

# Deutsche Annington Immobilien SE

Bank of America Merrill Lynch European Real Estate Conference  
London, March 26, 2015

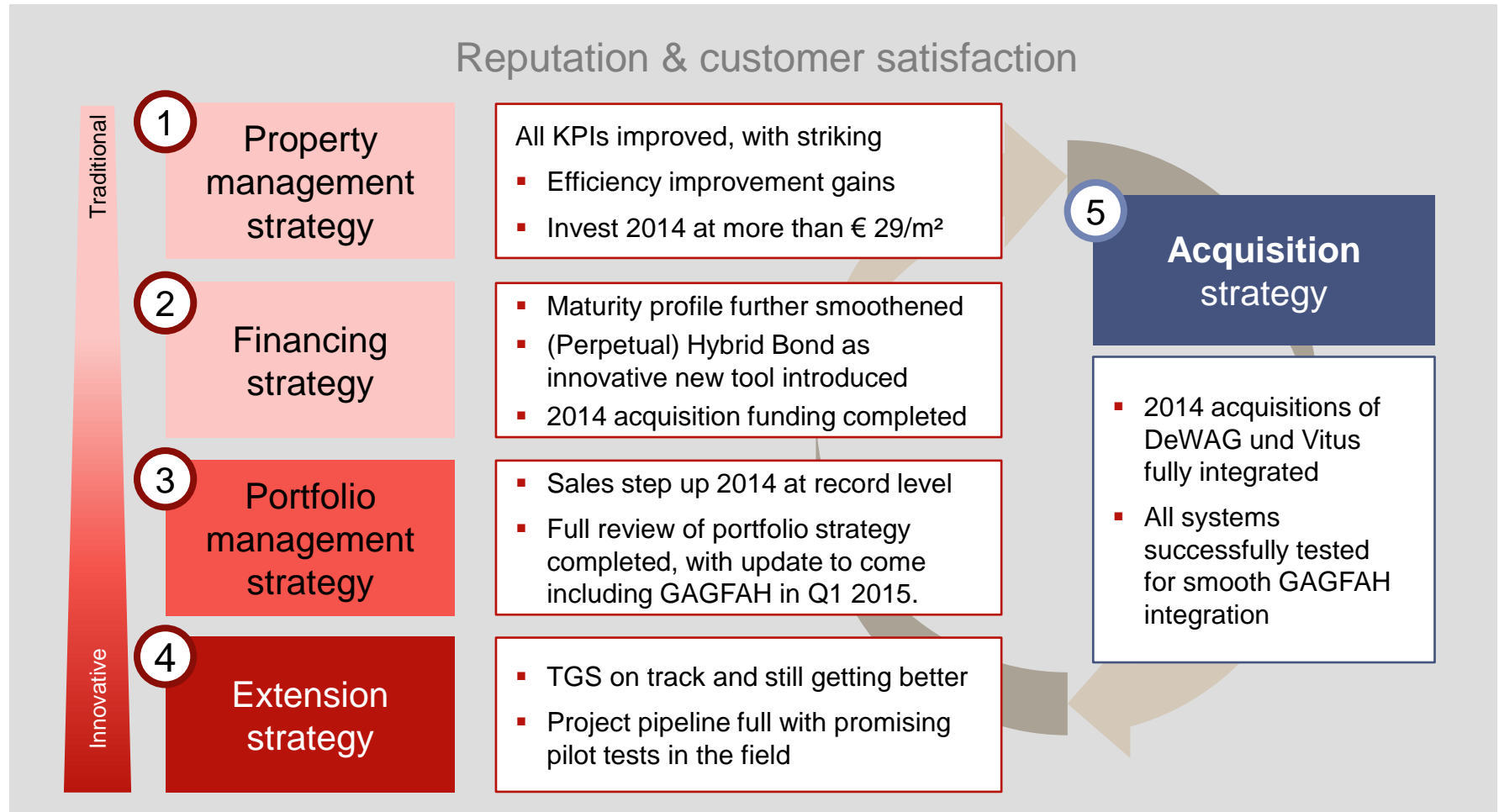
Thomas Eisenlohr, Head of IR



# Promised and delivered – the 2014 Highlights

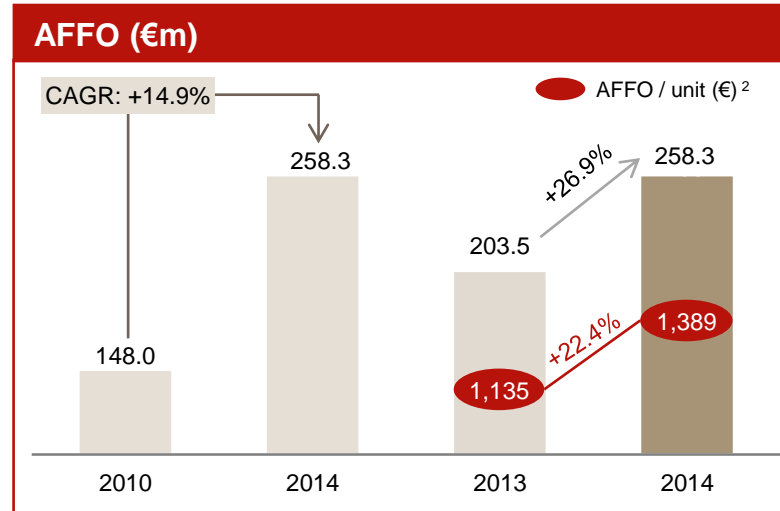
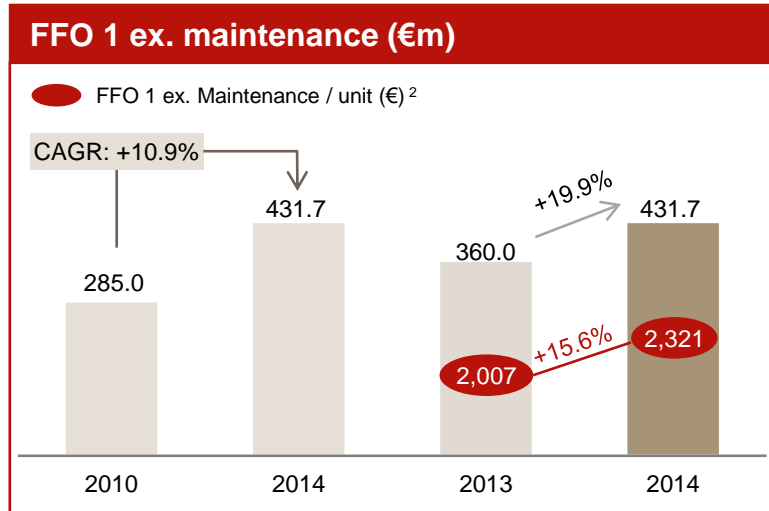
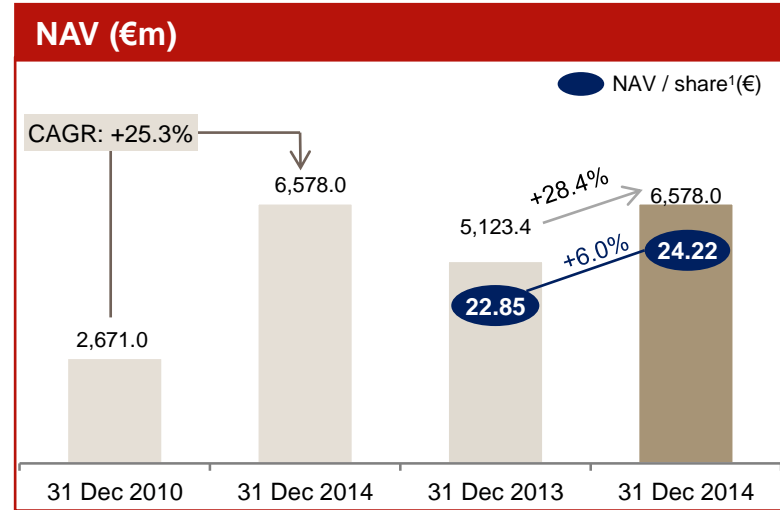
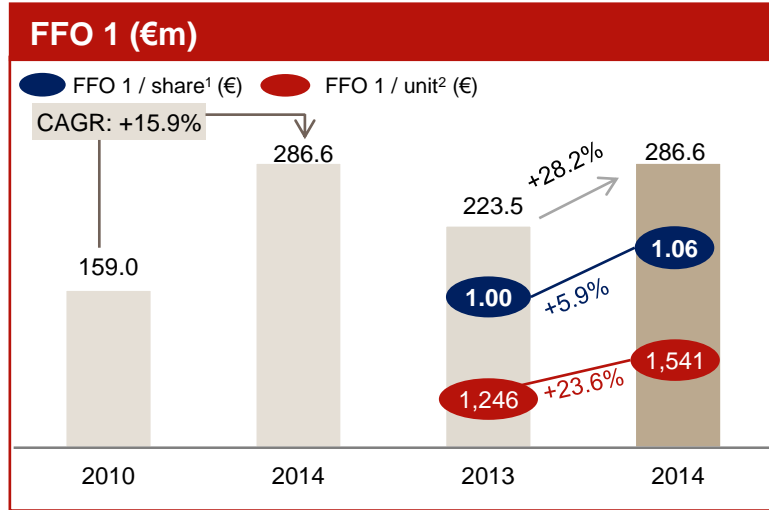
- **2014: Another strong year with KPIs at top end of guidance or exceeding**
  - Like-for-like rental growth of 2.5%
  - FFO1 increased 28.2% to € 286.6m
  - NAV/share plus 6.0% to € 24.22
  - Proposed dividend up 11.4% to € 0.78/share
- **Successful execution of main work streams**
  - Cost saving program leads to significant cost per unit decline of 9% to € 754
  - Strong rise of modernisation capex to € 172m
  - Acquisitions of DeWAG and Vitus are fully integrated with solid KPI contribution
- **Confirmed positive outlook for 2015 (Deutsche Annington stand-alone)**
- **GAGFAH transaction:**
  - Closing imminent
  - Governance structure established
  - Top teams at board and management level formed
  - Integration starting next week
  - First combined Q1 reporting on June 1<sup>st</sup> with detailed report on progress

# The positive performance is driven by all strategic pillars



# Improvement of all KPIs in 2014

## FFO 1/share +5.9%, NAV/share +6.0%



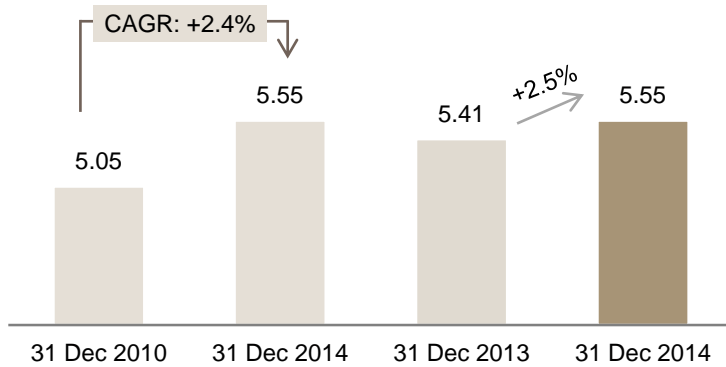
1) Based on number of shares as of 31 Dec 2013 (224.2 m) and 31 Dec 2014 (271.6 m)  
 2) Based on average number of units over the period

# Improvement of all KPIs in 2014

## Rents up 2.5%, vacancy down to 3.4%

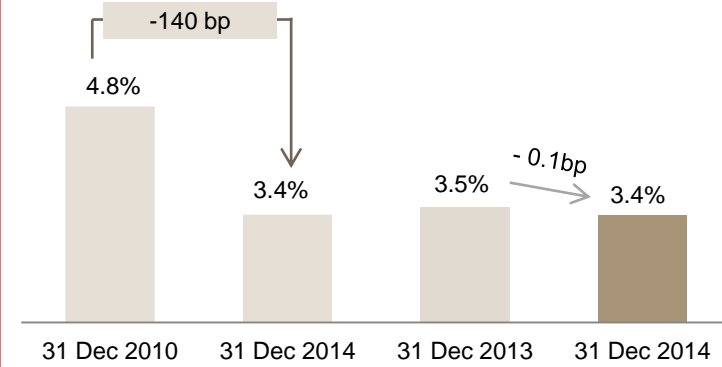
### Residential in-place rent (I-f-I in €/sqm)

Total Portfolio

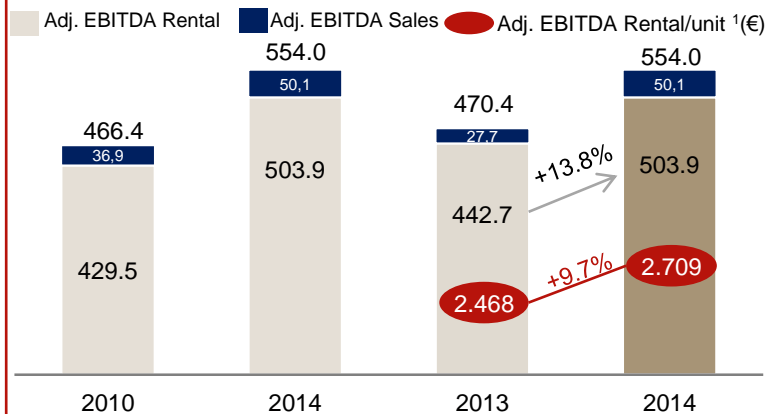


### Vacancy rate

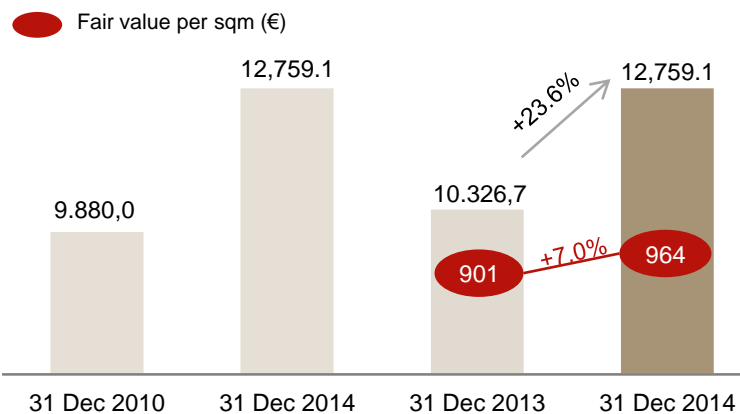
Total Portfolio



### Adjusted EBITDA (€m)



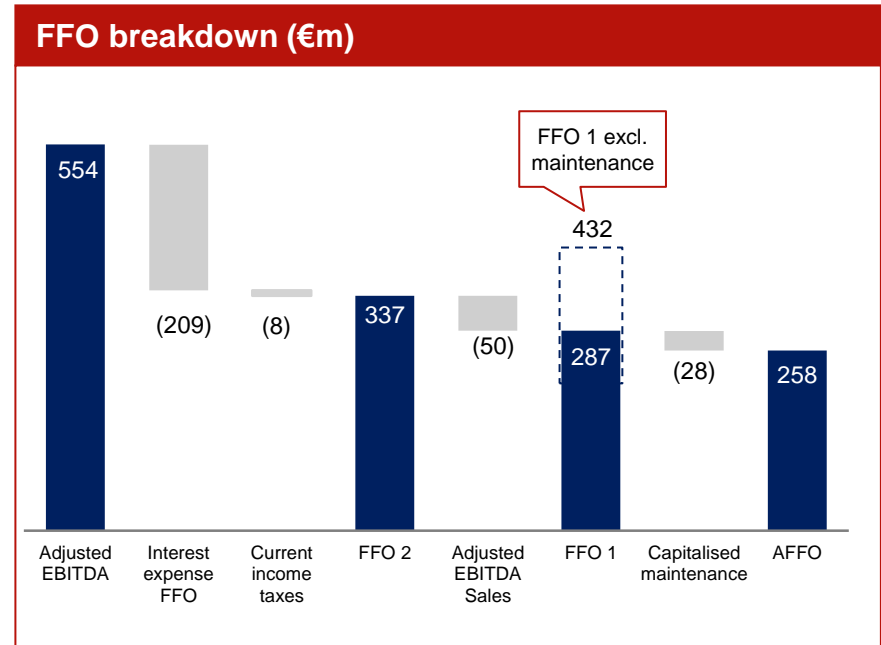
### Fair value (€m)



1) Based on average number of units over the period

# FFO is significantly up in all categories

FFO evolution (€m)	2014	2013
(€m)	<b>2014</b>	<b>2013</b>
<b>Adjusted EBITDA</b>	<b>554.0</b>	<b>470.4</b>
(-) Interest expense FFO	-209.3	-210.7
(-) Current income taxes	-8.0	-8.5
<b>(=) FFO 2</b>	<b>336.7</b>	<b>251.2</b>
(-) Adjusted EBITDA Sales	-50.1	-27.7
<b>(=) FFO 1</b>	<b>286.6</b>	<b>223.5</b>
(-) Capitalised maintenance	-28.3	-20.0
<b>(=) AFFO</b>	<b>258.3</b>	<b>203.5</b>
(+) Capitalised maintenance	28.3	20.0
(+) Expenses for maintenance	145.1	136.5
<b>(=) FFO 1 excl. maintenance</b>	<b>431.7</b>	<b>360.0</b>

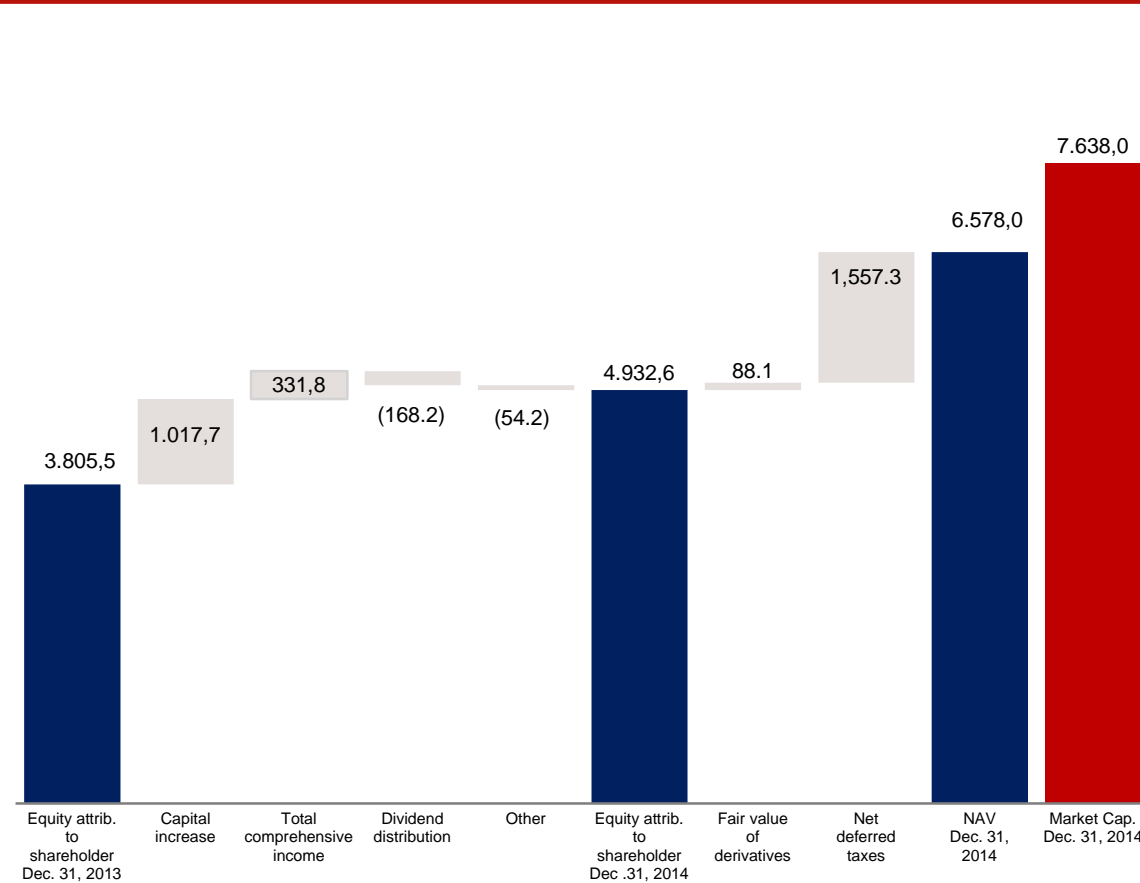


## Comments

- All FFOs with significant positive development
- Top-line growth from rental increases and acquisition at a better cost basis power positive development
- Additionally, strong positive impact from privatisation

# Steady NAV growth

## NAV-bridge to Dec. 31, 2014 (€m)



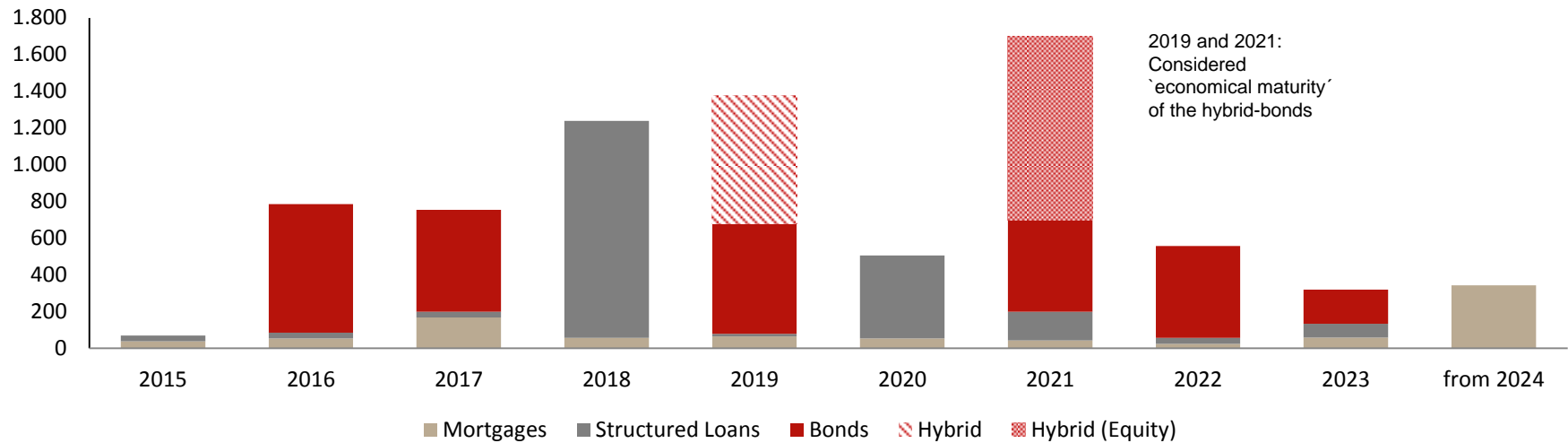
Note: Rounding errors may occur

## Comments

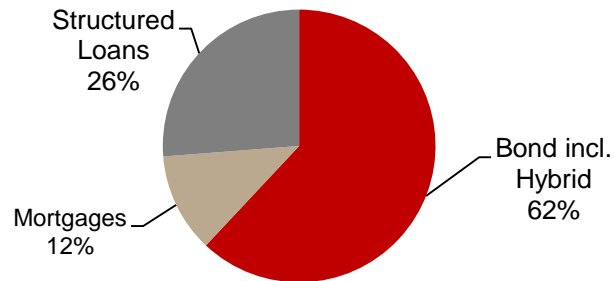
- Capital increase position is net of transaction costs
- Deferred tax calculation has been adjusted to comply with EPRA best practise recommendation – see appendix for details

# Long-term and well-balanced maturity profile

## Debt maturity profile as of Dec 31, 2014 (€ m)



## Debt structure as of Dec 31, 2014









## KPIs as of Dec 31, 2014

	Actual	Target
LTV (nominal)	49.7%	<50%*
Unencumbered assets in %	50%	≥ 50%
Global ICR	2.6x	Ongoing optimisation with most economical funding
Financing cost	3.2%	

\*medium term



## 2014 results at top end of guidance or exceeding

	Feb. 2014 Guidance	Sep. 2014* Guidance	2014 Results	
L-f-I rental growth	2.3 – 2.6%	2.3 – 2.6%	2.5%	
Modernisation program	€ 150m	€ 160m	€ 171.7m	
Disposals (privatisation)	~1,800 units	2,100-2,200 units	2,238 units	
Step-up on FMV (privatisation)	20%	30-35%	37.6%	
FFO 1	€ 250 – 265m	€ 280 – 285m	€ 286.6m	
Proposed dividend/share		€ 0.78	€ 0.78	

\* Including pro-rata contribution of acquisitions, excluding disposal of Vitus NRW-Portfolio

# Confirmed positive outlook for 2015

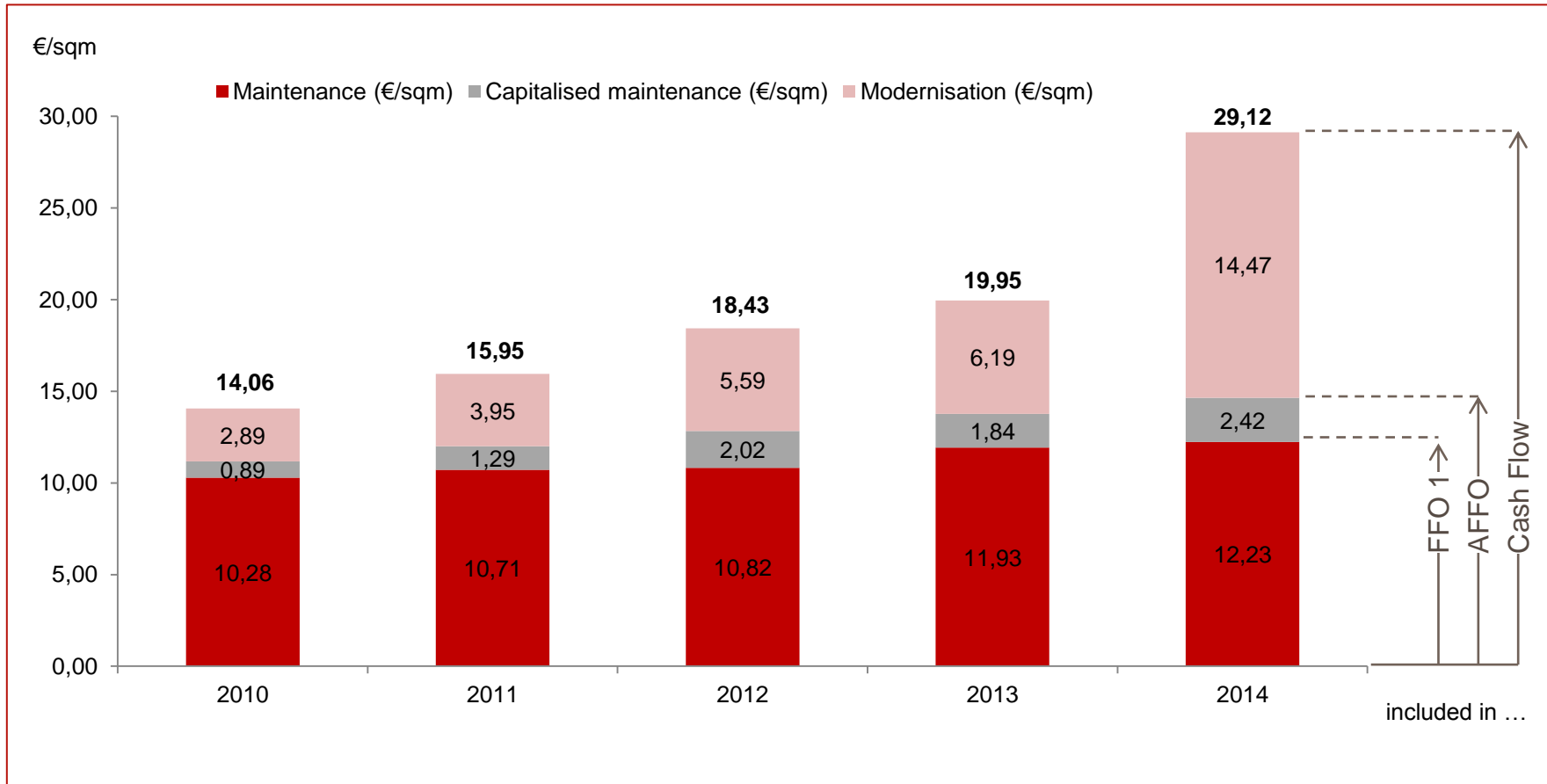
(Deutsche Annington without GAGFAH as of 1.1.2015)

	Results 2014	Outlook 2015 (DAIG stand alone)
I-f-I rental growth	2.5%	2.6 – 2.8%
Rental income	€ 789.3m	€ 880 – 900m
FFO 1	€ 286.6m	€ 340 – 360m
NAV/share <sup>1)</sup>	€ 24.22	€ 24 – 25
Modernisation program	€ 171.7m	> € 200m
Planned disposals (privatisation)	2,238 units	~1,600 units
Step up on FMV (privatisation)	37.6%	~30%
Dividend policy	78 cent/share	~70% of FFO1

1)

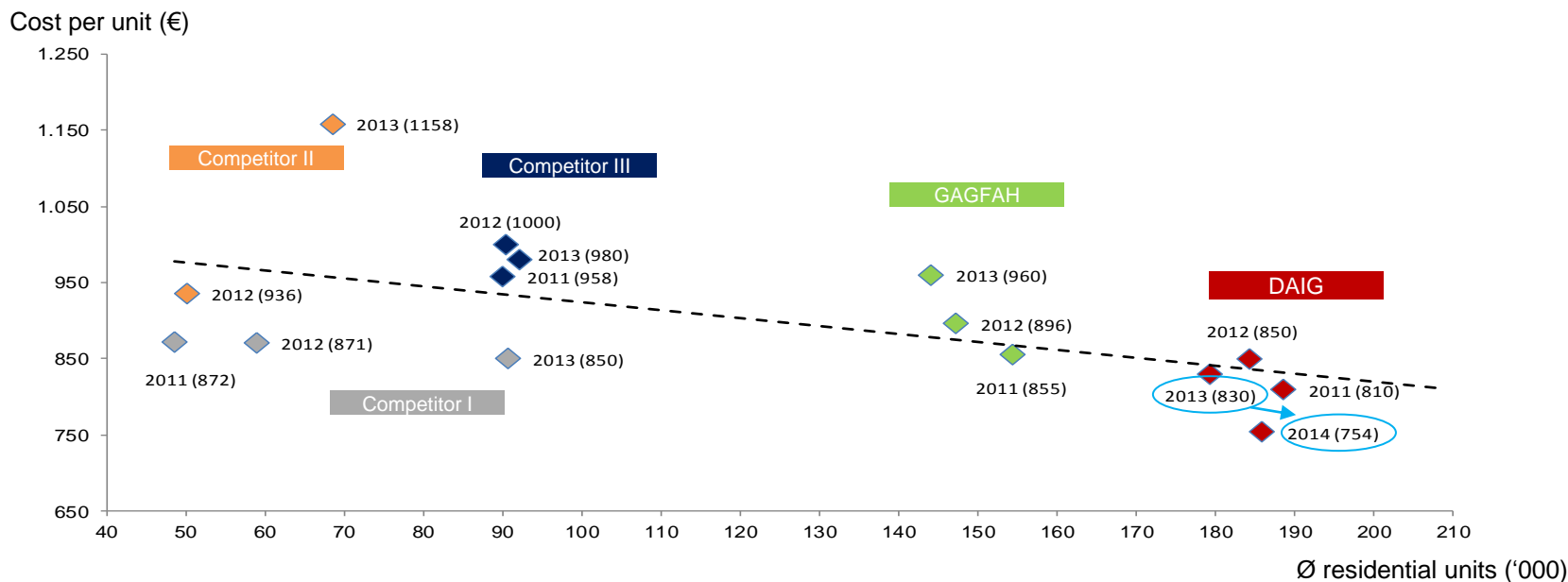
- Includes adjustment of NAV calculation to more strictly reflect EPRA Best Practices Recommendations;
- NAV 2015 does not include any potential yield compression in year end fair value assessment;
- Based on existing capital structure

# Substantial rise in maintenance guarantees the sustainability of our portfolio's rental growth capacity



# Successful 2014 cost saving program leads to a significant cost per unit improvement

- Increased cost saving program lifts savings up to ~€ 76/unit (9% yoy improvement)
- Effect of acquisitions in 2014 minor, as units count pro rata, full effect from 2015 onwards

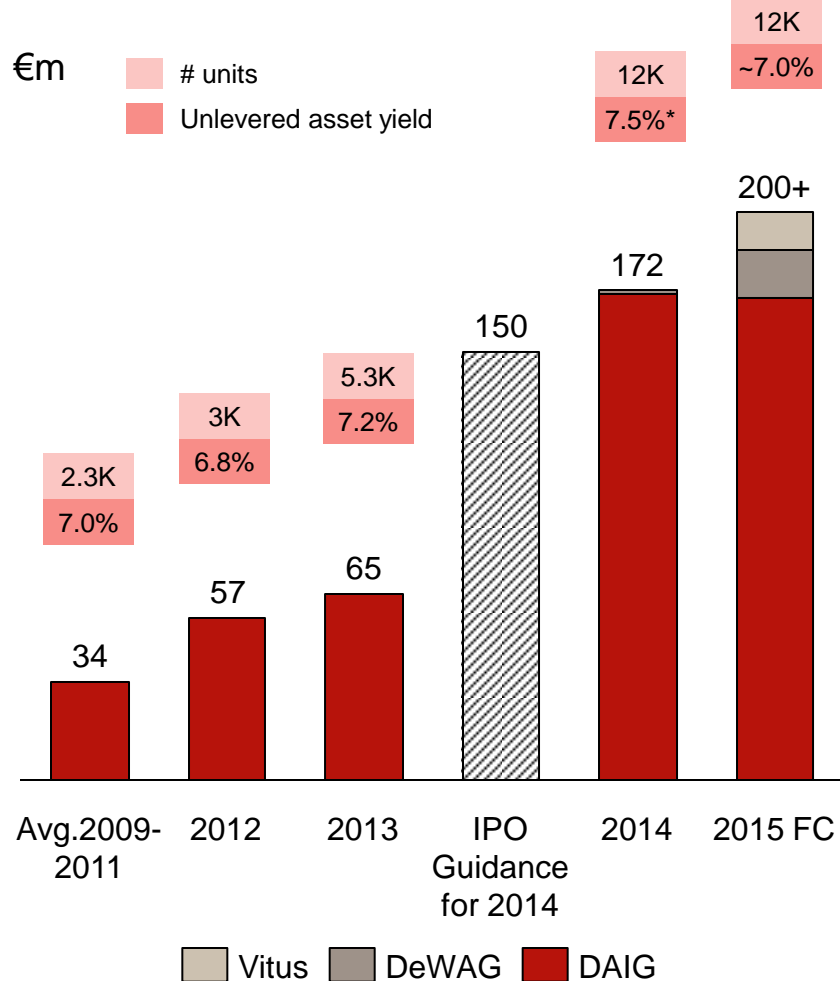


Definition:  $(\text{Rental Income} - \text{EBITDA Rental adjusted} + \text{Maintenance}) / \text{average \# units}$   
 Rental EBITDA adjusted to fit Deutsche Annington definition

# Proven track record of the modernisation program

## Promising start into the year 2015

### Positive track record



\*yield forecasted depending on new rents after modernisation

### 2014 substantially over-delivered & more to come

- Over-delivered on promise at IPO to substantially increase investments to ~€ 150m p.a.
- Expected 2015 investment volume: >€ 200m
- 2015 contains both a steady investment flow to Deutsche Annington legacy portfolio as well as significant investments in acquired portfolios
- Yield commitment (unlevered ~7%) and investment focus (energy & demographic change) remain unchanged
- Initial yield from the 2014 program at 7.5% for the apartments already let
- Preparations for all projects with construction start in Q1/2015 well advanced

# Significant fair value step-up on privatisations and non-core disposals

Privatisation		
	FY 2013	FY 2014
# units sold	2,576	2,238
Gross proceeds (€m)	223.4	231.2
Fair value disposals (€m)	-178.8	-168.0
Gross profit (€m)	44.6	63.2
<b>Fair value step-up</b>	<b>24.9%</b>	<b>37.6%</b>
	<b>Target &gt; 20%</b>	<b>Target 30-35%</b>

- Privatisation volume slightly below previous year, but above plan
- Fair value step-up increased due to good market environment and sales strength

Non-core disposals		
	FY 2013	FY 2014
# units sold	4,144	1,843
Gross proceeds (€m)	130.1	56.1
Fair value disposals (€m)	-131.7	-50.6
Gross profit (€m)	-1.6	5.5
<b>Fair value step-up</b>	<b>-1.2%</b>	<b>10.9%</b>
	<b>Target = 0%</b>	<b>Target = 0%</b>

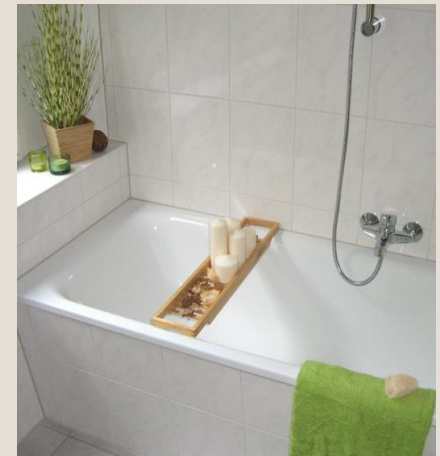
- Non-core disposals 2013 driven by sale of a portfolio of 2,100 units
- Disposals with a premium to fair value demonstrates sales strength

# Successful start of the bathroom program

## Status update

- Since initiation in August 2014, already ~400 projects have been executed
- Average investment of € 6.7k
- Fixed price agreed with TGS, while TGS suggests execution dates
- After start with first roadshow container in August 2014, a second container has been set in place in February 2015
- Y-t-d >350 tenants have already committed their interest for the 2015 program
- Customer satisfaction has significantly increased

**More satisfied tenants with yields significantly above the standard modernisation measures**



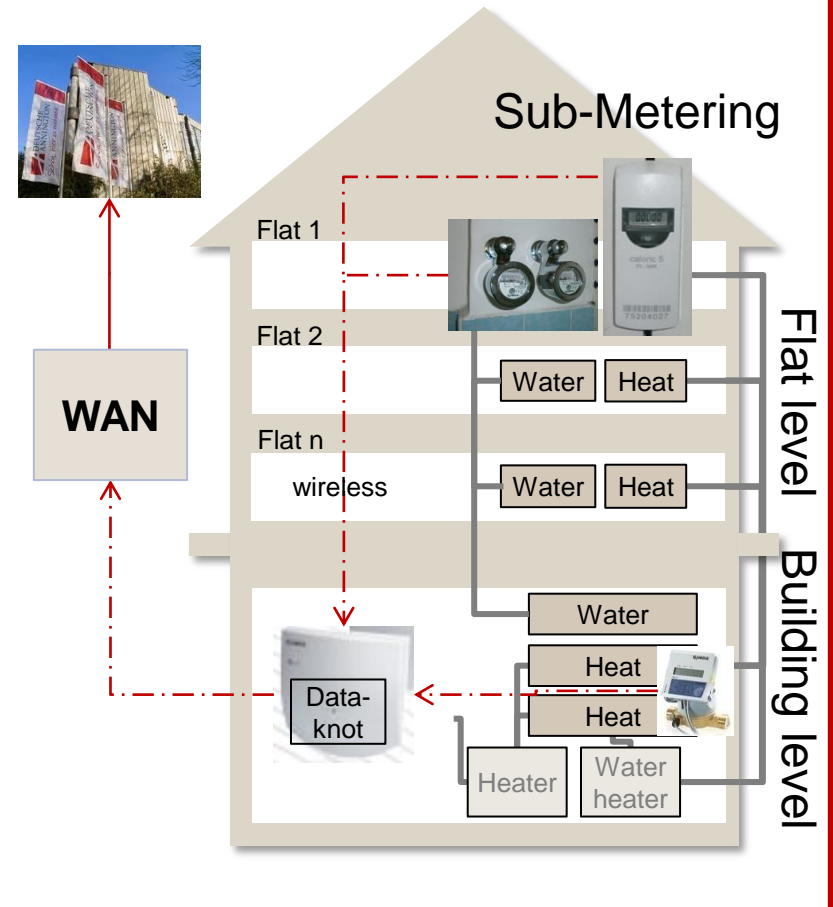
# Smart-Submetering – the next promising pilot project

## Smart-submetering - What's it about?

- Consumption of heat and water has to be tracked (unit by unit). Currently, we have contracts with several service providers, delivering us data once a year
  - We aim to replace the service provider and insource real-time metering by a Deutsche Annington subsidiary
  - We are able to settle the utility bill every month or shortly after a tenant leaves
  - It creates a win-win situation for tenants and Deutsche Annington (lower cost, better visibility, etc)
- 
- First pilot in 1,000 flats in Bergkamen with 6,000 meters and 25 modems in place
  - Technical feasibility is proven: consumption data measured manually and automatically are identical
  - Business case on track, roll-out is now in detailed planning phase

## Pilot implemented

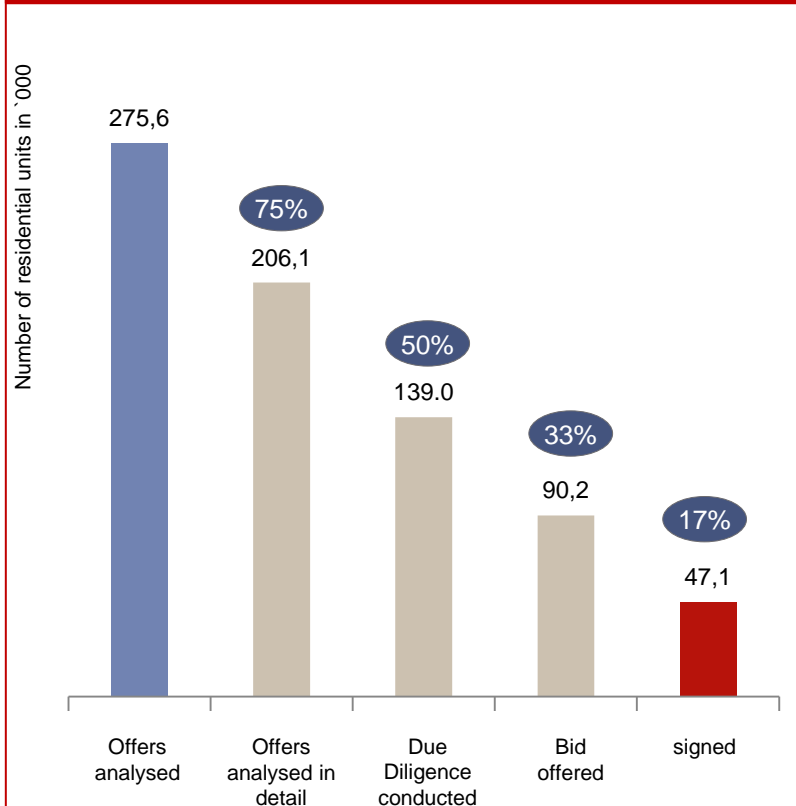
- Measuring of consumption of Water and Heat (Sub-Metering)
- 'Smart': Utilize intelligent online Metering technology
- Evaluate value levers from insourcing





# We are screening the market for potential acquisitions, but with a very selective approach

## Acquisition Deal Pipeline since IPO (≥ 2k units)



## If it comes to an acquisition, we are a highly appreciated and reliable partner

- We offer transaction security. If we sign, we close as well in a relatively short timeframe
- Best-in-class financing strategy with fast access to a comprehensive set of funding tools
- Our German-wide presence is a competitive advantage („You don't easily find portfolios of 5,000 units in one city“)
- We have a dedicated and well experienced internal M&A team
- Our processes are standardised and fast
- Our deal criteria are transparent

# Every potential acquisition is monitored by a dedicated process, thus keeping us highly disciplined

## Deutsche Annington's portfolio management approach (Deutsche Annington's analyses of Germany)



## Acquisition Criteria

### + Strategic fit

- Scale benefits, geographical diversification and strengthening footprint in growth regions, increase of asset density, etc.

### + FFO / share

- Accretive



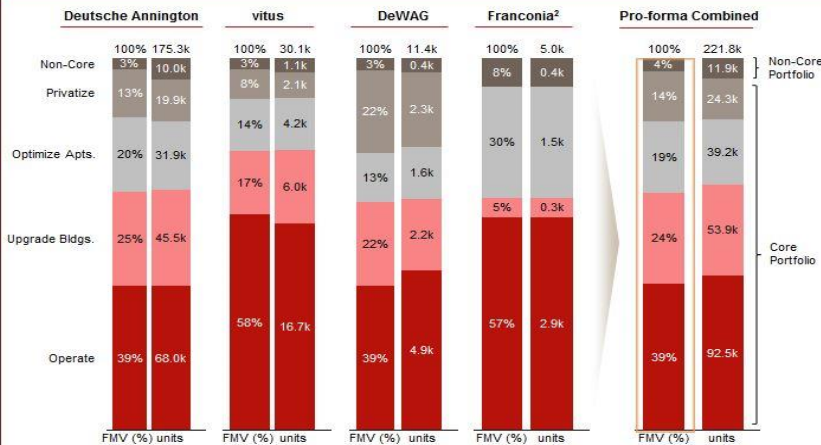
### ≥ NAV / share

- At least neutral

### ✓ BBB+ Rating (stable)

- Maintaining rating

## Pro-Forma Portfolio Segmentation



- Our return matrix and portfolio segmentation are powerful tools to make an early decision about the strategic fit of an offered portfolio
- The “cage” keeps us highly disciplined and prevents us from overpaying - a high risk in current markets

# We are well prepared for the GAGFAH integration

## We are well prepared...

- 2014 acquisitions of DeWAG and Vitus are fully integrated and financed – smooth and faster than planned
- Systems and processes are accessed and now suitable for any integration
- Hence, everything needed for the integration and funding of GAGFAH has been successfully tested
- We have already achieved the first important milestones of the GAGFAH transaction:
  - Board and senior management team selected
  - Financing structure kicked-off with perpetual hybrid bond issuance in December 2014

## ...to go the extra mile, fast.

- Next Steps 2015
  - Start of integration
  - Assimilation of IT-structure
  - Segmentation of combined portfolio
  - Execution of funding strategy
  - Achievement of first synergy targets
- Upcoming dates 2015
  - April 30<sup>th</sup> : AGM
  - June 1<sup>st</sup> : Combined Q1 Results with detailed update
  - June 15<sup>th</sup> & 16<sup>th</sup> : Capital Markets Day
  - August 19<sup>th</sup> : Combined H1 results
- 2016 Outlook
  - Last mile on synergies

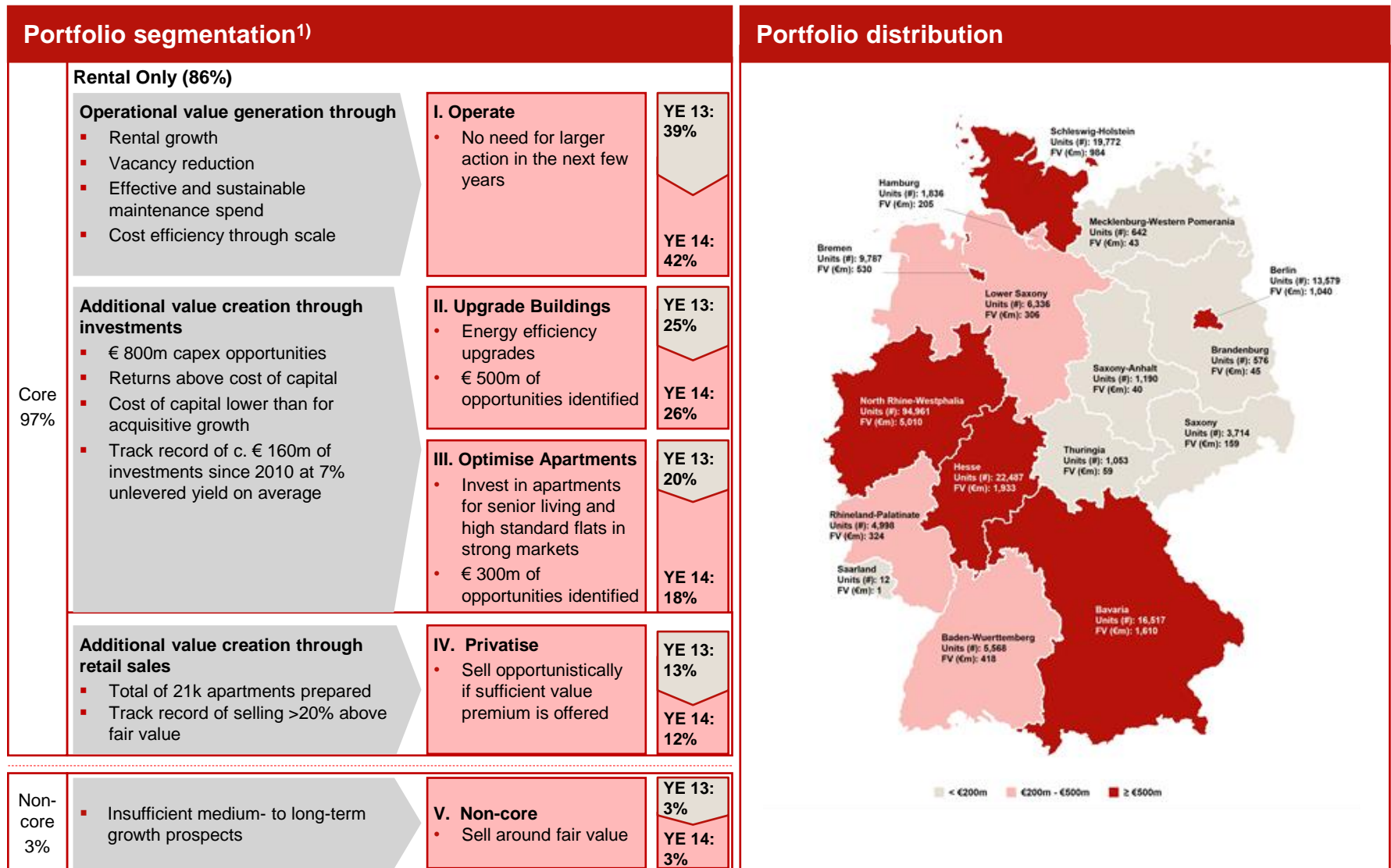
# Summary

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- **Promised and delivered: 2014 was an outstanding year for Deutsche Annington**
  - Excellent operational performance continued leading to all major KPIs at or above guidance
  - Innovative finance structure demonstrated by first hybrid issuance in German residential
  
- **We strictly follow our strategy**
  - Value enhancing portfolio management
  - Sustainable efficiency improvement
  - Recent transactions fulfilling our strict criteria and offering operational scale effects
  
- **We are ready to go: 2015 will be another positively exciting year**

# Appendix

# Portfolio review leads to a slightly adjusted segmentation



1) Note: Percentage figures denote share of total fair value, as of 31 December 2014 and 31 December 2013

# FY 2014 key figures

<b>Key Figures</b>			
<b>in €m</b>	<b>2014</b>	<b>2013</b>	<b>Change in (%)</b>
Residential units k	203,028	175,258	15.8
Rental income	789.3	728.0	8.4
Vacancy rate %	3.4	3.5	-0.1 pp
Monthly in-place rent€/sqm (like-for-like)	5.55	5.40	2.5
Adjusted EBITDA Rental	503.9	442.7	13.8
Adj. EBITDA Rental/unit in €	2,709	2,468	9.7
Income from disposal of properties	287.3	353.5	-18.7
Adjusted EBITDA Sales	50.1	27.7	80.9
Adjusted EBITDA	554.0	470.4	17.8
FFO 1	286.6	223.5	28.2
FFO 2	336.7	251.2	34.0
FFO 1 before maintenance	431.7	360.0	19.9
AFFO	258.3	203.5	26.9
Fair value market properties	12,759.1	10,326.7	23.6
NAV	6,578.0	5,123.4	28.4
LTV, in%	49.7	49.0	1.4
FFO 1 / share in € <sup>1</sup>	1.06	1.00	5.9
NAV / share in € <sup>1</sup>	24.22	22.85	6.0

1) Based on the shares qualifying for a dividend on the reporting date Dec 31, 2013: 240,242,425 and Dec 31, 2014: 271,622,425

# Like-for-like rental growth in 2014 accelerated to 2.5% (2013 = 1.9%)

Rent increase type	L-f-I rental growth 2014
Sitting tenants (non-subsidised)	+0.8%
Sitting tenants (subsidised)	+0.3%
New rentals	+0.5%
<b>Subtotal excl. modernisation</b>	<b>+1.6%</b>
Sales effect	+0.0%
<b>Total incl. Sales</b>	<b>+1.6%</b>
Modernisation	+0.9%
<b>Total incl. Mod and Sales</b>	<b>+2.5%</b>

Rounded figures



# FY 2014: Strong growth in adjusted EBITDA rental and adjusted EBITDA sales

## Bridge to Adjusted EBITDA

(€m)	2014	2013
<b>Profit for the period</b>	<b>409.7</b>	<b>484.2</b>
Net interest result	274.9	288.3
Income taxes	179.4	205.4
Depreciation	7.4	6.8
Net income from fair value adjustments of investment properties	-371.1	-553.7
<b>EBITDA IFRS</b>	<b>500.3</b>	<b>431.0</b>
Non-recurring items	54.0	48.4
Period adjustments	-0.3	-9.0
<b>Adjusted EBITDA</b>	<b>554.0</b>	<b>470.4</b>
<b>Adjusted EBITDA Rental</b>	<b>503.9</b>	<b>442.7</b>
<b>Adjusted EBITDA Sales</b>	<b>50.1</b>	<b>27.7</b>

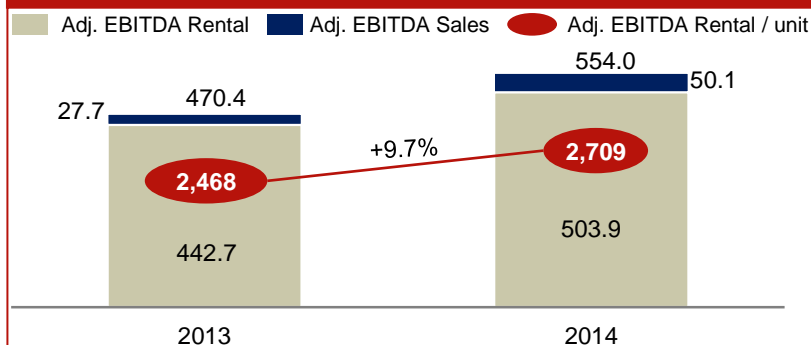
## Rental segment

(€m)	2014	2013
<i>Average number of units over the period</i>	186,013	179,354
Rental income	789.3	728.0
Maintenance	-145.1	-136.5
Operating costs	-140.3	-148.8
<b>Adjusted EBITDA Rental</b>	<b>503.9</b>	<b>442.7</b>

## Sales segment

(€m)	2014	2013
<i>Number of units sold</i>	4,081	6,720
<b>Income from disposal of properties</b>	<b>287.3</b>	<b>353.5</b>
Carrying amount of properties sold	-243.4	-325.8
Revaluation of assets held for sale	25.1	24.3
<b>Profit on disposal of properties (IFRS)</b>	<b>69.0</b>	<b>52.0</b>
Revaluation (realised) of assets held for sale	-18.6	-15.3
Revaluation from disposal of assets held for sale	24.8	15.3
<b>Adjusted Profit from disposal of properties</b>	<b>68.7</b>	<b>27.7</b>
Selling costs	-18.6	-15.3
<b>Adjusted EBITDA Sales</b>	<b>50.1</b>	<b>27.7</b>

## Evolution of Adjusted EBITDA (€m)



- Very solid EBITDA development driven by both rental und sales business
- The sales result reflects just a very strong performance – doubled results at lower number of units sold.
- The rental EBITDA is affected by the contribution from acquisitions, underlined by a strong performance.

# FY 2014: P&L development

## P&L

(€m)	2014	2013	Change	
			(€m)	%
<b>Income from property letting</b>	<b>1,138.4</b>	<b>1,048.3</b>	<b>90.1</b>	<b>8.6</b>
<b>Rental income</b>	<b>789.3</b>	<b>728.0</b>	<b>61.3</b>	<b>8.4</b>
<b>Ancillary costs</b>	<b>349.1</b>	<b>320.3</b>	<b>28.8</b>	<b>9.0</b>
Other income from property management	18.2	19.3	-1.1	-5.7
<b>Income from property management</b>	<b>1,156.6</b>	<b>1,067.6</b>	<b>89.0</b>	<b>8.3</b>
<b>Income from sale of properties</b>	<b>287.3</b>	<b>353.5</b>	<b>-66.2</b>	<b>-18.7</b>
Carrying amount of properties sold	-243.4	-325.8	82.4	-25.3
Revaluation of assets held for sale	25.1	24.3	0.8	3.3
<b>Profit on disposal of properties</b>	<b>69.0</b>	<b>52.0</b>	<b>17.0</b>	<b>32.7</b>
Net income from fair value adjustments of investment properties	371.1	553.7	-182.6	-33.0
Capitalised internal modernisation expenses	85.6	42.0	43.6	103.8
<b>Cost of materials</b>	<b>-542.6</b>	<b>-502.8</b>	<b>-39.8</b>	<b>7.9</b>
Expenses for ancillary costs	-344.4	-324.9	-19.5	6.0
Expenses for maintenance	-141.0	-119.7	-21.3	17.8
Other costs of purchased goods and services	-57.2	-58.2	1.0	-1.7
<b>Personnel expenses</b>	<b>-184.6</b>	<b>-172.1</b>	<b>-12.5</b>	<b>7.3</b>
<b>Depreciation and amortisation</b>	<b>-7.4</b>	<b>-6.8</b>	<b>-0.6</b>	<b>8.8</b>
<b>Other operating income</b>	<b>65.3</b>	<b>45.8</b>	<b>19.5</b>	<b>42.6</b>
<b>Other operating expenses</b>	<b>-152.4</b>	<b>-104.2</b>	<b>-48.2</b>	<b>46.3</b>
<b>Financial income</b>	<b>8.8</b>	<b>14.0</b>	<b>-5.2</b>	<b>-37.1</b>
<b>Financial expenses</b>	<b>-280.3</b>	<b>-299.6</b>	<b>19.3</b>	<b>-6.4</b>
<b>Profit before tax</b>	<b>589.1</b>	<b>689.6</b>	<b>-100.5</b>	<b>-14.6</b>
<b>Income tax</b>	<b>-179.4</b>	<b>-205.4</b>	<b>26.0</b>	<b>-12.7</b>
Current income tax	-8.0	-8.5	0.5	-5.9
Other (incl. deferred tax)	-171.4	-196.9	25.5	-13.0
<b>Profit for the period</b>	<b>409.7</b>	<b>484.2</b>	<b>-74.5</b>	<b>-15.4</b>

## Comments

- Increase primarily driven by DeWAG and Vitus acquisition which accounted for € 65.6m in 2014
- Excluding acquisition effects, rental income remains relatively stable as sales effects are largely offset by higher Ø residential in-place rent per sqm and month (€ 5.55 vs. € 5.41) and lower vacancy rate
- Increase primarily driven by DeWAG and Vitus acquisitions which accounts for € 25.2m in 2014
- Excluding acquisition effects, income from ancillary cost increased by € 3.6m as the improved vacancy rate overcompensates reduced portfolio size
- More stringent profitability standards resulted in a significant reduction of units sold.
- However, this effect is more than offset by the positive market environment which results in higher sales prices and corresponding in higher fair value step-ups for properties sold.
- Result in 2014 is primarily due to yield compression effects, expiration of rent-restrictions and modernisation programme.
- Increase driven by capitalised services rendered by internal craftsmen organisation
- Increase reflects increasing portfolio size from latest acquisitions partly compensated by insourcing effects of our own caretaker organisation
- Increase primarily driven by higher expenses per sqm from € 11.93 in 2013 to € 12.23m combined with increased portfolio size

# FY 2014: P&L development (cont'd)

## P&L

(€m)	2014	2013	Change	
			(€m)	%
<b>Income from property letting</b>	<b>1,138.4</b>	<b>1,048.3</b>	<b>90.1</b>	<b>8.6</b>
Rental income	789.3	728.0	61.3	8.4
Ancillary costs	349.1	320.3	28.8	9.0
Other income from property management	18.2	19.3	-1.1	-5.7
<b>Income from property management</b>	<b>1,156.6</b>	<b>1,067.6</b>	<b>89.0</b>	<b>8.3</b>
<b>Income from sale of properties</b>	<b>287.3</b>	<b>353.5</b>	<b>-66.2</b>	<b>-18.7</b>
Carrying amount of properties sold	-243.4	-325.8	82.4	-25.3
Revaluation of assets held for sale	25.1	24.3	0.8	3.3
<b>Profit on disposal of properties</b>	<b>69.0</b>	<b>52.0</b>	<b>17.0</b>	<b>32.7</b>
Net income from fair value adjustments of investment properties	371.1	553.7	-182.6	-33.0
Capitalised internal modernisation expenses	85.6	42.0	43.6	103.8
<b>Cost of materials</b>	<b>-542.6</b>	<b>-502.8</b>	<b>-39.8</b>	<b>7.9</b>
Expenses for ancillary costs	-344.4	-324.9	-19.5	6.0
Expenses for maintenance	-141.0	-119.7	-21.3	17.8
Other costs of purchased goods and services	-57.2	-58.2	1.0	-1.7
<b>Personnel expenses</b>	<b>-184.6</b>	<b>-172.1</b>	<b>-12.5</b>	<b>7.3</b>
<b>Depreciation and amortisation</b>	<b>-7.4</b>	<b>-6.8</b>	<b>-0.6</b>	<b>8.8</b>
<b>Other operating income</b>	<b>65.3</b>	<b>45.8</b>	<b>19.5</b>	<b>42.6</b>
<b>Other operating expenses</b>	<b>-152.4</b>	<b>-104.2</b>	<b>-48.2</b>	<b>46.3</b>
<b>Financial income</b>	<b>8.8</b>	<b>14.0</b>	<b>-5.2</b>	<b>-37.1</b>
<b>Financial expenses</b>	<b>-280.3</b>	<b>-299.6</b>	<b>19.3</b>	<b>-6.4</b>
<b>Profit before tax</b>	<b>589.1</b>	<b>689.6</b>	<b>-100.5</b>	<b>-14.6</b>
<b>Income tax</b>	<b>-179.4</b>	<b>-205.4</b>	<b>26.0</b>	<b>-12.7</b>
Current income tax	-8.0	-8.5	0.5	-5.9
Other (incl. deferred tax)	-171.4	-196.9	25.5	-13.0
<b>Profit for the period</b>	<b>409.7</b>	<b>484.2</b>	<b>-74.5</b>	<b>-15.4</b>

## Comments

- Ramp-up of personnel from 2,935 to 3,850 employees leads to increased personnel expenses, primarily driven by the insourcing initiative of caretakers and craftsmen as well as latest acquisitions.
- Ongoing personnel cost per FTE decline as a significant share of new employees relates to our craftsmen or caretaker organisation

- Increase results from reimbursement of transaction and integration costs related to the sale of the Leopard-Portfolio (€16m) and insurance payments from a storm in the second quarter of 2014.

- Increase mainly driven by consultants' and auditors' fees for DeWAG and Vitus acquisitions as well as provisions related to the Gagfah takeover.

- Substantial decrease due to lower interest rates and an improved financing structure

- Reduction by decreasing income from fair value adjustments of investment properties

# FY 2014: Balance sheet evolution

## Overview

(€m)	Dec. 31, 2014	Dec. 31, 2013
Investment properties	12,687.2	10,266.4
Other non-current assets	292.8	86.2
<b>Total non-current assets</b>	<b>12,980.0</b>	<b>10,352.6</b>
Cash and cash equivalents	1,564.8	547.8
Other financial assets	2.0	2.1
Other current assets	212.4	190.3
<b>Total current assets</b>	<b>1,779.2</b>	<b>740.2</b>
<b>Total assets</b>	<b>14,759.2</b>	<b>11,092.8</b>
Total equity attributable to DA shareholders	4,932.6	3,805.5
Equity attributable to hybrid capital investors	1,001.6	-
Non-controlling interests	28.0	12.5
<b>Total equity</b>	<b>5,962.2</b>	<b>3,818.0</b>
Provisions	422.1	342.6
Trade payables	1.0	0.3
Non derivative financial liabilities	6,539.5	5,396.0
Derivative financial liabilities	54.5	69.4
Liabilities from finance leases	88.1	87.6
Liabilities to non-controlling interests	46.3	0.0
Other liabilities	8.6	9.8
Deferred tax liabilities	1,132.8	925.0
<b>Total non-current liabilities</b>	<b>8,292.9</b>	<b>6,830.7</b>
Provisions	211.3	148.6
Trade payables	51.5	47.6
Non derivative financial liabilities	125.3	198.8
Derivative financial liabilities	21.9	9.0
Liabilities from finance leases	4.4	4.3
Liabilities to non-controlling interests	7.5	0.0
Other liabilities	82.2	35.8
<b>Total current liabilities</b>	<b>504.1</b>	<b>444.1</b>
<b>Total liabilities</b>	<b>8,797.0</b>	<b>7,274.8</b>
<b>Total equity and liabilities</b>	<b>14,759.2</b>	<b>11,092.8</b>

## Comments

- Increase driven by acquisition of DeWAG (€1,066.3m), Vitus (€ 994.7m) as well as valuation gains (based on DCF method) of € 371.1m
- December hybrid issuance has caused increased cash position
- Up due to the three capital increases of € 1,024m, as well as profit for the period of € 401.4m;
- Counter effect: pay-out of dividend of € 168.2m
- Hybrid bond issued in December 2014, considered as equity under IFRS
- New MTNs of €1,200m issued in 2014
- First consolidation of DeWAG and Vitus liabilities of € 741.0m
- Redemption of € 1,051.1m
- Increase in line with valuation gains from investment properties

## Change in deferred tax recognition according to EPRA

- Referring to the EPRA „Best Practices Recommendations“, equity effects caused by deferred taxes should be excluded in the EPRA NAV calculation if they are not expected to crystallise in normal circumstances. Usually, this should be the case for deferred taxes on property valuation surpluses.
- Historically DAIG used a **simplified** approach to fulfil this requirement. Not only the deferred taxes on properties but the total **net** of deferred tax liabilities and deferred tax assets were recognised and added to the shareholders equity.
- For FY 2014, DAIG has changed its recognition of deferred taxes to deferred taxes on property valuation surpluses (and on financial derivatives) only, with the following effect:

NAV Reconciliation €m	2013		2014	
	old definition	new definition	old definition	new definition
DAIG Equity	3,805.5	3,805.5	4,932.6	4,932.6
Deferred tax on investment properties and assets held for sale	1,276.6	1,276.6	1,581.0	1,581.0
Fair value of derivatives	54.7	56.3	87.9	88.1
Deferred tax on derivatives	-15.0	-15.0	-23.7	-23.7
Other deferred tax	-339.6		-439.5	
<b>NAV</b>	<b>4,782.2</b>	<b>5,123.4</b>	<b>6,138.3</b>	<b>6,578.0</b>

# Overview of DAIG modernisation and maintenance split

Maintenance and modernisation (€m)			Comments
	2014	2013	
Maintenance expenses	145.1	136.5	
Capitalised maintenance	28.7	21.1	<ul style="list-style-type: none"> <li>In 2014, we more than doubled our modernisation expenditures for the energetic and vacant flats programs</li> </ul>
Modernisation work	171.7	70.8	
<b>Total cost of modernisation and maintenance</b>	<b>345.5</b>	<b>228.4</b>	<ul style="list-style-type: none"> <li>Compared to 2013, revenues of services rendered in-house increased significantly due to successful implementation of our craftsmen organisation</li> </ul>
Thereof sales of own craftsmen's organisation	176.6	123.8	<ul style="list-style-type: none"> <li>Overall scope of modernisation &amp; maintenance work required additional bought-in services</li> </ul>
Thereof bought-in services	168.9	104.6	
Modernisation and maintenance / sqm [€]	29.12	19.95	<ul style="list-style-type: none"> <li>The increase in mod &amp; maint. / sqm mainly reflects the strong modernisation activities in 2014</li> </ul>

# Rent increase and vacancy reduction in the portfolio is on track

<b>DA Residential Portfolio</b>								
<b>Dec. 31, 2014</b>								
	<b>Units</b>		<b>Area</b>	<b>Vacancy</b>		<b>In-Place Rent</b>		<b>Rent I-f-I*</b>
<b>Portfolio Segment</b>	<b>#</b>	<b>%</b>	<b>('000 sqm)</b>	<b>%</b>	<b>Y-o-Y in %</b>	<b>€m</b>	<b>€/sqm</b>	<b>Y-o-Y in %</b>
Operate	86,325	45	5,418	2.9	-0.1	351.2	5.56	1.8
Upgrade	51,901	25	3,259	2.7	-0.1	211.2	5.55	3.2
Optimise	34,320	12	2,175	2.7	0.6	152.9	6.03	3.7
<b>Rental only</b>	<b>172,546</b>	<b>82</b>	<b>10,852</b>	<b>2.8</b>	<b>0.0</b>	<b>715.3</b>	<b>5.65</b>	<b>2.7</b>
Privatise	21,530	12	1,466	4.6	-0.3	91.8	5.46	1.8
Non-Core	8,952	6	570	11.8	2.1	25.8	4.30	1.1
<b>TOTAL</b>	<b>203,028</b>	<b>100</b>	<b>12,888</b>	<b>3.4</b>	<b>-0.1</b>	<b>832.9</b>	<b>5.58</b>	<b>2.5</b>

\* without DeWAG and Vitus

# Rating and Bonds

- Corporate investment grade rating

Rating agency	Rating	Outlook	Outlook Date
Standard & Poor's	BBB	Watch POS	1 Dec 2014

- Bond ratings

<b>3 years 2.125% Euro Bond</b>	€ 700m	99.793%	2.125%	25 Jul 2016	BBB**
<b>6 years 3.125% Eurobond</b>	€ 600m	99.935%	3.125%	25 Jul 2019	BBB**
<b>4 years 3.200% Yankee Bond</b>	USD 750m	100.000%	3.200% (2.970%)*	2 Oct 2017	BBB**
<b>10 years 5.000% Yankee Bond</b>	USD 250m	98.993%	5.000 % (4.580%)*	2 Oct 2023	BBB**
<b>8 years 3.625% EMTN</b>	€ 500m	99.843%	3.625%	8 Oct 2021	BBB**
<b>8 years 2.125% EMTN</b>	€ 500m	99.412%	2.125%	9 Jul 2022	BBB**
<b>60 years 4.625% Hybrid</b>	€ 700m	99.782%	4.625%	8 Apr 2074	BB+**
<b>pp 4.000% Hybrid</b>	€ 1,000m	100.000%	4.000%	perpetual	BBB-***

\* EUR-equivalent re-offer yield

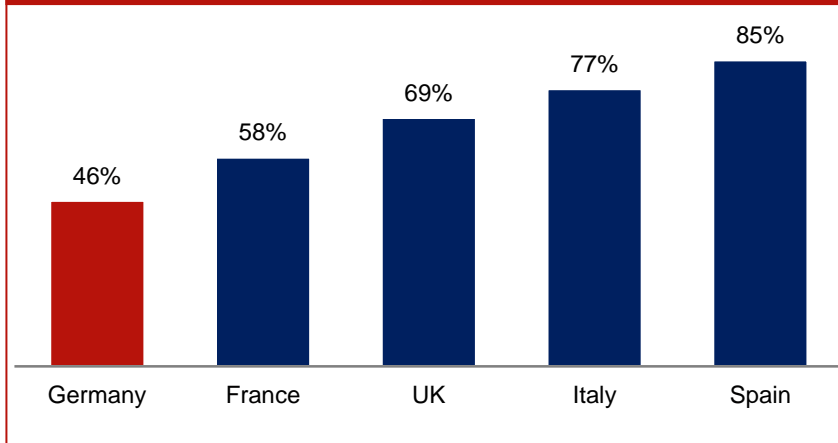
\*\* on credit watch with positive outlook

\*\*\* preliminary rating



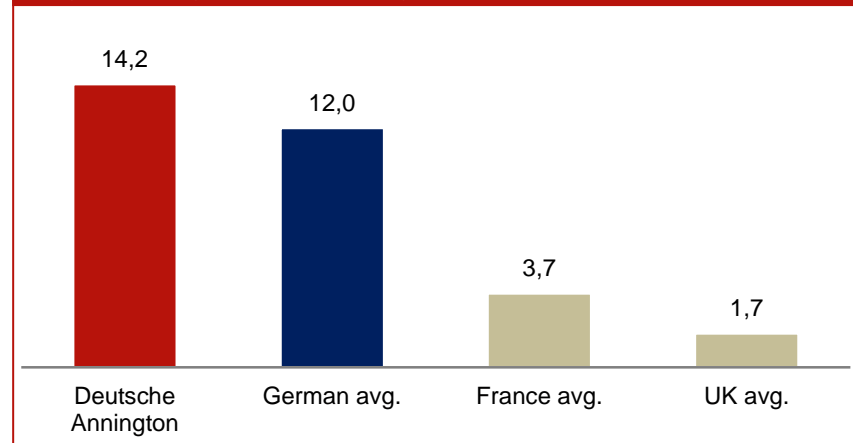
# We are well positioned in a favourable market environment

## Low home ownership driving rental demand



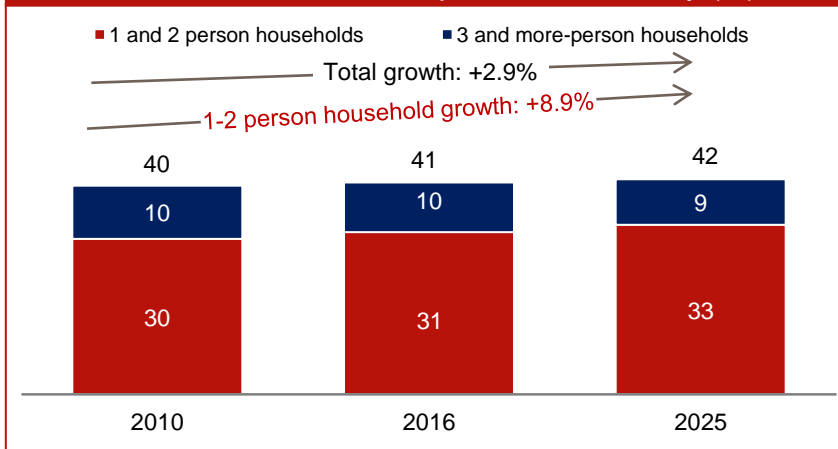
Source: Federal Statistical Office, Euroconstruct, ifo

## High average tenancy length in years



Source: Schader Stiftung (Germany), Clameur (France), Association of Residential Letting Agents (UK)

## Favourable household development in Germany (m)



Source: BBSR Raumordnungsprognose 2030. Projections based on 2009 numbers

## Continuing supply / demand imbalance (units)

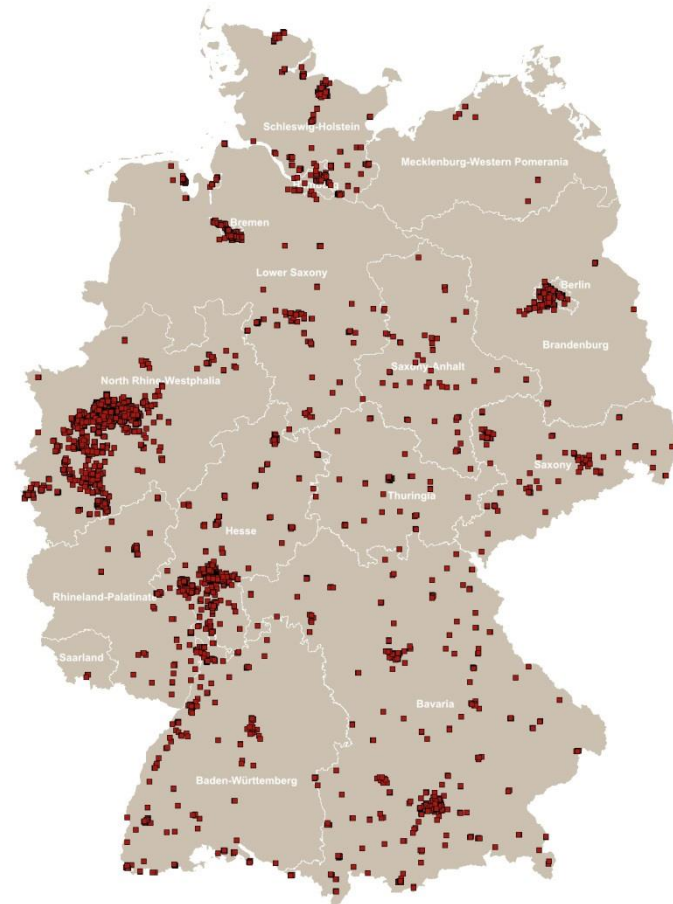


Source: Destatis, BBSR

# Deutsche Annington at a glance

- Top 4 European real estate company<sup>1</sup> and the largest German residential firm<sup>2</sup>
- 203k (208k incl. Franconia) residential units well spread across Germany
- 97% (96% incl. Franconia) of portfolio by fair value located in Western Germany and Berlin (and 82% [81% incl. Franconia] of portfolio by fair value in states with strongest rental growth)
- Around 3.900 employees incl. own craftsmen organization with more than 2.000 employees
- Standardized processes and industrialized platform
- Best-in-class financing structure in the German real estate sector
- Dedicated portfolio strategy and investment program focused on value creation

DA portfolio locations (residential) - buildings - 31 December 2014



<sup>1</sup>By market cap; <sup>2</sup> In listed German residential sector

# We are able to reduce the effects of “Mietpreisbremse” by benefitting from our unique modernisation skills

- With our German-wide presence and the approach to offer affordable living, only very few of our assets are located in potential “high demand housing markets”, where “Mietpreisbremse” might be applied
- Assessed potential risk of lost rental growth amounts to around 0.2% p.a.

Options for DAIG

1. Do nothing – accept situation



No option for Deutsche Annington, as it leads to growth stagnation

2. Only „comprehensive, high-end-luxury“ modernisations



No option for Deutsche Annington, as not in line with our general principle to offer ‘affordable living’.

3. Shift strategy to portfolio privatisation only



No option for Deutsche Annington, as not in line with our position of being “Germany’s largest residential real estate manager“

4. **Broaden and expand rent-related investments**



The only realistic scenario for Deutsche Annington due to the strategic advantage of TGS.

1. Highest implementation probability through countrywide availability of craftsmen capacity
2. Cost efficiency and economies of scale result in lower costs for tenants and lead to higher acceptance of modernisation efforts

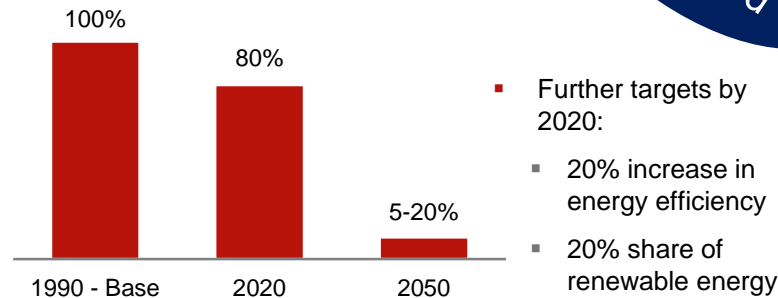
Although Deutsche Annington might be affected by the “Mietpreisbremse”, it offers the opportunity to focus even stronger on our strategic advantage – socially accepted modernisation executed by TGS, our own craftsmen organisation.

# Our modernisation program is capitalising on mega-trends supported by German regulation

## Upgrade Buildings Targeting energy efficiency

dena study published

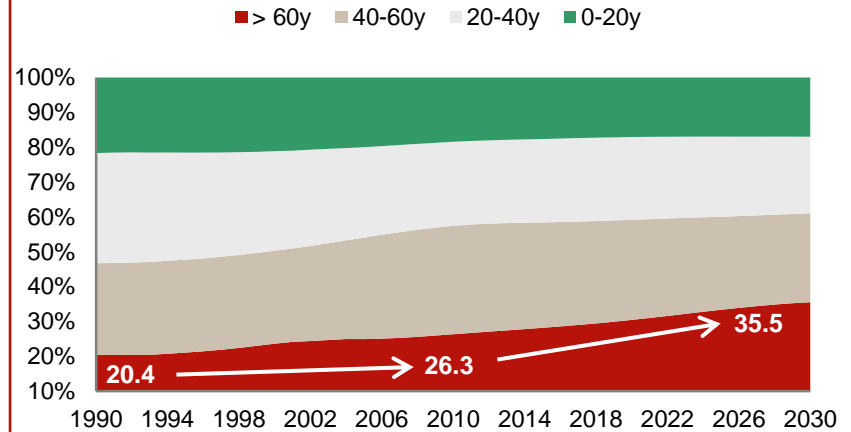
European CO<sub>2</sub> emission targets (vs. 1990 levels)



- Further targets by 2020:
  - 20% increase in energy efficiency
  - 20% share of renewable energy
- Strong regulatory push at the EU level towards energy efficiency
- Supportive German regulatory framework allowing for rent increases following modernisation (up to 11% of energy modernisation cost)
- Public subsidised funding available to support energy efficiency investments

€ 500m investment opportunities identified

## Optimise Apartments Capitalising e.g. on development of senior population



- Significant increase in share of elderly population expected
- Public subsidised funding available to support investments into apartments for elderly people


€ 300m investment opportunities identified<sup>1</sup>

Attractive growth potential at ~7% unlevered yield, proven by our track-record

Source: European Commission, BBSR-Bevölkerungsprognose 2030

1) Including investments for senior living as well as investments in high demand markets

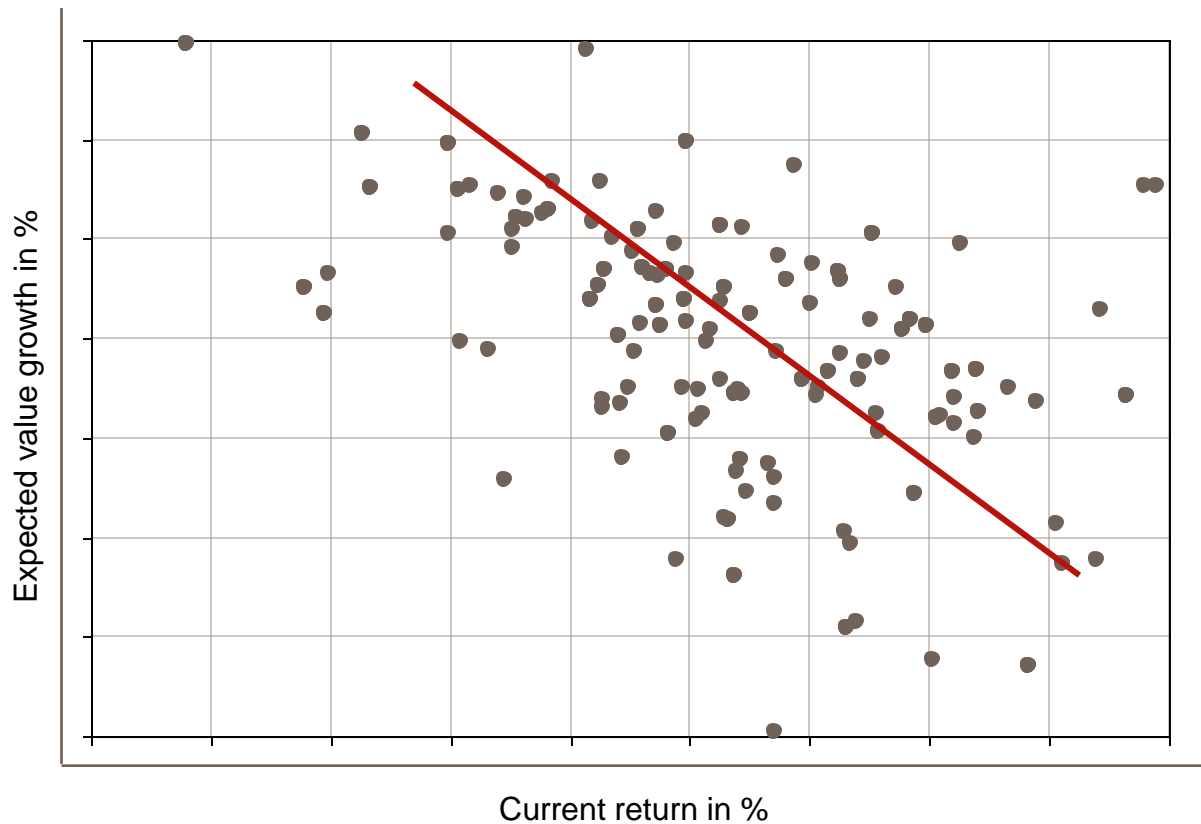
# Investment Process

	Year 1	Year 2	Year 3	
Heat insulation	Investment Definition & Decision			
		Construction of vintage year 2		
			Rent increases of vintage year 2	
Heating system	Investment Definition & Decision			
		Construction of vintage year 2		
			Rent increases of vintage year 2	
Apartments	Investment Definition & Decision			
		Construction of vintage year 2		
			Rent increases of vintage year 2	

# Imbalanced market structure provides opportunities

## Total Returns 2009-2012

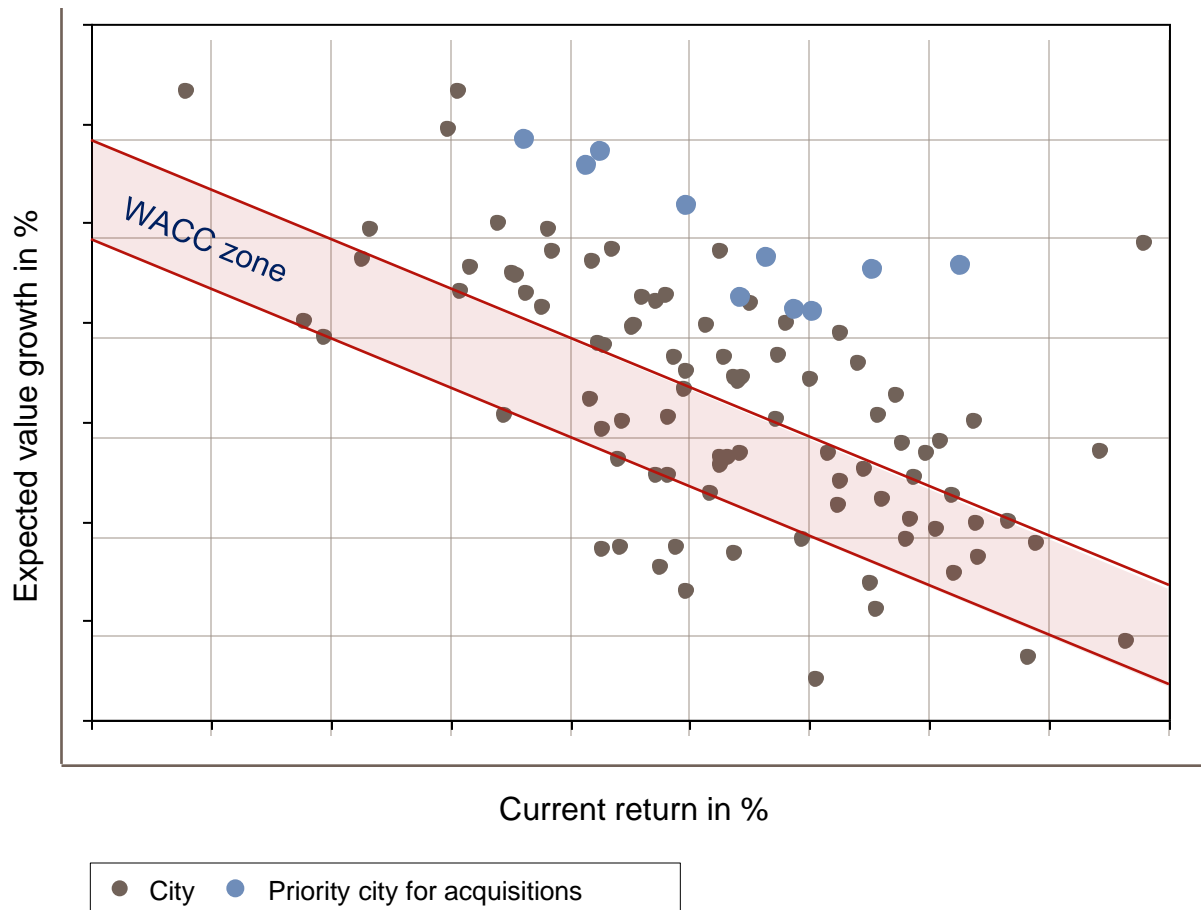
(Market data on top 150 cities in Germany)



- Total return is the sum of current return and expected value growth
- Imbalanced market structure provides opportunities
- Growth is most crucial component
- But analyses of history shows – rent forecasts by external data providers are not reliable

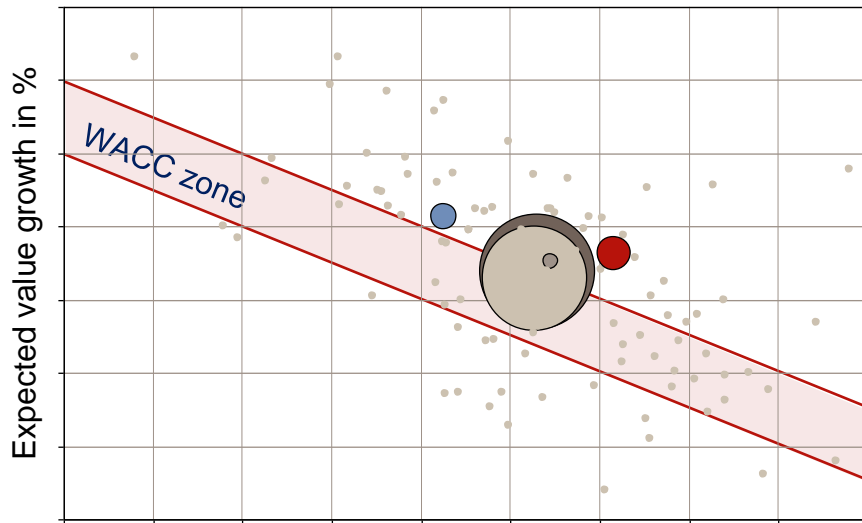
# Innovative portfolio management for sustainable profitable growth

## Deutsche Annington's portfolio management approach (Deutsche Annington's analyses of Germany)



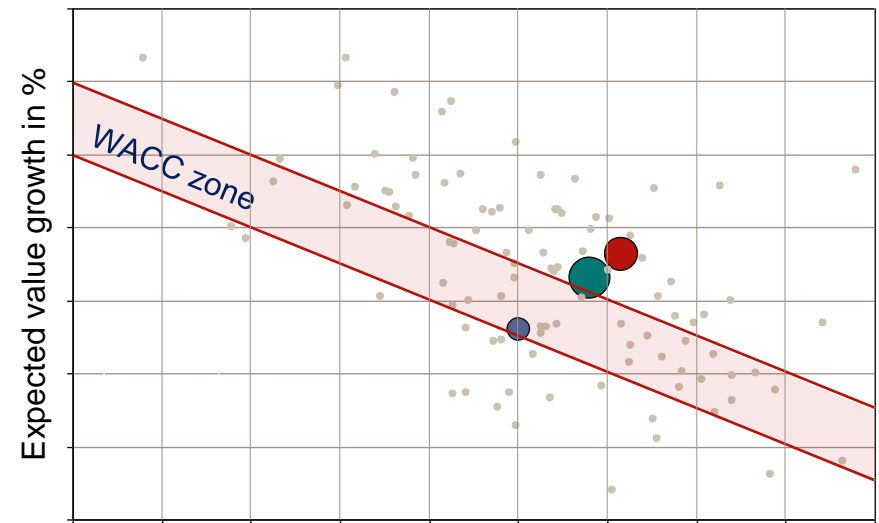
- We developed a framework to evaluate the housing market
- Growth is derived from basic demographic data and own estimates
- We will invest and acquire assets with above average returns and sell assets with low return
- We identified 10 cities with a priority for acquisitions

# Active portfolio management approach pays off



Current return in %

- Market
- DA avg
- Vitus (excl. NRW-Portfolio) avg
- DeWAG avg
- Franconia avg
- DA/Vitus (excl. NRW-Portfolio) / DeWAG/Franconia comb



Current return in %

- Market
- Vitus avg
- Vitus NRW-Portfolio
- Vitus (excl. NRW-Portfolio)

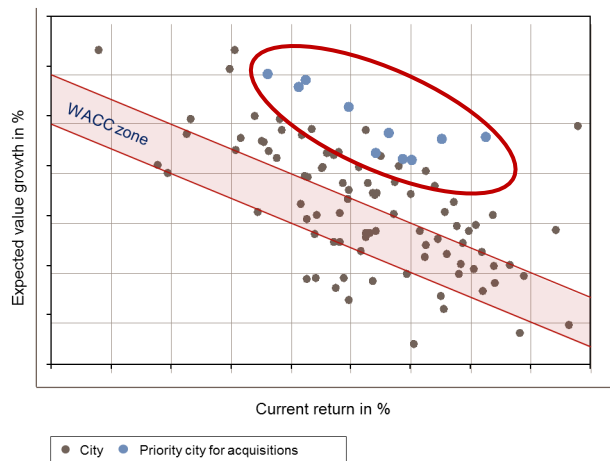
➔ All 2014 transactions perfectly enhance our portfolio – acquisitions as well as disposals



# We implemented an efficient process to acquire smaller portfolios fast and smoothly (tactical acquisitions)

- With tactical acquisitions ( $\leq 500$  units), we enlarge our transaction toolkit
- Our target is to refill reductions from privatisation sales by tactical acquisitions

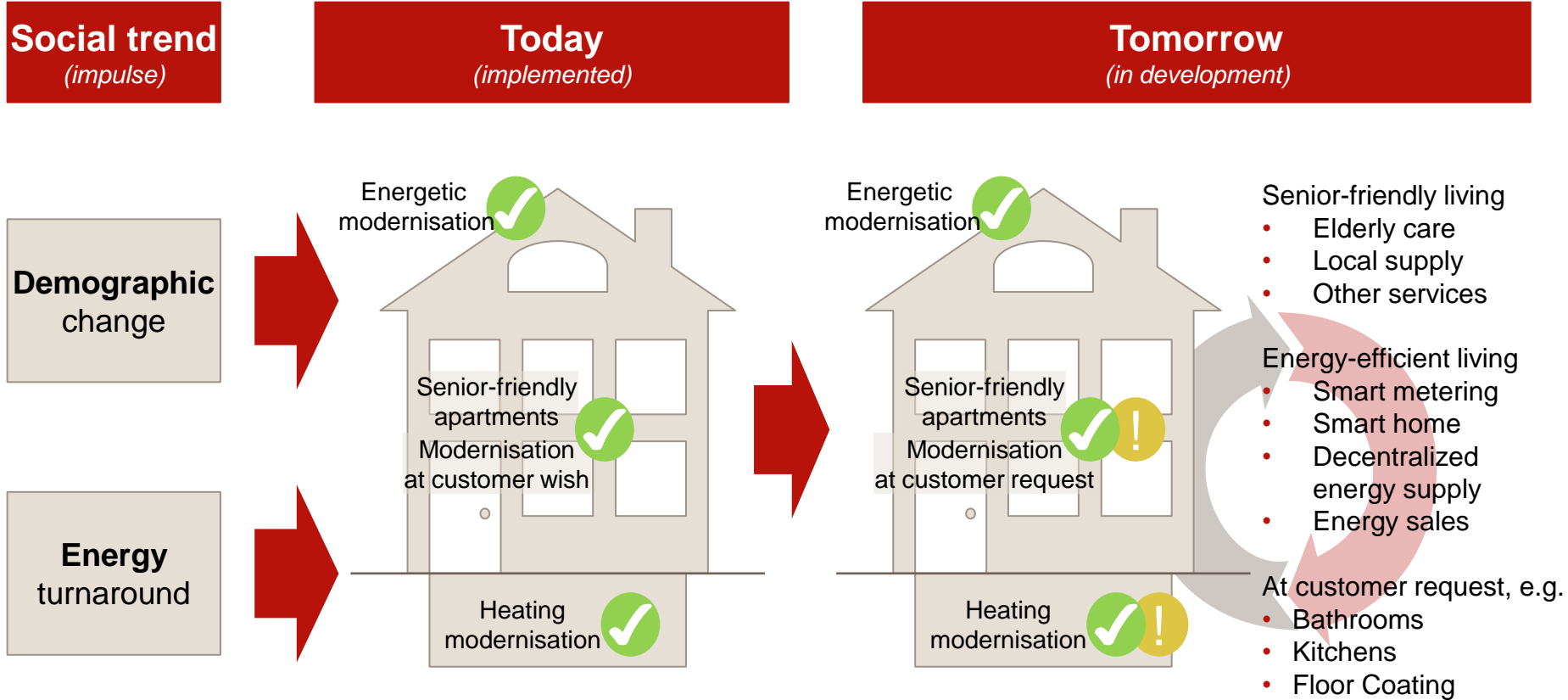
Deutsche Annington's portfolio management approach  
(Deutsche Annington's analyses of Germany)



- Standardised and lean “fast track” process (2-4 weeks) for tactical acquisitions implemented
- Low complexity leads to acceptable administrative cost
- Best use of regional market knowledge
- Requirements for strategic fit:
  - ✓ Asset deal
  - ✓ Focus region in line with growth-return matrix
  - ✓ Significant Dt. Annington portfolio close by
  - ✓ Property strategy (rental only)

- Lean and tailored process to drive tactical acquisitions
- First acquisitions as testing balloon in 2014, steady deal flow from 2015 onwards

# We will focus on the systematical development of new services and products along social megatrends



New services will complete our product offering along the social megatrends

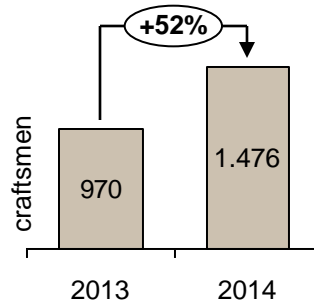
# Continuous success of our extended business proves DA's business model



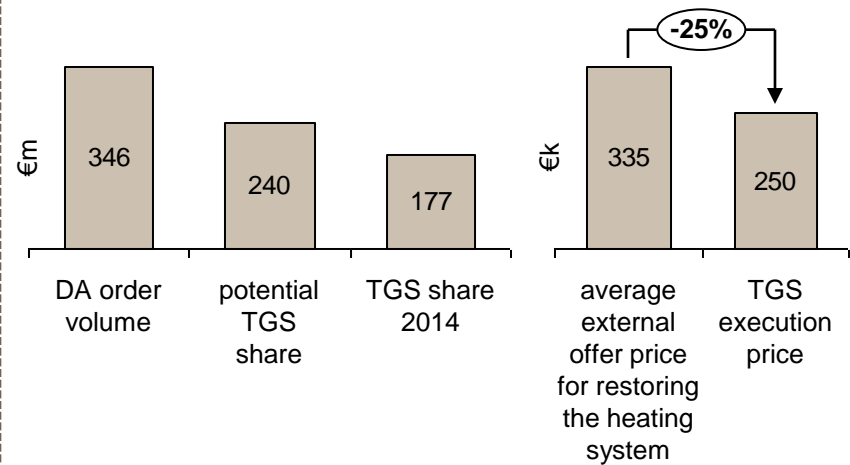
## Strategic advantages of the TGS joint venture:

- Higher quality  
*(build-up of know how, efficient & closely coordinated processes)*
- High reliability  
*(direct access to craftsmen capacities)*
- Cost reduction  
*(managing total costs of process)*
- Nationwide scalable operating platform

### Steady personnel growth



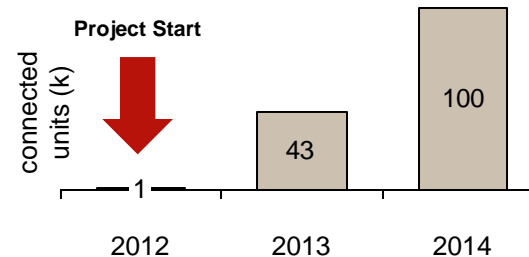
### TGS serves the basis of our investments and offers a significant cost advantage



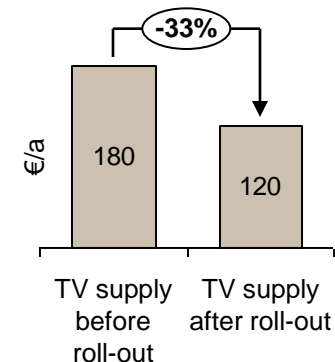
## Development of multimedia partnerships (e.g. Deutsche Telekom, Unitymedia, etc.):

- >100,000 units will be connected by DAs own cable operator by the end of Q1 2015
- Partnerships opens the ground for further cross-selling opportunities
- DTAG equips DAs properties with modern fibre-optic technology

### Development of connected units



### Cost saving for our tenants



# IR Contact & Financial Calendar

## Contact

### Investor Relations

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## Financial Calendar 2015

Jan 12-13	Commerzbank German Investment Seminar, New York
Jan 14	JP Morgan European Real Estate Conference, London
Jan 21	Kepler Cheuvreux German Corporate Conference, Frankfurt
Mar 5	Annual Report 2014
Mar 9/10	Roadshow, London
Mar 19	HSBC Real Estate Conference, Frankfurt
Mar 26	BoAML European Real Estate Conference, London
Mar 27	Commerzbank German Residential Property Forum, London
Apr 30	Annual General Meeting
Jun 01	Interim Report Q1 2015
Aug 19	Interim Report H1 2015
Nov 3	Interim Report Q3 2015

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