



Deutsche Wohnen SE

» **9M 2017 results**

Conference Call, 14 November 2017

» Agenda

- 1 **Highlights 9M 2017**
- 2 **Portfolio**
- 3 **Financials**
- 4 **Appendix**

» Highlights 9M 2017

Strong operating business

- L-f-l rental growth of 4.2% for letting portfolio – for Berlin even at 5.0% as Mietspiegel effects start to come through
- Adjusted EBITDA (excl. disposals) up 7.5% yoy to EUR 435.3m
- Attractive NOI margin of 77.4% despite increased maintenance costs

Capex programme to accelerate rental and value growth fully on track

- Modernization expenses increased by 70% to EUR 142.1m yoy or EUR 19.08 per sqm (annualized)

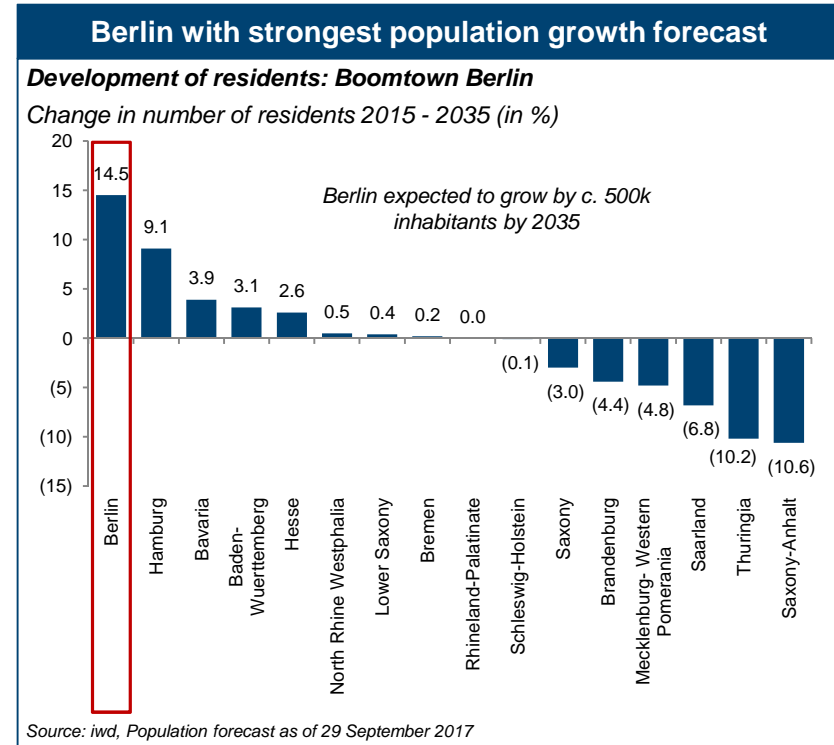
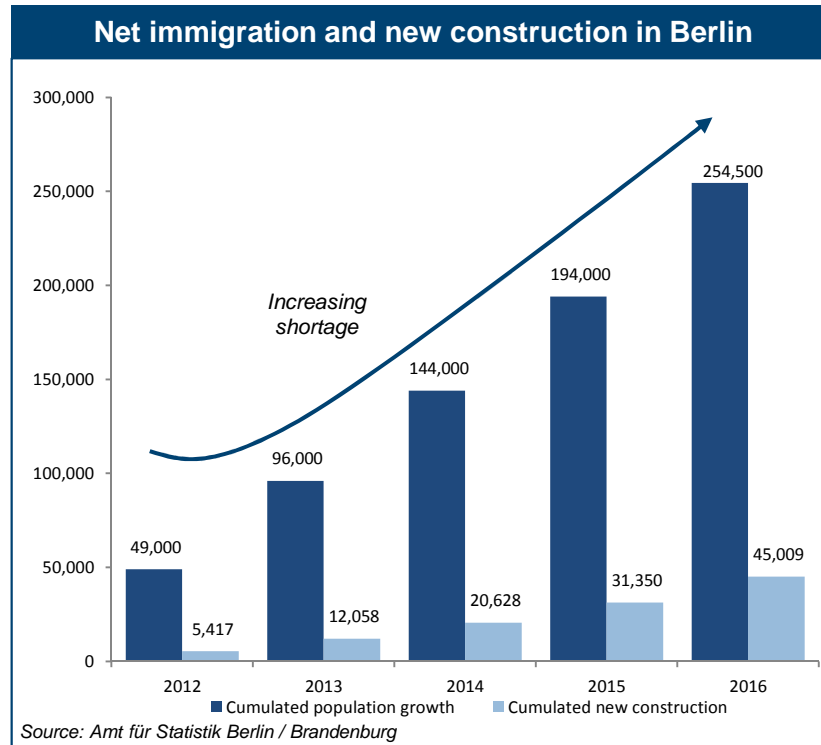
Successful refinancing of EUR 400m convertible bond due 2021

- Attractive terms for new EUR 800m convertible bond (0.6% coupon, 61% premium to EPRA NAV)
- Diluted FFO I up 15% yoy at EUR 0.94 per share (pro-forma for convertible refinancing)
- Convertible bond due 2021 successfully refinanced

Market dynamics continue to be strong

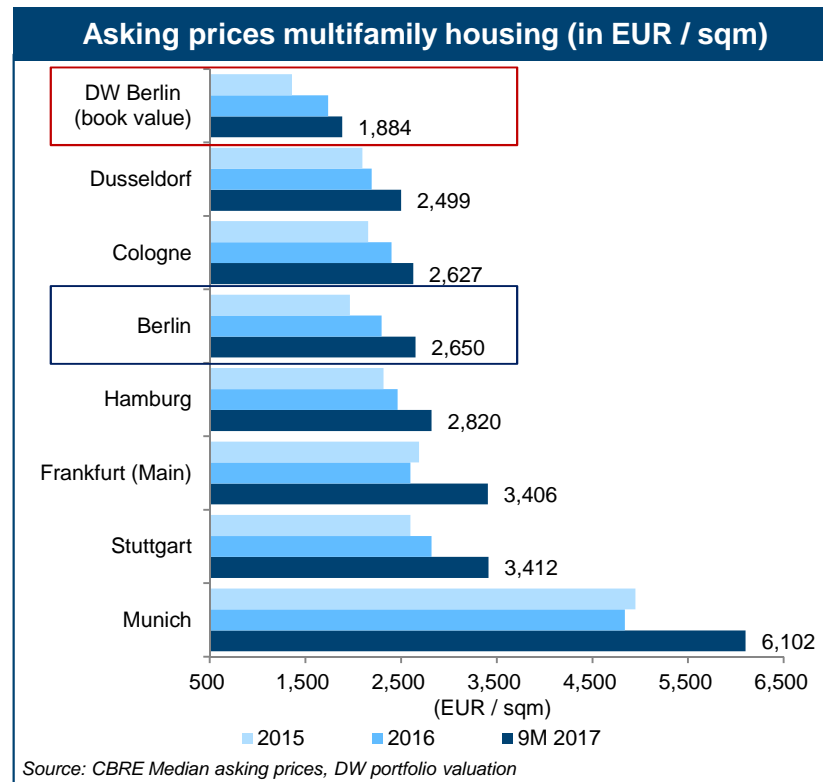
- Despite realised l-f-l rental growth reversionary potential continues to be high at 30% in Core+
- Attractive spread between in-place and market rent multiples offer further potential for NAV growth

» Market and sector specific trends underpin the investment case



- Supply demand imbalance has significantly widened in recent years in Berlin with no indication of reversal of trend
- Demographic forecasts show strongest growth for federal state of Berlin with c. 500k additional inhabitants by 2035

» Current level of rents and prices offer significant growth potential



- Dynamic development of residential rents and prices for German top cities, based on strong demographic trends and fundamentals

- Deutsche Wohnen portfolio offers catch-up potential for rents and values
 - CBRE's asking prices for multifamily housing are c. 40% above Deutsche Wohnen fair value per sqm
 - CBRE asking rents c. 18% above current re-letting rent of Deutsche Wohnen portfolio in Berlin

Source: CBRE ; CBRE adjusts values for outliers, same rent offers in different apartment searches and excludes new construction as well as furnished flats

» Portfolio update 9M 2017 – attractive 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	159,496	99.6%	6.35	1,728	22.7	17.5	27%	2.1%
Core+	140,601	92.3%	6.44	1,820	23.5	17.9	30%	2.0%
Core	18,895	7.3%	5.65	1,055	15.6	13.6	16%	2.2%
Non-core	1,429	0.4%	4.91	688	12.7	10.1	17%	5.7%
Total	160,925	100%	6.33	1,718	22.6	17.5	27%	2.1%
Thereof Greater Berlin	114,314	76.8%	6.37	1,884	24.7	18.4	30%	2.0%

- Total portfolio valued at market rent multiple of 17.5x (5.7% gross yield)

- Rent potential stable at 27% for the total portfolio and 30% for Core+ / Berlin

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

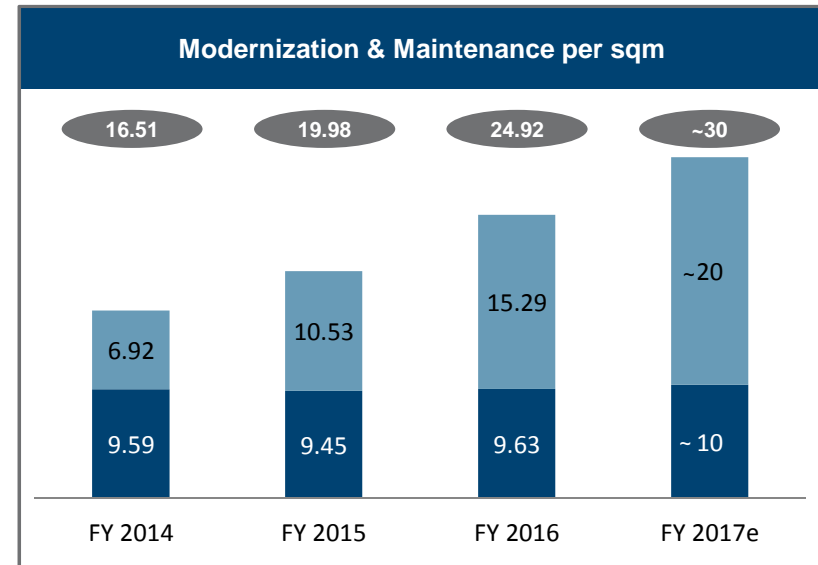
Like-for-like 30/09/2017	Residential units number	In-place rent ²⁾ 30/09/2017 EUR/sqm	In-place rent ²⁾ 30/09/2016 EUR/sqm	Change y-o-y	Vacancy 30/09/2017 in %	Vacancy 30/09/2016 in %	Change y-o-y
Strategic core and growth regions							
Core ⁺	131,620	6.42	6.14	4.5%	1.6%	1.5%	0.1 pp
Core	18,682	5.65	5.56	1.7%	2.2%	1.8%	0.3 pp
Letting portfolio ¹⁾	150,302	6.32	6.07	4.2%	1.7%	1.5%	0.2 pp
Total	155,238	6.31	6.05	4.1%	1.9%	1.6%	0.2 pp
Thereof Greater Berlin	108,114	6.35	6.04	5.0%	1.7%	1.5%	0.2 pp

- Strong like for like rental growth of 4.2% in letting portfolio, in Berlin even 5.0% as Mietspiegel adjustments start to kick-in
- Tenant turnover stable at 8% for total portfolio, Berlin at 7%
- Vacancy slightly increased, due to Capex measures (~45bps capex driven vacancy)

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

	9M 2017		9M 2016	
	EUR m	EUR / sqm ¹⁾	EUR m	EUR / sqm ¹⁾
Maintenance (expensed through p&l)	74.1	9.95	64.4	8.75
Modernization (capitalized on balance sheet)	142.1	19.08	83.5	11.34
Total	216.2	29.03	147.9	20.08
Capitalization rate	65.7%		56.5%	



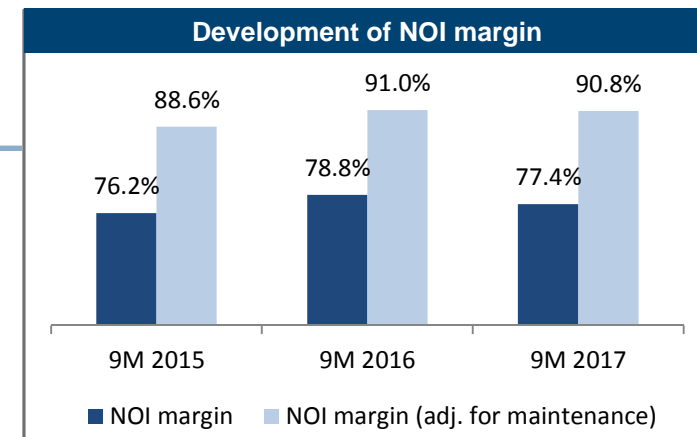
- Value enhancing Capex programme is fully on track
- Re-letting investment of EUR 100m p.a. to realize 30% reversionary potential at an unlevered yield on cost of 12%
- Significant increase in modernization expenses to EUR 19.08 per sqm (+68% yoy), maintenance and modernization per sqm almost reached guided level of EUR ~30 per sqm for 2017, thereof EUR ~10 per sqm expensed through p&l (maintenance)

1) Annualized figure, based on the quarterly average area

» NOI margin at 77.4%

in EUR m	9M 2017	9M 2016
Rental income	553.4	526.1
Non-recoverable expenses	(8.0)	(6.2)
Rental loss	(4.3)	(4.8)
Maintenance	(74.1)	(64.4)
Others	(5.4)	(6.0)
Earnings from Residential Property Management	461.6	444.7
Personnel, general and administrative expenses	(33.0)	(30.1)
Net Operating Income (NOI)	428.6	414.6
NOI margin	77.4%	78.8%
NOI in EUR / sqm / month	4.80	4.69

Maintenance expenses as a percentage of rental income increased from 12.2% to 13.4%



in EUR m	9M 2017	9M 2016
Net operating income (NOI)	428.6	414.6
Cash interest expenses	(71.7)	(76.0)
Cash flow from portfolio after cash interest expenses	356.9	338.6

- Adjusted for higher maintenance in 9M 2017 NOI margin remained stable

» Attractive margins of disposal business despite significant revaluations

Disposals	Privatization		Institutional sales		Total	
	9M 2017	9M 2016	9M 2017	9M 2016	9M 2017	9M 2016
<i>with closing in</i>						
No. of units	571	1,061	1,603	2,544	2,174	3,605
Proceeds (EUR m)	83.8	125.5	115.7	175.5	199.5	301.0
Book value	65.1	89.9	99.7	156.5	164.8	246.4
Price in EUR per sqm	2,047	1,538	971	961	n/a	n/a
Earnings (EUR m)	14.0	28.7	14.5	17.7	28.5	46.4
Gross margin	29%	40%	16%	12%	21%	22%
Cash flow impact (EUR m)	74.7	111.7	113.5	143.4	188.2	255.1

- Demand for property continues to be high; a total of 3,072 units were sold, of which 2,174 units had transfer of ownership in the first nine months of 2017

- Too early in cycle to accelerate privatization pace to turn book gains into cash returns for shareholders

- Continued strong demand for residential properties used for portfolio clean-up in non-core regions

» Increasing FFO contribution from Nursing and Assisted Living

Operations (in EUR m)	9M 2017	9M 2016
Total income	69.4	52.4
Total expenses	(63.1)	(47.1)
EBITDA operations	6.3	5.3
EBITDA margin	9.1%	10.1%
Lease expenses	11.2 ⁽²⁾	9.7 ⁽¹⁾
EBITDAR	17.5	15.0
EBITDAR margin	25.2%	28.6%

Assets (in EUR m)	9M 2017	9M 2016
Lease income	31.4 ⁽²⁾	8.9 ⁽¹⁾
Total expenses	(0.8)	(0.5)
EBITDA assets	30.6	8.4

Operations & Assets (in EUR m)	9M 2017	9M 2016
Total EBITDA	36.9	13.7
Interest expenses	(3.1)	(3.3)
FFO I contribution	33.8	10.4

in EUR m	9M 2017	9M 2016
Nursing	53.9	41.5
Living	6.5	4.9
Other	9.0	6.0

in EUR m	9M 2017	9M 2016
Staff	(36.9)	(26.7)
Rent / lease	(11.2)	(9.7)
Other	(15.0)	(10.7)

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 improved occupancy level of ~90%

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

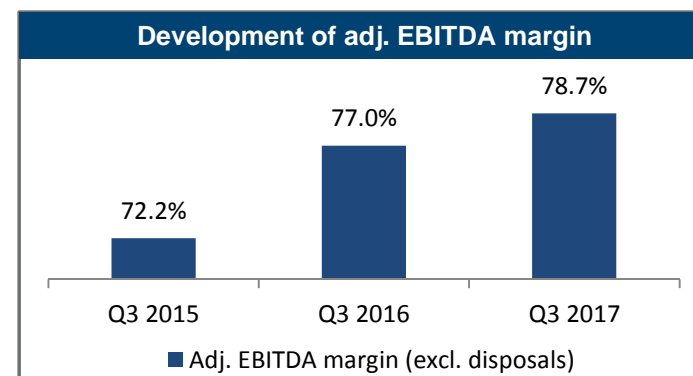
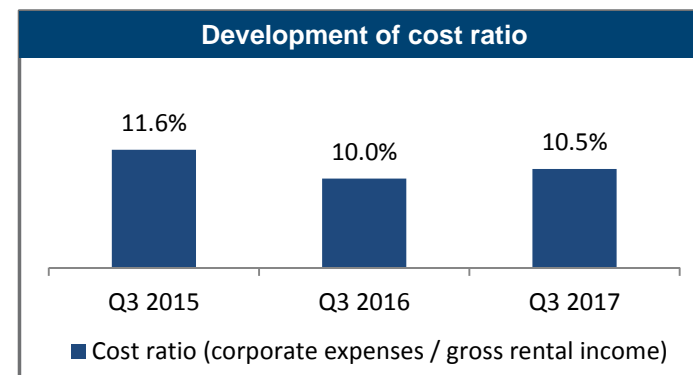
Includes payments to operational partner

- Continued high occupancy rate of c. 98% through Katharinenhof participation is a testimonial of good operational performance

1) The delta between lease expenses (operations) and lease income assets derives from one nursing facility which is only operated but not owned by Deutsche Wohnen group
 2) Since January 1, 2017, 28 nursing facilities rented to third parties are included in lease income

» EBITDA margin continues to be strong

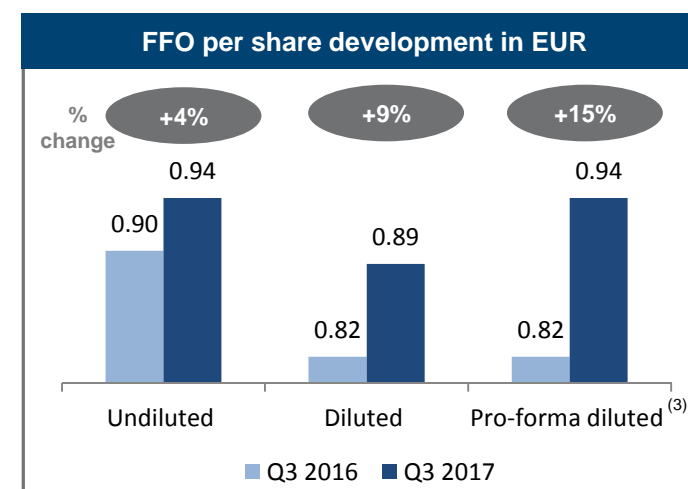
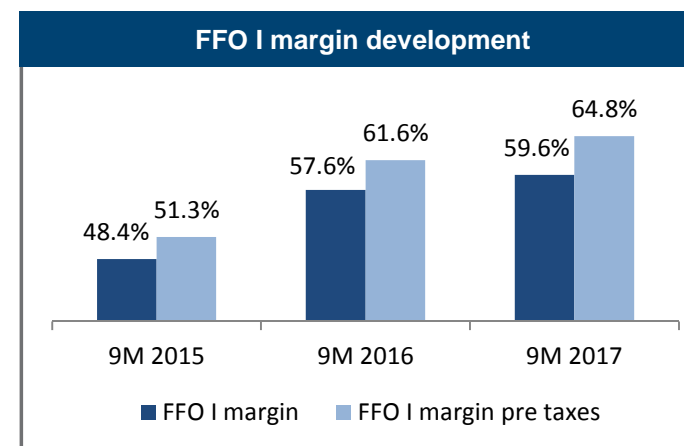
in EUR m	9M 2017	9M 2016
Earnings from Residential Property Management	461.6	444.7
Earnings from Disposals	28.5	46.4
Earnings from Nursing and Assisted Living	36.9	13.7
Segment contribution margin	527.0	504.8
Corporate expenses	(58.1)	(52.4)
Other operating expenses/income	(5.3)	(1.0)
EBITDA	463.6	451.4
One-offs	0.2	0.0
Adj. EBITDA (incl. disposals)	463.8	451.4
Earnings from Disposals	(28.5)	(46.4)
Adj. EBITDA (excl. disposals)	435.3	405.0



- Slightly higher cost ratio due to increased personnel expenses, primarily driven by new hiring to execute capex programme as well as increases of compensation for existing staff
- Increased earnings from residential property management and acquisitions in nursing and assisted living led to further increase of adj. EBITDA margin by 1.7pp (excl. disposals)

» FFO growth of 9% mainly driven by operations and acquisitions

in EUR m	9M 2017	9M 2016
EBITDA (adjusted)	463.8	451.4
Earnings from Disposals	(28.5)	(46.4)
Long-term remuneration component (share based)	1.2	1.6
At equity valuation	1.3	1.5
Interest expense/ income (recurring)	(74.2)	(78.6)
Income taxes	(28.8)	(21.3)
Minorities	(4.8)	(5.2)
FFO I	330.0	303.0
Earnings from Disposals	28.5	46.4
FFO II	358.5	349.4
FFO I per share in EUR¹⁾	0.94	0.90
Diluted number of shares ²⁾	370.7	370.8
Diluted FFO I per share ²⁾ in EUR	0.89	0.82
Pro-forma diluted number of shares ³⁾	351.3	370.8
Pro-forma diluted FFO I per share ³⁾ in EUR	0.94	0.82
FFO II per share in EUR¹⁾	1.02	1.04



- FFO I margin improved by 2pp, mainly through operating performance and further lowering of financing costs

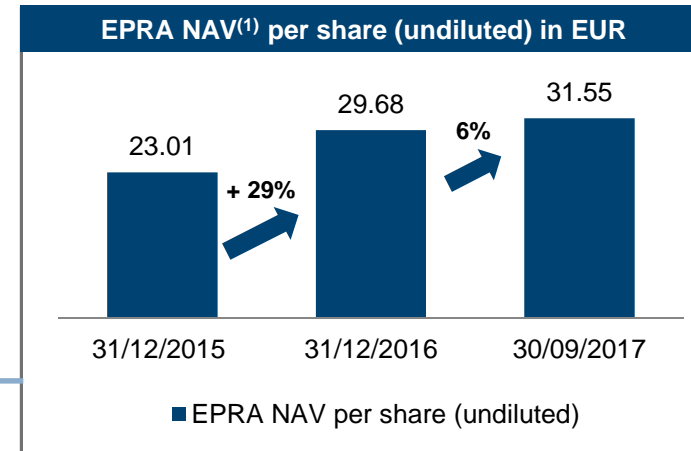
1) Based on weighted average shares outstanding (9M 2017: 351.3m; 9M 2016: 337.4m)

2) Based on weighted average shares assuming full conversion of in the money convertible bonds

3) Based on weighted average shares assuming convertible bond 2021 is fully taken out

» EPRA NAV per share stable in 9M 2017

in EUR m	30/09/2017	31/12/2016
Equity (before non-controlling interests)	8,842.2	7,965.6
Fair values of derivative financial instruments	20.0	47.0
Deferred taxes (net)	2,328.7	2,004.4
EPRA NAV (undiluted)	11,190.9	10,017.0
<i>Shares outstanding in m</i>	354.7	337.5
EPRA NAV per share in EUR (undiluted)	31.55	29.68
Effects of exercise of convertibles	678.0	992.3
EPRA NAV (diluted)	11,868.9	11,009.3
<i>Shares diluted in m</i>	374.1	370.8
EPRA NAV per share in EUR (diluted)	31.72	29.69



- Next revaluation with FY 2017 financials envisaged

1) EPRA NAVs as reported

» Early refinancing of the convertible bonds due 2020 and 2021

	Refinancing CB 2020 in Feb 2017		Refinancing CB 2021 in Sep 2017	
Notional amount	€250m	€800m	€400m	€800m
Issue date	Nov 2013	Feb 2017	Aug 2014	Oct 2017
Maturity	Nov 2020	Jul 2024	Sep 2021	Jan 2026
Coupon p.a.	0.500%	0.325%	0.875%	0.600%
Initial conversion premium	30.0%	53.0%	27.5%	40.0%
Conversion price (current)	€17.45	€48.30	€20.57	€50.85
Premium to EPRA NAV per share*	-44.7%	53.1%	-34.8%	61.2%
Tendered notes	~100%	n/a	~100%	n/a
Purchase price (approx.)	€472m	n/a	€730m	n/a
Underlying shares	14.3m	16.6m	19.4m	15.7m

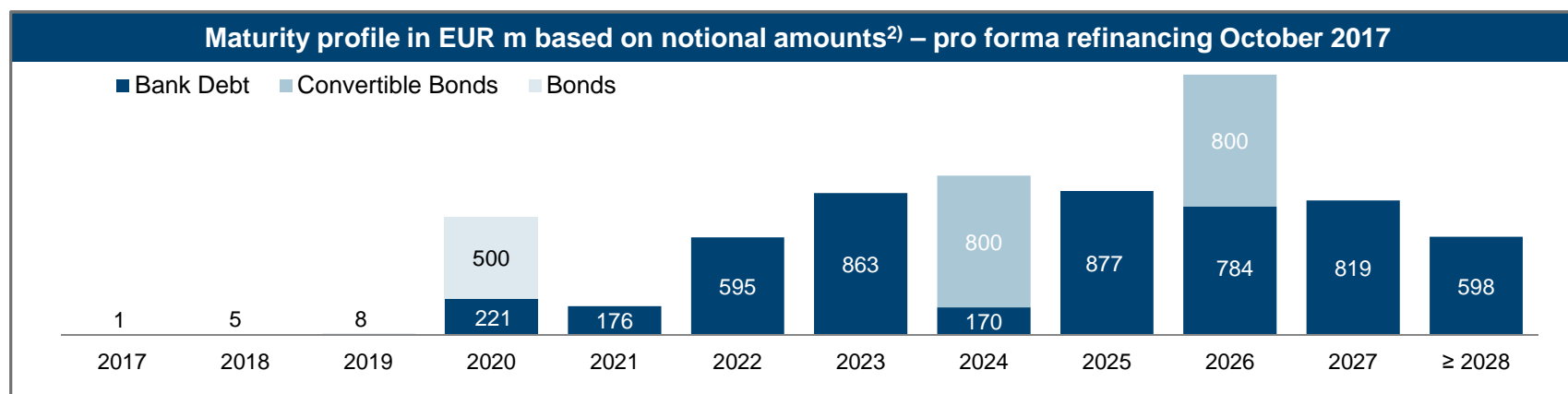
*as of 30/09/2017

- Deeply „in the money convertibles“ refinanced with „out of the money“ convertibles, thereby reducing dilution risk for shareholders
- Mitigation of the refinancing risk and utilisation of the attractive financing environment
- Full flexibility to redeem convertible bonds in cash and/or shares, thereby effective tool to manage capital structure
- Prolongation of the overall maturity profile to ~8.2 years

» Conservative long term capital structure

Rating	A- / A3; stable outlook
Ø maturity ¹⁾	~ 8.2 years
% secured bank debt ¹⁾	66%
% unsecured debt ¹⁾	34%
Ø interest cost ¹⁾	1.4% (~87% hedged)
LTV target range	35-40%

- Low leverage, long maturities and strong rating
- Flexible financing approach to optimize financing costs – unencumbered assets increased to > EUR 4bn
- No significant maturities until and including 2019
- LTV at 37.0% as of 9M 2017 (-0.7pp vs year end)
- ICR (adjusted EBITDA excl. disposals / net cash interest) 5.9x (+0.5x yoy)
- Short term access to c. EUR 1bn liquidity through CP program and RCFs



1) pro forma convertible refinancing October 2017

2) Excluding commercial papers

» Appendix

» Bridge from adjusted EBITDA to profit

in EUR m	9M 2017	9M 2016
EBITDA (adjusted)	463.8	451.4
Depreciation	(5.2)	(4.6)
At equity valuation	1.3	1.5
Financial result (net)	(91.4)	(88.5)
EBT (adjusted)	368.5	359.8
Valuation properties	885.9	731.3
One-offs	(32.3)	(6.4)
Valuation SWAP and convertible bonds	(178.3)	(155.2)
EBT	1,043.8	929.5
Current taxes	(30.2)	(21.3)
Deferred taxes	(307.6)	(245.6)
Profit	706.0	662.6
<i>Profit attributable to the shareholders of the parent company</i>	679.0	642.2
Earnings per share ¹⁾	1.93	1.90

in EUR m	9M 2017	9M 2016
Interest expenses	(74.8)	(79.3)
<i>In % of rental income</i>	~14%	~15%
Non-cash interest expenses	(17.2)	(9.9)
	(92.0)	(89.2)
Interest income	0.6	0.7
Financial result (net)	(91.4)	(88.5)

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

Thereof EUR (181.5 m) from convertible bonds (increase in market value because of positive share price performance) and EUR 3.2m from valuation of derivatives

¹⁾ Based on weighted average shares outstanding (9M 2017: 351.3m; 9M 2016: 337.4m);

» Summary balance sheet

Assets			Equity and Liabilities		
in EUR m	30/09/2017	31/12/2016	in EUR m	30/09/2017	31/12/2016
Investment properties	17,941.0	16,005.1	Total equity	9,146.6	8,234.0
Other non-current assets	132.2	108.6	Financial liabilities	4,793.6	4,600.0
Deferred tax assets	0.7	0.7	Convertibles	1,553.5	1,045.1
Non current assets	18,073.9	16,114.4	Bonds	833.2	732.3
Land and buildings held for sale	345.1	381.5	Tax liabilities	50.6	48.3
Trade receivables	19.1	16.4	Deferred tax liabilities	1,997.9	1,687.1
Other current assets	109.0	79.1	Derivatives	21.5	47.0
Cash and cash equivalents	395.0	192.2	Other liabilities	545.2	389.8
Current assets	868.2	669.2	Total liabilities	9,795.5	8,549.6
Total assets	18,942.1	16,783.6	Total equity and liabilities	18,942.1	16,783.6

- Investment properties represent ~95% of total assets

- Strong balance sheet structure offering comfort throughout market cycles

» Full year guidance remains unchanged

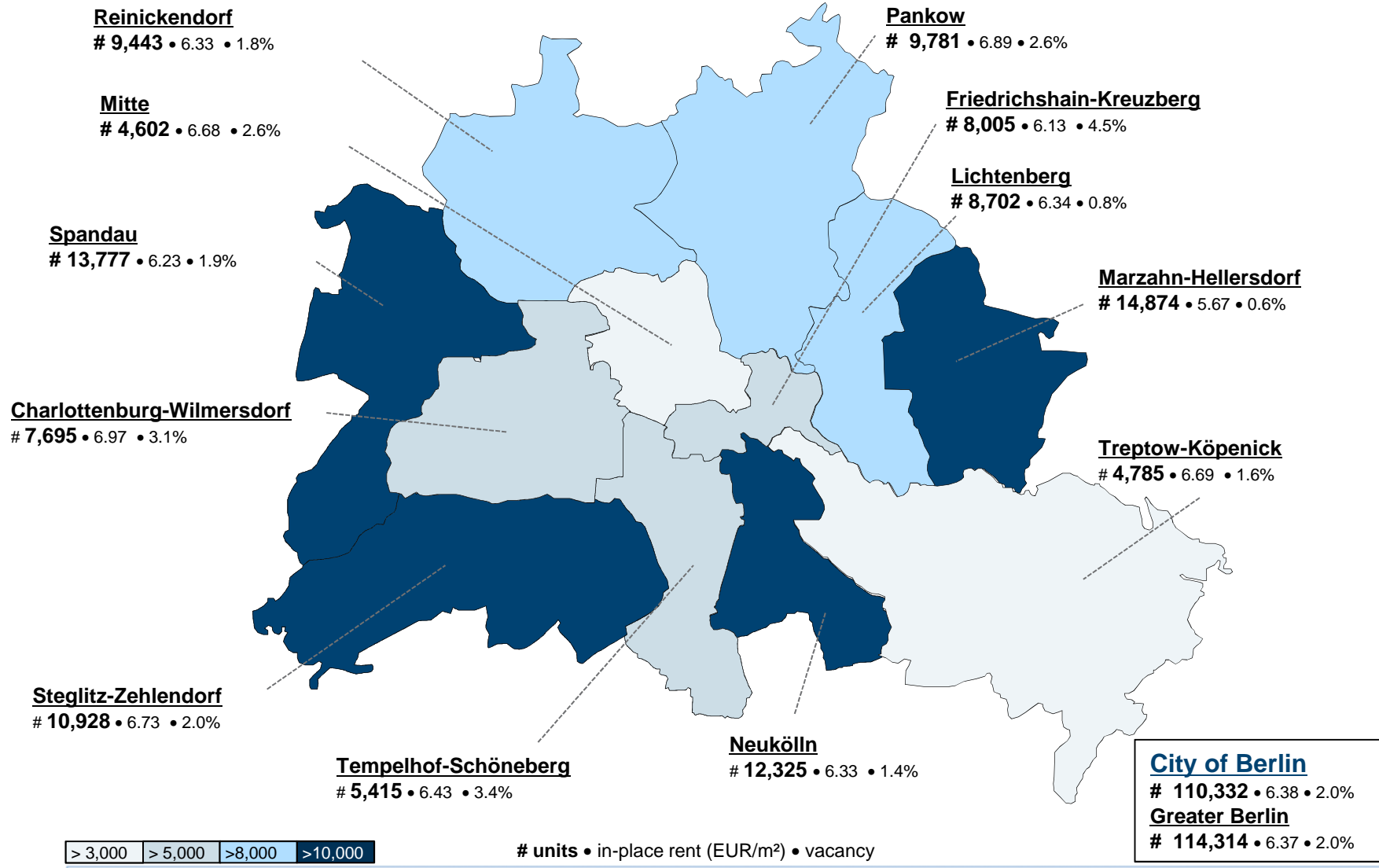
	2016	2017 Guidance	update	Main drivers
FFO I (EUR m)	384	~425	✓	Operational performance and recent acquisitions
Dividend per share (EUR)	0.74	~0.78	✓	Based on 65% pay-out ratio from FFO I and current shares outstanding
LTV	37.7%	35-40% (target range)	✓	Aim to keep current rating
Like-for-like rental growth	2.9%	>4%	✓	In Berlin we expect up to 5% lfl rental growth

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

Like-for-like 30/09/2017	Residential units Number	In-place rent ²⁾ 30/09/2017 EUR/sqm	In-place rent ²⁾ 30/09/2016 EUR/sqm	Change y-o-y	Vacancy 30/09/2017 in %	Vacancy 30/09/2016 in %	Change y-o-y
Letting portfolio¹⁾	150,302	6.32	6.07	4.2%	1.7%	1.5%	0.2 pp
Core*	131,620	6.42	6.14	4.5%	1.6%	1.5%	0.1 pp
Greater Berlin	108,114	6.35	6.04	5.0%	1.7%	1.5%	0.2 pp
Rhine-Main	8,821	7.64	7.42	2.9%	1.8%	1.4%	0.4 pp
Rhineland	4,913	6.22	6.12	1.6%	0.6%	1.2%	- 0.6 pp
Mannheim/Ludwigshafen	4,418	5.96	5.70	4.5%	0.7%	0.6%	0.1 pp
Dresden / Leipzig	3,973	5.41	5.33	1.6%	2.2%	2.4%	-0.2 pp
Sonstige Core+	1,381	9.89	9.78	1.1%	0.5%	1.3%	-0.8 pp
Core	18,682	5.65	5.56	1.7%	2.2%	1.8%	0.3 pp
Hanover / Brunswick	9,089	5.74	5.64	1.9%	1.9%	1.9%	0.0 pp
Kiel / Lübeck	4,945	5.59	5.52	1.4%	2.3%	1.6%	0.7 pp
Core Cities Eastern Germany	4,648	5.51	5.43	1.5%	2.7%	2.0%	0.7 pp
Total	155,238³⁾	6.31	6.05	4.1%	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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