

# **Deutsche Annington Immobilien SE**

## **Bank of America Merrill Lynch**

### **UK Real Estate Conference 2014**

London, 27 March 2014

Rolf Buch, CEO

Dr. A. Stefan Kirsten, CFO

# Highlights

- **Delivered on all promises**

- FFO1/share increased by 17.3%, NAV/share improved by 23.7%
- All other KPIs improved in line with or exceeded guidance
- Proposed dividend of € 0.70 / share (3.9% yield on 2013 closing pricing of € 18.00)

- **Follow our strategy**

- Implementation of best-in-class financing structure completed
- Investment program 2014 (€ 150m, ~7% unlevered yield) fully on track
- More than € 20m SG&A cost savings to further improve productivity in 2014
- Positive outlook for 2014, expecting strong operational and financial performance

# Utilisation of scale effects and nationwide presence: Acquisition of DeWAG and integration of Vitus

- Two transactions with more than 41k units for a total purchase price of € 2.4bn at an 14.1x NCR multiple and combined GAV of € 2.5bn, at an FFO 1 yield of more than 10% after 3 years

	Vitus	DeWAG
Units	30,119	11,412
Consideration	€ 1,420m	€ 944m
NCR Multiple	13.0x	15.1x

Data per 31.12.2013

- The acquisition of DeWAG and the integration of Vitus fulfill all our criteria:
  - Perfect strategic fit** (increase of Deutsche Annington's asset density, regional diversification with expansion into growth regions, scale benefits, upside from modernisation)
  - FFO/share accretion** as result of attractive yields, favourable refinancing structure and synergy realisation
  - Moderate **NAV/share accretion** from day one
  - Financing structure designed to **maintain our BBB rating**
- Integration fully mapped out

(DeWAG refers to a portfolio managed by DeWAG; Effective take-over date 30.6.14: Gross purchase price for DeWAG of € 970m)

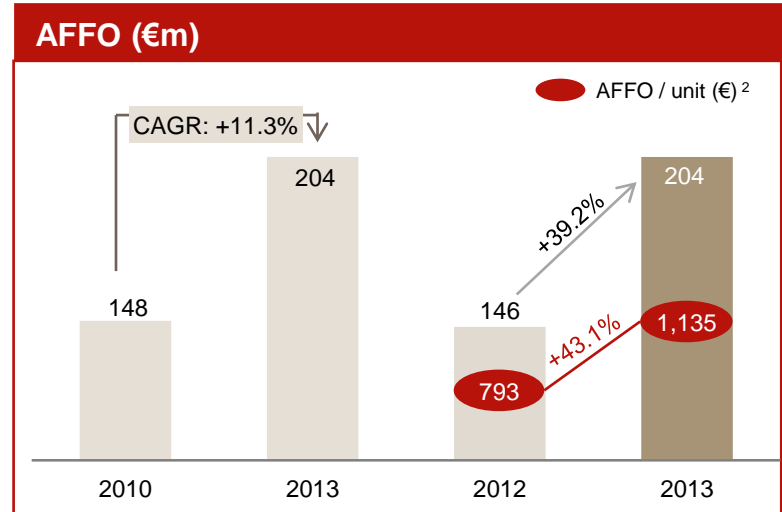
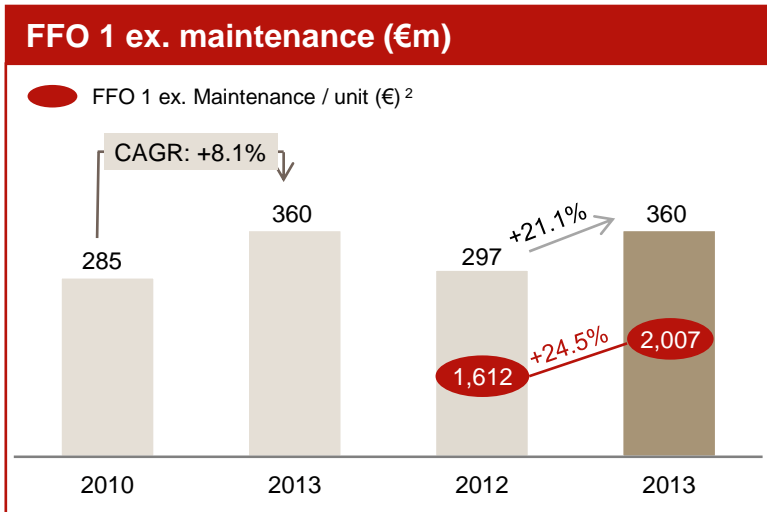
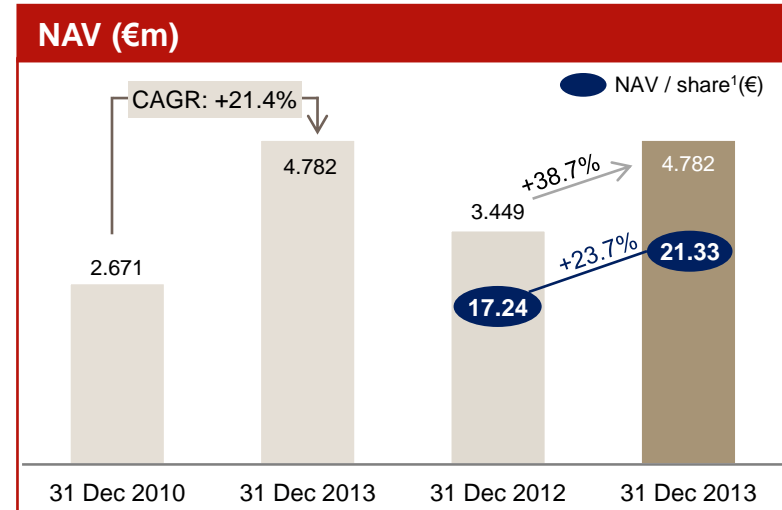
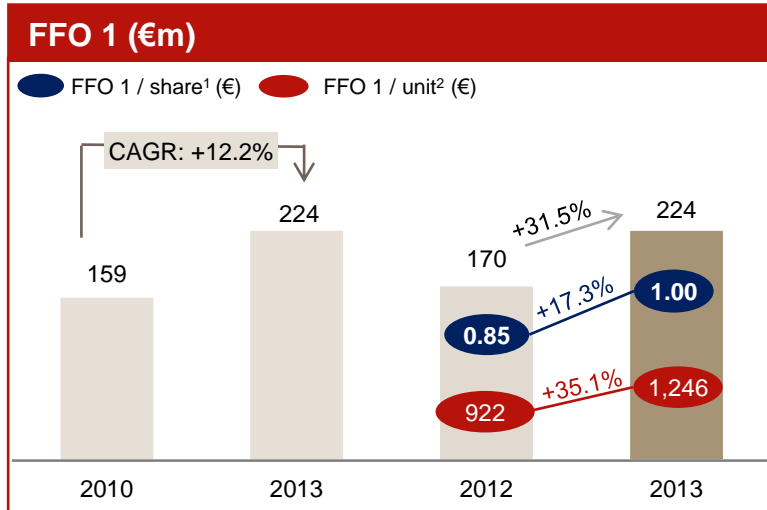
# Successful year 2013 - all KPIs meet or exceed guidance

## FY 2013 results versus guidance

KPI	Guidance	Actual	
Rental growth	1.8 – 2.0%	1.9%	
Modernisation volume (on 2012 level)	€ 66m	€ 71m	
Planned disposals (privatisation)	>2,000 units	2,576 units	
FFO 1	€ 210 – 220m	€ 224m	
Dividend policy	~70% of FFO 1	~70% of FFO 1	
Implied dividend / share	€ 0.68 – 0.69	€ 0.70	

# Improvement of all KPIs in 2013

## FFO 1/share + 17.3%, NAV/share +23.7%



1) Based on number of shares as of 31 Dec 2012 (200,0 m) and 31 Dec 2013 (224,2 m)

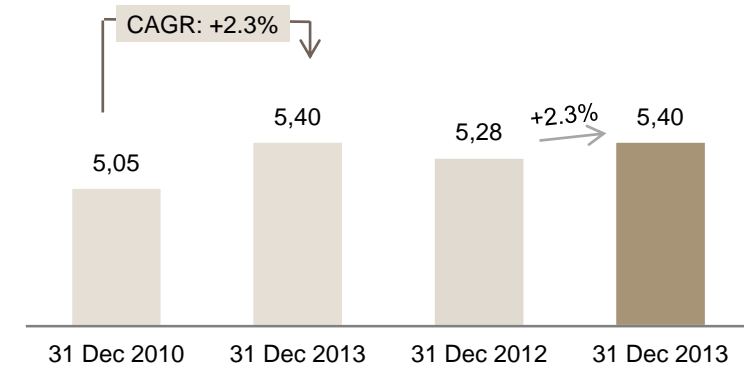
2) Based on average number of units over the period

# Improvement of all KPIs in 2013

## Rental increase of +2.3%, vacancy reduced to 3.5%

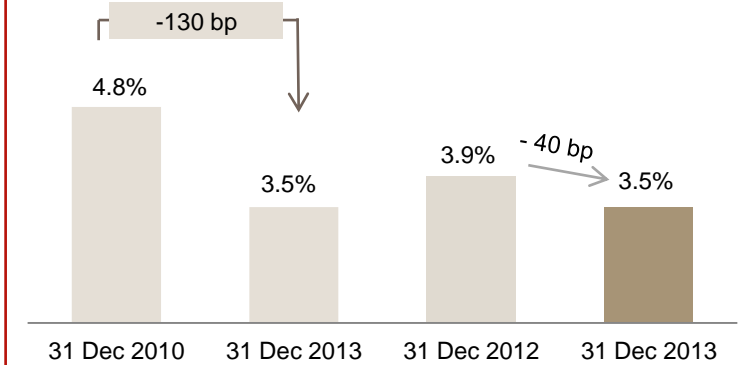
### Residential in-place rent (as reported in €/sqm)

Total Portfolio



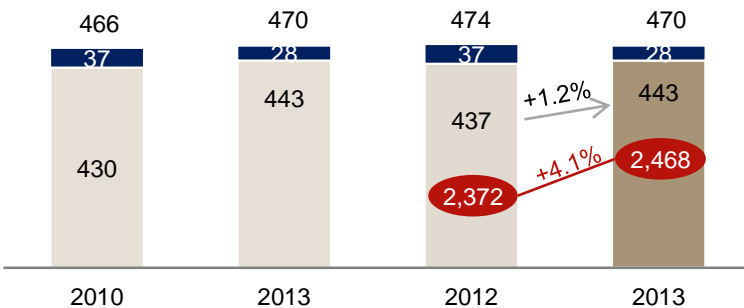
### Vacancy rate

Total Portfolio



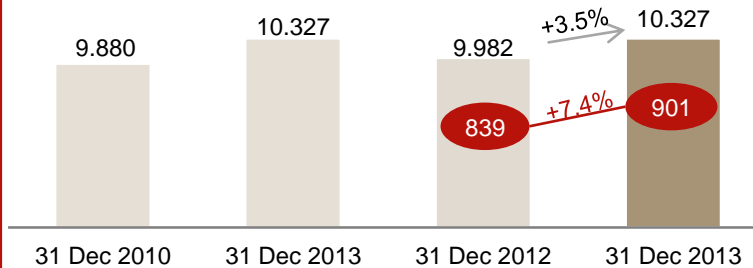
### Adjusted EBITDA (€m)

Adj. EBITDA Rental (light grey), Adj. EBITDA (dark blue), Adj. EBITDA Rental/unit 1(€) (red circle)



### Fair value (€m)

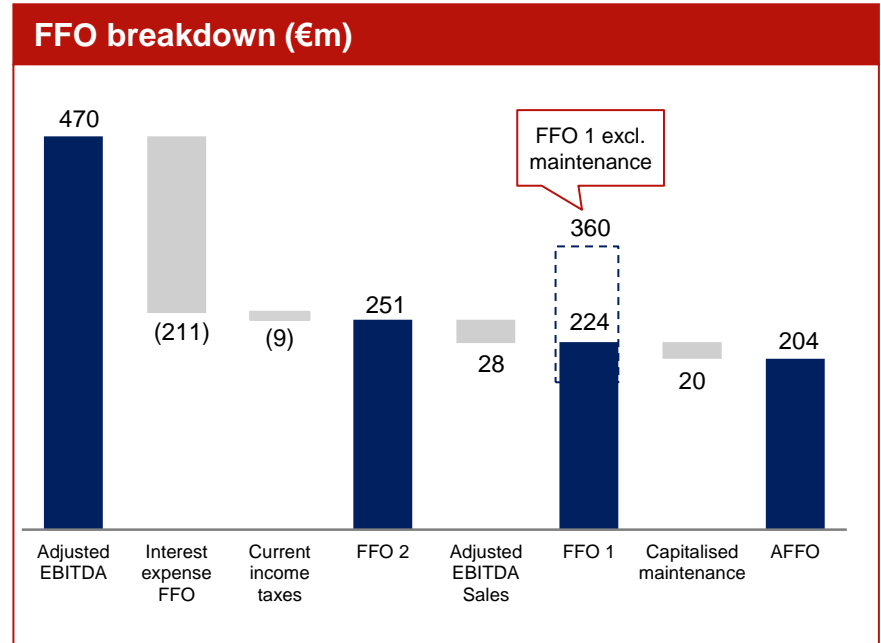
Fair value per sqm (€) (red circle)



1) Based on average number of units over the period

# FFO by all definitions significantly exceeding previous year

FFO evolution (€m)	2013	2012
<b>Adjusted EBITDA</b>	<b>470.4</b>	<b>474.0</b>
(-) Interest expense FFO	-210.7	-265.3
(-) Current income taxes	-8.5	-2.1
<b>(=) FFO 2</b>	<b>251.2</b>	<b>206.6</b>
(-) Adjusted EBITDA Sales	-27.7	-36.7
<b>(=) FFO 1</b>	<b>223.5</b>	<b>169.9</b>
(-) Capitalised maintenance	-20.0	-23.7
<b>(=) AFFO</b>	<b>203.5</b>	<b>146.2</b>
(+) Capitalised maintenance	20.0	23.7
<b>(+) Expenses for maintenance</b>	<b>136.5</b>	<b>127.3</b>
<b>(=) FFO 1 (excl. maintenance)</b>	<b>360.0</b>	<b>297.2</b>

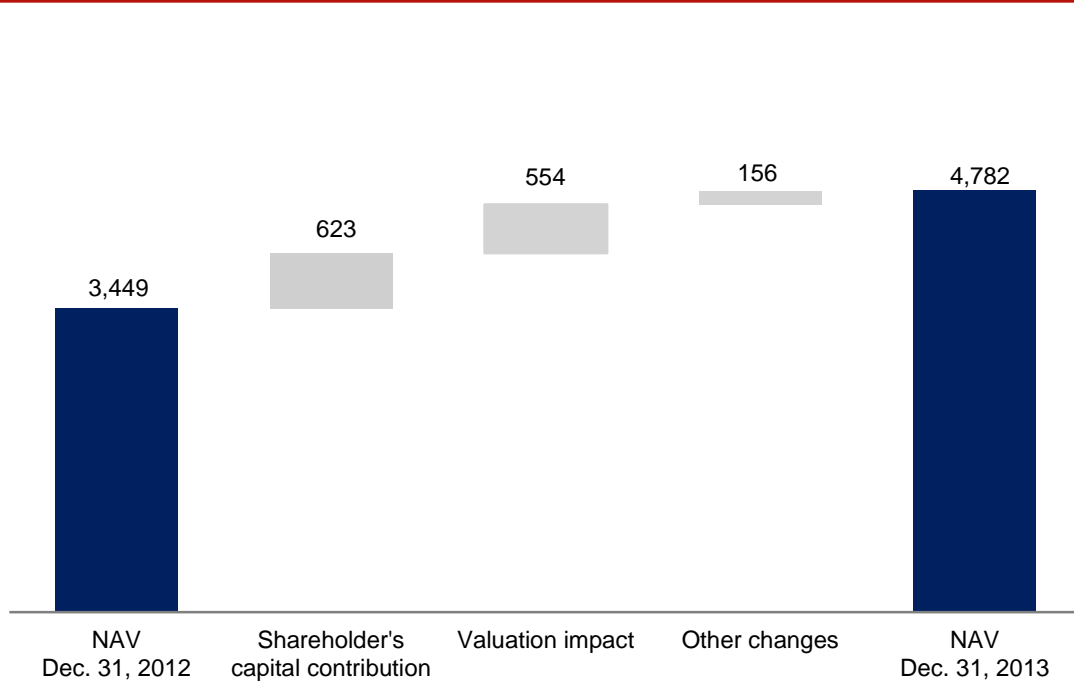


## Comments

- All FFOs with significant positive development
- Main driver is a significantly lower interest expense from restructuring of debt in the course of GRAND refinancing
- Additionally, positive impact from growth in Adjusted EBITDA rental

# NAV rising due to external valuation and shareholder contribution

## NAV-bridge to December 31, 2013 (€m)



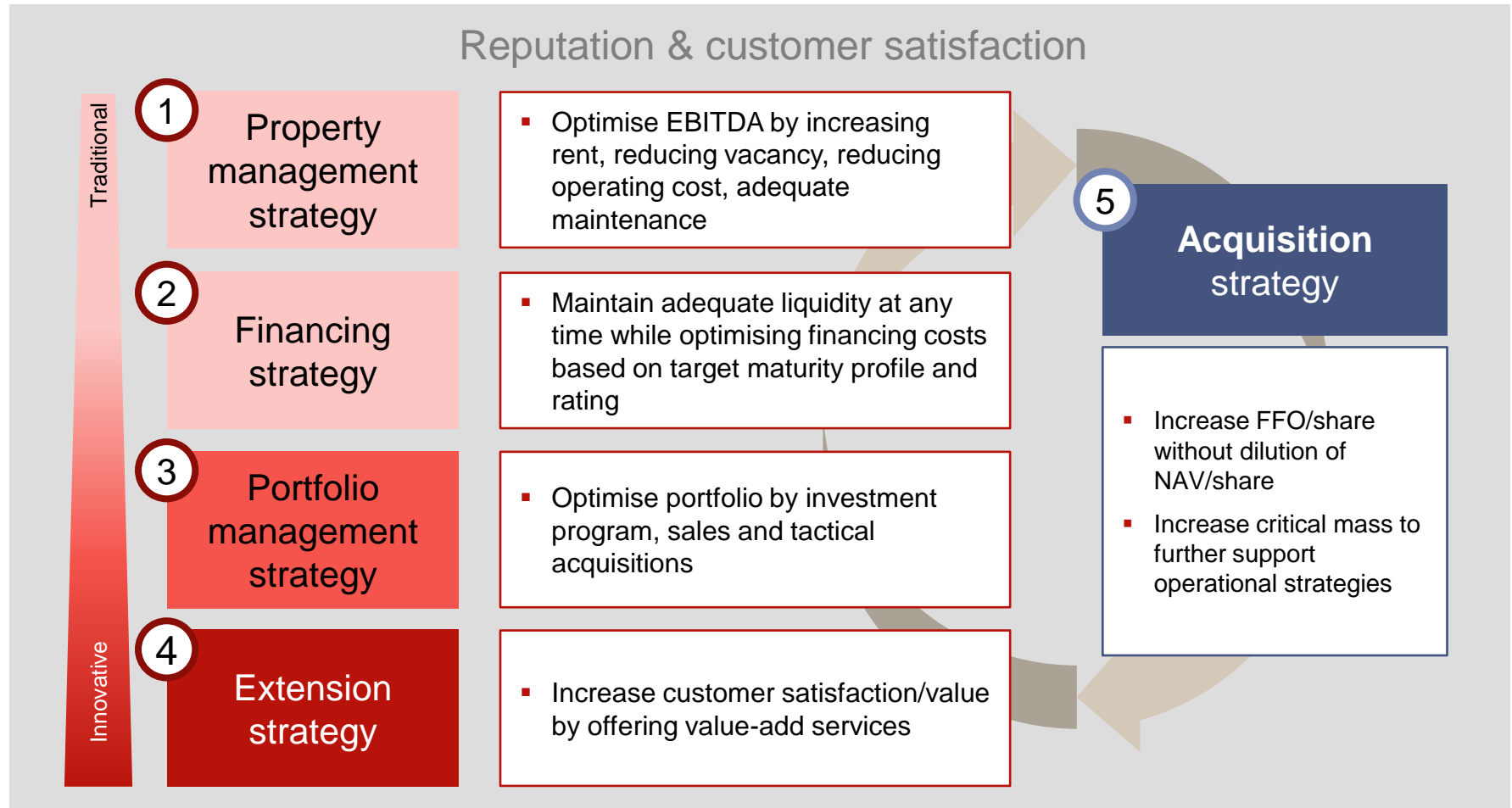
- Main impacts from valuation of investment properties and increase in capital by old and new shareholders
- Valuation impact only on investment properties, excluding deferred tax impact of external valuation
- Other changes mainly cover the operational result.



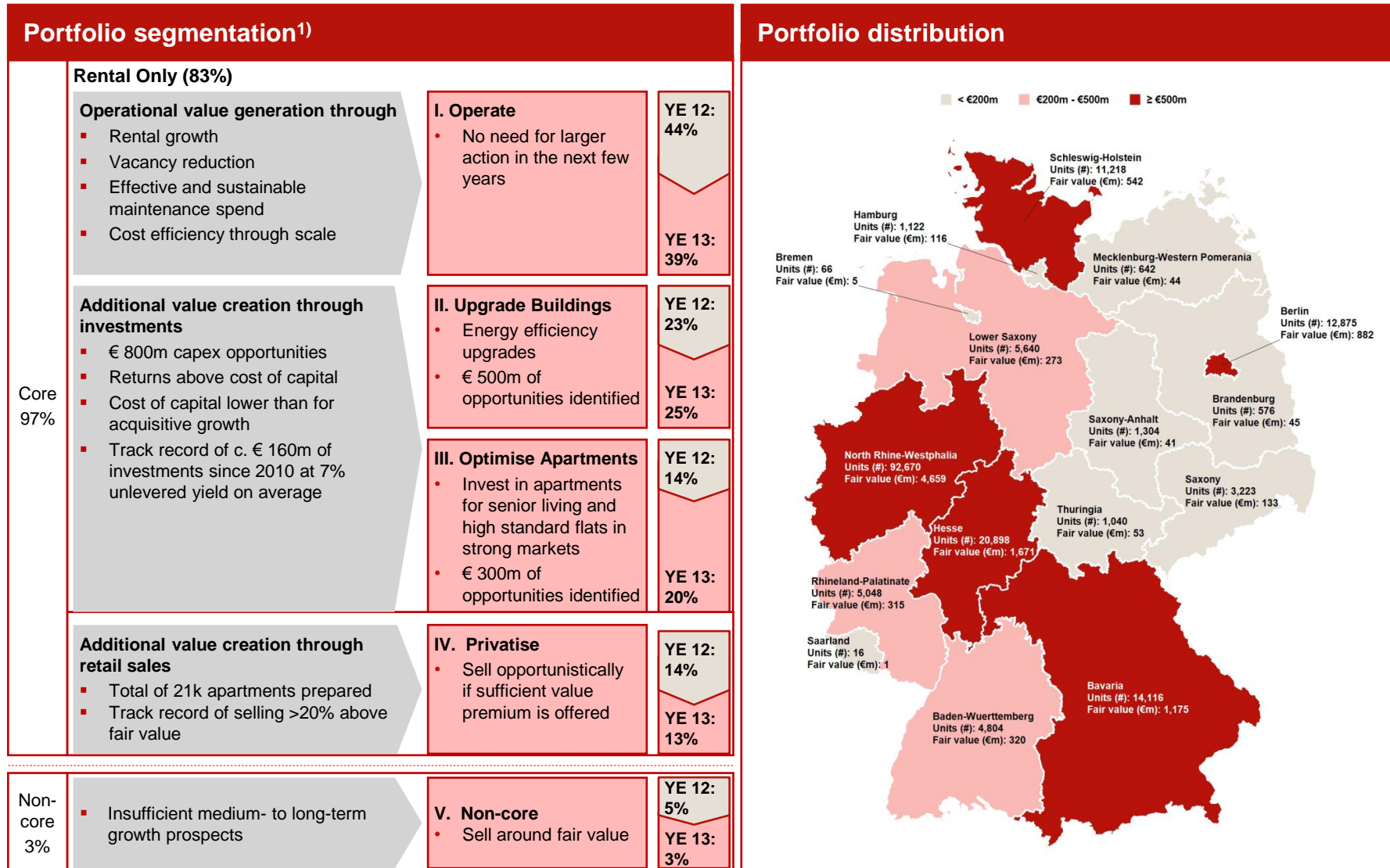
# Positive outlook for 2014, expecting strong operational and financial performance

KPI	Guidance 2014 (excl. any acquisitions)
Rental growth	2.3 – 2.6%
Modernisation program 2014	€ 150m
Planned disposals (privatisation)	~1,800 units
FFO 1	€ 250 – 265m
Dividend policy	~70% of FFO 1

# To drive growth in both FFO and NAV, we follow four operational strategies for the existing portfolio

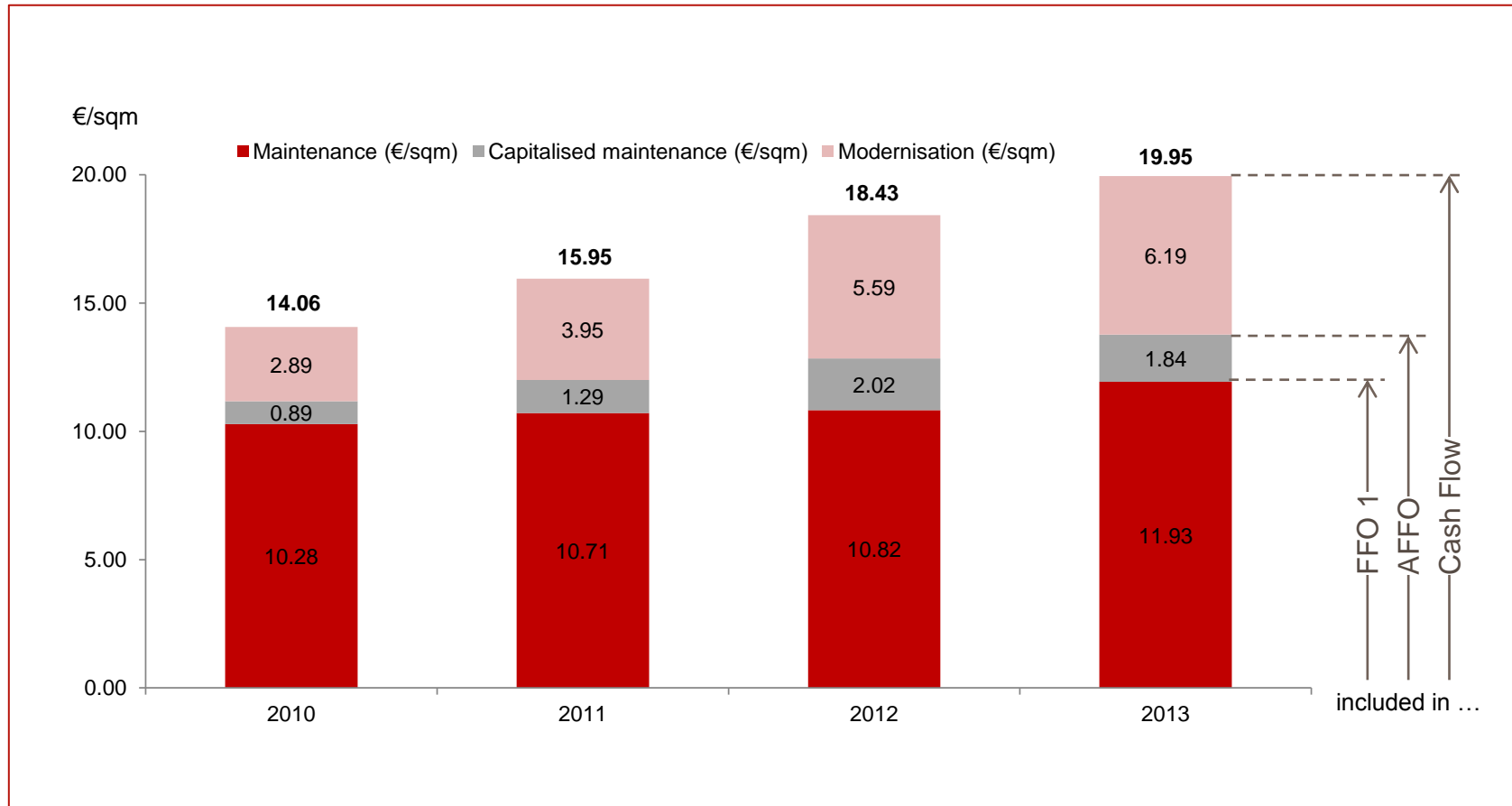


# Portfolio review provides higher modernisation potential and less Non Core assets



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

# Continued high levels of maintenance guarantee the sustainability of our portfolio's rental growth capacity



# SG&A savings of more than € 20m lead to significant cost/unit improvement

## Organisational improvements in 2013 ...

- Integration of Asset and Property Mgmt.
- Reduction of number of legal entities
- IT standardisation



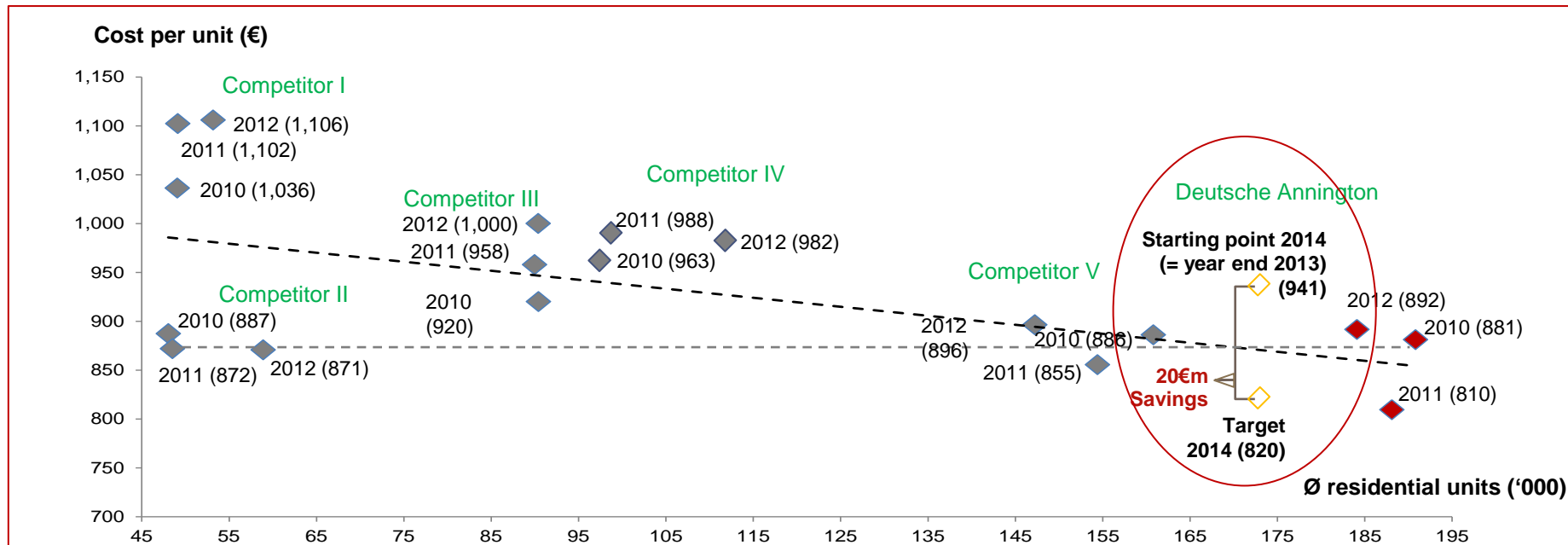
## ... lead to sustainable efficiency gains

- HR cost savings  
(pay roll reduction: 79 headcounts, elderly part time program: 133 headcounts)
- IT cost savings
- TGS

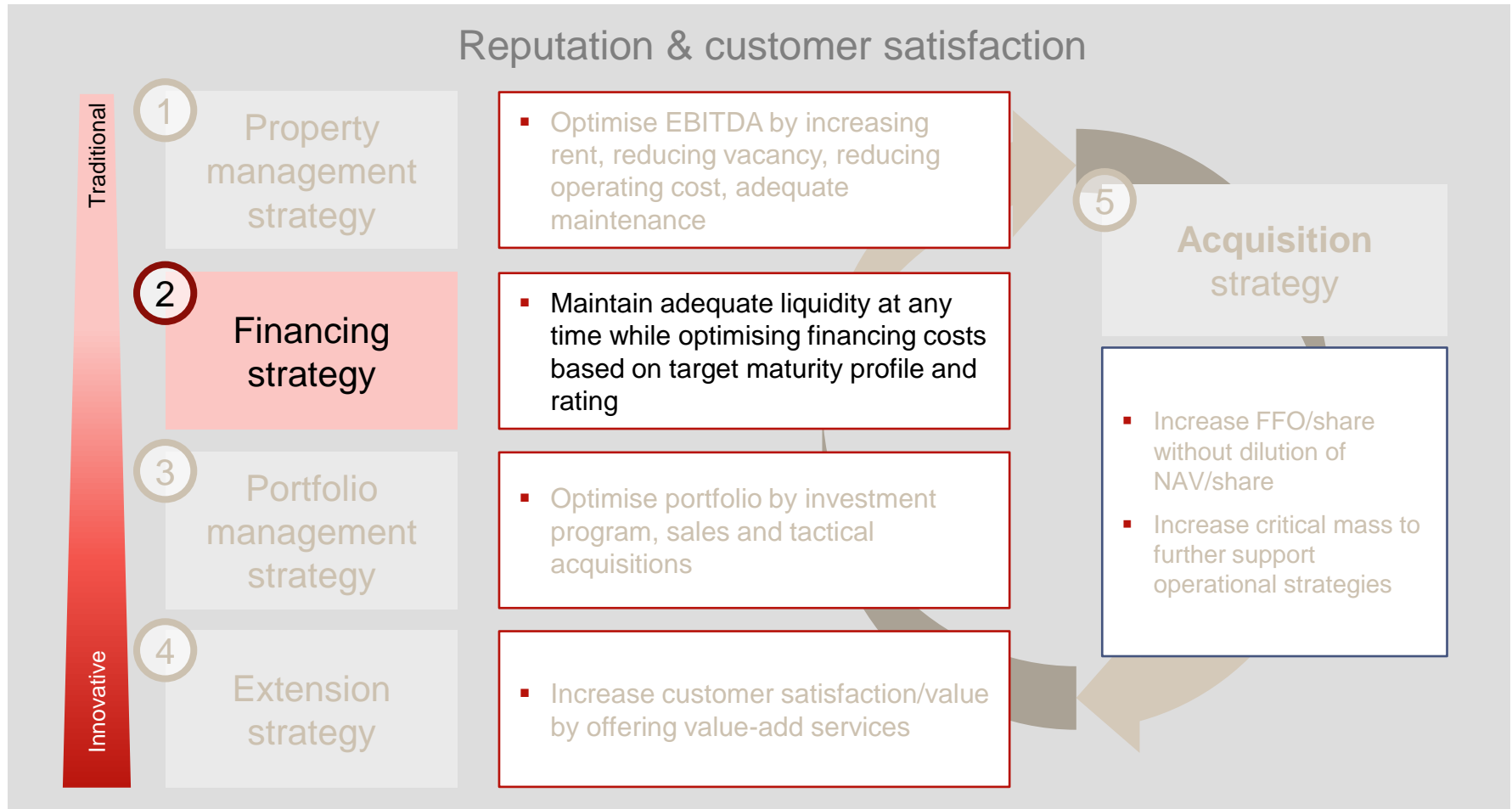


**More than € 20m savings targeted for 2014...**

**... lead to savings of € 120/unit in 2014**



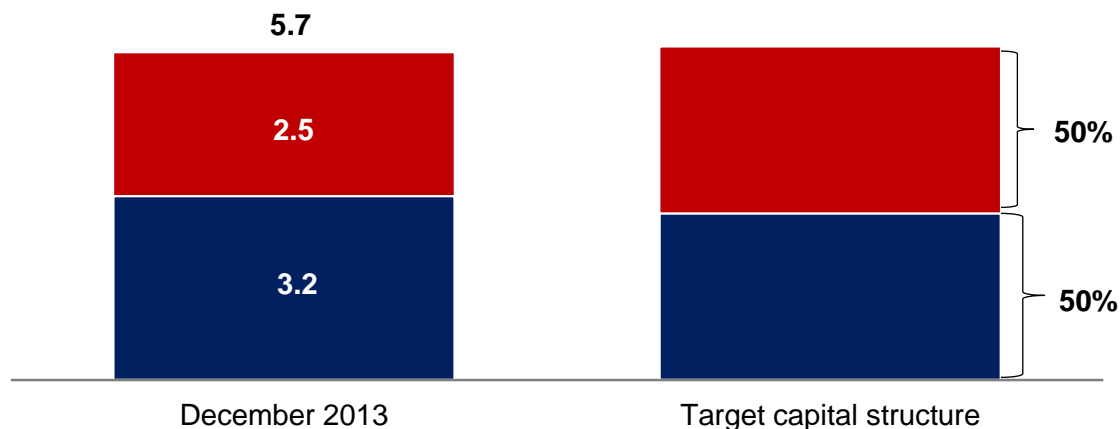
# Financing Strategy



# Implementation of best-in-class financing structure in the German real estate sector completed

## Illustrative targeted evolution of Deutsche Annington financial liability structure (€bn, nominal)

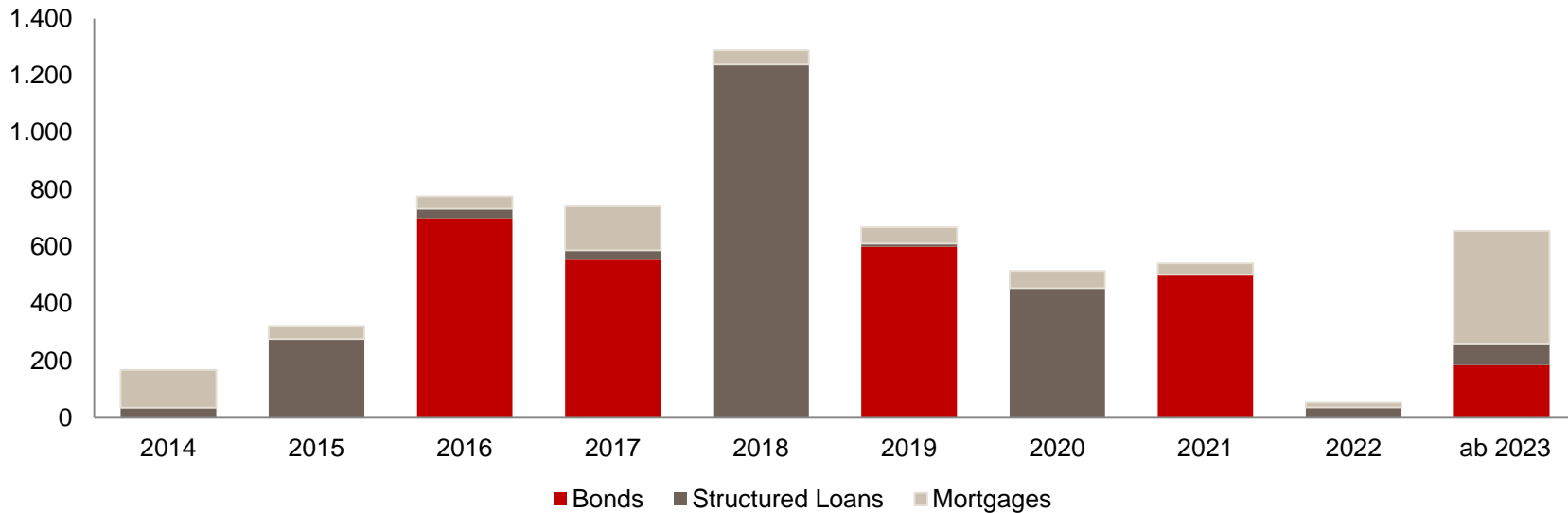
■ Secured debt ■ Corporate bonds



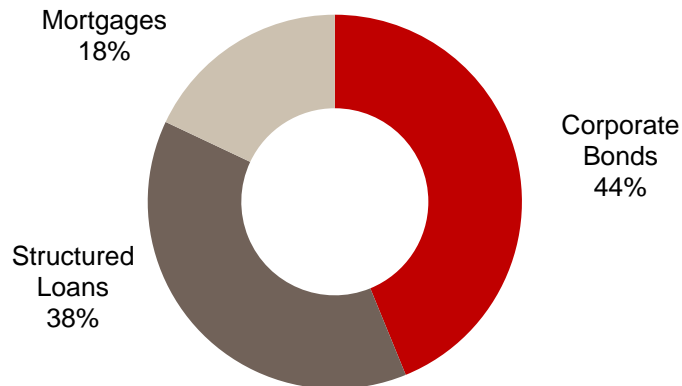
<b>LTV (nominal)</b>	<b>50.2%</b>	<b>c. 50%</b>
<b>Unencumbered assets in %</b>	<b>c. 35%</b>	<b>≥ 50%</b>
<b>Global ICR</b>	<b>2.2 x</b>	<b>Ongoing optimisation with most economical funding</b>
<b>Financing cost</b>	<b>3.3%</b>	

# Long-term and well balanced maturity profile

Debt maturity profile as of Dec. 31, 2013 (€ m)



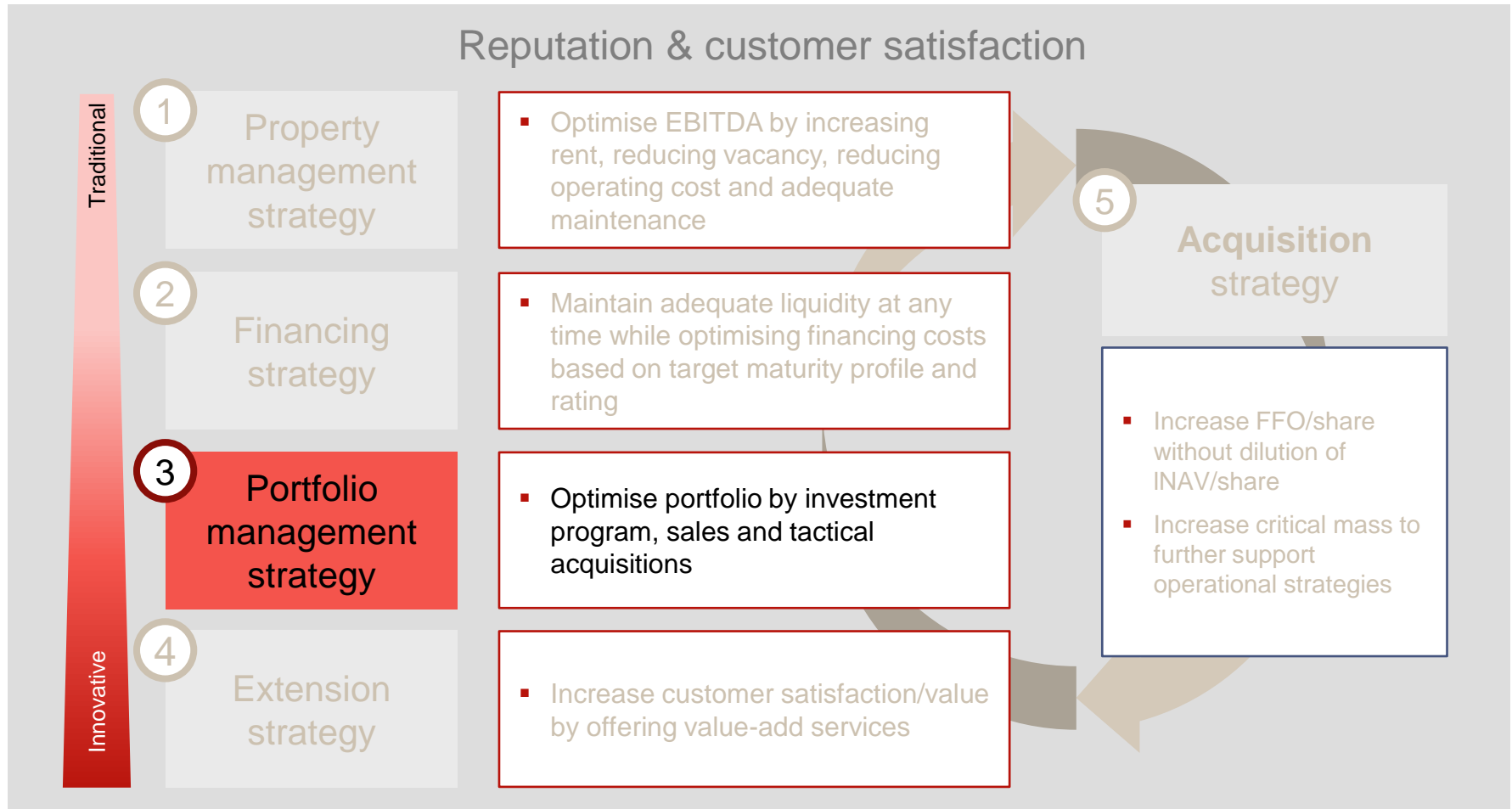
Debt structure as of Dec. 31, 2013



- Maturity profile further extended and smoothed (8.4 years)
- No major refinancing before 2015



# Portfolio Management Strategy

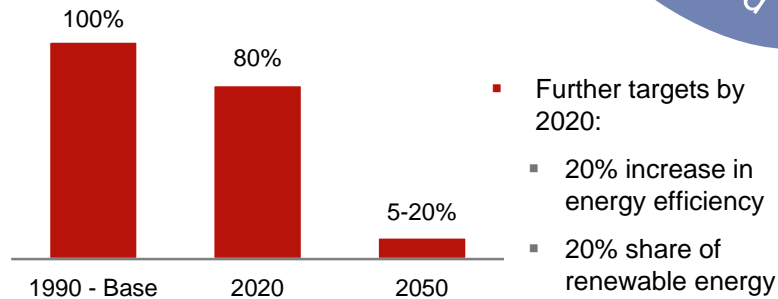


# Investment program capitalising on mega-trends supported by German regulation

## Upgrade Buildings Targeting energy efficiency

dena study published

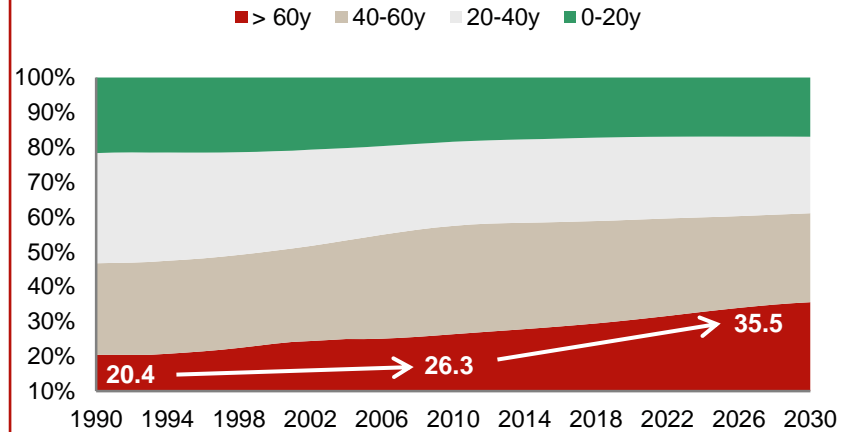
European CO<sub>2</sub> emission targets (vs. 1990 levels)



- 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

# Proven investment track record, program for 2014 fully on track

## Investment track record

Vintage year <sup>1)</sup>	Invest (€m)	# Units	Unlevered 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	7.1%*	64.0%
2014 (FC)	150.1	11,750	~7.0%	~60%

\*yield forecasted depending on new rents after modernisation

- Rent increases and vacancy reduction for 2012 program generating unlevered 6.8% asset yield end of 2013
- € 65.3m invested in vintage year 2013, of which
  - € 48.6m invested in energy efficiency measures
  - € 16.6m invested in 1,126 apartments with a yield of 10.5% for those already let
- Investment program 2014 fully on track
  - Hand picked house by house. Individual projects range from ~ € 5k to ~€ 1.5m.
  - Craftsmen capacities and KfW funds secured

1) Vintage year: All projects with start of construction in the respective calendar year. Projects will be completed in the vintage year or the following year.  
Note: Only with a steady volume y-o-y, the investments in the vintage year will correspond with the booked investment Capex of the calendar year

# Privatisations stable, Non-Core disposals ramped up successfully

## Privatisation

	FY 2012	FY 2013
# units sold	2,784	2,576
Gross proceeds (€m)	233.5	223.4
Fair value disposals (€m)	-191.0	-178.8
Gross profit (€m)	42.5	44.6
<b>Fair value step-up</b>	<b>22.2%</b>	<b>24.9%</b>
		<b>Target &gt; 20%</b>

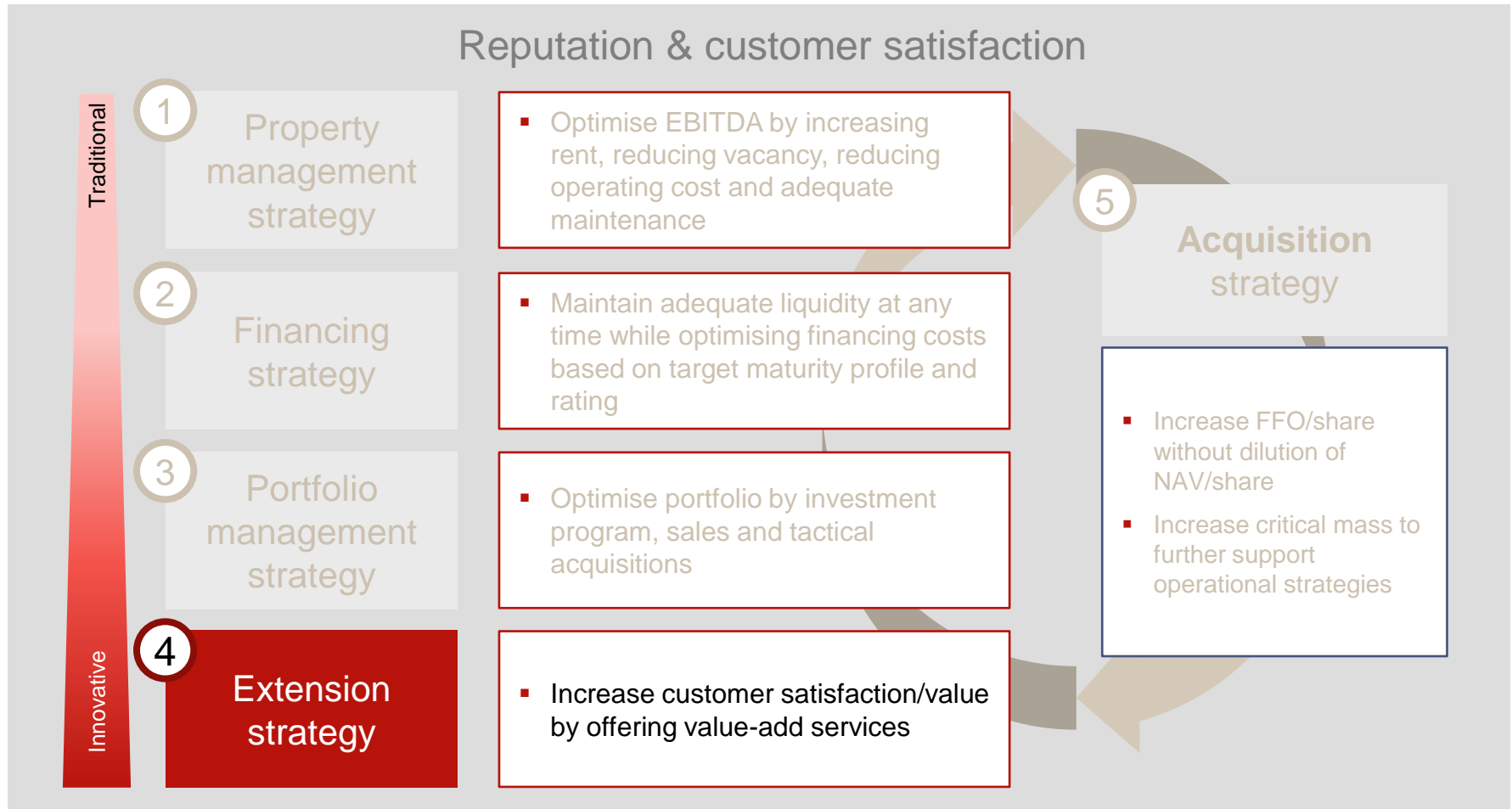
- Privatisation volume on similar level as previous year
- Fair value step-up increased due to good market environment

## Non-Core Disposals

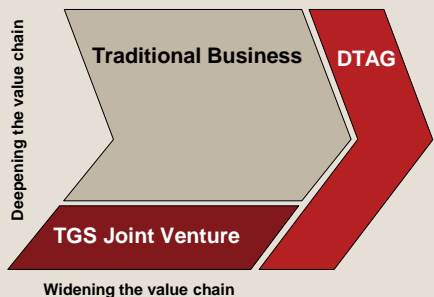
	FY 2012	FY 2013
# units sold	2,035	4,144
Gross proceeds (€m)	71.4	130.1
Fair value disposals (€m)	-59.7	-131.7
Gross profit (€m)	11.7	-1.6
<b>Fair value step-up</b>	<b>19.5%</b>	<b>-1.2%</b>
		<b>Target = 0%</b>

- Non-core disposals stepped up significantly, driven by sale of a package of 2,100 units in Q4
- Disposals around fair value as planned
- Higher step-up in 2012 mainly due to sale of large commercial units with a one-off character

# Extension Strategy



# Extension strategy offers significant advantages to our clients and improves our cost base



## Key objectives of DA extension strategy:

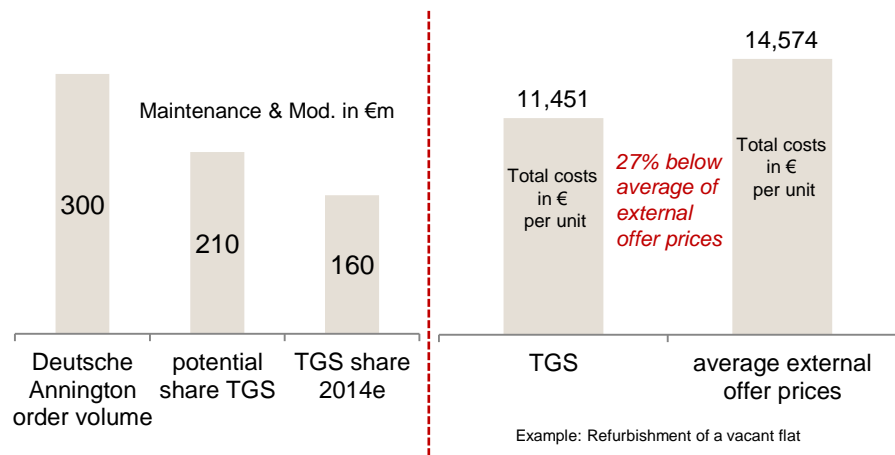
- Increase in customer satisfaction resulting in higher customer loyalty
- Additional contribution and growth from extensions of the value chain
- Improvement of efficiency and quality of process chains which are relevant to DA core business



## 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

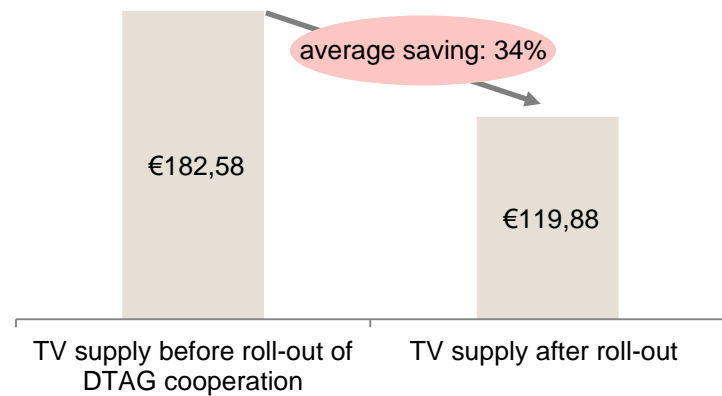


## Development of the multimedia partnership with Deutsche Telekom (DTAG):

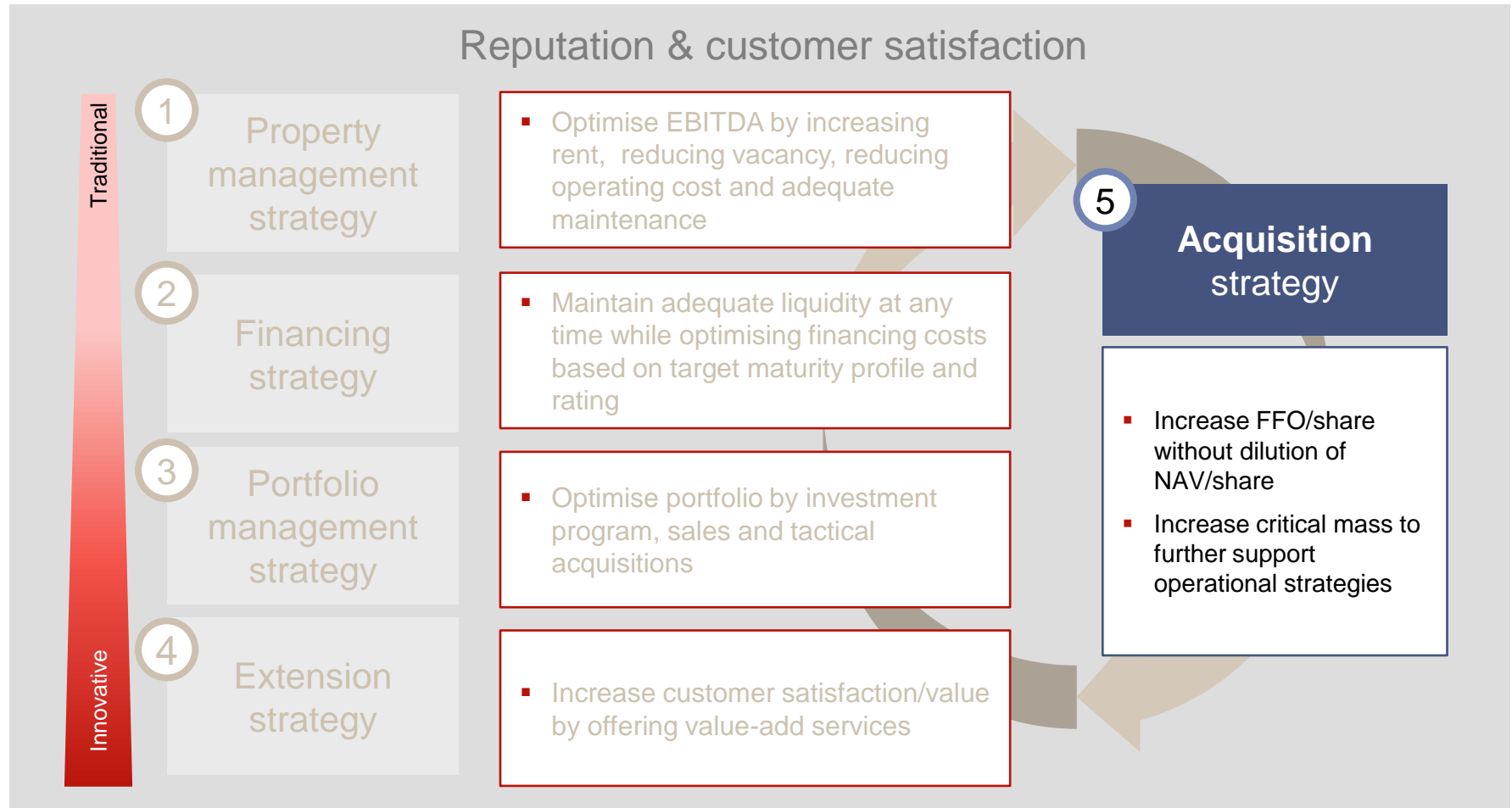
- DTAG will equip 145,000 of Deutsche Annington residential units with modern fibre-optic technology.
- > 58,000 units will be connected end Q1 2014
- Partnership opens the ground for further cross-selling opportunities

## Partnership offers huge cost savings for our clients

TV supply: development of annual average costs per household

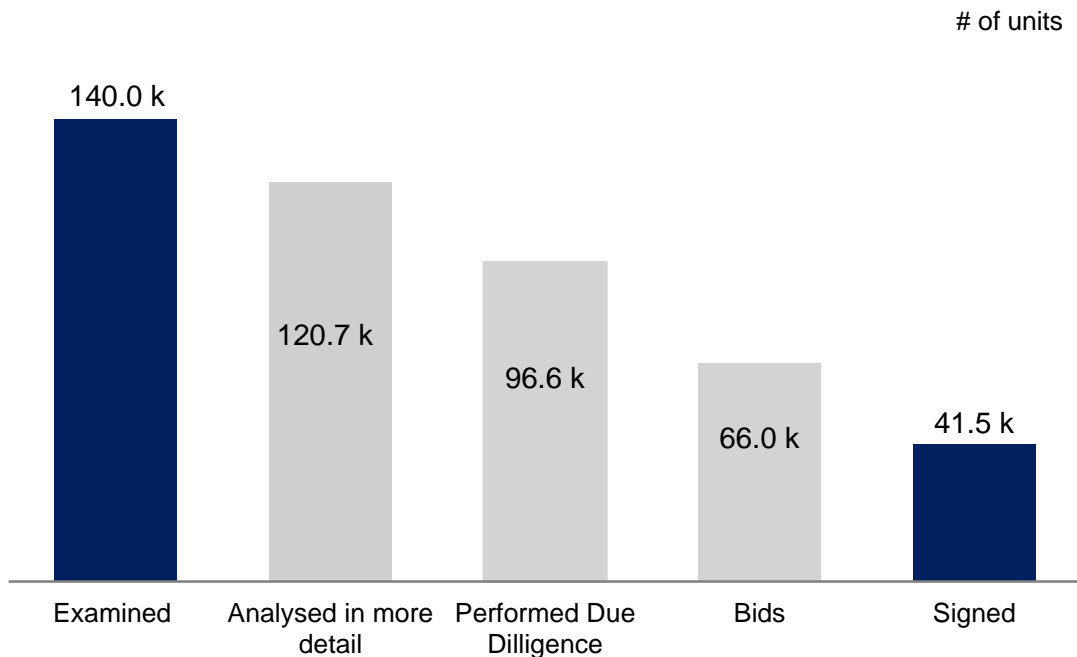


# Acquisition Strategy



# Higher flexibility for acquisitions and integration of portfolios, continuing strong deal flow

## Continuing flow of attractive portfolios have been analysed in 2013



- There is a continuing flow of attractive portfolios
- As the largest residential real estate company in Germany operating throughout the country and due to increased financial flexibility, we have strengthened our market position significantly and are able to bid for every attractive portfolio
- However we continue to have a **disciplined approach**. The **preconditions** for any purchase are:

- **Fit to portfolio**
- **FFO/share accretion**
- **NAV/share at least neutral**
- **Maintaining our BBB rating**



# Vitus and DeWAG: Two highly attractive portfolios

- Two highly attractive portfolios , which are both accretive to Deutsche Annington's strategy, allowing for significant increase in asset density and regional diversification

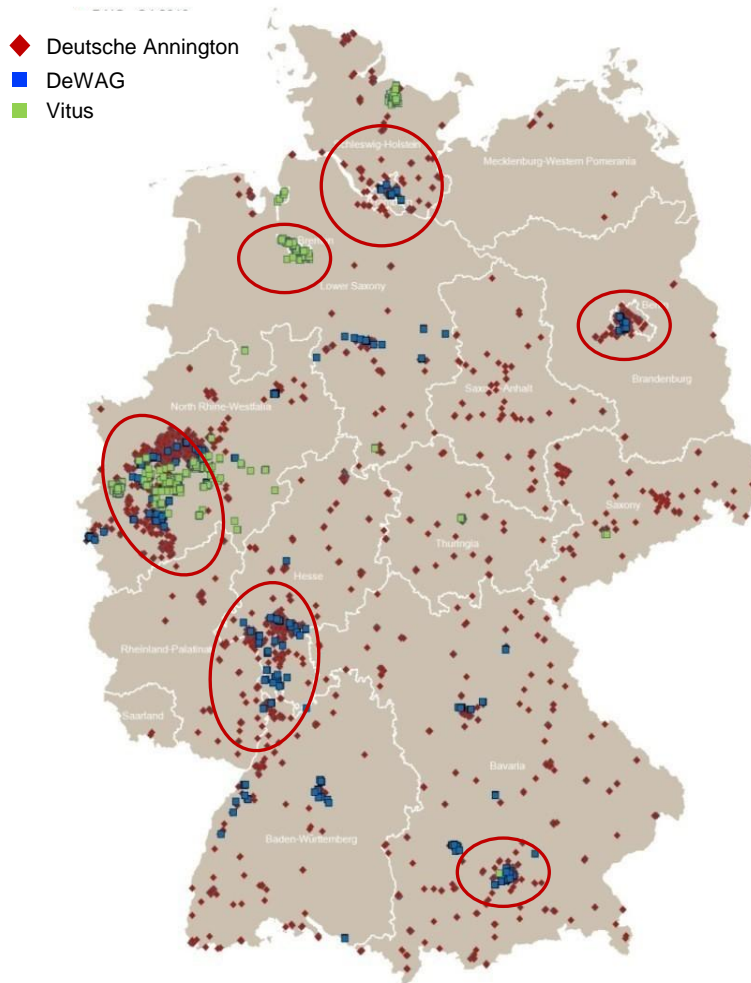
	Vitus	DeWAG	Combined
Transaction rationale	<ul style="list-style-type: none"> <li>Sizeable portfolio (over 30,000 units), increasing Deutsche Annington's scale in certain locations (Bremen, Kiel, NRW)</li> <li>Strong geographic overlap with significant synergy potential</li> </ul>	<ul style="list-style-type: none"> <li>High quality portfolio in strong growth regions with favourable demographics</li> <li>High synergy potential from integration into Deutsche Annington's management platform</li> <li>Boost privatisation business</li> </ul>	<ul style="list-style-type: none"> <li>Balanced impact on Deutsche Annington's portfolio mix that optimally fits the Company's strategy</li> </ul>
Considerations <sup>1</sup>	€ 1,420m	€ 944m	€ 2,364m
NCR Multiple <sup>1</sup>	13.0x	15.1x	14.1x

1) As of 31.12.2013

- Fulfilling all our criteria
  - Strategic fit
  - FFO1/share accretion
  - NAV/share at least neutral (Vitus and DeWAG transactions: moderate NAV/share accretive from day one)
  - Financing structure designed to maintain our BBB rating

# Vitus and DeWAG perfectly fit to our portfolio

## Comparison of Portfolio Locations



## Portfolio Comparison<sup>1</sup>

	Vitus	DeWAG	DAIG	Combined
Number of units	30,119	11,412	175,258	216,789
Vacancy	3.6%	4.3%	3.5%	3.6%
Rent/sqm	4.87	6.62	5.40	5.40
Multiple <sup>2</sup>	13.0x	15.1x	14.2x	14.1x

## Portfolio Split

### Top 3 cities

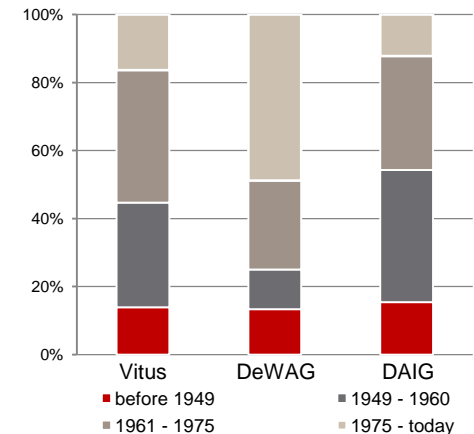
#### Vitus

1. Bremen
2. Kiel
3. Mönchengladbach

#### DeWAG

1. Augsburg
2. Berlin
3. Frankfurt

### By Age



1) Based on Q4/2013 figures

2) DeWAG and Vitus: transaction multiple ; DAIG: valuation multiple

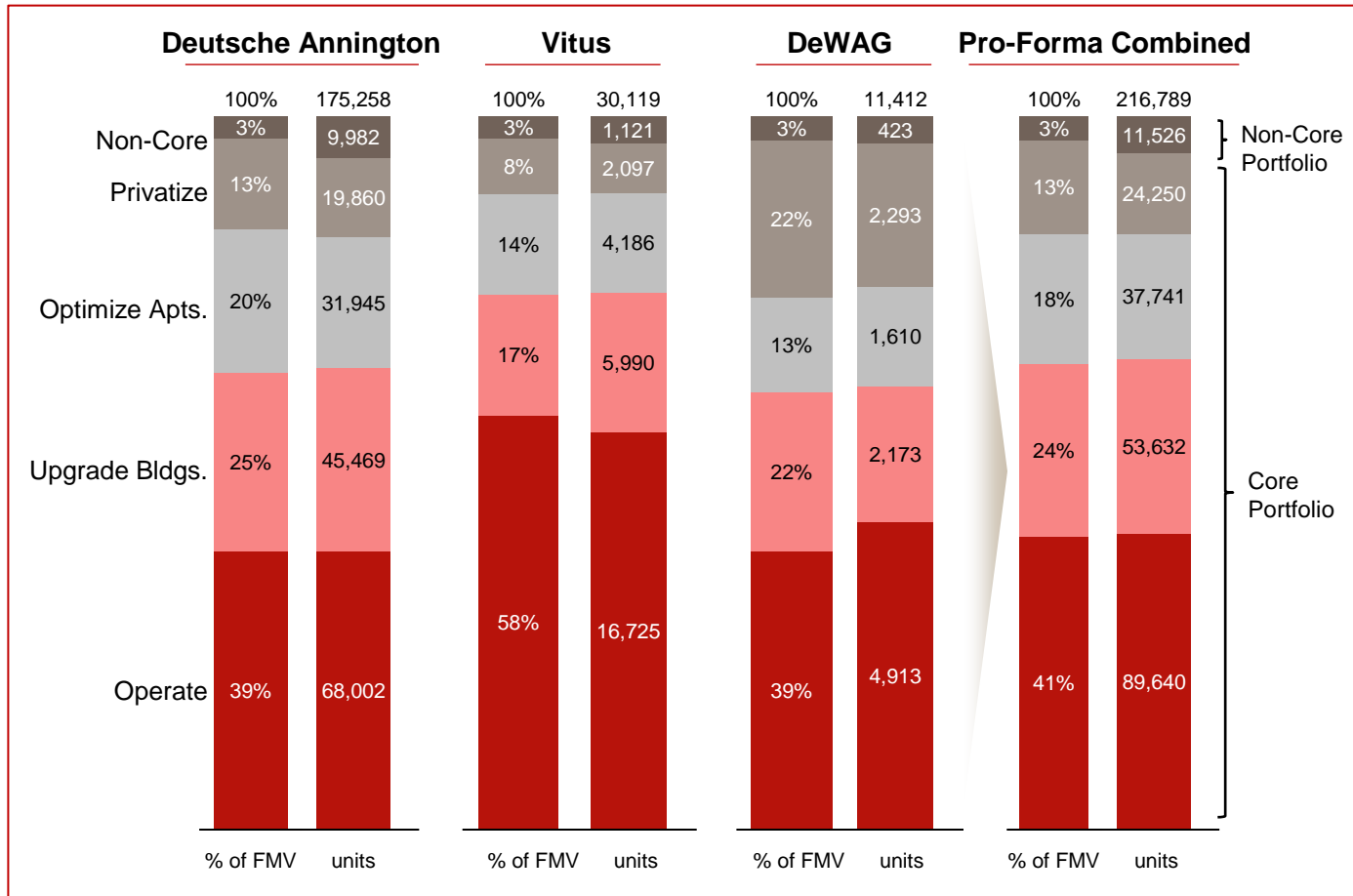
# New assets offering compelling upside potential: Modernisation +13,396 units, privatization +4,390 units

## Approach

- All 41,531 residential units have been analyzed on-site
- More than 70 parameters per property were collected (eg repair & maintenance need, new-letting rents, vacancy, fluctuation)

Additionally we assessed 8 individual initiatives per property

- Modernisation (energetic, add. Balconies, attic extensions)
- Apartments optimisation and senior living
- Privatisation, block sales, ground sales

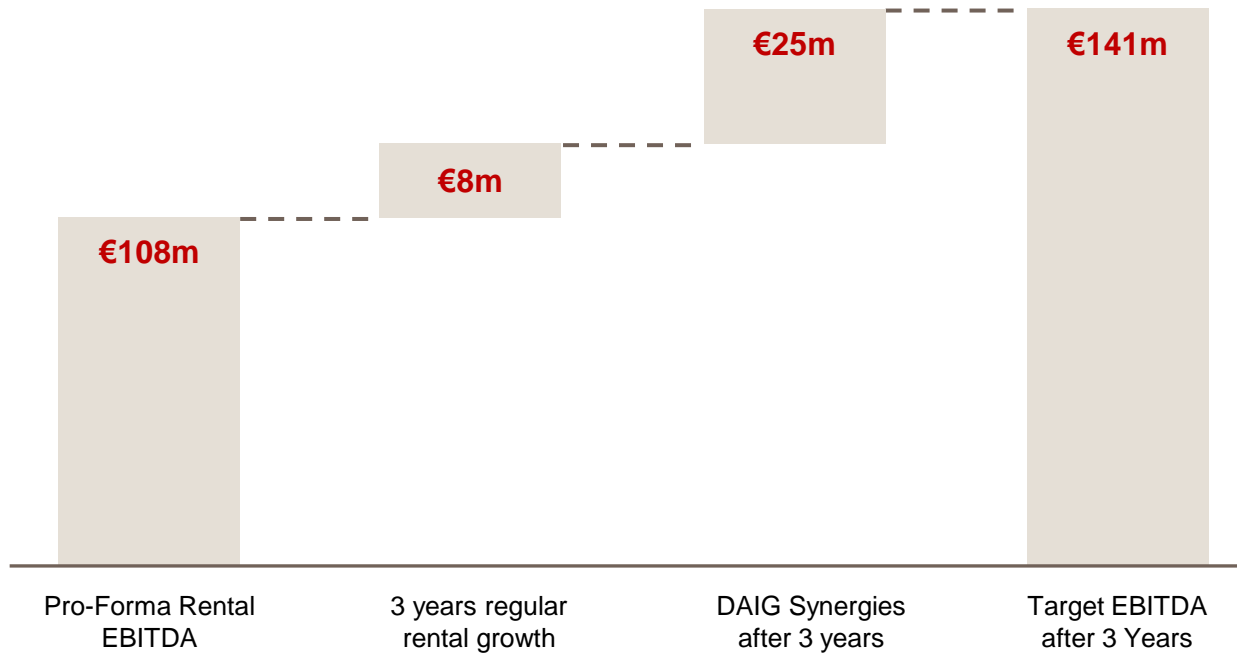


# Significant synergy potential with Deutsche Annington management and ownership

<b>Property Related Improvements</b>	<b>Rents</b>	<ul style="list-style-type: none"> <li>Catch-up to market rent and increase rental growth by improved letting effort (both)</li> <li>Planned vacancy reduction of 0.5pp in vacancy rate – target reached after two years (DeWAG)</li> </ul>	<table border="1"> <thead> <tr> <th><u>Vitus</u></th> <th><u>DeWAG</u></th> <th><u>Combined</u></th> </tr> </thead> <tbody> <tr> <td><b>Year 1</b></td> <td><b>Year 1</b></td> <td><b>Year 1</b></td> </tr> <tr> <td>€1m</td> <td>+ €6m</td> <td>= €7m</td> </tr> <tr> <td><b>Year 2</b></td> <td><b>Year 2</b></td> <td><b>Year 2</b></td> </tr> <tr> <td>€10m</td> <td>+ €9m</td> <td>= €19m</td> </tr> <tr> <td><b>Year 3</b></td> <td><b>Year 3</b></td> <td><b>Year 3</b></td> </tr> <tr> <td>€15m</td> <td>+ €10m</td> <td>= €25m</td> </tr> <tr> <td colspan="3" style="text-align: center;">Up to € 8m</td> </tr> </tbody> </table>	<u>Vitus</u>	<u>DeWAG</u>	<u>Combined</u>	<b>Year 1</b>	<b>Year 1</b>	<b>Year 1</b>	€1m	+ €6m	= €7m	<b>Year 2</b>	<b>Year 2</b>	<b>Year 2</b>	€10m	+ €9m	= €19m	<b>Year 3</b>	<b>Year 3</b>	<b>Year 3</b>	€15m	+ €10m	= €25m	Up to € 8m		
	<u>Vitus</u>	<u>DeWAG</u>		<u>Combined</u>																							
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<b>Costs</b>	<ul style="list-style-type: none"> <li>Reduce Bad Debt to DAIG's target of 1% of NCR over the first two years (Vitus)</li> <li>Reduce Non-Recoverable Vacancy Costs to DAIG's levels (DeWAG)</li> </ul>																										
<b>Modernisation</b>	<ul style="list-style-type: none"> <li>Higher average rental growth and slightly lower Maintenance costs due to investment activities (both)</li> <li>Identified investment opportunities of c. €65m through due diligence phase (both)</li> </ul>																										
<b>Administration Improvements</b>	<b>Property Management Costs</b>	<ul style="list-style-type: none"> <li>DAIG's scalable management platform allows significant headcount and administration cost synergies (both)</li> <li>Units managed at DAIG's low marginal costs (both)</li> <li>No takeover of DeWAG personal</li> </ul>																									
<b>Financing Improvements</b>	<b>Lower Interest (assumption driven)</b>	<ul style="list-style-type: none"> <li>Potential synergies due to DAIG's significant lower refinancing costs. (both)</li> <li>BBB rating and unsecured financing allows refinancing at c. 1.0pp better than existing (both)</li> </ul>																									

# Synergies will substantially improve EBITDA of Vitus and DeWAG

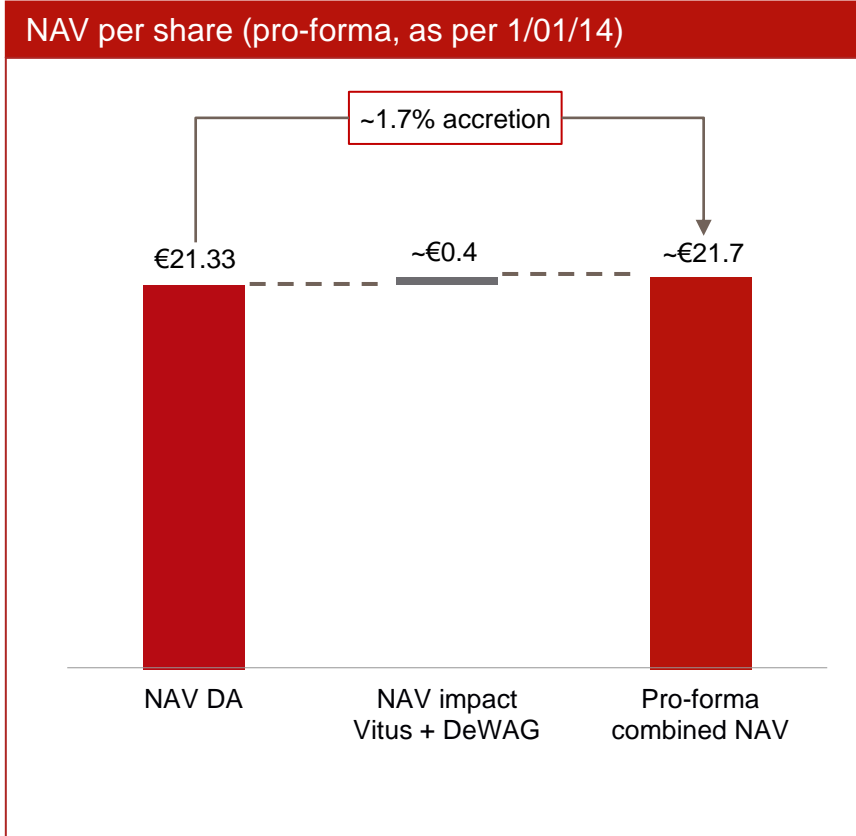
## Pro Forma EBITDA Bridge



**Resulting FFO I Yield of more than 10% after 3 years**

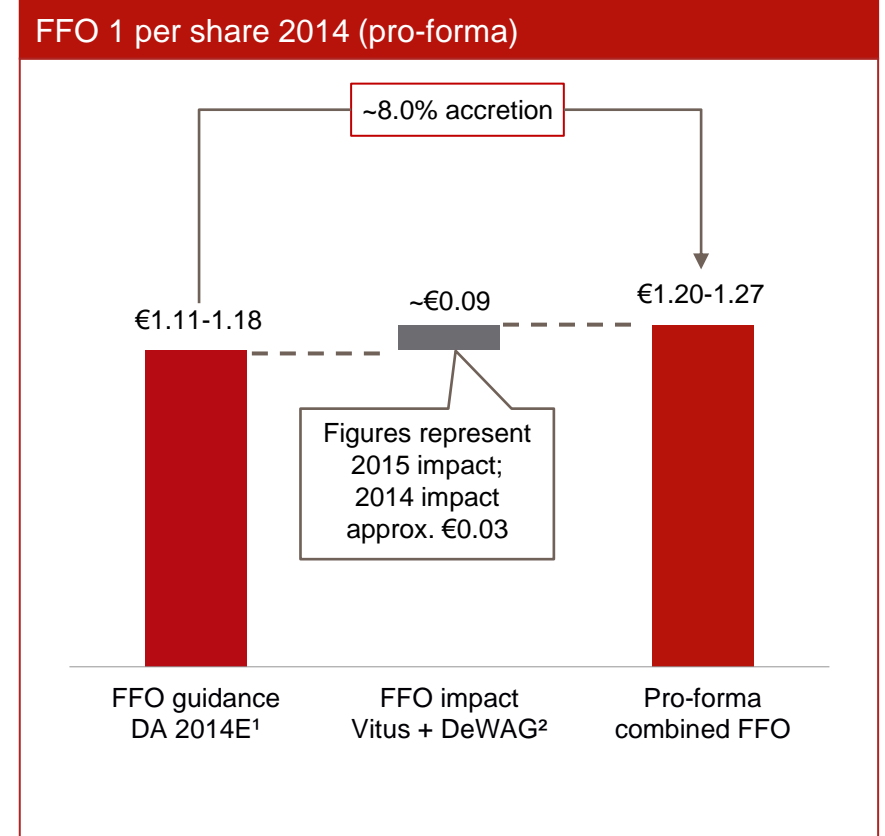
Note: excluding any sales activities

# Transactions with positive impact on NAV & FFO / share



Moderate NAV/share accretion from day one

Note: NAV per Share Calculation excludes impact of transaction costs

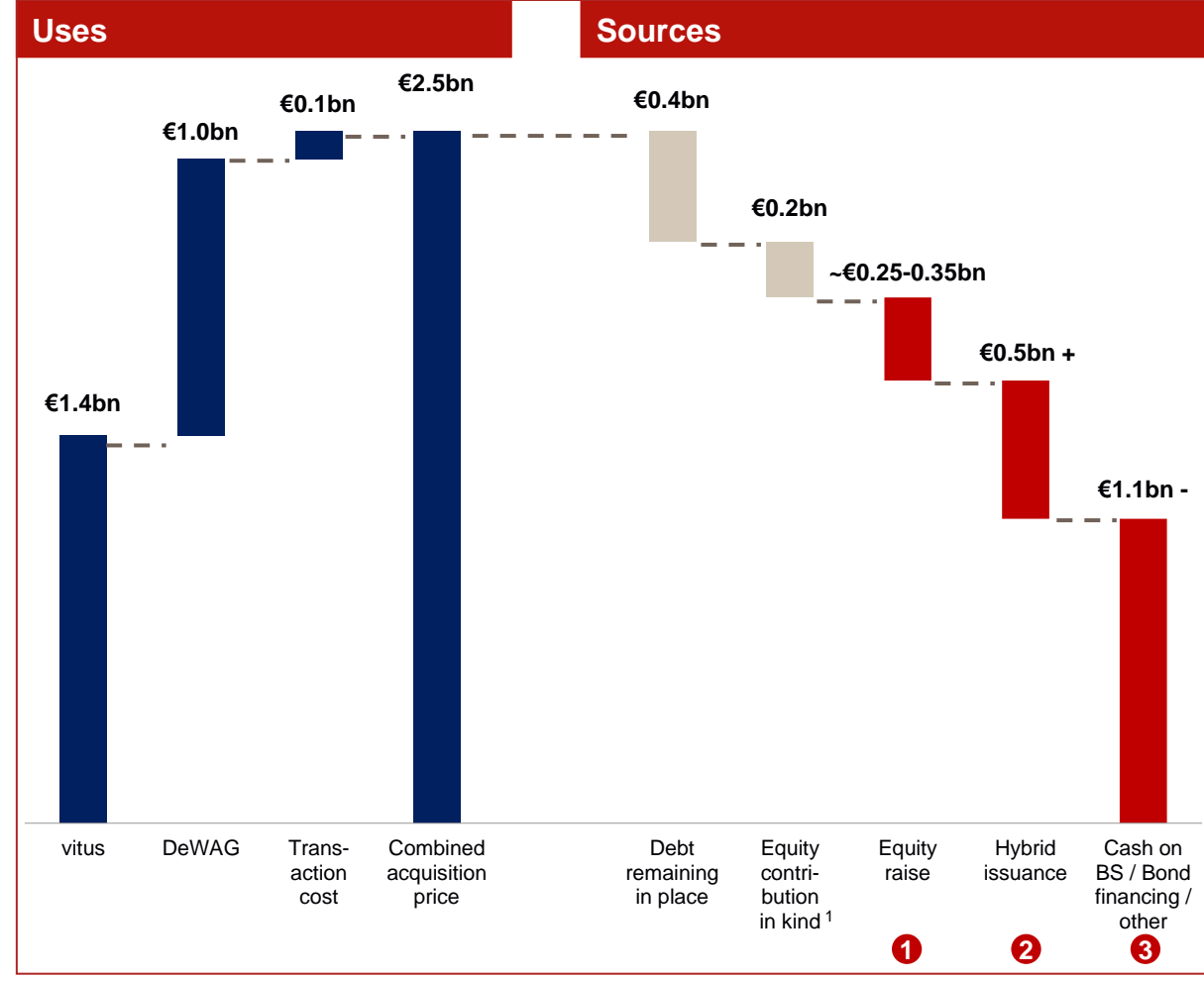


FFO 1 accretion from year one

<sup>1</sup> Based on €250-265mm FFO1 guidance for 2014 of DA standalone  
<sup>2</sup> Full FFO run-rate of transactions as expected in 2015 (incl. synergies)

# Overview of envisaged financing structure

## Envisaged financing structure for Vitus and DeWAG



<sup>1</sup> 11.8mm shares in kind issued to Vitus shareholders

## Comments on financing

- Financing structure tailored to meet ongoing liquidity needs and with a view to preserve S&P rating through a combination of instruments
  - Equity underwrite of € 700mm provided upfront to be taken out with a combination of equity and hybrid
- 1** Use access to equity markets to raise primary capital under Deutsche Annington's authorised share capital
  - 2** Issuance of hybrid bond, allowing for 50% equity credit, thereby strengthening the combined capital ratios
  - 3** Cash / bond financing: Current cash on balance sheet of over €500mm (as per 31 December 2013) with additional €130mm of working capital line from 1 March 2014. Residual amount to be raised via bond market in line with Deutsche Annington's strategy of evenly spreading its maturity profile and/or asset disposals

# Summary

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- **2013 was a very successful year for Deutsche Annington**
  - Excellent operational performance
  - Innovative finance structure implemented
  - We delivered on our promises
  
- **We follow our strategy**
  - Value enhancing portfolio management strategy
  - Sustainable efficiency improvement
  - Recent transactions fulfilling our strict criteria and offering operational scale effects
  
- **We are confident that 2014 will be another prosperous year for all of us**



# Appendix

## FY 2013 key figures confirm the positive development of DA

### Key Figures

in €m	FY 2013	FY 2012	Change in %
Residential Units k	175.3	182.0	-3.7%
Rental income	728.0	729.0	-0.1%
Vacancy rate %	3.5%	3.9%	-0.4pp
Monthly in-place rent €/sqm	5.40	5.30	1.9%
Adjusted EBITDA Rental	442.7	437.3	1.2%
Adj. EBITDA Rental / unit in €	2,468	2,372	4.1%
Income from disposal of properties	353.5	304.9	15.9%
Adjusted EBITDA Sales	27.7	36.7	-24.5%
Adjusted EBITDA	470.4	474.0	-0.8%
FFO 1	223.5	169.9	31.5%
FFO 2	251.2	206.6	21.6%
FFO 1 before maintenance	360.0	297.2	21.1%
AFFO	203.5	146.2	39.2%
Fair value market properties	10,327	9,982	3.5%
NAV	4,782	3,449	38.7%
LTV, in %	50.2%	58.6%	-8.4pp
FFO 1 / share in € <sup>1</sup>	1.00	0.85	17.3%
NAV / share in € <sup>1</sup>	21.33	17.24	23.7%

1) Based on the shares qualifying for a dividend on the reporting date Dec 31, 2013: 224,242,425 and Dec. 31, 2012: 200,000,000

## Positive rent development continues in 2013

Rent increase type	growth rate 2012 - 2013
Sitting tenants (non-subsidised)	+0.9%
Sitting tenants (subsidised)	+0.0%
New rentals	+0.7%
<b>Subtotal excl. modernisation</b>	<b>+1.6%</b>
Mix/sales effect	+0.4%
<b>Total incl. mix</b>	<b>+1.9%</b>
Modernisation	+0.4%
<b>Total incl. mod and mix</b>	<b>+2.3%</b>

Rounded figures

# FY 2013 – Increased Adjusted EBITDA Rental and Adjusted EBITDA Sales slightly down

## Bridge to Adjusted EBITDA

(€m)	FY 2013	FY 2012
<b>Profit for the period</b>	<b>484.2</b>	<b>172.2</b>
Interest expenses / income	288.3	433.9
Income taxes	205.4	43.6
Depreciation	6.8	6.1
Net income from fair value adjustments of investment properties	-553.7	-205.6
<b>EBITDA IFRS</b>	<b>431.0</b>	<b>450.2</b>
Non-recurring items	48.4	21.2
Period adjustments	-9.0	2.6
<b>Adjusted EBITDA</b>	<b>470.4</b>	<b>474.0</b>
<b>Adjusted EBITDA Rental</b>	<b>442.7</b>	<b>437.3</b>
<b>Adjusted EBITDA Sales</b>	<b>27.7</b>	<b>36.7</b>

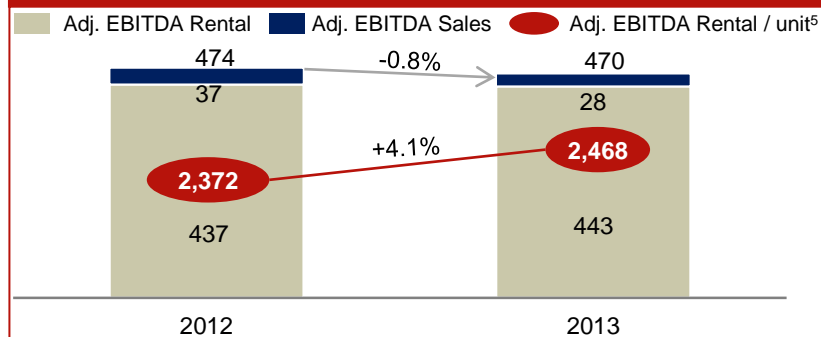
## Rental segment

(€m)	FY 2013	FY 2012
<i>number of units at end of period (k)</i>	175.3	182.0
<b>Rental Income</b>	<b>728.0</b>	<b>729.0</b>
Maintenance	-136.5	-127.3
Operating costs	-148.8	-164.4
<b>Adjusted EBITDA Rental</b>	<b>442.7</b>	<b>437.3</b>

## Sales segment

(€m)	FY 2013	FY 2012
<i>Number of units sold</i>	6.720	4.819
<b>Income from disposal of properties</b>	<b>353.5</b>	<b>304.9</b>
Carrying amount of properties sold	-325.8	-270.4
Revaluation of assets held for sale	24.3	17.1
<b>Profit on disposal of properties (IFRS)</b>	<b>52.0</b>	<b>51.6</b>
Operating costs	-15.3	-17.5
Period adjustments	-9.0	2.6
<b>Adjusted EBITDA Sales</b>	<b>27.7</b>	<b>36.7</b>

## Evolution of Adjusted EBITDA (€m)



- Adjusted EBITDA Rental growing despite reduced portfolio
- Adjusted EBITDA Rental per unit increased by 4.1% to €2,468 per unit
- Adjusted EBITDA Sales below last year's level mainly due to large non-core sale while step-ups improved
- As a result, Adjusted EBITDA decreased slightly by -0.8%

# FY 2013 – P&L development

## P&L

(€m)	FY 2013	FY 2012	Change	
			(€m)	%
<b>Revenues from property letting</b>	<b>1048.3</b>	<b>1046.5</b>	<b>1.8</b>	<b>0.2</b>
<b>Rental income</b>	<b>728.0</b>	<b>729.0</b>	<b>-1.0</b>	<b>-0.1</b>
<b>Ancillary costs</b>	<b>320.3</b>	<b>317.5</b>	<b>2.8</b>	<b>0.9</b>
Other income from property management	19.3	18.4	0.9	4.9
<b>Income from property management</b>	<b>1,067.6</b>	<b>1,064.9</b>	<b>2.7</b>	<b>0.3</b>
<b>Income from sale of properties</b>	<b>353.5</b>	<b>304.9</b>	<b>48.6</b>	<b>15.9</b>
Carrying amount of properties sold	-325.8	-270.4	-55.4	20.5
Revaluation of assets held for sale	24.3	17.1	7.2	42.1
<b>Profit on disposal of properties</b>	<b>52.0</b>	<b>51.6</b>	<b>0.4</b>	<b>0.8</b>
Net income from fair value adjustments of investment properties	553.7	205.6	348.1	169.3
Capitalised internal modernisation expenses	42.0	9.9	32.1	324.2
<b>Expenses for ancillary costs</b>	<b>-324.9</b>	<b>-337.8</b>	<b>12.9</b>	<b>-3.8</b>
<b>Expenses for maintenance</b>	<b>-119.7</b>	<b>-119.0</b>	<b>-0.7</b>	<b>0.6</b>
Other costs of purchased goods and services	-58.2	-66.5	8.3	-12.5
Personnel expenses	-172.1	-116.2	-55.9	33.7
Depreciation and amortisation	-6.8	-6.1	-0.7	11.5
Other operating income	45.8	43.5	2.3	5.3
Other operating expenses	-104.2	-83.2	-21	25.2
Financial income	14.0	12.3	1.7	13.8
Financial expenses	-299.6	-443.2	143.6	-32.4
<b>Profit before tax</b>	<b>689.6</b>	<b>215.8</b>	<b>473.8</b>	<b>219.6</b>
Income tax	-205.4	-43.6	-161.8	371.1
<b>Current income tax</b>	<b>-8.5</b>	<b>2.1</b>	<b>-10.6</b>	<b>-</b>
<b>Others (incl. deferred tax)</b>	<b>-196.8</b>	<b>-45.7</b>	<b>-151.1</b>	<b>330.6</b>
<b>Profit for the period</b>	<b>484.2</b>	<b>172.2</b>	<b>312.0</b>	<b>181.2</b>

## Comments

- Stable rental income despite sales-related reduction of portfolio size from 182k to 175k
- Offset by higher average residential in-place rent per square metre and month (€ 5.40 vs. € 5.30) and lower vacancy rate (3.5% vs. 3.9%)
- Improved vacancy rate overcompensates reduced portfolio size and leads to higher revenues from ancillary costs
- Slight increase due to higher sales volumes & improved step-ups (excl. large non-core portfolio) despite adverse impact of large non-core sale
- Increase driven by latest valuation of investment properties
- Reduction reflects smaller portfolio size and insourcing effect of our own caretaker organisation

## FY 2013 – P&L development (cont'd)

### P&L

(€m)	FY 2013	FY 2012	Change	
			(€m)	%
<b>Revenues from property letting</b>	<b>1048.3</b>	<b>1046.5</b>	<b>1.8</b>	<b>0.2</b>
<b>Rental income</b>	<b>728.0</b>	<b>729.0</b>	<b>-1.0</b>	<b>-0.1</b>
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<b>Profit for the period</b>	<b>484.2</b>	<b>172.2</b>	<b>312.0</b>	<b>181.2</b>

### Comments

- Reduction primarily results from caretaker insourcing initiative

- Ramp-up of personnel from 2,407 to 2,935 employees leads to increased personnel expenses which primarily result from the insourcing initiative of caretakers and craftsmen; further effects from new elderly part-time program, provisions for severance payments and contributions to long-term incentive plans (LTIP)

- Increase mainly driven by insourcing, higher provisions and miscellaneous from refinancing and re-organisation

- Substantial decrease due to lower interest rates and reduced transaction cost as a result of the restructuring of our debt positions

- Higher taxable income in 2013, 2012 affected by GRAND restructuring cost

- Driven by increase in investment properties

# Overview of DA's modernisation and maintenance split

Maintenance and modernisation (€m)	Comments		
	FY 2013	FY 2012	
Maintenance expenses	136.5	127.3	
Capitalised maintenance	21.1	23.7	
Modernisation work	70.8	65.7	<ul style="list-style-type: none"> <li>Modernisation programme mainly addressing investments in buildings or apartments regarding energy efficiency, senior living and high-standard refurbishments</li> </ul>
<b>Total cost of modernisation and maintenance work</b>			
Thereof sales of own craftsmen's organisation	123.8	54.3	<ul style="list-style-type: none"> <li>Compared to 2012, revenues of inhouse craftsmen organisation increased significantly due to successful TGS implementation</li> </ul>
Thereof bought-in services	104.6	162.4	<ul style="list-style-type: none"> <li>Bought-in services decreased, accordingly</li> </ul>
Modernisation and maintenance / sqm [€]	20.0	18.4	<ul style="list-style-type: none"> <li>On a per sqm basis, more than 1.5€ higher modernisation and maintenance spend</li> </ul>

# FY 2013 – Balance sheet evolution

## Overview

(€m)	FY 2013	FY 2012
Investment properties	10,266.4	9,843.6
Other non-current assets	86.2	103.2
<b>Total non-current assets</b>	<b>10,352.6</b>	<b>9,946.8</b>
Cash and cash equivalents	547.8	470.1
Other current assets	192.4	191.4
<b>Total current assets</b>	<b>740.2</b>	<b>661.5</b>
<b>Total assets</b>	<b>11,092.8</b>	<b>10,608.3</b>
Total equity attributable to DA shareholders	3,805.5	2,666.4
Non-controlling interests	12.5	11.0
<b>Total equity</b>	<b>3,818.0</b>	<b>2,677.4</b>
Other financial liabilities	5,553.0	5,766.7
Deferred tax liabilities	925.0	724.2
Provisions for pensions and similar obligations	291.0	319.0
Other non-current liabilities	61.7	130.6
<b>Total non-current liabilities</b>	<b>6,830.7</b>	<b>6,940.5</b>
Other financial liabilities	212.1	683.8
Other current liabilities	232.0	306.6
<b>Total current liabilities</b>	<b>444.1</b>	<b>990.4</b>
<b>Total liabilities</b>	<b>7,274.8</b>	<b>7,930.9</b>
<b>Total equity and liabilities</b>	<b>11,092.8</b>	<b>10,608.3</b>

## Comments

- Increase driven by valuation (based on DCF method) while number of units decreased from 182k to 175k

- Contribution of the "S"Notes of 239 m€; net capital increase of 386 m€ as part of the IPO; contribution from the profit for the period of 480.2 m€

- Net repayment of financial liabilities amounting to 351.3 m€

- Increase driven by valuation (based on DCF method) while number of units decreased from 182k to 175k

- the remaining tax liability EK02 was paid in 2013 ahead of schedule

- Current provisions (part of other non-current liabilities) decreased as a consequence of the completed GRAND restructuring



# Rent increase and vacancy reduction in the portfolio on track

## DA Residential Portfolio

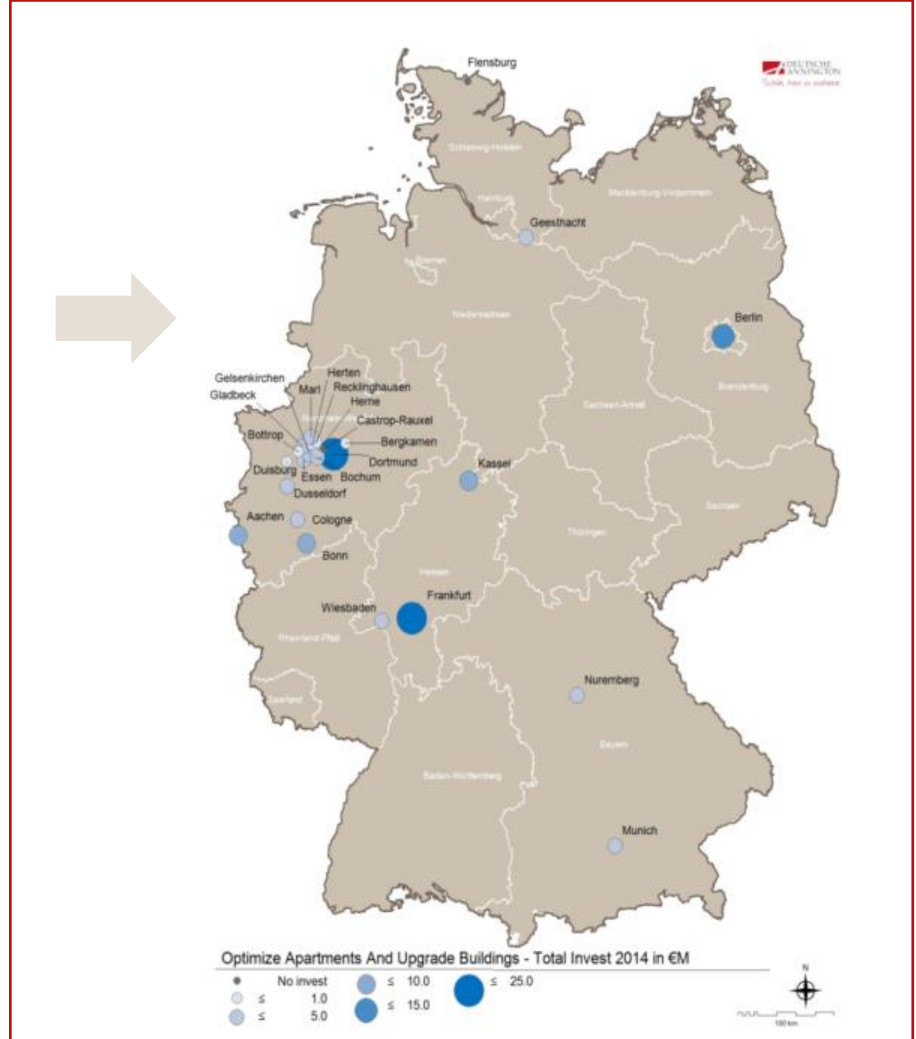
Dec. 31, 2013

	Units		Area	Vacancy	In-Place Rent		Rent I-f-I	Vacancy
Portfolio Segment	#	%	('000 sqm)	%	€m	€/sqm	Y-o-Y in %	Y-o-Y in %
Operate	78,764	45	4,999	3.0	316	5.43	1.7	-0.1
Upgrade	43,476	25	2,743	2.8	170	5.33	1.8	0.0
Optimise	21,363	12	1,335	2.1	96	6.10	3.5	0.1
<b>RENTAL ONLY</b>	<b>143,603</b>	<b>82</b>	<b>9,077</b>	<b>2.8</b>	<b>582</b>	<b>5.50</b>	<b>2.0</b>	<b>0.0</b>
Privatise	20,536	12	1,406	4.9	85	5.31	1.9	-0.9
Non-Core	11,119	6	699	9.7	32	4.24	0.6	-1.4
<b>TOTAL</b>	<b>175,258</b>	<b>100</b>	<b>11,182</b>	<b>3.5</b>	<b>699</b>	<b>5.40</b>	<b>1.9</b>	<b>-0.4</b>


# Investment program for 2014 fully locked in

Location	Upgrade Build (k€)	Optimize Apartm. (k€)	Invest total (k€)	Max. #units
Dortmund	19,457	4,708	24,165	1454
Frankfurt am Main	14,617	4,222	18,839	1209
Berlin	7,849	3,725	11,575	1000
Bonn	6,713	651	7,364	512
Kassel	5,027	1,661	6,688	464
Aachen	4,512	520	5,033	249
Essen	4,011	724	4,735	520
Cologne	2,783	1,324	4,107	359
Bochum	1,740	1,629	3,369	447
Gelsenkirchen	1,905	643	2,548	177
Herne	1,534	594	2,128	117
Duesseldorf	1,674	443	2,117	283
Munich	1,681	396	2,077	154
Wiesbaden	1,572	468	2,040	147
Nuremberg	1,785	208	1,993	117
<b>subtotal</b>	<b>76,862</b>	<b>21,916</b>	<b>98,778</b>	<b>7,209</b>
others	36,439	13,365	51,304	4,521
<b>Total</b>	<b>114,801</b>	<b>35,281</b>	<b>150,082</b>	<b>11,730</b>

## Geographic Distribution – Top 25 cities



# 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

# Our proven methodology ensures successful integration of the new businesses

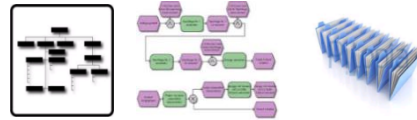
Acquired Company



DAISE

## Generic approach:

- given documentation of daise organization, processes, infrastructure and data
- standardized approach of understanding and transferring acquired company into daise business



**Plan**

**Build**

**Run**

People & Structures  
Processes  
Data & Infrastructure

Analyse  
Define Mapping

Employee Integration, Training  
Interfaces & Transformation  
Location Adaptations

People Migration & Go Live Support  
Data Migration  
Infrastructure Cut Over

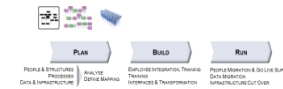
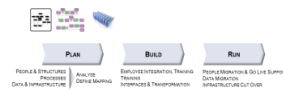
## Recursively applying Generic Approach to each Business Function:

- Starting Point external reporting
- Establishing ability to track accounts payable and accounts receivable
- Finalizing by setting up full-scale maintenance functions

Accounting

Rental Administration

Maintenance



# Hybrid bond considerations

- Hybrid bonds are generally non-dilutive, tax efficient debt instruments providing financial flexibility to corporates
- Subordinated to senior debt, unsecured and without covenants
- Provides diversification into another source of unsecured funding
- Used by an increasing number of corporates with an investment grade corporate rating as an equity substitute to enhance deleveraging
- Most of the recent corporate hybrids have achieved 50% equity credit by the ratings agencies
- IFRS accounting treatment flexibility as debt or equity
- Given the low interest rate environment and the robust hybrid debt market, hybrid bonds currently represent an attractive financing tool relative to a combination of straight equity and senior debt financing

## Major financing achievements of 2013



First European residential real estate company to issue a US-Dollar bond  
USD 1.0 bn in Sep./Oct. 2013



First German real estate company to issue an unsecured corporate bond  
EUR 1.3 bn in July 2013



EUR 4.0 bn EMTN-Program set in place with the issuance of first notes of EUR 500 m  
EUR 3.5 bn firepower on hand remain within the EMTN-Program



Refinancing of eight portfolios amounting to more than EUR 1.7 bn - mortgaged backed  
Financing partners include main German Pfandbriefbanks, international insurance companies & pension funds



Hence, full and premature repayment of GRAND-CMBS  
EUR 4.3 bn in July 2013 gaining full operational flexibility



Capital increase by issuing new shares within the IPO  
EUR 575 m in July 2013

**Best-in-class financing structure to ensure full flexibility, best pricing and access to all sources in shortest time.**

## Rating: investment grade rating from S&P

- Corporate investment grade rating

Rating agency	Rating	Outlook	Last Update
Standard & Poor's	BBB	Stable	23 July 2013

- Bond ratings

	Amount	Issue Price	Coupon	Maturity Date	Rating
<b>3 years 2.125% Euro Bond</b>	€ 700m	99.793%	2.125%	25 July 2016	BBB
<b>6 years 3.125% Euro Bond</b>	€ 600m	99.935%	3.125%	25 July 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% (4.680%)*	2 Oct 2023	BBB
<b>8 years 3.625% EMTN</b>	€500m	99.843%	3.625%	8 Oct 2021	BBB

\*EUR-Equivalent re-offer yield

# Key bond terms

	<b>3 years 2.125% Euro Bond</b>	<b>6 years 3.125% Euro Bond</b>
<b>Issuer:</b>	Deutsche Annington Finance B.V.*	Deutsche Annington Finance B.V.*
<b>Trade Date:</b>	17 July 2013	17 July 2013
<b>ISIN:</b>	DE000A1HNTJ5	DE000A1HNW52
<b>WKN:</b>	A1HNTJ	A1HNW5
<b>Listing:</b>	Unregulated open-market segment (Freiverkehr) of the Frankfurt Stock Exchange	Unregulated open-market segment (Freiverkehr) of the Frankfurt Stock Exchange
<b>Notional Amount:</b>	EUR 700,000,000	EUR 600,000,000
<b>Denominations:</b>	EUR 100,000 per Note	EUR 100,000 per Note
<b>Issue Price:</b>	99.793%	99.935%
<b>Coupon:</b>	2.125% (payable annually)	3.125% (payable annually)
<b>First Coupon payment:</b>	25 July 2014	25 July 2014
<b>Maturity Date:</b>	25 July 2016	25 July 2019
<b>Covenants:</b>	Total Debt / Total Assets <= 60%; Secured Debt / Total Assets <= 45%; Interest Coverage Ratio (LTM Adjusted EBITDA to LTM Interest Expense)>=1.4x until 30-Sep-13 and 1.8x thereafter; Total Unencumbered Assets / Unsecured Debt >= 125%	Total Debt / Total Assets <= 60%; Secured Debt / Total Assets <= 45%; Interest Coverage Ratio (LTM Adjusted EBITDA to LTM Interest Expense)>=1.4x until 30-Sep-13 and 1.8x thereafter; Total Unencumbered Assets / Unsecured Debt >= 125%
<b>Rating:</b>	BBB	BBB

\*The bonds are guaranteed by Deutsche Annington Immobilien SE.



## Key bond terms (cont'd)

	2013/17 3.20% USD-Bond	2013/23 5.00% USD-Bond	2013/21 3.625% EUR-MTN
<b>Issuer:</b>	Deutsche Annington Finance B.V.*	Deutsche Annington Finance B.V.*	Deutsche Annington Finance B.V.*
<b>Trade Date:</b>	02 October 2013	02 October 2013	08 October 2013
<b>ISIN:</b>	144A: US25155FAA49 Reg S: USN8172PAC88	144A: US25155FAB22 Reg S: USN8172PAD61	DE000A1HRVD5
<b>WKN/ CUSIP:</b>	144A: 25155FAA4 Reg S: N8172PAC8	144A: 25155FAB2 Reg S: N8172PAD6	A1HRVD
<b>Listing:</b>	no Listing	no Listing	Regulated market of the Luxembourg Stock Exchange
<b>Notional Amount:</b>	USD 750,000,000	USD 250,000,000	EUR 500,000,000
<b>Denominations:</b>	USD 50,000 per note	USD 50,000 per note	EUR 1,000 per note
<b>Issue Price:</b>	100.000%	98.993%	99.843%
<b>Coupon:</b>	3.20% (half-annually payment)	5.00% (half-annually payment)	3.625% (annually payment)
<b>EUR-Equivalent re-offer yield</b>	2.97% (half-annually payment)	4.68% (half-annually payment)	-
<b>First Coupon payment:</b>	2 April 2014	2 April 2014	8 October 2014
<b>Maturity Date:</b>	2 October 2017	2 October 2023	8 October 2021
<b>Covenants:</b>	Total Debt / Total Assets <= 60%; Secured Debt / Total Assets <= 45%; Interest Coverage Ratio (LTM Adjusted EBITDA to LTM Interest Expense)>=1.4x until 30-Sep-13 and 1.8x thereafter; Total Unencumbered Assets / Unsecured Debt >= 125%	Total Debt / Total Assets <= 60%; Secured Debt / Total Assets <= 45%; Interest Coverage Ratio (LTM Adjusted EBITDA to LTM Interest Expense)>=1.4x until 30-Sep-13 and 1.8x thereafter; Total Unencumbered Assets / Unsecured Debt >= 125%	Total Debt / Total Assets <= 60%; Secured Debt / Total Assets <= 45%; Interest Coverage Ratio (LTM Adjusted EBITDA to LTM Interest Expense)>=1.4x until 30-Sep-13 and 1.8x thereafter; Total Unencumbered Assets / Unsecured Debt >= 125%
<b>Rating:</b>	BBB	BBB	BBB

\* Fully and unconditionally guaranteed by Deutsche Annington Immobilien SE

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