Deutsche Wohnen AG

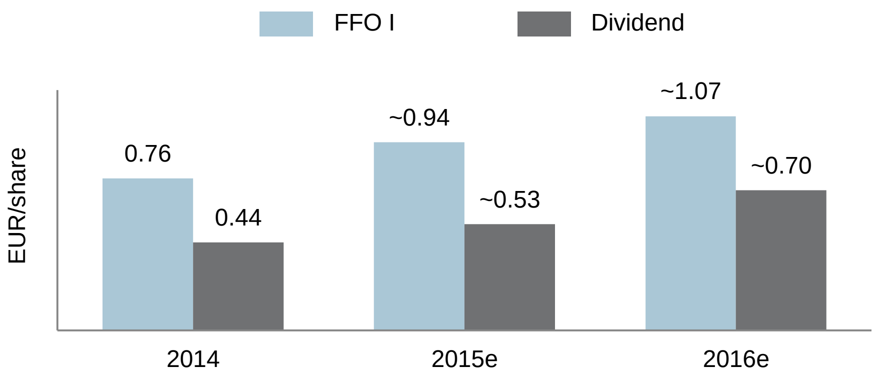
» Roadshow Presentation

January 2016

» Compelling growth of FFO, dividend and NAV

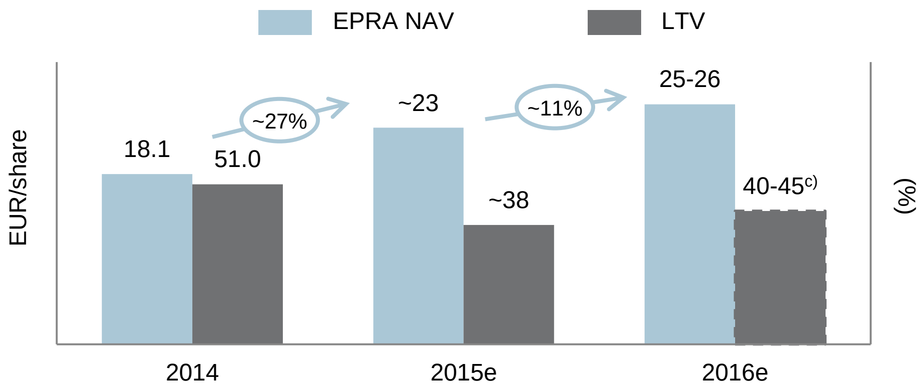
FFO I a) & Dividend per share

- **FFO I per share expected to rise by ~14% in 2016 (~24% in 2015)**
- **Improved profitability and cash flow generation allows for increase of payout ratio to 65% of FFO I starting from 2016**
- **Increased dividend potential to EUR ~0.70 per share for 2016**
- **Dividend per share up by ~32% in 2016 (~20% in 2015)**



EPRA NAV per share b) & LTV

- **Portfolio revaluation of additional c. EUR 1bn expected, resulting in total revaluation of c. EUR 1.7bn for 2015; predominantly driven by yield compression reaching an in-place rent multiplier of ~18.2x for the total portfolio**
- **Further NAV growth expected for 2016 particularly based on continuously strong fundamentals in Berlin and portfolio optimization**
- **Deutsche Wohnen remains fully committed to an LTV range of 40-45%c) (2015: <40%)**



Notes: 2016 estimates are based on unchanged parameters: in particular interest environment, regulatory framework, valuation of convertible bonds
a) FFO I per share calculated on weighted average shares outstanding over period; b) Calculated on shares outstanding at end of period
c) LTV 2016e: ~40% (before valuation impact the LTV 2016e amounts to ~42%)

» Highly accretive acquisitions in 2015 with significant upside

Acquisitions signed in 2015	Residential units #	In-place rent[a)] (EUR/sqm)	Market rent[a)] (EUR/sqm)	Vacancy rate[a)] in %	Fair Value (EUR/sqm)	Market rent multiple
Core+	**14,406**	**5.79**	**7.12**	**2.0**	**1,469**	**17.2**
Thereof greater Berlin	11,455	5.27	6.53	2.0	1,324	16.9
Core	**5,842**	**5.43**	**6.42**	**1.4**	**1,014**	**13.2**
Thereof Kiel/Lübeck	3,818	5.37	6.50	0.7	1,043	13.4
Non-core	**1,489**	**5.36**	**5.71**	**6.2**	**756**	**11.0**
Total	**21,737**	**5.66**	**6.82**	**2.1**	**1,290**	**15.8**

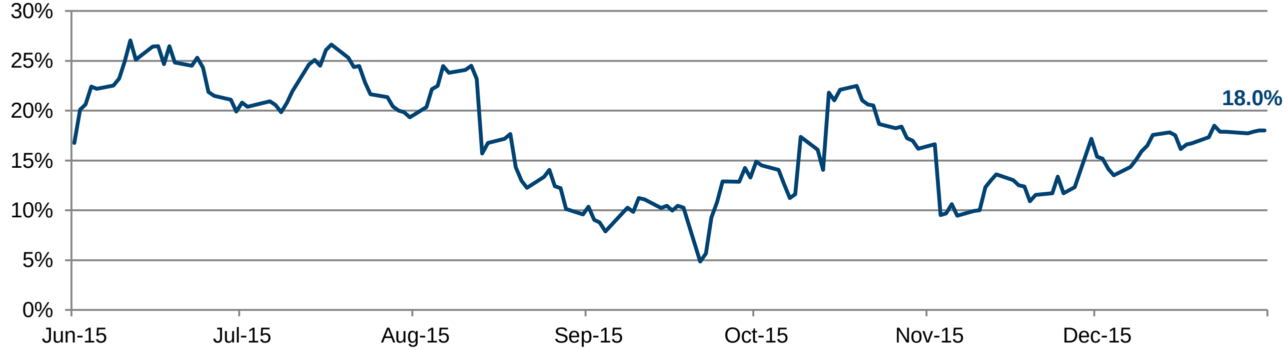
- **Attractive bolt-on acquisitions adding ~20,000 units in Core+ and Core regions**
- **Up to 30% rent potential**
- **Approx. 3,300 units of the acquired units are intended to be disposed and include attractive locations**
- **FFO I impact pre disposals of EUR ~60m p.a. (thereof EUR ~40m p.a. based on the recently announced ~15,200 units acquisitions)**
- **FFO accretive with an FFO I yield of ~7%**

a) At acquisition

» Deutsche Wohnen shareholders should NOT tender their shares!

Offer consideration inadequate	Loss of premium valuation due to combination with higher risk company	Synergies unrealistic and outweighed by dis-synergies	Offer conditions and terms unclear
▪ Unacceptably low premium for premier real estate asset ▪ Discount to DW's intrinsic value and median broker target price ▪ Financial advisors confirm inadequacy	▪ Transaction would lead to an investment into a higher risk, lower quality and lower return company ▪ Combination with Vonovia would result in a loss of DW's premium valuation	▪ Max. EUR 20m cost synergies achievable ▪ Significant dis-synergies from financing and partial loss of tax loss carried forward expected	▪ Vonovia explicitly reserved the right to waive acceptance threshold ▪ Extended offer period only if tender threshold achieved: shares can be tendered during extended offer period under the same conditions

Permanent premium valuation of Deutsche Wohnen vs. Vonovia[a)]



Average Spread	
Last 2 years	17.0%
Last 18 months	15.6%
Last 12 months	16.8%
Last 6 months	17.1%

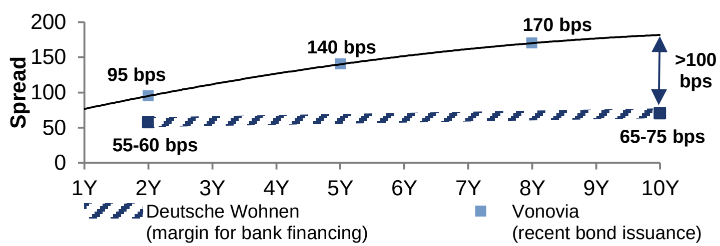
Source: FactSet as of 7 January 2015

a) Calculated as premium spread between Deutsche Wohnen and Vonovia based on quarterly reported EPRA NAV per share as from the respective reporting date

» Deutsche Wohnen: Low risk and efficient financing structure

	Deutsche Wohnen	Vonovia a)
Rating	A- / A3	BBB+ / NA
LTV	38% (43% pro forma announced acquisitions)	53% (57% pro forma announced acquisition)
Ø maturity	~9 years	~7 years
% secured bank debt	77%	28%
% CMBS	-	28%
% unsecured debt	23%	44%
Ø cost of capital	<1.8%	~3.0%
Key financial principles	LTV: **40-45%** Secured vs unsecured: **fully flexible**	LTV: **<50%** Secured vs unsecured: **unsecured**

Illustrative credit spread curve (b)



- Deutsche Wohnen has lower leverage, longer maturities and better rating
- Structurally disadvantageous financing approach by Vonovia as evidenced by recent €3bn bond placement
  - Proof point of more cost efficient secured vs. unsecured financing
  - Spread of >100bps vs. DW bank margin
  - Corresponding financing via DW bank market would have resulted in c. €20m interest savings p.a.
  - On average 5 year term considered inappropriate at current cycle
- Deutsche Wohnen has no significant maturities until and including 2019
- Vonovia forced to use less cost efficient unsecured bond market for upcoming up to €6bn refinancings to avoid rating downgrade

Source: Deutsche Wohnen figures as of 31/12/2015; Vonovia figures based on Vonovia Q3 2015 presentation and bond raise presentation (10 December 2015)
Notes: a) Includes hybrid bond as debt and impact from recent portfolio disposals; (b) Based on spreads at pricing from Vonovia's bond issuance as of 9 December 2015

» Appendix

Summary of reasoned opinion on Vonovia’s hostile offer

Presentation from 14 December 2015

» Vonovia's hostile offer is inadequately low

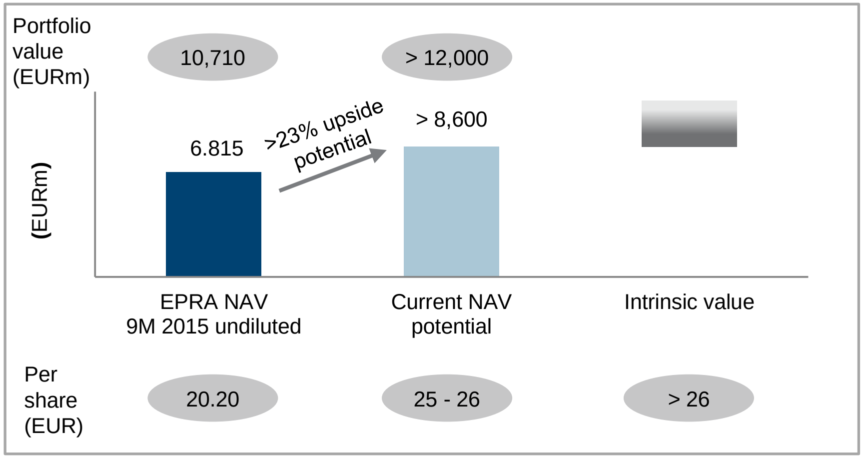
Offer consideration inadequate	▪ **Unacceptably low premium for premier real estate asset in Germany** ▪ Discount to Deutsche Wohnen's intrinsic value ▪ Discount to median broker target price ▪ Discount to premia paid in other relevant transactions ▪ **Financial advisors confirm inadequacy of offer**
Synergies unrealistic and more than outweighed by dis-synergies	▪ **Maximum gross synergies of EUR 20m** ▪ EUR 84m communicated by Vonovia unrealistic – max. EUR 20m cost synergies achievable from overhead optimization and portfolio management ▪ **Significant dis-synergies expected** ▪ Recent bond financing of Vonovia already illustrates dis-synergy potential – >100bps higher credit spread ▪ Partial loss of tax loss carry forward will burden FFO
Loss of premium valuation due to combination with higher risk company	▪ **Transaction leads to an investment into a higher risk / lower return company with …** ▪ Significantly higher financial risk and higher cost of financing ▪ Lower rental growth and rent potential than Deutsche Wohnen stand-alone ▪ Lower profitability and efficiency ▪ Lower portfolio quality and NAV potential ▪ **Combination with Vonovia would mean the loss of Deutsche Wohnen's premium valuation**
Offer conditions and terms unclear	▪ **Some offer conditions open to interpretation by Vonovia** ▪ **Despite all prior commitments: Vonovia explicitly reserved the right to waive acceptance threshold**

Deutsche Wohnen shareholders should NOT tender their shares!

» Discount to Deutsche Wohnen's intrinsic portfolio value

Significant value upside based on observed current market yield compression

(H1 2015)	Core+	Core	Non-core	Total
Portfolio appraised value (EURm)	9,291	860	136	**10,287**
Portfolio appraised value (EUR/sqm)	1,216	852	635	**1,160**
In-place rent appraised multiple (x)	17.2x	13.4x	11.9x	**16.7x**
Observed transaction multiples in the market (x)	>20x	14-17x	10-13x	**> 19.5x**
Value upside potential (EURm)[a]				**> 1,750**



Strong market fundamentals underpinning rental growth and value generation in Core+ / Core markets

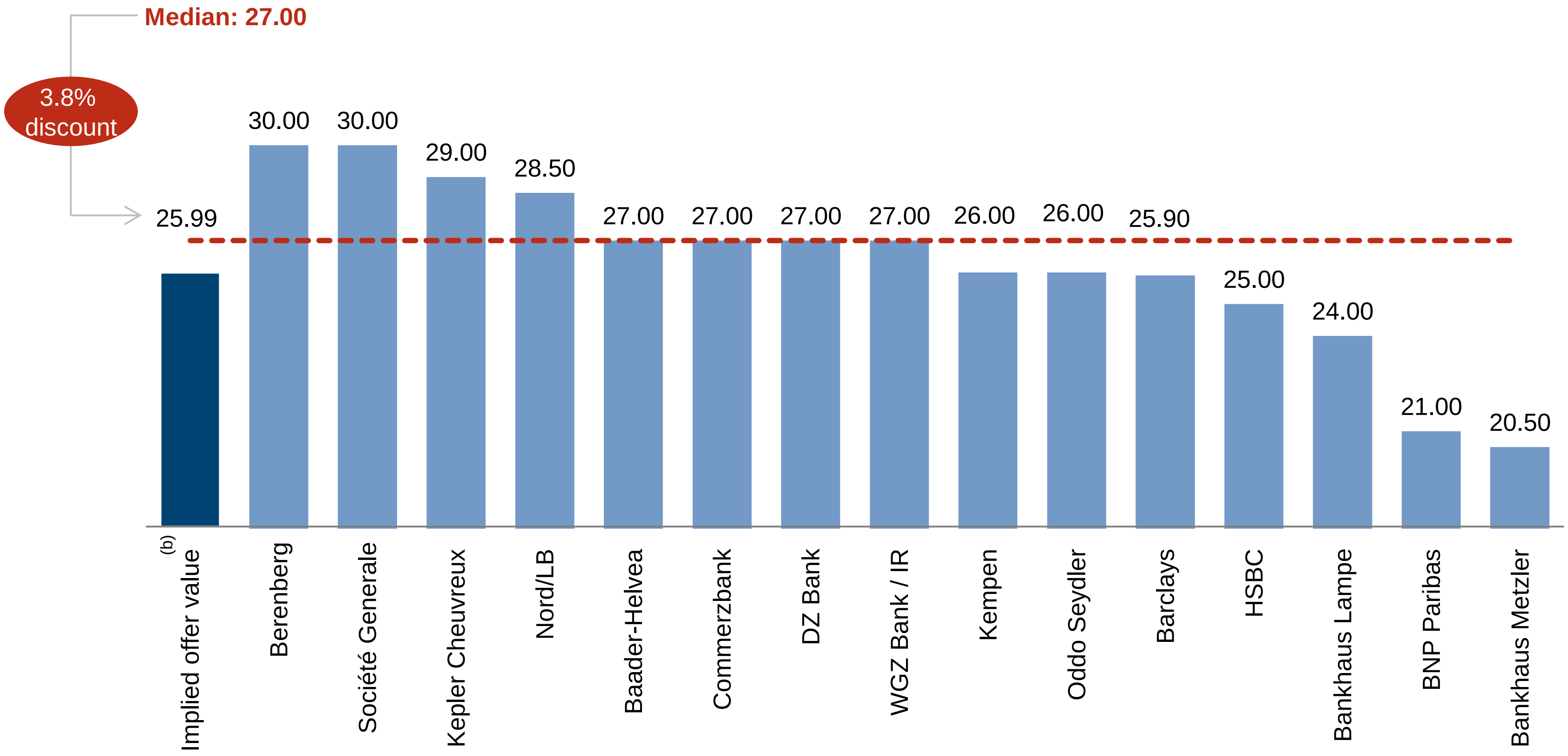
- Core+ markets experiencing continued supply shortage, increasing new construction cost and additional demand volume intensified by unprecedented inflow of refugees
- Significant valuation upside driven by current yield compression and like-for-like rental growth momentum
  - Multiples observed on portfolio transactions significantly exceed the current book values
  - Expected rental growth in 2015 for the entire portfolio of c. 3.5%[b]
  - Like-for-like rental growth in Berlin in 2015 expected to be c. 4.0%[b] (individual portfolios provide for up to 6% rental growth)
- As a consequence, intrinsic value per share > EUR 26 for the stand-alone portfolio, not considering any value for the highly efficient platform that is operating the portfolio

Offer represents a discount to Deutsche Wohnen's intrinsic portfolio value

(a) Portfolio valuation at current transaction multiples in repective markets; (b) Letting portfolio

» Discount to median broker target price

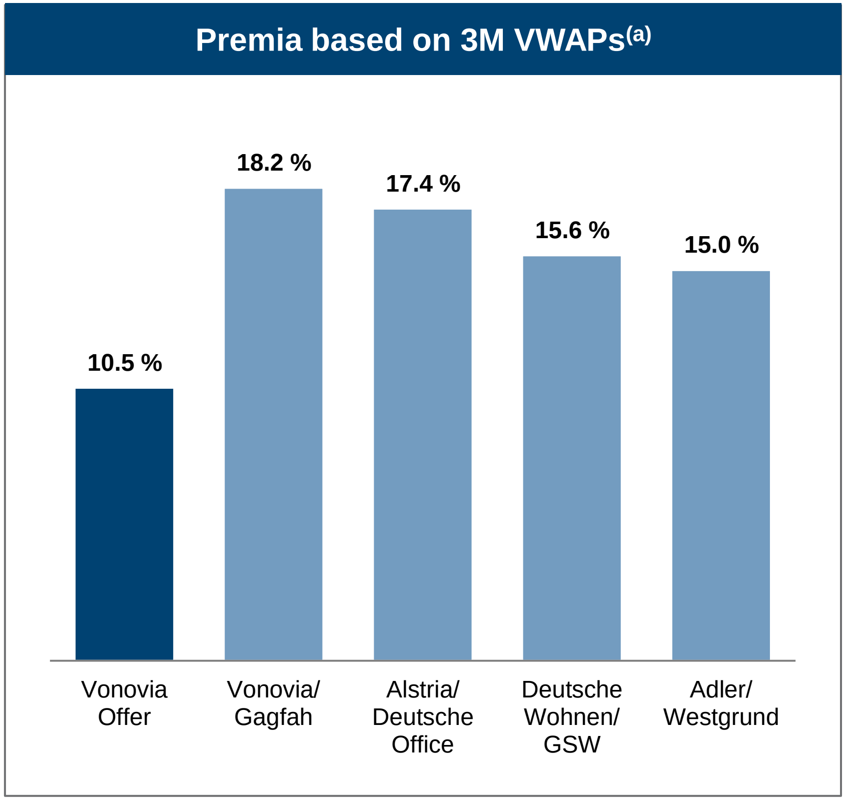
Broker target prices[(a)] vs. implied offer value[(b)]

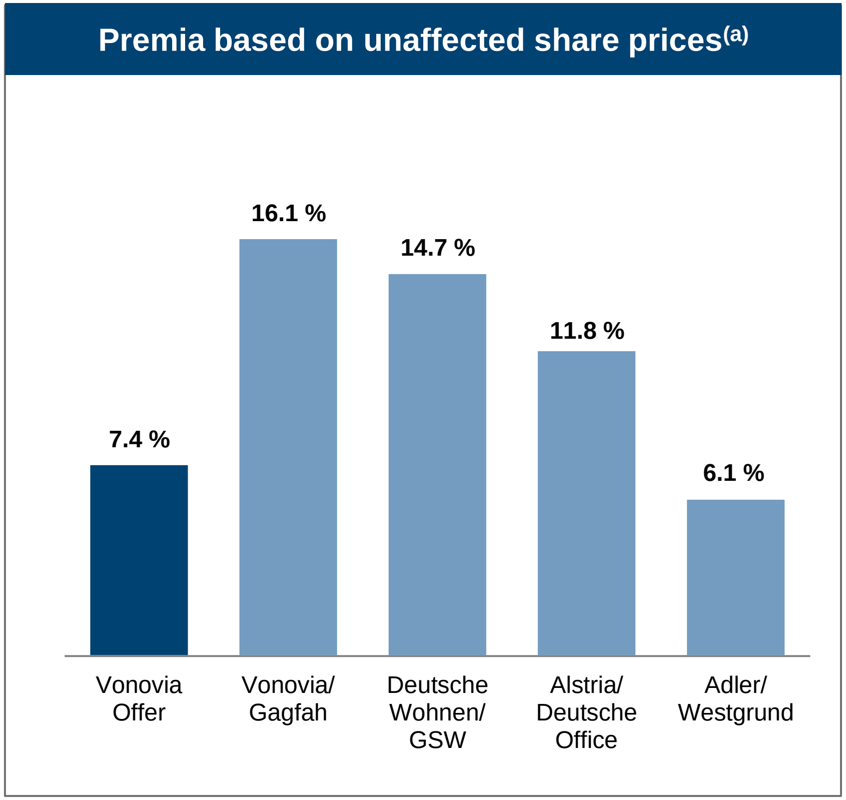


Implied offer value is almost 4% below median of broker target prices. 10 of 15 broker target prices are higher than the implied offer value

Source: Bloomberg, Thomson Reuters, broker research reports
(a) Broker target prices as of 11 December 2015; restricted brokers include Bank of America Merrill Lynch (last target price before restriction: EUR 21.10), Citi (EUR 29.70), Credit Suisse (EUR 25.40), Deutsche Bank (EUR 28.00), Goldman Sachs (EUR 23.50), J.P. Morgan (EUR 27.00), Morgan Stanley (EUR 33.00) and UBS (EUR 25.20); (b) Based on undisturbed share prices of Deutsche Wohnen and Vonovia as of 13 October 2015

» Discount to premia paid in other relevant transactions





Offer premium significantly below comparable transactions in German real estate

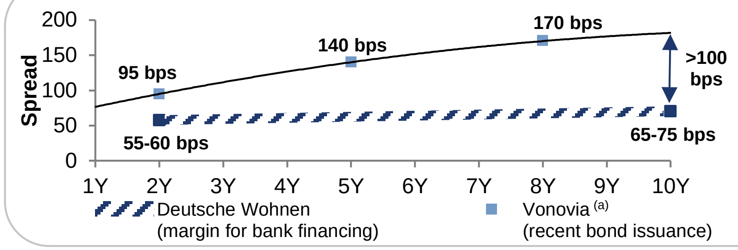
Source: Offer documents
(a) Not adjusted for dividends

» Synergies unrealistic and more than outweighed by dis-synergies

FFO Impact(c):

- Realistic synergy potential of max. EUR 20m (pre-tax)
- EUR 84m proposed by Vonovia – inflated and unrealistic

EUR 20m



- Dis-synergies already materializing as evidenced by Vonovia's recent bond financing
- Proof point of more cost efficient secured bank vs. unsecured bond financing
- Spread of >100 bps vs. DWs bank margin

EUR (10-15)m(b)

- Partial loss of tax loss carry forward
- Higher tax rate will burden FFO in the midterm

EUR (10-15)m

- **Significant dis-synergies more than outweigh realistic gross synergies**

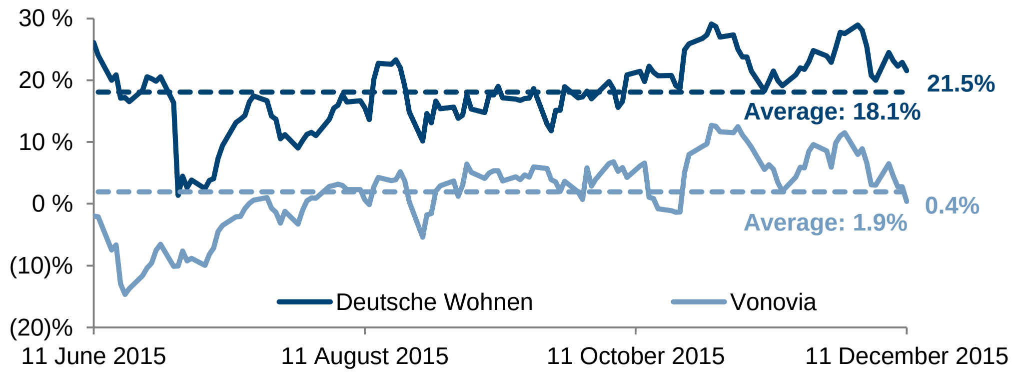
EUR (0-10)m

- **Maximum of EUR 20m gross synergies available**
- **Signifcant dis-synergies of up to EUR (30)m expected**
- **In addition significant transaction costs of EUR >150m and synergy realisation costs of ~EUR 80m**

Source: Bloomberg, Vonovia bond raise presentation (10 December 2015)
(a) Based on spreads at pricing from Vonovia's bond raise as of 09 December 2015; (b) Assumes margin spread of 100bps and unencumbered asset ratio of 50% applied to EUR 5.2bn less EUR 500m bond and less convertible bonds; (c) Pre-tax impact on FFO

» Loss of premium valuation due to combination with a higher risk company

Permanent premium valuation of Deutsche Wohnen[a]



Value at risk	
Current premium to EPRA NAV of Deutsche Wohnen	**21.5%**
Current premium to EPRA NAV of Vonovia	**0.4%**
Valuation gap	**(21.1)%**
Valuation gap applied to Deutsche Wohnen Portfolio[b]	**EUR (1.4)bn**

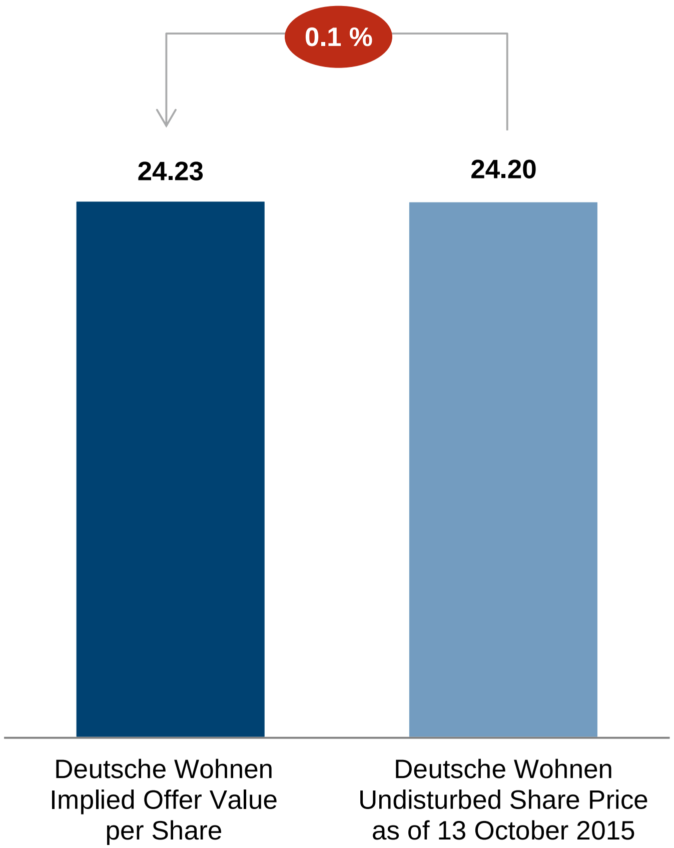
Vonovia risk factors

Lower profitability	▪ Deutsche Wohnen delivered higher EBITDA margins, in every year and irrespective of definition ▪ Q3 2015 adj. EBITDA margins excl. disposals for Deutsche Wohnen at 72.2% vs. Vonovia at 68.6%[c]
Lower portfolio quality	▪ 3.5% l-f-l rental growth for Deutsche Wohnen in 2015E compared to 2.8 - 2.9% for Vonovia ▪ High share of Core+ regions in Deutsche Wohnen leads to higher growth potential
Higher financial risk	▪ Structurally disadvantageous financing approach of Vonovia ▪ Deutsche Wohnen has a lower leverage, longer maturities and better rating
Higher financing costs	▪ Vonovia's recent bond placement underpins structural disadvantage of currently more than 100 bps ▪ Corresponding financing by DW via bank market would have resulted in interest savings of c. EUR 20m p.a.[d] ▪ Vonovia forced to use less cost efficient unsecured bond market for upcoming up to EUR 6bn refinancing to avoid rating downgrade

Transaction would put the premium valuation of Deutsche Wohnen at risk

Source: Company reports, Bloomberg as of 11 December 2015
(a) EPRA NAV per share refers to reported figures, includes goodwill and is based on basic number of shares; (b) 21.1% discount applied to Deutsche Wohnen's undiluted EPRA NAV of EUR 6.8bn as of 30 September 2015; (c) Please see our 9M 2015 results presentation for further details; (d) Calculation based on margin spread of Vonovia vs. Deutsche Wohnen's respective bank margin for each tranche from Vonovia's bond raise as of 09 December 2015

» Valuation of the offer based on EPRA NAV

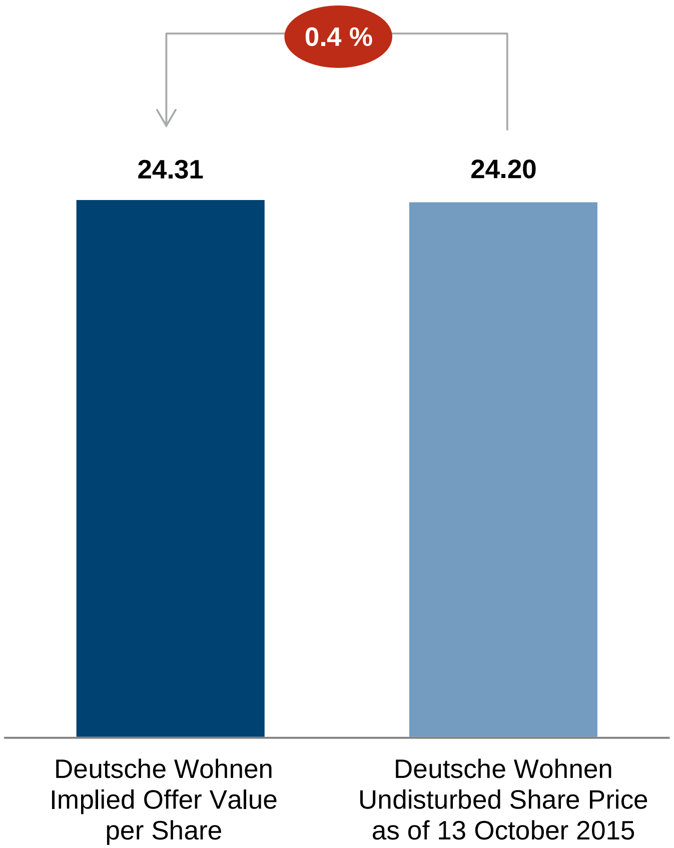


In EUR m	
Vonovia Diluted EPRA NAV incl. Goodwill (30 September 2015)	12,662
Deutsche Wohnen Diluted EPRA NAV incl. Goodwill (30 September 2015)	7,702
Cash Component[(a)]	(2,851)
Transaction Costs	(157)
Pro-Forma Combined EPRA NAV	**17,357**
Deutsche Wohnen Stake in Combined Company	34%
Deutsche Wohnen Stake in EPRA NAV per Share[(b)]	15.64
Vonovia Premium to EPRA NAV[(c)]	6.6%
Value per Share Deutsche Wohnen – Share Component[(d)]	16.67
Value per Share Deutsche Wohnen – Cash Component	7.56
Offer Value per Share to Deutsche Wohnen Shareholders	**24.23**

Almost no value accretion based on an EPRA NAV valuation

(a) Based on cash component per share of EUR 7.56 and diluted shares of Deutsche Wohnen of 377.2m (assuming conversion of convertible bonds under change-of-control conditions); (b) Calculated as pro-forma combined EPRA NAV attributable to Deutsche Wohnen shareholders (EUR 5,901m) divided by 377.2m diluted shares outstanding; (c) Derived from comparison of Vonovia EPRA NAV per share of EUR 27.17 as per 30 September 2015 with Vonovia undisturbed share price of EUR 28.96 as per 13 October 2015; (d) Premium to EPRA NAV of Vonovia has been applied to pro-forma EPRA NAV of the combined company. Per share value for Deutsche Wohnen based on 377.2m diluted shares outstanding

» Valuation of the offer based on FFO I



In EUR m	Pro-Forma LTV: 57%	Target LTV: 50%
Deutsche Wohnen FFO I run-rate[a]	370	370
Vonovia FFO I Guidance 2016E[b]	659	659
Financing Costs[c]	(49)	(49)
Reduction of Financing Costs due to Deleveraging[d]	-	43
Pro-Forma Combined FFO I 2016E	**980**	**1,024**
Deutsche Wohnen Stake in Combined Company	34%	30%[e]
Deutsche Wohnen Stake in FFO I per Share[f]	0.88	0.82
Vonovia FFO I 2016 Yield[g]	4.9%	4.9%
Value per Share Deutsche Wohnen – Share Component[h]	18.09	16.75
Value per Share Deutsche Wohnen – Cash Component	7.56	7.56
Offer Value per Share to Deutsche Wohnen Shareholders	**25.64**	**24.31**

Close to no value accretion based on a FFO I valuation

(a) Deutsche Wohnen FFO I guidance 2016E of EUR 330m adjusted for EUR 40m run-rate contribution from portfolio acquisition announced in November 2015; (b) Based on Vonovia mid-point guidance of FFO I 2016E per share (including interest of perpetual hybrid bond); (c) As announced by Vonovia; (d) Based on pro-forma GAV of EUR 34.4bn, pro-forma net financial debt of EUR 19.6bn, required LTV reduction of c. 7% and financing costs (post-taxes) of 1.8%; (e) Adjusted for additional shares to be issued to achieve target LTV of 50%; (f) Calculated as pro-forma combined FFO I 2016E attributable to Deutsche Wohnen shareholders divided by 377.2m diluted shares outstanding; (g) Vonovia FFO I 2016 of EUR 659m divided by Vonovia market capitalization as of 13 October 2015; (h) Vonovia FFO I 2016E yield has been applied to pro-forma EPRA NAV of the combined company. Per share value for Deutsche Wohnen based on 377.2m diluted shares outstanding

» Yield and value upside at low risk profile

	Deutsche Wohnen			Vonovia		
FFO I / share[(a)]	FY 2013: 0.40	CAGR: 45.9%	FY 2015E (Guidance): 0.85	FY 2013: 1.00	CAGR: 10.2%	FY 2015E (Guidance): 1.21
Adj. NAV / share (undiluted)[(b)]	FY 2013: 12.64	CAGR: 24.7%	9M 2015: 18.61	FY 2013: 22.85	CAGR: (3.4)%	9M 2015: 21.51
LTV development[(c)]	FY 2013: 57.4%	(16.0) p.p.	9M 2015: 41.4%	FY 2013: 49.0%	+4.0 p.p.	9M 2015: 53.0%

Superior cash flow generation and NAV growth while reducing risk profile

Source: Vonovia figures based on Vonovia annual report 2013 and 2014, Q2/Q3 2015 reports and Q3 2015 presentation

(a) Deutsche Wohnen: FFO I excluding minorities divided by end of period undiluted shares outstanding and mid-point guidance of FFO I 2015E divided by undiluted shares outstanding (FY 2013: EUR 114.5m, 286.2m; 2015E: EUR 285-290m; 337.4m); Vonovia: FFO I after interest of perpetual hybrid bond divided by end of period undiluted shares outstanding and mid-point guidance of FFO I 2015E per share (FY 2013: EUR 223.5m, 224.2m; 2015E: EUR 1.20 - 1.22); (b) Deutsche Wohnen: Reported EPRA NAV adjusted for goodwill divided by undiluted shares outstanding (9M 2015: 337.4m; FY2013: 286.2m); Vonovia: Reported EPRA NAV adjusted for goodwill divided by undiluted shares outstanding (9M 2015: 466.0m; FY 2013: 224.2m); (c) Vonovia LTV including perpetual hybrid bond as debt and impact from recent portfolio sales

» Timeline – Where do we stand?

01 December	Publication of offer document by Vonovia
14 December	Publication of reasoned opinion by Deutsche Wohnen
26 January	Initial offer period ends
IMPORTANT	Extended offer period, only if tender threshold achieved: shares can be tendered under the <u>same</u> offer terms/conditions
~15 February	Extended offer period ends

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» Disclaimer

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