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Speakers: Thomas Eisenlohr, Rolf Buch, Dr Stefan Kirsten

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OPERATOR: Dear ladies and gentlemen, welcome to the H1 2015 earnings call of Deutsche Annington Immobilien SE. At our customer's request, this conference will be recorded. As a reminder, all participants will be in a listen-only mode. After the presentation there will be an opportunity to ask questions. If any participant has difficulties hearing the conference, please press the star key followed by zero on your telephone for operator assistance.

I now hand you over to Mr Eisenlohr. Please go ahead, sir.

THOMAS EISENLOHR: Thank you very much and good afternoon, ladies and gentlemen, and a warm welcome to our six months 2015 earnings call. The call is hosted by our CEO, Rolf Buch, and our CFO, Dr Stefan Kirsten. Both will lead you through the results presentation first and are happy to answer your questions afterwards.

With this, I'm handing over to Rolf Buch. Please go ahead.

ROLF BUCH: Also from my side a warm welcome we heard you clear and loud last time that you are asking for more and detailed disclosure and less surprises but solid results. I think with the H1 reporting we are going in this direction.

Let me give you the highlights. We have promising operational and financial performance. We have shown a like-for-like rental grown of 2.7 per cent on a year-on-year basis. Vacancy rate is down by 0.3 per cent, FFO per share is up by 35.9 per cent and the EPRA NAV as a value per share is up by 16.2 per cent in comparison to year-end 2014.

Second, our integration work is on track, with the first time - and I will show a slide later - that we can show in reality that the platform is working. You know it is DeWAG and Vitus, the two portfolios which were indicated last year, now show complete results in our own systems and we will show you that the assumptions that we had at the acquisitions are over-fulfilled and the platform is working. I can give you an update that the GAGFAH integration is in all parameters ahead of plan and the SÜDEWO transaction is closed and fully funded.

The 2015 guidance that Stefan will give you in a second will show that the FFO per share is up by 20 per cent to 24 per cent in comparison to last year. The EPRA NAV as a value is up between 19 per cent and 24 per cent. The adjusted net asset values without goodwill will be in the magnitude of last year and we will recommend a dividend per share of 94 cents. All this comes together after the capital increase the LTV including SÜDEWO and rights issue is around 50 per cent, which is close to our midterm target of 50 per cent and which is in the magnitude of the year-end 2014.

With this, I hand over to you, Stefan, to explain the figures.

DR KIRSTEN: Thank you, Rolf. Ladies and gentlemen, also a very warm welcome from me. First I would like to apologise for the timing, because you remember in Q1 we were four weeks late. We are now two weeks late to our normal schedule. From Q3 onwards we are back in lockstep. One of the key reasons is that from 1 July onwards we're working now with GAGFAH integrated in SAP system. Rolf will elaborate on that in the integration page. So it's now one unified company from this financial point of view.

As Rolf pointed out, I will concentrate on the numbers. Please note that in all year-to-date numbers there will be no rights issue data and no SÜDEWO data in because the rights issue closed on 7 July and SÜDEWO closed on 8 July, so after the quarter.

As Rolf pointed out, we listened to you very carefully. We brought you some more data points from our quarterly reporting, which was always there but not in the presentation, so that it's easier for you to pick and choose the respective KPIs for your models.

On page 22 you will also find a first chart of definitions and on page 23 what is included and what's not in the numbers. What's important for us, especially on page 22, is that Thomas Eisenlohr and the team are open for any suggestions and feedback so that we can make new investment decisions easier.

Let's move into the numbers. I'm on page 3, residential-in-place rent, 2.7 per cent growth, first half year versus first half year. You've seen all our competitors also presenting what is in the 2.7 per cent. We're normally not giving a breakdown of the respective number at half year. I can tell you for full year it's between 1.5 per cent and 1.6 per cent, or let's say bread-and-butter rent increases. The rest stems from our very successful modernisation programme.

Second point, what does like-for-like mean? Like-for-like means, in our case, that a certain flat has been for the last 12 months in our occupation and in our ownership, so therefore this number is already contaminated with DeWAG but does not include any Vitus, Franconia, GAGFAH and definitely not SÜDEWO numbers. We're happy with it because you will see later in the guidance that in the midpoint of the guidance, and usually modernisation rent increases have a certain time lag until they become effective during the year, so we're happy with the number as it stands.

On the vacancy rate we're also very happy. It's in line with our own proposed data that we are coming to 3.5 per cent. This is the right approach and it shows also a strong demand for our product. Adjusted EBITDAs are up. We'll come late to the FFO numbers.

On the fair values you still see a decline on the square-metre basis of minus 1.3 per cent. Please remember in Q1 this was minus 2.5 per cent. The effect is purely and solely a mixed effect by having GAGFAH in the numbers now. The minus 1.3 per cent reflects that we have adjusted the methodological side of the valuation. I'll come alter when we talk about LTV targets about that. I can assure you one thing: there is not a single dime of yield compression in our numbers here at half year.

Let's move to page 4. FFO1 and FFO1 per share. The FFO1 per share number, bear in mind rights issue not yet included, was rising by 35.9 per cent. This in itself sounds impressive. It looks even better if we compare the quarters. In Q1 we presented to you 27 per cent. In Q2 it's 46 per cent, which leads to 36 per cent in totality. The FFO1 development is not surprising for us because you know that we have now four months of GAGFAH included and all the other acquisitions, so when we see commentaries out there in the market that this is in line with expectations, we absolutely share your view.

On the EPRA NAV - again EPRA NAV for us includes the goodwill - we're having a 16 per cent rise to €28.14. If you would exclude the goodwill - you can see that later on page 6 - it's a 9 per cent decline from €23.83 to €21.74 but as Rolf pointed out it's in line with the previous year. So you can actually say it's a little bit stagnant but on a much bigger scale.

On our FFO1, excluding maintenance and AFFO numbers, there's nothing in particular to report. The AFFO number is, as you know, also very important for us when we look at the full-year number with regard to dividend payments, so it's a litmus test our out pay-outs.

Pages 5, 6, 7 and 8 will be pages which you will see in future each and every quarter but in the appendix. We have now moved them into the main body because we wanted to address a couple of issues which you asked us to do with regard to our accounting. You can see on these pages on which numbers we report and how we calculate them. As I said before, the definitions behind the numbers are on page 22, and which data points are included is on page 23.

You see the FFO1 increasing by 103 per cent. We have split the FFO1 attributable to shareholders and the one attributable to equity hybrid investors. We have still not split out the ones to minorities. The reason is simple materiality. I can give you the number off the cuff. It's €2.5 million for minorities and we just don't believe that this is meaningful enough to be disclosed in the full-year number which gets taken off the FFO1 number. There's one additional aspect which I would like to stress, and I really stress it: our dividend guidance is based is based on FFO1. It's not based on FFO1 to shareholders or something like that, it's based on FFO1.

You see the AFFO numbers, as I illustrated before. You see a quite sizeable increase in capitalised maintenance. This is, from our point of view, a simple effect of (a) having a bigger company and (b) when you reduce vacancy you also turn around your empty flats much faster.

Page 6 give you an indication about the NAV. On the EPRA NAV you see how it is calculated, you see that the goodwill is included. We'll drill deeper on the goodwill. The adjusted NAV in the best tradition of other companies would show that without the goodwill we also presented you with the NAV per share numbers and the adjusted NAV per share numbers. We also see, of course, part of the premium which we paid for the GAGFAH transaction. Again, all these numbers are pre-rights issue and pre-SÜDEWO.

On page 7 I'm splitting up the goodwill for you. The goodwill for DeWAG and Vitus, there the purchase price allocation is closed, so this goodwill may only change if we feel the necessity to impair them which we don't. This is also a strong indication that the integration there is fully digested and we can prove the respective numbers. Rofl will later deal with that on page 14.

The GAGFAH goodwill is still preliminary. We always expected that this one shrinks a little bit further but I will explain on the next page why it doesn't. Then you have also an indicative preliminary goodwill for SÜDEWO of €340 million. I know that one or the other of you is a bit surprised about the amount. The key reason for that is actually the deferred tax position of SÜDEWO. That is the key driver of the goodwill, it's not that we overpaid any major prices there.

Let's bear one thing in mind, and we will discuss this when we come to the loan-to-value discussion. SÜDEWO has a gross asset value of €1.75 billion and we have found in the company €160 million of cash. These are very rough numbers. This is approximately the purchase price, so the goodwill does not come from the asset side but from the liability side of the SÜDEWO transaction.

Page 8. I'm sorry that it gets now accounting-wise a bit detailed, but we would like to show you what's still moving around in the GAGFAH transaction. Our preliminary goodwill as of 31 March was based on 88.8 per cent of the GAGFAH shares and was €2.2 billion. The next three positions are positions where I would say we just did our housekeeping. You all expected that the investment properties get adjusted to our methodology. I repeat again, no yield compression included. On property plan and equipment which is simply found, a little bit of less value which increased the goodwill, so that's simply housekeeping when you get the data in and you're cleaning everything up.

We also have within VBL a post-retirement benefit plan. This obligation is in with preliminary numbers. This is the best number we could find at the current point of view. Unfortunately, these types of, how would you say that, analytical work works with glacial speed. In the moment when we have more available we will of course correct the number. I don't see it going sky-high but we definitely didn't want to leave this one open.

If you look at these three positions and calculate the deferred taxes on that you have €64.2 million. You then can net the next two positions. We wanted to show them gross. We paid a consideration, of course, in May for the additional corporate requirement in Luxembourg when we could acquire more shares, but we also got more shares for that. It's 50 per cent exactly, so €190 million net in increase of goodwill there. The miscellaneous is pure housekeeping.

If I have to bring this into one nutshell, we're having a €2.2 billion goodwill, but now on 83.8 per cent and not on 88.8 per cent. We will keep you posted every quarter until we lock the goodwill down at year-end.

Now let's come to the guidance page. On the guidance page we have shown you the full year 2014. This is by the way the only page which is TERP-adjusted. We left out the TERP adjustment on the year to date because the rights issue was after half year. We have also shown you a delta column to 15 June changes in our guidance, including SÜDEWO. I would like to go with you very quickly line by line through it.

Like-for-like rental growth unchanged, 2.6 per cent to 2.8 per cent. We are now at 2.7 per cent at half year. Vacancy around 3 per cent, we are now at 3.5 per cent. Nobody is concerned about that. Rental income stayed where it is. We have no better indications that what you know at the moment. Same thing on the FFO1 with €560 million to €580 million. What that means translated for full-year effects and synergies Rolf will point out later to you.

The FFO1 per share, which is at half year 74 cents, should end up at €1.20 to €1.24. This is of course including the rights issue and SÜDEWO. EPRA NAV per share in the €27.50 to €28.50 range. If you deduct the goodwill from that you will see that we're ending up in the same area where we were last year.

Maintenance we have a little change. It's quite normal for us each time when we prepare a quarter that we're also updating our forecast. We see that we are spending a touch more maintenance this year. This is mainly to do with a couple of projects which came in addition on board to improve our housing stock further. Nothing to do with the SÜDEWO transaction or anything else, it's very simply just the work we see at the moment happening, and therefore we didn't want to hide that in the respective guidance. It doesn't influence our FFO1 guidance.

Modernisation stays where it is and we are well on track. Rolf will point out what that means. We have increased the number of privatisation units because we can already foresee that the privatisation market is very good. Traditionally we don't give you a non-core guidance, but we will talk this at a later stage. The guidance for step-up in privatisation and non-core stays the same. I would like to repeat myself also very firmly because I think we were not clear enough last time when we reported to you. The proposal from the management board to the supervisory board and therefore AGM will be a 94-cent dividend for the year 2015, paid out in 2016.

Now on page 10 I would like to move to a topic which is rather close to all our hearts, but as the CFO to my heart particularly. This the LTV discussion which we had over the last month. Bear in mind that our perpetual equity-accounted hybrid is not included in that LTV. This one is simply not there. All other components you will see on the next page.

You have seen this chart before. We have reported now 56.4 per cent. Our midterm target is below 50 per cent. It is sheer coincidence, and I was a little bit embarrassed when I saw that it comes out at 50.0 per cent on pro-forma, because that looks so well calculated, but it's very simply how the numbers fall.

Let's go through the different levers. On valuation: in the valuation guidance you already have our rental growth number baked in. You have no yield compression. Any yield compression numbers - and you have seen some of our competitors have had half-year valuations, we value once a year - will of course affect our numbers too, so there is clearly an upside. I am not able to give you any quantitative indication at this point in time because this hand-to-hand combat with CBRE will take place in September, but I'm sure that we will be able to give a corridor in our November call.

The harmonisation of GAGFAH along Deutsche Annington standards has taken place, thus giving you a guidance of €220 million to €240. We ended up at €232 million. This is the number which is reducing the goodwill, ex deferred taxes, of course.

On financing we have done our rights issue, so 30 per cent out of the 50 per cent approved capital has been spent and therefore this lever has been fully pulled. On disposals I would like to leave that topic to Rolf with regard to the outlook for the rest of the yare. This is the main lever to deliver further during this year. On acquisitions you know that we closed Franconia. We also closed SÜDEWO and funded it completely.

Let's have a look at the detailed numbers on the next page. Again, if you, for your own models, would like to include the equity hybrid, just add €1 billion more debt, of course. You see here - and I would like to refer to numbers which are not intuitively opening up - funds held for GAGFAH and Franconia acquisitions. This is, for instance, the cash from the equity hybrid or in other financing where we know that we spend it in January or February, we don't want to. We're more conservative and we don't want to include our LTV numbers, so this one is of course not included. Cash effect on the rights issue. The rights issue was approximately €2.25 billion. If you deduct the whole of SÜDEWO, you're getting this cash effect out. This cash effect will of course unlever. We'll talk about that in minute. The liquid funds in SÜDEWO, €168 million, stem mainly from sales, where I must actually say we were having a lower assumption and therefore we are positively surprised about the loan-to-value development.

The fair value of SÜDEWO portfolio - again not adjusted, no yield compression - at €1.75 billion is helping us on the fair-value number. So pro-forma we are nearly in the same range as on 31 December, given or take the equity hybrid and we feel we are well on the way to reach our medium-term target with yield compression, with disposal programme and other means which support us there. That would be my point about the loan-to-value ratio.

Let's talk about maturity profiles. That's on page 12. You see in the year 2024 the SÜDEWO loan already included. That's the only key difference. Nothing else has serious happened. What we are doing is including that loan. Our treasury will refinance €1.9 billion to increase the unencumbrance from 32 per cent to 44 per cent. Details for that are in the appendix. These 11 loans will be dealt with in the next month. For most of these loans the cash is already in through the rights issue, so from that point of view we have no major risks when we move forward.

You see also in the maturity profile, and that might be a bit counterintuitive, that the equity hybrid is included there. The reason is very simple. Everybody, including us, expects this equity hybrid to be refinanced, even if it's perpetual. So it doesn't belong into debt but it belongs into the maturity profile. You see our current interest cost of 2.9 per cent and I would assume that it would oscillate around this number also for the year-end.

For the bondholders amongst you, on page 29 we have illustrated the bond KPIs. We have so much headroom that it is not really worth putting them into the main body of the presentation.

That concludes my numbers part and with that I would like to hand back to Rolf.

ROLF BUCH: Thank you, Stefan. As you are used to, we always give you an update of our modernisation programme. It is fully on track. Actually, we can confirm the 7 per cent unlevered yield. It consists of the three models, upgrade buildings, optimise apartments and our new products - this is mainly the bathroom programme. For your information, this year 75 per cent of the whole programme of €280 to €300 million is lardy under construction. The respective figure from last year was 68 per cent, which gives you a good feeling. This was, of course, due to the warmer winter, but this gives you a feeling that we have a very high -- or it's 100 per cent sure that we will deliver the 25 per cent in the half-year because we're ahead in comparison to last year. Everything is confirmed, I repeat, including the unlevered yield, so nothing more to talk about. It will be delivered and of course €280 million to €300 million is a significant figure than the year before. This will have, of course, an impact of our rental increase in the next year.

Page 14 is a very important slide, because for you as a shareholder you trusted us now since the IPO that the platform is delivering its results. We always explained to you - it was understandable - that this DeWAG and Vitus, which were integrated in the last year, we now in this year can show real results and we can show the real effect on the platform. You know be bought both portfolios with an underlying assumption and so-called business plan. In both portfolios we are, in rent per square metre and in vacancy, a little bit better than our ambitious plan for the acquisition.

What is probably more important is the right part of the page. Here we look on the EBITDA rental margin, so EBITDA divided by cost rent. Please keep in mind that this figure is very difficult to compare from one company to the other because the companies have a very different maintenance strategy and the cost part of the maintenance is included in the EBITDA. In our case it's Deutsche Annington plus Deutsche Annington, so these figures are comparable, but for clarity reasons we include how much maintenance we have included in the EBITDA for DeWAG and Vitus. On this slide you can see that the previous owner was operating the DeWAG portfolio with 63 per cent EBITDA margin and the Vitus owner was operating the old portfolio with 64 per cent. We in both cases planned to operate it with a 75 per cent EBITDA margin. In reality we operate it now in the first half-year - and this is solid figures, audited figures - with 76 per cent and 78 per cent.

Both portfolios are very different. Vitus, you know, was a very dense portfolio, it was mainly Bremen, while DeWAG was flat all over Germany. So we showed that in both types of nature of portfolio we are delivering more than 10 per cent points more EBITDA yield on gross rent, which is a significant number and which proves for the first time the advantage of the platform and the scalability of our concept. We thank you as shareholders that you trusted so long in our vision. Here now we show that our vision becomes reality.

I also would like to give you an update on the GAGFAH indication, which is completely ahead on plan. You know we are running this integration in a granular integration process with a lot of subprojects. A big part of the subprojects are already closed because they are successfully finished. As Stefan told you, for example, the whole integration of the bookkeeping and all the administrative work is done. The segmentation of the combined portfolio is completed, and based on this we are now working on the design of the modernisation programme for the whole programme, so GAGFAH, SÜDEWO for the 2016.

The bottom-up synergies are analysed and I can here again confirm the increased number of the synergy of €130 million. The corporate holding function is completely integrated and approved by the works council. A very important message is that the two operating systems are already able to talk to each other, which is much faster than we thought, so we are able to transfer data today from the GAGFAH system to the Deutsche Annington system. This would normally lead to a faster closing of the GAGFAH system. We decided to stay in the end of December because the change is better in the year-end, and please keep in mind that we have to train the people, but this is a very good thing. There is no IT risk left in the integration and, by the way, this was the biggest data transfer which ever was made in Germany, with more than 150,000 apartments.

Of course, the organisational integration of the operational units of our field forces are on track and will be finalised in the timetable or even earlier. So we will have much higher synergies with lower one-off costs. We will have substantially increased economies of scale and we will de-risk the platform.

I also show you now on the next page the same logic that we have shown you in DeWAG and Vitus. Of course here we don't have real figures because integration is still in place, but DeWAG standalone after our definition had an EBITDA rental margin of 63 per cent and SÜDEWO of 64 per cent. Our assumption for the 2015 business plan, so after the integration, is 73 per cent respectively and 75 per cent EBITDA margin. So also you see that in the small company like SÜDEWO but also in the big companies the effect is always the same. It's a little bit more than 10 percentage points more EBITDA margin.

On the right side, as Stefan told you, I will give you some clarity about what we show in the guidance but also what is the real power of the company. So you see the guidance Stefan has already given you. The FFO guidance is €560 million to €580 million in FFO1. If you include all the pieces which you as shareholders already own but which not constantly dated for the full year, the FFO would have been at €640 million and €660 million, so you already own a company which delivers €640 million and €660 million on they full-year basis FFO. If you just add the €130 million synergies which will come in the next years, actually the FFO power of this company today without any further rent increases and any further improvement in 2016 is close to €800 million in the year 2015, which is actually the figure which should be considered if you value our company. Of course, out of the respective FFO, the dividend policy stays intact with 70 per cent and you can see that there's a significant uplift in FFO yields. This is actually a technical uplift which will happen anyway without any further improvement.

As you know, we always give you also an update of our acquisition pipeline. We have looked at 127,000 units since the beginning of this year and, as you know, we have signed 20,000 units. This is just an update to give you a clear feeling. We see at the moment still, as you can see on the slide, a lot of portfolios coming to the market but the quality of the portfolio and the price probably doesn't fit so much at the moment. That's why we are focusing much more on our disposal programmes, as Stefan has said. The privatisation is doing well. We increased the guidance of 600 units more than before. More important, of course, in this situation is our non-core disposal. We will not focus so much in the first half of the year on the non-core disposals, even though we sold much more than in the previous year. We will now focus, because we think it's the right moment, to make disposals in our non-core segment. That's why I hope I can give you on 3 November a much better view on how much we assume or how much we can sell in the non-disposal programme this year. But keep in mind we will make sure that we focus on this on the last year because we think it's a good moment.

Let me summarise it. You have seen on page 19 that we are delivering promising operational and financial performance. If you look on our year-end guidance, LTV will be below 50 per cent, so in the magnitude of the last year. The NAV per share, even adjusted of course, will be in the magnitude of last year, but the FFO per share will be up 20 per cent to 24 per cent.

As Stefan pointed out unencumbrance ratio will be at 44 per cent at the year-end and it is well on track and the pro-forma LTV is already 50 per cent. The modernisation programme 2015 is on track and we will focus now in the second half of the year on the disposal programme.

We haven't talked too much about the extension strategy today. I just can confirm to you that we have a lot of projects in our pilot phase and our concept phase and we see a very successful and smooth upgrade of size of the TGS, so here we are also very positive and probably next time we will talk a little bit more about this.

On the acquisition strategy I think we have shown you with improving figures now with DeWAG and Vitus now that the idea of the platform is not only an idea but reality which delivers additional cash. The GAGFAH acquisition is on plan and the SÜDEWO acquisition is closed and financed.

Also before I finish I would like to give you a very clear understanding of what you can expect from us in the Q3 reporting. We will of course in the Q3 reporting, as always, update you on our 2016 modernisation programme, so you will see a full segmentation and we will see a drilldown of the whole modernisation programme including all the acquisitions. We will give you, as I said, on 3 November an update of our disposal programme. I hope that I will give you a clear guidance for the year-end of 2015 how much we will dispose, but of course this depends also on counterparties but we will give you an update at least.

We will give you also an update on the valuation, including probably some expected yield compression. We will give you a detailed update on the synergies and especially also timing of the synergies, because you know we only disclose at the moment synergies of €130 million but on 3 November we will tell you precisely how much of the €130 million you will see in 2016 and how much you will see in 2017. Of course, this comes then together with the guidance for 2016, so all this will happen in our Q3 reporting on 3 November.

With this, I thank you very much for your attention and I hand over to Thomas Eisenlohr.

THOMAS EISENLOHR: Operator, we will then start the Q&A session, please.

OPERATOR: Thank you. We will now begin the question-and-answer session. If you have a question for our speakers, please dial 01 on your telephone now to answer the queue. Once your name has been announced, you can ask a question. If you find your question is answered before it's your turn to speak, you can dial 02 to cancel your question. If you are using speaker equipment today, please lift your handset before making your selection.

One moment, please, for the first question. The first question comes from Remco Simon, Kempen & Co.

REMCO SIMON: Good afternoon, gentlemen. This is Remco Simon, Kempen. A couple of questions. First, thank you very much for the improved disclosure on some of your numbers. Much appreciated. A couple of questions. Rolf, just coming back to your point on acquisitions and disposals, you mentioned that pricing for acquisitions does not look that attractive at the moment. Should we basically interpret that as you don't expect to make any further significant acquisitions in the foreseeable future?

ROLF BUCH: I'm just saying what I'm seeing if I look on the 127,000 units which we have analysed. I don't know if tomorrow if an attractive portfolio for a good price will come the market, so this is a point. That's why we don't have any acquisition targets. So I don't know. At the moment what we see in the moment on the market we don't find it attractive.

REMCO SIMON: Okay, thank you. Stefan, you made a comment when you talked about slide 11 about the €1.748 million SÜDEWO portfolio value, that that did not include any yield compression yet. Yet if we look at the SÜDEWO 2014 accounts, the portfolio seems to be valued at just over €1.6 billion. I was wondering what the difference was between those numbers.

DR KIRSTEN: Honestly I wouldn't be able to answer that, because SÜDEWO acquired a couple of things, smaller fry, and had some lift-ups, but I don't see any yield compression in there. Whether or not these numbers are 1 July, I wouldn't be able to answer that at the moment. But in principle this is the gross asset value which we took over on 8 July.

REMCO SIMON: Okay. And the last question on your FFO numbers. You mentioned that minorities is a relatively small number. I was wondering if you could maybe just elaborate a little bit more on that, because if we look at the GAGFAH FFO for the first half-year of €112 million, then your 6.2 per cent minority stake that you don't own I would think it would be slightly higher than just €2.5 million.

DR KIRSTEN: Yes, it would. You have to keep two things in mind there. The first one is that in 2015 there was a payout of a dividend for the year 2014 from GAGFAH shareholders. This thing was calculated in our one-offs because it will not repeat itself. This was the promise of a dividend which was made last year. We're not intending to pay out any further dividends to GAGFAH minority shareholders as we speak at the moment.

The second aspect is of course we have a co-investor with JPMorgan. JPMorgan gets an implicit fee which is reflecting in the pricing but not in the dividend line. We also have so-called RETT blockers. They are already in the EBITDA, so we can't deduct them any more from the FFO, they are already digested. So therefore the number is relatively small with regard to the minorities and it will stay there.

REMCO SIMON: Okay, and maybe one last question on that as well. You highlighted €12.8 million in hybrid costs on slide 5. But with a 4 per cent coupon on €1 billion of hybrids, I would expect that there will be €20 million. What's the difference there?

DR KIRSTEN: The difference there is that the hybrid costs between 1 January and 6 March has been accrued into the one-offs because this was a hybrid which was dedicated to the GAGFAH acquisition and as long as we didn't have control we used them like a prepayment.

REMCO SIMON: Okay, thank you very much.

OPERATOR: Thank you. The next question comes from Marc Mozi, SocGen.

MARC MOZZI: Yes, very good afternoon, gentleman. On my side, I have three questions. The first one is related to like-for-like long-term growth. Can you give us an indication of what has been your like-for-like rental growth excluding modernisation?

DR KIRSTEN: Marc, as I said, we do this normally for full-year numbers, and in full-year numbers there's what I would call bread-and-butter like-for-like rental growth between 1.5 per cent and 1.6 per cent. So if we come out at let's say 2.7 per cent we fulfil our full-year guidance at midpoint and you can say 110 basis points come from the modernisation bit.

MARC MOZZI: Okay, thank you very much. My second question is related to what is the level of synergies from Vitus and DeWAG you have been able to generate so far in the H1 numbers?

DR KIRSTEN: Marc, I think the synergies of this is fully reflected in the H1 numbers. This is now up and running. It's completed finished, there are no more synergies to come except the normal rent increase, you know. Especially DeWAG will show in the future a faster rent increase of better portfolio quality.

MARC MOZZI: Which means?

DR KIRSTEN: Which means that we don't expect anything on top, so what you should have is the annual synergies which we proposed and half of it in the first half year.

MARC MOZZI: Okay, thank you. My second question will be, on your 2015 full-year run rate number, including run rate of synergies, what is the level of synergies you are discounting in that €800 million Q1 target?

DR KIRSTEN: In the €800 million target the synergy levels which are in there are €137 million, which comprises €130 million for DeWAG minus €5 million which we expect in this year, plus €12 million for SÜDEWO.

MARC MOZZI: Okay, thank you very much. Finally, it is not going to be a question, it's just going to be a remark. Could you please consider reporting an FFO per share number based on the weighted average number of shares, which is far more different than the numbers you've been providing us result in Q4, which if I understand correctly is based on your overall number of shares and nothing to do with the pro-rata number of shares, which is a bit misleading, if I may? Thank you.

DR KIRSTEN: Marc, understood. We will keep doing that. We will introduce it, I promise. The reason why we use end-of-period shares you know also on the FFO number is because we base the dividend on that and therefore we are using a slightly more conservative stance than what you say. But you're absolutely right we should provide that and we will also publish the number. No problem.

MARC MOZZI: Thank you very much.

OPERATOR: Thank you. The next question comes from Bianca Riemer, Morgan Stanley.

BIANCA RIEMER: Yes, good morning. I have a question on regulation. The German press has been vocal about initiatives to potentially close the tax loophole which currently allows you to circumvent property transaction taxes as long as you buy less than 95 per cent of the share capital of a company that holds the properties that you are buying. Are you involved in any type of lobbying and could you potentially give us a little bit more colour on what is being discussed currently?

DR KIRSTEN: Yes, Bianca. Most of the nations on the norther half of this planet have a so-called summer holiday. In this, things of little news value get sometimes pushed up. So what you have is you have a couple of opposition parties who are trying to go into real estate transfer tax in general and real estate transfer tax for professional buyers in particular. This has popped up in Bremen where it's in the coalition agreement but not even close to a law, and it has popped up on the opposition side in Berlin. I would really like to put that into perspective along these lines: I don't think there is major lobbying necessary. I mean, we are having a rent system which works extremely well and which is proven and tested within the boundaries of our constitution. Every proposal we see there at the moment is de facto an attack against the constitutional rights, so I don't give, from a tax point of view, too much of a chance. I'm of course always concerned if people believe that we need higher regulation, and this is something we will tackle in any case.

BIANCA RIEMER: Okay, thank you.

OPERATOR: Thank you. The next question comes from Georg Kanders, Bankhaus Lampe.

GEORG KANDERS: Good afternoon. I have a question on the goodwill. So this goodwill number of GAGFAH is now more or less closed or is there any chance that any of the potential valuation gains on the GAGFAH portfolio will reduce further the goodwill number?

DR KIRSTEN: With regard to valuations, I would say the goodwill number is closed. Under IFRS you can keep the goodwill number open for your purchase price allocation for approximately 12 months, and that's a very useful rule as long as you give transparency, because you find out when you integrate a company more and more things.

So the important aspect from us is from a valuation point of view. If you would say you get yield compression or you get rent increases in ex-GAGFAH portfolios, this would not reduce the goodwill, this would increase our valuation. So I'm very happy that you asked the question so that we just clarify that what we have done here is a methodological adjustment and therefore it's only fair to have this reflected in the respective goodwill.

What do I expect? I see the goodwill number to be de facto formally closed down in November when we have all the data from the post-retirement benefit plans, etc. I hope that we can keep that timeline. We're also in the process of spreading that goodwill to the cash-generating units and preparing for impairment testing at year-end, which will be the true litmus test, but I have nothing new to report on that.

GEORG KANDERS: So if I understood, more or less this is a good current number?

DR KIRSTEN: Yes.

GEORG KANDERS: And another question. You are now focusing for a potential sale in the second half on the non-core portfolio. Is there also a chance that this holds true for the nonstrategic parts of the portfolio?

ROLF BUCH: Yes, thank you very much for this question. It's a good question, of course. I said as we invented the non-strategic, so this is a part to build packages. If I'm talking about significant disposal, we are talking about bigger packages and this will be normally a mixture of non-core and non-strategic.

GEORG KANDERS: And is there already some demand from investors? Are you talking already, or --

ROLF BUCH: In general we're very general. In general we see a lot of demand in the market. There's a lot of portfolios around, so we also see a lot of demand of some people call it high-yielding portfolios, so there is enormous, I think, high demand in the market in general.

GEORG KANDERS: Thanks a lot.

ROLF BUCH: Again, and I said it before, there are disposals like with acquisitions, you never know if your counterparty is fine or is not fine or whatever. That's why in the disclosure we only disclose at the moment if we have signed the deals and not before, because this will bring us under pressure to sign contracts which we don't want to sign.

GEORG KANDERS: Okay, but thank you for the impression.

OPERATOR: Thank you. Currently there are no further questions. As a reminder, if you would like to ask a question, please press 01 on your telephone keypad now.
Another question comes from Neil Green, JPMorgan.

NEIL GREEN: One quick one. I might have missed it in the call, but the EPRA NAV guidance is €27.50 to €28.50 for year-end. Does that include any yield compression assumption at all?

DR KIRSTEN: No yield compression included, just the rental increases.

NEIL GREEN: Great, thank you very much.

OPERATOR: Thank you, there are no further questions.

THOMAS EISENLOHR: Okay. If there are no more further questions, then I would like to thank you for your participation and for your constant support of this company. I think new will hear each other on 3 November or before.

Thank you very much and have a nice day.

OPERATOR: Ladies and gentlemen, thank you for your attendance. This call has been concluded, you may now disconnect.