

# Deutsche Annington Immobilien SE

Roadshow Düsseldorf / Köln

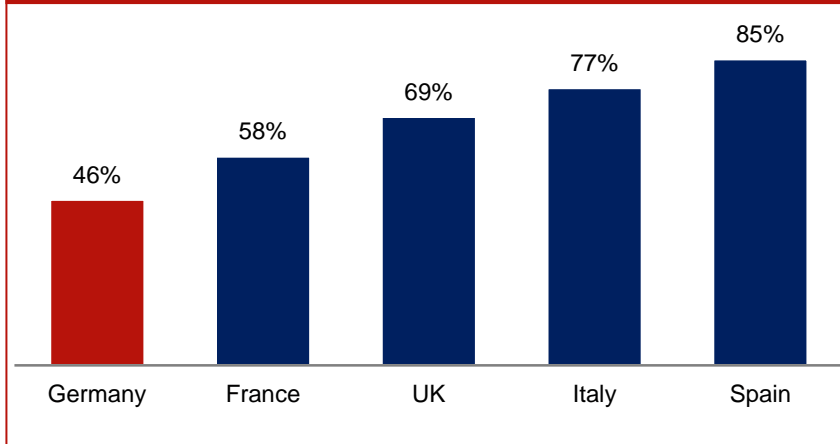
22 May 2014

Thomas Eisenlohr, Head of IR

Michael Tegeder, Senior IR Manager

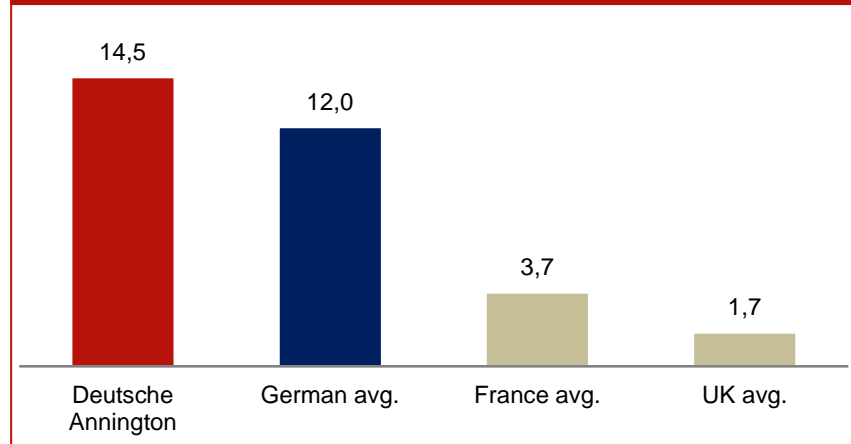
# We are well positioned in a favourable market environment

## Low home ownership driving rental demand



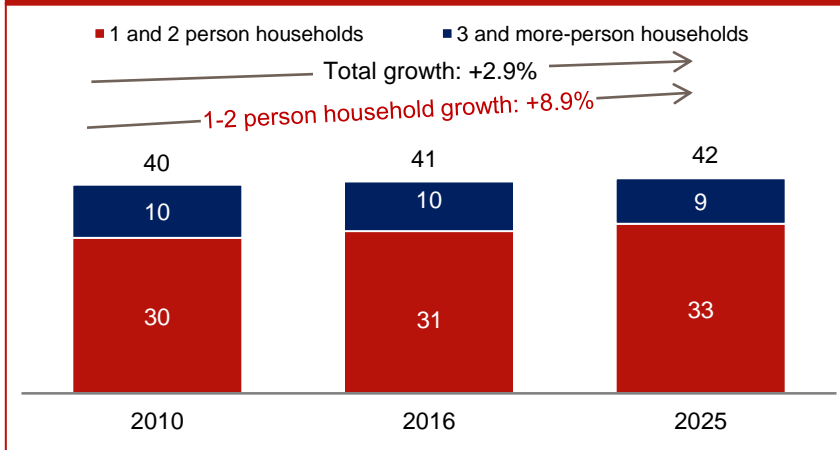
Source: Federal Statistical Office, Euroconstruct, ifo

## High average tenancy length in years



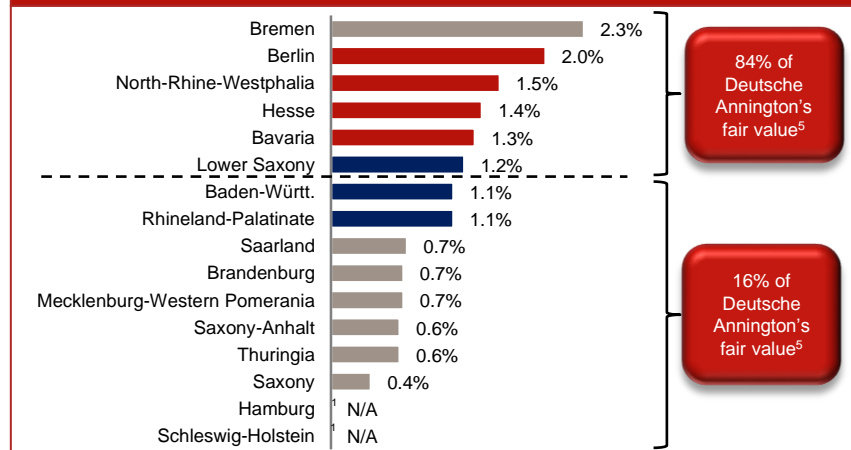
Source: Schader Stiftung (Germany), Clameur (France), Association of Residential Letting Agents (UK)

## Favourable household development in Germany (m)



Source: BBSR Wohnungsmarktprognose 2009-2025. Projections based on 2009 numbers

## 84% of DA's portfolio in states with strongest rental growth

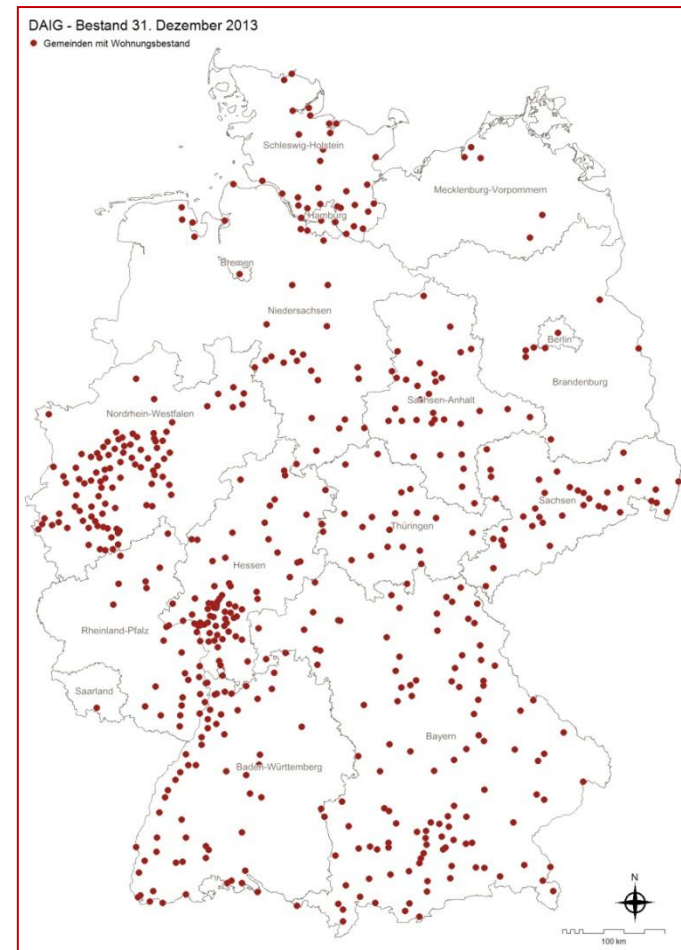


Source: Destatis, 2011-2013 rental growth p.a.

● >5% ● >2.5% ● <2.5% of DA apartments

# Deutsche Annington at a glance (data as per 31.12.2013)

- Top 5 European real estate company<sup>1</sup> and the largest German residential firm<sup>2</sup>
- 175k residential units well spread across Germany
- 97% of portfolio by fair value located in Western Germany and Berlin
- More than 2.900 employees incl. own craftsmen organisation with 1200 FTE
- Standardised processes and industrialised platform
- Best-in-class financing structure in the German real estate sector
- Dedicated portfolio strategy and investment program focused on value creation

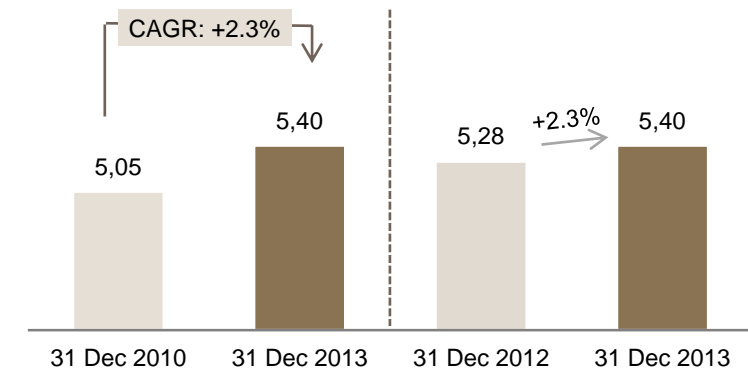


<sup>1</sup>By market cap; <sup>2</sup> In listed German residential sector

# Steady improvement of all KPIs

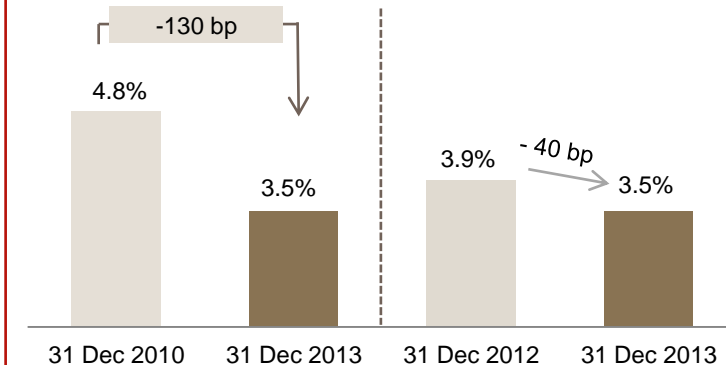
## Residential in-place rent (as reported in €/sqm)

Total Portfolio



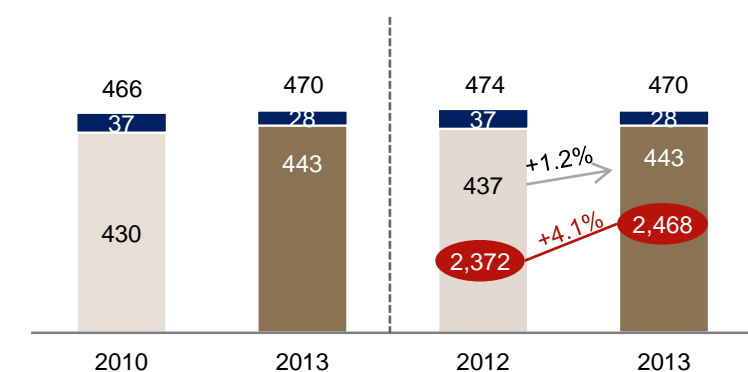
## Vacancy rate

Total Portfolio



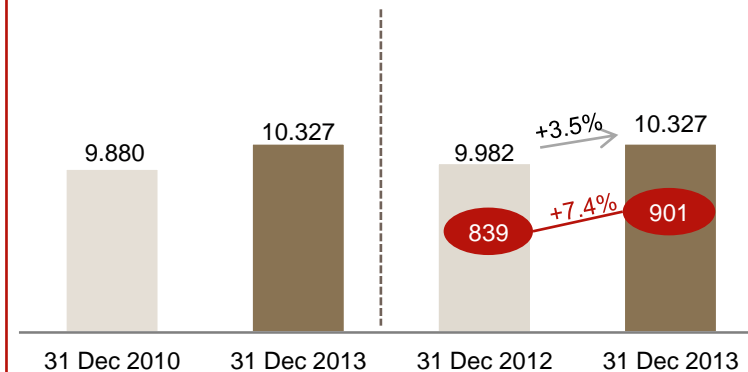
## Adjusted EBITDA (€m)

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



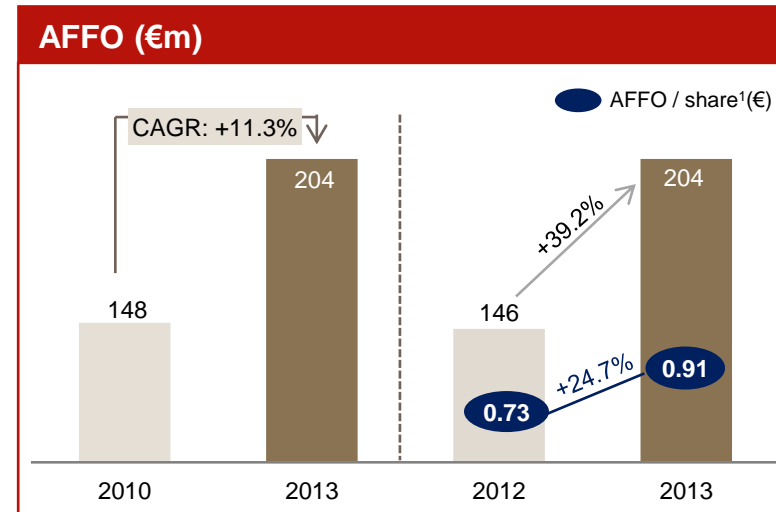
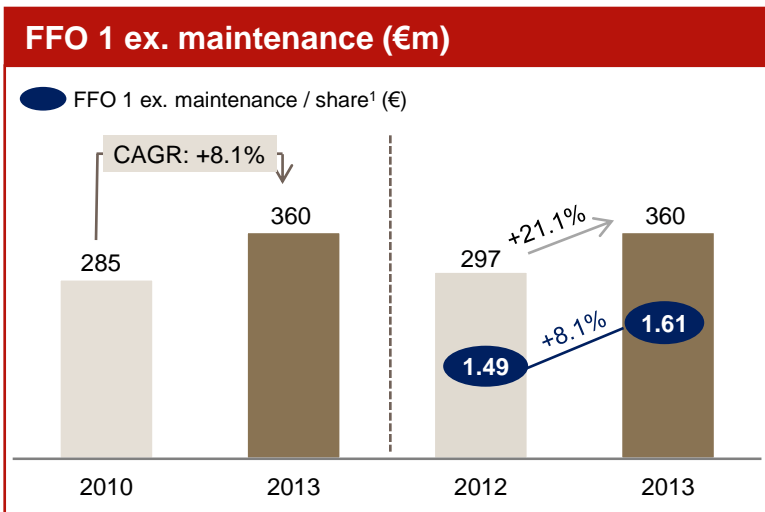
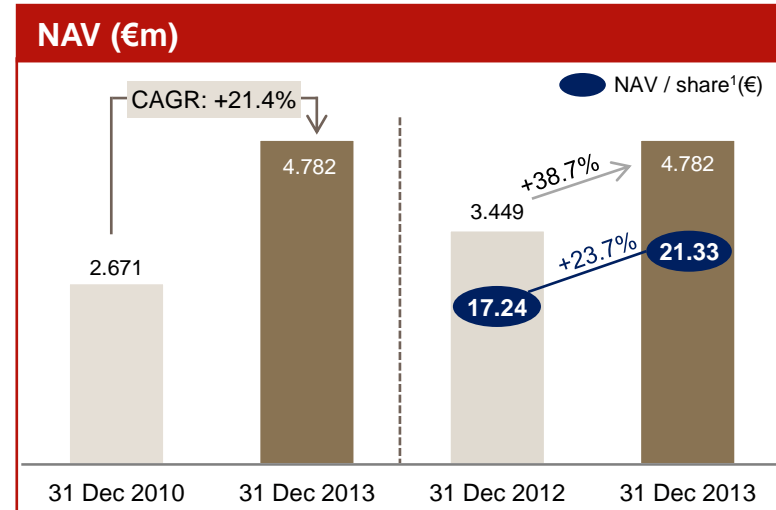
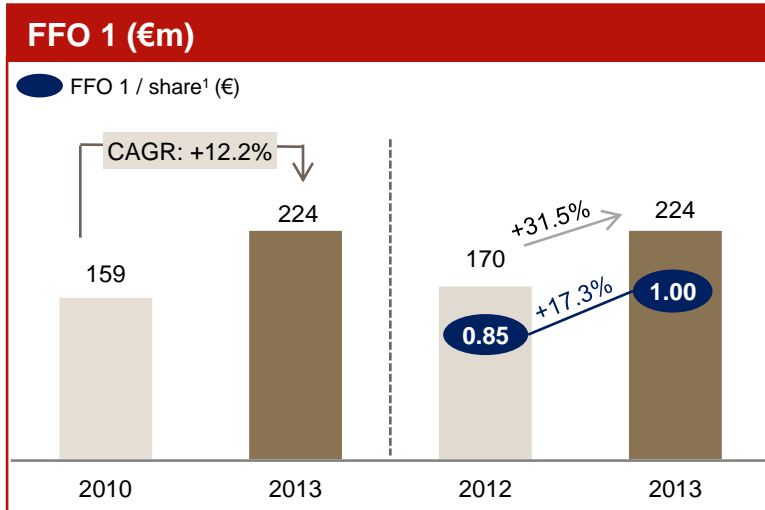
## Fair value (€m)

Fair value per sqm (€) (red circle)



1) Based on average number of units over the period

# Steady improvement of all KPIs



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

# Successful year 2013 - all KPIs meet or exceed guidance

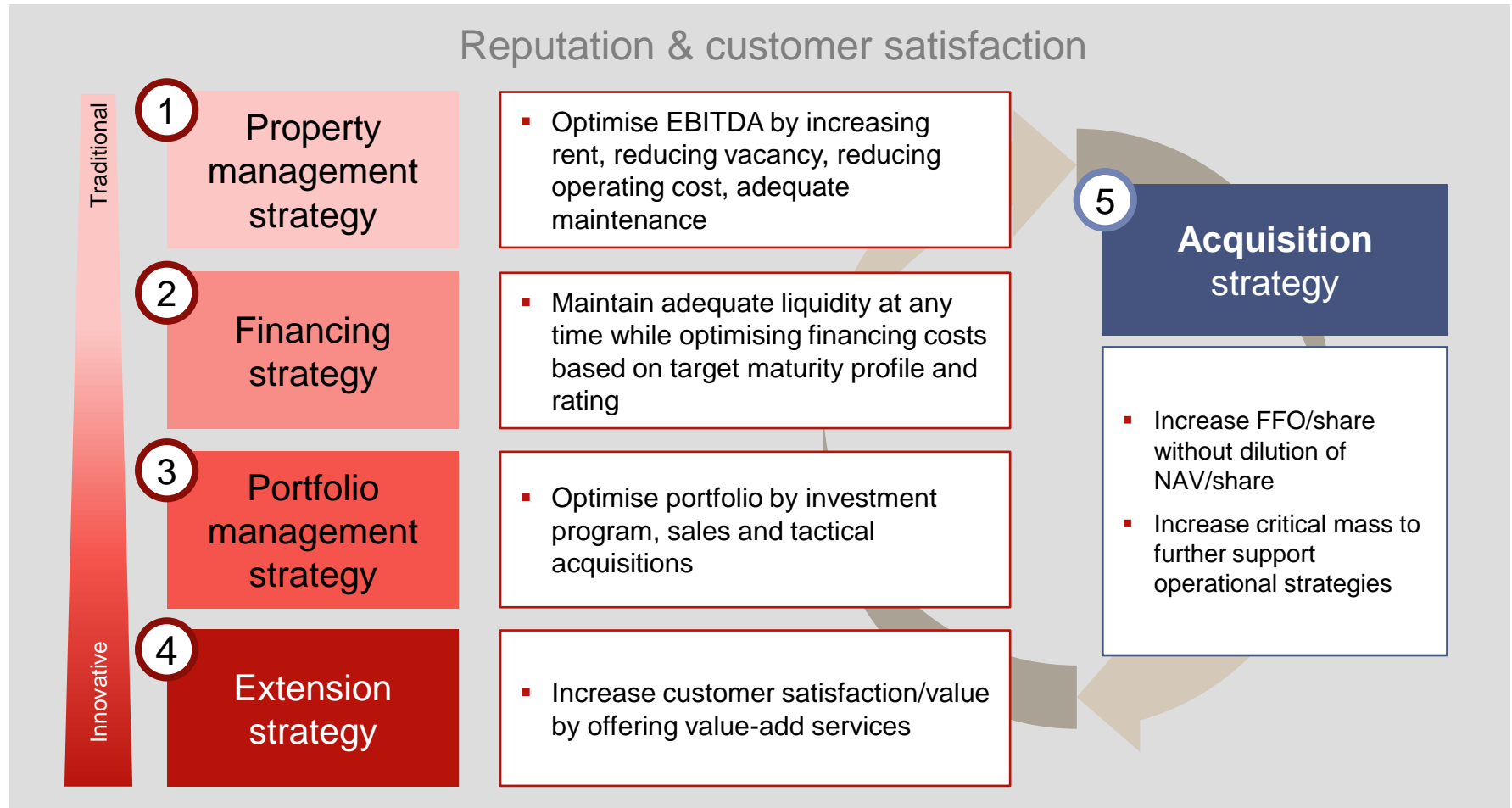
## FY 2013 results versus guidance

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

# Positive outlook for 2014 confirmed

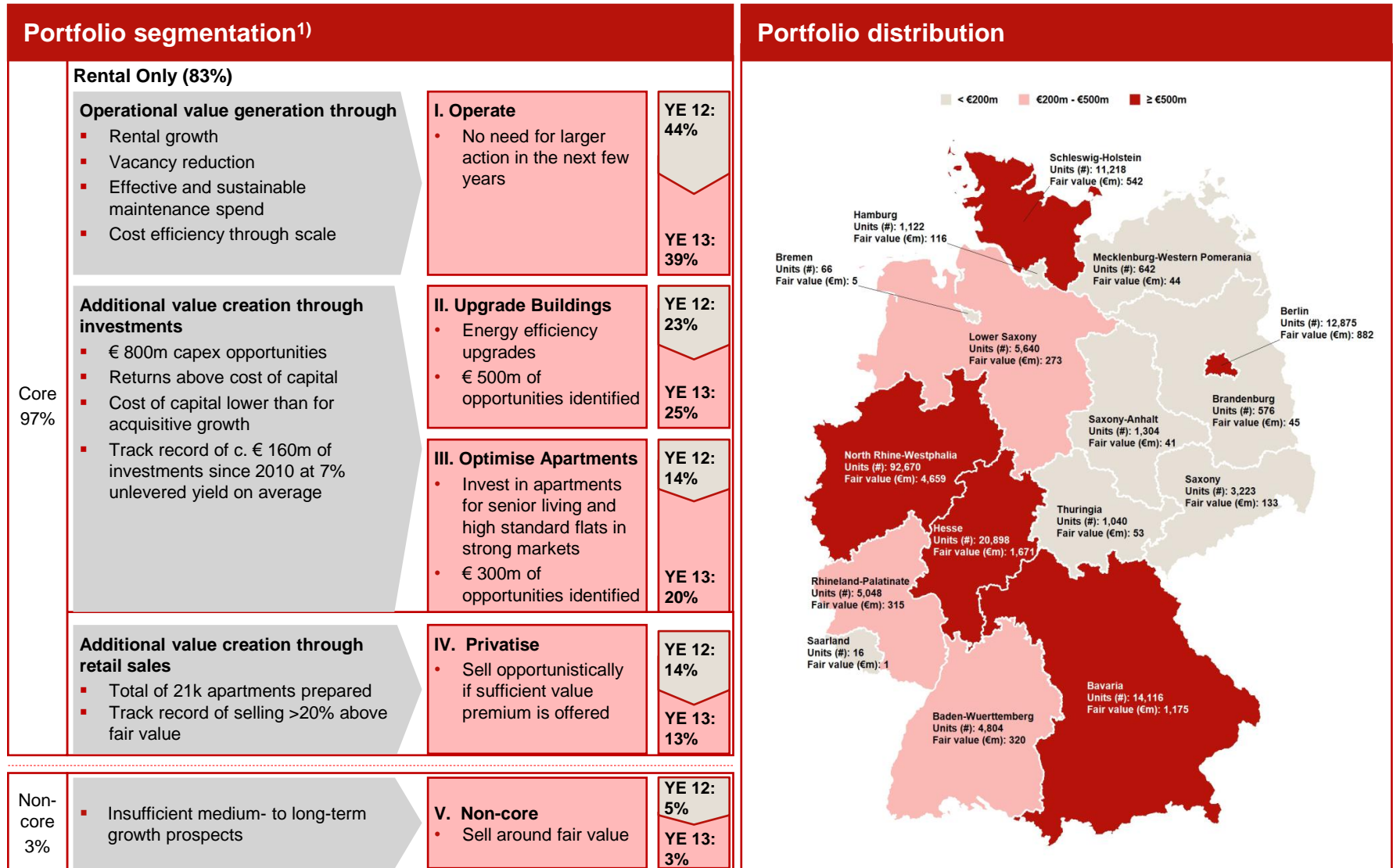
KPI	Guidance 2014 (excl. any acquisitions)
<b>Rental growth</b>	2.3 – 2.6%
<b>Modernisation program 2014</b>	€ 150m
<b>Planned disposals (privatisation)</b>	~1,800 units
<b>FFO 1</b>	€ 250 – 265m
<b>Dividend policy</b>	~70% of FFO 1

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



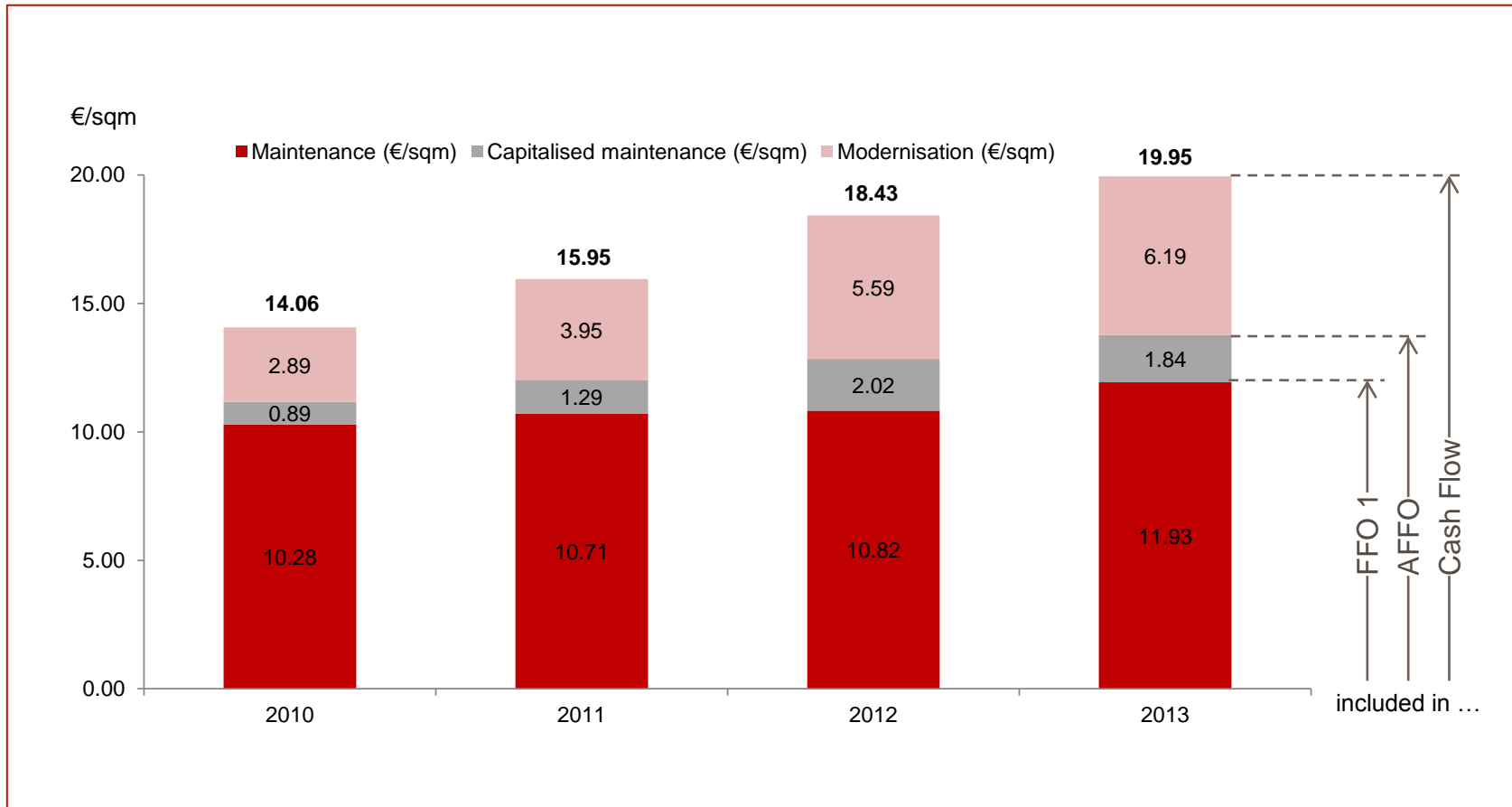


# Portfolio review provides higher modernisation potential and less Non Core assets



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



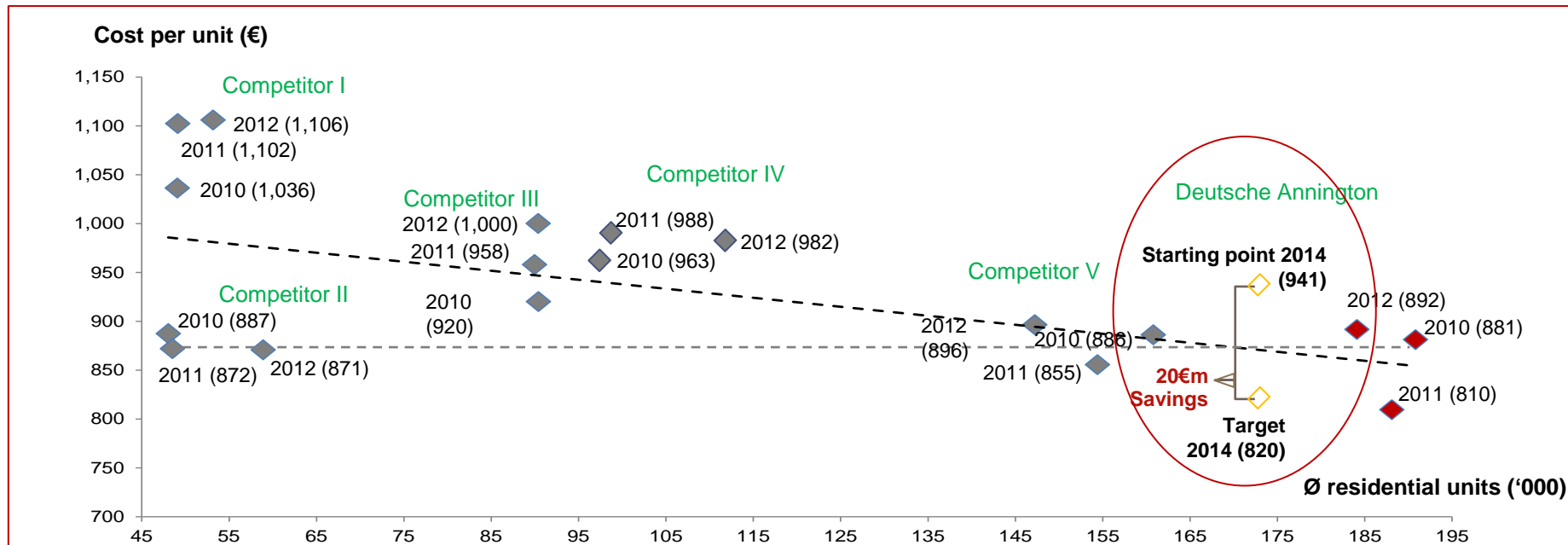
## ... lead to sustainable efficiency gains

- 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**



# 2014 SG&A savings well on track

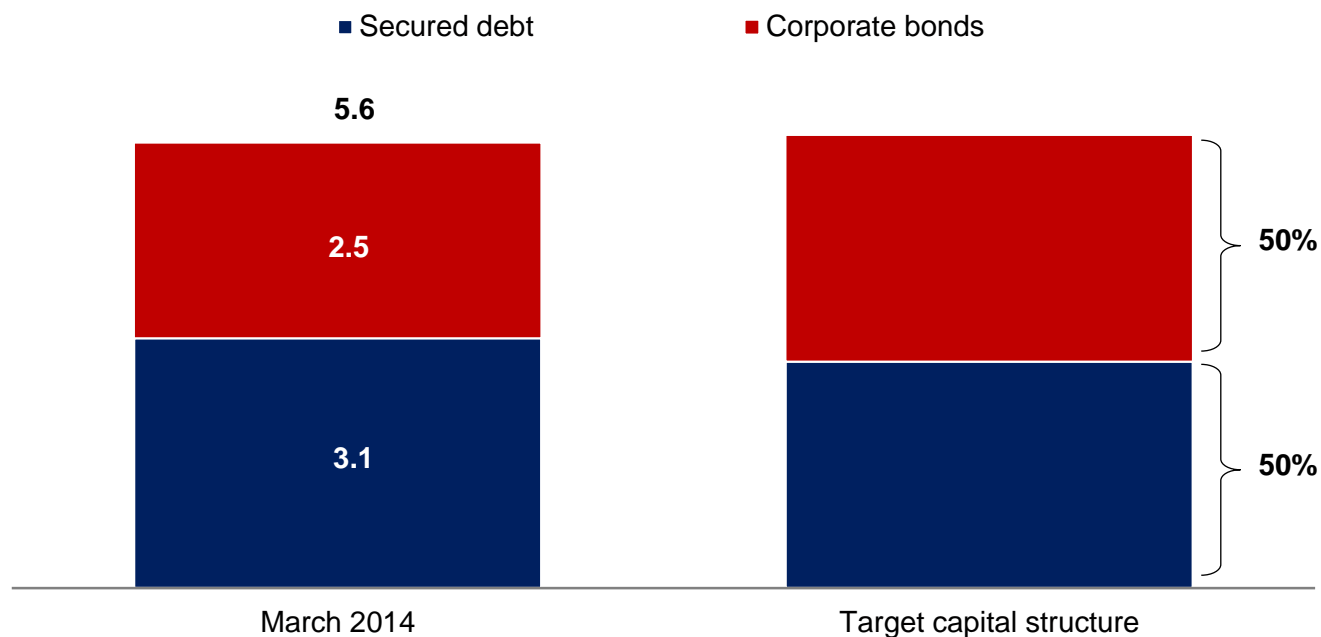
Property management strategy

Line	FY Target	Status Q1/2014	Main drivers for cost savings	
Headcount reduction	~€12m	Slightly behind	<ul style="list-style-type: none"> <li>Elderly part time program</li> <li>Pay roll reduction</li> <li>Original plan adjusted for transactions</li> </ul>	
IT cost	~€2m	On track	<ul style="list-style-type: none"> <li>Lower process cost</li> <li>Lower wide area network cost</li> </ul>	
TGS	~€5m	Slightly ahead	<ul style="list-style-type: none"> <li>Higher sales</li> <li>Improved margin due to better business processes</li> </ul>	
Other operating cost	~€1m	Slightly ahead	<ul style="list-style-type: none"> <li>Overall lower SG&amp;A and PTU cost</li> </ul>	
<b>Total</b>	<b>&gt;€20m</b>	<b>Well on track</b>		

# Implementation of a best-in-class financing structure

Financing strategy

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



<b>LTV (nominal)</b>	<b>46.2%</b>	<b>c. 50%</b>
<b>Unencumbered assets in %</b>	<b>c. 37%</b>	<b>≥ 50%</b>
<b>Global ICR</b>	<b>2.7 x</b>	<b>Ongoing optimisation with most economical funding</b>
<b>Financing cost</b>	<b>3.3%</b>	

# Innovative hybrid excites market

Financing strategy

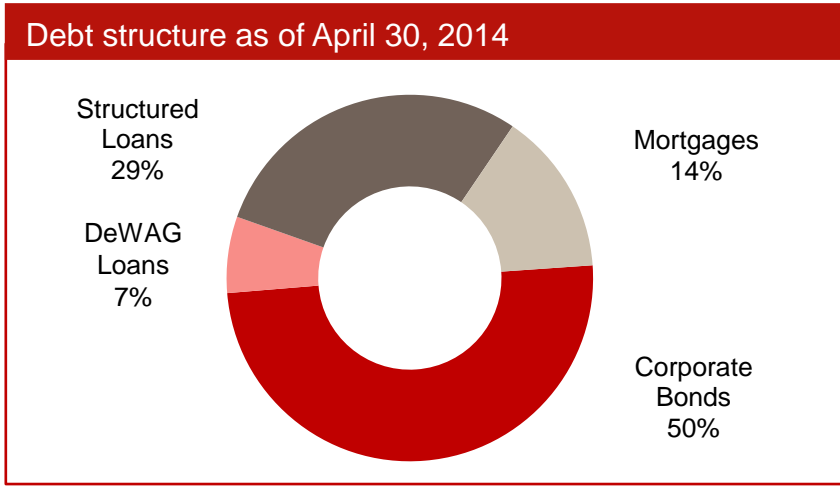
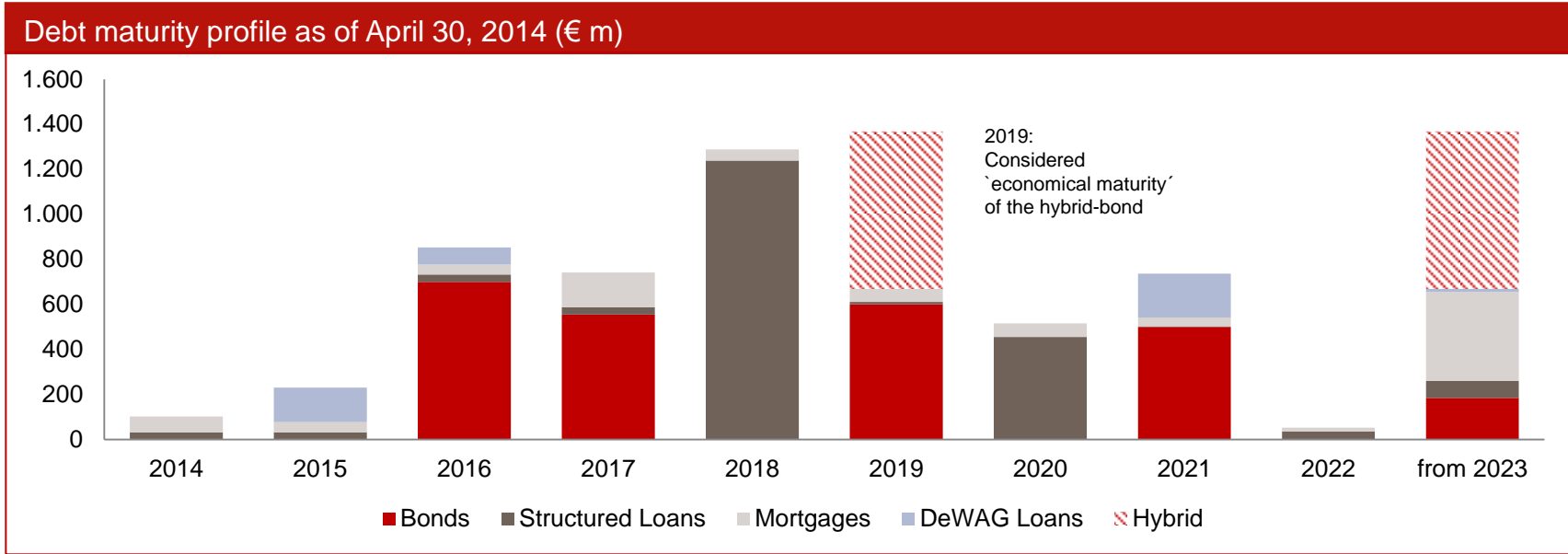
## Comments

- In April 2014, Deutsche Annington issued a € 700m hybrid bond – a premier to European residential real estate companies
- The reaction of the issuance was overwhelming and the demand very strong - volume as well as coupon have exceeded our expectations
- Another proven instrument enlarging our financing toolkit evidencing our innovative financing strategy

## Transaction rationale

- 1 Strong demand for the asset class and attractive cost
- 2 Further diversification of unsecured funding sources
- 3 No dilution of existing shareholders
- 4 50% equity credit from rating agencies support current rating KPIs, with stable criteria
- 5 Instrument used as temporary equity bridge

# Long-term and well balanced maturity profile



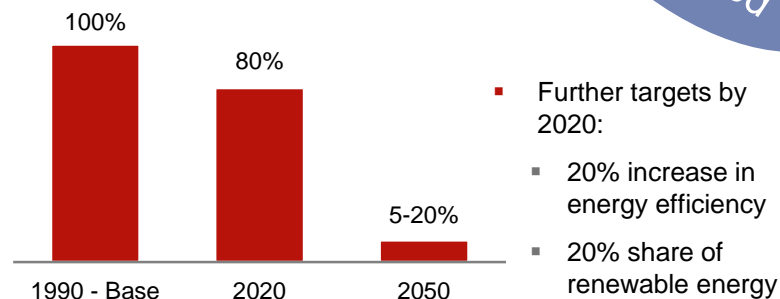
- No major refinancing before 2016
- Structured Loan (WOG E V) of EUR 248m due 2015 has been prepaid in April 2014
- Hybrid-bond is due 2074 (after 2023), but will lose the equity credit in 2019 ('economical maturity')
- DeWAG loans currently under review for best redemption strategy, cash available at DAIG balance sheet.

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

dena study published

## Upgrade Buildings Targeting energy efficiency

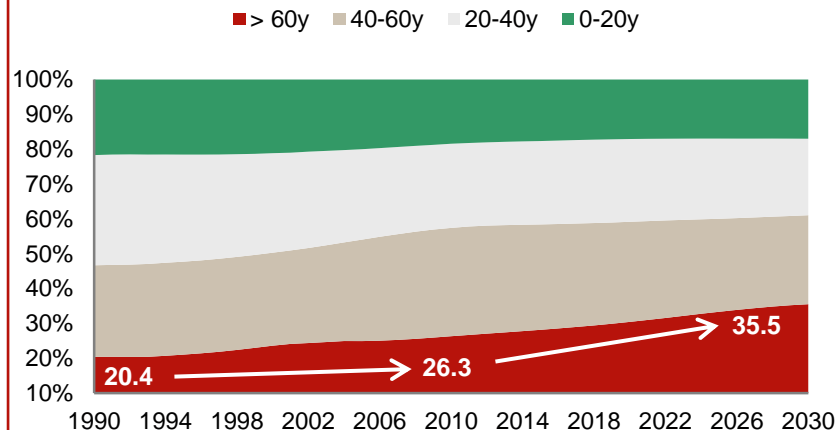
European CO<sub>2</sub> emission targets (vs. 1990 levels)



- 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

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%

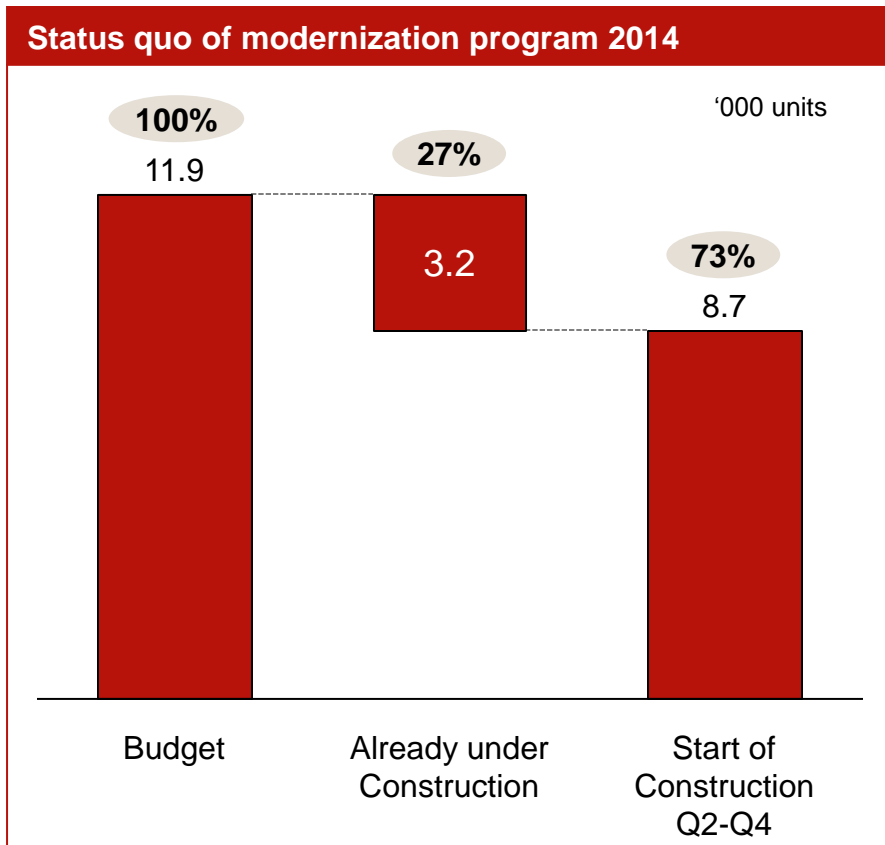
\*yield forecasted depending on new rents after modernisation

- 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

# Modernization program 2014 fully running

Portfolio management strategy



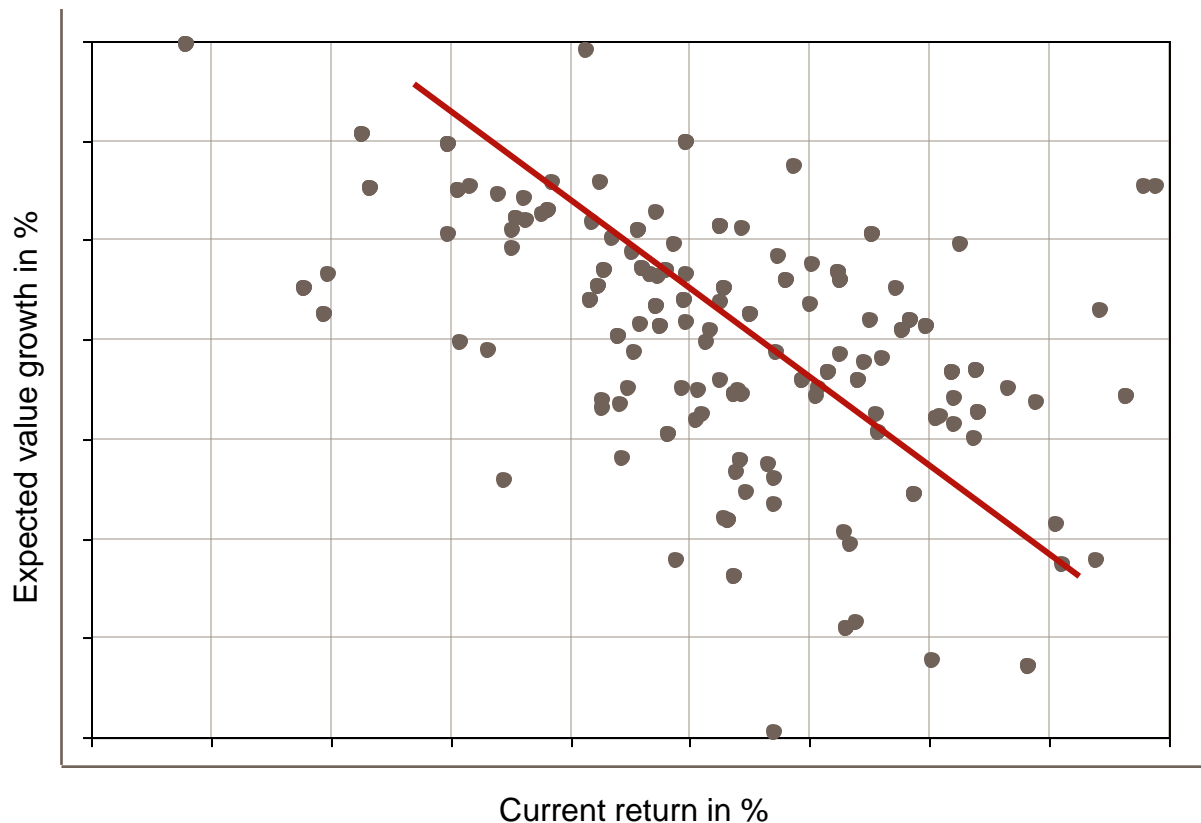
- Two investment modules in 2014 delivering ~7% unlevered yield:
  - “Upgrade buildings” – energetic building modernization (€115m)
  - “Optimize apartments” – vacant flat modernization for elderly living (€35m)
- Ramp-up of internal resources to realize investment volume of €150m completed
- Subcontractor capacities secured
- Low interest rates for KfW-loans secured

# Imbalanced market structure provides opportunities

Portfolio management strategy

## Total Returns 2009-2012

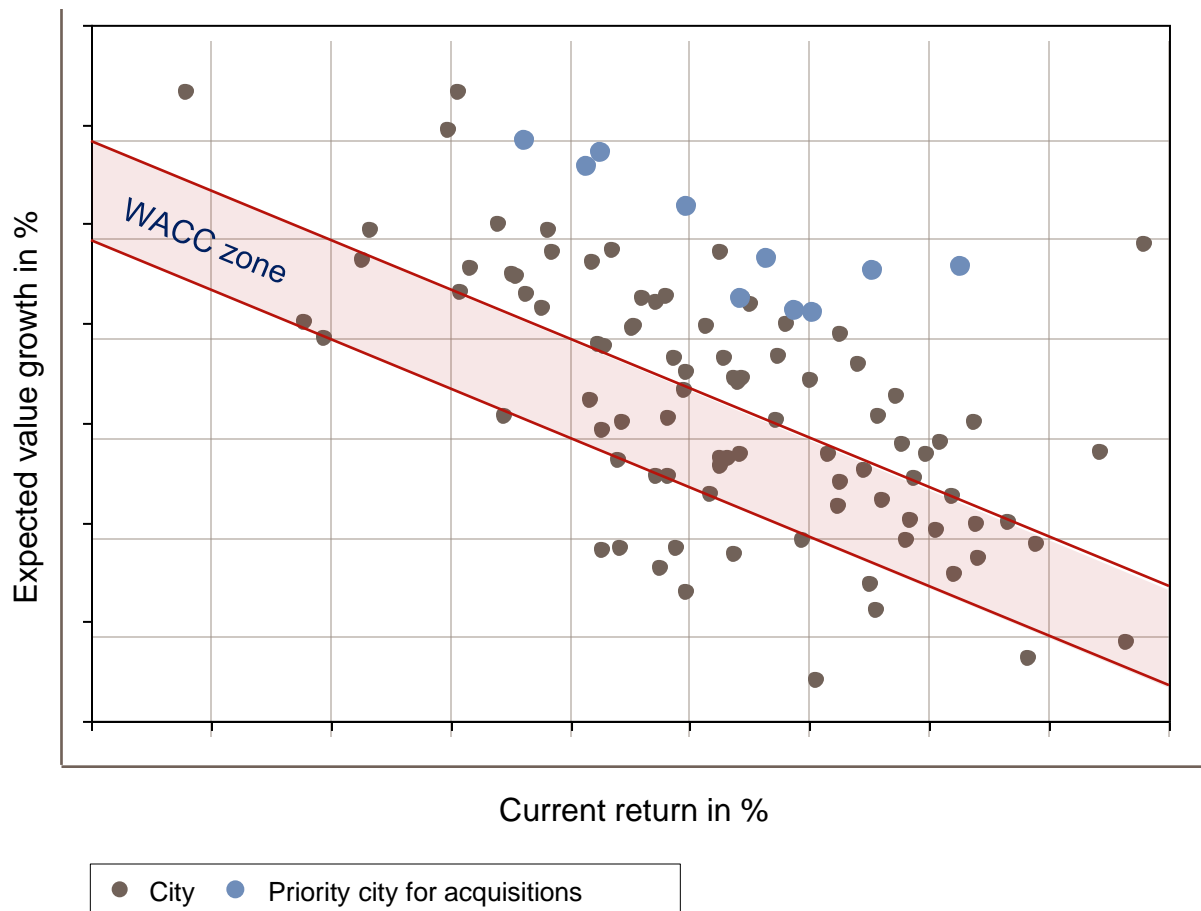
(Market data on top 150 cities in Germany)



- 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

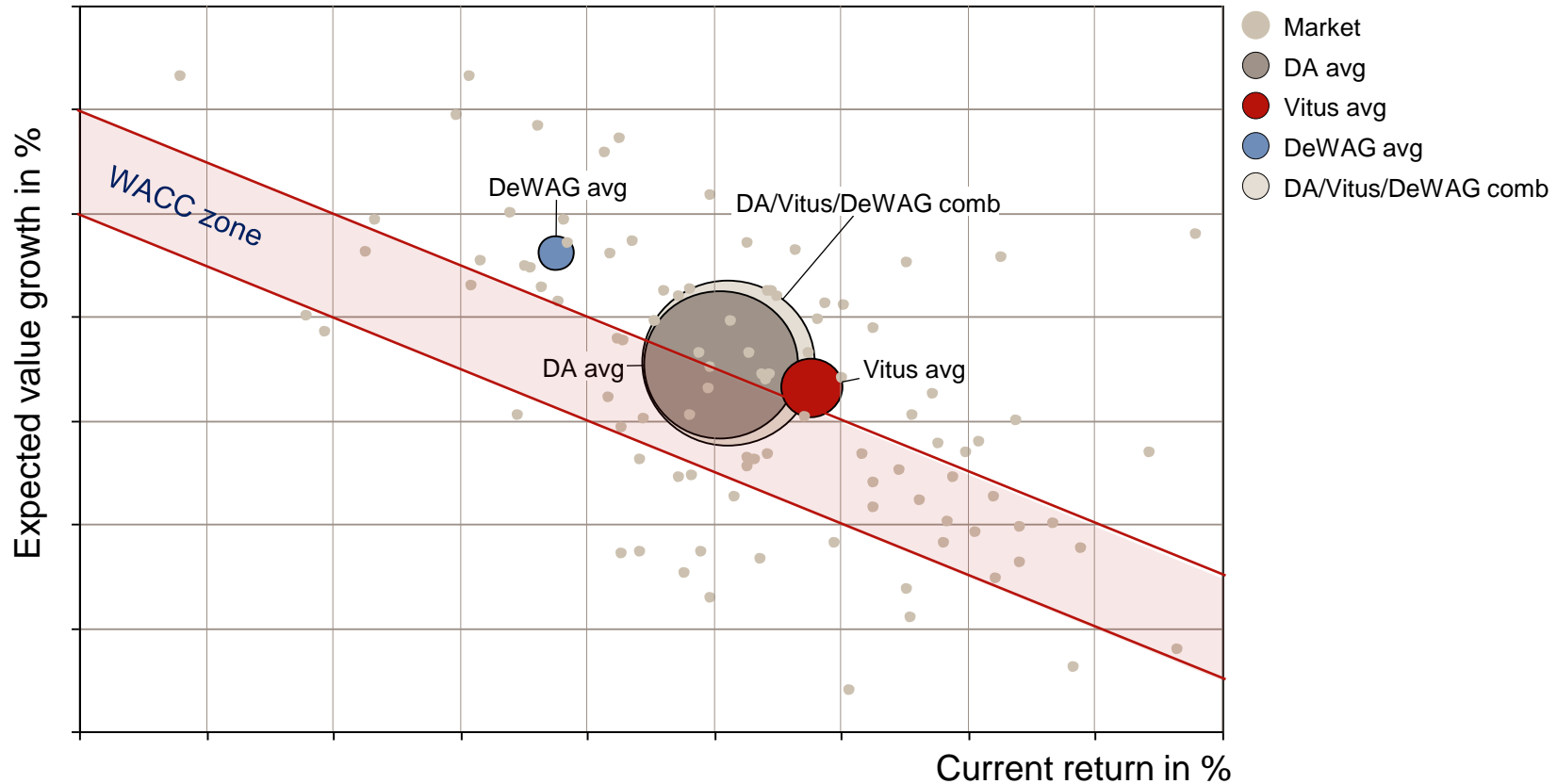
## Deutsche Annington's portfolio management approach (Deutsche Annington's analyses of Germany)



- 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

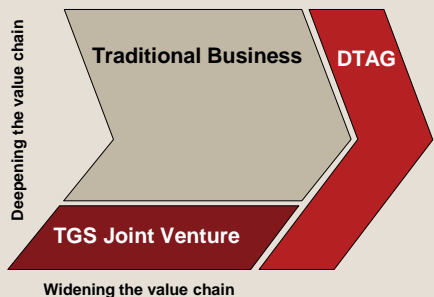
# Vitus and DeWAG perfectly enhance our portfolio

Portfolio management strategy



➔ The new portfolios of Vitus and DeWAG perfectly fit to our portfolio management strategy and shift our position into the right direction

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



## Key objectives of DA extension strategy:

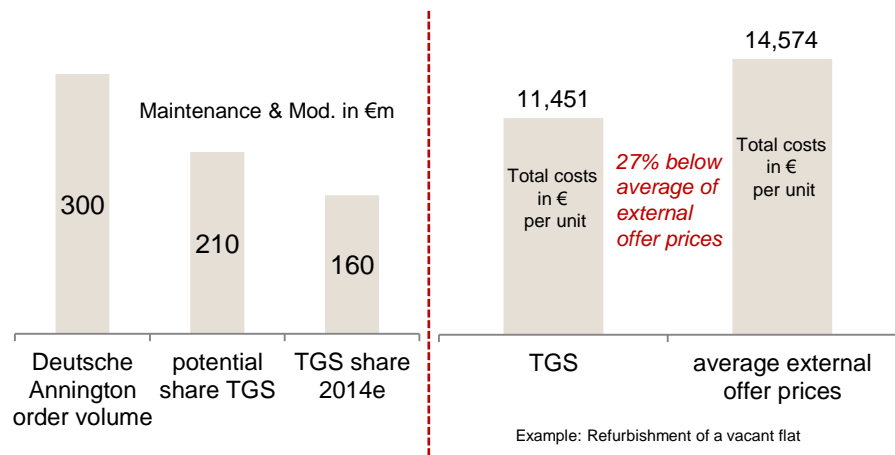
- Increase in customer satisfaction resulting in higher customer loyalty
- Additional contribution and growth from extensions of the value chain
- Improvement of efficiency and quality of process chains which are relevant to DA core business



## 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

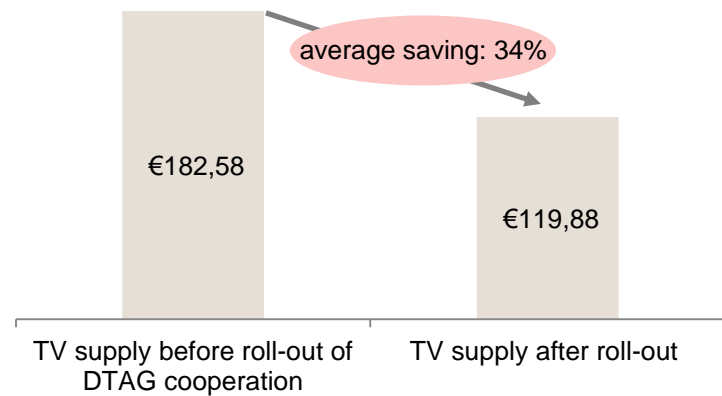


## Development of the multimedia partnership with Deutsche Telekom (DTAG):

- 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

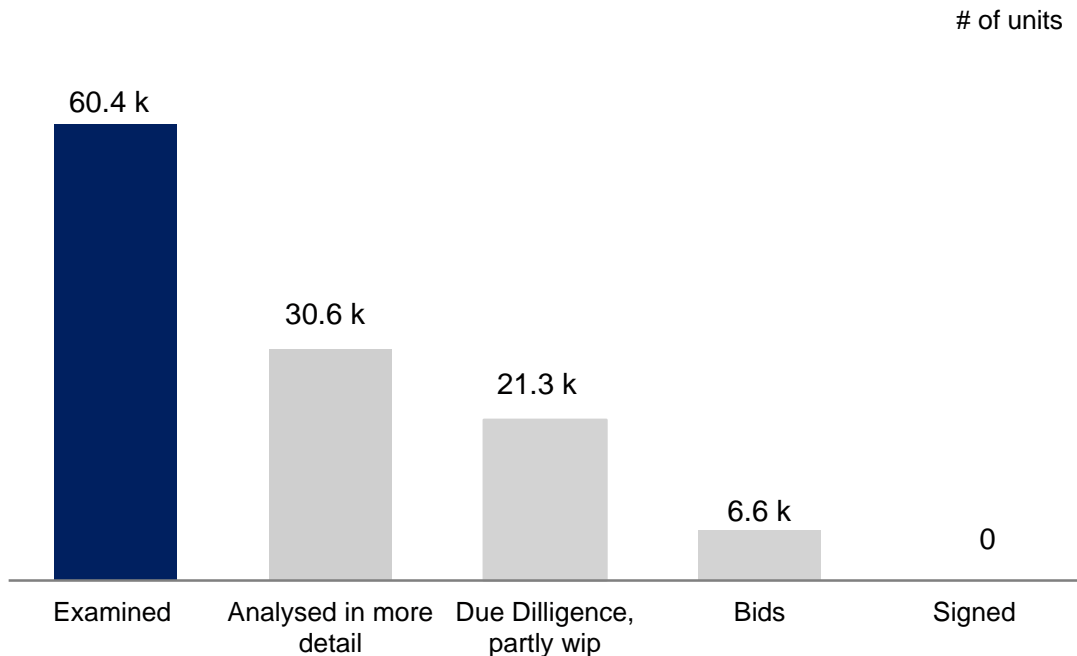
## Partnership offers huge cost savings for our clients

TV supply: development of annual average costs per household



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

## Continuing flow of attractive portfolios have been analysed in Q1 2014

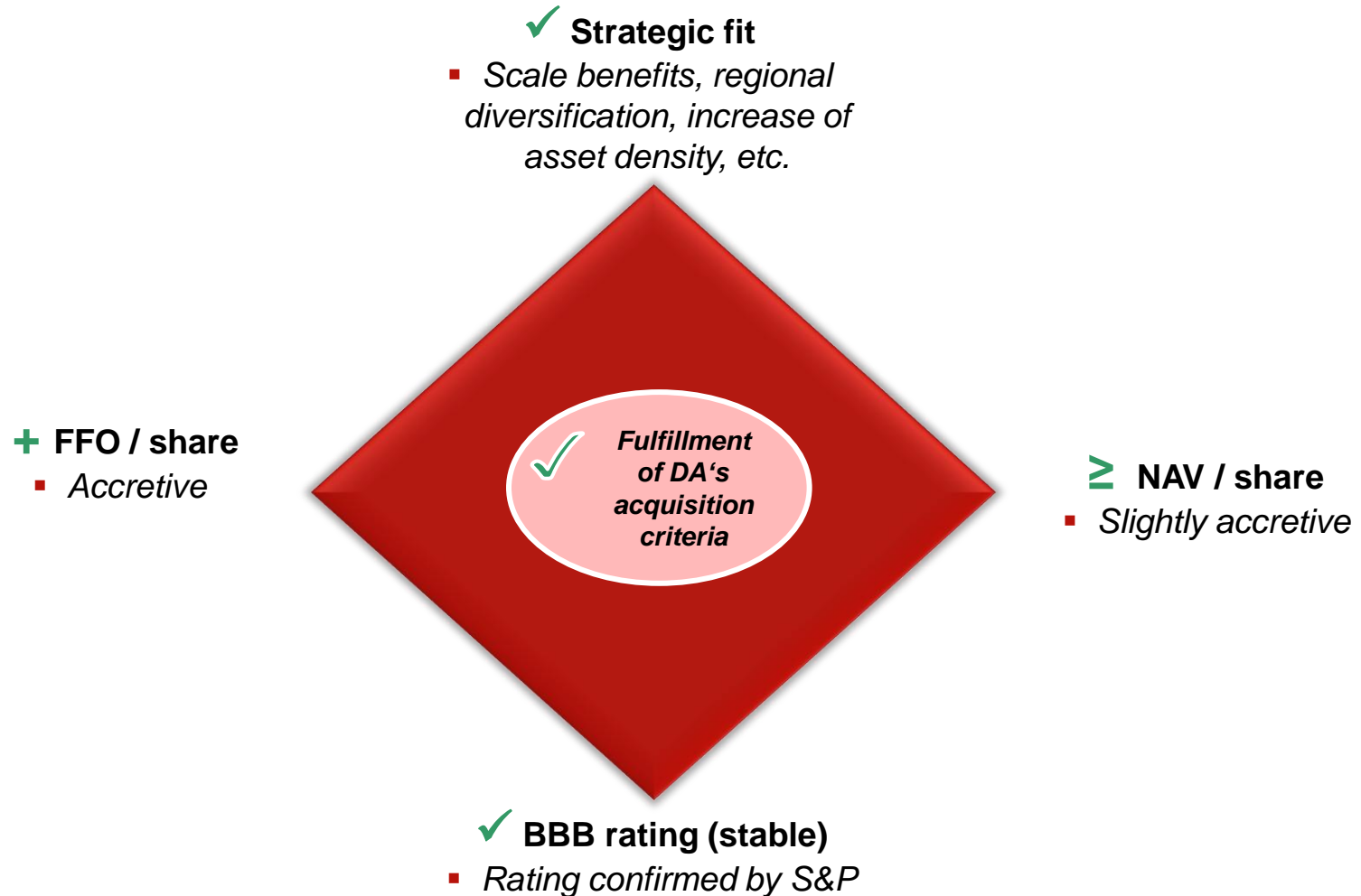


- There is a continuing flow of attractive portfolios
- As the largest residential real estate company in Germany operating throughout the country and due to increased financial flexibility, we have strengthened our market position significantly and are able to bid for every attractive portfolio
- However 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 fulfill all of Deutsche Annington's acquisition criteria

## Acquisition criteria





# 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

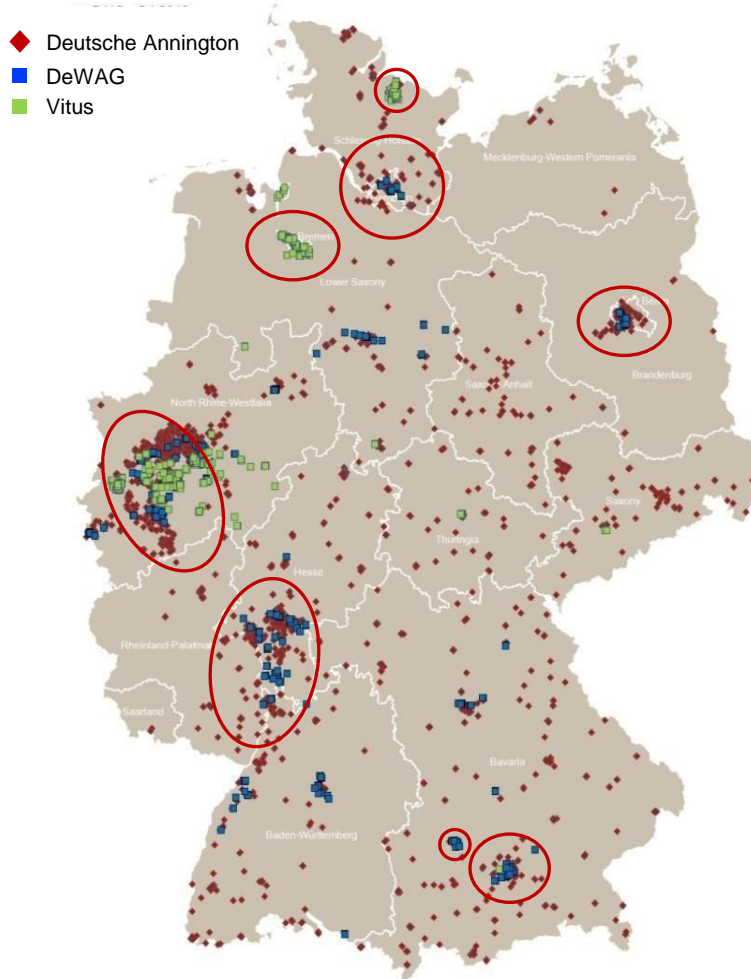
1) As of 31.12.2013

- 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

Acquisition strategy

## 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

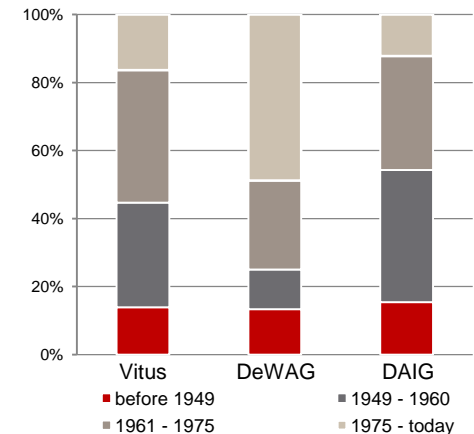
#### Vitus

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

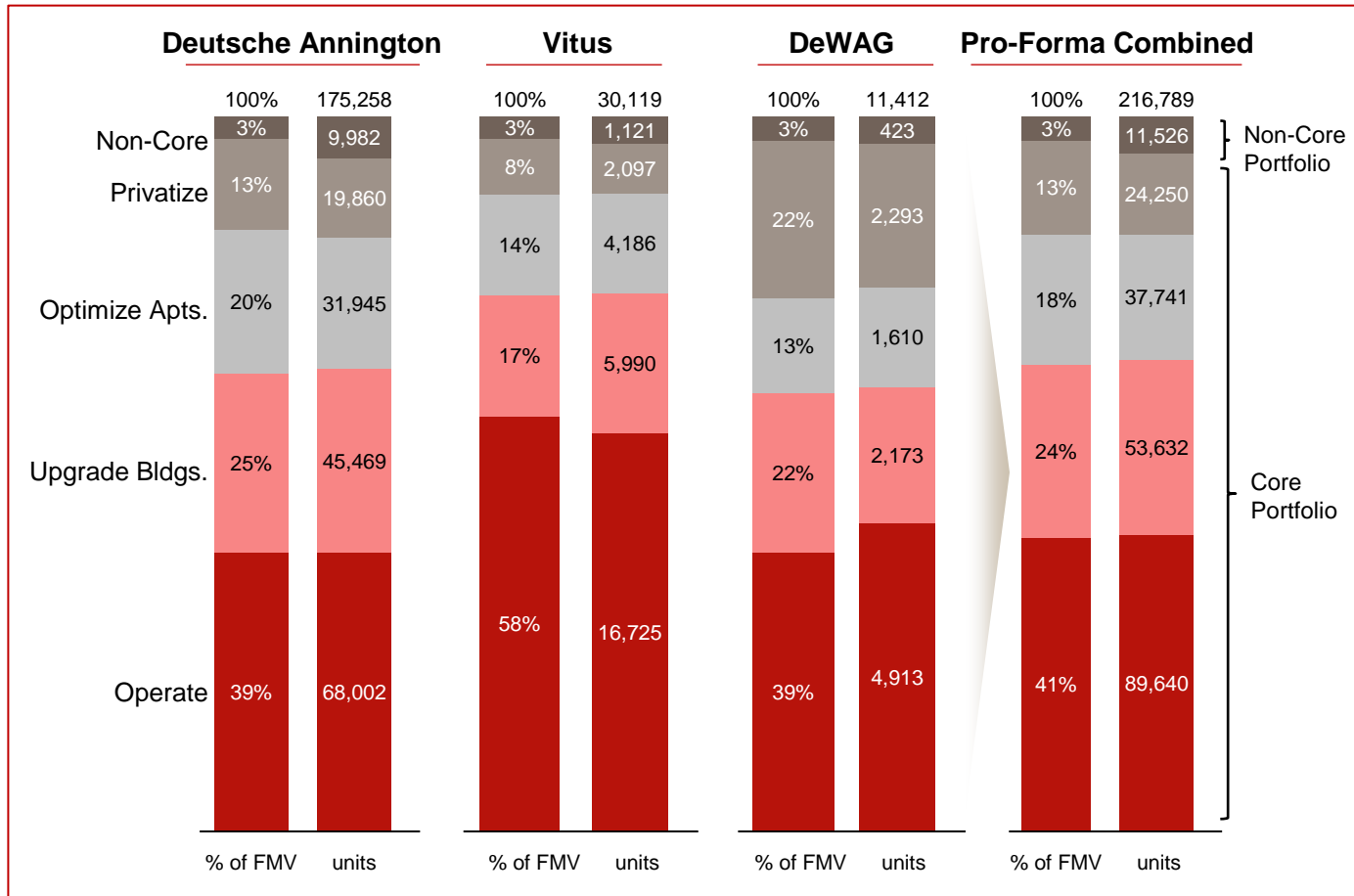
# New assets offering compelling upside potential: Modernisation +13,396 units, privatization +4,390 units

## 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

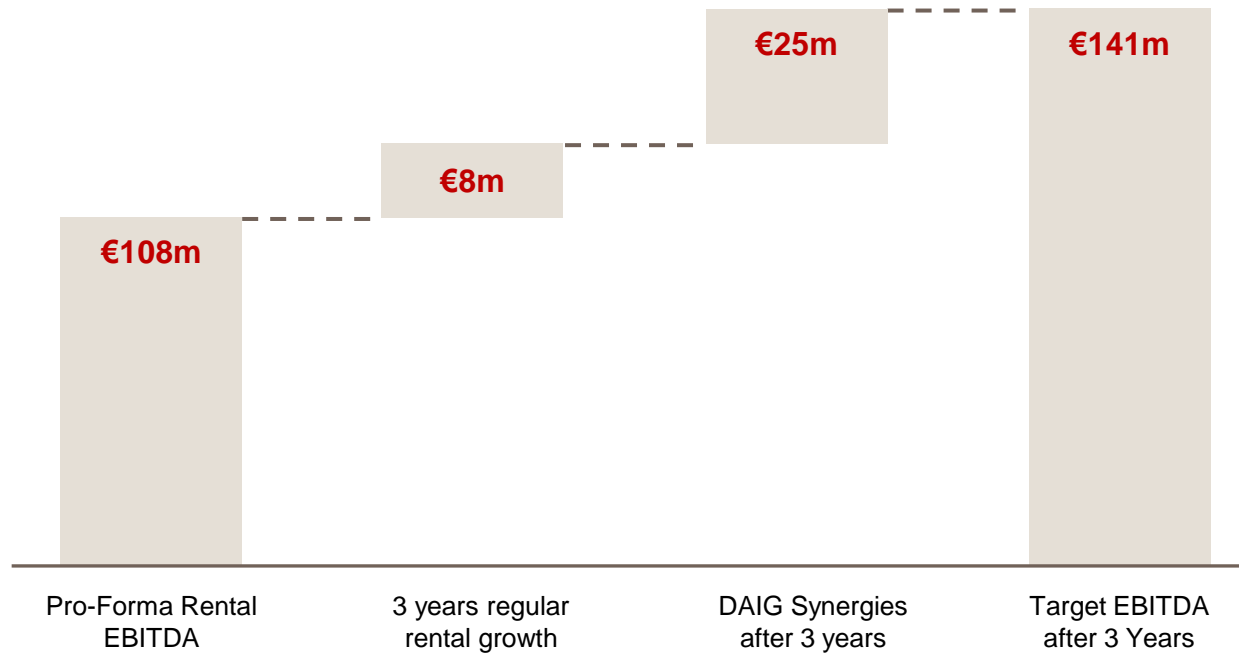


# Significant synergy potential with Deutsche Annington management and ownership

<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		
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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**

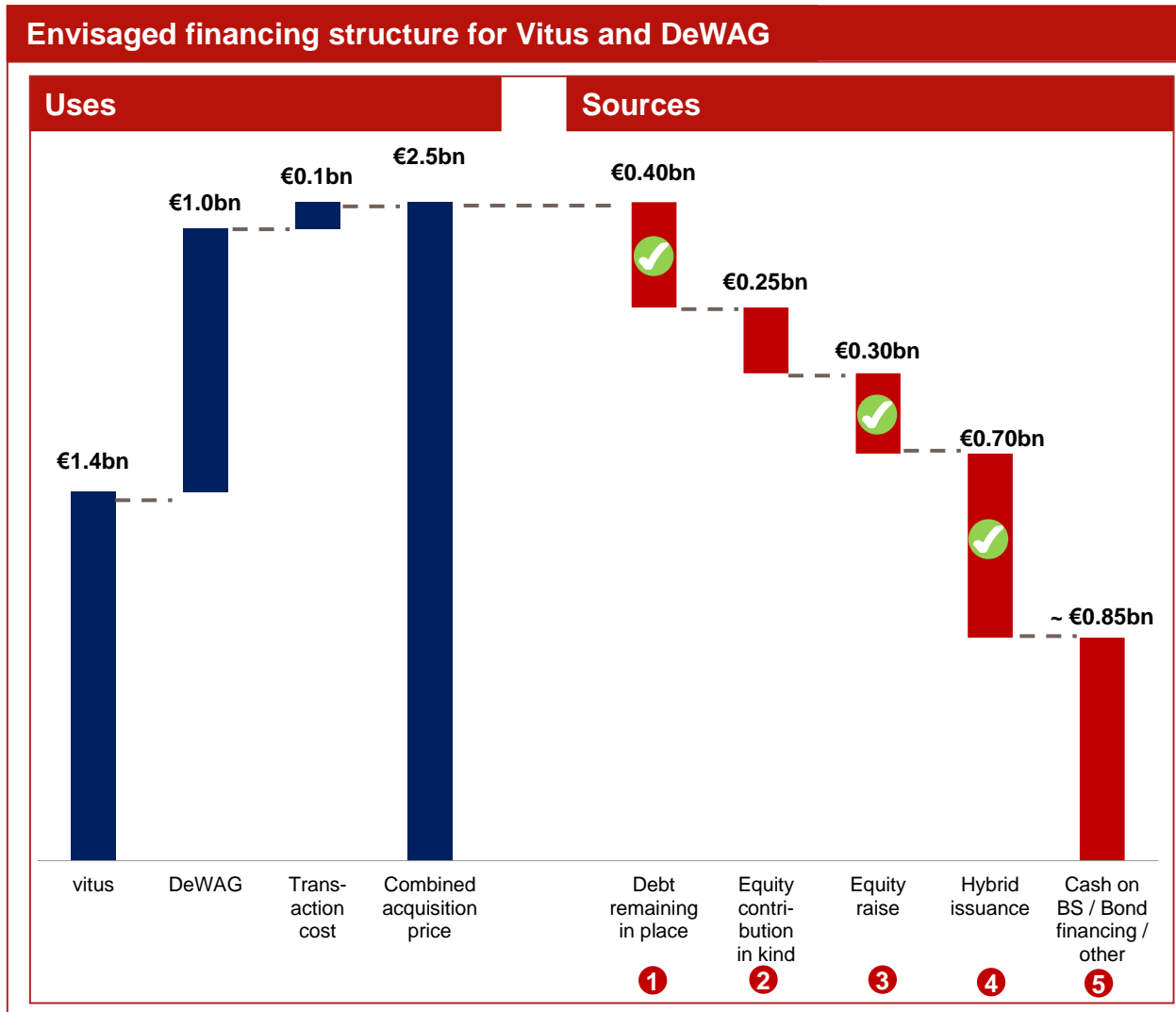
Note: excluding any sales activities

# Integration of Vitus & DeWAG completed until year end

	2014				2015	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>DeWAG</b>						
1. Signing	1 ✓					
2. Closing		2 ✓				
3. Integration of Finance / Accounting			3			
4. Integration of real estate administrative and technical processes				4		
5. Finalisation and transfer of former periods PTU billing					5	
<b>Vitus</b>						
1. Signing	1 ✓					
2. Closing				2		
3. Integration of Finance / Accounting					3	
4. Integration of real estate administrative and technical processes					4	
5. Finalization and transfer of former periods PTU billing						5

# Important milestones of funding already achieved

Acquisition strategy

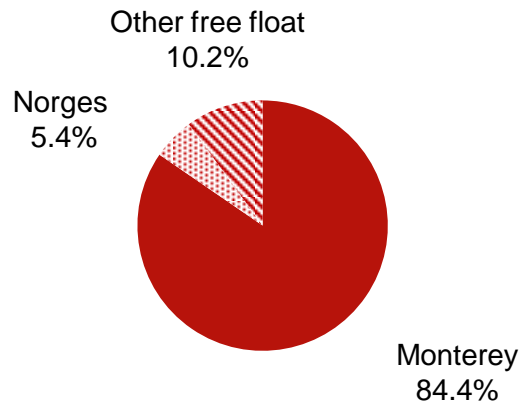


### Comments on financing

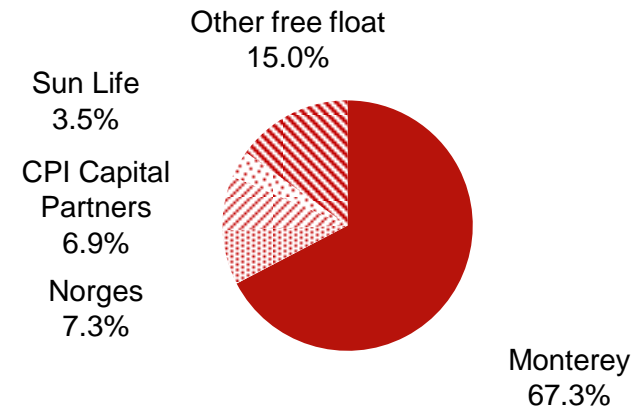
- 1 € 400m Debt remaining in place – mainly subsidised loans or low-interest bearing debt.
- 2 11.8m shares in kind will be issued to Vitus shareholders at closing. Value consideration is DAIGs NAV at YE 2013 – € 21.33
- 3 Equity markets approached to raise primary capital under Deutsche Annington's authorised share capital at March 2013. 16m shares issued at € 19.00.
- 4 Issuance of hybrid bond, allowing for 50% equity credit, thereby strengthening the combined capital ratios issued at April 2014. For details see appendix.
- 5 Cash / bond financing: Residual amount to be raised from cash or via bond market in line with Deutsche Annington's strategy of evenly spreading its maturity profile and/or asset disposals

# Updated shareholder structure after successful capital increase and secondary placement

Shareholder structure as of December 2013



Shareholder structure as of today



- On March 5<sup>th</sup>, 2014, DAIG issued 16.0m new shares via an accelerated book building („ABB“) at EUR19.00 per share, a discount of 4.6% to prior days closing
  - New total number of Deutsche Annington shares outstanding reached 240.2m
  - At the same time, Monterey and CPI Capital Partners split off their shareholder agreement. CPI received 27.6m shares and offered 11.0m of these shares to be placed as secondary
- Hence, the free float has more than doubled from 15.6% to 32.7%.



# Appendix

# Q1 2014 key figures confirm positive development

## Key Figures

in €m	Q1 2014	Q1 2013	Change in %
Residential Units k	174.3	180.3	-3.3%
Rental income	180.5	182.0	-0.8%
Vacancy rate %	3.7%	4.0%	-0.3pp
Monthly in-place rent €/sqm	5.44	5.34	1.9%
Adjusted EBITDA Rental	109.5	109.3	0.2%
Adj. EBITDA Rental / unit in €	626	603	3.8%
Income from disposal of properties	60.2	102.7	-41.4%
Adjusted EBITDA Sales	9.2	11.6	-20.7%
Adjusted EBITDA	118.7	120.9	-1.8%
FFO 1	61.9	49.3	25.6%
FFO 2	71.1	60.9	16.7%
FFO 1 ex maintenance	95.9	83.6	14.7%
AFFO	56.6	45.4	24.7%
Fair market value properties <sup>3</sup>	10,324.6	10,326.7	0.0%
NAV <sup>3</sup>	5,118.8	4,782.2	7.0%
LTV, in % <sup>3</sup>	46.2%	50.2%	-4.0pp
FFO 1 / share in € <sup>1.3</sup>	0.26	0.25	4.5%
NAV / share in € <sup>1.2.3</sup>	21.31	21.33	-0.1%

1) Based on the shares qualifying for a dividend on the reporting date Mar 31, 2014: 240,242,425 and Mar. 31, 2013: 200,000,000

2) NAV / share Q1 2014 vs YE 2013, based on the shares qualifying for a dividend on the reporting date Mar 31, 2014: 240,242,425 and Dec 31, 2013: 224,242,425

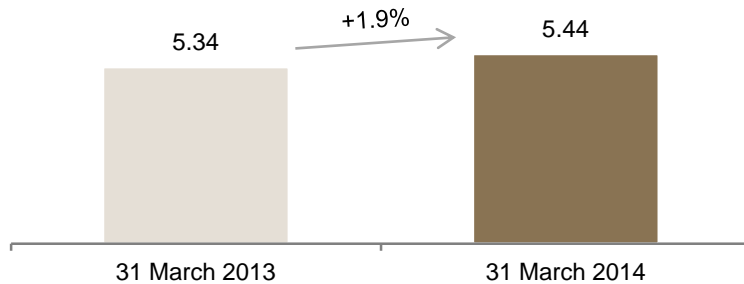
3) Q1 2014 vs YE 2013

# Positive performance continuing

## Operational results are backing our 2014 guidance

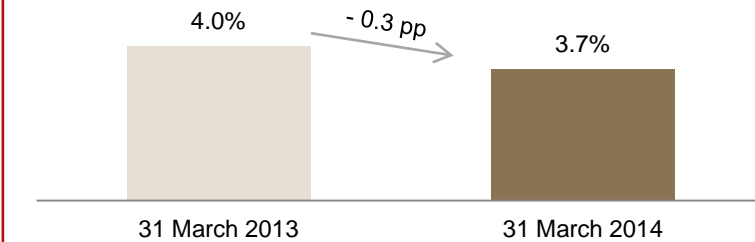
### Residential in-place rent (like-for-like in €/sqm)

Total Portfolio



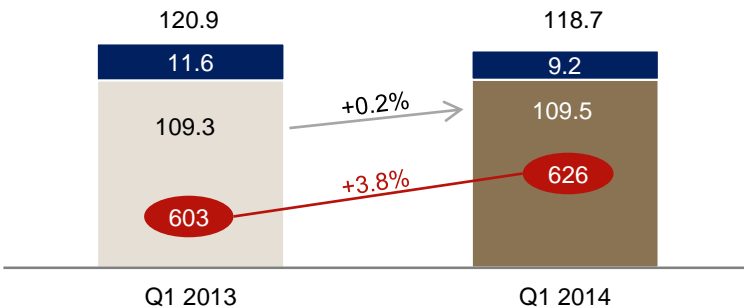
### Vacancy rate

Total Portfolio



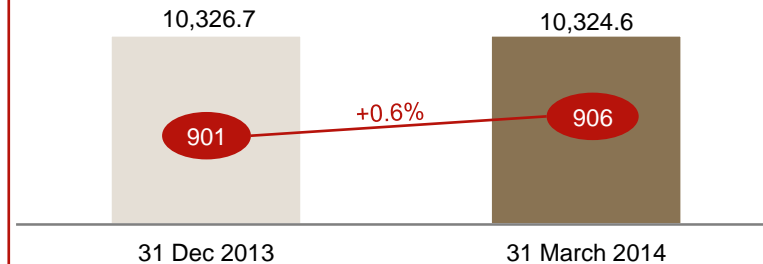
### Adjusted EBITDA (€m)

Adj. EBITDA Rental (light grey), Adj. EBITDA (dark blue), Adj. EBITDA Rental/unit <sup>1</sup>(€) (red oval)



### Fair value (€m)

Fair value per sqm (€) (red oval)

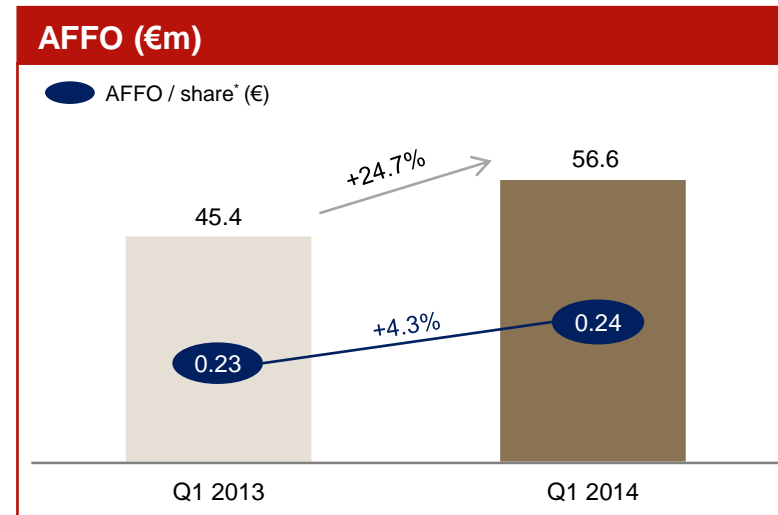
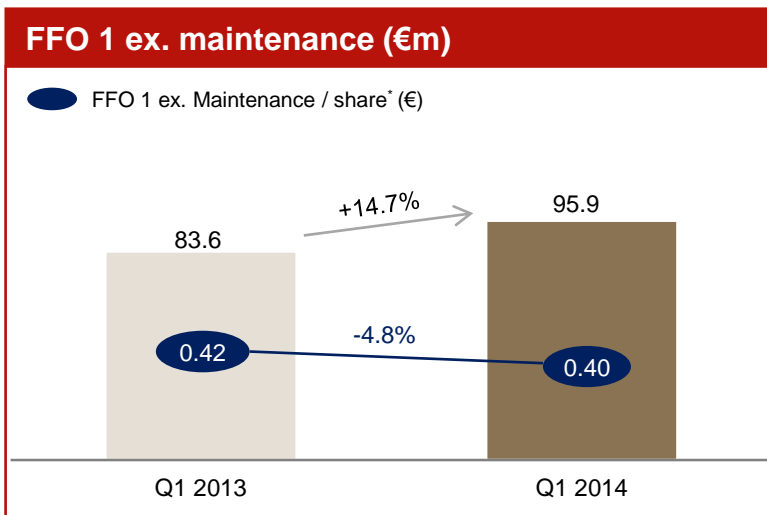
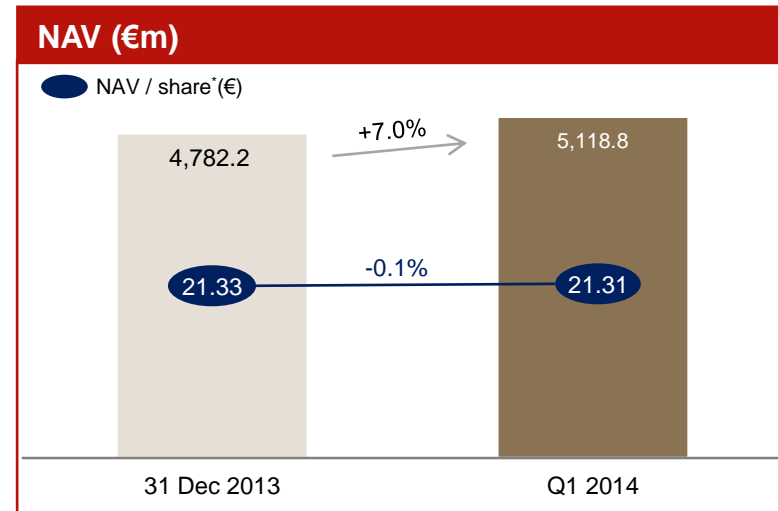
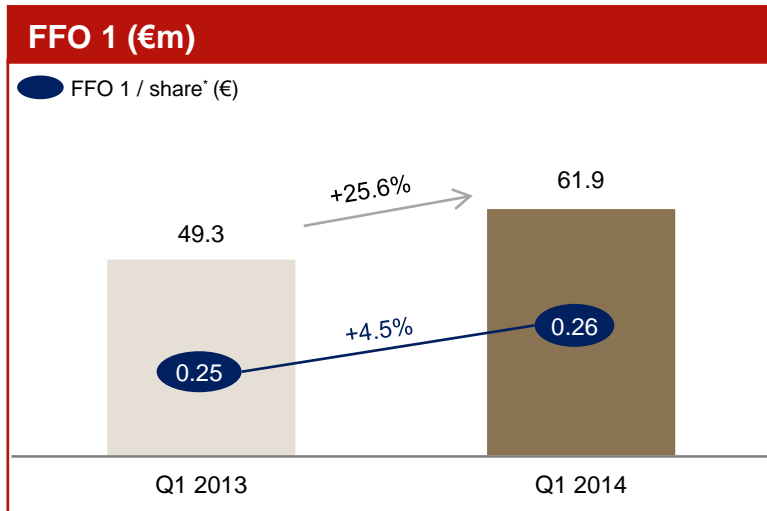


1) Based on average number of units over the period

# Positive performance continuing

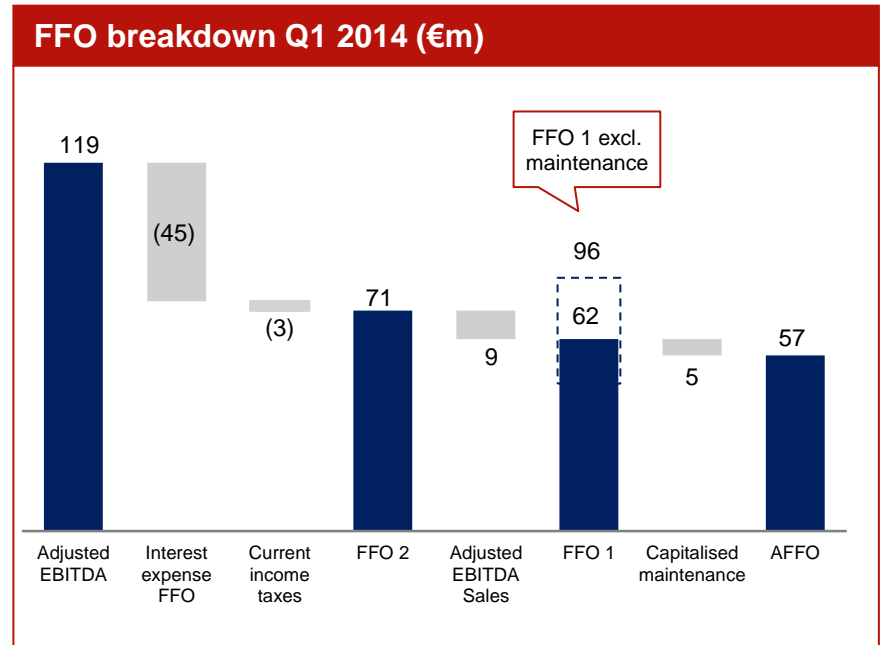
## Per share KPIs diluted by capital increase in March\*

\*Based on number of shares as of 31 March 2013 (200 m) and 31 March 2014 (240,2 m)



# FFO by all definitions significantly exceeding previous year

FFO evolution (€m)	Q1 2014	Q1 2013
(€m)	Q1 2014	Q1 2013
<b>Adjusted EBITDA</b>	<b>118.7</b>	<b>120.9</b>
(-) Interest expense FFO	-44.7	-56.6
(-) Current income taxes	-2.9	-3.4
<b>(=) FFO 2</b>	<b>71.1</b>	<b>60.9</b>
(-) Adjusted EBITDA Sales	-9.2	-11.6
<b>(=) FFO 1</b>	<b>61.9</b>	<b>49.3</b>
(-) Capitalised maintenance	-5.3	-3.9
<b>(=) AFFO</b>	<b>56.6</b>	<b>45.4</b>
(+) Capitalised maintenance	5.3	3.9
<b>(+) Expenses for maintenance</b>	<b>34.0</b>	<b>34.3</b>
<b>(=) FFO 1 (excl. maintenance)</b>	<b>95.9</b>	<b>83.6</b>

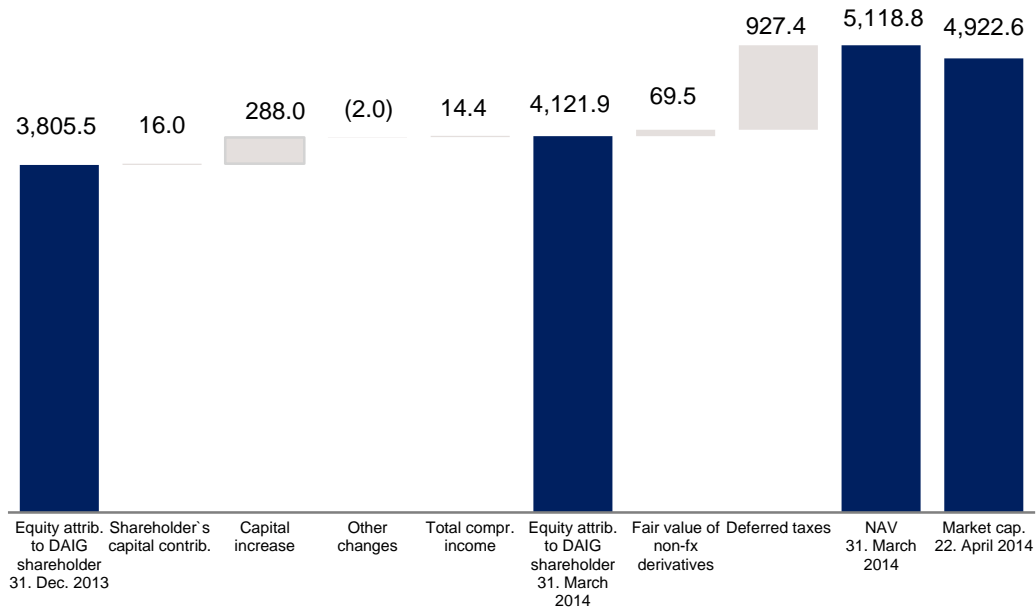


## Comments

- All FFOs with significant positive development
- Main driver is a significantly lower interest expense from the new financing strategy being fully in place now
- Adjusted EBITDA slightly lower due to reduced sales volume, Adjusted EBITDA Rental flat despite reduced portfolio

# NAV rising due to profitable growth and capital increase

## NAV-bridge to March 31<sup>st</sup> 2014 (€m)



## Comments

- Main impact of NAV growth derives from capital increase on March 5<sup>th</sup>, 2014
- Total comprehensive income includes Q1 valuation impact
- Other changes include the costs for the capital increase

# Q1 2014 – Adjusted EBITDA Rental flat despite sales

## Bridge to Adjusted EBITDA

(€m)	Q1 2014	Q1 2013
<b>Profit for the period</b>	<b>38.3</b>	<b>387.5</b>
Interest expenses / income	58.4	70.7
Income taxes	18.9	170.1
Depreciation	1.6	1.5
Net income from fair value adjustments of investment properties	-19.8	-514.5
<b>EBITDA IFRS</b>	<b>97.4</b>	<b>115.3</b>
Non-recurring items	20.8	3.8
Period adjustments	0.5	1.8
<b>Adjusted EBITDA</b>	<b>118.7</b>	<b>120.9</b>
<b>Adjusted EBITDA Rental</b>	<b>109.5</b>	<b>109.3</b>
<b>Adjusted EBITDA Sales</b>	<b>9.2</b>	<b>11.6</b>

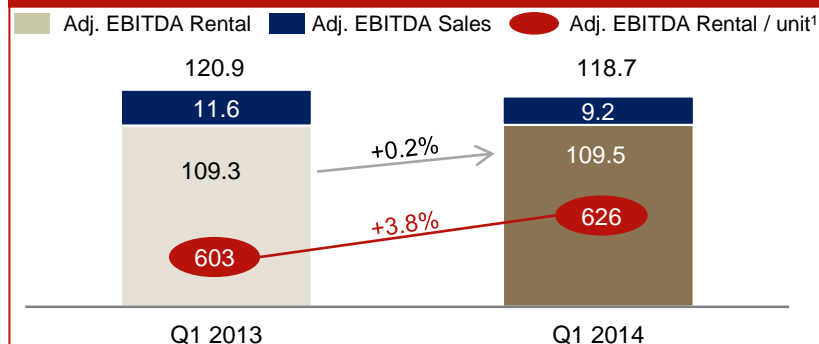
## Rental segment

(€m)	Q1 2014	Q1 2013
<i>Number of units end of period</i>	174,327	180,292
<b>Rental Income</b>	<b>180.5</b>	<b>182.0</b>
Maintenance	-34.0	-34.3
Operating costs	-37.0	-38.4
<b>Adjusted EBITDA Rental</b>	<b>109.5</b>	<b>109.3</b>

## Sales segment

(€m)	Q1 2014	Q1 2013
<i>Number of units sold</i>	926	1,765
<b>Income from disposal of properties</b>	<b>60.2</b>	<b>102.7</b>
Carrying amount of properties sold	-54.2	-95.5
Revaluation of assets held for sale	6.1	5.5
<b>Profit on disposal of properties (IFRS)</b>	<b>12.1</b>	<b>12.7</b>
Operating costs	-3.4	-2.9
Period adjustments	0.5	1.8
<b>Adjusted EBITDA Sales</b>	<b>9.2</b>	<b>11.6</b>

## Evolution of Adjusted EBITDA (€m)



- Adjusted EBITDA Rental flat despite reduced portfolio as slight top-line decrease is compensated by operating cost reductions
- Adjusted EBITDA Rental per unit improved by 3.8% to € 626 per unit
- Adjusted EBITDA Sales decreased due to reduced sales volumes, while step-ups improved significantly especially in the privatisation segment
- Non-recurring items reflect costs related to our recent acquisition activities

1) Based on average number of units over the period

# Q1 2014 – P&L development

## P&L

(€m)	Q1 2014	Q1 2013	Change	
			(€m)	%
<b>Revenues from property letting</b>	<b>260.7</b>	<b>261.7</b>	<b>-1.0</b>	<b>-0.4</b>
<b>Rental income</b>	<b>180.5</b>	<b>182.0</b>	<b>-1.5</b>	<b>-0.8</b>
<b>Ancillary costs</b>	<b>80.2</b>	<b>79.7</b>	<b>0.5</b>	<b>0.6</b>
Other income from property management	4.5	4.3	0.2	4.7
<b>Income from property management</b>	<b>265.2</b>	<b>266.0</b>	<b>-0.8</b>	<b>-0.3</b>
<b>Income from sale of properties</b>	<b>60.2</b>	<b>102.7</b>	<b>-42.5</b>	<b>-41.4</b>
Carrying amount of properties sold	-54.2	-95.5	41.3	-43.2
Revaluation of assets held for sale	6.1	5.5	0.6	10.9
<b>Profit on disposal of properties</b>	<b>12.1</b>	<b>12.7</b>	<b>-0.6</b>	<b>-4.7</b>
Net income from fair value adjustments of investment properties	19.8	514.5	-494.7	-96.2
Capitalised internal modernisation expenses	13.5	4.3	9.2	214.0
<b>Cost of materials</b>	<b>-119.3</b>	<b>-121.1</b>	<b>1.8</b>	<b>-1.5</b>
Expenses for ancillary costs	-79.5	-80.1	0.6	-3.8
Expenses for maintenance	-26.3	-27.4	1.1	-4.0
Other costs of purchased goods and services	-13.5	-13.6	0.1	-0.7
<b>Personnel expenses</b>	<b>-44.1</b>	<b>-35.1</b>	<b>-9.0</b>	<b>33.7</b>
Depreciation and amortisation	-1.6	-1.5	-0.1	6.7
Other operating income	9.8	9.7	0.1	1.0
Other operating expenses	-39.8	-21.2	-18.6	87.7
Financial income	1.4	3.1	-1.7	-54.8
Financial expenses	-59.8	-73.8	14.0	-19.0
<b>Profit before tax</b>	<b>57.2</b>	<b>557.6</b>	<b>-500.4</b>	<b>-89.7</b>
<b>Income tax</b>	<b>-18.9</b>	<b>-170.1</b>	<b>151.2</b>	<b>-88.9</b>
Current income tax	-2.9	-3.4	0.5	-14.7
Others (incl. deferred tax)	-16.0	-166.7	150.7	-90.4
<b>Profit for the period</b>	<b>38.3</b>	<b>387.5</b>	<b>-349.2</b>	<b>-90.1</b>

## Comments

- Nearly stable rental income despite sales-related reduction of portfolio size from 180k to 174k
- Offset by higher average residential in place rent per square meter per month (5.44) and lower vacancy rate (3.7%)

- Decrease due to reduced sales volumes, while step-ups improved significantly especially in the privatisation segment

- Increasing contribution of internal craftsmen organisation TGS to maintenance and modernisation work

- Ramp-up of personnel from 2,516 to 3,073 employees leads to increased personnel expenses which primarily result from insourcing of craftsmen



# Q1 2014 – P&L development (cont'd)

## P&L

(€m)	Q1 2014	Q1 2013	Change	
			(€m)	%
<b>Revenues from property letting</b>	<b>260.7</b>	<b>261.7</b>	<b>-1.0</b>	<b>-0.4</b>
<b>Rental income</b>	<b>180.5</b>	<b>182.0</b>	<b>-1.5</b>	<b>-0.8</b>
<b>Ancillary costs</b>	<b>80.2</b>	<b>79.7</b>	<b>0.5</b>	<b>0.6</b>
Other income from property management	4.5	4.3	0.2	4.7
<b>Income from property management</b>	<b>265.2</b>	<b>266.0</b>	<b>-0.8</b>	<b>-0.3</b>
<b>Income from sale of properties</b>	<b>60.2</b>	<b>102.7</b>	<b>-42.5</b>	<b>-41.4</b>
Carrying amount of properties sold	-54.2	-95.5	41.3	-43.2
Revaluation of assets held for sale	6.1	5.5	0.6	10.9
<b>Profit on disposal of properties</b>	<b>12.1</b>	<b>12.7</b>	<b>-0.6</b>	<b>-4.7</b>
Net income from fair value adjustments of investment properties	19.8	514.5	-494.7	-96.2
Capitalised internal modernisation expenses	13.5	4.3	9.2	214.0
<b>Cost of materials</b>	<b>-119.3</b>	<b>-121.1</b>	<b>1.8</b>	<b>-1.5</b>
Expenses for ancillary costs	-79.5	-80.1	0.6	-3.8
Expenses for maintenance	-26.3	-27.4	1.1	-4.0
Other costs of purchased goods and services	-13.5	-13.6	0.1	-0.7
<b>Personnel expenses</b>	<b>-44.1</b>	<b>-35.1</b>	<b>-9.0</b>	<b>33.7</b>
Depreciation and amortisation	-1.6	-1.5	-0.1	6.7
Other operating income	9.8	9.7	0.1	1.0
Other operating expenses	-39.8	-21.2	-18.6	87.7
Financial income	1.4	3.1	-1.7	-54.8
Financial expenses	-59.8	-73.8	14.0	-19.0
<b>Profit before tax</b>	<b>57.2</b>	<b>557.6</b>	<b>-500.4</b>	<b>-89.7</b>
<b>Income tax</b>	<b>-18.9</b>	<b>-170.1</b>	<b>151.2</b>	<b>-88.9</b>
Current income tax	-2.9	-3.4	0.5	-14.7
Others (incl. deferred tax)	-16.0	-166.7	150.7	-90.4
<b>Profit for the period</b>	<b>38.3</b>	<b>387.5</b>	<b>-349.2</b>	<b>-90.1</b>

## Comments

- Increase mainly driven by acquisition costs shown as non-recurring items in the management accounts

- Lower prepayment penalties and commitment fees due to successful restructuring of financial debt positions in previous year

- Lower net debt and reduced FFO interest expense as result of improved financing structure

- Driven by valuation uplift of investment properties in the previous year

# Overview of DA's modernisation and maintenance split

Maintenance and modernisation Q1 2014 (€m)			Comments
	Q1 2014	Q1 2013	
Maintenance expenses	34.0	34.3	<ul style="list-style-type: none"> <li>▪ Clear increase reflects successful take-off of investment programme: energy efficiency projects in 2500 units &amp; senior living projects in 700 units started</li> <li>▪ Last year impacted by unfavourable weather conditions and the availability of subsidised debt for funding (KfW means)</li> </ul>
Capitalised maintenance	5.6	3.9	
Modernisation work	17.7	1.2	<ul style="list-style-type: none"> <li>▪ Revenues of in-house craftsmen organisation increased significantly due to successful TGS implementation</li> </ul>
<b>Total cost of modernisation and maintenance work</b>	<b>57.3</b>	<b>39.4</b>	
Thereof sales of own craftsmen's organisation	37.4	26.5	
Thereof bought-in services	19.9	12.9	<ul style="list-style-type: none"> <li>▪ Increase mainly due to energetic modernisation</li> </ul>
Modernisation and maintenance / sqm [€]	5.1	3.4	

# Q1 2014 – Balance sheet evolution

## Overview

(€m)	Mar. 31, 2014	Dec. 31, 2013
Investment properties	10,268.0	10,266.4
Other non-current assets	87.3	86.2
<b>Total non-current assets</b>	<b>10,355.3</b>	<b>10,352.6</b>
Cash and cash equivalents	847.5	547.8
Other current assets	145.0	192.4
<b>Total current assets</b>	<b>992.5</b>	<b>740.2</b>
<b>Total assets</b>	<b>11,347.8</b>	<b>11,092.8</b>
Total equity attributable to DA shareholders	4,121.9	3,805.5
Non-controlling interests	13.9	12.5
<b>Total equity</b>	<b>4,135.8</b>	<b>3,818.0</b>
Other financial liabilities	5,471.7	5,553.0
Deferred tax liabilities	930.4	925.0
Provisions for pensions and similar obligations	301.9	291.0
Other non-current liabilities	64.0	61.7
<b>Total non-current liabilities</b>	<b>6,768.0</b>	<b>6,830.7</b>
Other financial liabilities	211.9	212.1
Other current liabilities	232.1	232.0
<b>Total current liabilities</b>	<b>444.0</b>	<b>444.1</b>
<b>Total liabilities</b>	<b>7,212.0</b>	<b>7,274.8</b>
<b>Total equity and liabilities</b>	<b>11,347.8</b>	<b>11,092.8</b>

## Comments

▪ Net cash inflows due to the capital increase of €301m

▪ Rise driven by the proceeds from capital increase and profits for the period of €37m

▪ Net repayments of financial liabilities amounting to €114 m

# Rent increase on track, vacancy yoy slightly decreased

<b>DA Residential Portfolio</b>								
<b>March 31, 2014</b>								
	<b>Units</b>		<b>Area</b>	<b>Vacancy</b>	<b>In-Place Rent</b>		<b>Rent I-f-I</b>	<b>Vacancy</b>
<b>Portfolio Segment</b>	<b>#</b>	<b>%</b>	<b>(`000 sqm)</b>	<b>%</b>	<b>€m (annualised)</b>	<b>€/sqm</b>	<b>Y-o-Y in %</b>	<b>Y-o-Y in %</b>
Operate	68,000	39.0	4,297	3.2	275.2	5.52	1.7	(0.4)
Upgrade	45,469	26.1	2,870	2.9	179.0	5.36	2.0	0.4
Optimise	31,944	18.3	2,028	3.1	137.4	5.83	2.8	0.9
<b>RENTAL ONLY</b>	<b>145,413</b>	<b>83.4</b>	<b>9,195</b>	<b>3.1</b>	<b>591.6</b>	<b>5.54</b>	<b>2.2</b>	<b>0.1</b>
Privatise	19,319	11.1	1,321	4.8	80.3	5.31	1.6	(0.7)
Non-Core	9,595	5.5	602	11.0	27.0	4.21	0.9	(1.6)
<b>TOTAL</b>	<b>174,327</b>	<b>100</b>	<b>11,119</b>	<b>3.7</b>	<b>699.0</b>	<b>5.44</b>	<b>1.9</b>	<b>(0.3)</b>

Note: Rounding errors may occur

## 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% (4.580%)*	2 Oct 2023	BBB
<b>8 years 3.625% EMTN</b>	€500m	99.843%	3.625%	8 Oct 2021	BBB
<b>60 years 4,625% Hybrid</b>	€700m	99.782%	4.625%	8 Apr 2074	BB+

\*EUR-equivalent re-offer yield

# Hybrid structure

	Overview of the key features
<b>Issuer</b>	<ul style="list-style-type: none"> <li>Deutsche Annington Finance BV</li> </ul>
<b>Guarantor</b>	<ul style="list-style-type: none"> <li>Deutsche Annington Immobilien SE</li> </ul>
<b>Instrument</b>	<ul style="list-style-type: none"> <li>€ 700mm Subordinated Notes subject to Interest Rate Reset with a First Call Date 2019, due 2074 (the "Notes")</li> </ul>
<b>Maturity</b>	<ul style="list-style-type: none"> <li>60 years (2074)</li> </ul>
<b>Issue Price</b>	<ul style="list-style-type: none"> <li>99.782%</li> </ul>
<b>Issue Ratings</b>	<ul style="list-style-type: none"> <li>BB+ from Standard &amp; Poor's (2 notches below issuer's senior rating)</li> </ul>
<b>Equity Credit</b>	<ul style="list-style-type: none"> <li>50% equity credit, reduced to 0% at the First Call Date from Standard &amp; Poor's</li> </ul>
<b>Accounting</b>	<ul style="list-style-type: none"> <li>Debt accounting under IFRS</li> </ul>
<b>Issuer's Call Options</b>	<ul style="list-style-type: none"> <li>Redeemable at Par on 8 April 2019 (the "First Call Date"), and every 5 years thereafter</li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>Deeply subordinated, senior only to the Issuer's share capital</li> </ul>
<b>Interest</b>	<ul style="list-style-type: none"> <li>Interest will be payable annually in arrears</li> <li>Fixed rate until the First Call Date</li> <li>From (and including) the First Call Date, Interest resets every 5 years to a fixed rate based on the relevant 5-year Swap Rate plus the relevant Margin</li> </ul>
<b>Coupon</b>	<ul style="list-style-type: none"> <li>4.625%</li> </ul>
<b>Coupon Step-Up</b>	<ul style="list-style-type: none"> <li>25bps in April 2024 (the "First Step-up Date")</li> <li>Additional 75bps in April 2039 (the "Second Step-up Date")</li> <li>500bps if a Change of Control occurs and the Notes are not called</li> </ul>
<b>Early Redemption Events</b>	<ul style="list-style-type: none"> <li>Gross-up Event at Par</li> <li>Tax Deductibility Event at 101%</li> <li>Accounting Event at 101%</li> <li>Rating Event at 101%</li> <li>Repurchase Event at Par</li> <li>Change of Control at Par</li> </ul>
<b>Interest Deferral</b>	<ul style="list-style-type: none"> <li>Payment of interest may be deferred on any Interest Payment Date</li> <li>Cash cumulative and not compounding</li> <li>Outstanding Arrears of Interest may be paid at any time</li> <li>The Issuer must pay outstanding Arrears of Interest on the earliest of the following (each a "Mandatory Settlement Date"):             <ol style="list-style-type: none"> <li>Payment on Junior Obligations or Parity Obligations, of the Issuer or of the Guarantor, subject to certain exceptions</li> <li>Repurchase, redemption or acquisition of Junior Obligations or Parity Obligations, of the Issuer or of the Guarantor, subject to certain exceptions</li> <li>Redemption of the Notes</li> <li>Interest Payment Date on which a scheduled interest is paid</li> <li>Winding-up, dissolution or liquidation of the Issuer or the Guarantor</li> </ol> </li> </ul>
<b>Denominations</b>	<ul style="list-style-type: none"> <li>€100k</li> </ul>
<b>Listing</b>	<ul style="list-style-type: none"> <li>Luxembourg Stock Exchange</li> </ul>

# 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

# 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	



# IR Contact & Financial Calendar

Contact	Financial Calendar 2014	
Investor Relations	May 20-21	Management Roadshow in Paris
Deutsche Annington Immobilien SE	May 22	IR Roadshow in Düsseldorf/Cologne
Philippstraße 3	June 5	Kempen RE Conference in Amsterdam
44803 Bochum, Germany	June 12	Deutsche Bank Conference in Berlin
Tel.: +49 234 314 1609	June 18	Morgan Stanley RE Conference in London
investorrelations@deutsche-annington.com	June 24	HSBC Conference in Vienna
<a href="http://www.deutsche-annington.com">http://www.deutsche-annington.com</a>	June 26	IR Roadshow in Milano
	July 31	6M 2014 results and earnings call
	Oct 30	9M 2014 results and earnings call