



# **Deutsche Wohnen AG**

» **Full year results 2014**

**Conference Call, 26 March 2015**

## » Agenda

1

**Highlights FY-2014**

2

**Portfolio**

3

**Financials**

4

**Conwert update**

5

**Guidance & Outlook**

6

**Q & A**

7

**Appendix**

## » Highlights FY-2014

Financials		
In EUR	FY-2014	yoy
FFO I (before minorities)	223.5m	(+95%)
FFO I (after minorities) <sup>1)</sup>	217.6m	(+90%)
FFO I /share <sup>2)</sup>	0.76	(+17%)
FFO II (incl. disposals)	270.0m	(+96%)
FFO II /share <sup>2)</sup>	0.94	(+21%)
EPRA NAV I per share <sup>3)</sup> (undiluted)	18.10	(+25%)
LTV	51.0%	-6.3pp

Corporate development		
In EUR	FY-2014	FY 2013 Pro forma
<b>Corporate expenses</b> Total personnel, general and administrative expenses	90.5m	102.2m
<b>Cost ratio</b> Corporate expenses / gross rental income	14.4%	17.3%
<b>Costs per unit</b> Corporate expenses / avg. units in period	604	697

Operational development		
In EUR	FY-2014	yoy
NOI letting	460.6m	(+75%)
<b>L-f-I rental growth</b> (entire letting portfolio)	2.5%	(-0.8pp)
<b>Rent increase potential</b> (entire letting portfolio)	19.6%	(+2.6pp)
<b>Rent increase potential</b> (Core <sup>+</sup> )	22.7%	(+3.1pp)
<b>Vacancy rate</b>	2.2%	(-0.2pp)
NOI nursing	16.3m	(+24%)
<b>Occupancy nursing</b>	96.1%	(0.0pp)
NOI disposals <sup>4)</sup>	49.3m	(+141%)
<b>Gross margin</b>	33.4%	(+9.0pp)
<b>Disposal cost ratio</b>	4.7%	(-1.4pp)
<b>Free cash flow impact</b>	135.4m	(+86%)

<sup>1)</sup> Considering mainly guarantee dividend of EUR 1.40 per outstanding GSW shares at accounting date

<sup>2)</sup> Based on weighted average shares outstanding (FY-14: 287.8m)

<sup>3)</sup> Based on total shares outstanding (FY-14: 294.3m)

<sup>4)</sup> Earnings from disposals less related personnel and administrative expenses

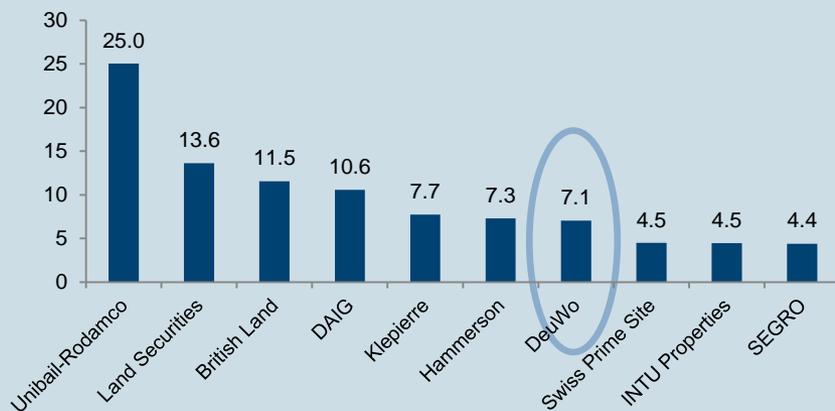
## » Strong position in the capital markets

### 2nd largest listed real estate company in Germany

- Free float market cap increased by ~57% from EUR 3.7bn (Dec. 2013) to EUR 5.8bn (Dec. 2014)
- Ø daily trading volume increased by 5.5% to ca. 548`sh<sup>1)</sup>

MDAX Ranking	Dec. 2013	Dec. 2014
Market cap	6	7
Turnover	24	17
Weight (%)	2.8	3.5

### 7th largest listed real estate company in Europe<sup>2)</sup>



### Outperformance of indices in 2014

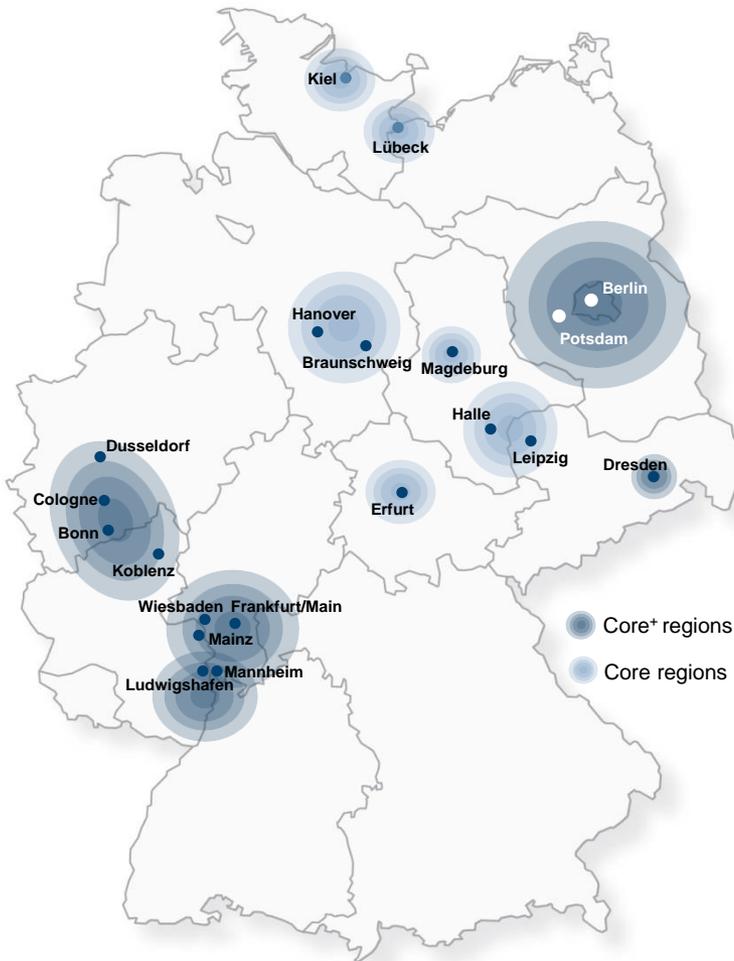


<sup>1)</sup> XETRA trading (without alternative trading platforms)

<sup>2)</sup> EPRA Europe Monthly Statistical Bulletin as at 27.02.2015

## » Portfolio

## » Portfolio Overview



Portfolio development underlines shift to growth regions with significant upside potential

Total residential holdings: ~147,000 units

- Thereof ~87% in dynamic Core+ regions (~ 128,000 units)
- Thereof ~73% in Greater Berlin (>106,000 units)
  - Largest private landlord of Berlin
- Successful disposal of Non-core assets

L-f-I  
Rental  
Growth

- 2.5% rental growth in our Core+/ Core regions
- 2.4% rental growth for the total portfolio

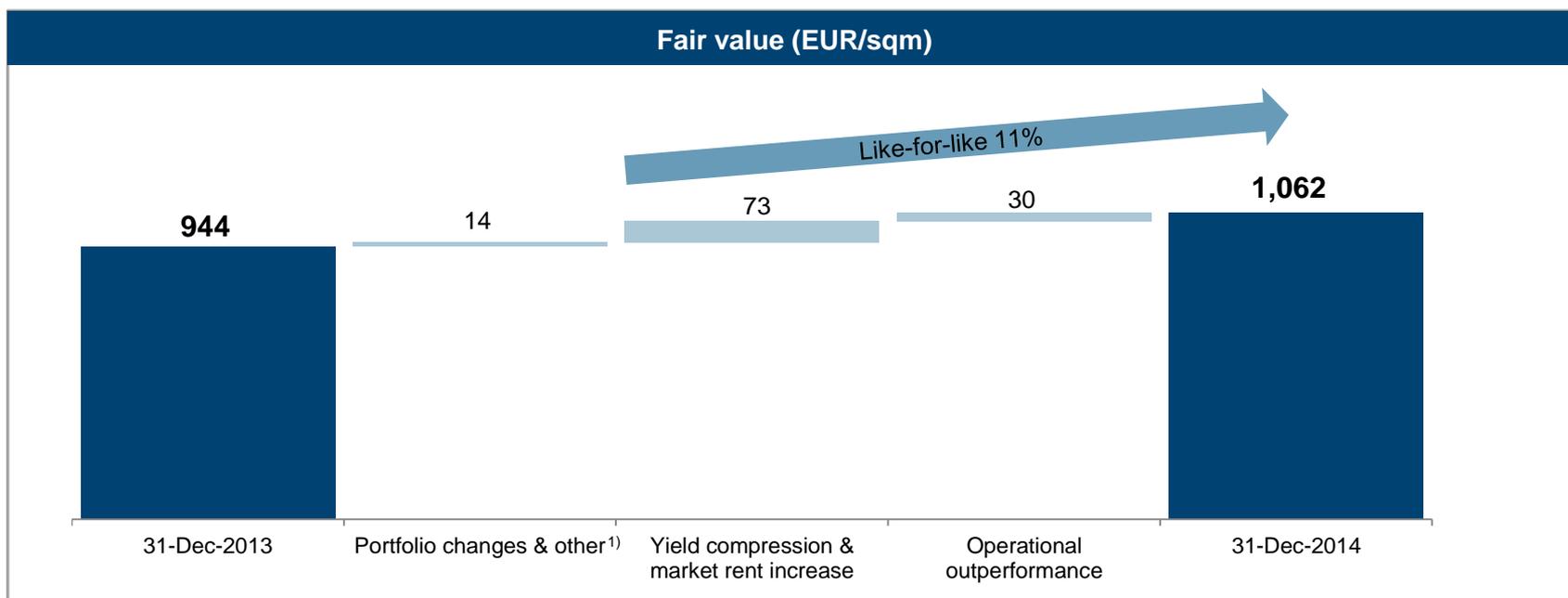
Rent  
potential

- Strong rent potential in our Core+ regions at ~23% reflects beneficial market fundamentals

## » Valuation Overview as of 31-Dec-2014

- Revaluation of EUR ~1bn or EUR 118 per sqm leading to a multiple expansion by 1.3x to 15.5x
- Main uplift from portfolio in Greater Berlin and Rhine-Main area
- ~1/3 derive from an operational outperformance (rent increases), ~2/3 result from changed model assumptions (lower cap and discount rates)
- Yield compression is underpinned by portfolio transactions 2014 in Berlin at rent multiples of 15-20x (multiple increase at our Berlin portfolio by 1.7x to 16.1x)

Key figures	2014	2013
Total fair value in EUR	9.8bn	8.9bn
Area (sqm) in m	9.22	9.41
Multiple (current rent)	15.5x	14.2x
Annualised in-place rent in EUR	629m	627m



<sup>1)</sup> Excluded in like-for-like comparison

## » Composition of fair value adjustment

	EUR m	EUR/sqm	△ EUR/sqm	△ in %	Multiple	△ Multiple
<b>FV (31.12.2013)</b>	<b>8,881</b>	<b>944</b>			<b>14.2</b>	
Balance portfolio changes and other	(52)	14				
FV (31.12.2014) after portfolio changes and capitalization	8,829	958	14	1.5%	14.0	(0.2)
Impact property management performance	279	30				
FV after property management performance	9,108	988	44	4.7%	14.5	0.3
Yield compression & market rent increase	677	73				
<b>Result: FV Investment properties (31.12.2014)</b>	<b>9,785</b>	<b>1,062</b>	<b>118</b>	<b>12.5%</b>	<b>15.5</b>	<b>1.3</b>

Net of acquisitions / disposals and capitalized investments for modernization

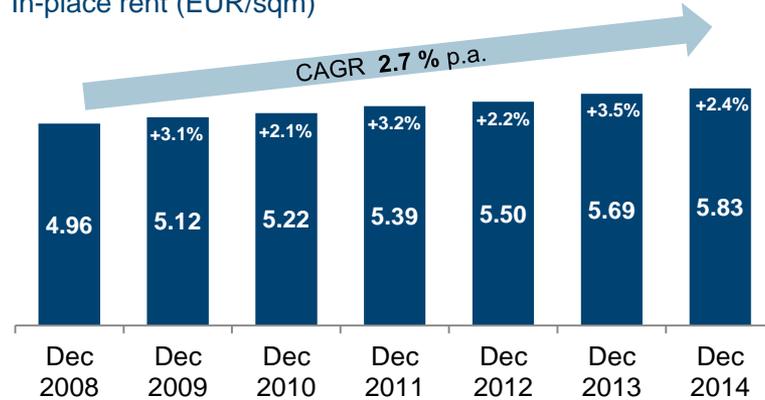
Outperformance of valuation assumptions

Yield compression (40bps in cap and discount rate) and market rent increase assumptions

# » Strong like-for-like development

## Letting Strategic Core and growth regions

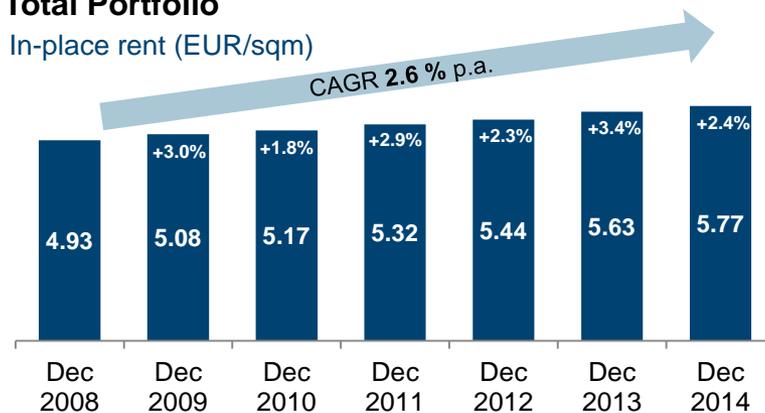
In-place rent (EUR/sqm)



- Comprises ~ 71,800 units under management since Dec 2008

## Total Portfolio

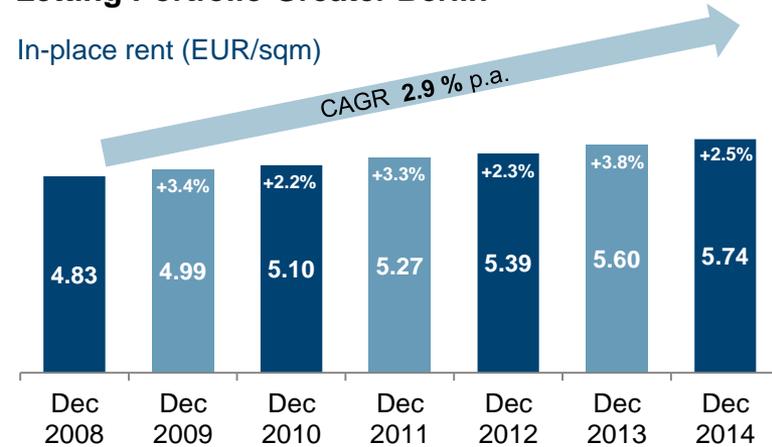
In-place rent (EUR/sqm)



- Comprises ~ 82,800 units under management since Dec 2008

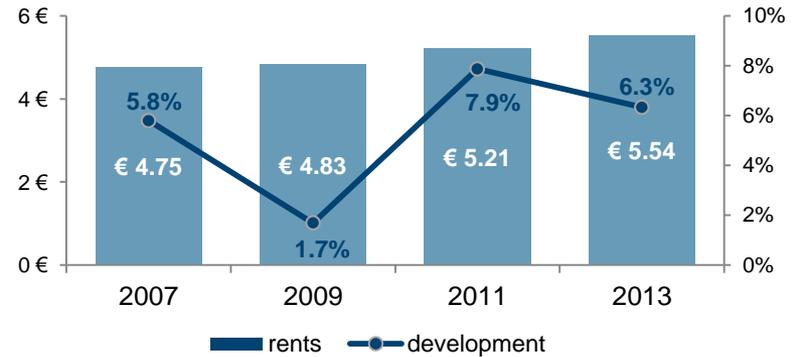
## Letting Portfolio Greater Berlin

In-place rent (EUR/sqm)



- Comprises ~ 57,400 units under management since Dec 2008

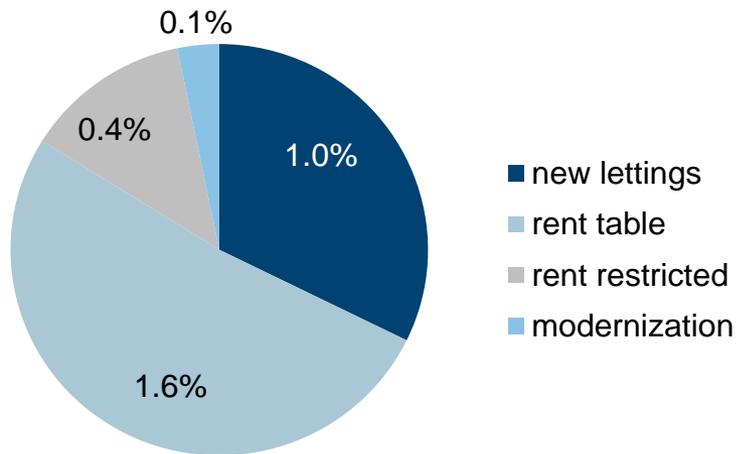
## Development of Berlin „Mietspiegel“



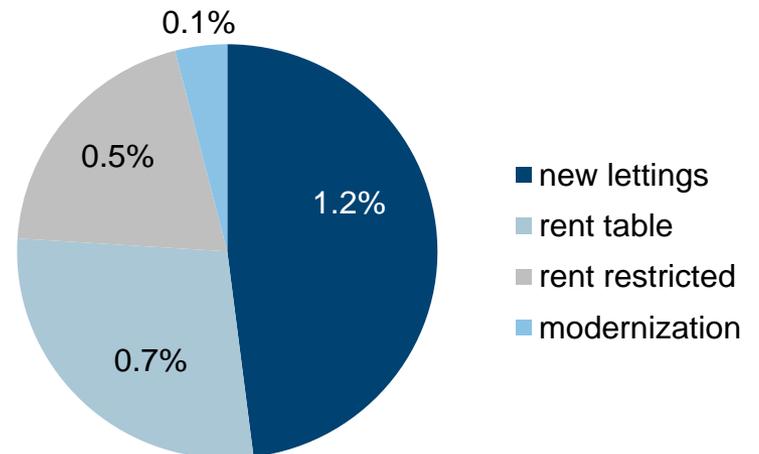
Source: Berlin Mietspiegel of relevant years

## » The drivers of rental growth

FY-2013: split of 3.1% rental growth<sup>1)</sup>



FY-2014: split of 2.5% rental growth<sup>1)</sup>



- After adjusting “Berlin Mietspiegel effect” in 2013 stable rental growth in 2014
- In a year without Berlin Mietspiegel, new lettings make up ~50% of rental growth
- Annualized rent increases of EUR 14.8m (2013: EUR 17.5m / ~50% from Mietspiegel)
- Attractive ROI of ~17% for re-lettings (capex and maintenance) leading to 1.2% rental growth

<sup>1)</sup> Overall rental growth (not like for like)

# » Acquisitions

Key figures	
<b>Residential units</b>	<b>3,079</b>
Residential area (sqm in thous.)	212
Gross rental income (EUR m)	15,1
In-place rent (EUR/sqm)	5.54
Rent potential	14%
Vacancy	4.1%
NOI contribution (EUR m)	12.6

Purchase price	
Price (EUR/sqm)	1,228
Purchase price (net, EUR m)	278
Multiple (in place rent)	18.4x

- Berlin I portfolio located in Hellersdorf, perfect add-on to existing properties, good micro location and well maintained
- Dresden portfolio with privatization potential

**Berlin I (1,639 res. units)**



**Dresden (293 res. units)**



**Berlin II (293 res. units)**



**Frankfurt, Rhine Main (646 res. units)**



## » Disposal of 5,750 residential units in Berlin

### Divestment rationale

- Reduction of the overallocation in the districts of Reinickendorf/Spandau
- Realization of an attractive book gain based on the purchase price
- Age cluster of the 60ies and 70ies with above average modernization need
- Below average rent increase potential

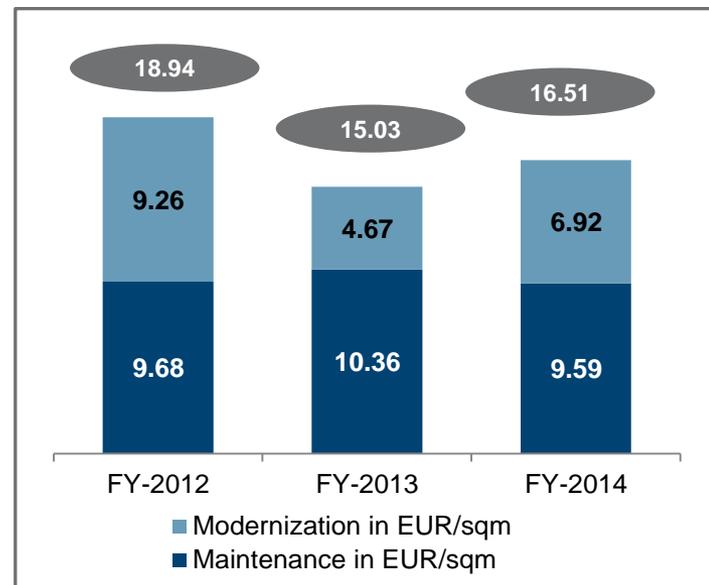
### Key figures

Residential units	5,750
Residential area (sqm in thous.)	400
Gross rental income p.a. (EUR m)	24.0
NOI contribution p.a. (EUR m)	14.5
In-place rent (EUR/sqm/month)	5.10
Vacancy rate	3.5%
Net purchase price (EUR m)	375
Multiple (in place rent)	15.6x
Price (EUR/sqm)	938

- Closing at the beginning of Q2 2015
- **Portfolio disposal underpins the notable portfolio valuation uplift in 2014**

## » Focused and sustainable investments into the portfolio

	FY-2014	FY-2013 <sup>1)</sup>
	EUR m	EUR m
<b>Maintenance</b>	<b>88.8</b>	<b>59.4</b>
<b>Modernization</b>	<b>64.1</b>	<b>26.8</b>
<b>Total</b>	<b>152.9</b>	<b>86.2</b>
<b>Total EUR/ sqm<sup>2)</sup></b>	<b>16.51</b>	<b>15.03</b>
<b>Capitalization rate</b>	<b>41.9%</b>	<b>31.1%</b>



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

## » Financials

## » Strong earnings and cash contributions from letting

	in EUR m	FY-2014	FY-2013
<b>Earnings from letting: + EUR 214m (+73%)</b>	<b>Current gross rental income</b>	<b>626.3</b>	<b>372.9</b>
	Non-recoverable expenses	(13.8)	(9.6)
	Rental loss	(8.9)	(4.9)
	Maintenance	(88.8)	(59.4)
	Others	(9.0)	(6.7)
	<b>Earnings from Residential Property Management</b>	<b>505.8</b>	<b>292.3</b>
	Personnel, general and administrative expenses	(45.2)	(28.3)
	<b>Net Operating Income (NOI)</b>	<b>460.6</b>	<b>264.0</b>
	NOI margin	73.5%	70.8%
	NOI in EUR / sqm / month	4.14	3.84
	in EUR m	FY-2014	FY-2013
<b>Cash flow + EUR 135m (+93%)</b>	Net operating income (NOI)	460.6	264.0
	Cash interest expenses	(179.6)	(118.4)
	<b>Cash flow from portfolio after cash interest expenses</b>	<b>281.0</b>	<b>145.6</b>
	<b>Interest cover ratio</b>	<b>2.56</b>	<b>2.23</b>

**In-place rent:**  
FY-14: EUR 5.69 /sqm

**Maintenance<sup>1)</sup>**  
FY-14: EUR 9.59 /sqm  
(FY-13: EUR 10.36 /sqm) additional EUR 64.1m for modernization (EUR 26.8m in FY-13)

**NOI** increased by EUR 196.6m (74%) due to GSW takeover and efficiency gains

w/o EUR 3.8m for nursing and assisted living in FY-2014

### NOI-margin

- Improved NOI margin shows increased efficiency of property management

## » Benchmark EBITDA margin among the Peer Group

in EUR m	FY-2014	FY-2013	EBITDA margins	FY-2014	FY-2013
Earnings from Residential Property Management	505.8	292.3	adj. EBITDA / gross rents	75.9%	72.5%
Earnings from Disposals	52.4	23.0	adj. EBITDA excl. disposals / gross rents	67.5%	66.3%
Earnings from Nursing and Assisted Living	16.3	13.2			
<b>Segment contribution margin</b>	<b>574.5</b>	<b>328.5</b>			
Corporate expenses	(90.5)	(52.9)			
Other operating expenses/income	(29.5)	(22.7)			
<b>EBITDA</b>	<b>454.5</b>	<b>252.9</b>			
Other one-off income	0.0	(2.2)			
One-off costs for transactions	5.6	19.1			
Restructuring & Reorganization expenses	15.2	0.4			
<b>EBITDA (adjusted)</b>	<b>475.3</b>	<b>270.2</b>			

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

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

- 14.4% in FY-2014 vs. 17.3% FY-2013 (pro-forma incl. GSW)

### Adj. EBITDA

- Increased by EUR ~205m mainly attributable to an increase of earnings from letting EUR 214m and from disposals EUR ~29m

### Margins

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

<sup>1)</sup> Corporate expenses (EUR 90.5m) divided by current gross rental income (EUR 626.3m)

## » Strong integration track record

	DW before GSW			DW incl. GSW	
	2011	2012	2013	2013 pro forma	2014
<b>No. of units (avg.)</b>	<b>48,699</b>	<b>57,914</b>	<b>86,999</b>	<b>146,710</b>	<b>149,776</b>
Gross rental income <sup>1)</sup>	196.4	240.0	353.5	589.7	626.3
<b>Corporate expenses</b>	<b>(32.9)</b>	<b>(40.4)</b>	<b>(48.1)</b>	<b>(102.2)</b>	<b>(90.5)</b>
Cost per unit	(676)	(698)	(553)	(697)	(604)
in % of Gross rental income	16.8%	16.8%	13.6%	17.3%	14.4%
<b>Efficiency benefit</b>					

**Cost ratio target of 12% in 2016**

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

## » Profit more than tripled to EUR 889m (+318%)

in EUR m	FY-2014	FY-2013
<b>EBITDA (adjusted)</b>	<b>475.3</b>	<b>270.2</b>
Depreciation	(6.1)	(5.5)
At equity valuation	(0.5)	0.0
Financial result (net)	(185.4) <sup>2)</sup>	(132.8) <sup>2)</sup>
<b>EBT (adjusted)</b>	<b>283.3</b>	<b>131.9</b>
Valuation properties	952.7	100.9
Other one-off income	(0.0)	2.2
One-off costs for transactions	(5.6)	(19.1)
One-off costs financing	(82.2)	(8.6)
Restructuring & Reorganization	(15.2)	(0.4)
Valuation SWAP and convertible bonds	(111.5)	10.6
<b>EBT</b>	<b>1,021.5</b>	<b>217.9</b>
Current taxes	(16.9)	(13.8)
Deferred taxes	(115.3)	8.6
<b>Profit</b>	<b>889.3</b>	<b>212.7</b>
<i>Profit attributable to the shareholders of the parent company</i>	<i>855.9</i>	<i>212.4</i>
Earnings per share <sup>1)</sup>	2.97	1.21

in EUR m	FY-2014	FY-2013
Interest expenses	(183.4)	(122.0)
Non-cash interest expenses	(3.0)	(11.8)
	<b>(186.4)</b>	<b>(133.8)</b>
Interest income	1.0	1.0
<b>Financial result (net)</b>	<b>(185.4)</b>	<b>(132.8)</b>

Mainly breakage costs for debt restructuring

Mainly redundancy payments

Thereof EUR 12.5m from valuation of derivatives and EUR 99.0m from convertible bonds

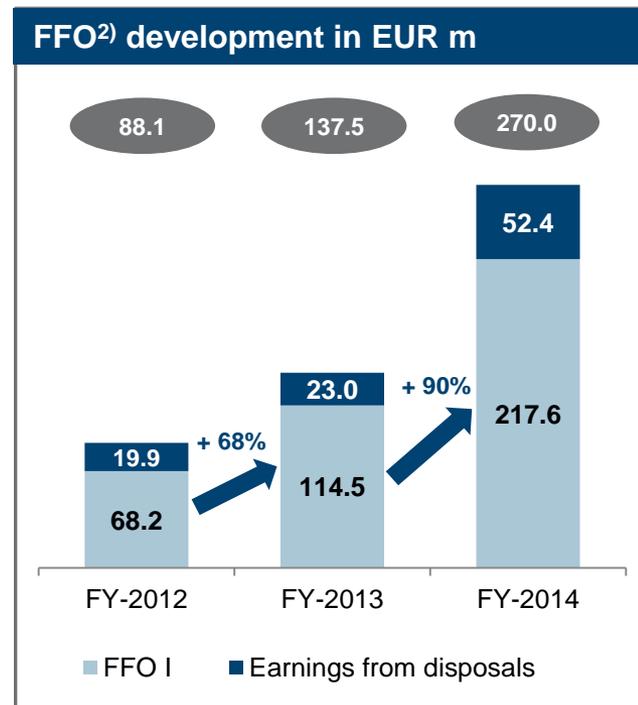
Market value of convertible bonds (31/12/2014): EUR 748.7m

<sup>1)</sup> Based on weighted average shares outstanding (FY-14: 287.83m; FY-13: 175.27m)

<sup>2)</sup> Adjusted for Valuation of SWAPs and convertible bonds

## » Recurring FFO per share performance +16.9% (y-o-y)

in EUR m	FY-2014	FY-2013
<b>Profit</b>	<b>889.3</b>	<b>212.7</b>
Earnings from Disposals	(52.4)	(23.0)
Depreciation	6.1	5.5
Valuation investment properties	(952.7)	(100.9)
Valuation SWAP and convertible bonds	111.5	(10.6)
Other one-off income	0.0	(2.2)
One-off costs for transactions and financing	87.8	27.7
Non-cash financial expenses	3.0	11.8
Deferred taxes	115.3	(8.6)
Tax benefit from capital increase	0.4	2.5
Restructuring & Reorganization expenses	15.2	0.0
FFO attributable to non-controlling interest	(5.9)	(0.4)
<b>FFO I<sup>2)</sup></b>	<b>217.6</b>	<b>114.5</b>
Earnings from Disposals	52.4	23.0
<b>FFO II</b>	<b>270.0</b>	<b>137.5</b>
<b>FFO I per share<sup>1)</sup></b>	<b>0.76</b>	<b>0.65</b>
<b>FFO II per share<sup>1)</sup></b>	<b>0.94</b>	<b>0.78</b>



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

- Accretive FFO I per share development: **+16.9%** (y-o-y)

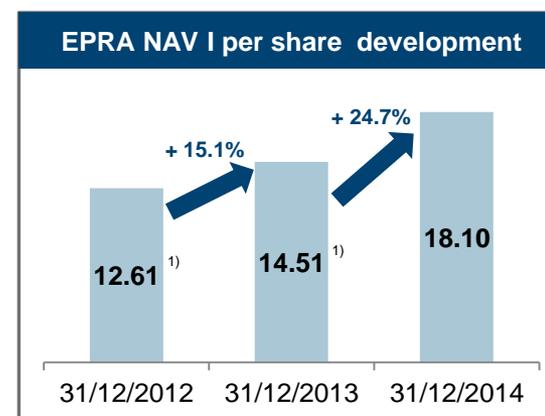
<sup>1)</sup> Based on weighted average shares outstanding (FY-14: 287.8m; FY-13: 175.3m)  
<sup>2)</sup> After minorities

## » EPRA NAV I per share up by 24.7%

in EUR m	31/12/2014	31/12/2013
Equity (before non-controlling interests)	4,692.9	3,777.8
Fair values of derivative financial instruments	144.9	156.5
Deferred taxes (net)	488.2	218.7
<b>EPRA NAV (undiluted)</b>	<b>5,326.0</b>	<b>4,153.0<sup>1)</sup></b>
Shares outstanding in m	294.26	286.22
<b>EPRA NAV per share in EUR (undiluted)</b>	<b>18.10</b>	<b>14.51<sup>1)</sup></b>
Effects from conversion of CB 2013 (WKN A1Y CRO of 20/11/2013)	301.4	248.6
<b>EPRA NAV (diluted)</b>	<b>5,627.4</b>	<b>4,401.6</b>
Shares diluted in m	307.88	299.55
<b>EPRA NAV per share in EUR (diluted)</b>	<b>18.28</b>	<b>14.69</b>

in EUR m	31/12/2014	31/12/2013
<b>EPRA NAV (undiluted)</b>	<b>5,326.0</b>	<b>4,153.0<sup>1)</sup></b>
Goodwill GSW	(535.1)	(535.1) <sup>2)</sup>
<b>Adjusted NAV (undiluted)</b>	<b>4,790.9</b>	<b>3,617.9</b>
Shares outstanding in m	294.26	286.22
<b>Adjusted NAV per share in EUR (undiluted)</b>	<b>16.28</b>	<b>12.64</b>

EPRA NAV I per share (undiluted) increased by **24.7%**



**Change in EPRA NAV calculation:** in accordance with EPRA guidelines and in line with methodology of the German resi peers. Deferred tax assets from tax loss carryforwards are not deducted anymore, starting from FY 2014 reporting.

<sup>1)</sup> Prior year figures adjusted due to change in calculation (see comment above)  
<sup>2)</sup> Change of prior year figures due to change of purchase price allocation (PPA) concerning first time consolidation of GSW Immobilien AG

## » Cash flow creation and dividend coverage

EURm	2011	2012	2013	2014
FFO I <sup>1)</sup>	47.5	68.2	114.5	217.6
FFO disposals	10.6	19.9	23.0	52.4
FFO II	58.1	88.1	137.5	270.0
+ Δ CF disposals <sup>2)</sup>	54.0	51.2	49.9	83.0
- Regular amortization	-30.2	-36.0	-51.5	-81.0
- Capex	-24.7	-33.2	-26.8	-64.1
<b>Corporate Free Cash Flow</b>	<b>57.2</b>	<b>70.1</b>	<b>109.1</b>	<b>207.9</b>
<i>Per share</i>	<i>0.64</i>	<i>0.56</i>	<i>0.62</i>	<i>0.72</i>

2014 refinancing and further synergies will improve cash flow going forward

Payout ratio in % of FFO I	50%	50%	50%	60%
- Dividend payments	-23.5	-33.8	-57.4	~130.0
<i>Dividend per share (EUR)</i>	<i>0.23</i>	<i>0.21</i>	<i>0.34</i>	<i>0.44<sup>3)</sup></i>
<b>Dividend coverage</b>	<b>243%</b>	<b>207%</b>	<b>191%</b>	<b>159%</b>

Payout ratio has been increased after GSW transaction

DPS +91% since 2011

- 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

<sup>3)</sup> Based on 294.8m shares and subject to AGM approval

## » Conwert update



## » Add on acquisition – no game changer

### Adding a major Core+ and Core residential portfolio

- Approx. 90% of assets are based in Germany (c. 25,000 residential units)
- Core+ / Core portfolio of ~15,000 units in Berlin, Potsdam, Dresden, Vienna and Leipzig
- Large part of the commercial portfolio to be sold
- ➔ **Expansion of Deutsche Wohnen within attractive metropolitan growth areas**

- **Conwert has been underperforming in recent years**
- **Conwert needs a strong partner**
- **Deutsche Wohnen applying integration and restructuring expertise**
- **11.50 EUR is a fair offer price given the restructuring needs**
- **The offer price of 11.50 EUR can and will not be increased**

## » Guidance & Outlook

## » Guidance 2015<sup>1)</sup>

1

**FFO I: at least EUR 250m (after minorities)**

2

**Dividend policy: 60% of FFO I**

3

**Mid term target: overall cost ratio of 12% from 2016 onwards**

4

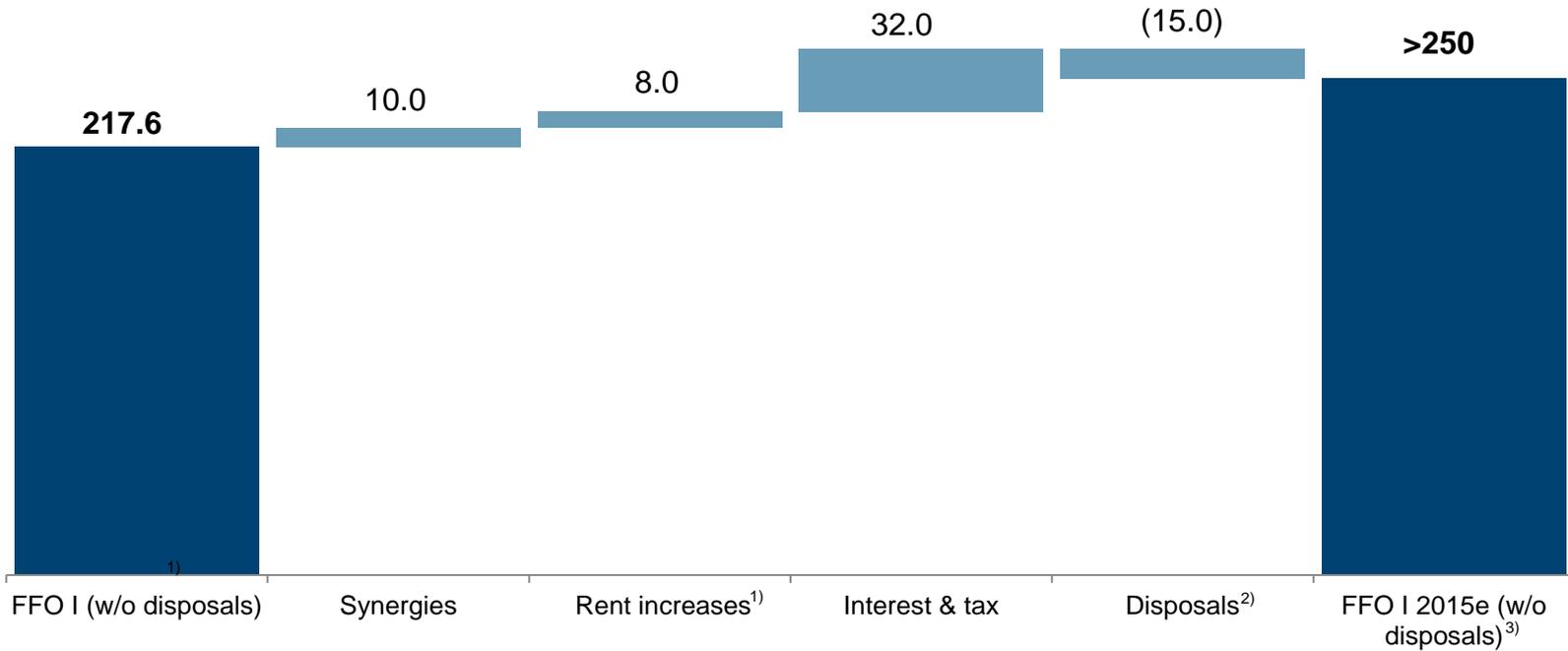
**LTV: ~50% by the end of 2015**

5

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

<sup>1)</sup> Without acquisitions and opportunistic portfolio disposals

## » Guidance 2015



- At least EUR 250m FFO I after minorities targeted for 2015
- EUR 500m earnings from residential property management expected
- EUR 14m earnings contribution from nursing and assisted living

<sup>1)</sup> Annualized EUR ~18m

<sup>2)</sup> Net effect of all acquisitions and disposals in 2014

<sup>3)</sup> After minorities (w/o consideration of minority interest of GSW)

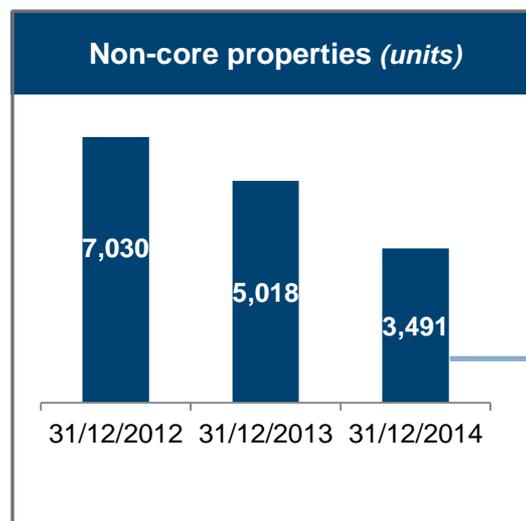
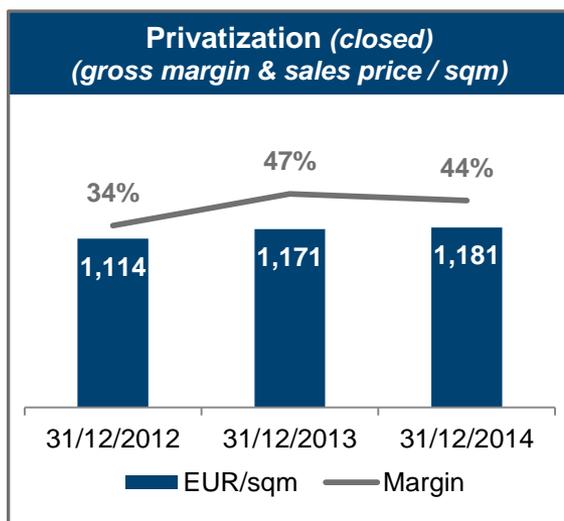
## » Q & A

## » Appendix

## » Strong disposal business

Closed in EUR m	FY-2014	FY-2013
Sales proceeds	257.4	169.6
Cost of sales	(12.1)	(10.3)
<b>Net sales proceeds</b>	<b>245.3</b>	<b>159.3</b>
Carrying amounts of assets sold	(192.9)	(136.3)
<b>Earnings from Disposals</b>	<b>52.4</b>	<b>23.0</b>

- Free cash flow from sales activities of EUR 135.4m (2,016 closed privatization units and 2,099 closed units institutional sales)

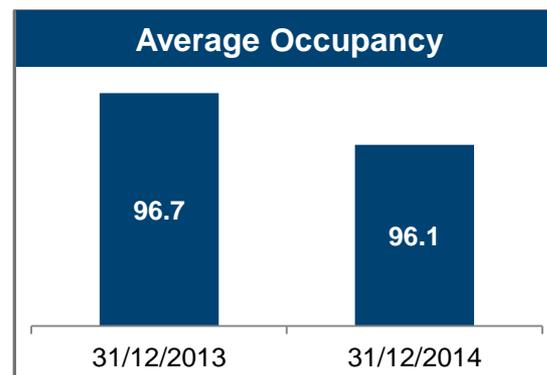


- Portfolio clean-up almost completed: only 339 units for disposals left in the non-core portfolio

## » Nursing and Assisted Living

in EUR m	FY-2014	FY-2013
<b>Income</b>		
Nursing	55.4	52.0
Living	6.0	3.0
Other	6.8	4.9
<b>Total income</b>	<b>68.2</b>	<b>59.9</b>
<b>Costs</b>		
Nursing and corporate expenses	(18.6)	(16.4)
Staff expenses	(33.3)	(30.3)
<b>Total costs</b>	<b>(51.9)</b>	<b>(46.7)</b>
<b>Earnings from Nursing and Assisted Living (NOI)</b>	<b>16.3</b>	<b>13.2</b>
Cash interest expenses	(3.8)	(3.6)
<b>FFO contribution</b>	<b>12.5</b>	<b>9.6</b>

31/12/2014	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 144.8m
- Starting from 2015 Deutsche Wohnen holds 49% of the Nursing business (future FFO impact EUR c.-3m)

## » Overview of portfolio as at 31 December 2014

31/12/2014	Residential units #	Area <sup>1)</sup> K sqm	In-place rent <sup>2)</sup> EUR/sqm	New letting rent <sup>3)</sup> EUR/sqm	Vacancy %	Fair Value <sup>4)</sup> (FV) EUR m	Share in terms of FV %	FV <sup>5)</sup> EUR/sqm	Multiple in-place rent	Yield %	Multiple market rent	Yield %
<b>Strategic core and growth regions</b>	143,614	8,714	5.71	6.85	2.1	9,635	98.5%	1,074	15.6	6.4	13.3	7.5
<b>Core<sup>+</sup></b>	127,798	7,716	5.76	7.11	2.0	8,819	90.1%	1,108	16.0	6.3	13.5	7.4
<b>Core</b>	15,816	998	5.33	5.82	3.3	817	8.4%	803	12.7	7.9	11.5	8.7
<b>Non-core</b>	3,491	232	4.87		7.2	150	1.5%	621	11.6	8.6	10.3	9.7
<b>Total</b>	<b>147,105</b>	<b>8,946</b>	<b>5.69</b>	<b>6.86</b>	<b>2.2</b>	<b>9,785</b>	<b>100%</b>	<b>1,062</b>	<b>15.5</b>	<b>6.5</b>	<b>13.3</b>	<b>7.5</b>

- Dynamic Core<sup>+</sup> regions comprise 87% of total units and 90% 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 (letting portfolio)

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

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

## » Portfolio split and strategic focus for investment decisions

Strategy cluster	Residential <sup>1)</sup> units	Area K sqm	% of total units	In-place rent <sup>2)</sup> 31/12/2014 EUR/sqm	Rent Potential <sup>3)</sup> in %	Vacancy 31/12/2014 in %	Multiple in- place rent	Multiple market rent
<b>Total</b>	<b>147,105</b>	<b>8,946</b>	<b>100</b>	<b>5.69</b>	<b>19.6</b>	<b>2.2</b>	<b>15.5</b>	<b>13.3</b>
<b>Strategic core and growth regions</b>	<b>143,614</b>	<b>8,714</b>	<b>98</b>	<b>5.71</b>	<b>20.0</b>	<b>2.1</b>	<b>15.6</b>	<b>13.3</b>
<b>Core*</b>	<b>127,798</b>	<b>7,716</b>	<b>87</b>	<b>5.76</b>	<b>22.7</b>	<b>2.0</b>	<b>16.0</b>	<b>13.5</b>
• Operate	98,065	5,888	67	5.85	22.0	1.4	16.0	13.7
• Develop	17,060	970	12	5.49	27.2	2.8	16.3	12.8
• Dispose	12,673	858	9	5.45	--	5.2	15.4	13.3
<b>Core</b>	<b>15,816</b>	<b>998</b>	<b>11</b>	<b>5.33</b>	<b>8.9</b>	<b>3.3</b>	<b>12.7</b>	<b>11.5</b>
• Operate	13,920	870	9	5.34	8.9	3.1	12.8	11.5
• Dispose	1,896	128	1	5.28	--	4.8	12.7	11.5
<b>Non-core</b>	<b>3,491</b>	<b>232</b>	<b>2</b>	<b>4.87</b>	<b>2.7</b>	<b>7.2</b>	<b>11.6</b>	<b>10.3</b>
<i>Thereof Clean-up</i>	339	22	0	5.35	-	14.6	11.0	9.4

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

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

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

<sup>3)</sup> Unrestricted residential units (letting portfolio); rent potential = New-letting rent compared to in-place rent (letting portfolio)

## » Portfolio revaluation by cluster

Regions	Residential units #	Initial Value <sup>1)</sup> (31.12.2013) EUR m	Initial Value <sup>1)</sup> (31.12.2013) EUR/sqm	Initial Multiple (31.12.2013)	FV (31.12.2014) EUR m	FV (31.12.2014) EUR/sqm	Multiple in-place rent (31.12.2014)	Multiple market rent (31.12.2014)
<b>Strategic Core and growth regions</b>	<b>143,614</b>	<b>8,624</b>	<b>961</b>	<b>14.0</b>	<b>9,635</b>	<b>1,074</b>	<b>15.6</b>	<b>13.3</b>
<b>Core<sup>+</sup></b>	<b>127,798</b>	<b>7,843</b>	<b>986</b>	<b>14.2</b>	<b>8,819</b>	<b>1,108</b>	<b>16.0</b>	<b>13.5</b>
Greater Berlin	106,798	6,406	970	14.2	7,273	1,101	16.1	13.5
Rhine-Main	9,320	767	1,276	14.9	845	1,405	16.5	14.1
Mannheim / Ludwigshafen	4,811	274	876	13.0	282	904	13.4	12.7
Rhineland	4,701	289	933	13.4	304	983	14.1	12.5
Dresden	2,168	107	814	13.8	115	872	14.8	12.2
<b>Core</b>	<b>15,816</b>	<b>781</b>	<b>768</b>	<b>12.2</b>	<b>817</b>	<b>803</b>	<b>12.7</b>	<b>11.5</b>
Hanover / Brunswick	8,860	460	775	12.0	491	828	12.9	11.5
Magdeburg	2,101	96	758	12.4	97	768	12.5	11.7
Kiel / Lübeck	2,025	94	722	12.2	95	729	12.3	10.7
Halle / Leipzig	1,684	75	754	12.4	77	765	12.6	11.6
Erfurt	619	33	958	13.5	34	990	14.0	13.2
Others	527	23	690	11.9	23	692	11.9	10.8
<b>Non-Core</b>	<b>3,491</b>	<b>154</b>	<b>640</b>	<b>12.0</b>	<b>150</b>	<b>621</b>	<b>11.6</b>	<b>10.3</b>
<b>Total</b>	<b>147,105</b>	<b>8,778</b>	<b>952</b>	<b>13.9</b>	<b>9,785</b>	<b>1,062</b>	<b>15.5</b>	<b>13.3</b>

<sup>1)</sup> Fair value as at 31/12/2014 after portfolio changes before capitalization and revaluation

## » Like-for-like overview of portfolio as at 31 December 2014

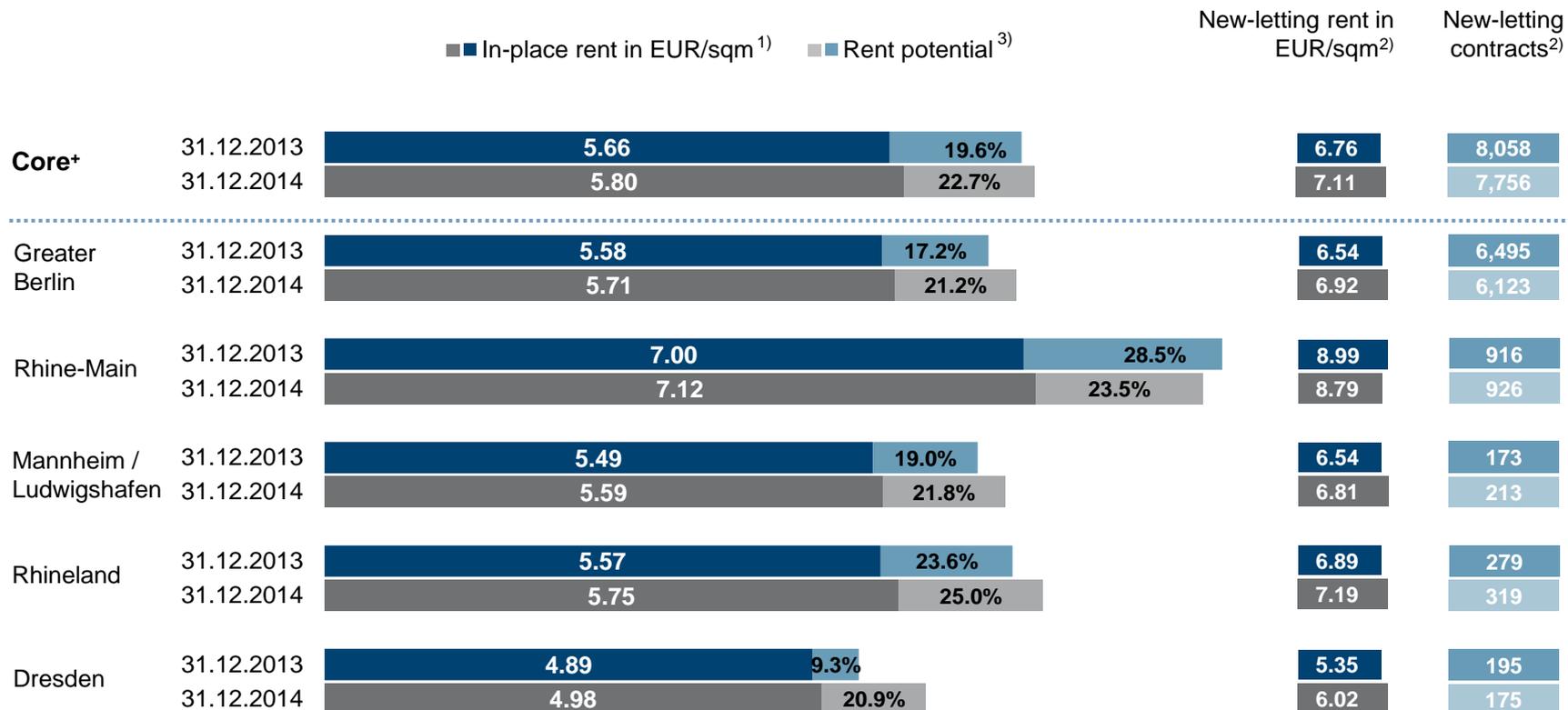
### In-place rent (like-for-like) and vacancy (like-for-like) letting portfolio<sup>1)</sup>

Like-for-like 31/12/2014	Residential units #	In-place rent <sup>2)</sup> 31/12/2014 EUR/sqm	In-place rent <sup>2)</sup> 31/12/2013 EUR/sqm	△ in %	Vacancy 31/12/2014 in %	Vacancy 31/12/2013 in %	△ in %
				y-o-y			y-o-y
<b>Letting portfolio</b>	<b>135,401</b>	<b>5.71</b>	<b>5.57</b>	<b>2.5%</b>	<b>1.9%</b>	<b>2.0%</b>	<b>-4.9%</b>
<b>Core<sup>+</sup></b>	<b>121,445</b>	<b>5.76</b>	<b>5.62</b>	<b>2.5%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>0.8%</b>
Greater Berlin	102,319	5.67	5.53	2.5%	1.8%	1.7%	6.6%
Rhine-Main	7,991	7.18	7.02	2.3%	1.6%	2.2%	-25.7%
Mannheim/Ludwigshafen	4,530	5.58	5.49	1.8%	0.6%	1.2%	-48.3%
Rhineland	4,437	5.75	5.58	3.0%	1.7%	1.8%	-8.0%
Dresden	2,168	4.98	4.89	1.8%	1.1%	1.6%	-30.1%
<b>Core</b>	<b>13,956</b>	<b>5.34</b>	<b>5.18</b>	<b>3.1%</b>	<b>3.1%</b>	<b>4.2%</b>	<b>-26.3%</b>
Hanover / Brunswick	8,104	5.38	5.17	4.0%	2.8%	3.9%	-27.7%
Magdeburg	2,099	5.23	5.19	0.7%	3.0%	6.4%	-52.7%
Kiel / Lübeck	1,129	5.23	5.15	1.6%	4.0%	4.3%	-7.1%
Halle / Leipzig	1,606	5.19	5.11	1.6%	3.6%	3.8%	-4.7%
Erfurt	610	5.89	5.53	6.6%	2.8%	1.0%	192.2%
Others	408	5.27	5.24	0.6%	4.0%	3.3%	20.7%
<b>Total</b>	<b>146,011</b>	<b>5.69</b>	<b>5.55</b>	<b>2.4%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>-5.1%</b>

<sup>1)</sup> Cluster block sale of strategic core and growth regions allocated to letting portfolio

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

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



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

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

<sup>2)</sup> Contractually owed rent for newly concluded contracts for units not subject to rent control effective in 2014 respectively

<sup>3)</sup> Rent potential = New-letting rent compared to in-place rent

## » Balance sheet

### Assets

in EUR m	31/12/2014	31/12/2013
Investment properties	9,611.0	8,937.1
Other non-current assets	600.6	595.7 <sup>1)</sup>
Derivatives	0.0	2.7
Deferred tax assets	351.7	190.3 <sup>1)</sup>
<b>Non current assets</b>	<b>10,563.3</b>	<b>9,725.8<sup>1)</sup></b>
Land and buildings held for sale	58.1	97.1
Trade receivables	17.7	29.8
Other current assets	410.7	77.9
Cash and cash equivalents	396.4	196.4
<b>Current assets</b>	<b>882.9</b>	<b>401.2<sup>1)</sup></b>
<b>Total assets</b>	<b>11,446.2</b>	<b>10,127.0<sup>1)</sup></b>

### Equity and Liabilities

in EUR m	31/12/2014	31/12/2013
<b>Total equity</b>	<b>4,876.1</b>	<b>3,944.3</b>
Financial liabilities	4,779.0	5,161.5 <sup>1)</sup>
Convertibles	748.7	250.2
Tax liabilities	46.1	74.4 <sup>1)</sup>
Deferred tax liabilities	557.9	288.9 <sup>1)</sup>
Derivatives	145.0	159.3
Other liabilities	293.4	248.4 <sup>1)</sup>
<b>Total liabilities</b>	<b>6,570.1</b>	<b>6,182.7<sup>1)</sup></b>
<b>Total equity and liabilities</b>	<b>11,446.2</b>	<b>10,127.0<sup>1)</sup></b>

- Investment properties represent ~ 84% of total assets
- Strong cash position and existing credit rating give comfort for potential acquisition opportunities
- LTV reduced to 51.0% (FY-2013: 57.3%)

<sup>1)</sup> Change of prior year figures due to purchase price allocation (PPA) for first consolidation of GSW Immobilien AG retrospective as at 30.11.13

## » EPRA NAV I per share up by 24.7%

in EUR m	31/12/2014	31/12/2013
Equity (before non-controlling interests)	4,692.9	3,777.8
Fair values of derivative financial instruments	144.9	156.5
Deferred taxes (net)	488.2	218.7
<b>EPRA NAV I (undiluted)</b>	<b>5,326.0</b>	<b>4,153.0<sup>1)</sup></b>
<i>Shares outstanding in m</i>	294.26	286.22
<b>EPRA NAV I per share in EUR (undiluted)</b>	<b>18.10</b>	<b>14.51<sup>1)</sup></b>
Effects from conversion of CB 2013 (WKN A1Y CRO of 20/11/2013)	301.4	248.6
<b>EPRA NAV II (diluted)</b>	<b>5,627.4</b>	<b>4,401.6</b>
<i>Shares diluted in m</i>	307.88	299.55
<b>EPRA NAV II per share in EUR (diluted)</b>	<b>18.28</b>	<b>14.69</b>
EPRA NAV II (diluted)	5,627.4	4,401.6
Effects from conversion of CB 2014 (WKN A12 UDH of 08/09/2014)	441.7	-
<b>EPRA NAV III in EUR (diluted)</b>	<b>6,069.1</b>	-
<i>Shares diluted in m</i>	325.97	-
<b>EPRA NAV III per share in EUR (diluted)</b>	<b>18.62</b>	-

in EUR m	31/12/2014	31/12/2013
<b>EPRA NAV I (undiluted)</b>	<b>5,326.0</b>	<b>4,153.0<sup>1)</sup></b>
Goodwill GSW	(535.1)	(535.1) <sup>2)</sup>
<b>Adjusted NAV I (undiluted)</b>	<b>4,790.9</b>	<b>3,617.9</b>
<i>Shares outstanding in m</i>	294.26	286.22
<b>Adjusted NAV I per share in EUR (undiluted)</b>	<b>16.28</b>	<b>12.64</b>

EPRA NAV I per share (undiluted) increased by **24.7%**

Current strike price: **18.3605 EUR**

Current strike price: **22.1016 EUR**

<sup>1)</sup> Change of calculation therefore prior year figures adjusted

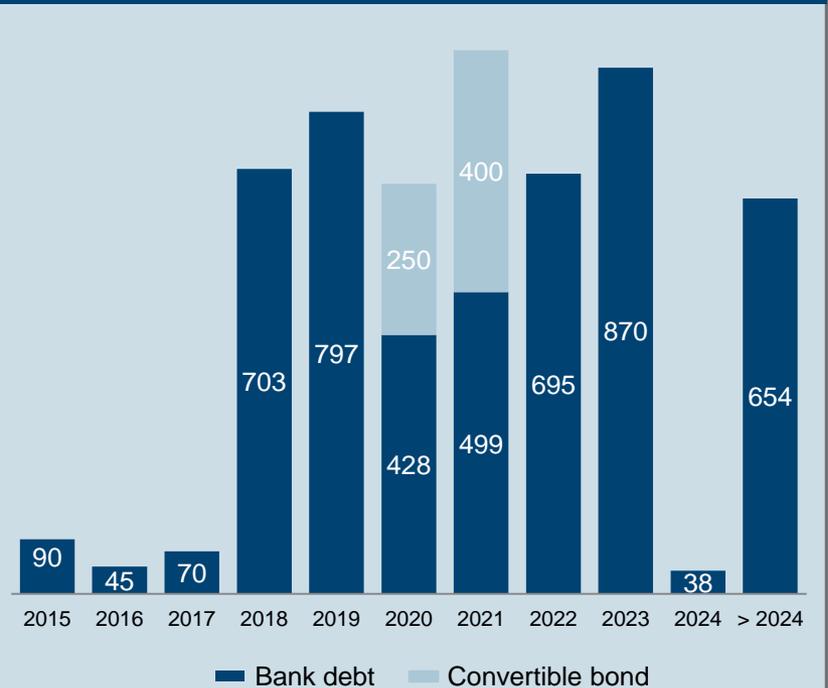
<sup>2)</sup> Change of prior year figures due to change of purchase price allocation (PPA) concerning first time consolidation of GSW Immobilien AG

## » Sustainable financing

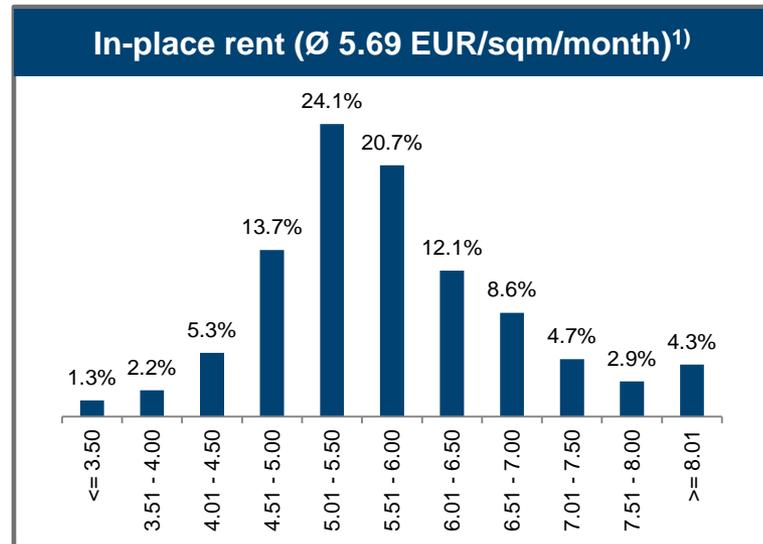
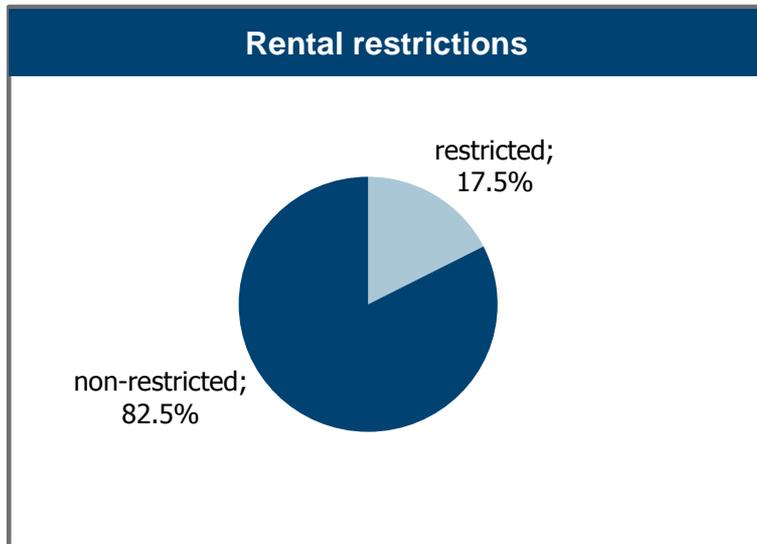
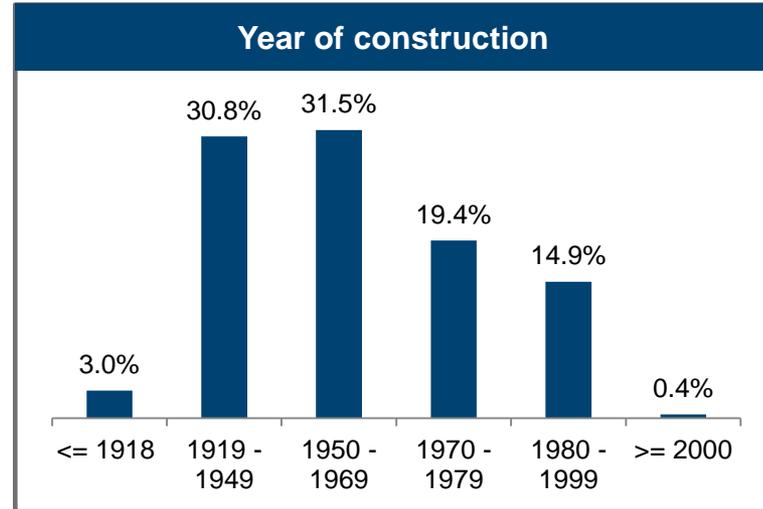
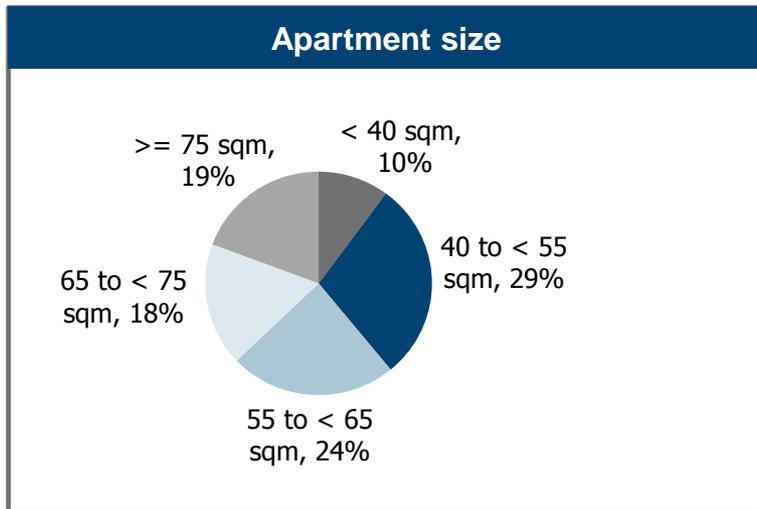
### Key figures financing

- Total nominal debt volume EUR 5.5bn
- Ø weighted maturity ~8.7 years
- Ø cost of debt ~2.45%
- Ø mandatory redemptions ~1.1%
- Interest rate fixed or hedged ~86%
- Two convertibles with EUR 250m and EUR 400m issued

### Maturity profile as of 31/12/2014 (EUR m)

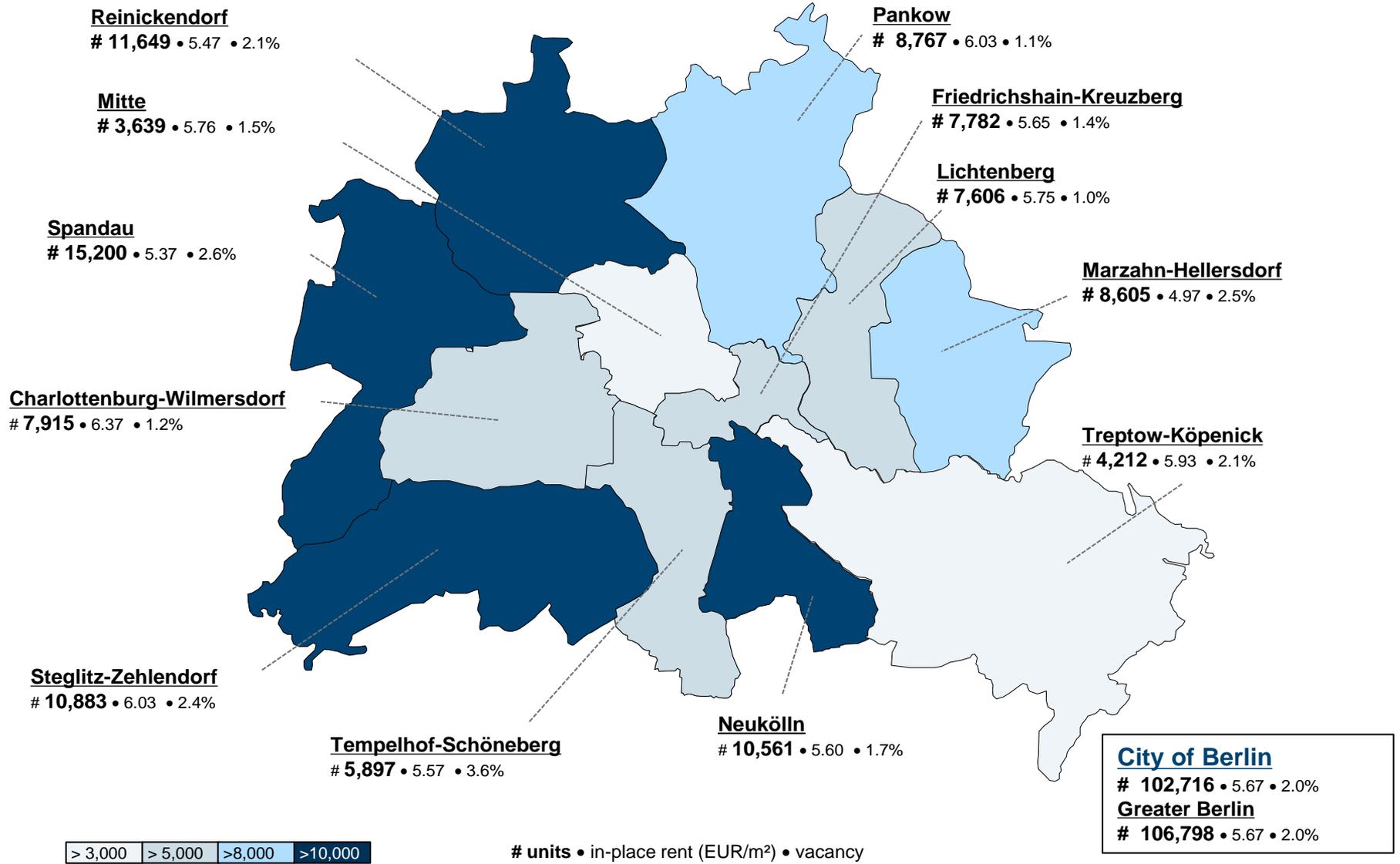


# » Portfolio structure – characteristics meeting strong demand



<sup>1)</sup> Excluding vacant apartments

# » THE BERLIN-PORTFOLIO AT A GLANCE



## » Disclaimer

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