



# Deutsche Wohnen AG

» **Company presentation**

**November 2014**

## » Agenda

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## » General overview

## » Deutsche Wohnen business model “Made in Germany”

**Strong cash flow  
for Capex, shareholder return and NAV growth**

**Nursing &  
Assisted  
Living**

Backed by  
demographic  
trends

**Residential letting business**

>EUR 600m gross rents from  
high-quality portfolio<sup>1)</sup>

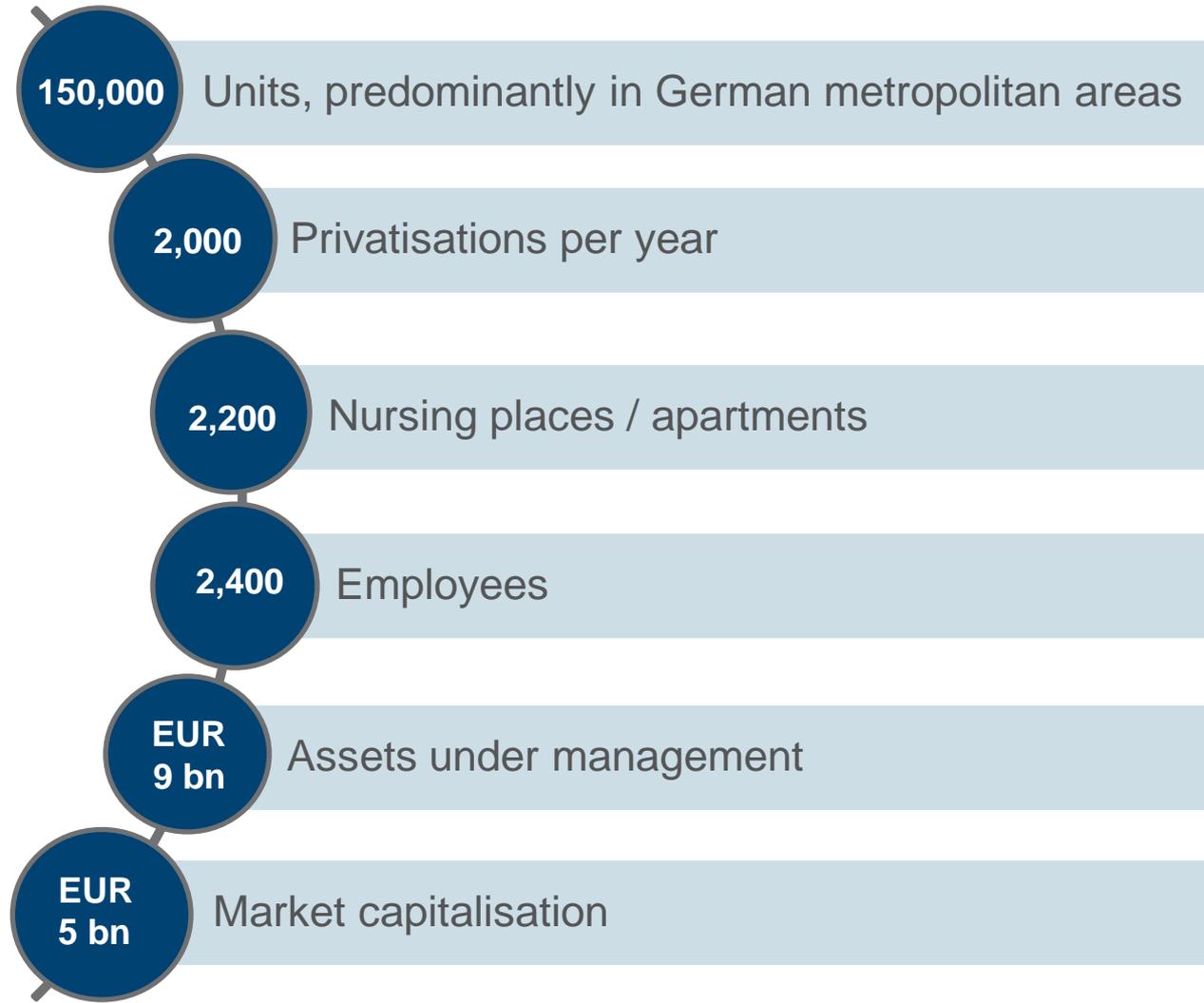
**Privatisation &  
institutional  
sales**

Additional cash  
and NAV  
contribution

**Sustainable Financing (LTV, Maturities, Sources)**

1) current gross rental income

## » Deutsche Wohnen at a glance



## » A unique business model

**1 Accretive add-ons to business model by nursing and privatisation business**

**2 Focused on most dynamic growth regions in Germany**

**3 Portfolio with highest quality**

**4 Strongest like for like rental growth and highest NAV upside potential**

**5 Most efficient NOI margin**

**6 Cost leadership with lowest cost ratio of industry**

**7 Lowest cost of capital**

## » Highlights 9M-2014

## » Highlights 9M-2014

Financials		
EUR	9M-2014	Change
FFO I (before minorities)	172.8m	(+100.2%)
FFO I (after minorities) <sup>1)</sup>	166.3m	(+92.7%)
FFO I /share <sup>2)</sup>	0.58	(+9.4%)
FFO II (incl. disposals)	205.1m	(+96.9%)
FFO II /share <sup>2)</sup>	0.72	(+12.5%)
EPRA NAV per share <sup>3)</sup>	14.34	(+2.5%)
Premium to EPRA NAV (10 Nov. 2014)	26.0%	(+23.4pp)
Corporate development		
EUR	9M-2014	FY 2013 Pro forma
<b>Corporate expenses</b> Total personnel, general and administrative expenses	66.8m	102.2m
<b>Cost ratio</b> Corporate expenses / gross rental income	14.2%	17.3%
<b>Costs per unit</b> Corporate expenses / avg. units in period; 9M annualized	592	681

Operational development		
EUR	9M-2014	Change
NOI letting	354.5m	(+87.6%)
L-f-I rental growth (entire portfolio)	2.8%	(+0.5pp)
Rent increase potential (entire portfolio)	19.6%	(+3.1pp)
Rent increase potential (Core+)	23.5%	(+1.7pp)
Vacancy rate	2.4%	(-0.6pp)
NOI nursing	12.4m	(+25.3%)
Occupancy nursing	96.0%	(-0.7pp)
NOI disposals <sup>4)</sup>	36.9m	(+130.6%)
Gross margin	31%	(+3pp)
Disposal cost ratio	4.4%	(-2.0pp)
Cash flow impact	101.4m	(+14.6%)

1) Considering guarantee dividend of EUR 1.40 per outstanding GSW shares at accounting date

2) Based on weighted average shares outstanding (9M-14: 286.35m)

3) Based on total shares outstanding (9M-14: 289.2m)

4) Earnings from disposals less related personnel and administrative expenses

## » Portfolio & investment strategy

# » New scoring model to characterize and rate housing market in Core+, Core and Non-Core

## Main criteria of the portfolio scoring model

### Historic real estate specific data

- Change in households (2008-2014)
- Change in-place rent (2008-2014)
- Population growth (2008-2014)

### Prognostic real estate specific data

- Population and household prognoses (2015-2030)

### Macro economic data

- Unemployment rate (2014)
- Change in unemployment rate (2008-2014)
- Purchase power per capita (2014)
- Change in purchase power (2008-2014)

### Infrastructure

- Students per 1,000 inhabitants (2011)
- Change students per 1,000 inhabitants (2008-2011)
- High qualified employees per 100 inhabitants (2011)

Each criteria and sub-criteria with individual weighting

Scoring from 0 – 5 for each sub-criteria

Core+  
„growth“

Core  
„yield“

Non-Core  
„risk“

## » Update of regional clustering based on scoring model

Regional Cluster	Residential units #	% of total units	In-place rent <sup>1)</sup> 30/09/2014 EUR/sqm	Rent Potential <sup>2)</sup> in %	Vacancy 30/09/2014 in %	Multiple in-place rent	Multiple market rent
<b>Total</b>	<b>146,822</b>	<b>100.0</b>	<b>5.65</b>	<b>19.2</b>	<b>2.4</b>	<b>14.1</b>	<b>12.8</b>
<b>Core*</b>	<b>127,228</b>	<b>86.7</b>	<b>5.72</b>	<b>22.9</b>	<b>2.1</b>	<b>14.3</b>	<b>13.0</b>
Greater Berlin	106,780	72.7	5.63	↗ 22.1	2.1	14.3	13.0
Rhine-Main	8,814	6.0	7.12	↗ 20.9	2.1	15.1	13.3
Mannheim / Ludwigshafen	4,838	3.3	5.58	→ 17.6	1.3	13.1	12.3
Rhineland	4,628	3.2	5.78	↗ 14.7	2.6	13.5	12.1
Dresden	2,168	1.5	4.92	↗ 21.8	2.2	14.1	13.2
<b>Core</b>	<b>15,880</b>	<b>10.8</b>	<b>5.31</b>	<b>8.5</b>	<b>3.6</b>	<b>12.3</b>	<b>11.6</b>
Hanover / Brunswick	8,886	6.1	5.39	↗ 11.8	3.4	12.2	11.6
Magdeburg	2,100	1.4	5.22	→ 3.1	4.0	12.5	11.6
Kiel / Luebeck	2,062	1.4	5.09	→ 12.0	4.4	12.2	11.2
Halle / Leipzig	1,684	1.1	5.16	→ 2.5	4.0	12.5	11.8
Erfurt	619	0.4	5.86	↗ 2.5	2.0	13.4	13.3
Others	529	0.4	4.97	→ 10.8	3.8	11.9	10.5
<b>Non-core</b>	<b>3,714</b>	<b>2.5</b>	<b>4.87</b>	<b>5.3</b>	<b>8.6</b>	<b>12.0</b>	<b>10.5</b>

Re-classification of **9,700** units from Core to Core\* (mainly Dresden and Mannheim/Ludwigshafen)

Shift of **1,500** units from Core to Non-core

Update of regional clustering basis for long term investment decisions

## » Microanalysis shows opportunities in Core+

### Operate

- Attractive and dynamic micro locations with promising fundamental outlook
  - Shortage of supply
  - High rent potential and dynamic development of market rents
  - Key driver: In-place rents with high **upside to market rents**
- ➔ **Value potential due to re-letting**

### Develop

- Attractive and dynamic micro locations with promising fundamental outlook
  - Shortage of supply
  - High rent potential and dynamic development of market rents
  - In-place rents with high **upside to rent tables**
- ➔ **Value potential due to accretive capex/ modernization**

### Dispose

- Strong demand in a low interest rate environment, shortage of supply and rising prices
  - 1. Privatization: realizing high margins (>30% above book values)
  - 2. Block sales: opportunistic realization of market prices
- ➔ **Opportunistic disposals**

## » Portfolio split and strategic focus for investment decisions

Strategy Cluster	Residential units	% of total units	In-place rent <sup>1)</sup> 30/09/2014 EUR/sqm	Rent Potential <sup>2)</sup> in %	Vacancy 30/09/2014 in %	Multiple in-place rent	Multiple market rent
<b>Total Results</b>	<b>146,822</b>	<b>100.0</b>	<b>5.65</b>	<b>19.2</b>	<b>2.4</b>	<b>14.1</b>	<b>12.8</b>
<b>Core+</b>	<b>127,228</b>	<b>86.7</b>	<b>5.72</b>	<b>22.9</b>	<b>2.1</b>	<b>14.3</b>	<b>13.0</b>
• Operate	97,121	66.1	5.82	22.4	1.6	14.4	13.0
• Develop	17,115	11.7	5.42	27.5	3.0	14.7	12.8
• Dispose	12,992	8.8	5.42	15.9	5.0	13.5	12.7
<b>Core</b>	<b>15,880</b>	<b>10.8</b>	<b>5.31</b>	<b>8.5</b>	<b>3.6</b>	<b>12.3</b>	<b>11.6</b>
• Operate	13,919	9.5	5.32	8.6	3.3	12.3	11.7
• Dispose	1,961	1.3	5.27	7.7	5.5	12.5	11.4
<b>Non-core</b>	<b>3,714</b>	<b>2.5</b>	<b>4.87</b>	<b>5.3</b>	<b>8.6</b>	<b>12.0</b>	<b>10.5</b>
<i>Thereof Clean-up</i>	<i>509</i>	<i>0.3</i>	<i>5.22</i>	<i>7.6</i>	<i>14.6</i>	<i>11.3</i>	<i>9.3</i>

Only in strong Core+ markets we see good investment opportunities from developing

In Core+ markets we have earmarked a part of the portfolio for opportunistic block sales

Clean-up: poor market in combination with below average quality

Strategic clustering ensuring investment allocation towards the right assets with highest return expectations

1) Contractually owed rent from rented apartments divided by rented area  
2) Unrestricted residential units

## » Investment target of EUR 280m within 4 years in Core+

### Develop cluster approach

- c. 17,000 units identified (almost entirely in Core+) mainly in dynamic micro locations
- Earnings and value accretion:
  - Focus on portfolios with the highest rent potential (c. 27%)
  - NAV-growth due to overproportional expected valuation impact of the investment
- Creating potential for privatization
- Financed by cash on hands and operating cashflow

### Examples for targeted investments:

#### Kreuzberg built 1950ies

- 1,254 units
- Investment volume: EUR ~45m
- Current in-place rent: EUR 5.42 / sqm
- After mod.: EUR 7.35 / sqm → market rent: EUR 8.74 / sqm
- Multiple before mod.: 14.0



#### Prenzlauer Berg built 1920ies – 30ies

- 1,433 units partly oven-heated
- Investment volume: EUR ~53m
- Current in-place rent: EUR 4.72 / sqm
- After mod.: EUR 7.23 / sqm → market rent: EUR 9.05 / sqm
- Multiple before mod.: 14.9



## » Operate: small single-investments targeted

### Operate cluster approach

- **Focus on re-letting**
- 80% of re-lettings in 2014 took place in Core+
- Re-letting spendings lead to double digit returns
- 70% of re-lettings EUR <3,000 investment per unit (ROI >65%)
- Re-lettings with EUR >10,000 investment per unit (share 15%) have a ROI of 6.7% and realize a rent potential of ~27%

	Tenant turnover current year (9M)	Avg. investment per unit in EUR	ROI	Realized rent increase
<b>Core+ / Core</b>	<b>7,816</b>	<b>3,788</b>	<b>16.1%</b>	<b>15.1%</b>
• Core+	6,456	4,223	15.3%	15.8%
• Core	1,360	1,724	25.4%	11.6%

## » Focused and sustainable investments into the portfolio

	9M-2014	9M-2013 <sup>1)</sup>
	EUR m	EUR m
<b>Maintenance</b>	<b>61.4</b>	<b>38.9</b>
<i>Thereof repairs &amp; maintenance</i>	45.0	25.0
<i>Thereof re-letting</i>	16.5	13.9
<b>Modernization</b>	<b>36.4</b>	<b>14.3</b>
<i>T/o re-letting</i>	16.8	0.1
<i>T/o complex measures</i>	19.6	14.2
<b>Total</b>	<b>97.8</b>	<b>53.2</b>
<b>Total EUR/ sqm<sup>2)</sup></b>	<b>14.06</b>	<b>13.29</b>
<b>Capitalization rate</b>	<b>37.2%</b>	<b>26.9%</b>

**9M-2014:** total spendings for re-letting of EUR 33.3m to realize annual rental uplifts of EUR >5m (~16%)

**9M-2013:** EUR 14.0m leading to EUR 3.2m rent increases (~23%)

### Capitalization rate

- ~50% of investments for re-letting are capitalized

We continue targeting a sustainable level for maintenance and modernization on the basis of portfolio analysis to ensure our targeted quality standards and value creation

## » Integration & restructuring power

## » GSW integration almost completed – track record expanded

### Achievements

- Successful implementation of domination agreement
- Joined investment strategy
- To date more than EUR 20m p.a. synergy realization achieved
  - Negotiation with workers council and execution of „social plan“
  - Consolidation of purchasing and insurance procurement
  - Insourcing of sales force, opex billing and rent collection
  - Outsourcing of facility management



### Next steps

- Further process consolidation / harmonization
- IT Integration

**Strong in-house know how has led to efficient results**

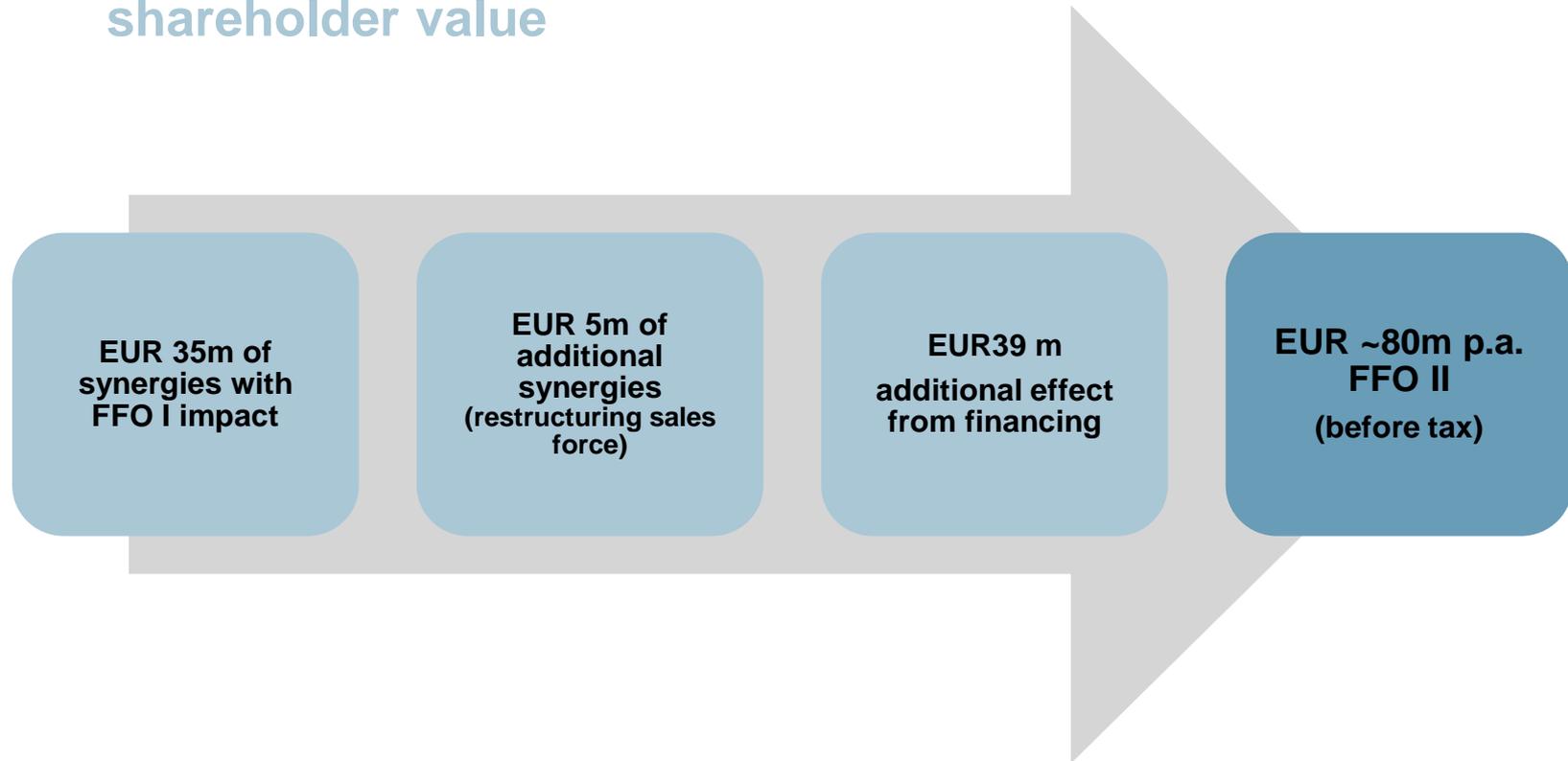
## » Long term integration track record

	DW before GSW			DW incl. GSW	
	2011	2012	2013	2013 pro forma	Outlook
<b>No. of units (avg.)</b>	<b>48,699</b>	<b>57,914</b>	<b>86,999</b>	<b>149,979</b>	<b>146,000</b>
Gross rental income <sup>1)</sup>	196.4	240.0	353.5	589.7	620.0
<b>Corporate expenses</b>	<b>(32.9)</b>	<b>(40.4)</b>	<b>(48.1)</b>	<b>(102.2)</b>	<b>(75.0)</b>
Cost per unit	(676)	(698)	(553)	(681)	(514)
in % of Gross rental income	16.8%	16.8%	13.6%	17.3%	12.1%
<b>Efficiency benefit</b>					<b>~29m</b>

**New cost ratio target of 12%**

<sup>1)</sup> Contractual rents w/o utility charges

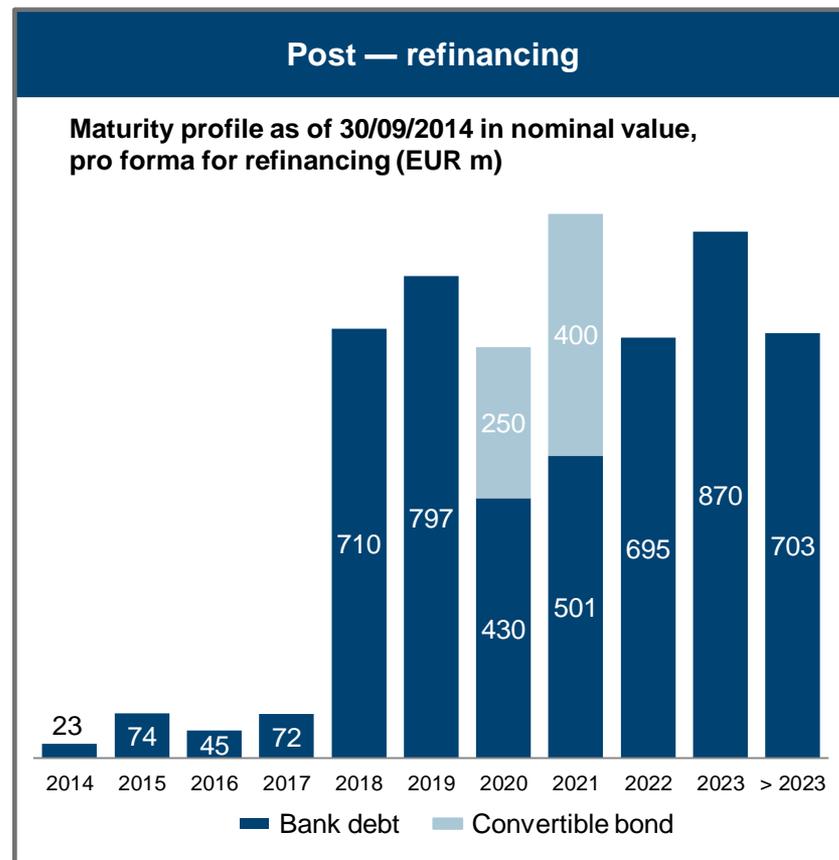
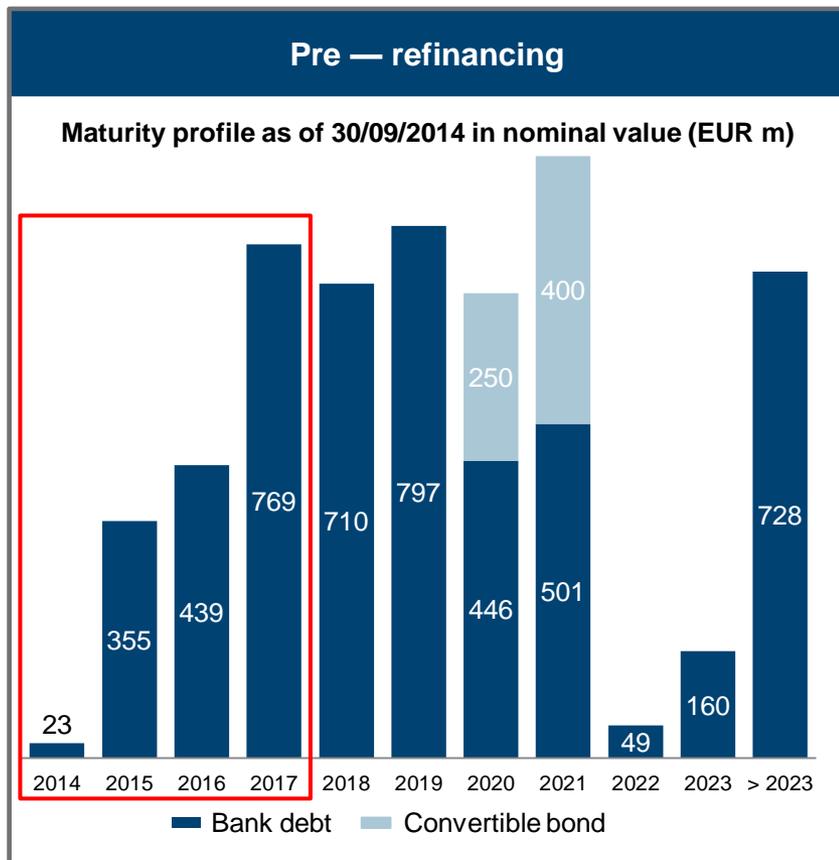
## » Group restructuring & refinancing created significant shareholder value



- Over-achievement of originally targeted synergies of EUR 25m

- Actual integration costs in-line with target

## » Sustainable financing



## » Financing strategy of the future – what comes next...

### Optimized debt book to balance stability and profitability:

- Resilience optimized (avg. debt maturity of ~9 years after refinancing)
- Strong position for external growth in times of „market crises“
- Above avg. ISCR of >3x provides the group with significant headroom for future interest rate increases

### Financial flexibility further enhanced:

- Broad range of financing instruments available
- Baa1 rating from Moody's achieved providing higher financial flexibility

### Expected LTV at year end 2015 without equity issuance:

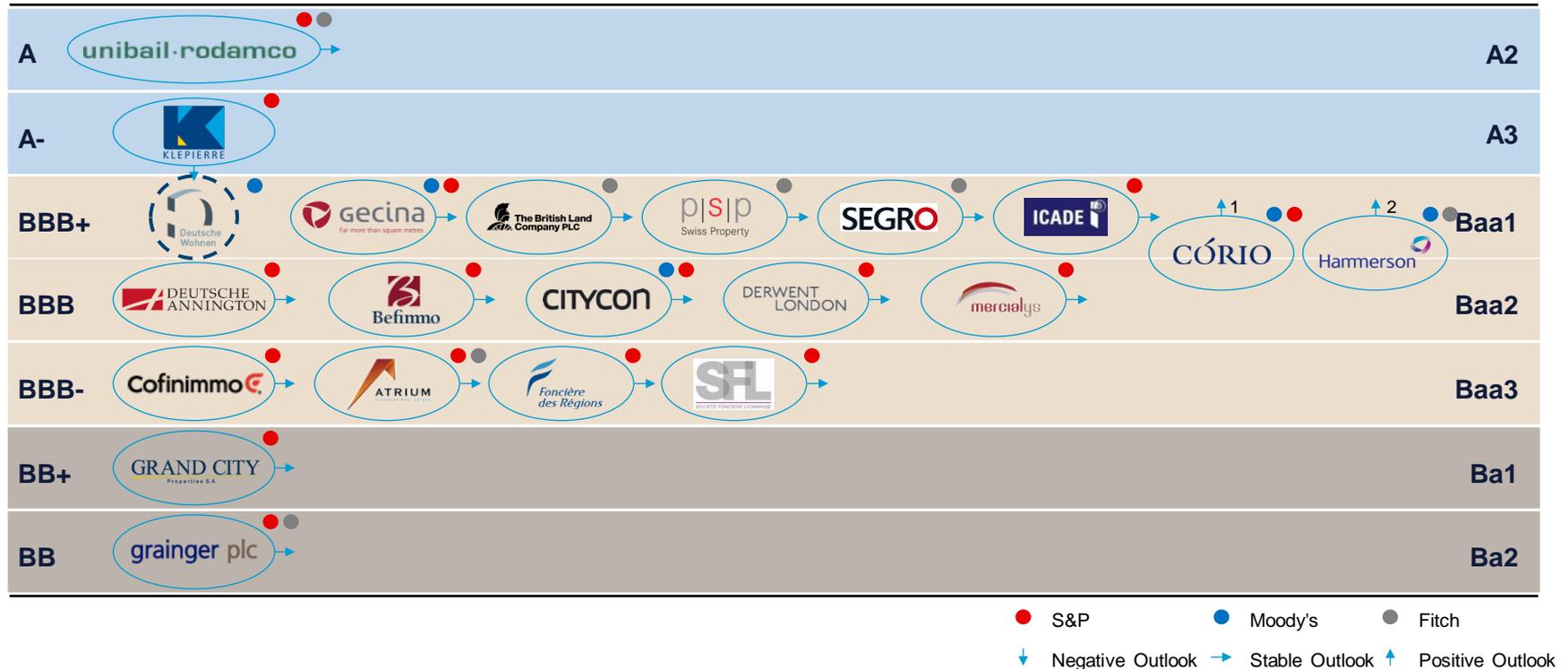
- Regular annual amortization
- Sales related debt repayments
- Potential future value uplifts

**≤50%**

- **Deutsche Wohnen group now ideally positioned for future interest rate cycles and further external growth**

# » Rating from Moody's underlines quality of Deutsche Wohnen

## Overview of Issuer Credit Ratings in the European real estate sector



- Moody's assigned a first time long-term issuer rating of Baa1 with stable outlook
- Structural subordination of low portion of unencumbered assets already factored into the issuer rating
- Rating positions Deutsche Wohnen in the upper end of the rated European real estate sector
- The rating underscores our prudent financial policies and allows us to further diversify our funding sources

## » Cash flow creation and dividend coverage

EURm	2011	2012	2013	2014e
FFO I <sup>1)</sup>	47.5	68.2	114.5	212.2
FFO disposals	10.6	19.9	23.0	50.0
FFO II	58.1	88.1	137.5	262.2
+ Δ CF disposals <sup>2)</sup>	54.0	51.2	49.9	85.0
- Regular amortization	-30.2	-36.0	-51.5	-81.5
- Capex	-24.7	-33.2	-26.8	-50.0
<b>Corporate Free Cash Flow</b>	<b>57.2</b>	<b>70.1</b>	<b>109.1</b>	<b>215.7</b>
<i>Per share</i>	<i>0.64</i>	<i>0.56</i>	<i>0.62</i>	<i>0.75</i>

2014 refinancing and further synergies will improve cash flow by EUR >80m

Payout ratio in % of FFO I	50%	50%	50%	60%
- Dividend payments	-23.5	-33.8	-57.4	-127.3
<i>Dividend per share (EUR)</i>	<i>0.23</i>	<i>0.21</i>	<i>0.34</i>	<i>0.44</i>
<b>Dividend coverage</b>	<b>243%</b>	<b>207%</b>	<b>191%</b>	<b>169%</b>

Payout ratio has been increased after GSW transaction

- Significant increase of dividend payments over the last years with further upside for the future
- Shareholders are participating in higher Corporate Free Cash Flow by higher dividend payments

<sup>1)</sup> After minorities (guaranteed dividend x number of outstanding GSW shares)

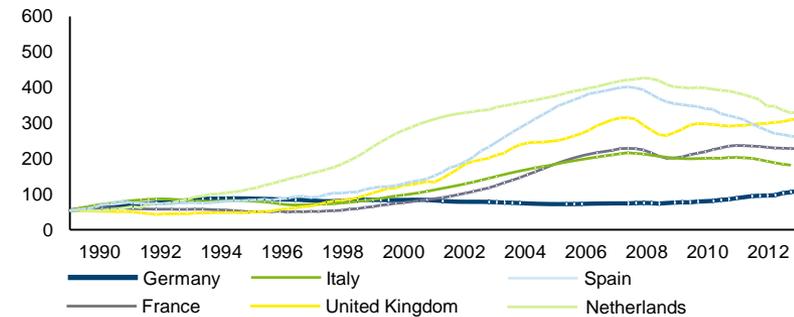
<sup>2)</sup> Book value (sold) ./ Sales related debt repayment

## » **Market fundamentals**

# » Resilient and growing residential real estate market in Germany

## Germany among the most stable markets in terms of house price increases

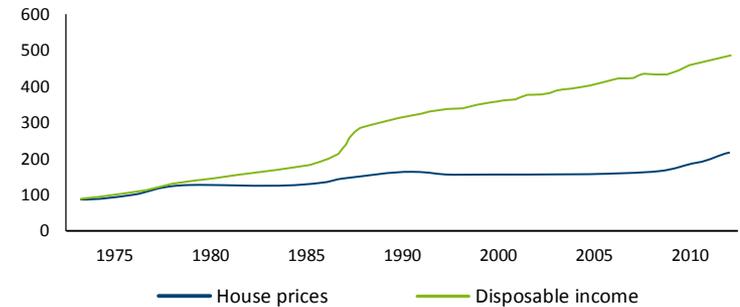
Nominal house prices (1990 = 100)



Source: OECD, DB Research

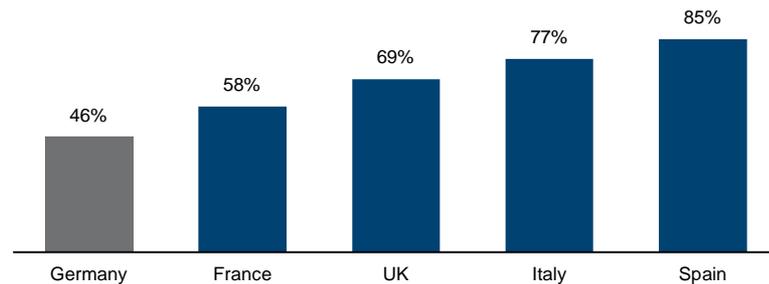
## Disposable income in Germany has outgrown house prices multiple times

House price index (1975=100)



Source: Datastream, Bulwien Gesa, Morgan Stanley Research

## Low German home ownership, supporting rental demand



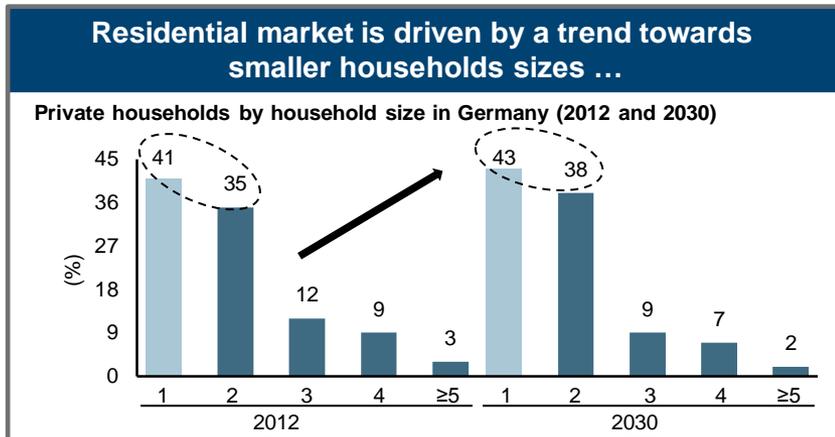
Source: Federal Statistical Office, Euroconstruct, ifo

## German social system providing security against rental losses

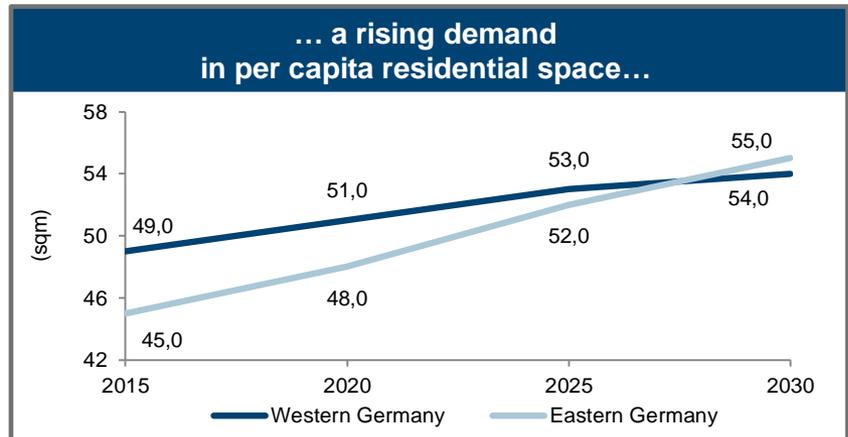
Germany has a well-developed social security system backing tenants

- Unemployment insurance (c. 2/3 of previous net earnings for max. 12 months)
- Thereafter, the Arbeitslosengeld II ("Hartz IV") is paid out and additional claim for accommodation benefits (Wohngeld)
- German pension system (available to those aged 65 with at least 5 years of social security contributions)

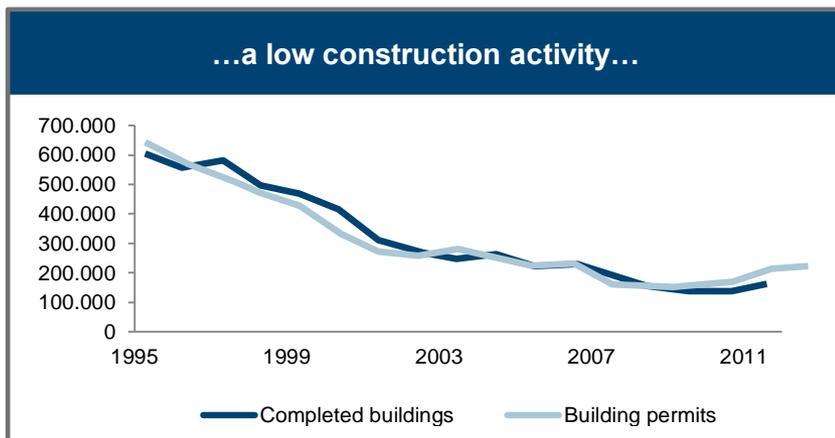
# » Key residential market determinants for Germany — macro-setting for further rental growth



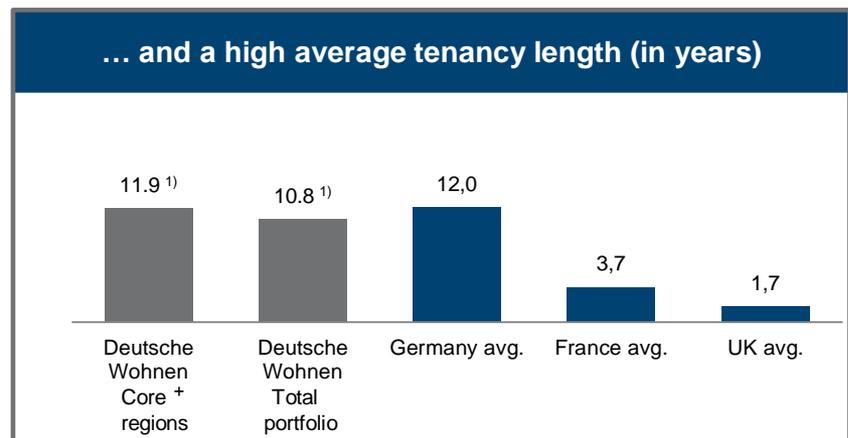
Source: Federal Statistical Office, based on the micro-census in 2010 including the 12th coordinated population forecast



Source: LBS Research / empirica



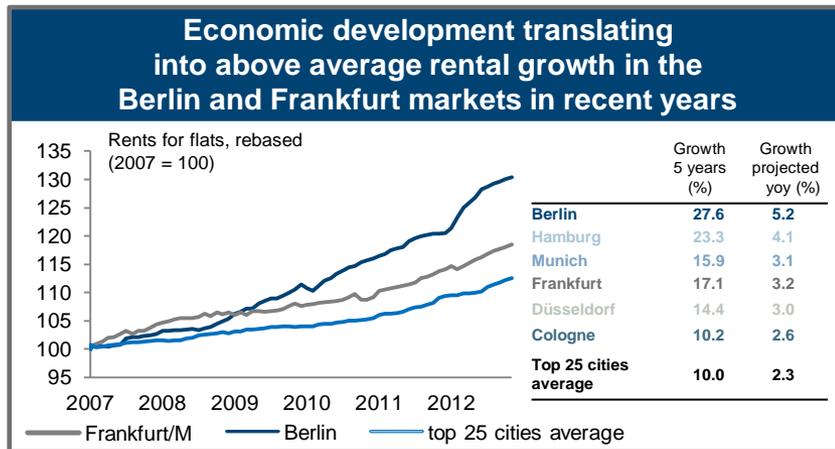
Source: Federal Statistical Office



Source: Schader Stiftung (Germany), Clameur (France), Association of Residential Letting Agents (UK)

1) Implied average stay per tenant based on 8.4% (Core +) and 9.3% (total) annualised tenant turnover as of August 31 2014

## » Berlin and Frankfurt (Rhine-Main) areas as some of the most attractive growth markets in Germany

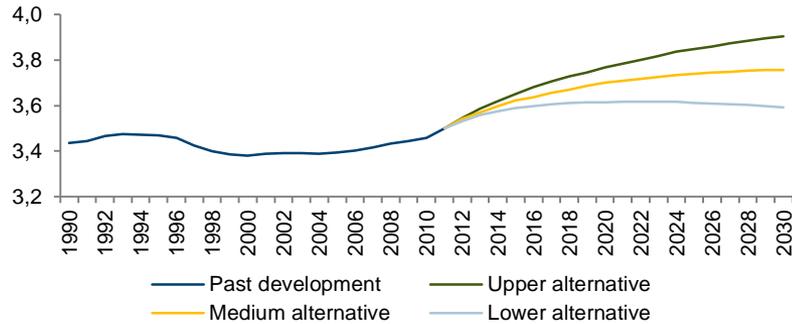


- Berlin and Frankfurt listed under Europe's top 10 locations in terms of attractiveness (measured by local labour skill, reputation of local companies, infrastructure programs, labour costs, innovation, education quality)
- Both locations show continuous rental growth over the last few years
- The above-average dynamic of the last few years is likely to continue as a result of high demand for rental space

**Meeting on-going strong demand for residential space translates into above average rental growth in the Berlin and Frankfurt (Rhine-Main) markets**

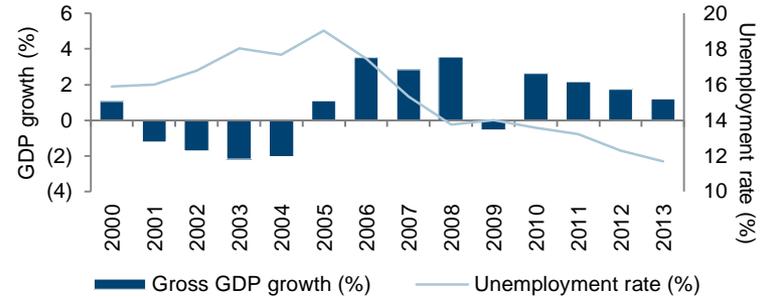
# » Berlin as the most dynamic growth market in Germany

## A further increase of Berlin's population is anticipated (m)



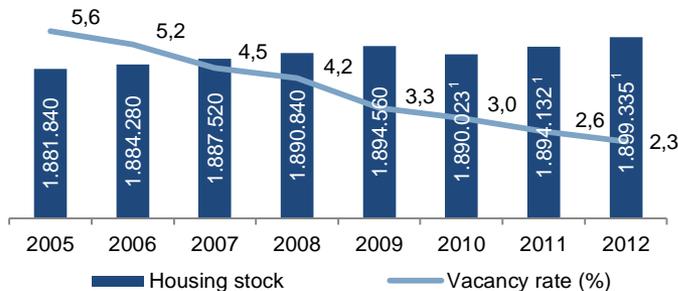
Source: Senate Department for Urban Development and the Environment in cooperation with the office for statistics Berlin-Brandenburg, Bevölkerungsprognose für Berlin und die Bezirke 2011–2030

## Berlin with constantly improving economic indicators



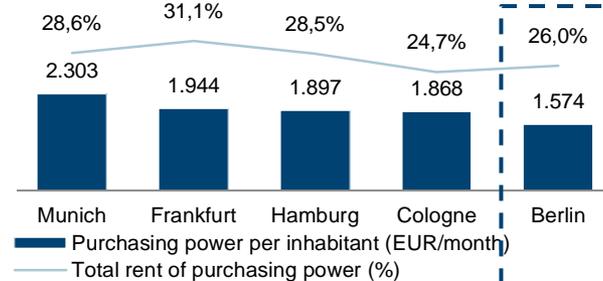
Source: GSW annual report 2013, 2012

## On-going strong demand for residential space in Berlin with low construction activity



Source: Jones Lang LaSalle, Residential property market Berlin—2<sup>nd</sup> half of 2012, BBU Verband Berlin-Brandenburgischer Wohnungsunternehmen  
 Note: 1) Based on housing survey 2011 (as of May 2013)

## Purchasing power in Berlin has not yet caught up with other cities despite the economic upturn



Source: CBRE housing market report 2013  
 Note: Purchasing power being the monthly available net income per capita

**Strong structural growth and significant catch-up potential for Greater Berlin**

## » Berlin's key facts



(1) Population		(2) Residential units	
Population Berlin (12/2013) <sup>(1)</sup>	ca. 3.45m	Number of residential units (2012) <sup>(1)</sup>	ca. 1.9m
Population Capital Region Berlin-Brandenburg (12/2013) <sup>(1)</sup>	ca. 4.5m	Number of residential units for letting (2012) <sup>(6)</sup>	ca. 1.6m
		Completed apartments 2013 (2012) <sup>(1)</sup>	6,641 (5,417)
(3) Vacancy and rents		(4) Economic data	
Average vacancy rate (2012) <sup>(5)</sup>	2.3%	Average unemployment rate 2013 (2012) <sup>(2)</sup>	11.7% (12.3%)
Mean monthly net cold rent according to rent table 2013 (2011) <sup>(4)</sup>	€5.54/sqm (€5.21/sqm)	Purchasing power/ household per month 2013 (2012) <sup>(3)</sup>	€2,851 (€2,696)
Monthly median new letting rent analysed by CBRE 2013 (2012) <sup>(3)</sup>	€8.02/sqm/month (€7.50/sqm/month)	Housing cost ratio/ household per month 2013 (2012) <sup>(3)</sup>	26.6% (27.4%)

Source: (1) Statistical Office Berlin-Brandenburg (2) Federal Employment Agency; (3): CBRE /GSW Housing Market Report 2013; (4) Senatsverwaltung für Stadtentwicklung (5) Verband Berlin-Brandenburgischer Wohnungsunternehmen e.V., (BBU), (6) own calculation based on 15% home ownership rate for Berlin

## » Appendix

## » Strong earnings and cash contributions from letting

	in EUR m	9M-2014	9M-2013
<b>Earnings from letting: + EUR 178m (+85.4%)</b>	<b>Current gross rental income</b>	<b>469.3</b>	<b>259.5</b>
	Non-recoverable expenses	(9.9)	(5.7)
	Rental loss	(5.8)	(2.6)
	Maintenance	(61.4)	(38.9)
	Others	(6.3)	(4.1)
	<b>Earnings from Residential Property Management</b>	<b>385.9</b>	<b>208.2</b>
	Personnel, general and administrative expenses	(31.4)	(19.2)
	<b>Net Operating Income (NOI)</b>	<b>354.5</b>	<b>189.0</b>
	NOI margin	75.5%	72.8%
	NOI in EUR / sqm / month	4.25	3.94
	in EUR m	9M-2014	9M-2013
<b>Cash flow + EUR 112m (+ 105%)</b>	Net operating income (NOI)	354.5	189.0
	Cash interest expenses	(136.0)	(82.3)
	<b>Cash flow from portfolio after cash interest expenses</b>	<b>218.5</b>	<b>106.7</b>
	<b>Interest cover ratio</b>	<b>2.61</b>	<b>2.30</b>

**In-place rent:**  
9M-14: EUR 5.65 / sqm

**Maintenance<sup>1)</sup>**  
9M-14: EUR 8.83 /sqm  
(9M-13: EUR 9.72 /sqm)  
additional EUR 36.4m  
for modernization (EUR  
14.3m in 9M-13)

**NOI increased by EUR  
165.5m (88%) due to  
2013 acquisitions**

w/o EUR 2.9m for  
nursing and assisted  
living in 9M-2014

### NOI-margin

- Improved mainly due to lower personnel and admin expenses

### NOI in EUR / sqm / month

- + 7.9% due to changes in portfolio structure resulting from GSW acquisition among others

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

## » Overview of portfolio as at 30 September 2014

30/09/2014	Residential units	Area <sup>1)</sup>	In-place rent <sup>2)</sup>	New letting rent <sup>3)</sup>	Vacancy	Fair Value (FV) <sup>4)</sup>	Share in terms of FV	FV <sup>5)</sup>	Multiple in-place rent	Yield	Multiple market rent	Yield
	#	K sqm	EUR/sqm	EUR/sqm	%	EUR m	%	EUR/sqm		%		%
Strategic core and growth regions	144,672	8,780	5.66	6.79	2.3	8,657	99%	957	14.1	7.1	12.8	7.8
Core <sup>+</sup>	117,510	7,068	5.75	7.11	2.2	7,286	83%	999	14.4	6.9	13.0	7.7
Core	27,162	1,712	5.29	5.84	3.1	1,370	16%	783	12.6	8.0	11.8	8.5
Non-core	2,150	141	4.98		10.0	94	1%	625	11.7	8.6	10.2	9.8
Disposal	380	25	5.14		16.9							
Other	1,770	117	4.95		8.5							
<b>Total</b>	<b>146,822</b>	<b>8,921</b>	<b>5.65</b>	<b>6.76</b>	<b>2.4</b>	<b>8,750</b>	<b>100%</b>	<b>952</b>	<b>14.1</b>	<b>7.1</b>	<b>12.8</b>	<b>7.8</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 on-going 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> Contractually owed rent for newly concluded contracts for units not subject to rent control effective in 2014 respectively

<sup>4)</sup> Fair Value including residential, commercial and parking spaces

<sup>5)</sup> Fair Value divided by residential and commercial area

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

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

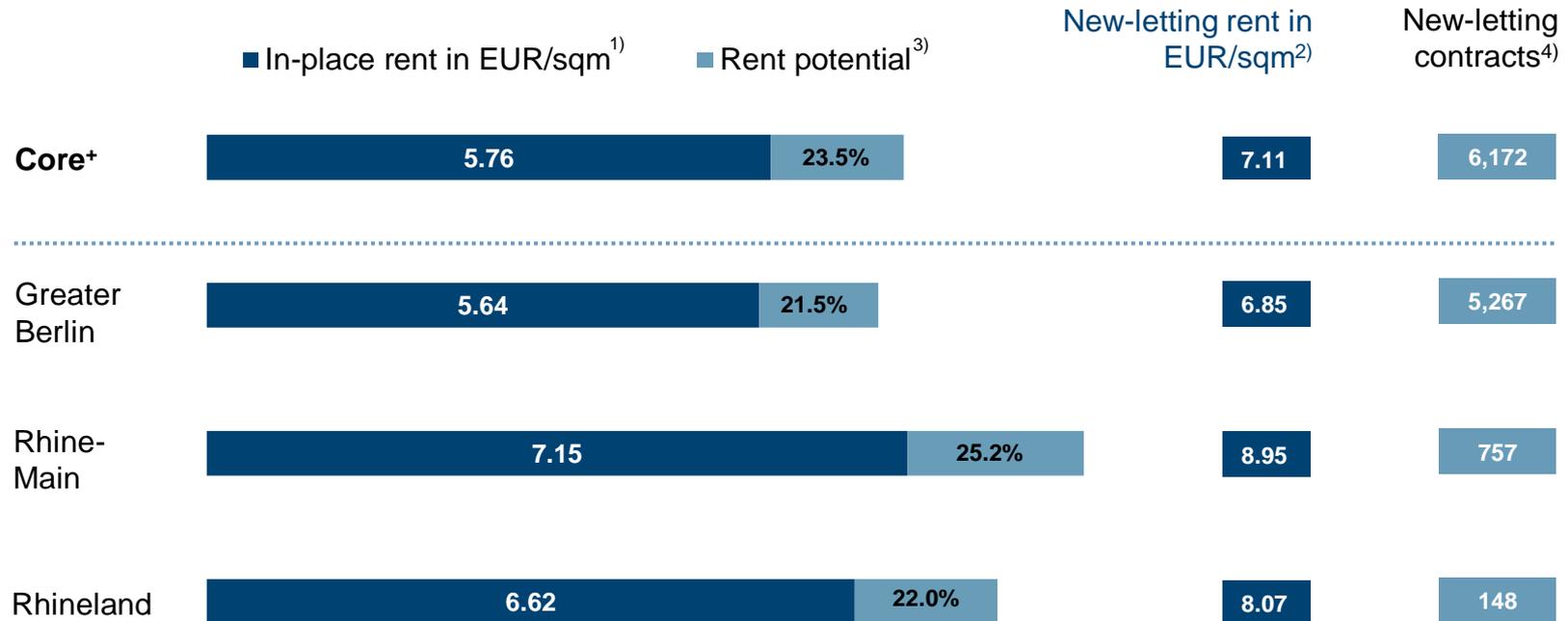
Like-for-like 30/09/2014	Residential units #	In-place rent <sup>1)</sup> 30/09/2014 EUR/sqm	In-place rent <sup>1)</sup> 30/09/2013 EUR/sqm	Δ in % y-o-y	Vacancy 30/09/2014 in %	Vacancy 30/09/2013 in %
<b>Total</b>	<b>140,738</b>	<b>5.66</b>	<b>5.50</b>	<b>2.8%</b>	<b>2.4%</b>	<b>2.6%</b>
<b>Strategic core and growth regions (letting portfolio)</b>	<b>132,609</b>	<b>5.68</b>	<b>5.52</b>	<b>3.0%</b>	<b>2.1%</b>	<b>2.5%</b>
<b>Core<sup>+</sup></b>	<b>109,594</b>	<b>5.76</b>	<b>5.58</b>	<b>3.1%</b>	<b>2.0%</b>	<b>2.2%</b>
Greater Berlin	99,971	5.64	5.46	3.1%	2.0%	2.2%
Rhine-Main	8,082	7.15	6.97	2.6%	1.5%	2.4%
Rhineland	1,541	6.57	6.27	4.7%	2.4%	3.0%
<b>Core</b>	<b>23,015</b>	<b>5.32</b>	<b>5.20</b>	<b>2.2%</b>	<b>2.8%</b>	<b>3.8%</b>
Hanover / Brunswick / Magdeburg	10,029	5.32	5.16	3.0%	3.2%	5.3%
Rhine Valley South	4,650	5.58	5.49	1.7%	1.0%	1.6%
Rhine Valley North	2,798	5.20	5.13	1.3%	1.5%	0.9%
Central Germany	3,776	5.15	5.06	1.7%	3.8%	3.6%
Others	1,762	5.12	5.06	1.1%	5.4%	6.0%

### ▪ 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'

<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)

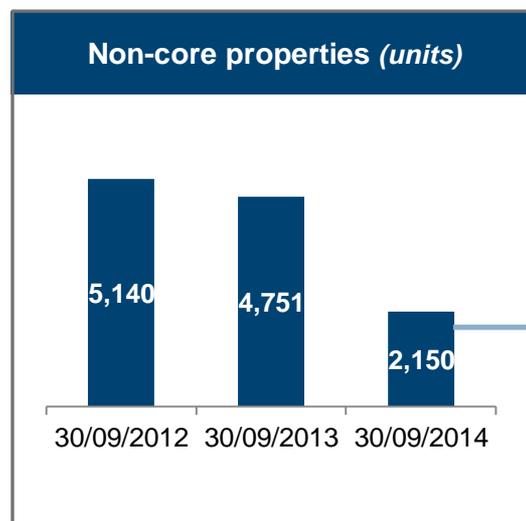
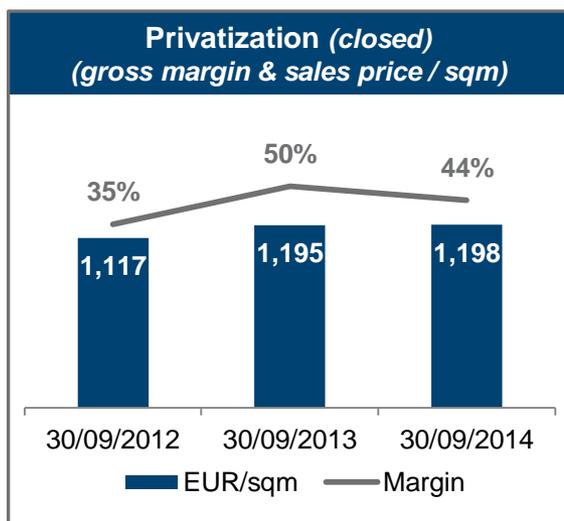


- **Current tenant turnover: ~8% annualized in Core+ Regions**

## » NAV contribution by strong disposal business

Closed in EUR m	9M-2014	9M-2013
Sales proceeds	205.7	101.0
Cost of sales	(9.1)	(6.5)
<b>Net sales proceeds</b>	<b>196.6</b>	<b>94.5</b>
Carrying amounts of assets sold	(157.8)	(76.6)
<b>Earnings from Disposals</b>	<b>38.8</b>	<b>17.9</b>

- Free cash flow from sales activities of EUR 101.4m (1,583 closed privatization units and 1,869 closed units institutional sales)



- Portfolio clean-up almost completed: only 473 units for disposals left in the non-core portfolio (9M-2013: 4,751 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	2,037	162.3	112.7	49.6	44%
Institutional sales	2,052	86.1	77.4	8.7	11%
<i>Thereof non-core properties</i>	1,603	56.1	51.3	4.8	9%
<b>In total</b>	<b>4,089</b>	<b>248.4</b>	<b>190.1</b>	<b>58.3</b>	<b>31%</b>

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



Berlin: Papageienviertel



Hanover: Bemerode/Kronsberg



Berlin: Hufeisensiedlung

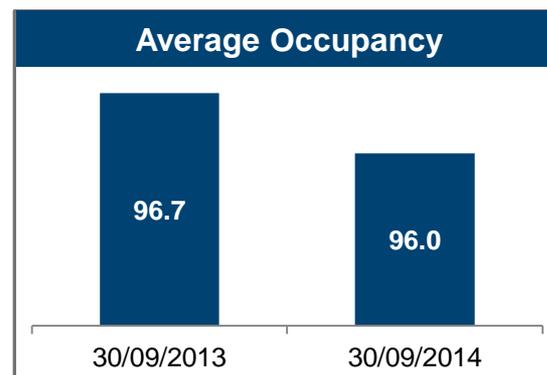


Berlin: Steglitz

## » Nursing and Assisted Living – increasing FFO contribution

in EUR m	9M-2014	9M-2013
<b>Income</b>		
Nursing	41.5	38.3
Living	4.5	1.5
Other	4.8	3.1
<b>Total income</b>	<b>50.8</b>	<b>42.9</b>
<b>Costs</b>		
Nursing and corporate expenses	(13.4)	(11.0)
Staff expenses	(25.0)	(22.0)
<b>Total costs</b>	<b>(38.4)</b>	<b>(33.0)</b>
<b>Earnings from Nursing and Assisted Living (NOI)</b>	<b>12.4</b>	<b>9.9</b>
Cash interest expenses	(2.9)	(2.6)
<b>FFO contribution</b>	<b>9.5</b>	<b>7.3</b>

30/09/2014	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

## » Successful restructuring of financing...

	Pre-refinancing (30/09/2014)	Pro forma post-refinancing
LTV (%)	54.7	~ 55.8
∅ Interest Rate (%)	~3.2	~ 2.5
∅ Mandatory redemption p.a. (%)	~ 1.6	~ 1.1
∅ Weighted maturity	~ 7.5 years	~ 8.9 years
Interest rate fixed/ hedged (%)	~ 92	~ 86
Unencumbered assets (%)	~2	~4

- Total financing of ca. € 1.76bn (incl. € 400m convertible bond)
- Expected financial impact
  - › FFO enhancement of ca. € 39m p.a. by reduction of interest expenses
  - › Reduction of contractual amortisation by ca. € 23m p.a. driving cash flows by ca. € 62m p.a. in aggregate
  - › ca. € 100m upfront interest payments for unwinding refinanced loans
  - › ca. € 10m transaction costs
- Approx. 70% of refinancing volume hedged
- Further improvement of LTV due to potential valuation uplift for portfolio

## » Benchmark EBITDA margin among the Peer Group

in EUR m	9M-2014	9M-2013	EBITDA margins	9M-2014	9M-2013
Earnings from Residential Property Management	385.9	208.2	adj. EBITDA / gross rents	77.6%	75.8%
Earnings from Disposals	38.8	17.9	adj. EBITDA excl. disposals / gross rents	69.4%	68.9%
Earnings from Nursing and Assisted Living	12.4	9.9			
<b>Segment contribution margin</b>	<b>437.1</b>	<b>236.0</b>			
Corporate expenses	(66.8)	(34.4)			
Other operating expenses/income	(18.7)	(8.2)			
<b>EBITDA</b>	<b>351.6</b>	<b>193.4</b>			
One-off costs for transactions	0.0	3.4			
Restructuring & Reorganization expenses	12.7	0.0			
<b>EBITDA (adjusted)</b>	<b>364.3</b>	<b>196.8</b>			

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

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

- 14.2% in 9M-2014 vs. 17.3% FY-2013 (pro- forma incl. GSW)

Redundancy payments

### Adj. EBITDA

- Increased by ~ EUR 168m mainly attributable to an increase of earnings from letting ~ EUR 178m and from disposals ~ EUR 21m

### Margins

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

<sup>1)</sup> Corporate expenses (EUR 66.8m) divided by current gross rental income (EUR 469.3m)

## » Adjusted EBT increased by ~ 110% (y-o-y)

in EUR m	9M-2014	9M-2013
<b>EBITDA (adjusted)</b>	<b>364.3</b>	<b>196.8</b>
Depreciation	(4.5)	(4.0)
Financial result (net)	(150.5) <sup>2)</sup>	(92.9) <sup>2)</sup>
<b>EBT (adjusted)</b>	<b>209.3</b>	<b>99.9</b>
One-off costs for transactions and financing	(5.1)	(3.4)
Restructuring & Reorganization	(12.7)	0.0
Valuation SWAP and convertible bonds	(22.0)	(0.2)
<b>EBT</b>	<b>169.5</b>	<b>96.7</b>
Current taxes	(14.9)	(9.3)
Deferred taxes	(9.7)	(20.9)
<b>Profit</b>	<b>144.9</b>	<b>66.5</b>
Earnings per share <sup>1)</sup>	0.48	0.41

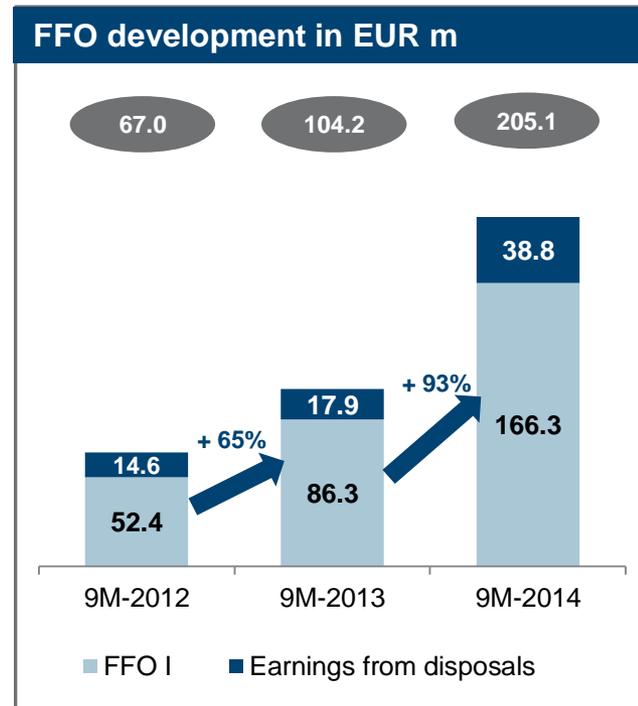
in EUR m	9M-2014	9M-2013
Interest expenses	(138.9)	(84.9)
Non-cash interest expenses	(12.3)	(8.6)
	<b>(151.2)</b>	<b>(93.5)</b>
Interest income	0.7	0.6
<b>Financial result (net)</b>	<b>(150.5)</b>	<b>(92.9)</b>

Thereof EUR (16.5)m from valuation of swaps and EUR (5.5)m from convertible bonds  
 MV of convertible bonds (30/09/2014): EUR 654.6m

<sup>1)</sup> Based on weighted average shares outstanding (9M-14: 286.35m; 9M-13: 162.87m)  
<sup>2)</sup> Adjusted for Valuation of SWAPs and convertible bonds

## » Recurring FFO per share performance +9.4% (y-o-y)

in EUR m	9M-2014	9M-2013
<b>Profit</b>	<b>144.9</b>	<b>66.5</b>
Earnings from Disposals	(38.8)	(17.9)
Depreciation	4.5	4.0
Valuation SWAP and convertible bond	22.0	(0.2)
One-off costs for transactions and financing	5.1	3.4
Non-cash financial expenses	12.3	8.6
Deferred taxes	9.7	20.9
Tax benefit from capital increase	0.4	1.0
FFO attributable to non-controlling interest	(6.5)	0.0
Restructuring & Reorganization expenses	12.7	0.0
<b>FFO I</b>	<b>166.3</b>	<b>86.3</b>
Earnings from Disposals	38.8	17.9
<b>FFO II</b>	<b>205.1</b>	<b>104.2</b>
<b>FFO I per share <sup>1)</sup></b>	<b>0.58</b>	<b>0.53</b>
<b>FFO II per share <sup>1)</sup></b>	<b>0.72</b>	<b>0.64</b>



Considering guarantee dividend of EUR 1.40 per outstanding GSW shares at accounting date

- Accretive FFO I per share development: **+9.4%** (y-o-y)

<sup>1)</sup> Based on weighted average shares outstanding (9M-14: 286.35m; 9M-13: 162.87m)

## » Balance sheet

### Assets

in EUR m	30/09/2014	31/12/2013
Investment properties	8,882.5	8,937.1
Other non-current assets	554.4	552.2
Derivatives	0.1	2.7
Deferred tax assets	297.1	280.5
<b>Non current assets</b>	<b>9,734.1</b>	<b>9,772.5</b>
Land and buildings held for sale	70.4	97.1
Other current assets	68.8	107.1
Cash and cash equivalents	620.3	196.4
<b>Current assets</b>	<b>759.5</b>	<b>400.6</b>
<b>Total assets</b>	<b>10,493.6</b>	<b>10,173.1</b>

### Equity and Liabilities

in EUR m	30/09/2014	31/12/2013
<b>Total equity</b>	<b>4,094.2</b>	<b>3,944.3</b>
Financial liabilities	4,881.9	5,154.6
Convertibles	654.6	250.2
Tax liabilities	35.8	62.6
Deferred tax liabilities	362.8	353.1
Derivatives	218.5	159.3
Other liabilities	245.8	249.0
<b>Total liabilities</b>	<b>6,399.4</b>	<b>6,228.8</b>
<b>Total equity and liabilities</b>	<b>10,493.6</b>	<b>10,173.1</b>

- Investment properties represent ca. 85% of total assets
- Strong cash position and available credit lines give comfort for potential acquisition opportunities
- LTV reduced to 54.7% (FY-2013: 57.3%)

## » EPRA NAV per share up by 2.5%

in EUR m	30/09/2014	31/12/2013	in EUR m	30/09/2014	31/12/2013
Equity (before non-controlling interests)	3,858.7	3,777.8	EPRA NAV per share in EUR (undiluted)	14.34	13.99
Fair value adjustment of convertible bonds	4.0	(2.2)	Adjusted NAV per share in EUR (undiluted)	12.64	12.27
Fair values of derivative financial instruments	218.3	156.5	<i>Shares outstanding in m</i>	289.2	286.22
Deferred taxes (net)	65.7	72.6			
<b>EPRA NAV (undiluted)</b>	<b>4,146.7</b>	<b>4,004.7</b>			
Goodwill GSW	(491.6)	(491.6)			
<b>Adjusted NAV (undiluted)</b>	<b>3,655.1</b>	<b>3,513.1</b>			

### EPRA NAV per share

- Increased by 2.5% to EUR 14.34 as at 30 Sept 2014

### Adjusted NAV

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

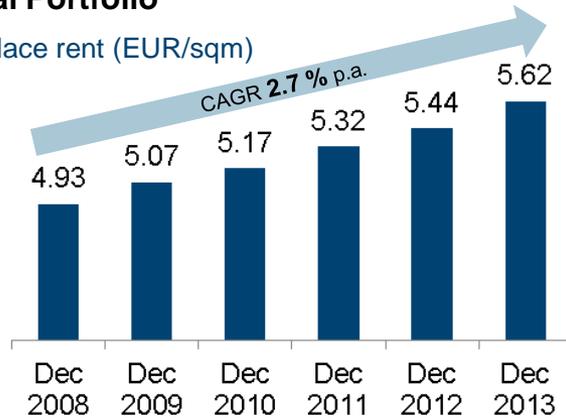
### Change of calculation

- Further potential of EUR ~1 per share using/with calculation methodology of peers

## » Strong like-for-like development <sup>1)</sup>

### Total Portfolio

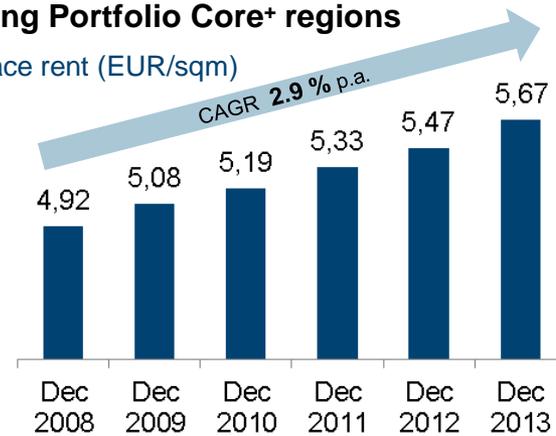
In-place rent (EUR/sqm)



- Comprises ~ 84,700 units under management since Dec 2008

### Letting Portfolio Core+ regions

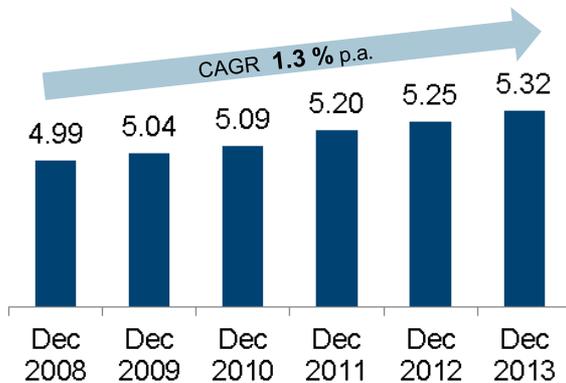
In-place rent (EUR/sqm)



- Comprises ~ 72,000 units under management since Dec 2008

### Letting Portfolio Core regions

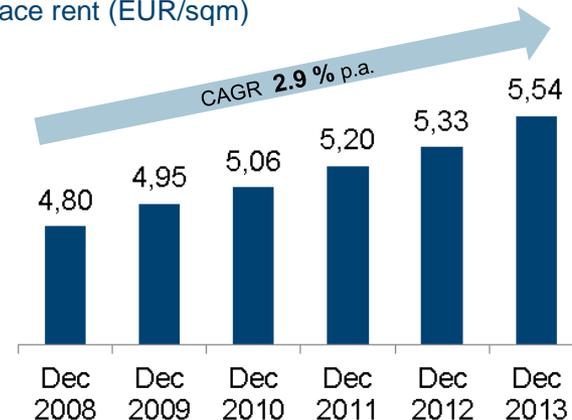
In-place rent (EUR/sqm)



- Comprises ~ 7,800 units under management since Dec 2008

### Letting Portfolio Greater Berlin

In-place rent (EUR/sqm)

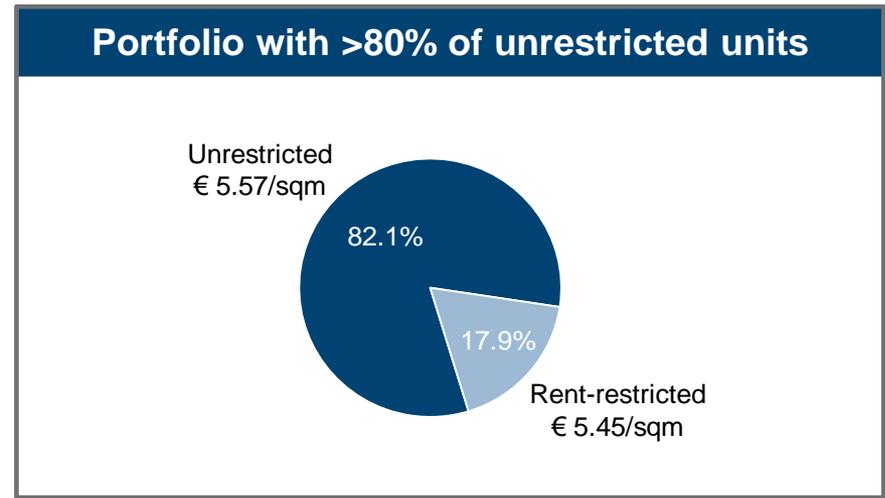
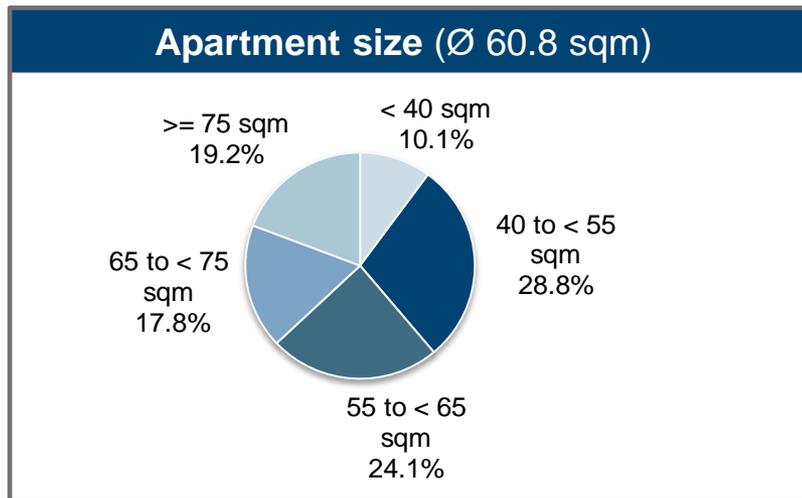
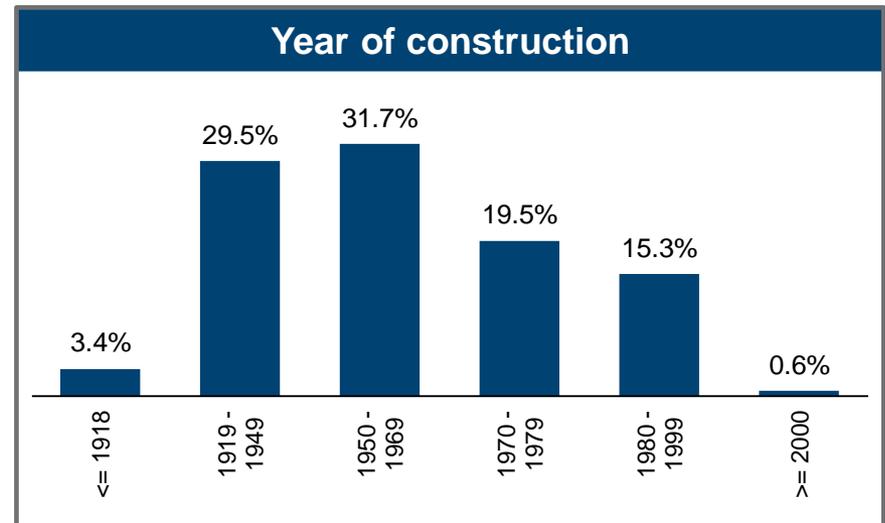
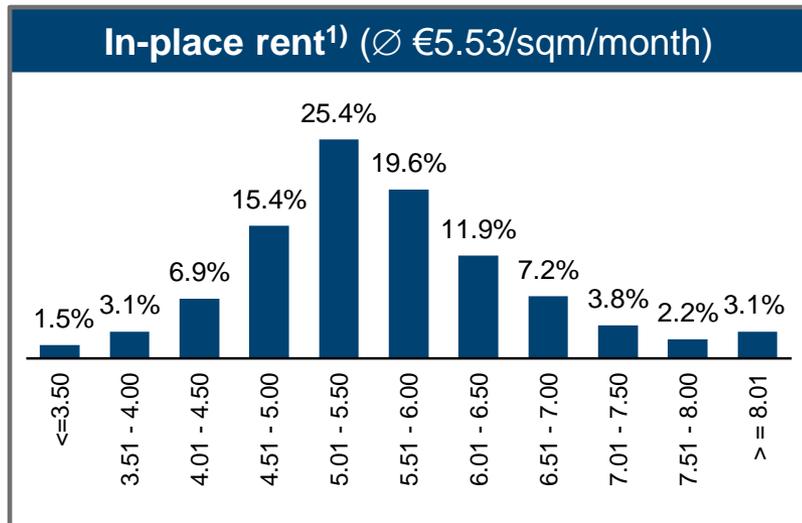


- Comprises ~ 64,800 units under management since Dec 2008

<sup>1)</sup> Pro forma incl. GSW portfolio

Note: Above time series analysis are based on a like-for-like comparison, i.e. only comprises units under management since December 2007 without taking into account any acquisitions/disposals in the period under review.

## » Portfolio structure – characteristics meeting strong demand



Note: Figures as of 31-Dec-2013 / Based on residential units  
<sup>1)</sup> excl. vacant apartments

## » Management board and areas of responsibilities



Michael Zahn

*Chief Executive Officer  
(CEO)*

**Areas of responsibility:**

- Strategy
- Property Management
- Nursing and Assisted Living
- HR
- Communication



Andreas Segal

*Chief Financial Officer  
(CFO)*

**Areas of responsibility:**

- Equity Financing
- Debt Financing
- Treasury
- Investor Relations
- Legal/Compliance



Lars Wittan

*Chief Investment Officer  
(CIO)*

**Areas of responsibility:**

- Accounting/Tax/Controlling
- Asset Management
- Risk Management
- Corporate Planning
- IT/Organisation

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