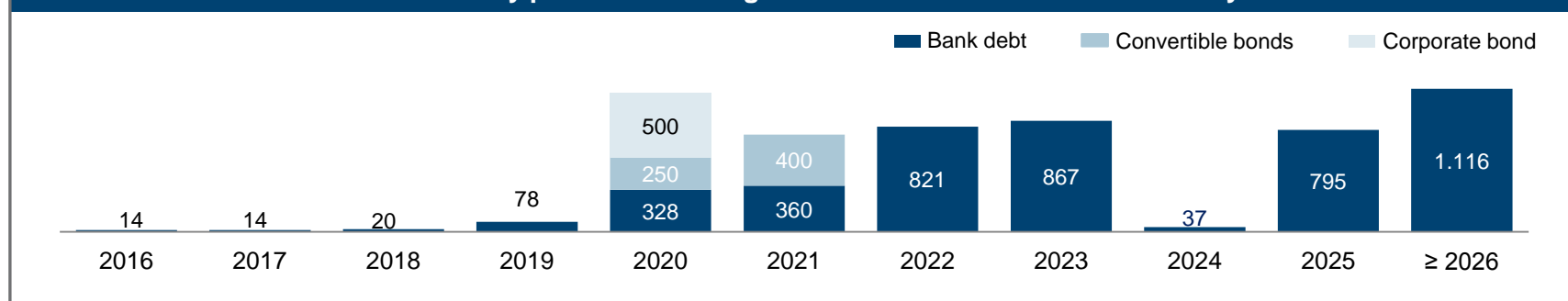
1) Based on the quarterly average area

» Conservative long term capital structure with <1.7% interest costs

Rating	A- / A3; stable outlook
LTV	42%
ICR ¹⁾	>5x
Ø maturity	~9 years
% secured bank debt	77%
% unsecured debt	23%
Ø interest cost	<1.7% (>80% hedged)
Key financial principles	LTV: 35-45% fully flexible regarding secured or unsecured financing

- Low leverage, long maturities and best in class rating
- Flexible financing approach to optimize financing costs
- No significant maturities until and including 2019, thereafter maturity profile evenly spread
- Convertible bonds accounted 100% as debt (deeply in the money)
- Base case LTV 2016 <40% expected

Balanced maturity profile with no significant debt maturities in the next 4 years



1) adjusted EBITDA/ interest expenses

» Unchanged guidance (base case)

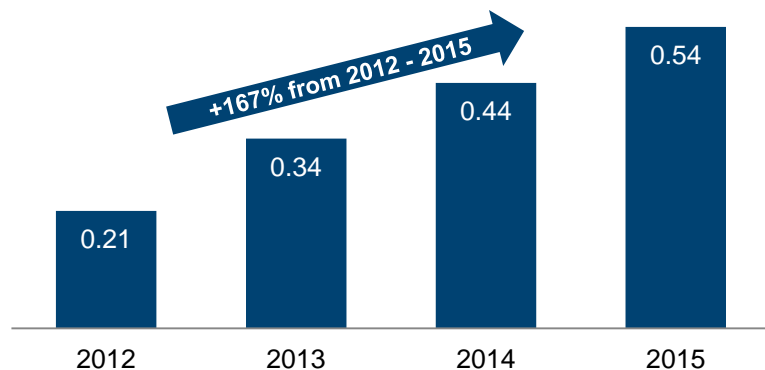
	2015	2016e	Main drivers	Mid-term perspective ⁴⁾
EPRA NAV per share (undiluted) ¹⁾²⁾	23.01	25 – 26	Capex upgrade, rent development, further yield compression expected based on market evidence	↑
FFO I in EUR m	303	>360	Addition of 15k units on a net base and like-for-like rent growth (EUR ~50m in total), interest cost savings (EUR ~10m)	➔
Dividend per share ³⁾	0.54	~0.70	Higher FFO I, payout ratio increased from 60% to 65%	➔
LTV	38%/43% ³⁾	<40%	Valuation uplift from capex and further yield compression	➔

- Like-for-like rental growth of 2.5% in 2016 expected
- Targeted disposals of ~2,000 units in 2016 provide attractive income stream
- Streamlining of portfolio successfully executed, further opportunistic institutional sales possible but depending on pricing

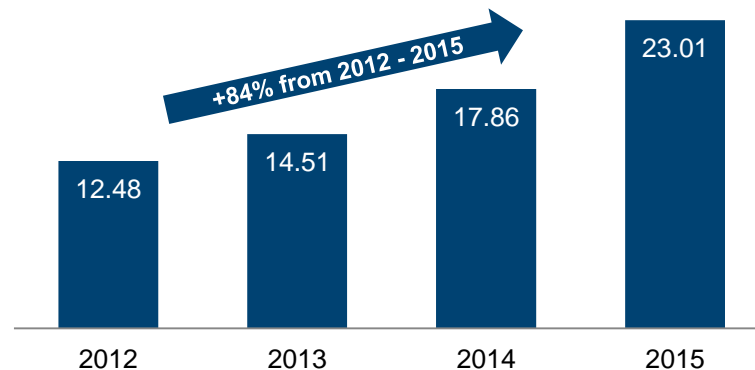
Note: Base case guidance: without acquisitions and opportunistic portfolio disposal; 1) Excluding any changes in goodwill impairment and valuation of financial instruments; 2) Based on currently outstanding shares; 3) Pro forma acquisitions; 4) relative perspective to individual KPI

» Strong generation of total shareholder return

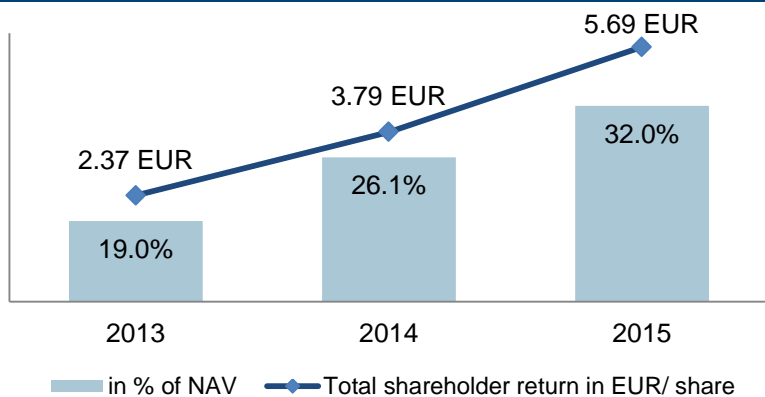
Development of dividend in EUR per share



Development of EPRA NAV (undiluted) in EUR per share



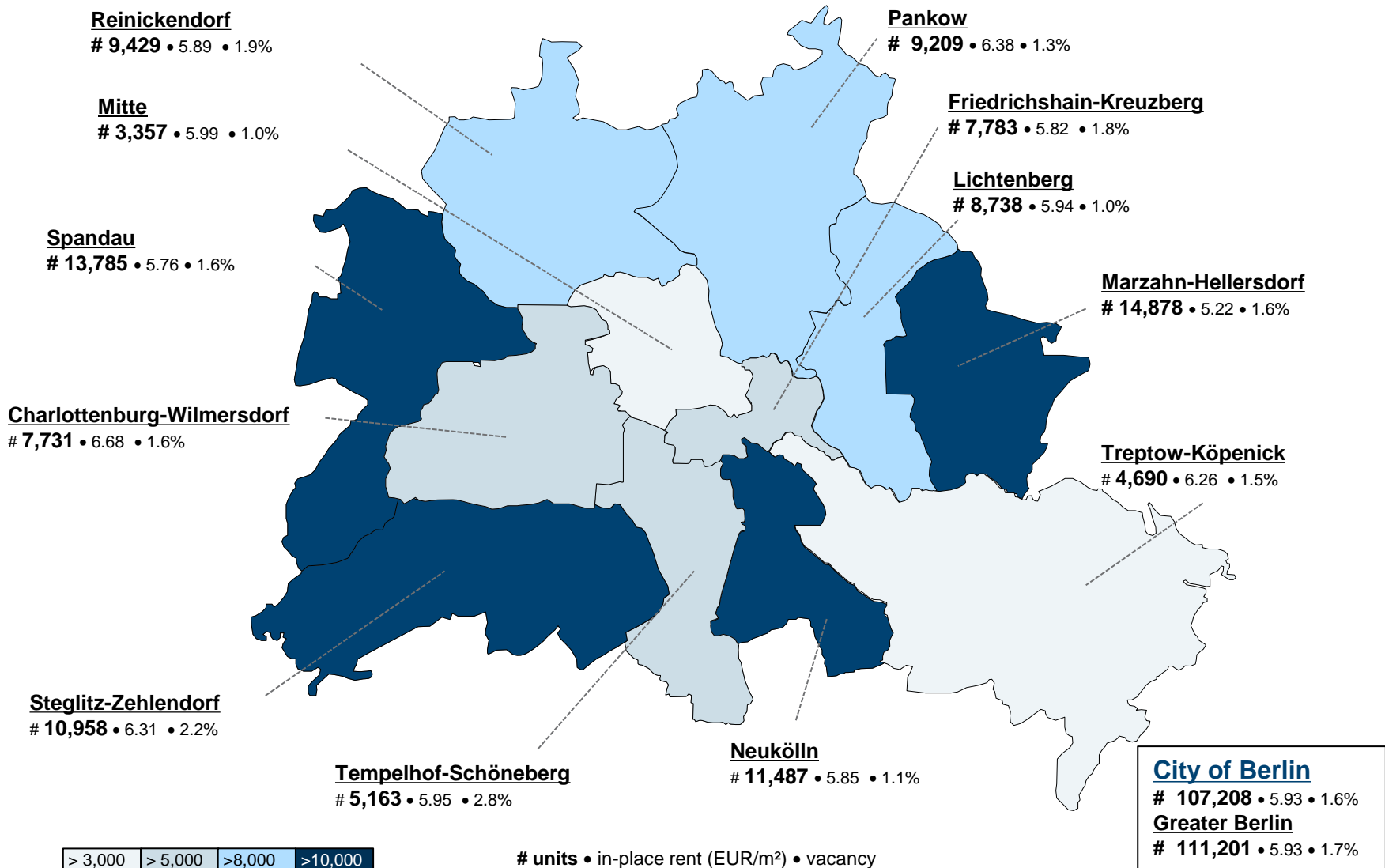
Leading to strong shareholder return



Summary

- Top line growth via acquisitions and operational improvements as well as refinancing/ debt paydown translates into FFO growth (CAGR 2012-2015: 24%)
- Being invested in the right markets delivers NAV growth over time, based on strong fundamental trends (CAGR 2012-2015: 37%)
- Via targeted modernization projects, further improvement of rents and capital growth
- NAV growth results in further LTV reduction and improvement of the risk profile

» THE BERLIN-PORTFOLIO AT A GLANCE



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Deutsche Wohnen AG

Registered Office
Pfaffenwiese 300
65929 Frankfurt/ Main

Berlin Office
Mecklenburgische Straße 57
14197 Berlin
Phone: +49 30 897 86 5413
Fax: +49 30 897 86 5419

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