

 **DEUTSCHE  
ANNINGTON**

*Schön, hier zu wohnen*



**13<sup>th</sup> Kepler Cheuvreux German Corporate Conference  
Frankfurt, 22 January 2014  
Rolf Buch, CEO**

# Deutsche Annington: Innovation leader based on a long-term vision, operational excellence and unique financing structure

## A top European real estate play

Largest player in a highly stable asset class – German residential

Industrial-like process approach to operations designed for growth

Financing strategy in line with leading European peers

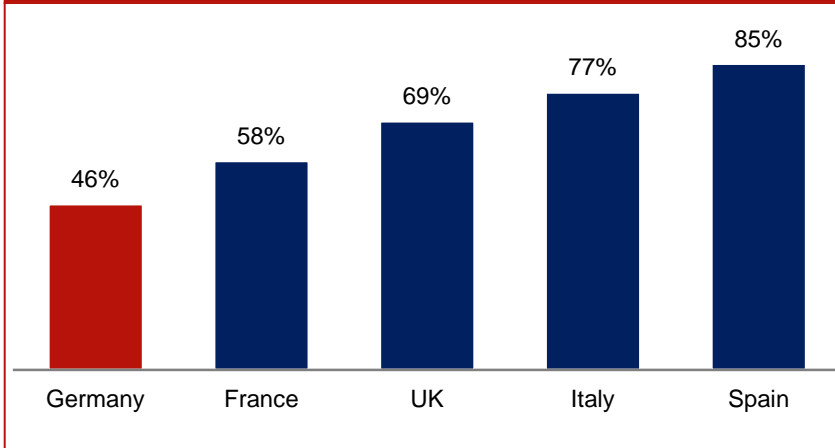
Built-in growth and enhanced profitability expected to drive FFO per share and NAV per share accretion

Entrepreneurial approach to a stable and low-risk asset class

Platform for consolidation

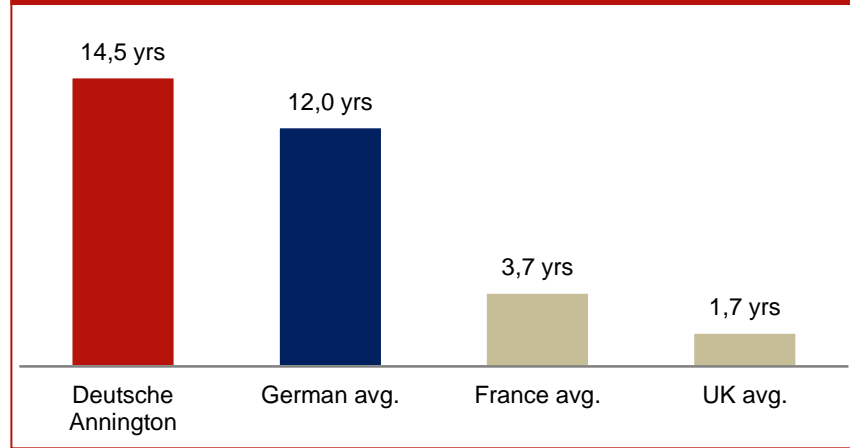
# Attractive asset class supported by favourable environment

## Low home ownership driving rental demand



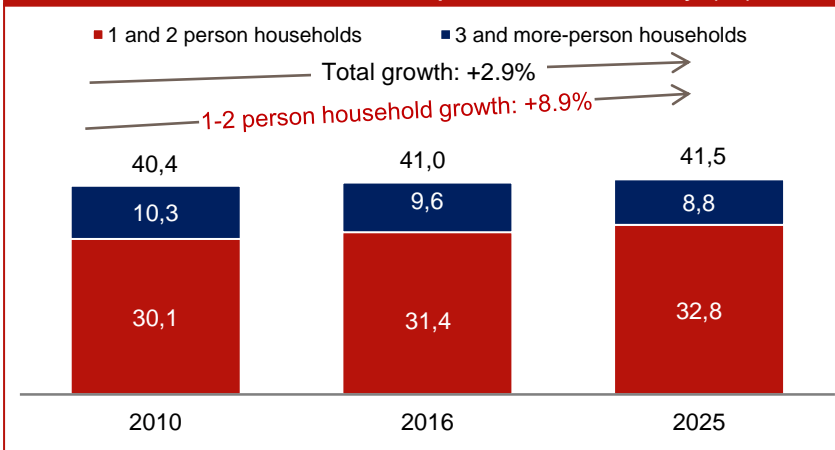
Source: Federal Statistical Office, Euroconstruct, ifo

## High average tenancy length



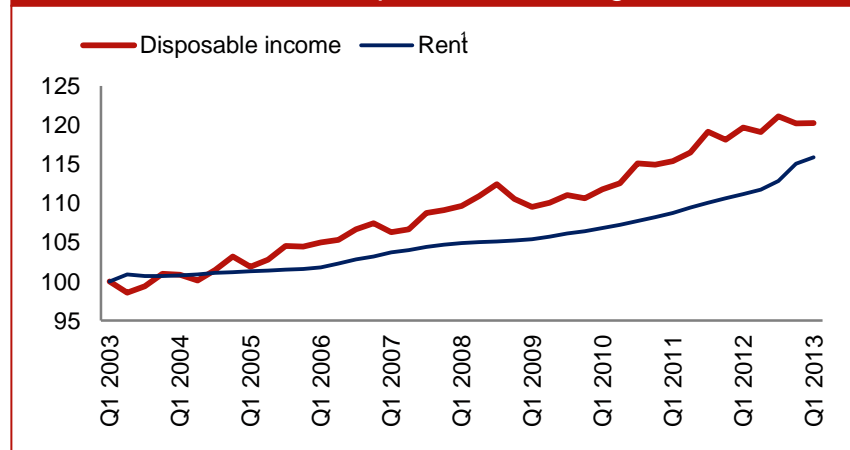
Source: Schader Stiftung (Germany), Clameur (France), Association of Residential Letting Agents (UK)

## Favourable household development in Germany (m)



Source: BBSR Wohnungsmarktprognose 2009-2025. Projections based on 2009 numbers  
 \* Rent evolution for multifamily housing

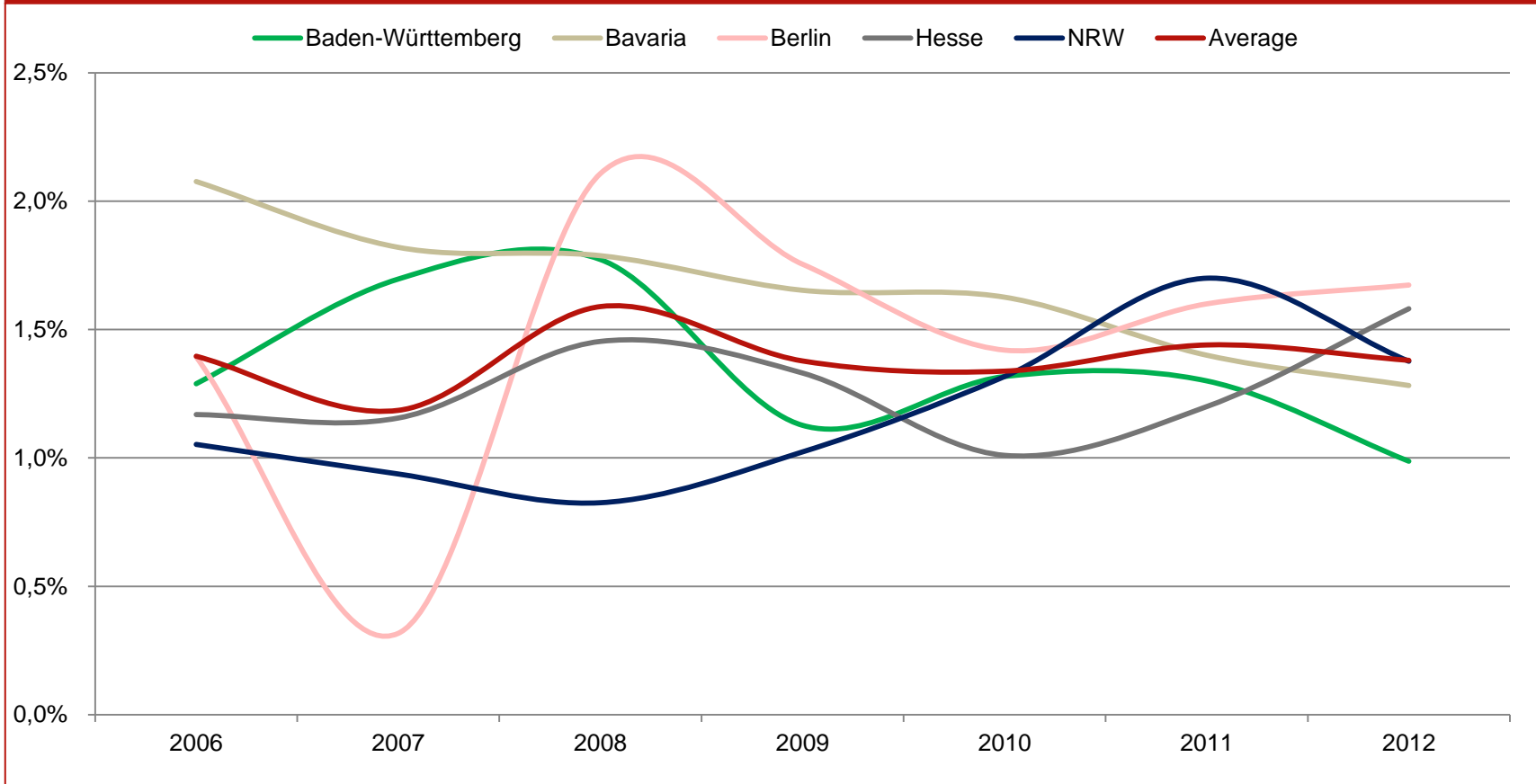
## Rent evolution below disposable income growth



Source: Verband deutscher Pfandbriefbanken, Bundesbank

# German-wide geographical footprint provides rent increase stability

## Rent increases in the 5 strongest federal states



Source: Destatis. Rental growth data not provided for Bremen, Hamburg and Schleswig-Holstein

# Our portfolio strategy: nationwide footprint, clearly structured, well-managed and balanced

## Portfolio strategy

### Rental Only (82%)

#### Operational value generation through

- Rental growth
- Vacancy reduction
- Effective and sustainable maintenance spent
- Cost efficiency through scale

#### Additional value creation through investments

- €800m capex opportunities
- Returns above cost of capital
- Cost of capital lower than for acquisitive growth
- Track record of c. €100m of investments since 2010 at 7% unlevered yield on average

Core  
95%

#### Additional value creation through retail sales

- Total of 22k apartments prepared
- Track record of selling >20% above fair value

Non-core  
5%

- Insufficient medium- to long-term growth prospects

### I. Operate (44%)

- No need for larger action in the next few years

### II. Upgrade Buildings (24%)

- Invest in energy efficiency upgrades
- €500m of opportunities identified

### III. Optimise Apartments (14%)

- Invest in apartments for senior living and high standard flats in strong markets

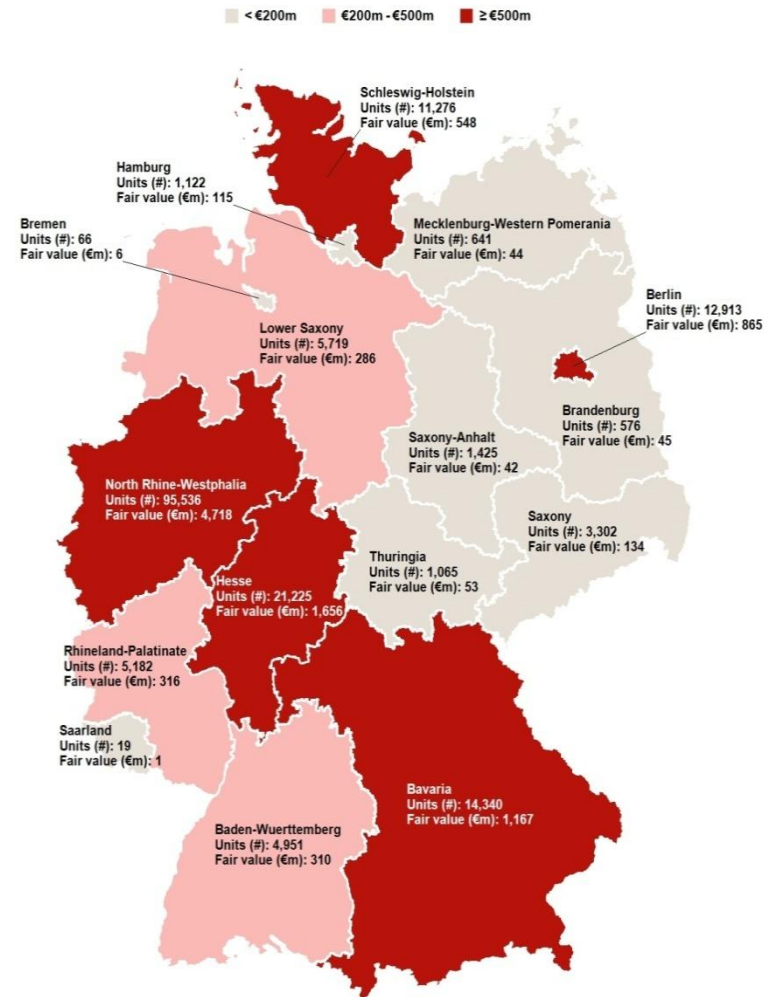
### IV. Privatise (13%)

- Sell opportunistically if sufficient premium value is offered

### V. Non-core (5%)

- Sell mid-term around fair value

## Portfolio distribution

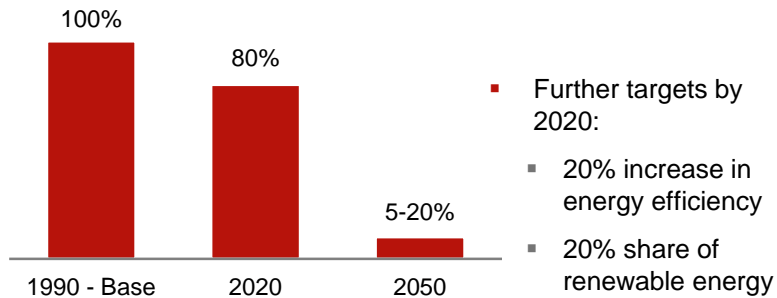


# Investment programme proactively capitalising on mega-trends supported by German regulation

## Upgrade Buildings

### Targeting energy efficiency

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

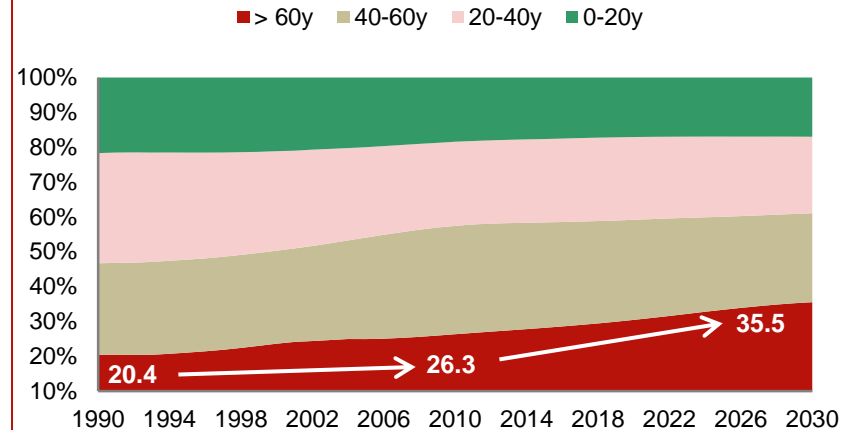


- Strong regulatory push at the EU level towards energy efficiency
- Supportive German regulatory framework allowing for rent increases following modernisation (up to 11% of energy modernisation cost)
- Public subsidised funding available to support energy efficiency investments

€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

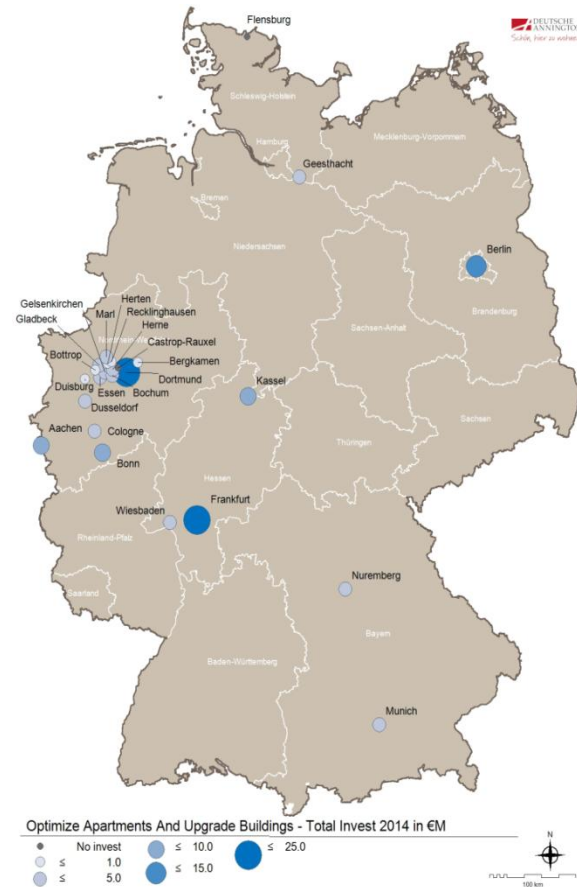
<sup>1</sup> Including investments for senior living as well as investments in high demand markets

# Preparation of investment program 2014 fully on track

## Current status

- Preparation of investment program 2014 fully on track
- Hand-picked house by house
- Individual projects range from ~€ 5k to ~€1.5m
- Total volume of € 150m and 7% unlevered yield will be achieved
- Closing of €90m KfW funding expected until year-end 2013
- Tender offers and craftsmen capacity for projects with construction start in Q1-2014 secured, remainder in progress

## Geographic Distribution – Top 25 cities

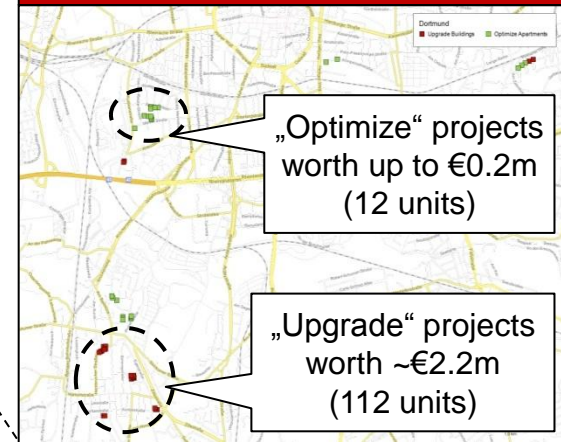


Target KPI reached, i.e. investment volume of € 150m and 7% unlevered yield

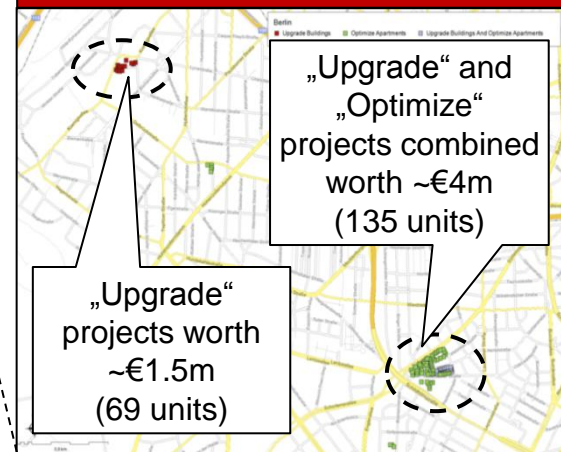
# All projects planned bottom-up

Location	Upgrade Build. (k€)	Optimize Apartm. (k€)	Invest total (k€)	# units
Dortmund	19,457	4,708	24,165	1,454
Frankfurt am Main	14,617	4,222	18,839	1,209
Berlin	7,849	3,725	11,575	1,000
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
Dusseldorf	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
subtotal	<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>

## Example Dortmund



## Example Berlin



Note: numbers are budget values. Actuals may vary until end of 2014 due to local circumstances, e.g. lower or higher tenant turnover than planned (segment „Optimize Apartments“), longer procedures for building permits (segment „Upgrade Buildings“), etc.



## Scale and professional portfolio management allowing for cross-selling opportunities

### Deutsche Telekom partnership

- In 2011, Deutsche Annington signed a contract with Deutsche Telekom whereby Deutsche Telekom will equip 145,000 residential units throughout Germany with modern fibre-optic technology
- Both parties enter into a marketing cooperation for Deutsche Telekom's telephone, internet and television products
- In 2012, Deutsche Annington restructured existing agreements with fragmented supply base of cable networks in order to enable implementation of Deutsche Telekom partnership
- By the end of the third quarter of 2013, 44,000 residential units were connected and additional 14,000 units will follow in Q1 2014.

# Insourcing initiatives provide unique operating platform and economies of scale

Deutsche Annington  
– the biggest housing  
company in Germany



DA  
51%

Joint  
Venture

B&O  
49%

B&O – one of  
Germany's biggest  
craftsmen companies

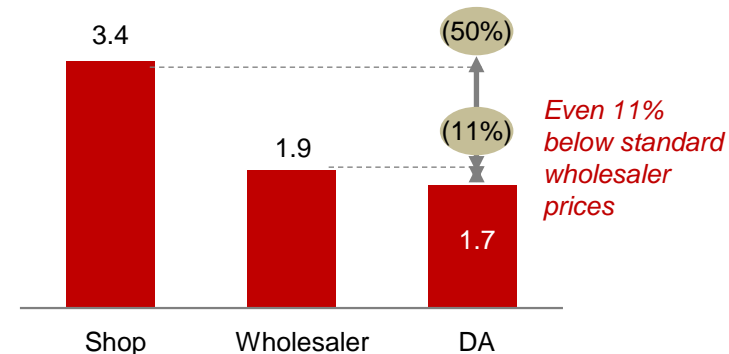


- Set-up of service company TGS well on track:
  - Since the beginning of 2013, massive expansion of regional presence of TGS
  - All DA customers directly reachable via TGS craftsmen
  - Around 1.200 FTE nationwide; further expansion planned

- Strategic advantages of the TGS joint venture:
  - Direct access to craftsmen capacities
  - Improvement of quality through the build-up of know-how and the implementation of efficient and closely coordinated processes
  - Cost reduction by managing total costs of process
  - Nationwide scalable operating platform

*Example: Central-heating boiler*

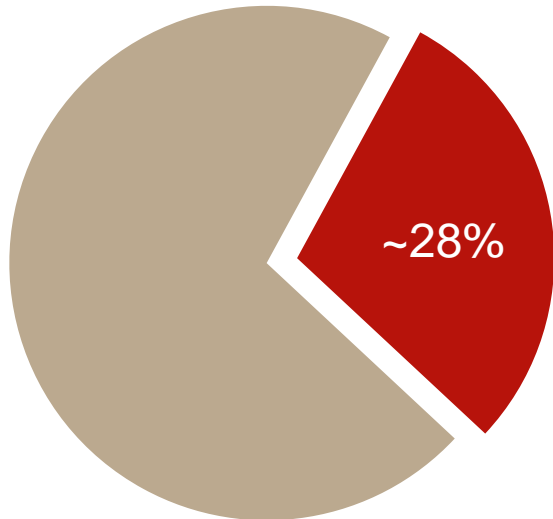
Total costs in €m p.a.



→ Best price through bundling and industry knowledge

## Successful Non-Core sales program

Non-Core segment



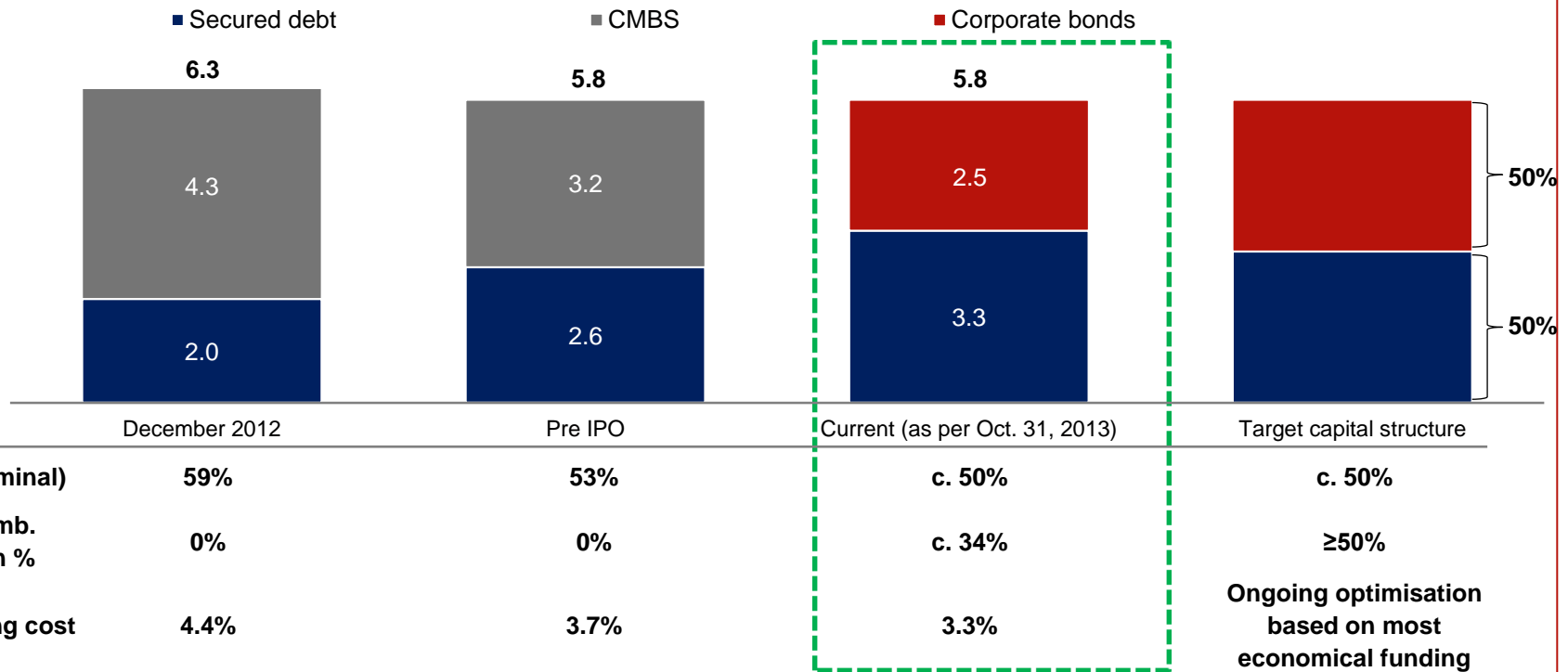
- Sale of residential units with insufficient medium- to long-term growth prospects
- Expected sale of appx. 4,100 units in 2013 representing appx. 28% of Non-Core segment end of 2012, driven by sale of package of 2,100 units
- Non-Core disposals fully on track, yet exceeding 2013 budget and achieving a selling price at around fair market value as planned
- Reduced number of DA locations by around 20 since end of last year
- Positive effects on major portfolio KPIs (vacancy rate, in-place rent, fair value/sqm)

## Higher flexibility for acquisitions and continuing strong deal flow

- There is a continuing flow of attractive portfolios
- As per October 2013 we have
  - Examined: 91k units
  - Analysed in more details: 76k units
  - Performed due diligence on: 64k units
  - Thereof prepared indicative bids for: 31k units
  - Thereof Submitted binding bids for more than: 10k units
- As the largest residential real estate company in Germany operating throughout the country and due to our authorized capital and 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, non NAV/share dilution, maintaining our BBB rating

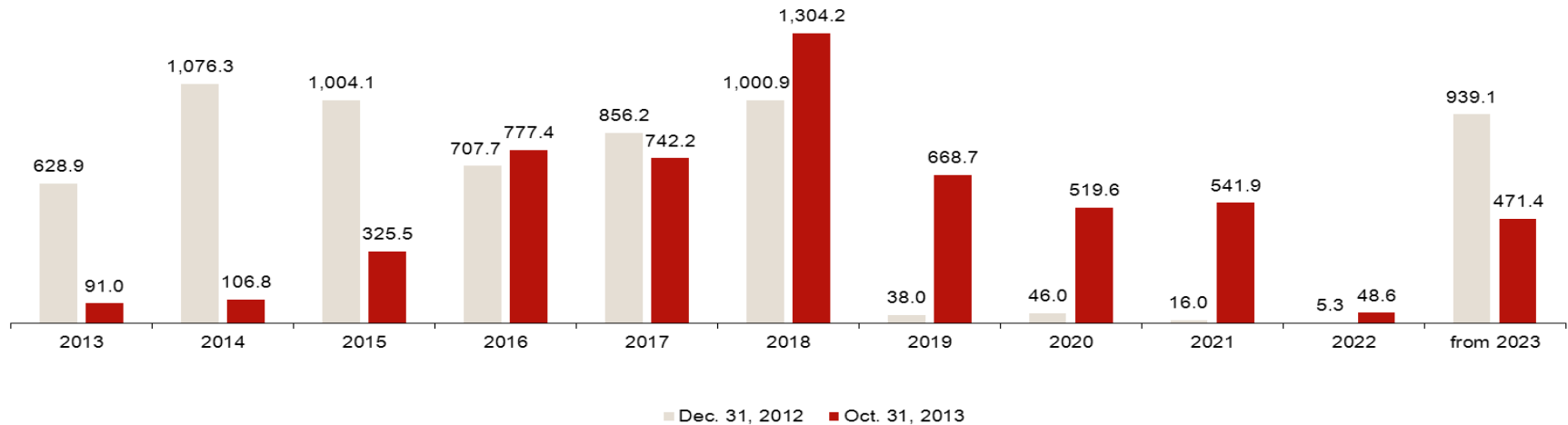
# Implementation of unique and best-in-class financing structure in the German real estate sector completed

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

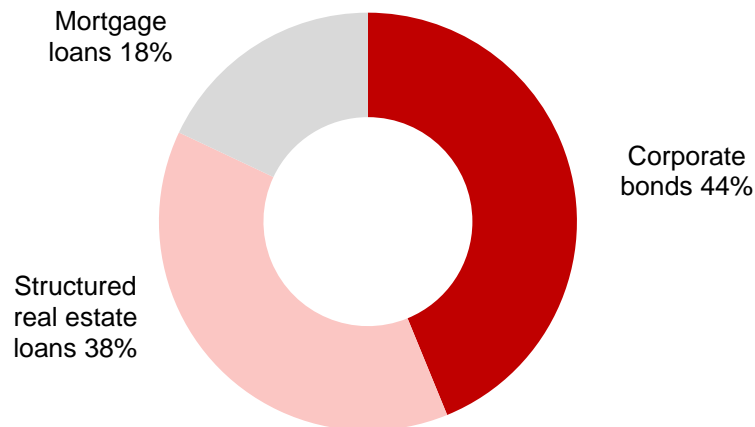


# Simplification and increased stability through enhanced maturity profile and financing product mix

## Comparison of maturity profiles FY 2012 vs Oct. 31, 2013

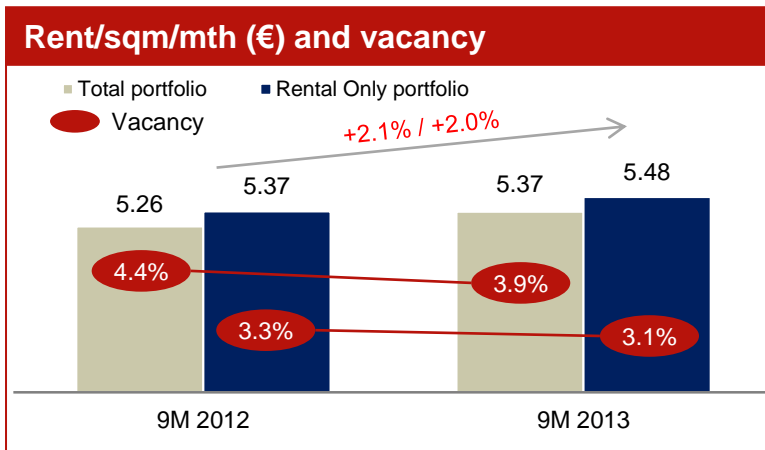


## Debt structure as of Oct. 31, 2013

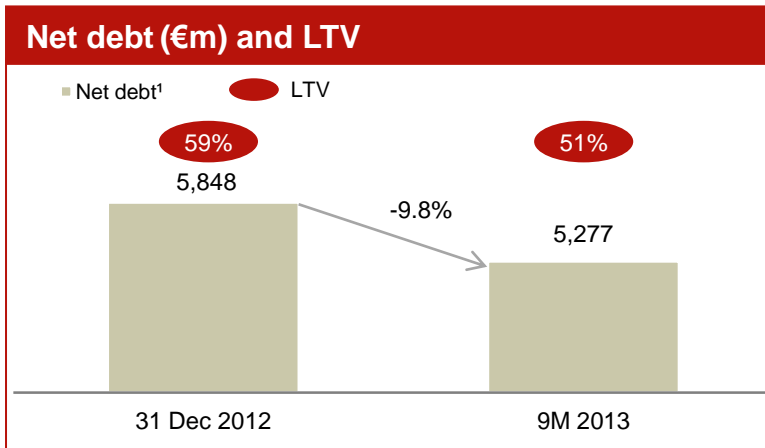
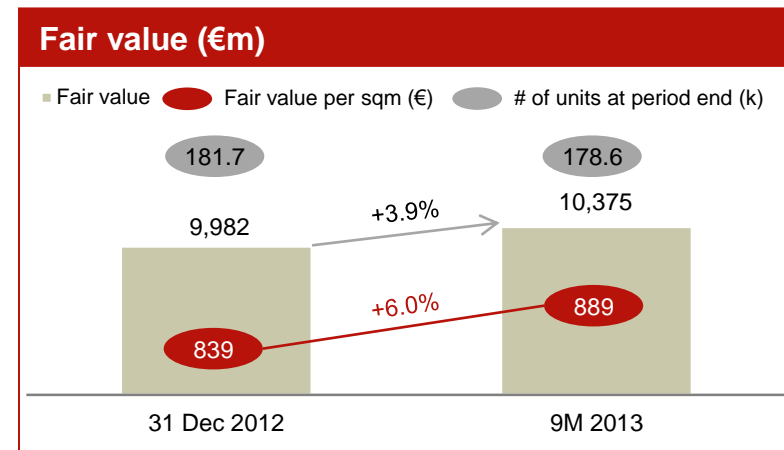


- Maturity profile further extended and smoothed
- No major refinancing before 2015
- Higher flexibility and cost efficiency through tailored mix of financing instruments

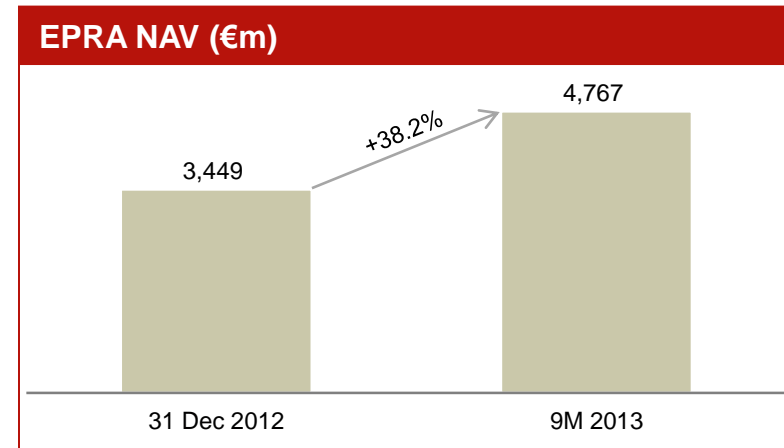
# 9M 2013 figures confirm positive development



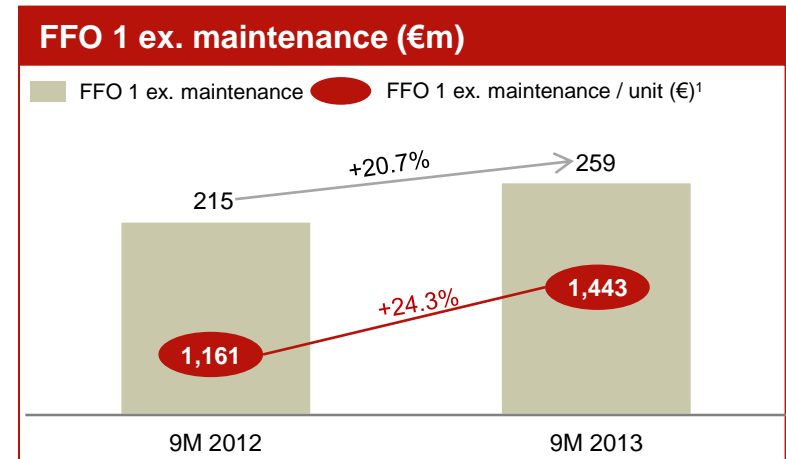
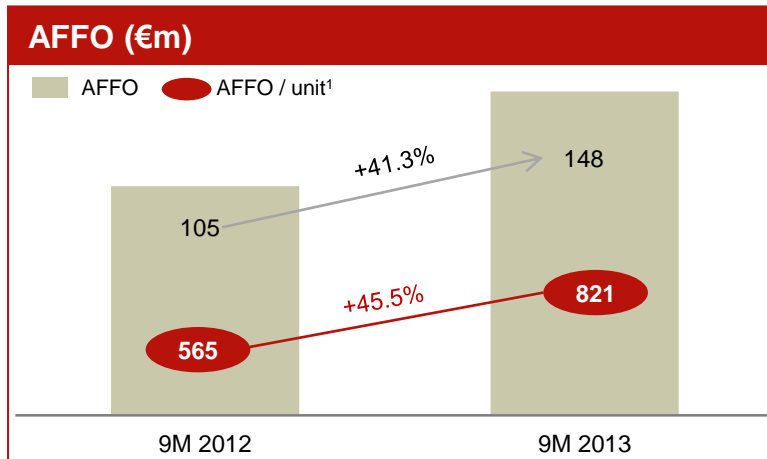
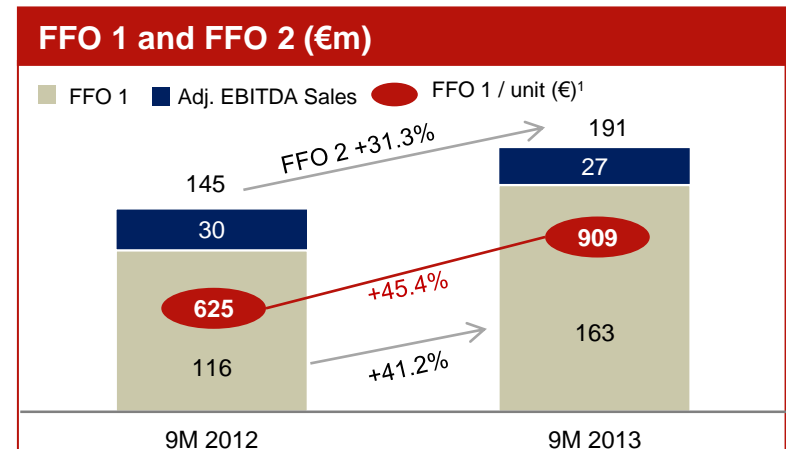
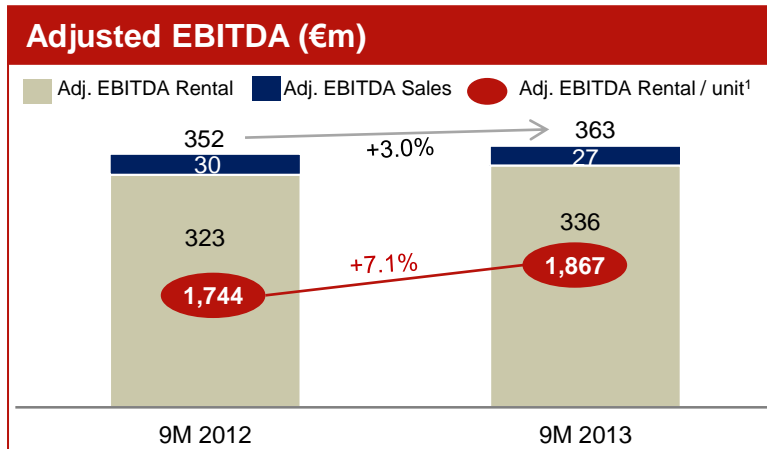
Note: Like-for-like in-place residential rent



<sup>1</sup> Based on nominal debt amounts net of cash;



# 9M 2013 figures confirm positive development



<sup>1</sup> Based on average number of units over the period



# FY 2013 outlook confirmed, FFO 1 expected to be at top end of guidance

## KPI

**Rental growth**

1.8 – 2.0 %

**Modernisation volume from 2014 p.a.**

€ 150 m

**Planned disposals (privatisation)**

>2.0 k units

**FFO 1 target**

€ 210 – 220 m

**Dividend policy**

~70% of FFO 1

➡ **FFO 1 expected to be at top end of guidance**

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