



# Deutsche Wohnen AG

» **H1 2014 results**

Conference Call, 14 August 2014

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## » Highlights H1-2014

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### Operations (y-o-y)

- **Very strong like for like rental growth** +3.6% (Letting Portfolio Core+ and Core)<sup>1)</sup>
- **Significantly increased NOI / sqm / month** EUR 4.28 sqm (+5.4%)
- **Value creation by strong privatization business** 45% gross margin above book value
- **Successful portfolio clean up** 6% gross margin above book value

### Financials (y-o-y)

- **EBITDA (adjusted)** EUR 244m (+83%)
- **FFO (w/o disposals)** EUR 114.2 (+88%)
- **FFO (w/o disposals) per share** EUR 0.40 (+5%)
- **EPRA NAV per share** EUR 14.20 (+1.5% vs. Dec. 13)

### Integration of GSW

- **AGM's of DW and GSW voted for the domination agreement, no objections were filed**
- **Exchange ratio offer of 7 Deutsche Wohnen shares for 3 GSW shares or guaranteed dividend of EUR 1.40 per share (net)**
- **Well on track in regard to cost savings and synergies: > EUR 10m P&L effect in 2014 expected**

### Guidance uplift

- **Increased FFO guidance based on operations** EUR 220m (+5%)

<sup>1)</sup> Incl. pro forma GSW portfolio last 12 months

## » Portfolio development and operations

## » Strong earnings and cash contributions from letting

	in EUR m	H1-2014	H1-2013
<b>Earnings from letting: + EUR 120.4m (+86.4%)</b>	<b>Current gross rental income</b>	<b>313.4</b>	<b>168.1</b>
	Non-recoverable expenses	(6.8)	(2.8)
	Rental loss	(4.1)	(2.1)
	Maintenance	(39.6)	(21.3)
	Others	(3.2)	(2.6)
	<b>Earnings from Residential Property Management</b>	<b>259.7</b>	<b>139.3</b>
	Personnel, general and administrative expenses	(20.9)	(12.7)
	<b>Net Operating Income (NOI)</b>	<b>238.8</b>	<b>126.6</b>
	NOI margin	76.2%	75.3%
	NOI in EUR / sqm / month	4.28	4.06
	in EUR m	H1-2014	H1-2013
<b>Cash flow + EUR 76m (+ 105.1%)</b>	Net operating income (NOI)	238.8	126.6
	Cash interest expenses	(90.5)	(54.3)
	<b>Cash flow from portfolio after cash interest expenses</b>	<b>148.3</b>	<b>72.3</b>
	<b>Interest cover ratio</b>	<b>2.64</b>	<b>2.33</b>

**In-place rent:**  
H1-14: EUR 5.62 / sqm

**Maintenance<sup>1)</sup>**  
H1-14: EUR 8.51 /sqm  
(H1-13: EUR 8.19 /sqm)  
additional EUR 19.1m  
for modernisation (EUR  
4.11 /sqm in H1-14)

**NOI increased by EUR  
112.2m (89%) due to  
2013 acquisitions**

w/o EUR 1.9m for  
nursing and assisted  
living in H1-2014

### NOI-margin

- Improved mainly due to lower personnel and admin expenses

### NOI in EUR / sqm / month

- + 5.4% due to changes in portfolio structure resulting from GSW acquisition among others

<sup>1)</sup> extrapolated 12 months

## » Overview of portfolio as at 30 June 2014

30/06/2014	Residential units #	Area <sup>1)</sup> K sqm	In-place rent <sup>2)</sup> EUR/sqm	Vacancy %	Fair Value <sup>3)</sup> (FV) EUR m	Share in terms of FV %	FV <sup>4)</sup> EUR/sqm	Multiple in-place rent	Yield %	Multiple market rent	Yield %
Strategic core and growth regions	145,367	8,822	5.63	2.3	8,686	99%	956	13.9	7.2	12.6	7.9
Core <sup>+</sup>	118,142	7,106	5.72	2.1	7,313	83%	997	14.2	7.0	12.9	7.8
Core	27,225	1,717	5.26	3.2	1,374	16%	783	12.5	8.0	11.6	8.6
Non-core	2,668	170	4.93	11.2	106	1%	594	11.2	8.9	9.6	10.4
Disposal	473	30	5.09	16.9							
Other	2,195	140	4.90	10.0							
<b>Total</b>	<b>148,035</b>	<b>8,992</b>	<b>5.62</b>	<b>2.5</b>	<b>8,792</b>	<b>100%</b>	<b>949</b>	<b>13.9</b>	<b>7.2</b>	<b>12.6</b>	<b>7.9</b>

- Dynamic Core<sup>+</sup> regions comprise 80% of total units and 83% of total fair value
- Attractive spread between multiples of in-place rent and market rent offering further potential for NAV-growth
- Very successful ongoing disposal of non-core portfolio

<sup>1)</sup> Only residential area

<sup>2)</sup> Contractually owed rents from rented apartments divided by rented area

<sup>3)</sup> Fair Value including residential, commercial and parking spaces

<sup>4)</sup> Fair Value divided by residential and commercial area

## » Pro forma like for like overview of portfolio as at 30 June 2014

### In-place rent (like-for-like) and vacancy (like-for-like)<sup>2)</sup>

Like-for-like 30/06/2014	Residential units #	In-place rent <sup>1)</sup> 30/06/2014 EUR/sqm	In-place rent <sup>1)</sup> 30/06/2013 EUR/sqm	Δ in % y-o-y	Vacancy 30/06/2014 in %	Vacancy 30/06/2013 in %
<b>Strategic core and growth regions (letting portfolio)</b>	<b>132,716</b>	<b>5.65</b>	<b>5.46</b>	<b>3.6%</b>	<b>2.2%</b>	<b>2.5%</b>
<b>Core<sup>+</sup></b>	<b>109,831</b>	<b>5.73</b>	<b>5.51</b>	<b>3.9%</b>	<b>2.0%</b>	<b>2.2%</b>
Greater Berlin	100,298	5.60	5.39	3.9%	2.1%	2.2%
Rhine-Main	8,082	7.12	6.93	2.8%	1.7%	2.5%
Rhineland	1,451	6.59	6.30	4.6%	2.9%	2.6%
<b>Core</b>	<b>22,885</b>	<b>5.30</b>	<b>5.19</b>	<b>2.0%</b>	<b>3.0%</b>	<b>3.8%</b>
Hanover / Brunswick / Magdeburg	10,029	5.27	5.15	2.2%	3.7%	5.4%
Rhine Valley South	4,650	5.58	5.46	2.0%	1.1%	1.6%
Rhine Valley North	2,798	5.19	5.12	1.4%	1.3%	1.3%
Central Germany	3,646	5.18	5.05	2.7%	3.7%	3.6%
Others	1,762	5.10	5.06	1.0%	6.0%	5.4%

- **Strong rental growth in our strategic core and growth regions**

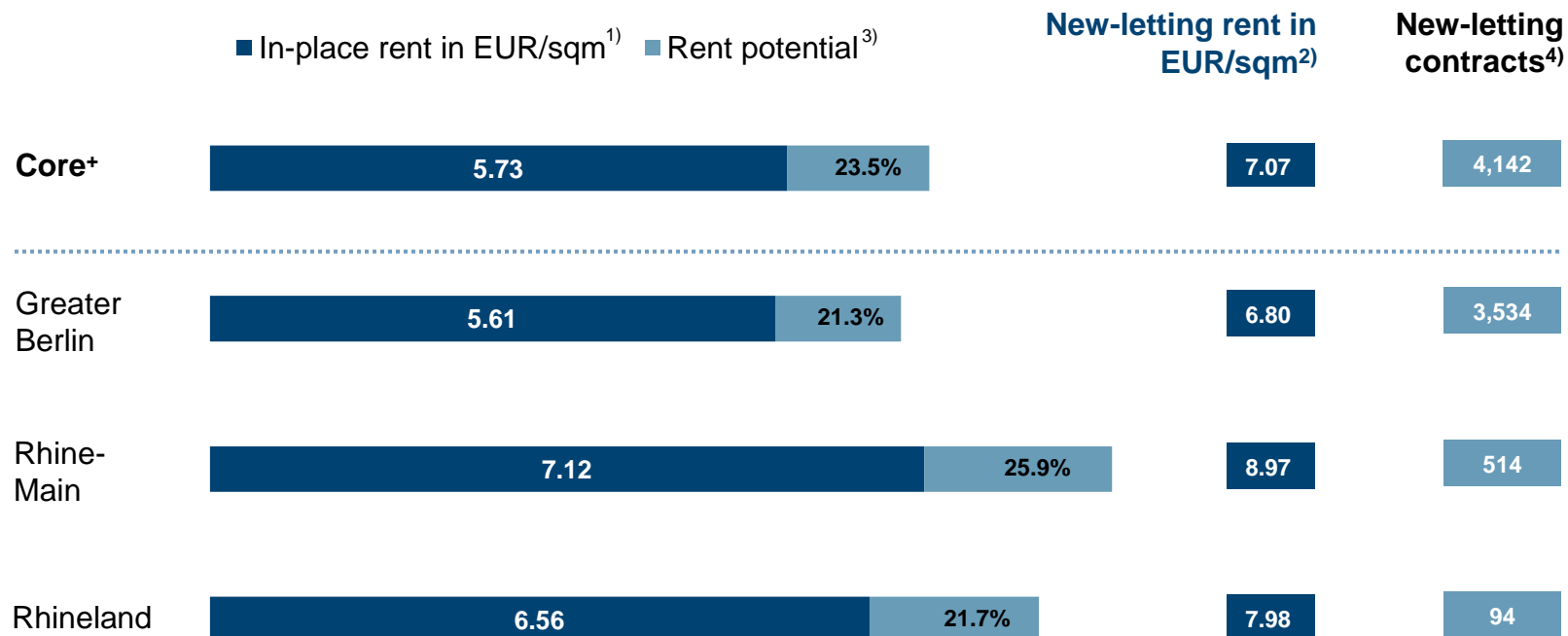
- Core<sup>+</sup> regions with compelling rental growth (I-f-I) and a very low vacancy rate → ‘stars’
  - Driven by new-letting rents and execution of Berlin rent index (‘Mietspiegel’)
- Core regions with accelerating rental growth (I-f-I) and a low vacancy rate → ‘cash cows’

- **Total like-for-like rental growth of 3.4% y-o-y for 141,468 residential units**

<sup>1)</sup> Contractually owed rent from rented apartments divided by rented area  
<sup>2)</sup> Including GSW



## » Dynamic rent potential in Core+ regions (letting portfolio)

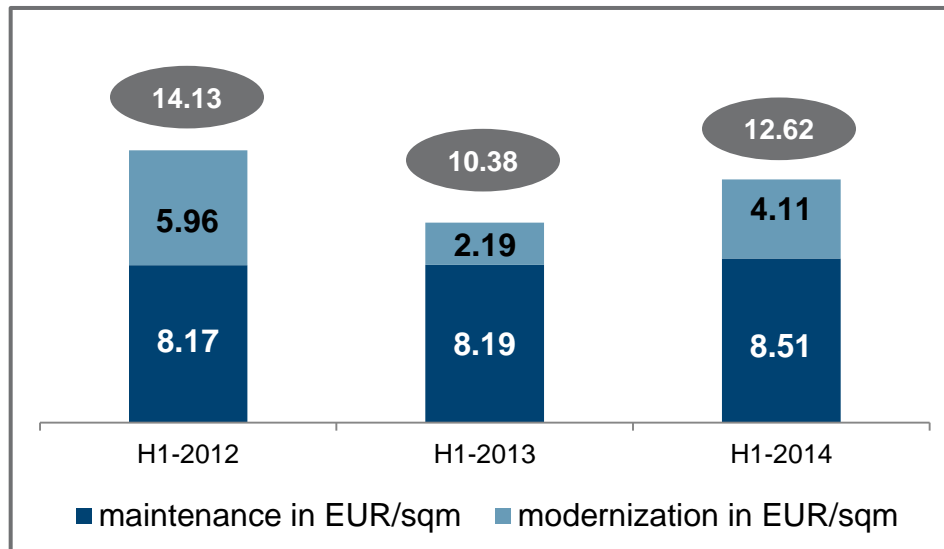


- **Current tenant turnover: 7% annualised in Core+ Regions**

## » Focused and sustainable investments in the portfolio

### Maintenance and modernization

	H1-2014		H1-2013	
	EUR m	EUR/sqm <sup>1)</sup>	EUR m	EUR/sqm <sup>1)</sup>
Maintenance	39.6	8.51	21.3	8.19
Modernization	19.1	4.11	5.7	2.19
<b>Total</b>	<b>58.7</b>	<b>12.62</b>	<b>27.0</b>	<b>10.38</b>



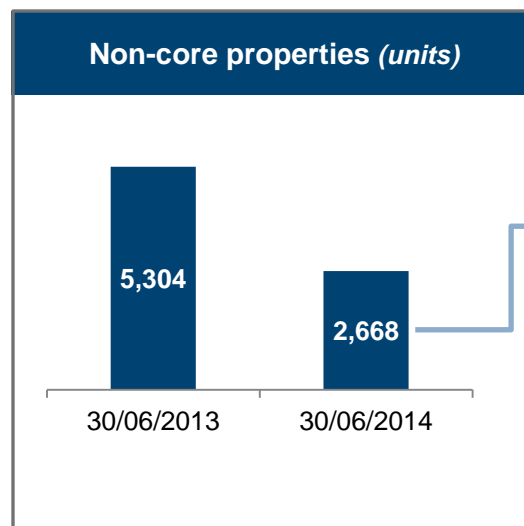
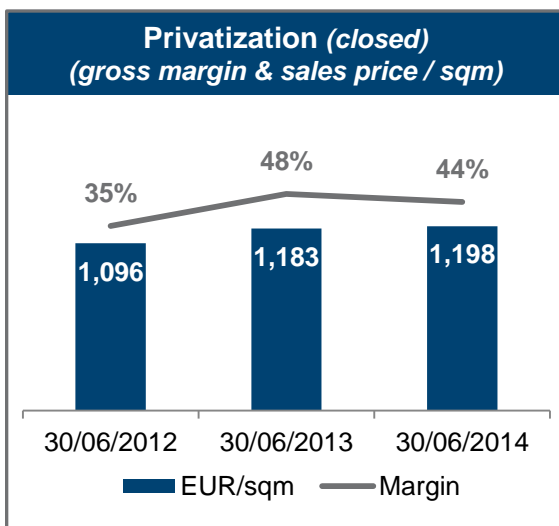
- We continue to target a high level for maintenance and modernization on the basis of portfolio analysis to ensure our quality standards for a sustainable portfolio.

<sup>1)</sup> Based on the quarterly average area; extrapolated 12 months

## » NAV contribution by strong disposal business

Closed in EUR m	H1-2014	H1-2013
Sales proceeds	138.4	62.8
Cost of sales	(6.0)	(3.8)
<b>Net sales proceeds</b>	<b>132.4</b>	<b>59.0</b>
Carrying amounts of assets sold	(106.8)	(46.7)
<b>Earnings from Disposals</b>	<b>25.6</b>	<b>12.3</b>

- Free cash flow from sales activities of EUR 71.5m (1,133 closed privatization units and 1,119 closed units institutional sales)



- Portfolio clean-up almost completed: only 473 units for disposals left in the non-core portfolio (H1-2013: 2,154 units)

## » Signed units for privatization business & non-core disposals

Signed with expected closing in 2014 <sup>1)</sup>	Units	Transaction volume	Fair value	Gross Margin	
	#	EUR m	EUR m	EUR m	% <sup>2)</sup>
Privatization	1,664	132.7	91.6	41.1	45%
Institutional sales	1,798	67.9	63.0	4.9	8%
<i>Thereof non-core properties</i>	1,454	47.3	44.6	2.8	6%
<b>In total</b>	<b>3,462</b>	<b>200.6</b>	<b>154.6</b>	<b>46.0</b>	<b>30%</b>

- 71% of privatization business from condominium sales in Berlin

- Ongoing and successful focus on disposals in none-core regions



Berlin: Papageienviertel



Hanover: Bemerode/Kronsberg



Berlin: Hufeisensiedlung



Berlin: Steglitz

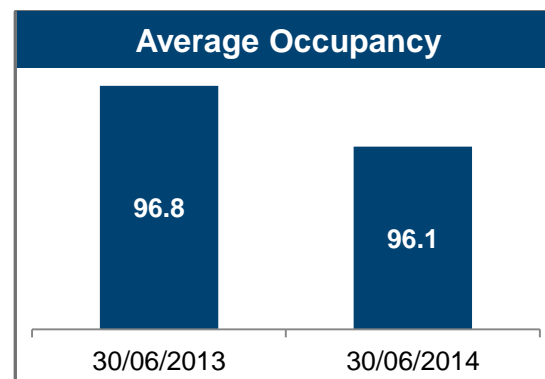
<sup>1)</sup> Incl. overhang 2013

<sup>2)</sup> (Transaction volume divided by Fair Value)-1

## » Nursing and Assisted Living – increasing FFO contribution

in EUR m	H1-2014	H1-2013
<b>Income</b>		
Nursing	27.6	25.0
Living	3.0	1.0
Other	3.2	2.0
<b>Total income</b>	<b>33.8</b>	<b>28.0</b>
<b>Costs</b>		
Nursing and corporate expenses	(8.9)	(7.2)
Staff expenses	(16.6)	(14.3)
<b>Total costs</b>	<b>(25.5)</b>	<b>(21.5)</b>
<b>Earnings from Nursing and Assisted Living</b>	<b>8.3</b>	<b>6.5</b>
Cash interest expenses	(1.9)	(1.7)
<b>FFO contribution</b>	<b>6.4</b>	<b>4.8</b>

30/06/2014	Facilities	Places
Greater Berlin	12	1,442
Saxony	7	475
Others	2	257
<b>In total</b>	<b>21</b>	<b>2,174</b>



- 18 of 21 facilities are owned by Deutsche Wohnen with Fair Value of the properties of EUR 144.9m

- More than 50% of targeted earnings achieved in H1-2014

## » Financials

## » Benchmark EBITDA margin among the Peer Group

in EUR m	H1-2014	H1-2013	EBITDA margins	H1-2014	H1-2013
Earnings from Residential Property Management	259.7	139.3	adj. EBITDA / gross rents	77.9%	79.1%
Earnings from Disposals	25.6	12.3	adj. EBITDA excl. disposals / gross rents	69.7%	71.8%
Earnings from Nursing and Assisted Living	8.3	6.5			
<b>Segment contribution margin</b>	<b>293.6</b>	<b>158.1</b>			
Corporate expenses	(45.8)	(22.2)			
Other operating expenses/income	(7.5)	(2.9)			
<b>EBITDA</b>	<b>240.3</b>	<b>133.0</b>			
Restructuring & Reorganization expenses	3.7	0.0			
<b>EBITDA (adjusted)</b>	<b>244.0</b>	<b>133.0</b>			

Further improvements of EBITDA margins will occur with full realization of takeover synergies

**Cost Ratio<sup>1)</sup>**

- 14.6% in H1-2014 vs. 17.3% FY-2013 (pro-forma incl. GSW)

Redundancy payments

### Adj. EBITDA

- Increased by ~ EUR 111m mainly attributable to an increase of earnings from letting ~ EUR 120m and from disposals ~ EUR 13m

### Margins

- EBITDA Margins underline the strengths of the portfolio and the operating platform

<sup>1)</sup> Corporate expenses (EUR 45.8m) divided by current gross rental income (EUR 313.4m)

## » Adjusted EBT increased by ~ 104% (y-o-y)

in EUR m	H1-2014	H1-2013
<b>EBITDA (adjusted)</b>	<b>244.0</b>	<b>133.0</b>
Depreciation	(3.2)	(2.7)
Financial result (net)	(99.6) <sup>2)</sup>	(61.0) <sup>2)</sup>
<b>EBT (adjusted)</b>	<b>141.2</b>	<b>69.3</b>
Restructuring & Reorganization	(3.7)	0.0
Valuation SWAP and Convertible Bond	(24.0)	(0.0)
<b>EBT</b>	<b>113.5</b>	<b>69.3</b>
Current taxes	(8.5)	(5.6)
Deferred taxes	(10.4)	(13.5)
<b>Profit</b>	<b>94.6</b>	<b>50.2</b>
Earnings per share <sup>1)</sup>	0.32	0.31

in EUR m	H1-2014	H1-2013
Interest expenses	(92.4)	(56.0)
Non-cash interest expenses	(7.7)	(5.5)
	<b>(100.1)</b>	<b>(61.5)</b>
Interest income	<b>0.5</b>	<b>0.5</b>
<b>Financial result (net)</b>	<b>(99.6)</b>	<b>(61.0)</b>

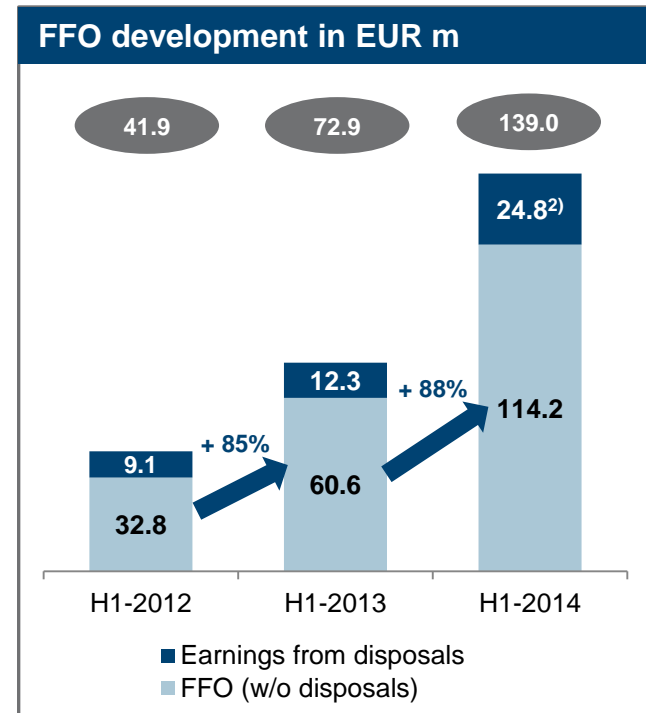
Thereof EUR (14.3)m from valuation of swaps and EUR (9.7)m from convertible bond  
 MV of convertible bond (30/06/2014): EUR 258.3m

<sup>1)</sup> Based on weighted average shares outstanding (H1-14: 286.22m; H1-13: 159.78m)  
<sup>2)</sup> Adjusted for Valuation of SWAP and Convertible Bond



## » Recurring FFO per share performance +5.3% (y-o-y)

in EUR m	H1-2014	H1-2013
<b>Profit</b>	<b>94.6</b>	<b>50.2</b>
Earnings from Disposals	(25.6)	(12.3)
Depreciation	3.2	2.7
Valuation SWAP and Convertible Bond	24.0	0.0
Non-cash financial expenses	7.7	5.5
Deferred taxes	10.4	13.5
Tax benefit from capital increase	0.0	1.0
FFO attributable to non-controlling interest	(3.8)	0.0
Restructuring & Reorganization expenses	3.7	0.0
<b>FFO (w/o disposals)</b>	<b>114.2</b>	<b>60.6</b>
Earnings from Disposals	24.8 <sup>2)</sup>	12.3
<b>FFO (incl. disposals)</b>	<b>139.0</b>	<b>72.9</b>
<b>FFO (w/o disposals) per share <sup>1)</sup></b>	<b>0.40</b>	<b>0.38</b>
<b>FFO (incl. disposals) per share <sup>1)</sup></b>	<b>0.49</b>	<b>0.46</b>



- Accretive FFO (w/o disposals) per share development: **+5.3%** (y-o-y)

<sup>1)</sup> Based on weighted average shares outstanding (H1-14: 286.22m; H1-13: 159.78m)

<sup>2)</sup> Adjusted for non-controlling interest

## » Integration of GSW well on track

in EUR m	H1-2014	H1-2013 (pro forma)
Earnings from Residential Property Management	259.7	241.8
Earnings from Disposals	25.6	17.4
Earnings from Nursing and Assisted Living	8.3	6.5
Corporate expenses	(45.8)	(51.9)
Other	(3.8)	(1.1)
<b>EBITDA (adjusted)</b>	<b>244.0</b>	<b>212.7</b>
<b>FFO (w/o disposals)</b>	<b>114.2</b>	<b>97.3</b>
<b>FFO (w/o disposals) per share</b>	<b>0.40</b>	<b>0.34</b>

Savings of EUR 6m in corporate expenses demonstrate the progress achieved in 6 months time

- Successful AGM with vast majority of votes “FOR” the domination agreement
  - As no objections were filed the registration is expected to occur in September
  
- Advanced negotiations with GSW works council
  - Closing of holding functions scheduled for end of 2014

## » Balance sheet

Assets			Equity and Liabilities		
in EUR m	30/06/2014	31/12/2013	in EUR m	30/06/2014	31/12/2013
Investment properties	8,888.1	8,937.1	<b>Total equity</b>	<b>3,954.5</b>	<b>3,944.3</b>
Other non-current assets	550.5	554.9	Financial liabilities	4,985.2	5,154.6
Deferred tax assets	291.8	280.5	Convertible	258.3	250.2
<b>Non current assets</b>	<b>9,730.4</b>	<b>9,772.5</b>	Tax liabilities	69.2	62.6
Land and buildings held for sale	78.1	97.1	Deferred tax liabilities	362.8	353.1
Other current assets	88.9	107.1	Derivatives	204.5	159.3
Cash and cash equivalents	183.1	196.4	Other liabilities	246.0	249.0
<b>Current assets</b>	<b>350.1</b>	<b>400.6</b>	<b>Total liabilities</b>	<b>6,126.0</b>	<b>6,228.8</b>
<b>Total assets</b>	<b>10,080.5</b>	<b>10,173.1</b>	<b>Total equity and liabilities</b>	<b>10,080.5</b>	<b>10,173.1</b>

- Investment properties represent ca. 90% of total assets
- Strong cash position and available credit lines give comfort for potential acquisition opportunities
- LTV reduced to 56.2% (FY-2013: 57.3%)

## » EPRA NAV per share up by 1.5%

in EUR m	30/06/2014	31/12/2013
Equity (before non-controlling interests)	3,779.7	3,777.8
Fair value adjustment of convertible bond	8.2	(2.2)
Fair values of derivative financial instruments	204.4	156.5
Deferred taxes (net)	71.0	72.6
<b>EPRA NAV (undiluted)</b>	<b>4,063.3</b>	<b>4,004.7</b>
Goodwill	(491.6)	(491.6)
<b>Adjusted NAV (undiluted)</b>	<b>3,571.7</b>	<b>3,513.1</b>

in EUR m	30/06/2014	31/12/2013
EPRA NAV per share in EUR (undiluted)	14.20	13.99
Adjusted NAV per share in EUR (undiluted)	12.48	12.27
<i>Shares outstanding in m</i>	286.22	286.22

### EPRA NAV per share

- Increased by 1.5% to EUR 14.20 as at 30 June 2014, despite dividend payment

### Adjusted NAV

- Reflects (i.e. deducts) the goodwill from GSW transaction

## » Outlook

## » Guidance 2014 (increase)

1

**FFO (w/o disposals): EUR 220m<sup>1)</sup> FFO expected (increase from EUR 210m<sup>1)</sup>)**

2

**Anticipation of EUR 5m expenses for re-letting in context with the delayed implementation of the expected new rent regulations („Mietpreisbremse“)**

3

**Synergies: >EUR 10m to be realised in 2014**

4

**Dividend policy: 60% of FFO (w/o disposals)**

5

**Opportunistic portfolio strategy: accretive acquisitions and disposals will continue**

<sup>1)</sup> Before minorities

## » Q & A

## » Appendix



## » LTV at 56.2%; low average interest rate ~ 3.4%

### Debt structure

#### Financial liabilities in EUR m

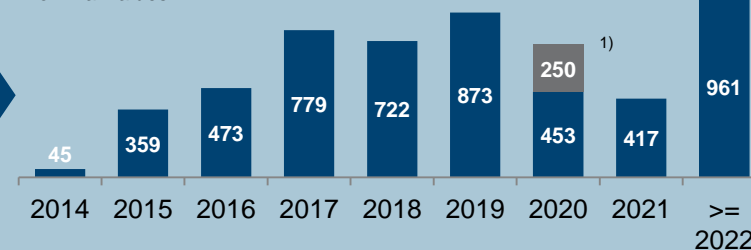
Mark-to-market	5,243.5
LTV (%)	56.2%
Nominal value	5,331.4
LTV (%)	57.1%

### Debt service

- Avg. interest rate incl. Convertible bond: ~ 3.4%
- Avg. mandatory redemptions p.a.: ~ 1.6%
- Avg. weighted maturity: ~ 7.7 years
- Interest rate fixed or hedged: ~ 90%

### Long-term maturities profile

EUR m  
nominal values



- Significant potential from due refinancing available in order to enhance FFO profile through a decrease of existing interest rate levels

1) Convertible Bond

## » Details on regions of portfolio as at 30 June 2014

30/06/2014	Residential Share in terms				In-place rent <sup>1)</sup> EUR/sqm	Vacancy in %	Commercial	Parking
	units #	of units in %	Area k sqm	units #			spaces #	
<b>Total</b>	148,035	100%	8,992	5.62	2.5%	2,101	31,244	
<b>Strategic core and growth regions</b>	145,367	98%	8,822	5.63	2.3%	2,066	30,373	
Letting Portfolio	138,956	94%	8,396	5.64	2.2%	1,954	27,915	
Privatisation	6,411	4%	426	5.49	5.6%	112	2,458	
<b>Core +</b>	118,142	80%	7,106	5.72	2.1%	1,848	20,461	
Letting Portfolio	113,769	77%	6,815	5.73	2.0%	1738	18,541	
Privatisation	4,373	3%	290	5.55	5.3%	110	1920	
<b>Greater Berlin</b>	107,361	73%	6,449	5.59	2.1%	1,635	14,834	
Letting Portfolio	104,016	70%	6,233	5.61	2.0%	1,589	14,168	
Privatisation	3,345	2%	216	5.23	4.4%	46	666	
<b>Rhine-Main</b>	8,966	6%	538	7.05	2.3%	177	4,904	
Letting Portfolio	8,084	5%	478	7.12	1.8%	121	4,007	
Privatisation	882	1%	60	6.39	7.4%	56	897	
<b>Rhineland</b>	1,815	1%	119	6.59	3.6%	36	723	
Letting Portfolio	1,669	1%	104	6.56	3.1%	28	366	
Privatisation	146	0%	14	6.83	7.2%	8	357	
<b>Core</b>	27,225	18%	1,717	5.26	3.2%	218	9,912	
Letting Portfolio	25,187	17%	1,581	5.25	3.0%	216	9,374	
Privatisation	2,038	1%	136	5.38	6.3%	2	538	
<b>Hanover / Brunswick / Magdeburg</b>	11,010	7%	706	5.31	3.9%	111	2,755	
Letting Portfolio	10,210	7%	654	5.27	3.6%	110	2,500	
Privatisation	800	1%	52	5.86	6.7%	1	255	
<b>Rhine Valley South</b>	4,831	3%	302	5.58	1.3%	41	3,330	
Letting Portfolio	4,650	3%	290	5.58	1.1%	41	3,183	
Privatisation	181	0%	12	5.64	7.4%	0	147	
<b>Rhine Valley North</b>	2,947	2%	191	5.22	1.7%	3	2,113	
Letting Portfolio	2,845	2%	184	5.21	1.4%	3	2,007	
Privatisation	102	0%	7	5.53	10.7%	0	106	
<b>Central Germany</b>	5,720	4%	343	5.02	3.2%	55	1,157	
Letting Portfolio	5,720	4%	343	5.02	3.2%	55	1,157	
Privatisation	0	0%	0	0	0.0%	0	0	
<b>Others</b>	2,717	2%	175	5.05	5.7%	8	557	
Letting Portfolio	1,762	1%	110	5.10	6.0%	7	527	
Privatisation	955	1%	66	4.95	5.2%	1	30	
<b>Non-Core</b>	2,668	2%	170	4.93	11.2%	35	871	
Disposals	473	0%	30	5.09	16.9%	22	175	
Other	2,195	1%	140	4.90	10.0%	13	696	

<sup>1)</sup> Contractually owed rents from rented apartments divided by rented area

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