



Deutsche Wohnen AG

» **Q1 2017 results**

Conference Call, 12 May 2017

» Agenda

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- 2 **Portfolio**
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» Financial highlights Q1 2017

Operational development		
In EUR m	Q1 2017	YoY
NOI letting	143.6	+4.0%
<i>NOI margin</i>	<i>79.6%</i>	<i>-0.9pp</i>
<i>Like-for-like rental growth</i>	<i>3.3%</i>	<i>-0.4pp</i>
<i>Like-for-like growth (Berlin)</i>	<i>3.8%</i>	<i>-0.5pp</i>
<i>Like-for-like vacancy rate</i>	<i>1.6%</i>	<i>+0.1pp</i>
NOI nursing	12.5	+171.7%
<i>FFO contribution</i>	<i>11.4</i>	<i>+185.0%</i>
<i>Occupancy rate</i>	<i>97.2%</i>	<i>-1.2pp</i>
Earnings from disposals	8.6	-63.7%
<i>Gross margin privatization</i>	<i>31%</i>	<i>-2pp</i>
<i>Gross margin inst. sales</i>	<i>24%</i>	<i>+7pp</i>
<i>Free cash flow impact</i>	<i>48.0</i>	<i>-56.0%</i>

KPIs		
In EUR m	Q1 2017	YoY
FFO I (after minorities)	113.1	+11.0%
<i>in EUR/ share (undiluted)</i>	<i>0.33</i>	<i>+10.0%</i>
<i>FFO I margin</i>	<i>62.7%</i>	<i>+3.3pp</i>
FFO II (after minorities)	121.7	-3.1%
<i>in EUR/ share (undiluted)</i>	<i>0.35</i>	<i>-5.4%</i>
Adj. EBITDA (excl. disposals)	146.7	+8.3%
<i>Adj. EBITDA margin</i>	<i>81.3%</i>	<i>+2.3pp</i>
<i>Cost ratio</i>	<i>10.6%</i>	<i>+1.0pp</i>
<i>ICR¹⁾ (excl. disposals)</i>	<i>6.0x</i>	<i>+0.8x</i>
In EUR m	Q1 2017	YTD
EPRA NAV per share (undiluted)	29.64	-0.1%
LTV	36.1%	-1.6pp

1) Defined as adjusted EBITDA (excl. disposals) / cash interest expenses

» Portfolio update Q1 2017 – significant expansion of reversionary potential

Strategic cluster	Residential units	% of total measured by fair value	In-place rent ¹⁾ EUR/sqm/month	Fair value EUR/sqm	Multiple in-place rent	Multiple market rent	Rent potential ²⁾ in %	Vacancy in %
Strategic core and growth regions	154,608	99.0%	6.18	1,622	21.8	16.4	27%	1.8%
Core ⁺	136,165	91.5%	6.26	1,708	22.7	16.8	30%	1.8%
Core	18,443	7.5%	5.61	1,001	14.9	12.7	15%	2.1%
Non-core	3,182	1.0%	5.22	760	12.7	10.6	11%	5.7%
Total	157,790	100%	6.16	1,603	21.7	16.3	27%	1.9%
Thereof Greater Berlin	110,605	75.6%	6.16	1,758	23.8	17.2	31%	1.7%

- Total portfolio valued at market rent multiple of 16.3x (6.1% gross yield)

- Rent potential further increased from 22% at year end 2016 to 27% in Q1 2017, in Berlin from 24% to even more than 30%

- Recently acquired quality portfolio in Berlin comprising ~4,200 units had transfer of ownership in April 2017

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)

» Strong like-for-like development in particular in Berlin

Like-for-like 31/03/2017	Residential units number	In-place rent ²⁾ 31/03/2017 EUR/sqm	In-place rent ²⁾ 31/03/2016 EUR/sqm	Change y-o-y	Vacancy 31/03/2017 in %	Vacancy 31/03/2016 in %	Change y-o-y
Strategic core and growth regions							
Core ⁺	131,058	6.22	6.01	3.6%	1.6%	1.4%	0.2 pp
Core	17,843	5.62	5.53	1.6%	2.0%	2.2%	-0.2 pp
Letting portfolio ¹⁾	148,901	6.15	5.95	3.3%	1.6%	1.5%	0.1 pp
Total	154,693	6.13	5.91	3.3%	1.9%	1.6%	0.2 pp
Thereof Greater Berlin	108,693	6.16	5.94	3.8%	1.6%	1.5%	0.1 pp

- Strong like for like rental growth of 3.3%, in Berlin even 3.8%
- Vacancy slightly increased, however ~30bps capex driven vacancy
- Tenant turnover stable at 7%

1) Excluding disposal portfolio and non-core portfolio; 2) Contractually owed rent from rented apartments divided by rented area

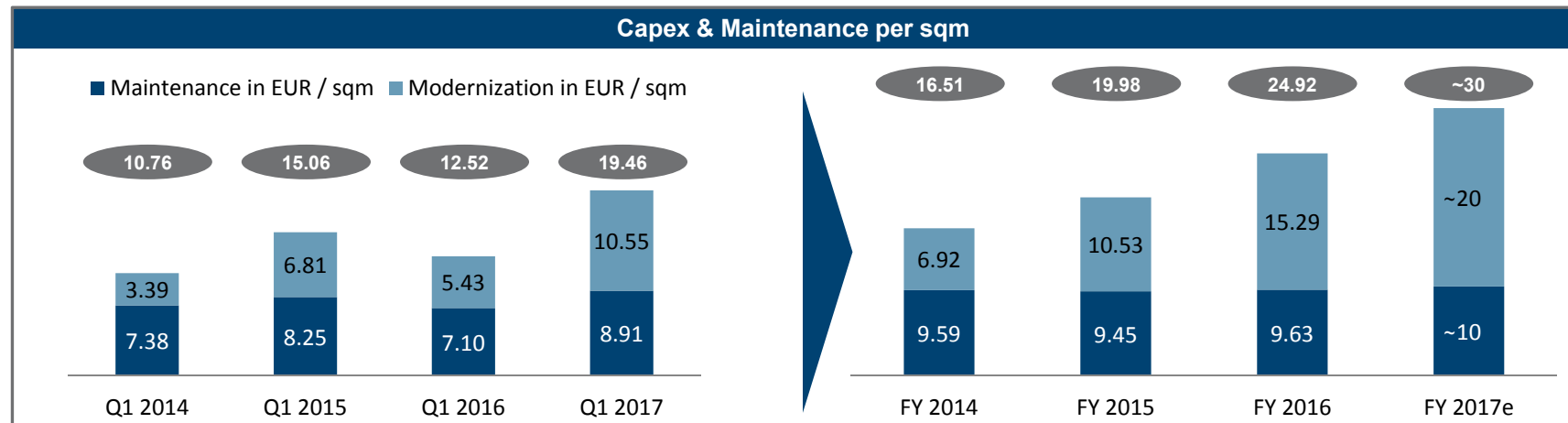
» Focused and increasing investments into the portfolio

	Q1 2017		Q1 2016	
	EUR m	EUR / sqm ¹⁾	EUR m	EUR / sqm ¹⁾
Maintenance (expensed through p&l)	21.8	8.91	17.4	7.10
Modernization (capitalized on balance sheet)	25.8	10.55	13.3	5.43
Total	47.6	19.46	30.7	12.52
Capitalization rate	54.2%		43.3%	

Maintenance is expected to level out between 9-10 EUR/sqm

Doubling investments reflecting the progress of the modernization programme

Maintenance and capex will increase in the course of 2017 to EUR ~30 per sqm

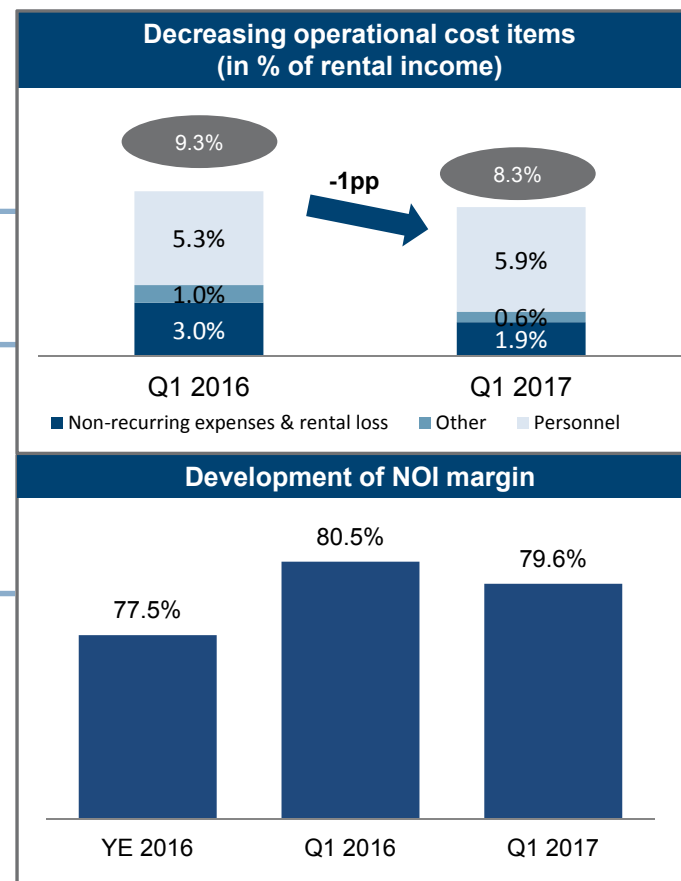


1) Annualized figure, based on the quarterly average area

» Stable margins and increased NOI per sqm

in EUR m	Q1 2017	Q1 2016
Rental income	180.4	171.5
Non-recoverable expenses	(2.2)	(2.8)
Rental loss	(1.2)	(2.3)
Maintenance	(21.8)	(17.4)
Others	(1.0)	(1.8)
Earnings from Residential Property Management	154.2	147.2
Personnel, general and administrative expenses	(10.6)	(9.1)
Net Operating Income (NOI)	143.6	138.1
NOI margin	79.6%	80.5%
NOI in EUR / sqm / month	4.89	4.69

in EUR m	Q1 2017	Q1 2016
Net operating income (NOI)	143.6	138.1
Cash interest expenses	(23.6)	(25.9)
Cash flow from portfolio after cash interest expenses	120.0	112.2



- Stable NOI margin despite increased maintenance expenses

» Attractive margins of disposal business despite significant revaluations

Disposals	Privatization		Institutional sales		Total	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
with closing in						
No. of units	184	491	306	1,280	490	1,771
Proceeds (EUR m)	23.9	43.5	28.4	115.6	52.3	159.1
Book value	18.3	32.8	22.9	99.2	41.2	132.0
Price in EUR per sqm	1,843	1,272	1,126	1,135	n/a	n/a
Earnings (EUR m)	3.6	7.6	5.0	16.1	8.6	23.7
Gross margin	31%	33%	24%	17%	27%	21%
Cash flow impact (EUR m)	20	27	28	82	48	109

- Demand for property continues to be high; a total of 1,929 units were sold, of which 490 units had transfer of ownership in the first three months of 2017

- In Berlin, recent prices realized in privatizations were above EUR 2,000 /sqm at average rent multipliers of 30x

» Increasing FFO contribution from Nursing and Assisted Living

Operations (in EUR m)	Q1 2017	Q1 2016
Total income	23.0	17.2
Total expenses	(20.9)	(15.5)
EBITDA operations	2.1	1.7
EBITDA margin	9.1%	9.9%
Lease expenses	3.8	3.1
EBITDAR	5.9	4.8
EBITDAR margin	25.7%	27.9%

Assets (in EUR m)	Q1 2017	Q1 2016
Lease income	10.5	3.0
Total expenses	(0.1)	(0.1)
EBITDA assets	10.4	2.9

Operations & Assets (in EUR m)	Q1 2017	Q1 2016
Total EBITDA	12.5	4.6
Interest expenses	(1.1)	(0.6)
FFO I contribution	11.4	4.0

in EUR m	Q1 2017	Q1 2016
Nursing	17.8	13.6
Living	2.2	1.6
Other	3.0	2.0

in EUR m	Q1 2017	Q1 2016
Staff	(12.1)	(8.8)
Rent / lease	(3.8)	(3.1)
Other	(5.1)	(3.7)

Slight margin decline in operational business from the integration of 3 facilities in Hamburg acquired in Q4 2016. Ramp-up of one fully refurbished facility currently running at occupancy level of only ~80%

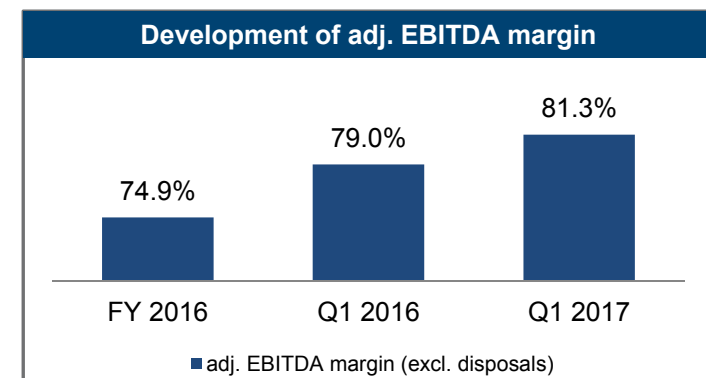
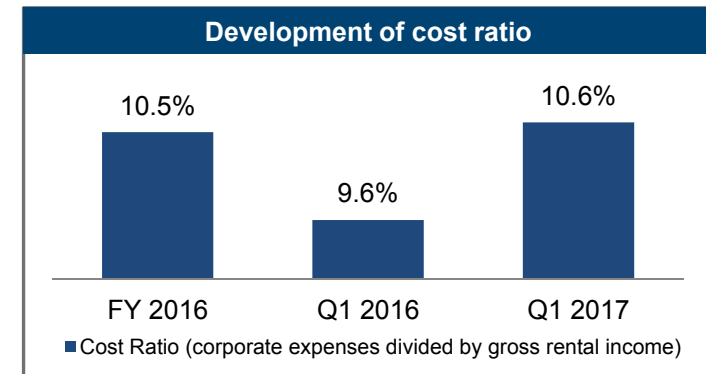
Set out in the consolidated group financial statements as "Earnings from nursing and assisted living"

Includes payments to operational partner

- Total FV of nursing assets EUR ~690m, translating into attractive (annualized) RoCE of ~7%

» EBITDA margin increased to more than 80%

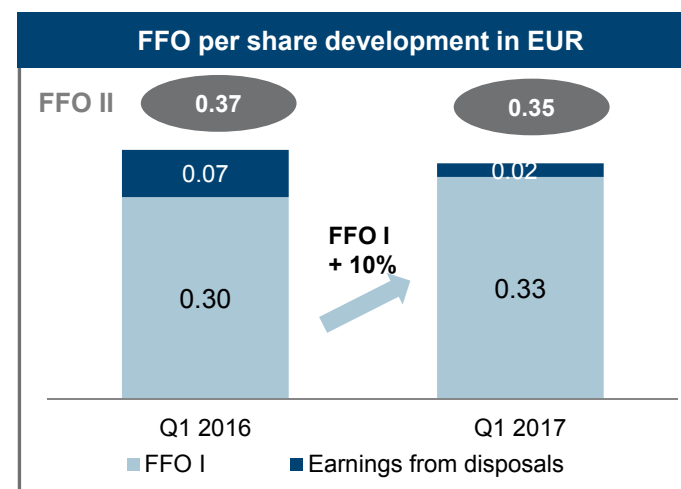
in EUR m	Q1 2017	Q1 2016
Earnings from Residential Property Management	154.2	147.2
Earnings from Disposals	8.6	23.7
Earnings from Nursing and Assisted Living	12.5	4.6
Segment contribution margin	175.3	175.5
Corporate expenses	(19.1)	(16.5)
Other operating expenses/income	(1.0)	0.2
EBITDA	155.2	159.2
One-offs	0.1	0.0
Adj. EBITDA (incl. disposals)	155.3	159.2
Earnings from Disposals	(8.6)	(23.7)
Adj. EBITDA (excl. disposals)	146.7	135.5



- Further increase of adj. EBITDA margin by 2.3pp (excl. disposals). Earnings from residential property management as well as assisted living exceeded cost inflation of personal expenses

» FFO growth of 10% mainly driven by operations and acquisitions

in EUR m	Q1 2017	Q1 2016
EBITDA (adjusted)	155.3	159.2
Earnings from Disposals	(8.6)	(23.7)
Long-term remuneration component (share based)	1.1	1.0
At equity valuation	0.2	0.2
Interest expense/ income (recurring)	(24.6)	(26.1)
Income taxes	(8.3)	(7.1)
Minorities	(2.0)	(1.6)
FFO I	113.1	101.9
Earnings from Disposals	8.6	23.7
FFO II	121.7	125.6
FFO I per share in EUR¹⁾	0.33	0.30
Diluted number of shares ²⁾	363.4	370.2
Diluted FFO I per share ²⁾ in EUR	0.31	0.28
FFO II per share in EUR¹⁾	0.35	0.37



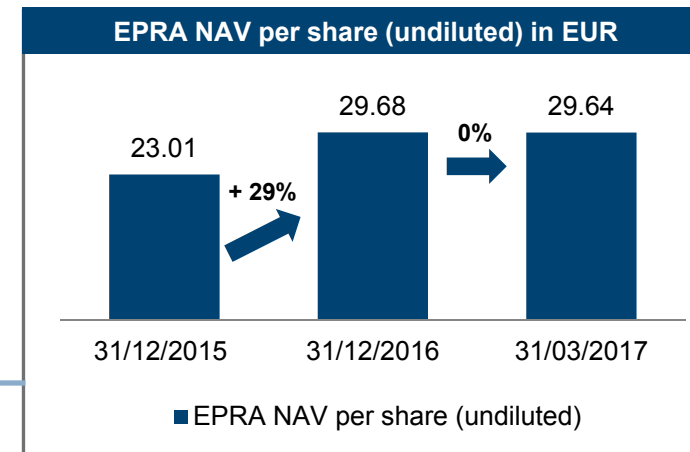
Dilution risk from in the money convertible bonds has been reduced significantly in Q1 2017

- FFO I per share increased by 10% yoy

1) Based on weighted average shares outstanding (Q1 2017: 344.4m; Q1 2016: 337.4m);
 2) Based on weighted average shares assuming full conversion of in the money convertible bonds

» EPRA NAV per share stable in Q1 2017

in EUR m	31/03/2017	31/12/2016
Equity (before non-controlling interests)	8,466.9	7,965.6
Fair values of derivative financial instruments	27.7	47.0
Deferred taxes (net)	2,017.1	2,004.4
EPRA NAV (undiluted)	10,511.7	10,017.0
<i>Shares outstanding in m</i>	354.7	337.5
EPRA NAV per share in EUR (undiluted)	29.64	29.68
Effects of exercise of convertibles	584.3 ¹⁾	992.3 ¹⁾
EPRA NAV (diluted)	11,096.0	11,009.3
<i>Shares diluted in m</i>	373.7	370.8
EPRA NAV per share in EUR (diluted)	29.69	29.69



Following recent tender offer for c. EUR 470m convertible bond due 2020, dilution risk of convertibles significantly reduced

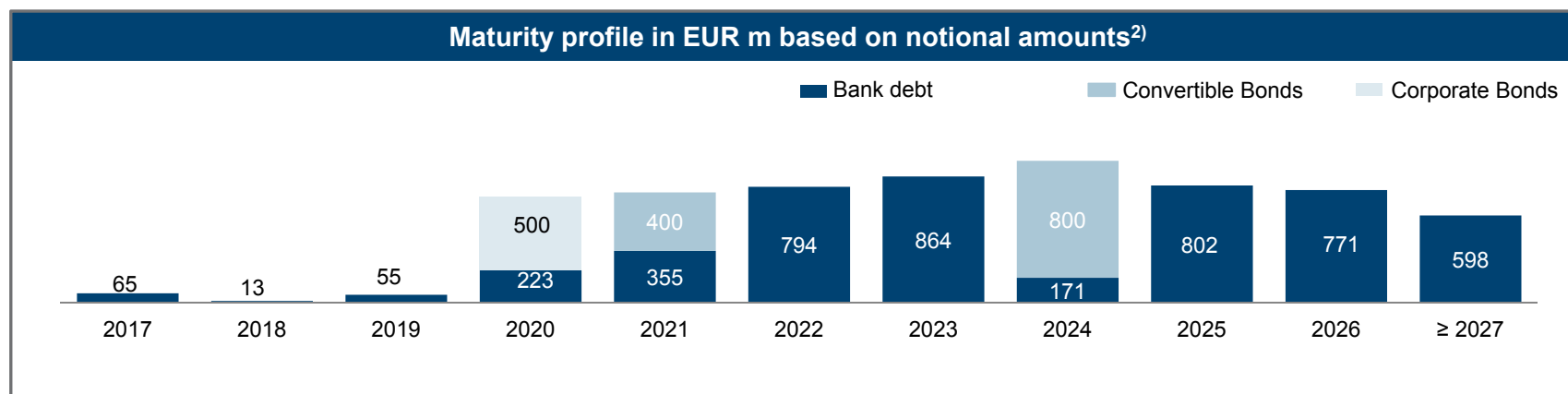
- Next revaluation with Q2 2017 financials envisaged

¹⁾ Current strike price: 17.4542 EUR and 21.0106 EUR corresponds to ~19.1m shares

» Conservative long term capital structure with <1.5% interest costs

Rating	A- / A3; stable outlook
ICR ¹⁾ (excl. disposals)	~ 6x
Ø maturity	~ 8.1 years
% secured bank debt	70%
% unsecured debt	30%
Ø interest cost	<1.5% (~85% hedged)
LTV target range	35-40%

- Low leverage, long maturities and strong rating
- Flexible financing approach to optimize financing costs
- No significant maturities until and including 2019
- Flexible access to liquidity via EUR 500m commercial paper programme and EUR 440m credit facilities
- LTV at 36.1% as of Q1 2016 (pro-forma recent acquisition of 4,200 units in Berlin at mid-point of LTV target range)



1) Defined as adjusted EBITDA (excl. disposals) / Interest expenses

2) Excluding commercial paper

» Appendix

» Bridge from adjusted EBITDA to profit

in EUR m	Q1 2017	Q1 2016
EBITDA (adjusted)	155.3	159.2
Depreciation	(1.7)	(1.3)
At equity valuation	0.2	0.2
Financial result (net)	(38.3)	(26.2)
EBT (adjusted)	115.5	131.9
One-offs	(9.2)	0.0
Valuation SWAP and convertible bonds	(31.1)	(4.3)
EBT	75.2	127.6
Current taxes	(9.7)	(7.1)
Deferred taxes	(18.2)	4.3
Profit	47.3	124.8
<i>Profit attributable to the shareholders of the parent company</i>	45.3	121.4
Earnings per share ¹⁾	0.13	0.36

in EUR m	Q1 2017	Q1 2016
Interest expenses	(24.7)	(26.5)
<i>In % of rental income</i>	~13.7%	~15.5%
Non-cash interest expenses	(13.7)	(0.0)
	(38.4)	(26.5)
Interest income	0.1	0.3
Financial result (net)	(38.3)	(26.2)

Non-cash interest expense increased mainly due to redemption of subsidized loans (accounted below its nominal value)

Thereof EUR (32.3m) from convertible bonds (increase in market value because of positive share price performance) and EUR 1.2m from valuation of derivatives

Mainly relating to re-purchase of convertible bond for which deferred tax assets had to be reversed

¹⁾ Based on weighted average shares outstanding (Q1 2017: 344.35m; Q1 2016: 337.42m)

» Summary balance sheet

Assets			Equity and Liabilities		
in EUR m	31/03/2017	31/12/2016	in EUR m	31/03/2017	31/12/2016
Investment properties	16,535.0	16,005.1	Total equity	8,737.2	8,234.0
Other non-current assets	124.7	108.6	Financial liabilities	4,536.1	4,600.0
Deferred tax assets	0.7	0.7	Convertibles	1,405.2	1,045.1
Non current assets	16,660.4	16,114.4	Bonds	760.3	732.3
Land and buildings held for sale	372.0	381.5	Tax liabilities	55.7	48.3
Trade receivables	38.1	16.4	Deferred tax liabilities	1,706.6	1,687.1
Other current assets	85.8	79.1	Derivatives	27.9	47.0
Cash and cash equivalents	592.9	192.2	Other liabilities	520.2	389.8
Current assets	1,088.8	669.2	Total liabilities	9,012.0	8,549.6
Total assets	17,749.2	16,783.6	Total equity and liabilities	17,749.2	16,783.6

- Investment properties represent ~93% of total assets

- Strong balance sheet structure offering comfort throughout market cycles

» Guidance unchanged

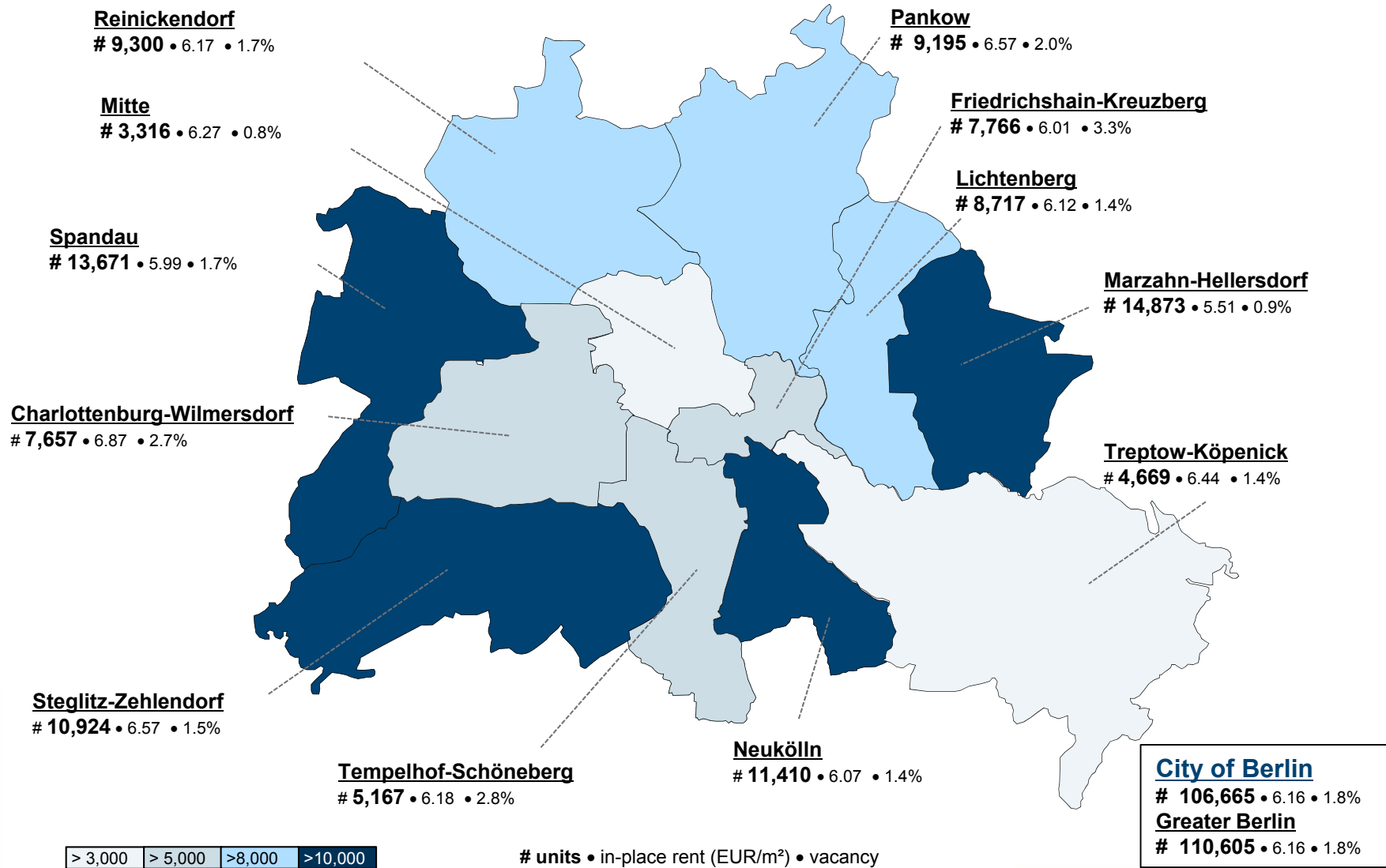
	2016	2017e	Main drivers
FFO I (EUR m)	384	~425	Operational performance and recent acquisitions
Dividend per share (EUR)	0.74	~0.78	Based on 65% pay-out ratio from FFO I and current shares outstanding
LTV	37.7%	35-40% (target range)	Aim to keep current rating
Like-for-like rental growth	2.9%	3.5%	New letting, Berlin rent index (Mietspiegel)

» Strong like-for-like development in particular in Berlin

Like-for-like 31/03/2017	Residential units number	In-place rent ²⁾ 31/03/2017 EUR/sqm	In-place rent ²⁾ 31/03/2016 EUR/sqm	Change y-o-y	Vacancy 31/03/2017 in %	Vacancy 31/03/2016 in %	Change y-o-y
Letting portfolio¹⁾	148,901	6.15	5.95	3.3%	1.6%	1.5%	0.1 pp
Core⁺	131,058	6.22	6.01	3.6%	1.6%	1.4%	0.2 pp
Greater Berlin	108,693	6.16	5.94	3.8%	1.6%	1.5%	0.1 pp
Rhine-Main	8,934	7.60	7.38	2.9%	1.5%	1.2%	0.4 pp
Mannheim/Ludwigshafen	4,780	5.86	5.71	2.7%	0.7%	0.5%	0.2 pp
Rhineland	4,882	6.15	6.04	1.8%	1.1%	1.0%	0.1 pp
Dresden / Leipzig	3,769	5.32	5.18	2.6%	2.5%	2.3%	0.3 pp
Core	17,843	5.62	5.53	1.6%	2.0%	2.2%	-0.2 pp
Hanover / Brunswick	9,091	5.68	5.60	1.4%	1.9%	1.9%	0.0 pp
Kiel / Lübeck	4,945	5.55	5.43	2.3%	2.1%	1.9%	0.2 pp
Core Cities Eastern Germany	3,807	5.54	5.49	1.0%	2.0%	3.3%	-1.3 pp
Total	154,693³⁾	6.13	5.91	3.3%	1.9%	1.6%	0.2 pp

1) Excluding disposal portfolio and non-core portfolio; 2) Contractually owed rent from rented apartments divided by rented area; 3) Total L-f-I stock incl. Non-Core

» THE BERLIN-PORTFOLIO AT A GLANCE



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