



# Deutsche Wohnen AG

- » **Full year results 2015**  
**Conference Call, 18 March 2016**

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## » Highlights FY-2015

Financials		
KPI	FY-2015	FY-2014
EPRA NAV (undiluted) in EUR m	7,762.4	5,326.0
<i>in EUR/ share<sup>1)</sup></i>	<i>23.01</i>	<i>17.86</i>
FFO I in EUR m	303.0	217.6
<i>in EUR/ share<sup>2)</sup></i>	<i>0.94</i>	<i>0.75</i>
<i>FFO yield on NAV</i>	<i>4.1%</i>	<i>4.2%</i>
Dividend in EUR/ share <sup>3)</sup>	0.54	0.44
<i>Dividend yield on NAV</i>	<i>2.4%</i>	<i>2.5%</i>
Adj. EBITDA (excl. disposals) <sup>4)</sup>	455.0	422.9
<i>Adj. EBITDA yield on NAV</i>	<i>5.9%</i>	<i>7.9%</i>
<i>Adj. EBITDA margin</i>	<i>71.8%</i>	<i>67.5%</i>
Financing		
LTV	38%	51%
Avg. interest rate	~1.8%	~2.5%

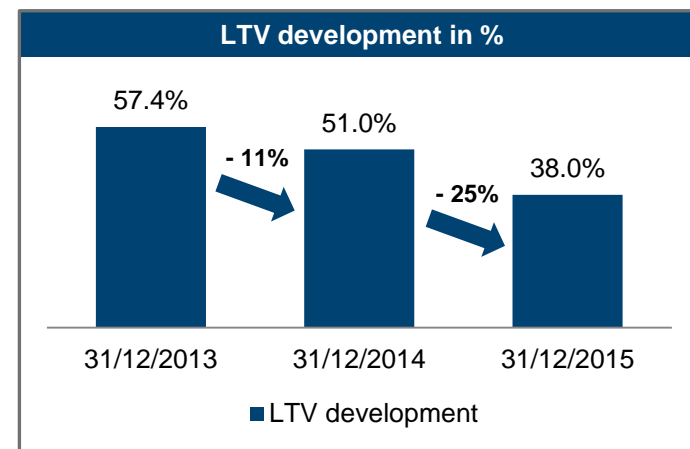
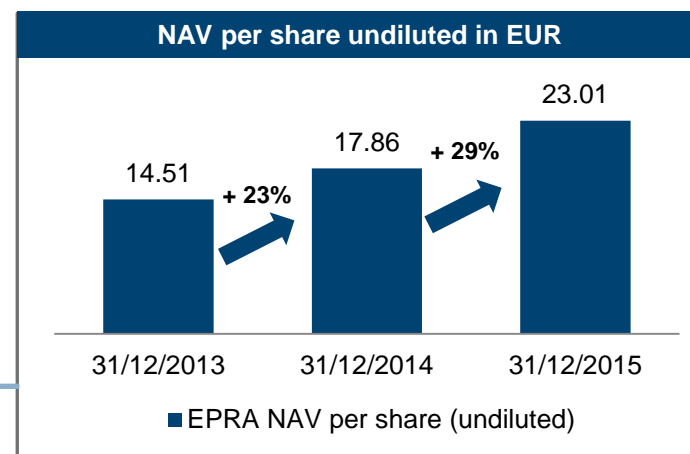
Portfolio & valuation		
KPI	FY-2015	FY-2014
Number of residential units	146,128	147,105
<i>In-place rent in EUR/ sqm</i>	<i>5.89</i>	<i>5.69</i>
<i>Like for like rental growth</i>	<i>3.5%</i>	<i>2.4%</i>
<i>Vacancy rate</i>	<i>1.8%</i>	<i>2.2%</i>
Fair value of portfolio in EUR m	11,721	9,785
<i>in EUR/ sqm</i>	<i>1,282</i>	<i>1,062</i>
<i>Yield on in-place rent</i>	<i>5.5%</i>	<i>6.5%</i>
Acquisitions signed (units)	21,691	3,079
<i>Price in EUR/ sqm</i>	<i>1,292</i>	<i>1,228</i>
<i>Yield on in-place rent</i>	<i>5.3%</i>	<i>5.4%</i>
Total shareholder return 2015		
Dividend/ share + NAV growth/ share in EUR		5.69
<i>in % of NAV 2014</i>		<i>32%</i>

1) Based on total shares outstanding (FY-15: 337.4m); FY-14 figure scrip adjusted; 2) Based on weighted average shares outstanding (FY-15: 320.9m); 3) 2015 dividend subject to AGM approval;

4) Adjusted for one-off effects excluding disposals

## » Significant increase of EPRA NAV per share by 29%

in EUR m	31/12/2015	31/12/2014
Equity (before non-controlling interests)	6,653.5	4,692.9
Fair values of derivative financial instruments	44.8	144.9
Deferred taxes (net)	1,064.1	488.2
<b>EPRA NAV (undiluted)</b>	<b>7,762.4</b>	<b>5,326.0</b>
Shares outstanding in m	337.41	298.14
<b>EPRA NAV per share in EUR (undiluted)</b>	<b>23.01</b>	<b>17.86</b>
Effects of exercise of convertibles	952.1 <sup>1)</sup>	743.1
<b>EPRA NAV (diluted)</b>	<b>8,714.5</b>	<b>6,069,1</b>
Shares diluted in m	370.15	329.85
<b>EPRA NAV per share in EUR (diluted)</b>	<b>23.54</b>	<b>18.40</b>
Goodwill GSW	(535.1)	(535.1)
Shares outstanding in m	337.41	298.14
<b>Adj. NAV per share (undiluted)</b>	<b>21.42</b>	<b>16.07</b>



1) Current strike price: 17.79 EUR and 21.41 EUR corresponds to ~32.7m shares

## » Strong dynamics in Core+ driven by EUR 1.7bn value uplift

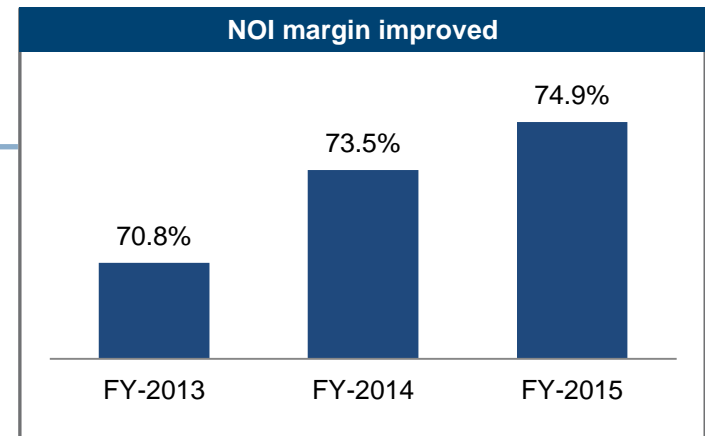
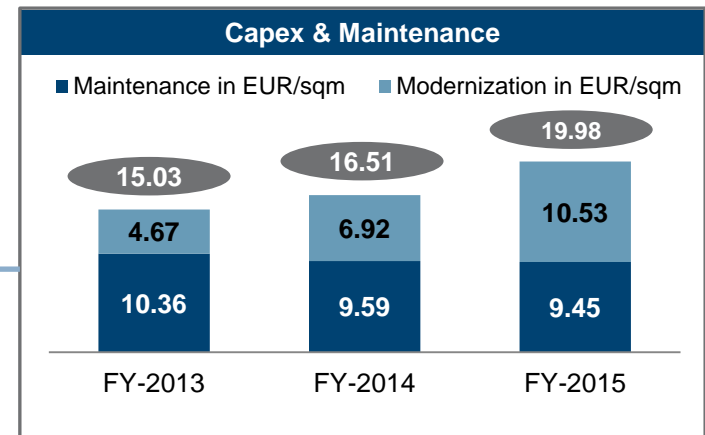
Regions	FV (31/12/2014) EUR m	FV (31/12/2015) EUR m	FV (31/12/2014) EUR/sqm	FV (31/12/2015) EUR/sqm	Change in %	Multiple in- place rent (31/12/2014)	Multiple in-place rent (31/12/2015)	Multiple market rent (31/12/2015)
Strategic Core and growth regions	9,635	11,591	1,074	1,296	21%	15.6	18.2	15.4
Core+	8,819	10,697	1,108	1,347	22%	16.0	18.7	15.7
<i>Thereof Greater Berlin</i>	<i>7,273</i>	<i>8,950</i>	<i>1,101</i>	<i>1,360</i>	<i>24%</i>	<i>16.1</i>	<i>19.2</i>	<i>16.1</i>
Core	817	894	803	894	11%	12.7	13.6	12.2
Non-Core	150	130	621	641	3%	11.6	12.0	10.4
<b>Total</b>	<b>9,785</b>	<b>11,721</b>	<b>1,062</b>	<b>1,282</b>	<b>21%</b>	<b>15.5</b>	<b>18.1</b>	<b>15.3</b>

- Revaluation of EUR ~1.7bn or EUR 219 per sqm leading to a multiple expansion by 2.6x to 18.1x
- Main contribution from assets in Berlin with EUR ~1.6bn which are now valued at 1,360 EUR/sqm
- Yield compression is underpinned by portfolio transactions 2015 in Berlin at rent multiples of >20x
- Current FV per sqm represents ~50% of replacement costs

## » Strong earnings and cash contributions from letting

in EUR m	FY-2015	FY-2014
<b>Current gross rental income</b>	<b>634.0</b>	<b>626.3</b>
Non-recoverable expenses	(12.7)	(13.8)
Rental loss	(6.3)	(8.9)
Maintenance	(86.1)	(88.8)
Others	(9.7)	(9.0)
<b>Earnings from Residential Property Management</b>	<b>519.2</b>	<b>505.8</b>
Personnel, general and administrative expenses	(44.3)	(45.2)
<b>Net Operating Income (NOI)</b>	<b>474.9</b>	<b>460.6</b>
NOI margin	74.9%	73.5%
NOI in EUR / sqm / month	4.34	4.14

in EUR m	FY-2015	FY-2014
Net operating income (NOI)	474.9	460.6
Cash interest expenses	(122.2)	(179.6)
<b>Cash flow from portfolio after cash interest expenses</b>	<b>352.7</b>	<b>281.0</b>



- Improved NOI margin at stable maintenance levels is the prove for operational efficiency

## » Growing prices as demonstrated by disposal business

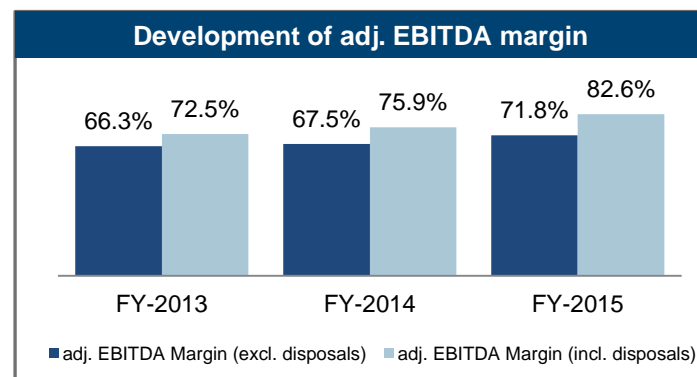
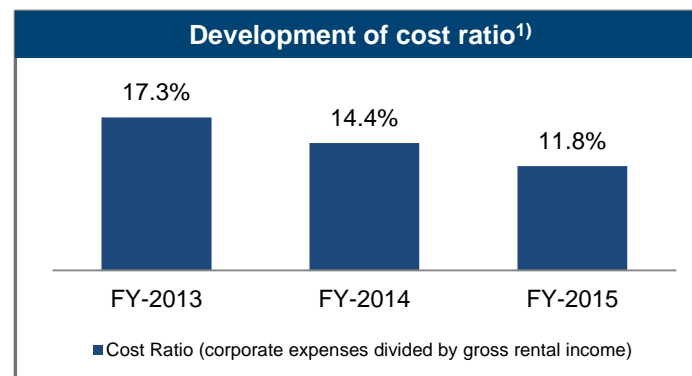
Disposals	Privatization		Institutional sales		Total	
	2015	2014	2015	2014	2015	2014
with closing in						
<b>No. of units</b>	1,908	2,016	7,497	2,099	9,405	4,115
<b>Proceeds (EUR m)</b>	187	161	487	97	674	258
<b>Price in EUR per sqm</b>	1,394	1,181	952	734	n/a	n/a
<b>Earnings (EUR m)</b>	42.7	38.2	26.2	14.2	68.9	52.4
<b>Gross margin</b>	41%	44%	8%	20%	16%	33%
<b>Cash flow impact (EUR m)</b>	112	91	350	44	462	135

- Disposal business as a strong contributor to NAV growth and contributed cash flows of EUR ~460m in 2015
- Disposal of a Berlin city-border portfolio with c. 900 units for an implied multiple of 23x<sup>1)</sup> (c. EUR 1,390 per sqm<sup>1)</sup>) signed in Q4 underpins value upside
- Portfolio optimization finalized

1) Incl. investment needs estimated by Deutsche Wohnen

## » Best in class EBITDA margin of ~72%

in EUR m	FY-2015	FY-2014
Earnings from Residential Property Management	519.2	505.8
Earnings from Disposals	68.9	52.4
Earnings from Nursing and Assisted Living	15.6	16.3
<b>Segment contribution margin</b>	<b>603.7</b>	<b>574.5</b>
Corporate expenses	(74.7)	(90.5)
Other operating expenses/income	(64.0)	(29.5)
<b>EBITDA</b>	<b>465.0</b>	<b>454.5</b>
Other one-off income	(0.2)	0.0
One-off costs for transactions	47.5	5.6
One-off costs for restructuring	11.6	15.2
<b>EBITDA (adjusted)</b>	<b>523.9</b>	<b>475.3</b>



- Significant step-up of adj. EBITDA margin by 6.7pp (incl. disposals) and 4.3pp (excl. disposals) driven by improvement of NOI and reduction of corporate expenses
- EBITDA margins underpin strength of portfolio and operating platform at unchanged maintenance levels

1) 2013 pro forma GSW



## » Profit increased to EUR 1,2bn (+34%)

in EUR m	FY-2015	FY-2014
<b>EBITDA (adjusted)</b>	<b>523.9</b>	<b>475.3</b>
Depreciation	(5.7)	(6.1)
At equity valuation	1.8	(0.5)
Financial result (net)	(135.6) <sup>1)</sup>	(185.4) <sup>1)</sup>
<b>EBT (adjusted)</b>	<b>384.4</b>	<b>283.3</b>
Valuation properties	1,734.1	952.7
Other one-off income	0.2	0.0
One-off costs for transactions	(47.5)	(5.6)
One-off costs financing	(58.7)	(82.2)
Restructuring & Reorganization	(11.6)	(15.2)
Valuation SWAP and convertible bonds	(213.7)	(111.5)
<b>EBT</b>	<b>1,787.2</b>	<b>1,021.5</b>
Current taxes	(28.0)	(16.9)
Deferred taxes	(552.6)	(115.3)
<b>Profit</b>	<b>1,206.6</b>	<b>889.3</b>
<i>Profit attributable to the shareholders of the parent company</i>	<i>1,161.4</i>	<i>855.9</i>
Earnings per share <sup>2)</sup>	3.62	2.93

in EUR m	FY-2015	FY-2014
Interest expenses	(127.0)	(183.4)
<i>In % of gross rents</i>	<i>~20%</i>	<i>~29%</i>
Non-cash interest expenses	(9.5)	(3.0)
	<b>(136.5)</b>	<b>(186.4)</b>
Interest income	0.9	1.0
<b>Financial result (net)</b>	<b>(135.6)</b>	<b>(185.4)</b>

Unsolicited offer from Vonovia SE: EUR ~33m  
 LEG transaction: EUR ~10m  
 Convert transaction: EUR ~5m

Mainly breakage costs for debt refinancing

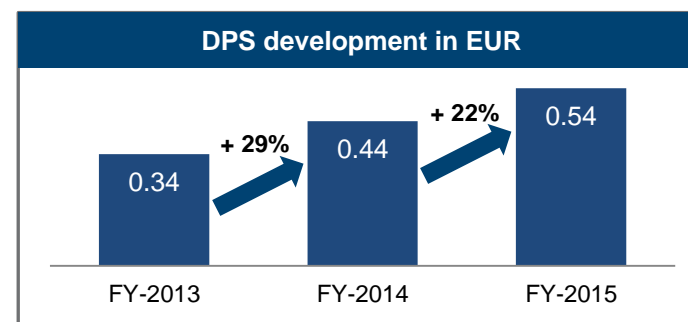
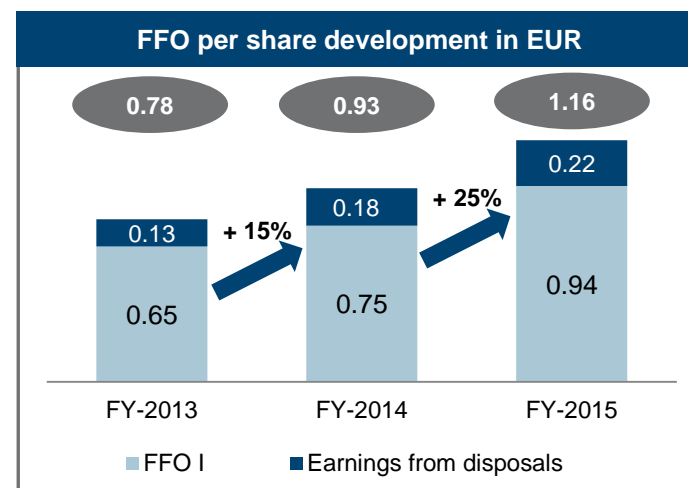
Mainly redundancy payments (GSW integration)

Thereof EUR 3.1m from valuation of derivatives and (EUR 216.8m) from convertible bonds, resulting from positive share price performance  
 Market value of convertible bonds (31/12/2015): EUR 965m

1) Adjusted for Valuation of SWAPs and convertible bonds; 2) Based on weighted average shares outstanding (FY-15: 320.85m; FY-14: 291.63m)

## » Operational improvements and acquisitions drive FFO growth

in EUR m	FY-2015	FY-2014
<b>EBITDA (adjusted)</b>	<b>523.9</b>	<b>475.3</b>
Earnings from Disposals	(68.9)	(52.4)
At equity valuation	1.8	(0.5)
Interest expense/ income	(126.1)	(182.4)
Income taxes	(21.5)	(16.5)
Minorities	(6.2)	(5.9)
<b>FFO I</b>	<b>303.0</b>	<b>217.6</b>
Earnings from Disposals	68.9	52.4
<b>FFO II</b>	<b>371.9</b>	<b>270.0</b>
<b>FFO I per share in EUR<sup>1)</sup></b>	<b>0.94</b>	<b>0.75</b>
<i>FFO I yield on EPRA NAV</i>	<i>4.1%</i>	<i>4.2%</i>
<i>Dividend per share<sup>2)</sup></i>	<i>0.54</i>	<i>0.44</i>
<b>FFO II per share in EUR<sup>1)</sup></b>	<b>1.16</b>	<b>0.93</b>



- FFOI per share increased by 25% yoy while leverage was reduced by 13pp to 38%

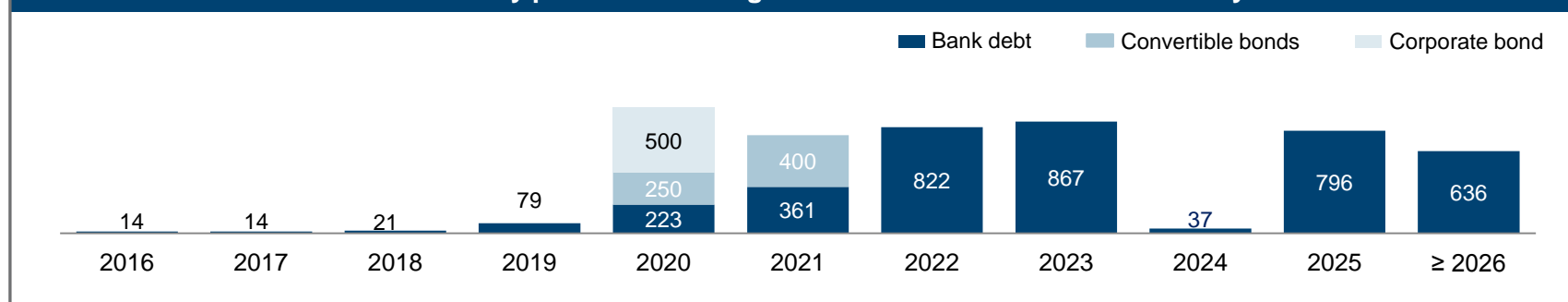
1) Based on weighted average shares outstanding (FY 2015: 320.85m; FY 2014: 291.63m); 2) 2015 dividend subject to AGM approval

## » Conservative long term capital structure with <1.8% interest costs

Rating	A- / A3; stable outlook
LTV	38% (43% pro forma announced acquisitions)
ICR <sup>1)</sup>	>4x
Ø maturity	~9 years
% secured bank debt	77%
% unsecured debt	23%
Ø interest cost	<1.8% (>80% hedged)
Key financial principles	LTV: 35-45% fully flexible regarding secured or unsecured financing

- Low leverage, long maturities and best in class rating
- Flexible financing approach to optimize financing costs
  - Currently ~100bps funding advantage of secured debt vs. unsecured
  - **Latest acquisition financed with <1% for 10 years via bank loan market (volume: EUR 500m)**
  - Quality portfolio leads to optimized financing terms
- No significant maturities until and including 2019, thereafter maturity profile evenly spread
- Convertible bonds accounted 100% as debt
- Base case LTV 2016 <40% expected

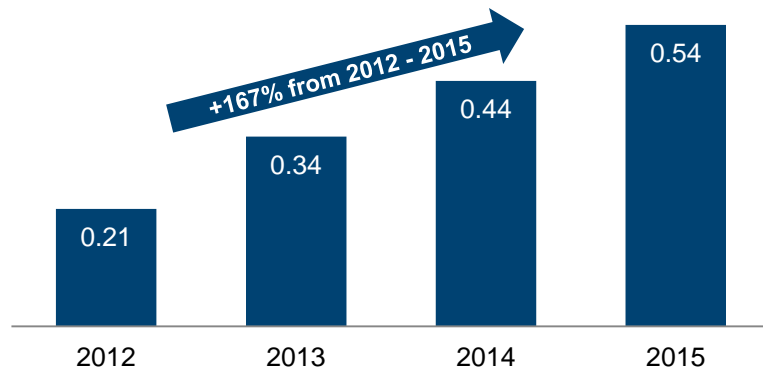
### Balanced maturity profile with no significant debt maturities in the next 4 years



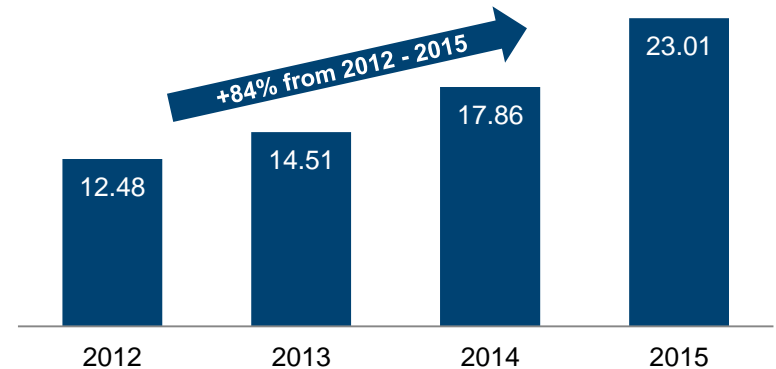
1) adjusted EBITDA/ interest expenses

## » Strong generation of total shareholder return

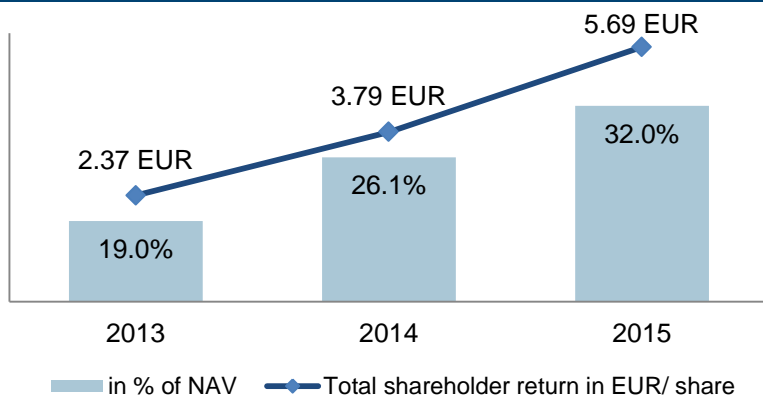
Development of dividend in EUR per share



Development of EPRA NAV (undiluted) in EUR per share



Leading to strong shareholder return



Summary

- Top line growth via acquisitions and operational improvements as well as refinancing/ debt paydown translates into FFO growth (CAGR 2012-2015: 24%)
- Being invested in the right markets delivers NAV growth over time, based on strong fundamental trends (CAGR 2012-2015: 37%)
- Via targeted modernization projects, further improvement of rents and capital growth
- NAV growth results in further LTV reduction and improvement of the risk profile

## » Portfolio update and outlook

## » Portfolio update 2015 – focused and concentrated

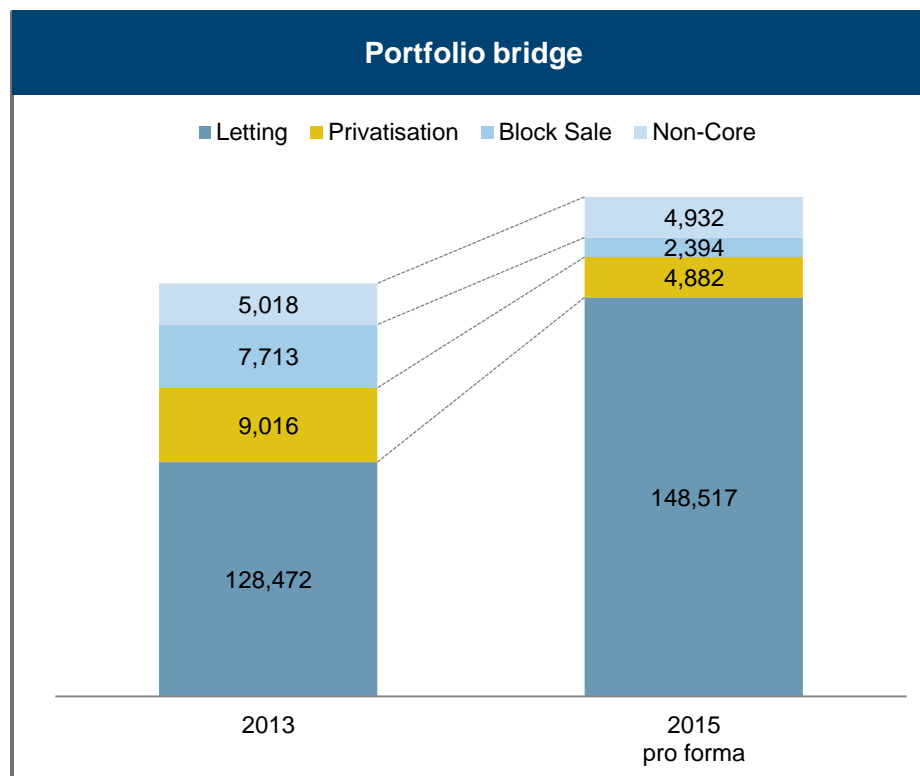
Strategy cluster	Residential units	% of total measured by fair value	In-place rent <sup>1)</sup> 31/12/2015 EUR/sqm/month	L-f-I growth in %	Rent potential <sup>2)</sup> 31/12/2015 in %	Vacancy 31/12/2015 in %
<b>Strategic core and growth regions</b>	<b>143,173</b>	<b>99%</b>	<b>5.92</b>	<b>3.6%</b>	<b>19.0%</b>	<b>1.7%</b>
Core+	127,774	91%	5.97	3.8%	21.2%	1.7%
Core	15,399	8%	5.49	2.0%	9.6%	2.0%
Non-core	2,955	1%	4.79	n/a	n/a	6.3%
<b>Total</b>	<b>146,128</b>	<b>100%</b>	<b>5.89</b>	<b>3.5%</b>	<b>18.6%</b>	<b>1.8%</b>
<b>Total (pro forma)<sup>3)</sup></b>	<b>160,725</b>	<b>100%</b>	<b>5.89</b>	<b>n/a</b>	<b>18.2%</b>	<b>1.8%</b>
<i>Thereof Berlin</i>	<b>107,515</b>	<b>70%</b>	<b>5.88</b>	<b>n/a</b>	<b>19.3%</b>	<b>1.7%</b>

- Strong market fundamentals especially in Core+ markets underpin highly attractive growth and value creation
- Further rent potential in Core+ regions of more than 20% despite introduction of the rental cap in Berlin
- Vacancy rate in portfolio declined by 40bps over 12 months to c. 1.8%

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);  
3) Including signed acquisitions and disposals with transfer of ownership after 31/12/2015

## » Active AM approach optimised overall quality of portfolio

	2013	2015 pro forma	Change
Total	150,219	160,725	7.0%
Core+	129,147	135,293	4.8%
Letting	114,552	129,209	12.8%
Privatization	6,963	3,771	-45.8%
Block Sale	7,632	2,313	-69.7%
Core	16,054	20,500	27.7%
Letting	13,920	19,308	38.7%
Privatization	2,053	1,111	-45.9%
Block Sale	81	81	0.0%
Non-Core	5,018	4,932	-1.7%
Clean up	1,229	182	-85.2%
other	3,789	4,750	25.4%



- **Core+:** Block sale in Berlin (out of GSW) finished, remaining block sale units mainly from recent acquisitions
- **Core:** Very successful on-going privatization, strong uplift in Letting portfolio (esp. Kiel)
- **Non-Core:** Clean up nearly finished, opportunistic disposal of the other units

## » Focused and increasing investments into the portfolio

	FY-2015	FY-2014
	EUR m	EUR m
<b>Maintenance</b> (expensed through p&l)	86.1	88.8
<b>Modernization</b> (capitalized on balance sheet)	96.0	64.1
<b>Total</b>	182.1	152.9
<b>Total EUR/ sqm<sup>1)</sup></b>	19.98	16.51
<b>Capitalization rate</b>	52.7%	41.9%



Investment split	FY-2015		Trend
	EUR m	EUR/ sqm	
<b>Ongoing maintenance</b> <i>(incl. repairs)</i>	65.4	7.17	➔
<b>Re-letting</b>	48.1	5.28	➔
<b>Capex/ Modernization</b>	68.6	7.53	➔
<b>Total investment</b>	182.1	19.98	~25-30

- In 2015 we have invested c. EUR 20 per sqm in our portfolio; while maintenance expenses remained stable we have significantly increased our modernization expenses by c. 50%
- Our-re-letting strategy generates average return on investment of c. 15% and we have proven our ability to manage the rental cap as demonstrated by the I-f-I rental growth of >4% in Berlin
- Our EUR 400m modernization program is well on track and made up more than half of 2015 modernization investments; value enhancing modernizations are a priority and are expected to increase in the coming years

1) Based on the quarterly average area

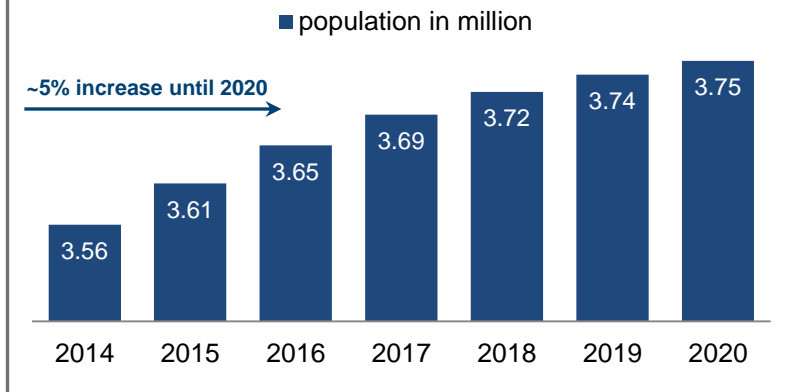


» Strong outlook for NAV growth in Core+ markets  
Development of asset values will further decouple from rents



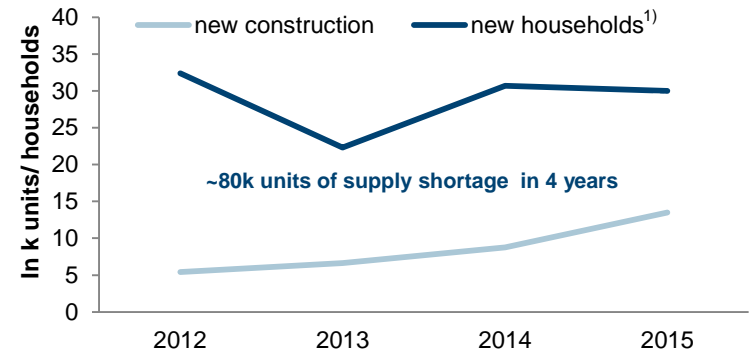
# 1 Demand and supply situation will tighten further in Berlin

## Further increase of Berlin's population and households is forecasted ...



Source: Senatsverwaltung für Stadtentwicklung und Umwelt (population forecast)

## ... while new construction not sufficient to address supply and demand imbalance



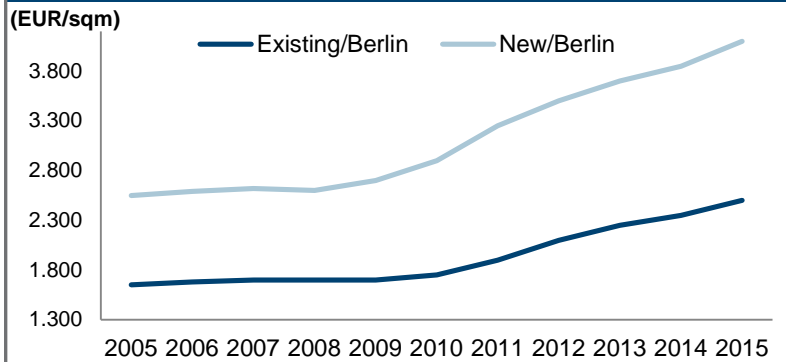
Source: Amt für Statistik Berlin Brandenburg/ IBB housing market report 2015

- The general trends of urbanisation and migration are unchanged and continue to create demand for housing
- Vacancies decreased in Berlin from 5.8% in 2005 to 1.9% in 2014
- Increase of population and households is continuing:
  - For Berlin +5% population growth until 2020 expected, with large share of young and educated people
  - Currently ~82% of households <2 persons in Berlin, expected to increase to ~87% until 2030
- Realized new construction remains far below demand (~15k realistic supply vs. ~25k p.a. needed)
- The newly built apartments are mainly in the higher end of the market or for privatization

1) Refugees not considered

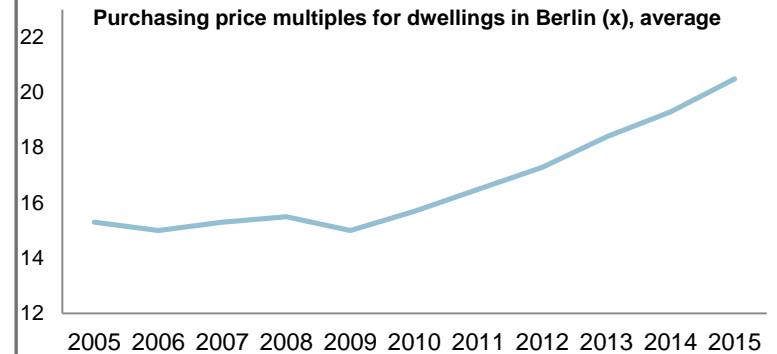
## 2 Berlin characterized by excess demand – driving prices

### Purchase prices in Berlin show continuous upward trend ...



Source: bulwiengesa AG; RIWIS

### ... resulting in significant yield compression

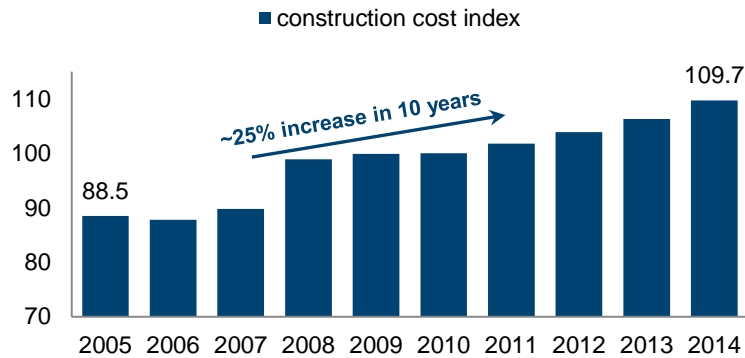


Source: bulwiengesa AG; RIWIS

- In Berlin transaction volume of EUR 5bn in 2015 equalling ~51,000 apartments (+60% vs 2014)
- Variety of foreign and domestic investors are looking increasingly for product
- Own portfolio disposals with broad range of bidders underpin depth of market and price development
- Liquidity of market and excess demand in combination with lack of product as key drivers for price development

### 3 Replacement costs continue to increase

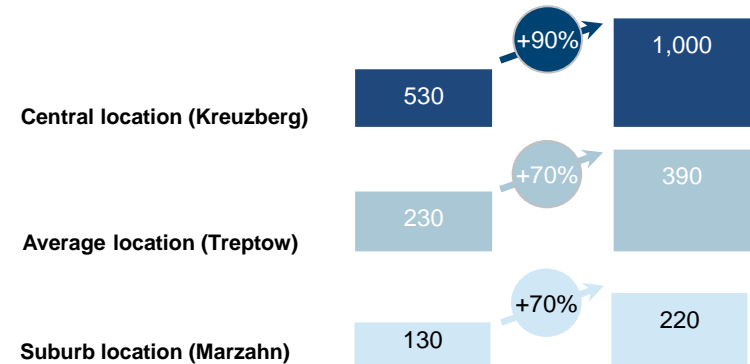
#### Construction costs are steadily increasing



Source: Amt für Statistik Berlin Brandenburg



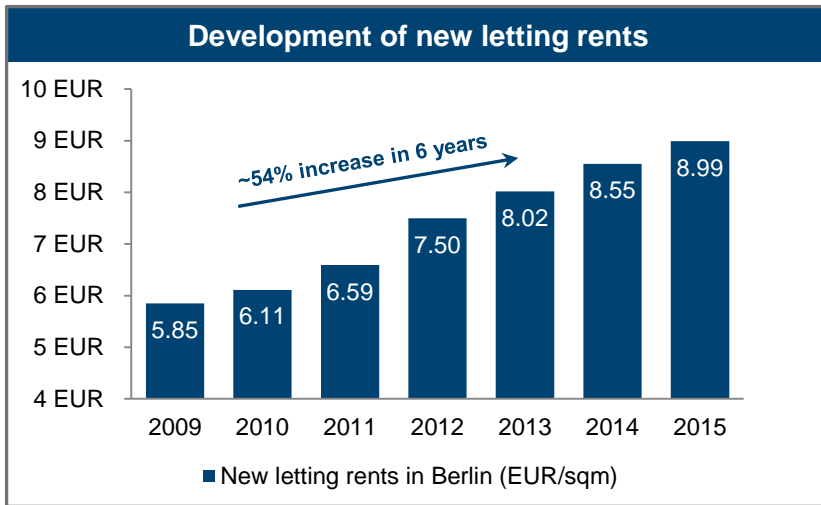
#### Examples for development of Berlin land values in EUR/ sqm over the last 3 years



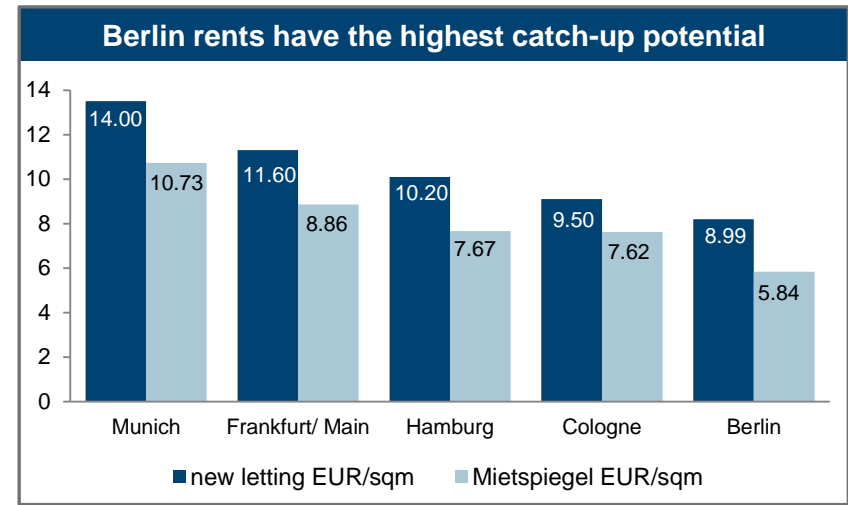
Source: Gutachterausschuss Berlin (GAA)

- Construction costs are steadily rising – partially as a result of high regulatory requirements (energy efficiency)
- Land values increased in last 3 years between 90% for central locations and 70% for suburb locations as a result of the dynamic demand situation and little availability of land reserves
- Current replacement costs of 2,500 EUR/ sqm (excluding land) are significantly above current asset valuation of Deutsche Wohnen (1,360 EUR/sqm) in Berlin

## 4 Rental upside in Berlin leads to value growth over time



Source: CBRE

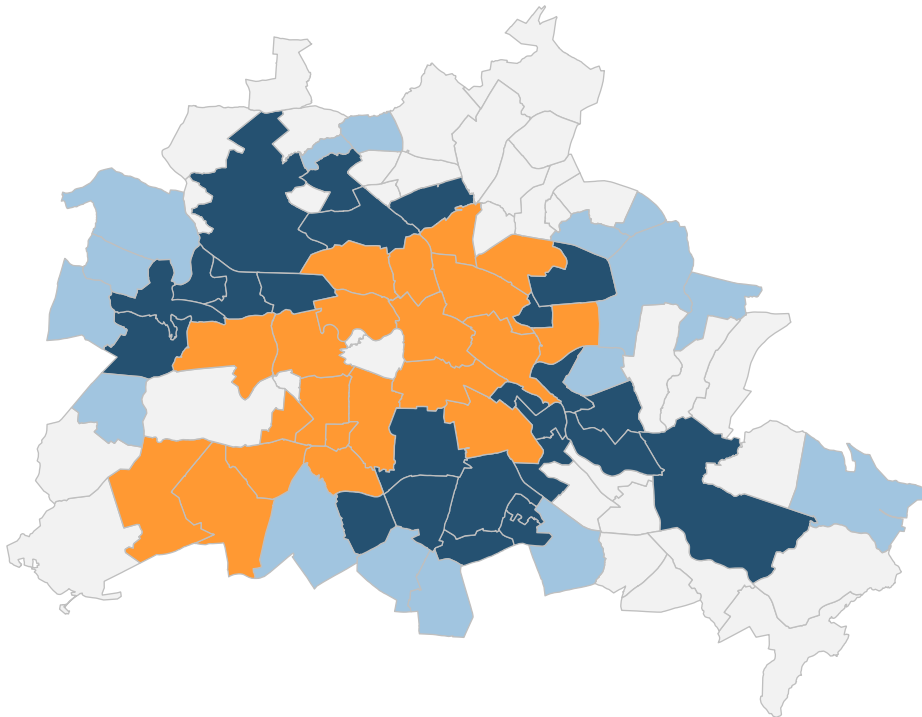


Source: Mietspiegel; bulwiengesa AG RIWIS, CBRE

- Berlin still offers a significant gap between existing rents and new letting rents
- Berlin with strong development of key economics (2015: employment growth +1.8%, GDP +2.2% vs 1.7% in Germany) but offers still significant catch-up potential versus other metropolitan areas
- The existing rent potential of Deutsche Wohnen portfolio in Berlin amounts currently to ~EUR 80m and will crystalize over time into NAV growth
- Tenant turnover expected to remain stable at 7% p.a. which is 2pp lower than in times with relaxed housing demand
- Like for like rental growth of ~3% p.a. on average expected (despite rent regulation)

## 5 High quality Berlin portfolio with significant value potential

Location cluster	Residential units <sup>1)</sup> 31/12/2015	Share in units	In-place rent in EUR/sqm	New Letting Rent <sup>2)</sup>	Rent Potential <sup>2)</sup>	Vacancy	FV in EUR/sqm
Hot Spot	34,035	31.7%	6.30	7.90	25.3%	1.7%	1,597
Growth	44,524	41.4%	5.89	7.05	19.7%	1.6%	1,349
Stable	28,956	26.9%	5.41	6.24	15.3%	1.8%	1,158
<b>Total</b>	<b>107,515</b>	<b>100.0%</b>	<b>5.88</b>	<b>7.02</b>	<b>19.3%</b>	<b>1.7%</b>	<b>1,375</b>



■ Hot Spots   ■ Growth   ■ Stable   ■ No DW units

### Hot Spot:

City centre, trendy northeast & wealthy southwest

- Fastest and strongest growing areas
- Strategy: upgrade to create new product and re densification

### Growth:

The green city edge areas

- Continuously growing areas
- Further rent development upside
- Strategy: focused modernization

### Stable:

The big outskirts settlements

- Moderate rent development
- Stable cash generation
- Strategy: necessary maintenance and modernization

1) Including acquisitions and disposals with transfer of ownership after 31/12/2015; 2) for unrestricted residential units

# 6 Targeted investment program to crystalize inherent value upside

Location cluster	Residential units	2016-2019 targeted capex	Capex in EUR/sqm	Current in-place rent (EUR/ sqm)	Rent potential	FV in EUR/sqm	Mid term market expectation (EUR/sqm)
● Hot Spot	~ 5,500	180m	~ 700	5.77	~ 60 %	1,450	↑ 3,500
● Growth	~ 8,000	110m	~ 400	6.01	~ 45 %	1,350	↗ 2,500
● Stable	~ 2,000	55m	~ 500	4.98	~ 40 %	900	↗ 1,500
<b>Total<sup>1)</sup></b>	<b>~ 15,500</b>	<b>345m</b>	<b>~ 500</b>	<b>5.79</b>	<b>~ 50 %</b>	<b>1,370</b>	<b>↗ 2,500</b>



1) Total includes targeted modernization and capex investments in Berlin (excluding rest of the portfolio and potential new construction)

## » **Strategy and guidance**



## » Clear focus on value creation: internal growth, selected bolt-on acquisitions and efficient long-term financing

### Internal Growth

- Capitalizing on strong fundamentals in our strategic core and growth regions
- Clear commitment to continue successful internal growth
  - Re-letting crystallizing market rents (rent potential > 20% for 75% of letting portfolio)
  - Established EUR 400m investment program to upgrade portfolio and realize inherent value
- Continuous optimization of platform efficiency

### External Growth

- No attractive consolidation and acquisition opportunities in the listed segment
- Selected bolt-on acquisitions with strong anchor in Core+
  - Concentrated portfolio in critical size allowing efficient management
  - Continued application of stringent acquisition criteria
- Scarcity of acquisition opportunities as a challenge to the sector demands increased importance of asset management expertise and internal growth

### Key financing principles

- Maintain quality investment grade rating, currently A3/A-
- LTV range of 35-45% / ICR >3.5x
- High share of secured bank financing to optimize interest cost with long-term and balanced maturity profile

### Continuation of strategy:

**Focus on Core+ regions, concentrated portfolios and solid financing structure**

## » Guidance - base case<sup>1)</sup>

	2015	2016e	Main drivers	Mid-term perspective <sup>5)</sup>
EPRA NAV per share (undiluted) <sup>2)3)</sup>	23.01	25 – 26	Capex upgrade, rent development, further yield compression expected based on market evidence	↑
FFO I in EUR m	303	>360	Addition of 15k units on a net base and I-f-I rent growth (EUR ~50m in total), interest cost savings (EUR ~10m)	➔
Dividend per share <sup>3)</sup>	0.54	~0.70	Higher FFO I, payout ratio increased from 60% to 65%	➔
LTV	38%/43% <sup>4)</sup>	<40%	Valuation uplift from capex and further yield compression	↘

- Targeted privatizations of ~2,000 units in 2016 provide attractive income stream
- Streamlining of portfolio successfully executed, further opportunistic institutional sales possible but depending on pricing

1) Without acquisitions and opportunistic portfolio disposal; 2) Excluding any changes in goodwill impairment and valuation of financial instruments; 3) Based on currently outstanding shares; 4) Pro forma acquisitions; 5) relative perspective to individual KPI

## » Q & A

## » Appendix

## » Strong cash flow generation

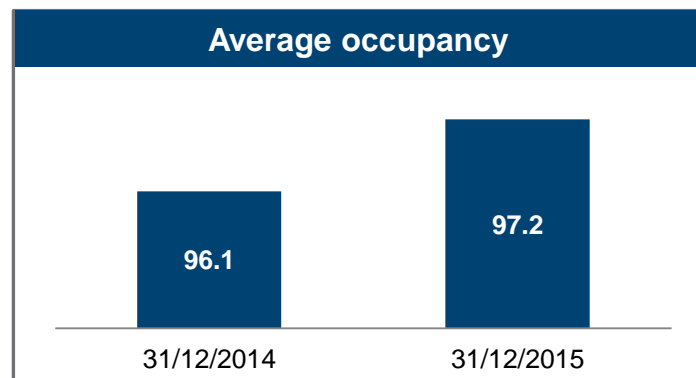
	2014	2015
FFO I after minorities as reported	217.6	303.0
Mandatory amortization	(81.0)	(47.9)
Capitalized investments	(64.1)	(96.0)
<b>Adj. corporate free cash flow (CFCF) excl. disposals</b>	<b>72.5</b>	<b>159.1</b>
FFO adjustments (EBITDA) as reported <sup>1)</sup>	(20.8)	(58.9)
<b>CFCF excl. disposals</b>	<b>51.7</b>	<b>100.2</b>
Dividends	(129.9)	(182)
<b>Δ Adj. CFCF excl. disposals vs. dividends</b>	<b>(57.4)</b>	<b>(22.9)</b>
% Dividends covered	56%	87%

1) One-off costs for transactions and restructuring & re-organization expenses

## » Attractive FFO contribution despite 51% sale of operational platform

in EUR m	FY-2015	FY-2014
<b>Income</b>		
Nursing	53.3	55.4
Living	6.1	6.0
Other	7.7	6.8
<b>Total income</b>	<b>67.1</b>	<b>68.2</b>
<b>Costs</b>		
Nursing and corporate expenses	(17.8)	(18.6)
Staff expenses	(33.7)	(33.3)
<b>Total costs</b>	<b>(51.5)</b>	<b>(51.9)</b>
<b>Earnings from Nursing and Assisted Living (NOI)</b>	<b>15.6</b>	<b>16.3</b>
Cash interest expenses	(4.8)	(3.8)
<b>FFO contribution</b>	<b>10.8</b>	<b>12.5</b>

31/12/2015	Facilities	Places
Greater Berlin	12	1,442
Saxony	7	475
Others	1	131
<b>In total</b>	<b>20</b>	<b>2,048</b>



- 19 of 20 facilities are owned by Deutsche Wohnen with Fair Value of the properties of EUR 161.4m

- Lower FFO contribution as Deutsche Wohnen holds 49% instead of 100% in 2015

## » Overview of portfolio as at 31 December 2015

31/12/2015	Residential units #	Area <sup>1)</sup> K sqm	In-place rent <sup>2)</sup> EUR/sqm	Rent potential <sup>3)</sup> %	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>	143,173	8,661	5.92	19.0%	1.7%	11,591	99%	1,296	18.2	5.5%	15.4	6.5%
<b>Core<sup>+</sup></b>	127,774	7,688	5.97	21.2%	1.7%	10,697	91%	1,347	18.7	5.3%	15.7	6.4%
<b>Core</b>	15,399	972	5.49	9.6%	2.0%	894	8%	894	13.6	7.4%	12.2	8.2%
<b>Non-core</b>	2,955	195	4.79	-0.1%	6.3%	130	1%	641	12.0	8.4%	10.4	9.7%
<b>Total</b>	<b>146,128</b>	<b>8,856</b>	<b>5.89</b>	<b>18.6%</b>	<b>1.8%</b>	<b>11,721</b>	<b>100%</b>	<b>1,282</b>	<b>18.1</b>	<b>5.5%</b>	<b>15.3</b>	<b>6.5%</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

1) Only residential area; 2) Contractually owed rents from rented apartments divided by rented area; 3) Contractually owed rent for newly concluded contracts for units not subject to rent control effective in 2015 respectively (letting portfolio); 4) Fair Value including residential, commercial and parking spaces; 5) Fair Value divided by residential and commercial area

## » Portfolio split and strategic focus for investment decisions

Strategy cluster	Residential units <sup>1)</sup>	Area K sqm	% of total units	In-place rent <sup>2)</sup> 31/12/2015 EUR/sqm	Rent Potential <sup>3)</sup> in %	Vacancy 31/12/2015 in %	Multiple in- place rent	Multiple market rent
<b>Total</b>	<b>146,128</b>	<b>8,856</b>	<b>100%</b>	<b>5.89</b>	<b>18.6%</b>	<b>1.8%</b>	<b>18.1</b>	<b>15.3</b>
<b>Strategic core and growth regions</b>	<b>143,173</b>	<b>8,661</b>	<b>98%</b>	<b>5.92</b>	<b>19.0%</b>	<b>1.7%</b>	<b>18.2</b>	<b>15.4</b>
<b>Core<sup>+</sup></b>	<b>127,774</b>	<b>7,688</b>	<b>87%</b>	<b>5.97</b>	<b>21.2%</b>	<b>1.7%</b>	<b>18.7</b>	<b>15.7</b>
• Operate	106,059	6,397	73%	6.00	20.1%	1.3%	18.7	15.8
• Develop	17,042	971	12%	5.79	28.3%	2.5%	19.1	15.1
• Dispose	4,673	321	3%	5.97	-	7.7%	19.2	15.8
<b>Core</b>	<b>15,399</b>	<b>972</b>	<b>11%</b>	<b>5.49</b>	<b>9.6%</b>	<b>2.0%</b>	<b>13.6</b>	<b>12.2</b>
• Operate	14,207	893	10%	5.50	9.6%	1.9%	13.6	12.2
• Dispose	1,192	80	1%	5.46	-	3.5%	13.6	12.4
<b>Non-core</b>	<b>2,955</b>	<b>195</b>	<b>2%</b>	<b>4.79</b>	<b>-0.1%</b>	<b>6.3%</b>	<b>12.0</b>	<b>10.4</b>
<i>Thereof Clean-up</i>	182	12	0%	5.24	-	14.3%	12.1	10.2

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

1) Only residential area; 2) Contractually owed rent from rented apartments divided by rented area; 3) Unrestricted residential units (letting portfolio); rent potential = New-letting rent compared to in-place rent (letting portfolio)



## » Portfolio valuation changes by cluster

Regions	FV (31/12/2014) EUR m	FV (31/12/2014) EUR/sqm	Multiple in-place rent (31/12/2014)	FV (31/12/2015) EUR m	FV (31/12/2015) EUR/sqm	Multiple in-place rent (31/12/2015)	Multiple market rent (31/12/2015)
<b>Strategic Core and growth regions</b>	9,635	1,074	15.6	11,591	1,296	18.2	15.4
<b>Core*</b>	8,819	1,108	16.0	10,697	1,347	18.7	15.7
Greater Berlin	7,273	1,101	16.1	8,950	1,360	19.2	16.1
Rhine-Main	845	1,405	16.5	921	1,581	17.7	15.0
Mannheim / Ludwigshafen	282	904	13.4	302	986	14.3	12.9
Rhineland	304	983	14.1	314	1,078	15.1	13.2
Dresden	115	872	14.8	210	1,153	18.5	15.4
<b>Core</b>	<b>817</b>	<b>803</b>	<b>12.7</b>	<b>894</b>	<b>894</b>	<b>13.6</b>	<b>12.2</b>
Hanover / Brunswick	491	828	12.9	529	908	13.5	12.0
Magdeburg	97	768	12.5	144	918	14.6	13.5
Kiel / Lübeck	95	729	12.3	74	807	12.7	11.4
Halle / Leipzig	77	765	12.6	87	847	13.6	12.7
Erfurt	34	990	14.0	36	1,043	14.3	13.9
Others	23	692	11.9	24	760	12.5	10.3
<b>Non-Core</b>	<b>150</b>	<b>621</b>	<b>11.6</b>	<b>130</b>	<b>641</b>	<b>12.0</b>	<b>10.4</b>
<b>Total</b>	<b>9,785</b>	<b>1,062</b>	<b>15.5</b>	<b>11,721</b>	<b>1,282</b>	<b>18.1</b>	<b>15.3</b>

## » Like-for-like overview of portfolio as at 31 December 2015

Like-for-like 31/12/2015	Residential units #	In-place rent <sup>2)</sup> 31/12/2015 EUR/sqm	In-place rent <sup>2)</sup> 31/12/2014 EUR/sqm	in % y-o-y	Vacancy 31/12/2015 in %	Vacancy 31/12/2014 in %	in % y-o-y
<b>Letting portfolio<sup>1)</sup></b>	<b>129,015</b>	<b>5.95</b>	<b>5.75</b>	<b>3.6%</b>	<b>1.4%</b>	<b>1.7%</b>	<b>-0.3</b>
<b>Core*</b>	<b>115,099</b>	<b>6.01</b>	<b>5.80</b>	<b>3.8%</b>	<b>1.4%</b>	<b>1.6%</b>	<b>-0.2</b>
Greater Berlin	95,648	5.94	5.71	4.1%	1.5%	1.7%	-0.1
Rhine-Main	8,427	7.33	7.12	3.0%	0.8%	1.4%	-0.6
Mannheim/Ludwigshafen	4,495	5.69	5.59	1.7%	0.6%	0.6%	-0.0
Rhineland	4,361	5.90	5.75	2.6%	0.4%	1.3%	-0.9
Dresden	2,168	4.99	4.93	1.3%	1.5%	1.1%	0.3
<b>Core</b>	<b>13,916</b>	<b>5.45</b>	<b>5.34</b>	<b>2.0%</b>	<b>1.8%</b>	<b>3.1%</b>	<b>-1.3</b>
Hanover / Brunswick	8,100	5.52	5.38	2.6%	1.6%	2.8%	-1.2
Magdeburg	2,101	5.25	5.23	0.5%	3.2%	3.2%	0.0
Kiel / Lübeck	1,128	5.38	5.23	2.7%	2.1%	3.9%	-1.8
Halle / Leipzig	1,606	5.20	5.19	0.2%	1.5%	3.6%	-2.2
Erfurt	609	5.90	5.89	0.1%	0.7%	2.7%	-2.0
Others	372	5.40	5.23	3.2%	2.0%	4.5%	-2.5
<b>Total</b>	<b>137,637<sup>3)</sup></b>	<b>5.92</b>	<b>5.72</b>	<b>3.5%</b>	<b>1.8%</b>	<b>1.9%</b>	<b>-0.1</b>

1) Cluster block sale of strategic core and growth regions allocated to letting portfolio; 2) Contractually owed rent from rented apartments divided by rented area; 3) Total L-f-I stock incl. Non-Core

## » Acquisitions 2015 – regional split

		Residential units	Share/ units	in-place rent	Vacancy	Market rent	Purchase price	Purchase price	Multiple in-place rent	Multiple market rent
Cluster			%	EUR/ sqm	%	EUR/sqm	EURm	EUR/sqm		
<b>Total</b>		<b>21,691</b>	<b>100.0%</b>	<b>5.67</b>	<b>2.2%</b>	<b>6.83</b>	<b>1,704.0</b>	<b>1,292</b>	<b>18.9</b>	<b>15.8</b>
<b>Core+</b>										
	Greater Berlin	11,463	52.8%	5.27	2.0%	6.52	877.8	1,322	21.1	16.9
	Greater Munich	1,126	5.2%	9.76	1.6%	11.88	203.0	2,904	24.6	20.4
	Rhine Main	721	3.3%	6.72	2.5%	7.26	65.1	1,424	18.2	16.4
	Rhineland	429	2.0%	7.35	2.8%	8.43	50.7	1,587	18.4	15.7
	Greater Hamburg	321	1.5%	7.71	2.9%	8.47	34.7	1,729	18.5	17.0
	Dresden	300	1.4%	5.66	1.7%	7.01	27.8	1,180	16.1	14.0
<b>Core+</b>		<b>14,360</b>	<b>66.2%</b>	<b>5.81</b>	<b>2.0%</b>	<b>7.13</b>	<b>1,259.0</b>	<b>1,473</b>	<b>21.1</b>	<b>17.2</b>
<b>Core</b>										
	Kiel/Lübeck	3,818	17.6%	5.37	0.7%	6.50	235.1	1,043	15.9	13.4
	Hanover/ Brunswick	793	3.7%	5.78	2.1%	6.66	43.2	921	13.1	11.5
	Magdeburg	783	3.6%	5.28	3.1%	6.09	60.2	979	15.8	13.4
	Others	360	1.7%	5.64	3.3%	6.23	21.5	966	14.5	12.9
	Halle/Leipzig	88	0.4%	5.48	1.8%	5.82	10.1	1,154	16.5	16.5
<b>Core Ergebnis</b>		<b>5,842</b>	<b>26.9%</b>	<b>5.43</b>	<b>1.4%</b>	<b>6.42</b>	<b>370.1</b>	<b>1,014</b>	<b>15.4</b>	<b>13.2</b>
<b>Non-Core</b>										
	Ruhr area	1,121	5.2%	5.45	6.3%	5.94	58.6	780	12.2	10.9
	Others	368	1.7%	5.07	5.6%	5.00	16.3	680	11.0	11.3
<b>Non-Core</b>		<b>1,489</b>	<b>6.9%</b>	<b>5.36</b>	<b>6.2%</b>	<b>5.71</b>	<b>74.9</b>	<b>756</b>	<b>11.9</b>	<b>11.0</b>

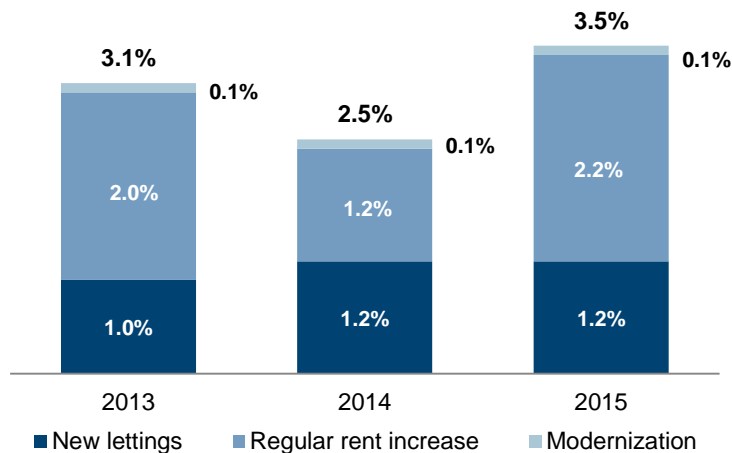
## » Balance sheet

Assets			Equity and Liabilities		
in EUR m	31/12/2015	31/12/2014	in EUR m	31/12/2015	31/12/2014
Investment properties	11,859.1	9,611.0	<b>Total equity</b>	<b>6,872.0</b>	<b>4,876.1</b>
Other non-current assets	614.3	600.6	Financial liabilities	3,780.4	4,779.0
Deferred tax assets	325.5	351.7	Convertibles	965.4	748.7
<b>Non current assets</b>	<b>12,798.9</b>	<b>10,563.3</b>	Bonds	498.3	0.0
Land and buildings held for sale	66.9	58.1	Tax liabilities	37.5	46.1
Trade receivables	13.4	17.7	Deferred tax liabilities	1,110.2	557.9
Other current assets	159.3	410.7	Derivatives	44.8	145.0
Cash and cash equivalents	661.6	396.4	Other liabilities	391.5	293.4
<b>Current assets</b>	<b>901.2</b>	<b>882.9</b>	<b>Total liabilities</b>	<b>6,828.1</b>	<b>6,570.1</b>
<b>Total assets</b>	<b>13,700.1</b>	<b>11,446.2</b>	<b>Total equity and liabilities</b>	<b>13,700.1</b>	<b>11,446.2</b>

- Investment properties represent ~87% of total assets
- LTV reduced to ~38% (FY-2014: ~51%)
- Strong balance sheet structure offering comfort throughout market cycles

## » Deconstructing I-f-I rental growth

### Drivers of rental growth



**On average ~3% like for like rental growth p.a.**

Annualized rent increases of EUR 21.5m in 2015

### Considerations

#### Rental cap Berlin

- Rental cap regulations have been in place in Berlin since June 2015
- Deutsche Wohnen is actively managing the portfolio; there is limited impact on re-letting rents

#### Rent table

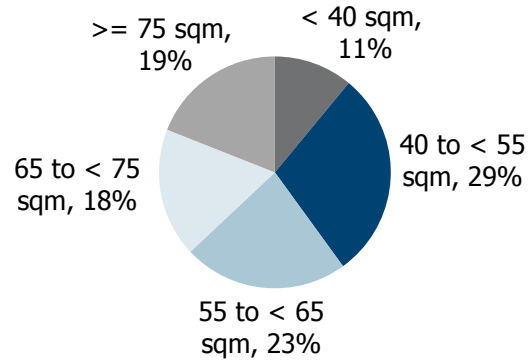
- 2015 Berlin rent table has been below market expectations and below 2013 published rent table
- However, Deutsche Wohnen achieved 3.5% I-f-I rental growth for 2015 compared with 3.1% in 2013

#### Modernization boost with implemented program

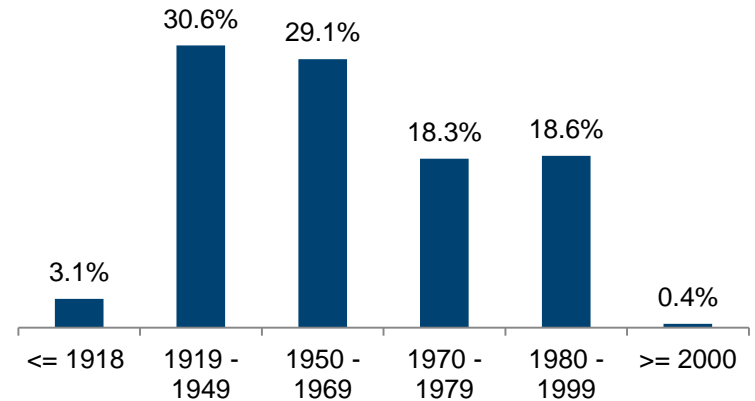
- Focused capex program for next years in place
- This will provide an additional source of growth to further enhance Deutsche Wohnen's growth profile
- An increase in established modernization measures will therefore represent an important additional value driver

# » Portfolio structure – characteristics meeting strong demand

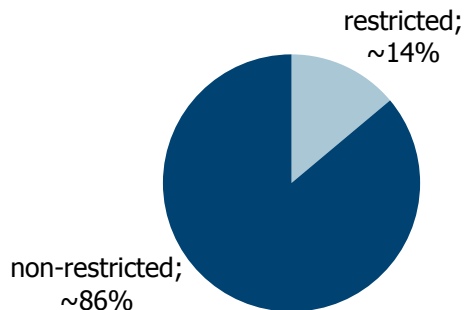
### Apartment size



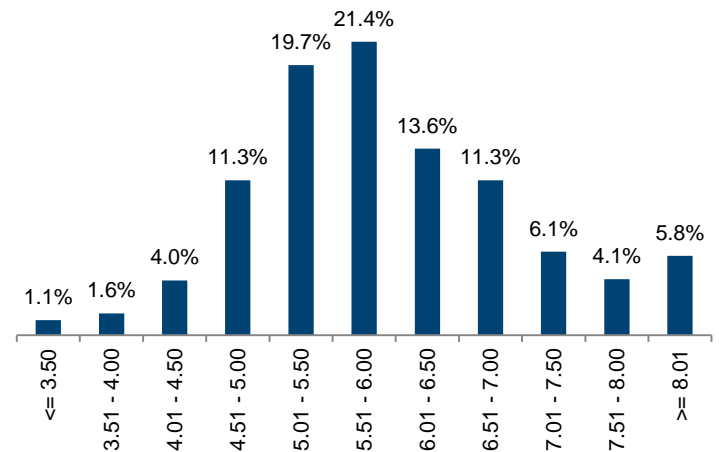
### Year of construction



### Rental restrictions

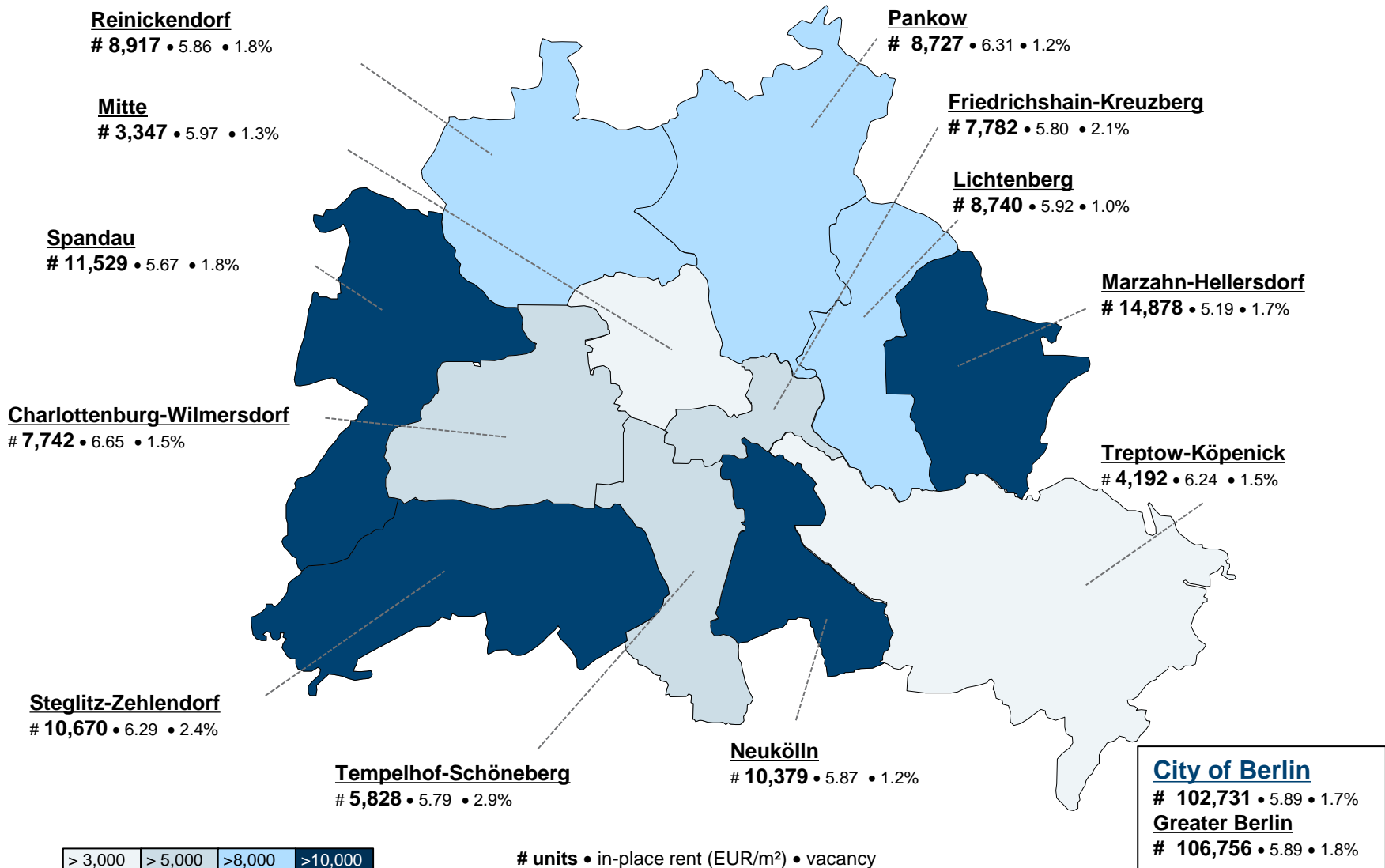


### In-place rent (Ø 5.89 EUR/sqm/month)<sup>1)</sup>



1) Excluding vacant apartments

# » THE BERLIN-PORTFOLIO AT A GLANCE



## » Overview of Management Stock Option Program

- In addition to a market customary fixed compensation, the member of the Management Board receive a variable short-term compensation based on individual targets and a variable long-term compensation
- For the variable long-term compensation a stock option program was introduced in the AGM 2014 to align long-term compensation with shareholders' interest. Key features include:
  - Option may only exercised if defined performance targets are reached after the end of the 4-year waiting period. The period for exercise is three years following the end of the waiting period
  - Performance target relate to the (i) adjusted NAV per share (40% weighting), (ii) FFO I per share (40% weighting) and (iii) relative share price performance versus the EPRA NAREIT Germany Index (20% weighting).
  - The financial performance targets are based on the 4-year business plan as approved by the Supervisory Board
  - Within each of the aforementioned performance targets there is a 75% minimum target that must be achieved so that 50% of the options can be exercised. If the minimum target is not achieved, the options expire worthless
  - In addition, there is a 150% maximum target that, if achieved, renders all options eligible for exercise
- Overview of current management holdings of shares and stock options:

	Michael Zahn		Lars Wittan	
	75%	150%	75%	150%
Direct Share Holdings (in '000)	26	26	11	11
Stock options 2014-2016 (in '000)	80	160	28	55
<b>Total</b>	<b>106</b>	<b>186</b>	<b>39</b>	<b>66</b>
Current share price	26	26	26	26
Theoretical Value (€m)	2,8	4,8	1,0	1,7
<b>in % of fixed compensation 2015</b>	<b>334%</b>	<b>586%</b>	<b>266%</b>	<b>456%</b>

- Remuneration system for the Management Board and the total remuneration are determined by the Supervisory Board and subject to regular review



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