

H1-2013 Results

Berlin, 15-August-2013

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Outlook



1 Operational performance well on track

- Residential in-place rent at €5.31/sqm (€5.14/sqm H1-2012)
- Residential vacancy down to 2.7% in H1-2013 (3.2% H1-2012)
- LFL rental growth 2.9% (yoy)

2 New Berlin Mietspiegel

- Leading to ca. 5.4% increase for approx. 19,000 units
- Ca. 12,000 Rent revision letters will be effective in H2-2013

3 Acquisition of approx. 2,800 units in Berlin

- Enhancing portfolio quality and structure
- €5.62/sqm avg. in-place rent
- €6.2-6.6m FFO contribution, starting 2014

4 H1-2013 key financials

- Net rental income: €91.8m (€78.9m H1-2012)
- FFO I: €42.5m (€32.6m H1-2012)
- AFFO: €35.1m (€24.6m H1-2012)
- LTV: 53.8% (53.8% 31-Dec-2012)

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Portfolio Overview & Development

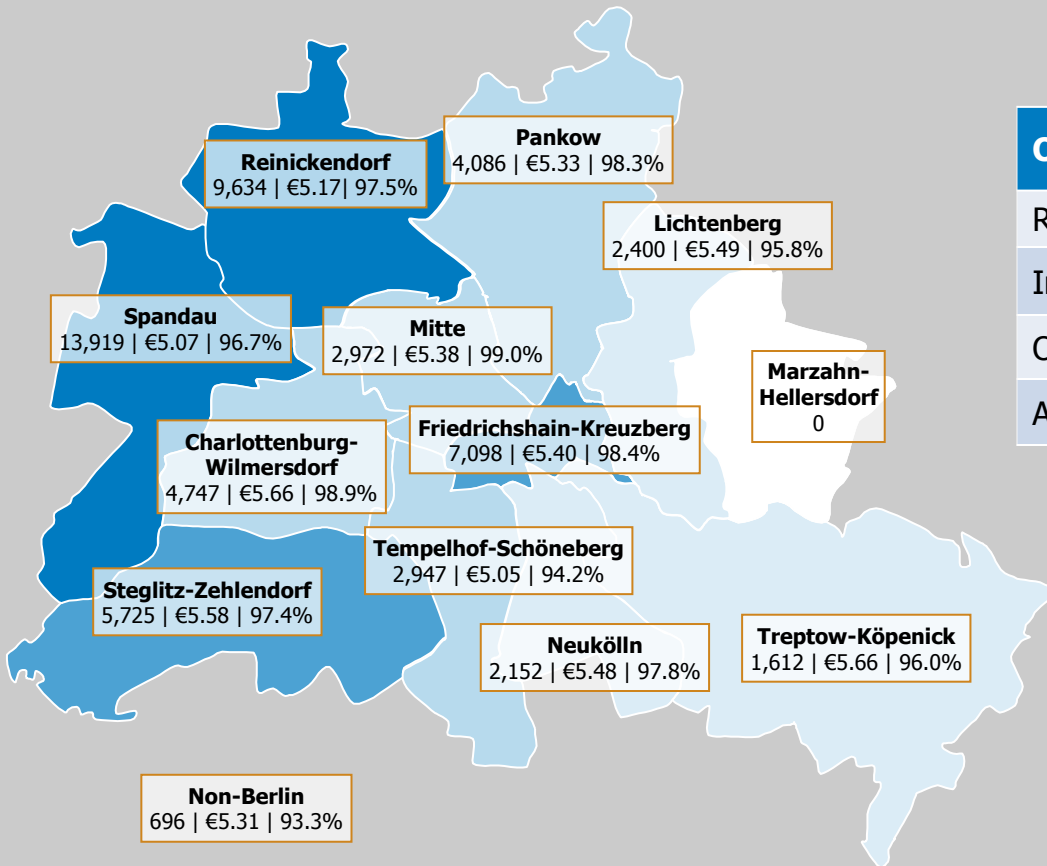
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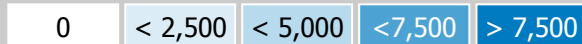
Outlook

GSW portfolio overview as of 30-June-2013



Overall portfolio	H1-2012	H1-2013
Residential units	52,313	57,988
In-place rent	€5.14/sqm	€5.31/sqm
Occupancy	96.8%	97.3%
Average Size	61.4 sqm	60.5 sqm

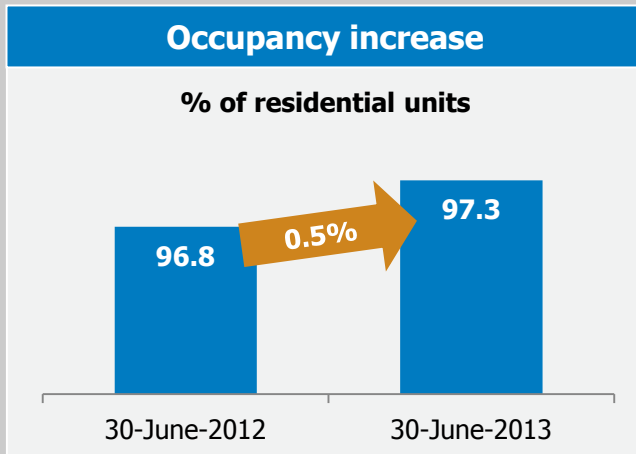
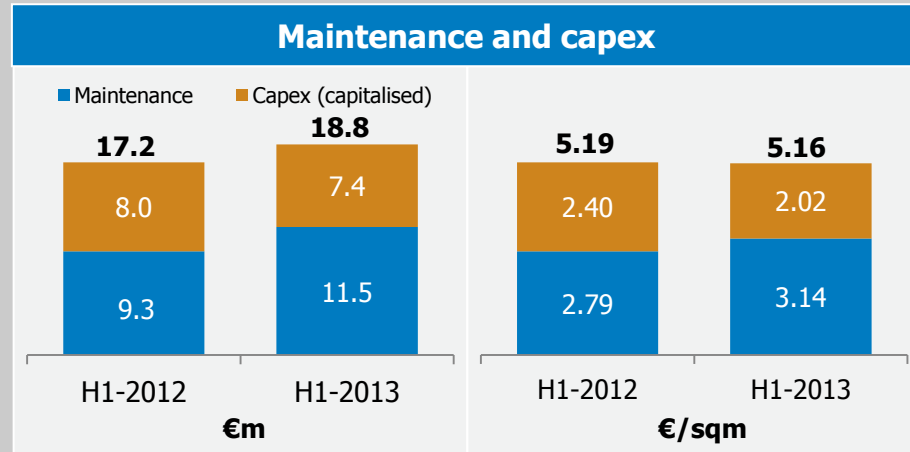
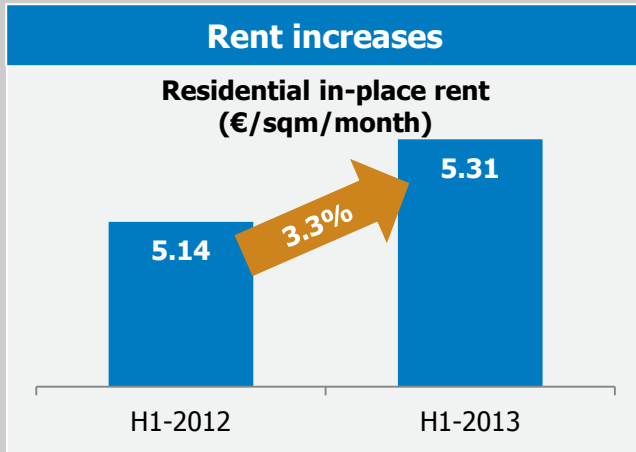
GSW Residential units



District

Residential units | Monthly IPR €/sqm | Occupancy in %

Operational highlights



- ### Operational performance
- Like-for-like rental growth 2.9% (12 M)
 - >10% spread for new leases (unrestricted portfolio)
 - High demand leads to decrease of tenant turnover towards 8% p.a.

Berlin Mietspiegel and the impact on GSW portfolio

57,988 total residential units

14,212 restricted units

43,776 unrestricted units (subject to Mietspiegel)

- ca. 24,800 currently no increase
- thereof 14,500 above Mietspiegel
 - 5,000 capped (15% in 3 years hurdle)
 - rest <3€, vacant units and other

ca. 19,000 units

= 43% of unrestricted residential units

Leading to 0.27 €/sqm rent increase (5.4%)

Privatisation & Sales

Development of Privatisation and Sales activities

- 386 units from privatisation stock and 510 units sold via block sale in H1 2013
- Block sale mainly driven by strategic portfolio clean-up in Berlin-Köpenick
- Net Margin on privatisation 11% (Gross Margin: 21%)
- Non-Berlin assets acquired in 2012 have been sold successfully in July 2013 (ca. 480 units)

Result on Disposals (€m)	H1-2012	H1-2013
No. of units sold	477	896
Investment property disposal proceeds	35.7	58.7
Carrying value of investment property disposals	(26.2)	(51.3)
Operating expenses of investment property disposed	(4.7)	(3.1)
Result on disposal of investment property	4.8	4.3

Acquisitions - Geographical overview



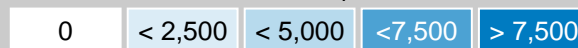
Prenzlauer Berg - Otto-Braun-Str.



Friedrichsfelde - Gensinger Str.



GSW Residential units w/o acquisition



Wedding
Nordbahnstr



Neukölln
Niemetzstr



Friedrichshain
Karl-Marx-Allee



Marienfelde -
Hildburghäuserstr.



Neukölln -
Weserstr.



Friedrichshain
Franz-Mehring-Platz

Acquisitions - Key Portfolio Facts

Key figures / Assumptions

- Purchase Price: approx. €201m = €1,176/sqm
- Multiple/Yield: 16.95x / 5.9%
- Income from Rents: approx. €11.9m p.a.
- Assumed NRI-margin: 83% – 86%
- FFO I: €6.2 - 6.6m p.a.

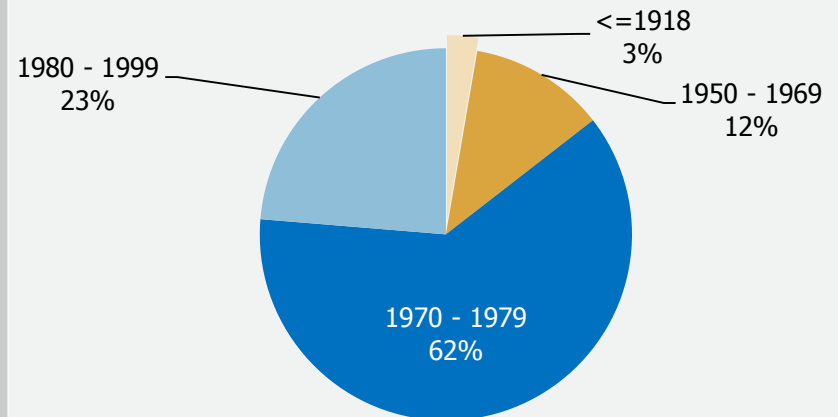
Deal overview

- Above average quality (€5.62/sqm in-place rent*)
- Attractive micro locations with very low vacancy
- Two asset deals
- No take-over of staff
- Rental impact mainly from 01-Jan-2014

District	Residential Units	Monthly IPR €/sqm*	Occupancy*
Friedrichshain-Kreuzberg	794	€5.71	99.6%
Pankow	732	€5.79	99.6%
Lichtenberg	668	€5.35	99.4%
Neukölln	346	€6.37	97.7%
Tempelhof-Schöneberg	247	€4.75	98.4%
Mitte	40	€5.79	95.0%
Total Berlin	2,827	€5.62	99.2%

*residential

Years of construction



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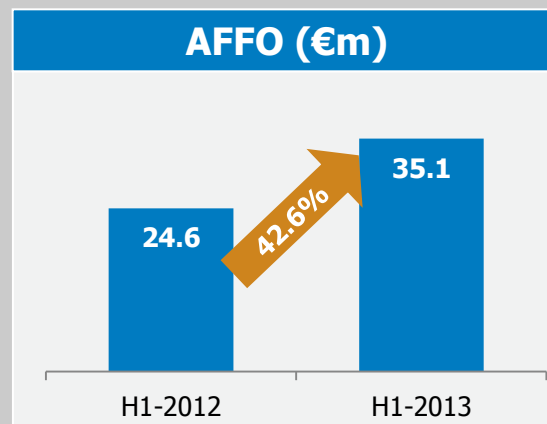
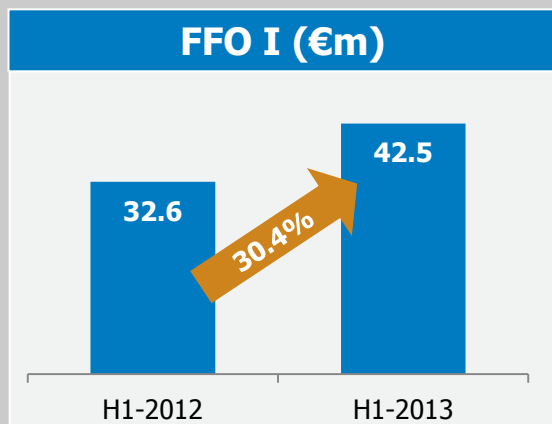
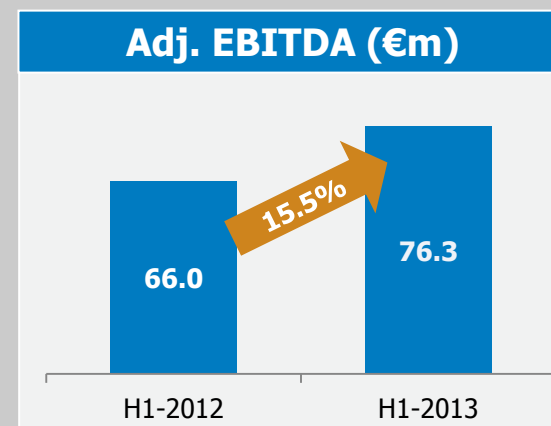
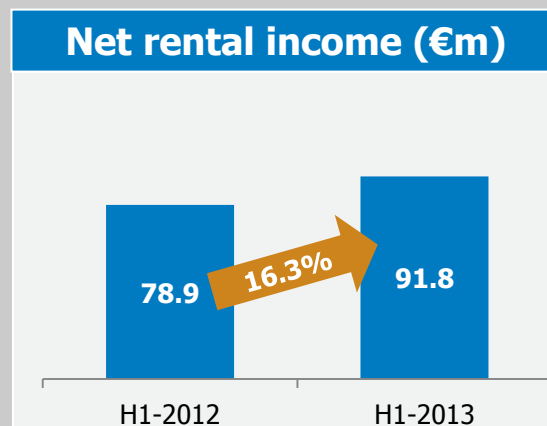
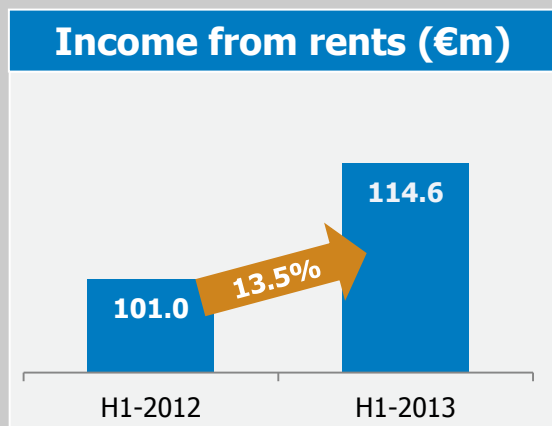
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Outlook

Overview – Operational and financial highlights



Margins (%)

	H1-2012	H1-2013
NRI	78.2	80.1
Adj. EBITDA	65.4	66.6
FFO I	32.3	37.1
AFFO	24.4	30.6

Note: FFO I = FFO excl. sales result

Net rental income

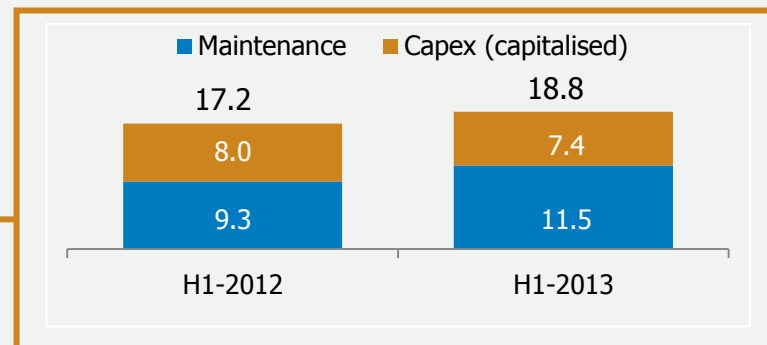
H1-2013

(€m)	H1-2012	H1-2013
Income from rents	101.0	114.6
Income from management activities and other income	5.3	2.8
Gross rental income	106.2	117.4
Income from direct government grants	4.1	3.0
Total rental income	110.3	120.4
Costs of materials ⁽¹⁾	(19.1)	(17.9)
Personnel expenses ⁽¹⁾	(9.4)	(8.0)
Other property operating expenses/income ⁽¹⁾	(2.9)	(2.7)
Net rental income	78.9	91.8

Comments

Like-for-like residential growth yoy: 2.9%; from €5.14/sqm (H1-2012) to €5.29/sqm (H1-2013)

Disposal of BWG (3rd party management) effective from Q4-2012, leading to lower income from management activities and decrease of personal expenses



Decline in costs of materials mainly due to lower opex and legal expenses as well as effects from provisions

(1) Change in accounting methodology regarding gains from the reversal of provisions. These are booked against respective expenses starting from FY 2012. Therefore H1-2012 figures have been adjusted for comparability reasons (total expenses / result remains unchanged).

Income statement

H1-2013

(€m)	H1-2012	H1-2013
Net rental income	78.9	91.8
Result on disposal of investment property	4.8	4.3
Administrative expenses	(17.4)	(19.9)
Net operating profit (EBIT)	66.3	76.1
Net results of investments	1.2	0.3
Interest result	(41.5)	(34.8)
Profit before income taxes (EBT)	26.0	41.6
Income taxes	(1.0)	0.9
Consolidated net income for the period	25.0	42.5

Comments

Mainly dividend from former subsidiary

Interest result (€m)	H1-2012	H1-2013
Interest income	12.1	15.4
Interest expenses	(53.6)	(50.2)
Interest result	(41.5)	(34.8)
Cash interest from prior year receivables	-	0.2
Less valuation effects from loans	5.1	2.3
Less valuation effects from derivatives	1.5	(6.0)
Less valuation effects from convertible bond	-	1.5
Less discounting	0.3	0.1
Less accrued interest for loans & derivatives	(0.1)	(0.8)
Less accrued interest for convertible bond	-	1.8
Less breakage fees	0.1	0.4
Cashflow net interest (normalised)	(34.5)	(35.2)

Improved interest result mainly due to non cash valuation effects of derivatives - however net cash interest increased with risen financial liabilities

Admin Expenses

H1-2013

Admin expenses adjusted (€m)	H1-2012	H1-2013
Admin expenses (total)	(17.4)	(19.9)
Thereof costs of capital increase	0.0	0.9
Thereof LTIP (paid by former shareholders)	1.6	1.1
Thereof project expenses	0.7	0.9
Thereof acquisition expenses	1.4	1.0
Admin expenses adjusted before board related costs	(13.7)	(16.0)
Thereof CEO redundancy provision	-	1.3
Thereof board related costs	-	0.4
Admin expenses adjusted after board related costs	(13.7)	(14.3)

Comments
H1-2013: Due to headquarters analysis and various other projects in terms of process and organisational optimisation
Total costs related to the board issues (CEO departure, CEO succession, supervisory board changes): €2.4-2.5m expected; thereof already €1.7m expenses occurred in H1-2013
Increase of adjusted admin expenses mainly due to higher personnel expenses (collective bargain agreement and no. of employees)

Overhead expenses / overhead margins

H1-2013

(€m)	H1-2012	H1-2013
Administrative expenses (adjusted)	(13.7)	(14.3)
Thereof Personal expenses	(6.2)	(6.8)
Thereof G&A	(7.5)	(7.6)

Cost Ratio (of income from rents)	H1-2012	H1-2013
Income from rents (€m)	101.0	114.6
Thereof administrative expenses (adjusted)	13.6%	12.5%
Thereof Personal expenses	6.1%	5.9%
Thereof G&A	7.4%	6.6%

Comments
<p>Main items in H1-2013 are:</p> <ul style="list-style-type: none"> ▪ IT & Telecom expenses (€2.1m) ▪ Headquarters lease (€1.8m) ▪ Legal & Consulting fees (€1.1m) ▪ Sponsoring (€0.5m)

Adjusted EBITDA reconciliation

H1-2013

(€m)	H1-2012	H1-2013	Comments
EBIT	66.3	76.1	
Depreciation	0.4	0.3	
EBITDA	66.7	76.4	
Costs of capital increase	0.0	0.9	
LTIP (by selling shareholders)	1.6	1.1	LTIP paid by former shareholders to management for IPO; no impact on equity value (offset on balance sheet level)
Restructuring expenses	0.1	0.0	
Project expenses	1.0	1.1	H1-2013: headquarters analysis and various other projects for process and organisational optimisation
Acquisition expenses	1.4	1.0	DD costs for various portfolios
Gains on disposal of shares in companies, associates, joint ventures, intangible assets and property, plant and equipment	(0.0)	(0.0)	
Result on disposal of investment property	(4.8)	(4.3)	
Adjusted EBITDA	66.0	76.3	

Result on disposals (€m)	H1-2012	H1-2013
Investment property disposal proceeds	35.7	58.7
Carrying value	(26.2)	(51.3)
Sales expenses	(4.7)	(3.1)
Result on disposals	4.8	4.3

896 units sold in H1-2013 (477 in H1-2012),
Net margin: 7.3%, Cash impact: €34.6m

Derivation of FFO

H1-2013

(€m)	H1-2012	H1-2013
Adjusted EBITDA	66.0	76.3
Cashflow net interest (normalised)	(34.5)	(35.2)
Net results of investments	1.2	0.3
Cashflow net taxes	(0.1)	1.2
FFO I (excl. sales result)	32.6	42.5
AFFO (FFO I less capitalised expenses for maintenance and modernisation)	24.6	35.1
FFO II (incl. sales result)	37.4	46.8

Comments						
Slight increase due to higher financial liabilities						
Annual coupon payment for convertible bond of €3.6m will occur in Q4-2013						
Taxes received (H1-2013) from prior years tax declarations						
FFO I per share⁽¹⁾: €0.84 (€0.73 in H1-2012)						
Development:						
<table border="1"> <thead> <tr> <th>2011</th> <th>2012</th> <th>2013 (guidance)</th> </tr> </thead> <tbody> <tr> <td>1.44 €ps</td> <td>1.35 €ps</td> <td>1.45-1.55 €ps</td> </tr> </tbody> </table>	2011	2012	2013 (guidance)	1.44 €ps	1.35 €ps	1.45-1.55 €ps
2011	2012	2013 (guidance)				
1.44 €ps	1.35 €ps	1.45-1.55 €ps				
AFFO per share⁽¹⁾: €0.69 (€0.55 in H1-2012)						

(1) Based on an average number of 50,526,314 shares outstanding in H1-2013 (H1-2012: 44,436,089)

Balance sheet

30-June-2013

Selected items (€m)	31-Dec-2012	30-June-2013
Non-current assets	3,324.0	3,308.6
Investment property	3,302.2	3,287.0
Other non-current assets	21.8	21.6
Current assets	245.9	219.4
Cash and cash equivalents	167.7	158.5
Receivables and other current assets	32.8	23.6
Assets held for sale	45.3	37.4
Total assets	3,569.9	3,528.1

Selected items (€m)	31-Dec-2012	30-June-2013
Shareholders' equity ⁽¹⁾	1,440.4	1,460.7
Financial liabilities ⁽¹⁾	1,967.5	1,948.4
Other liabilities	161.9	119.0
Total equities and liabilities	3,569.9	3,528.1

Cash balance after recent acquisitions

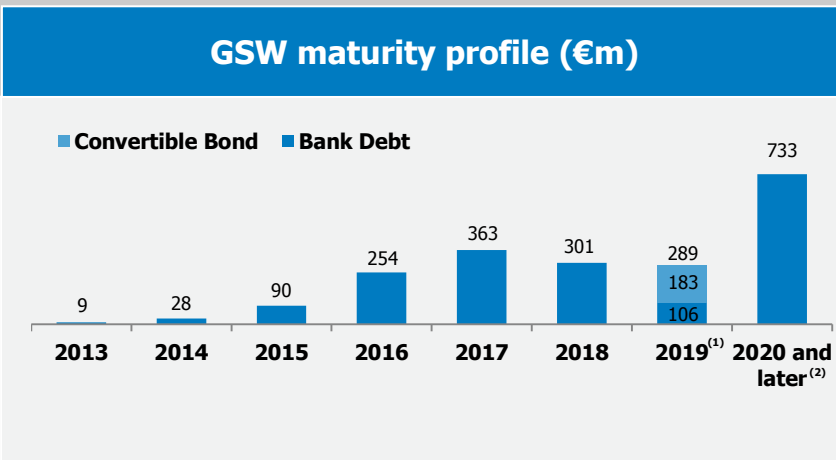
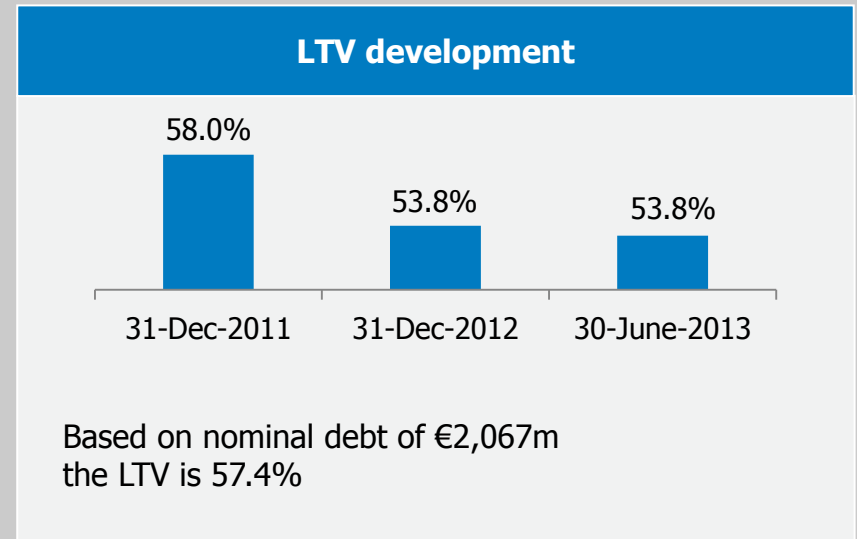
Cash on hands 30-Jun-2013:	€158m
Reserved for recent acquisitions:	€117m (equity)
Cash balance (pro forma):	€41m

(1) Change in IAS 19 leads to a retrospective adjustment of the audited FY 2012 figure
According to IAS 19 actuarial gains and losses in pension commitments are now recognised completely in OCI

Net debt and LTV reconciliation

30-June-2013

(€m)	31-Dec-2012	30-June-2013
Financial liabilities	1,967.5	1,948.4
Cash and Cash equivalents	(167.7)	(158.5)
Net Debt	1,799.8	1,789.9
Investment properties	3,302.2	3,287.0
Assets held for sale	45.3	37.4
Loan-to-value ratio	53.8%	53.8%



- ### Acquisition financing and firepower
- Bank loan of €11m with 3.8% taken over from seller
 - Approx. €100m to be financed for recent acquisitions
 - Financing terms are subject to negotiation
 - Acquisition line allows for additional firepower of €160m based on a 50% LTV
 - All funds from capital market transactions will be invested by year end

(1) Convertible bond maturity in 2019 with investor put option in 2017

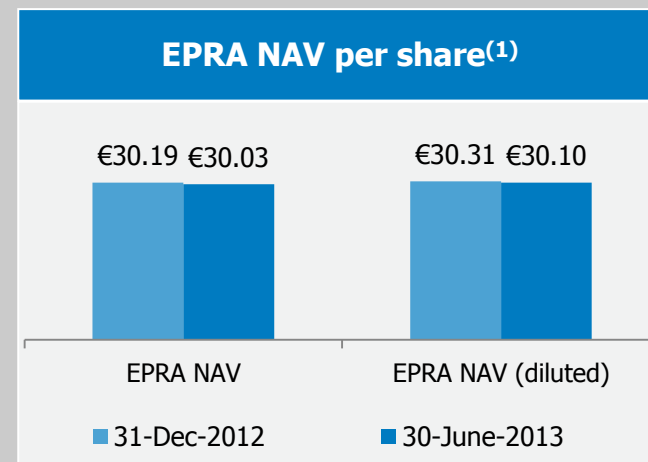
(2) Including loans without contractual maturity

Note: Maturities and debt are based on nominal values and do not include regular annual amortisation

EPRA NAV

30-June-2013

Selected items (€m)	31-Dec-2012	30-June-2013	30-June-2013 diluted
Shareholders' equity⁽¹⁾	1,440.4	1,460.7	1,460.7
Effect of exercise of convertibles	0	0	160.2
NAV	1,440.4	1,460.7	1,621.0
Fair value of financial instruments (net)	91.2	61.9	61.9
Deferred tax ⁽¹⁾	(6.0)	(5.3)	(5.3)
EPRA NAV	1,525.6	1,517.3	1,677.6
No. of shares outstanding	50.53m	50.53m	55.74m
EPRA NAV per share	€30.19	€30.03	€30.10



Considering the equity impact of the convertible bond (debt component)

Assuming full conversion into 5m shares

Dividend payout of €0.90ps almost recovered

(1) Change in IAS 19 lead to a retrospective adjustment of the audited FY 2012 figure. According to IAS 19 actuarial gains and losses in pension commitments are now recognised completely in OCI.

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Outlook & Guidance

Supervisory Board	<p>Mr. Claus Wisser has been elected as new chairman Currently 5 board members in place (Min. 3 to be quorate)</p>
CEO Succession	<p>Supervisory board has appointed external agency to source out the best options and alternatives for board structure going forward</p>
Rental Growth	<p>ca. 2.5% like for like rental growth</p>
Maintenance and capex	<p>€13-15/sqm</p>
FFO I	<p>€73-78m</p>
Dividend 2013	<p>Payout ratio 65% of FFO</p>

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