

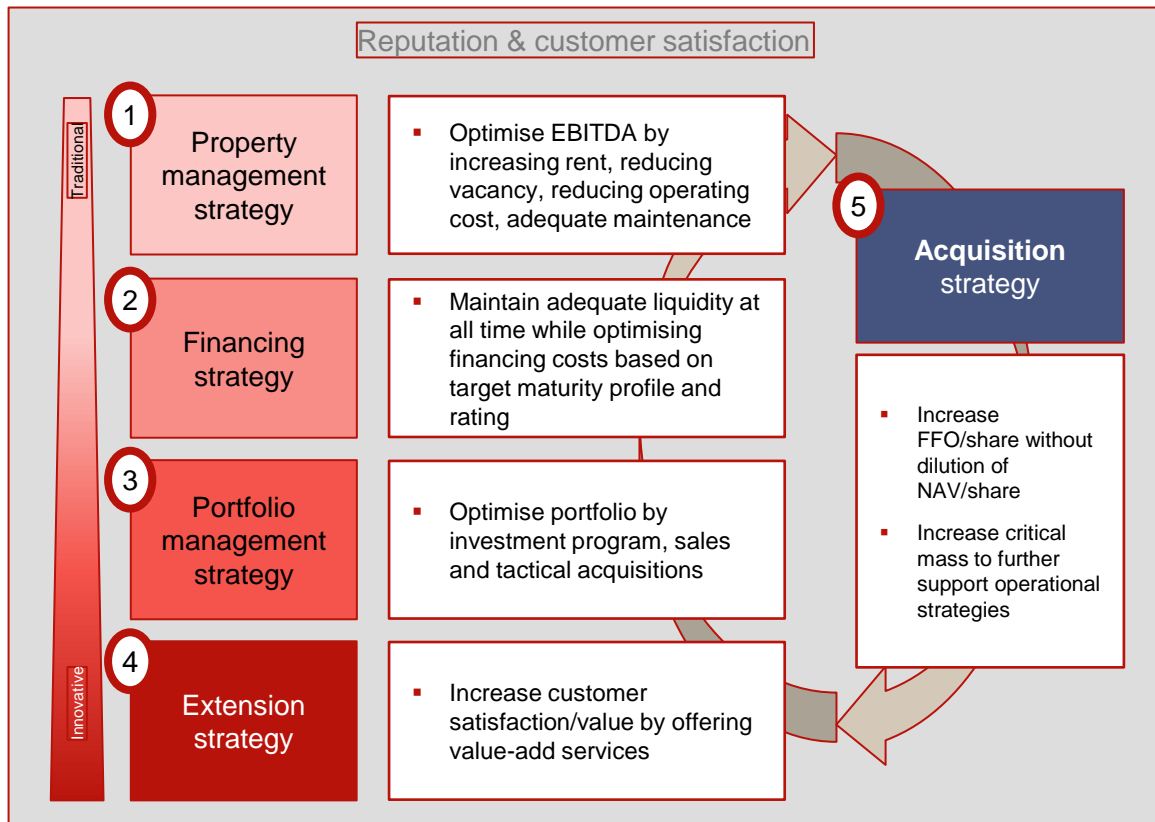
Deutsche Annington Immobilien SE

Capital Markets Day 2014

Bochum, 17th September 2014



The engine and the turbo...



Engineering next generation German residential real estate

- Elements 1 & 2 ensure a decreasing cost basis and keep the organisation lean.
- Elements 3 & 4 create sustainable growth and power portfolio value generation. We are changing the product.
- Acquisitions do feed all elements, but are not necessary for growth generation.

- We have a strategy that works without acquisitions, but acquisitions can be a turbo

Strong operational performance sets the basis...

Property management strategy

Good and getting better...

- Our property management is the backbone of our strong operational performance.
- This operational strength is reflected in the numbers:
 - Net vacancy is effectively at 2.3%.
 - In the major hotspots, our rental level and rent increase has outperformed our peers in 2014.
- This shows that our processes and the platform work very well.
- It further ensures integration is simple and fast – proved at DeWAG, to come at Vitus and Franconia.

Vacancy	DAIG
Total	3.8%
./. Privatisation	0.6%
./. Sales	0.6%
Rental Vacancy	2.6%
./. Ongoing Mod	0.1%
./. Vacant Flat Program	0.3%
Net Vacancy	2.3%

In-place rent

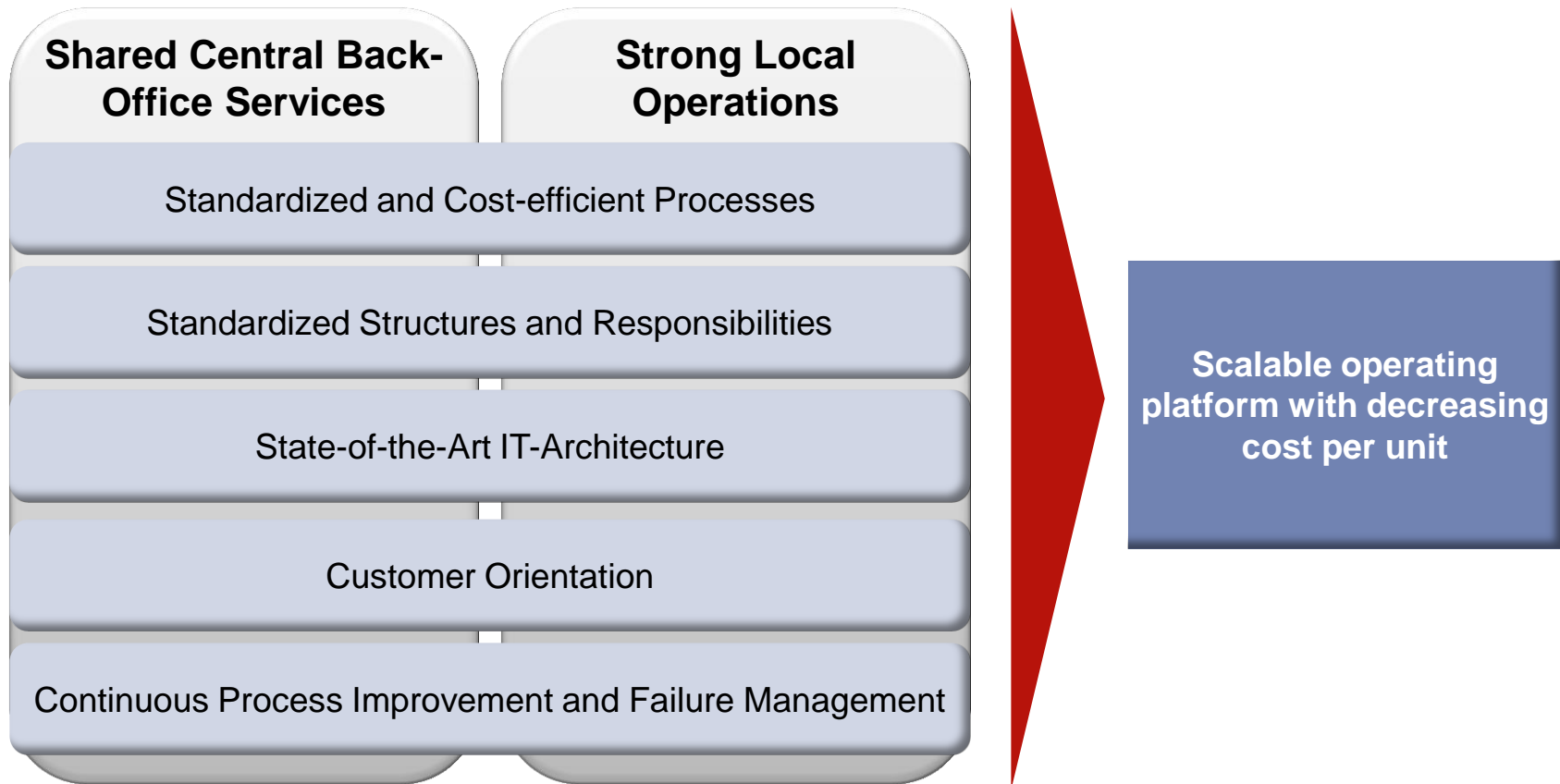
	DAIG		
Berlin	5,84	5,59	5,21
Rhein-Main	7,30	7,05	
Frankfurt am Main	7,26		7,72
Wiesbaden	7,49		
Rheinland	6,62	6,59	6,31
Düsseldorf	7,14		7,14
Köln	6,70		6,77
Bonn	6,21		6,10
Leverkusen			5,60
München	6,59		6,26
Dortmund	4,88		4,84
Duisburg	5,03		4,73
Essen	5,25		5,42

In-place rent development 2014*

	DAIG			
Berlin	1,4%	1,1%	1,4%	
Rhein-Main	1,7%	1,9%		
Frankfurt am Main	1,7%		0,8%	
Wiesbaden	1,6%			
Rheinland	3,6%	2,8%	1,4%	
Düsseldorf	3,0%		2,1%	2,2%
Köln	4,4%		1,2%	
Bonn	2,5%		2,2%	
Leverkusen			1,1%	
München	4,1%		0,5%	
Dortmund	1,9%		0,6%	2,2%
Duisburg	1,2%		1,7%	2,1%
Essen	0,6%		1,1%	

* Rents as of June 30th, 2014 compared with rents as of Dec 31th, 2013, not I-F-I.

...backed by property management with best-in-class processes and an easily scalable platform....



- Our operational business model ensures decreasing average cost per unit through standardization and scalability

...which drives further optimizing of our processes and easy integration.

Mature and proven operational business model

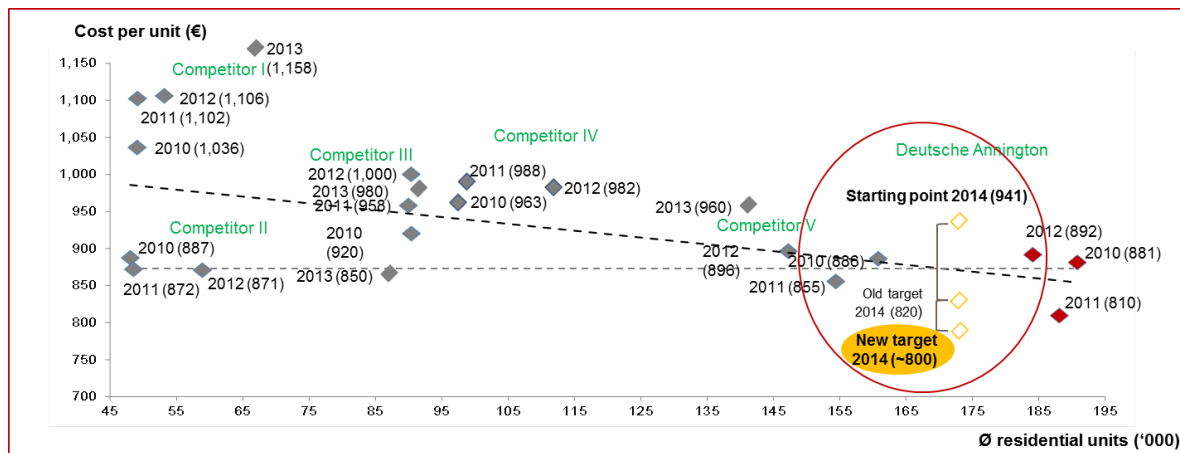
Experience based Key Performance and Dimension Indicators

In-depth documentation of all operational business functions and processes

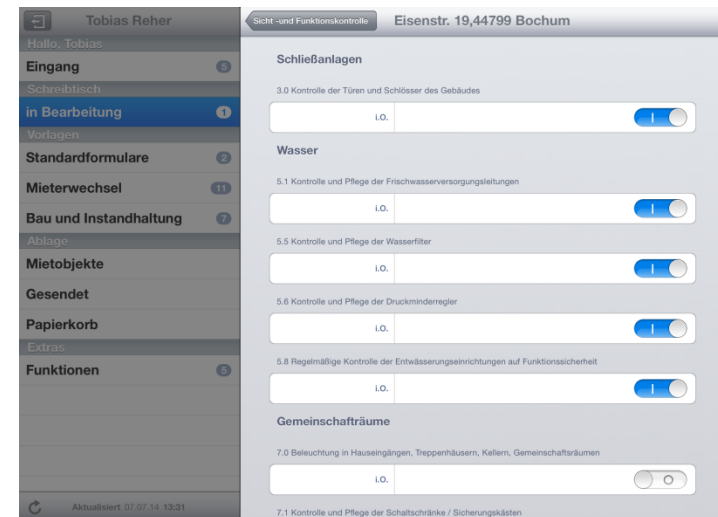
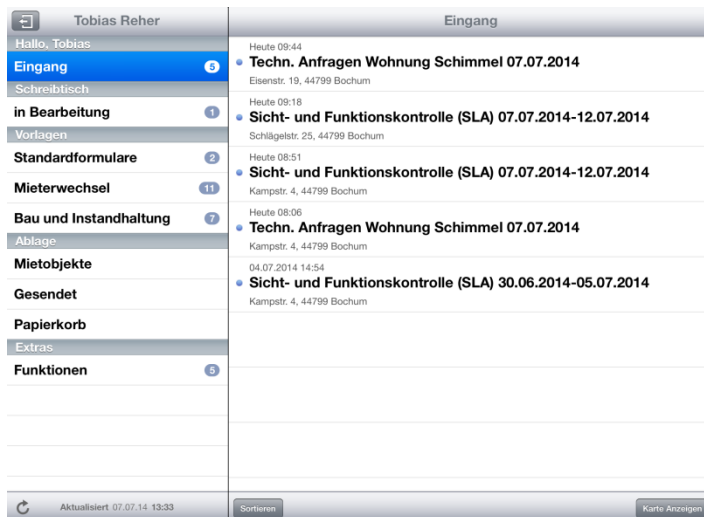
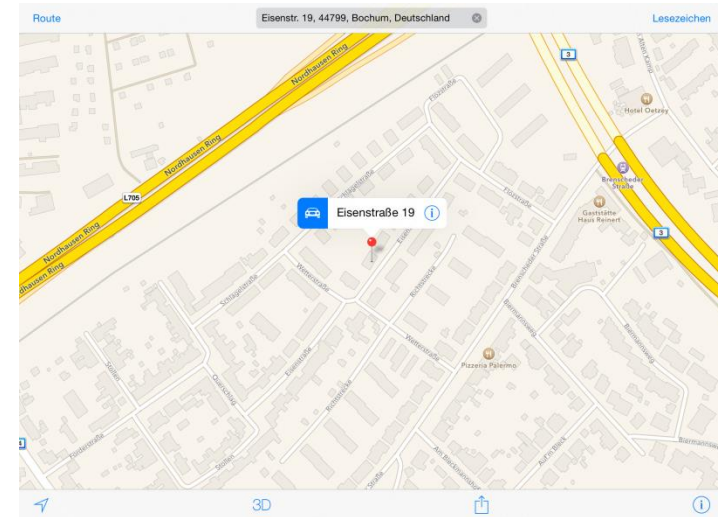
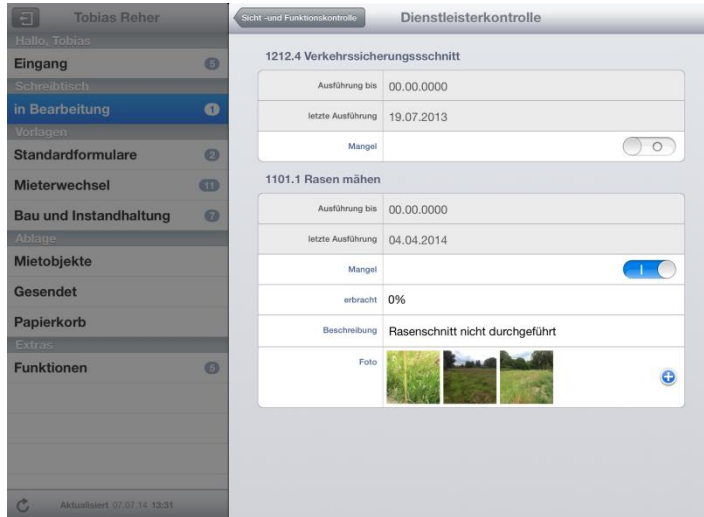
Up and running IT-landscape for all required business functions

Experience based in-depth time schedules for all organisational and IT-related integration tasks

- Structured knowledge management and largely documented best practices guarantee most efficient integration projects
- Smooth and fast integration of acquisitions proves the efficiency and scalability of our property management

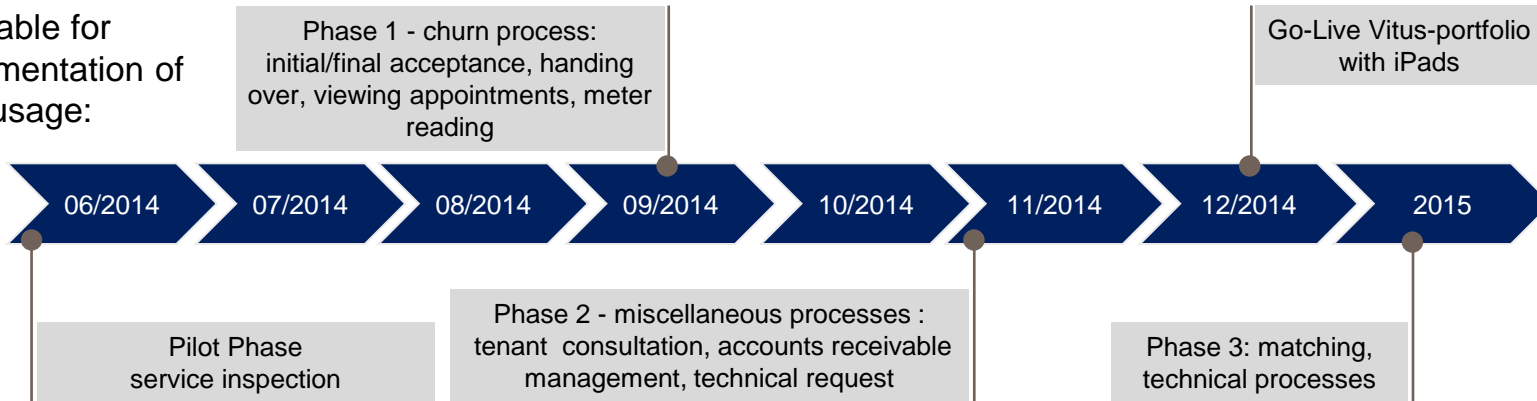


The use of iPad-Technology in property management reduces the time effort of administrative tasks ...



...allowing us to optimize field service productivity and reduce costs

Timetable for implementation of iPad usage:



Current situation

- heavy IT equipment (notebook, camera, DigitalPen with printed form, security-token, ...)
- plenty of complex IT processes necessary (e.g. photo export, etc.)
- no off-line solution, sometimes poor mobile broadband support
- cost-intensive IT equipment and licenses necessary
- replacement investment of IT equipment necessary

Future

- only one device (iPad mini cellular) instead of a current minimum of four
- intuitive app for all business processes with high user friendliness
- 100% off-line processing possible
- integrated photo function to speed-up processes
- Significant cost reduction

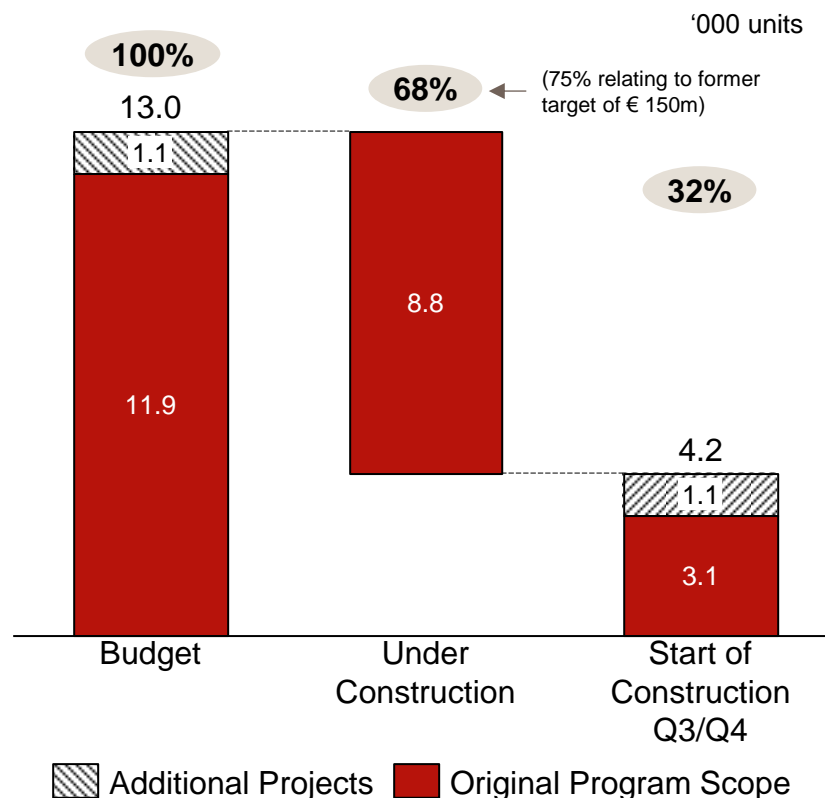
Modernisation of our portfolio is a highly industrialised & standardised process delivering steady attractive returns

A positive track record

Vintage year	Invest (€m)	# Units	Un-levered Asset yield	Leverage factor
Ø 2009-2011	33.7	2,281	7.0%	0%
2012	56.6	2,982	6.8%	11.2%
2013	65.3	5,320	7.0%*	64.0%
2014 (FC)	160	13.000	~7.0%	~ 57%

*yield forecasted depending on new rents after modernisation

High modernisation volume in 2014 and coming years at ~7% unlevered yield

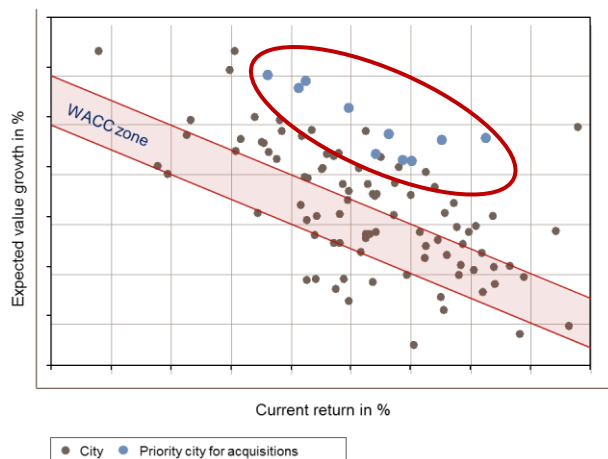


- Through efficiency gains more potential in existing portfolio visible. Cost of modernisation is decreasing, i.e. modernisation of units with a lower rental growth potential and earning ~7% unlevered yield is possible
- Activities capped by availability of craftsmen and construction engineers only

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

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

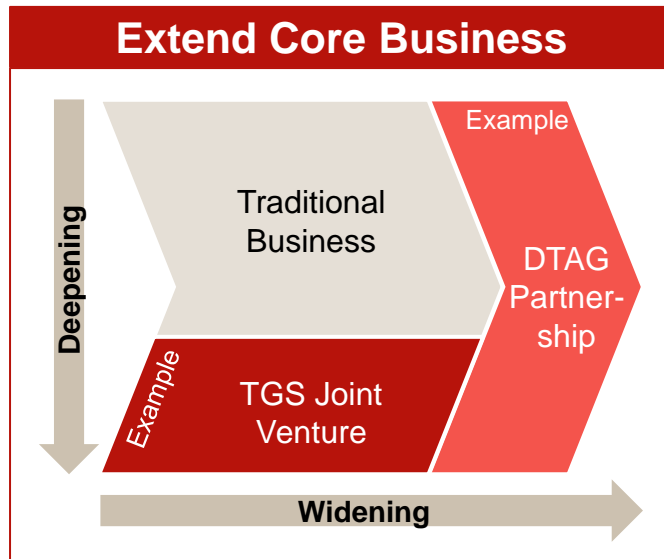
Deutsche Annington's portfolio management approach
(Deutsche Annington's analyses of Germany)



- 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

The target of our Extension Strategy is to enlarge our traditional business and increase customer satisfaction



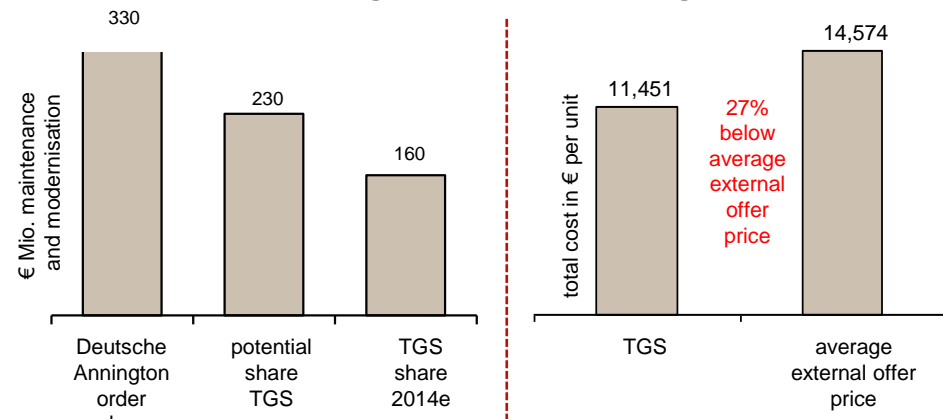
- ### Key Objectives
- Increase in customer satisfaction resulting in higher customer loyalty
 - Additional contribution and growth from extensions of the value chain
 - Improvement of efficiency, costs and quality of DA core business process chain



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

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



Example: Refurbishment of a vacant flat

Our innovative bathroom concept evidences our standardised & innovative processes

Standardization process

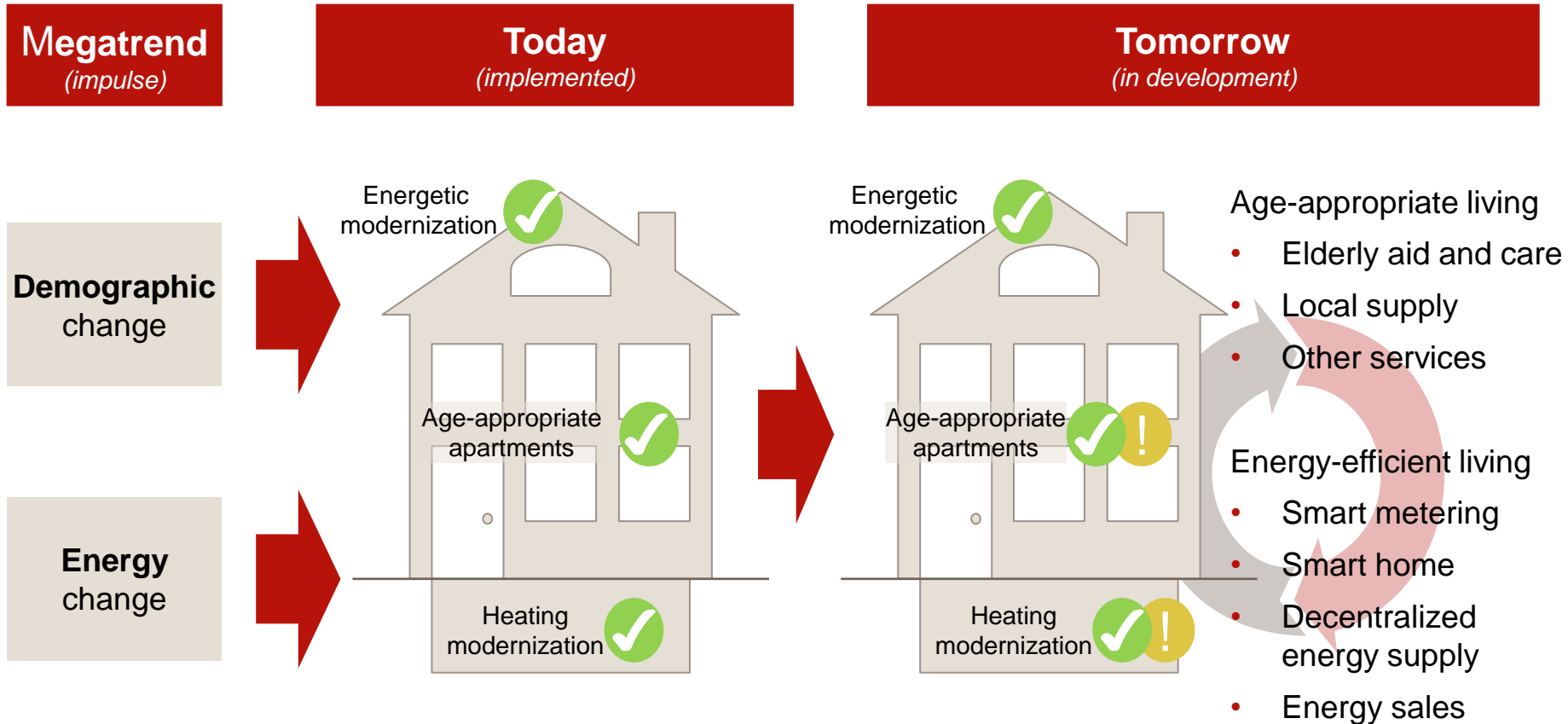
Degree of standardization

1. Implementation of private brand for ceramics and armatures
2. Concept for DAIG standard bathroom types
3. Development and implementation of a lump sum complete bathroom solution for sitting tenants
4. Direct marketing of bathrooms as service offering for sitting tenants in portfolio estates

Achieved yields significantly higher than standard modernization measures

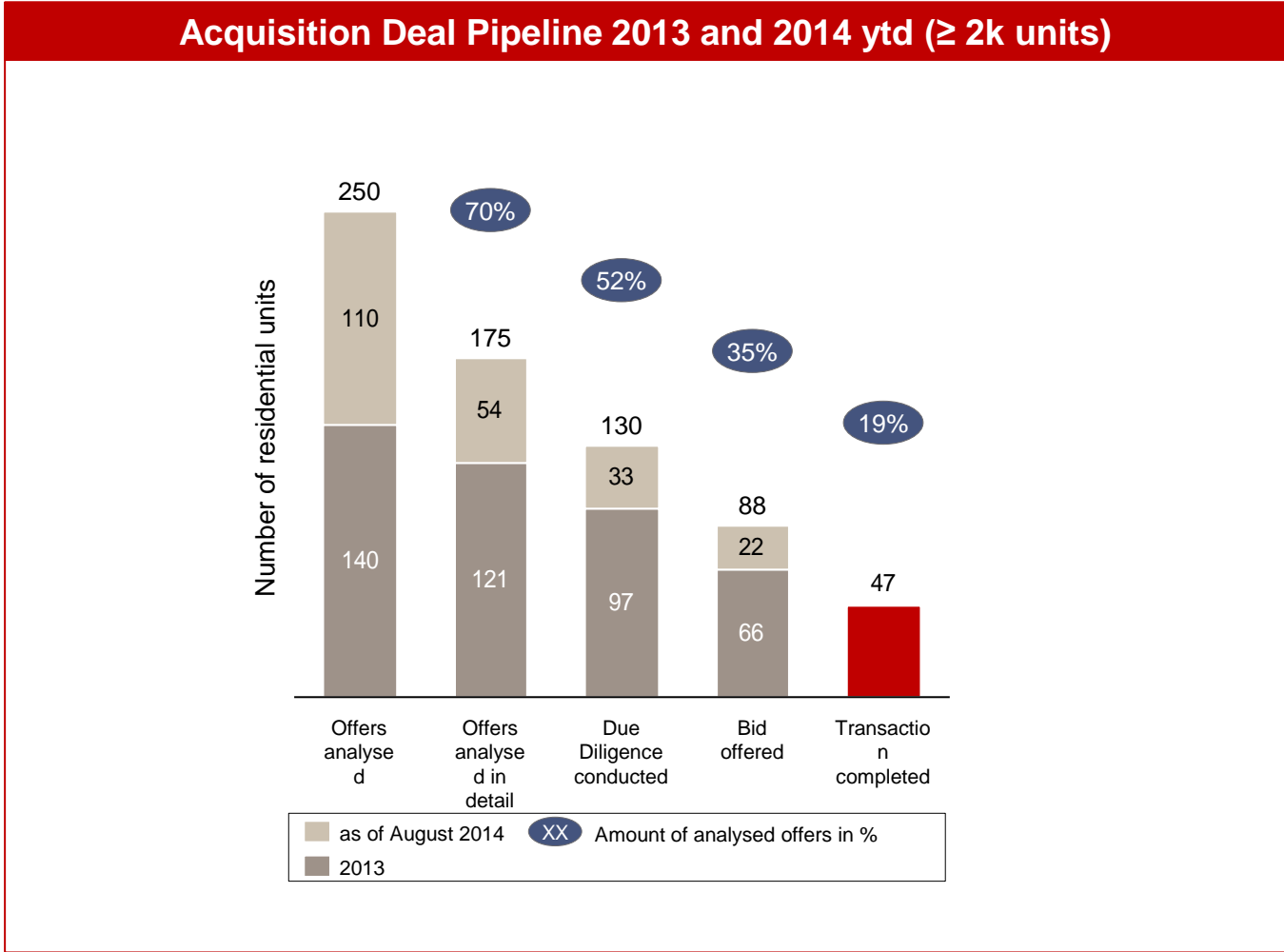


We will focus on the systematical development of new services and products along social megatrends

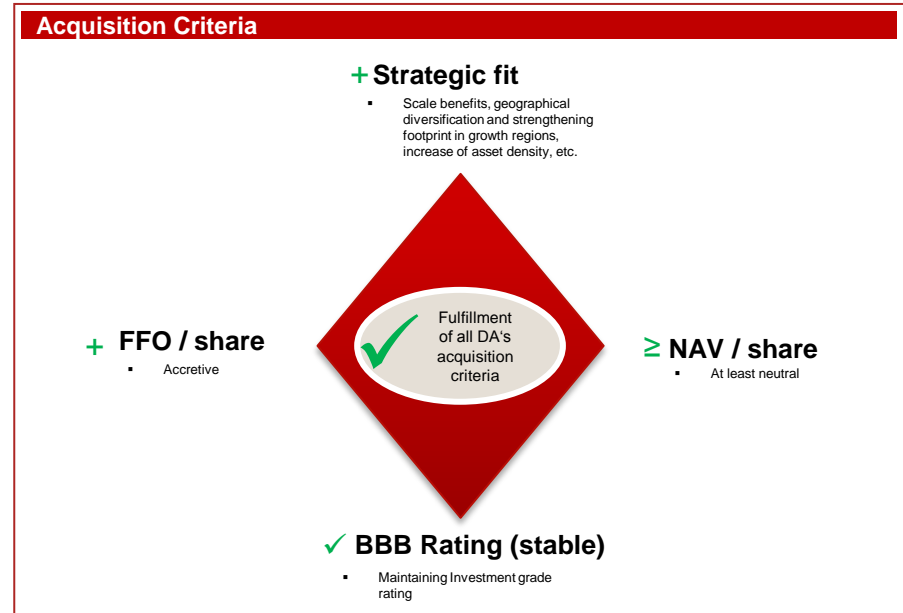
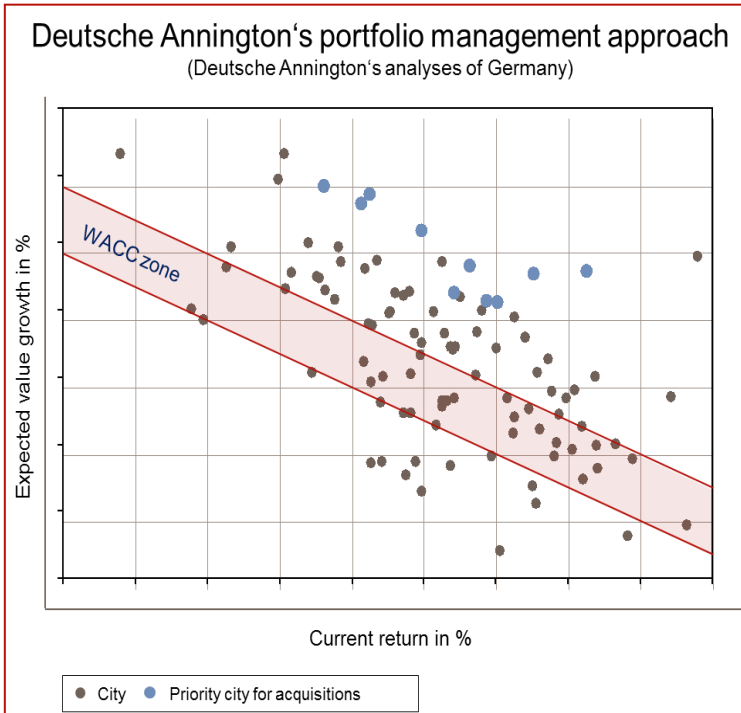


▪ New services will enlarge our product range and respond to today's social megatrends

We see plenty of opportunities for acquisition and have the power to bring them home



However every potential acquisition is monitored by a dedicated process, keeping us strongly disciplined



➤ Return matrix is a powerful model 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 do not need any acquisitions to grow, but if it comes to acquisitions...

...we are a highly appreciated and reliable partner

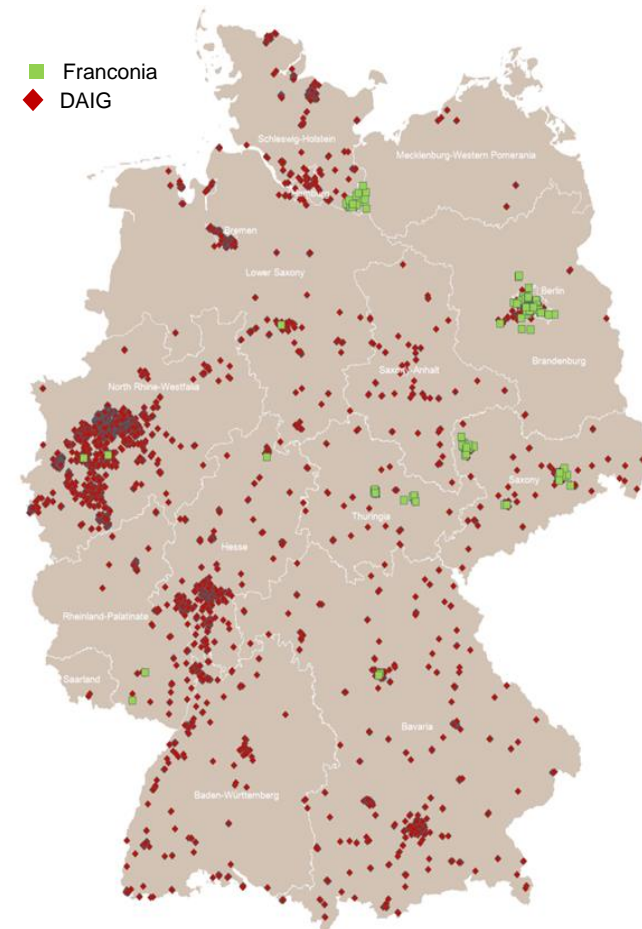
- 1 We offer transaction security. If we sign, we close as well in a relatively short timeframe.
- 2 Best-in-class financing strategy with fast access to a comprehensive set of funding tools.
- 3 Our German-wide presence is a competitive advantage („You don't easily find portfolios of 5,000 units in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

The Franconia portfolio transaction proves our competitive advantage to do acquisitions

Summary of Deal

Units: 5,042
Rent Ø: 5.52 EUR/m²
Locations: 2,500 Berlin Region,
 1,500 Dresden/Erfurt/Jena/Leipzig,
 1,000 Boizenburg (Hamburg Region)
Multiple: 14.4x

PHASE	NOTES
Indicative Phase	
<ul style="list-style-type: none"> Screening Modelling Valuation 	<ul style="list-style-type: none"> Large section of market spoken to DA selected based on certainty of transaction
Binding Phase	
<ul style="list-style-type: none"> Due Diligence Property tours SPA drafting 	<ul style="list-style-type: none"> Two other bidders Corporate Bond reduces complexity – no financing required
Final Phase	
<ul style="list-style-type: none"> SPA negotiation Approvals 	<ul style="list-style-type: none"> Carried out in fast track: 2 weeks to signing



Summary

- ✓ We are the engineers in the German Residential market.
Our organisation is running well and continuously getting better.
- ✓ We have an eye on our cost structure.
- ✓ We are able to create value without acquisitions.
- ✓ If an acquisition supports our strategy, we are ready to act - quickly and on all levels.

Appendix

- Additional slides for Round Table Meetings
(Financing Strategy & Extension Strategy)

(Pages 19-24)

Our key success factors for efficient financings

Financing strategy

USP

Execution of best-in-class financial strategy

Highly **experience team** with **different background** (Rating Agency, Corporates, Investment Bank, Hedge Fund)

Benchmark Front-, Middle und Backoffice

Best-in-class Treasury Management System (SAP)

Awards



Success factor

- **All financial strategic decision** have been delivered over recent years, from restructuring to bond issuance debut
- **All refinancings** at least **six month prior to maturity** closed
- **Top three in European bond** issuer within twelve months with performing instruments
- First in real estate sector
- Risk Controlling
- Clear responsibilities and processes
- Scalable platform (process & IT)
- Capability of standardised loan integration
- Various awards, including **best debut bond issuer** (Global Capital), **real estate financing deal of the year** (The Banker)
- Various nominations, including European (ACT) and Germany's **treasury team of the year** (Der Treasurer)

Our key success factors for efficient financings

Financing strategy

DAIG executed a clear financial strategy.

1 Lower LTV into target zone



2 Obtain Investment Grade rating



3 Establish unsecured financing instruments



4 Extend and balance maturities



5 Increase unencumbered assets



6 Tackle maturities between 6 and 15 months ahead of time



7 Keep disciplined approach throughout the whole process, by actively managing the balance sheet



8 Acquisition strategy strictly adhering to credit framework



Our key success factors for efficient financings

Financing strategy

Front Office

Cash and Liquidity Management

- Cash Management
- Account clearing
- Payments
- Handling of cheques
- Liquidity forecast
- Actual data generation
- Bank fees control
- Bank reporting

Finance/Capital Markets and Funding

- Leader of deal-teams
- Negotiations
- Structuring deals
- All external contacts
- Initiation of refinancing process
- Coordination of information flows
- Negotiation and structuring of internal information
- Creation of presentations for teasers, negotiations and committees etc.
- Creditor relations

Middle Office

Risk Controlling

- Calculation of market values
- Transaction evaluation
- Hedge effectiveness tests
- Risk management
- Covenant reporting
- IPDs

Back Office

Administration

- Administration of loans
- Administration of guarantees
- Release process for sales
- Support for refinancing process (land register, notaries etc.)
- Administration of securities

Track Record Highlights

Financing strategy

Unsecured financing strategy fully established in just 12 month time: #2 in European Real Estate Bond Market today

- 

Refinancing risk eliminated and maturity profile smoothed
No refinancing until 2016 after redemption of an EUR 140m DeWAG loan early July
- 

Most diversified access to various refinancing sources secures best pricing
Ability to raise debt from capital markets, (mortgage)banks, pension funds or secured funding markets (CMBS)
- 

EUR 500m EMTN due 2022 issued in July
competitively and effectively priced at tight 2.125%.
- 

EMTN-program topped-up to EUR 5.0bn, EUR 1.0bn used after recent EMTN placement.
EUR 4.0bn firepower on hand remain within the current EMTN-Program
- 

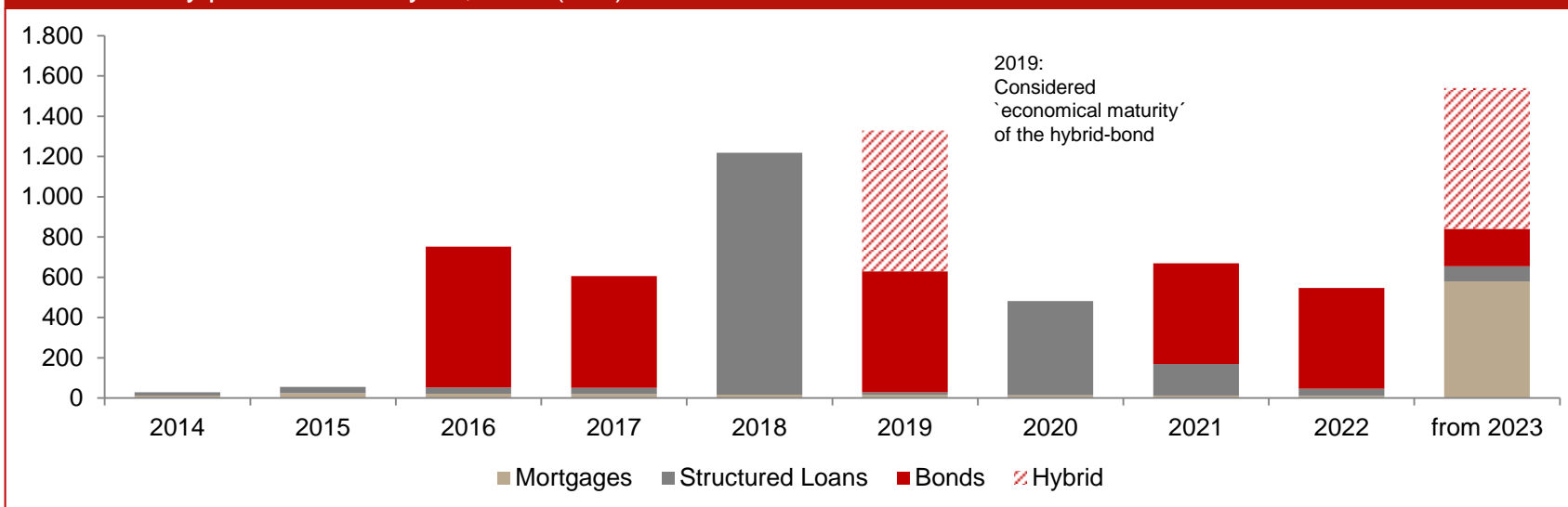
Increased liquidity and free float grant access to equity capital markets
Another 50% authorised capital approved by AGM in May 2014
- 

Best in class financing strategy with comprehensive toolkit as a basis for operational excellence and qualifies us for several acquisition even in parallel, if they arise.

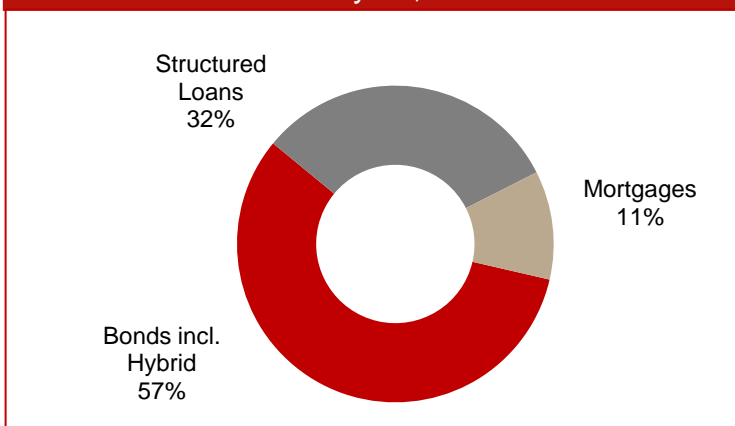
Long-term and well-balanced maturity profile

Financing strategy

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



Debt structure as of July 31, 2014



Major KPIs as of June 30, 2014

LTV (nominal)	51.2%	c. 50%
Unencumbered assets in %	50%	≥ 50%
Global ICR	2.6x	} Ongoing optimisation with most economical funding
Financing cost	3.3%	

Significant efficiency gains by thorough product standards from apartment modernization to new construction

Product standardization is a cornerstone of the industrialization of DA's construction processes

Apartments

Example: progressive standardization of bathrooms

1. Implementation of private brand for ceramics and armatures
2. Concept for DAIG standard bathroom types
3. Development and implementation of a fixed price complete bathroom solution for sitting tenants

Next steps: White label products for central heating systems and construction chemistry products



Buildings

Example: Development of a supply chain optimization through standardization of windows

- Preproduction of standardized windows in eastern Europe
- Central delivery
- Installation by own craftsmen organization

Further potentials: doors and balconies



New construction

Example: Standardized attic conversions in Darmstadt

- Prefabricated modules allow for a on-site installation time reduction of up to 50%
- Significant cost reduction and thus enlargement of attic conversion potential

Further potentials: doors, balconies and new construction



Alignment of product standards with:

- Local demand
- Demographic trends
- Internal letting processes

Exploitation of purchasing power by central procurement

Installation by own craftsmen organization TGS

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IR Contact & Financial Calendar

Contact	Financial Calendar H2 2014	
Investor Relations	August 4-5	Management Roadshow, London
Deutsche Annington Immobilien SE	August 6	Management Roadshow, Brussels
Philippstraße 3	August 7	Management Roadshow, Amsterdam
44803 Bochum, Germany	Sep 9	Management Roadshow, Boston
Tel.: +49 234 314 1609	Sep 10-11	BAML Conference, New York
investorrelations@deutsche-annington.com	Sept 17	DAIG Capital Markets Day
http://www.deutsche-annington.com	Sep 22	Berenberg/GS Conference, Munich
	Sep 23	Baader Bank Conference, Munich
	Sep 25	EPRA Conference, London
	Oct 1	SocGen Conference, London
	Oct 30	DAIG Interim Report Jan.-Sept. 2014
	Oct 31	Management Roadshow, location tbc
	Nov 4-5	Management Roadshow, London
	Nov 12	Management Roadshow, location tbc
	Dec 1	Berenberg Conference, Penny Hill (UK)