

Deutsche Office

PRESENTATION FY 2014

26 MARCH 2015

DISCLAIMER

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The company assumes no obligation to update any information contained herein.

Notes:

Merger of PO REIT into Deutsche Office became effective on 21 January 2014. Financial statements therefore include only February – December 2014 figures, unless otherwise indicated with “pro-forma” or “PF”.

Unless otherwise indicated, all values have been rounded up or down to units of a thousand euros (EUR k) or (EUR m). In some cases, this may result in minor discrepancies in the tables included in the presentation and in the totals provided.

AGENDA

Deutsche Office one year after merger

Operations & Portfolio

Financial Performance FY 2014 (IFRS)

Dividend Proposal

Guidance FY 2015

Questions & Answers

DEUTSCHE OFFICE ONE YEAR AFTER MERGER

Strong operating performance on the back of a high letting volume

- Letting volume of c170,700 sqm in FY2014 (c18 % of gross lettable area)
 - c125,300 sqm of lease extensions
 - c45,400 sqm of new leases
- Vacancy reduced to 16.4 % after disposal of Westend-Ensemble (Dec 2013: 19.9 %)

Strong merger track record – expandable structure created

- Scalable platform with cost leadership implemented
- Cost reductions realised

Significant deleveraging and reduction of financing cost

- Loan-to-value reduced to 53.5 % (-510 bps y-o-y); average cost of debt at 3.4 %
- Financial result improved by 45.2 % y-o-y to EUR -38.2m
- Sale of Westend-Ensemble will further reduce loan-to-value by 2 %-points

Strong FFO development – ahead of guidance

- 2014 FFO increased by 11 % to EUR c47m

Net Asset Value (NAV) at EUR 4.45 per share

- First q-o-q increase in NAV per share since merger

Increased dividend proposal

- Dividend proposal for FY 2014 of EUR 0.15 significantly above guidance (EUR 0.10 - 0.11)

Guidance – increased pay-out

- Revenues of EUR 105m – 107m and FFO of at least EUR 50m in FY 2015 expected
- Stable dividend with pay-out ratio of 50 – 60 % of FFO going forward

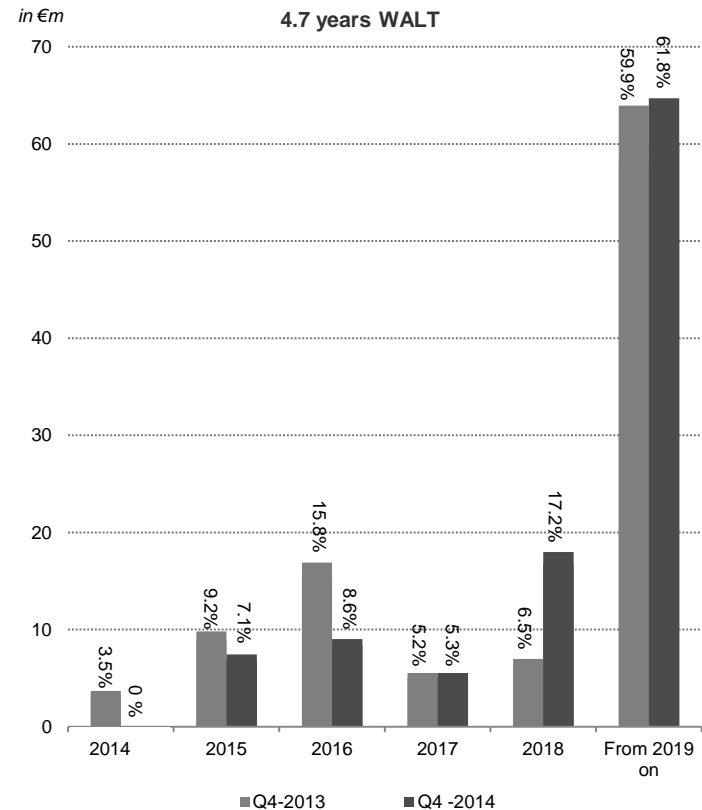
OPERATIONS & PORTFOLIO

STRONG OPERATING PERFORMANCE

Letting result in FY 2014

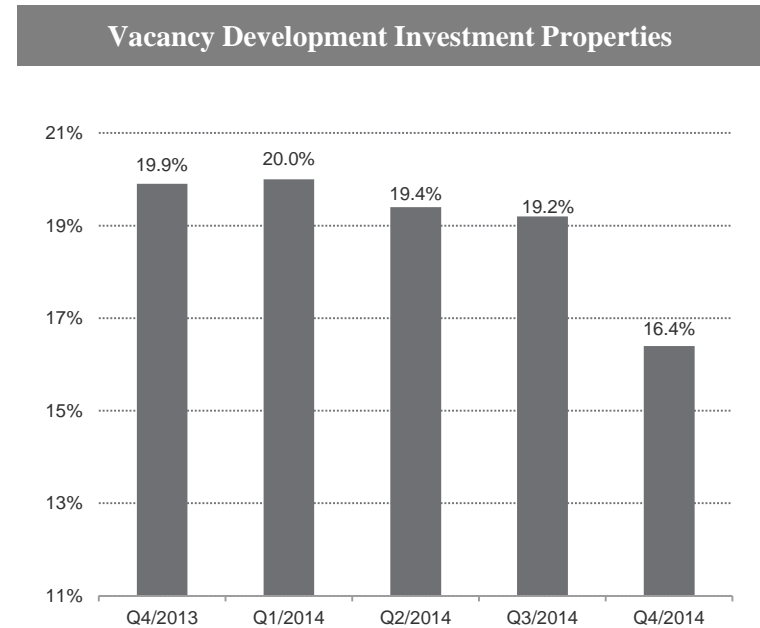
- Total letting volume c170.7k sqm (c18 % of gross lettable area of investment properties)
 - thereof c45.4k sqm new leases
 - thereof c125.3k sqm lease extensions
- Good letting results in challenging markets
 - Dusseldorf: c46.0k sqm
 - Frankfurt: c52.8k sqm
- WALT at 4.7 yrs
- De-risking due to extensions of short-term expiring contracts
- Average rent of EUR 10.80 for new leases of office space, on average 4 % above expectations
- Rent levels of renewed contracts remained stable

Lease Expiry Profile Dec 2014



VACANCY REDUCED TO 16.4 %

Vacancy Bridge FY 2014			
	Rental space	Vacancy	
in ('000)	(sqm)	(sqm)	(in %)
Investment Properties Jan 1, 2014 (PF)	951.8	189.4	19.9
Disposals	-53.1	-38.7	
- thereof disposals	-11.9	-0.6	
- thereof assets held for sale	-41.2	-38.1	
Letting result	-	-3.4	
- Lease expiry post lease extensions	-	52.1	
- New rental contracts with start in 2014	-	-55.5	
Investment Properties Dec 31, 2014	898.7	147.4	16.4



LETTING HIGHLIGHTS FY 2014



Gross lettable area: 37,691 sqm

Dusseldorf, Heerdter Lohweg

- Letting volume of 15.1k sqm in 2014 (c40 % of lettable area)
- Early lease extension for c. 13,700 sqm with Deutsche Telekom (GMG) signed in May 2014
- 1.2k sqm new lease contract with BAM Deutschland (6 yrs)
- New lease of 5.5k sqm signed March 20, 2015
- WALT: 3.0 yrs
- Office vacancy reduced to c8 % after new lease with a telecommunications company



Gross lettable area: 6,445 sqm

Nuremberg, Sigmund-Schuckert-Haus

- 2014 letting volume corresponds to c52 % of lettable area
- c3.4k sqm new lease signed with the State of Bavaria
- Rental contract starts in April 2015
- Option for take up of residual space granted to the State of Bavaria
- Full take-up expected beginning of Q4/ 2015
- WALT: 4.7 yrs



Gross lettable area: 10,423 sqm

Frankfurt, Olof-Palme-Strasse

- 5 yrs lease extension (c9.7k sqm) and take-up of residual space with Zurich Insurance
- WALT: 6.0 yrs
- Full occupancy achieved

LETTING HIGHLIGHTS 2014 (CONTINUED)



Gross lettable area: 10,751 sqm

Bonn, Potsdamer Platz

- Letting volume of 6.9k sqm in 2014 and 0.7k sqm new leases in 2015 (c70 % of lettable area)
- 5 yrs lease extension with a law firm for 1.1k sqm and early lease extensions with Itenos / GMG (6 yrs) for 3.1k sqm and BDO for 2.6k sqm until 2024
- WALT: 6.9 yrs
- Vacancy at 11 %



Gross lettable area: 12,650 sqm

Neuss, Carl-Schurz-Strasse

- Total letting volume of c9.9k sqm in 2014 (c78 % of lettable area)
- Significant vacancy reduction in the course of 2014: vacancy improved from 59 % YE 2013 to full occupancy YE 2014
- c2.8k sqm new lease to 3M
- WALT: 2.4 yrs



Gross lettable area: 33,900 sqm

Ratingen, Business In West

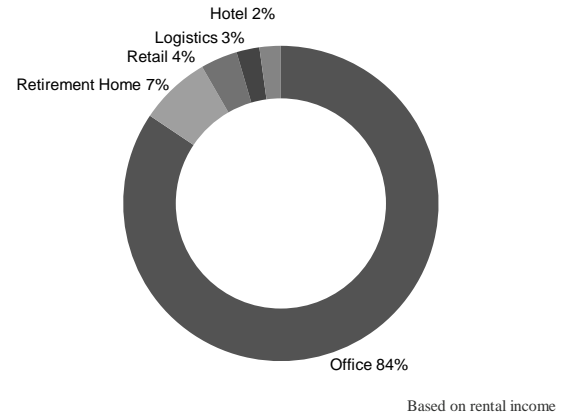
- Letting volume in 2014 of c5.9k sqm (c17 % of lettable area)
- Vacancy reduced from 26 % YE 2013 to 21 % YE 2014
- 5 yrs lease contracts with Permobil and Shuangliang Clyde Bergemann for c2k sqm signed in December 2014
- WALT: 9.4 yrs

STABLE & DIVERSIFIED MULTI-TENANT PORTFOLIO

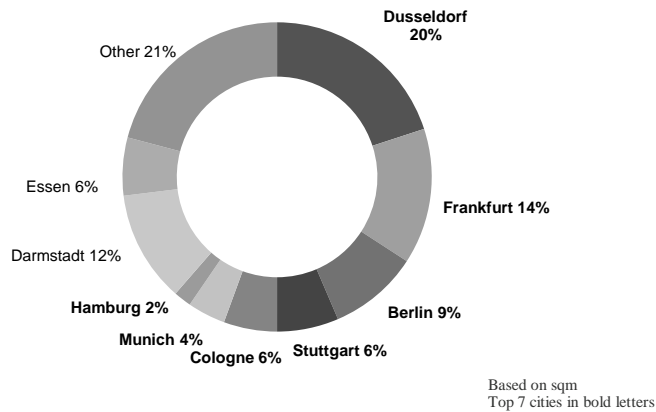
Key Portfolio Data

	as of 31/12/2014
No. of Investment Properties	51
thereof multi-tenant	38
Rental area	900k sqm
Fair Value Investment Properties	EUR 1,781m
Annualized rental income (current rent)	EUR 109m
Potential rent	EUR 131m
Gross Yield on current rent	6.1 %
Gross Yield on potential rent	7.3 %
EPRA Net Initial Yield	5.2 %
WALT	4.7 yrs
Vacancy rate (based on sqm)	16.4 %
EPRA vacancy rate (based on market rent)	17.0 %

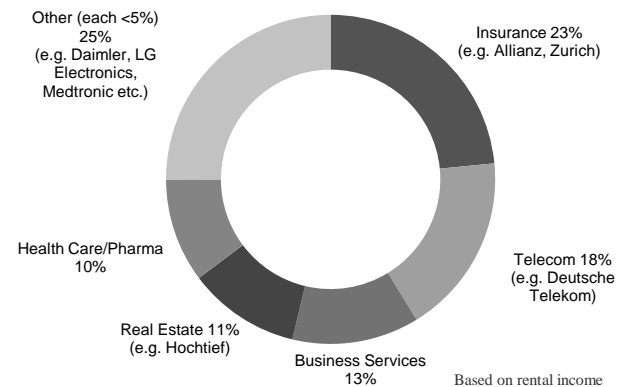
Main Usage: Office



Geographic Focus: Top 7 Cities (61 % of portfolio)



Balanced Industry Exposure



DISPOSAL HIGHLIGHTS 2014/ 2015*



Frankfurt, Westend-Ensemble

Size: 35,101 sqm
Yield**: n.m. (nearly vacant)
Rationale: Strategic sale
Vacancy reduction



Frankfurt, Gutleutstrasse

Size: 3,591 sqm
Yield**: n.m. (vacant)
Rationale: Strategic sale
Vacancy reduction



Cologne, Hohenzollernring

Size: 2,486 sqm
Yield**: 6.5 %
Rationale: Value realization
Sub-scale property



Leipzig, Hainstrasse 6, 12/14

Size: 8,956 sqm
Yield**: 7.8 %
Rationale: Value realization
Geographical optimization
Sub-scale property

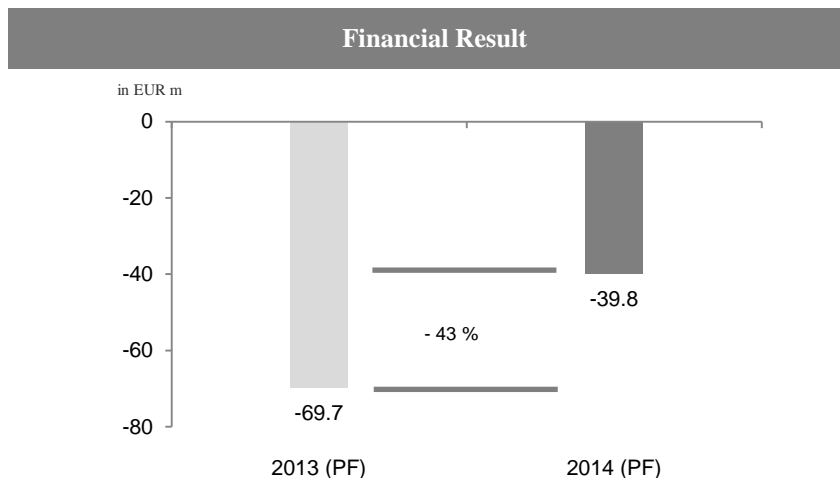
FINANCIAL PERFORMANCE

FY 2014 (IFRS)

STRUCTURALLY REDUCED COST BASE

EPRA-Cost				
in EURm	2014	2014 (PF)	2013 (PF)	Change
Non-recoverable property related expenses	-11.4	-11.8	-14.6	-19 %
Administrative cost*	-9.4	-9.6	-11.8	-19 %
EPRA-Cost (incl. vacancy cost)	-20.7	-21.4	-26.4	-19 %
Vacancy cost	6.5	6.7	6.3	6 %
EPRA-Cost (excl. vacancy cost)	-14.2	-14.7	-20.1	-27 %
Rental revenues	105.5	108.3	135.1	-20 %
EPRA-Cost ratio (incl. vacancy cost)	19.7 %	19.8 %	19.5 %	
EPRA-Cost ratio (excl. vacancy cost)	13.5 %	13.6 %	14.9 %	
thereof: Net service charges	4.6 %	4.7 %	6.1 %	
Administrative cost	8.9 %	8.9 %	8.7 %	

- ### Comments
- Merger synergies already result in a reduction of administrative cost y-o-y
 - Deutsche Office with EPRA-Cost ratio under 20 % below peers despite higher vacancy
 - Admin cost below 9 % demonstrates cost leadership
 - Further reduction to c8 % is targeted
 - Scalable platform allows for acquisitions without additional cost

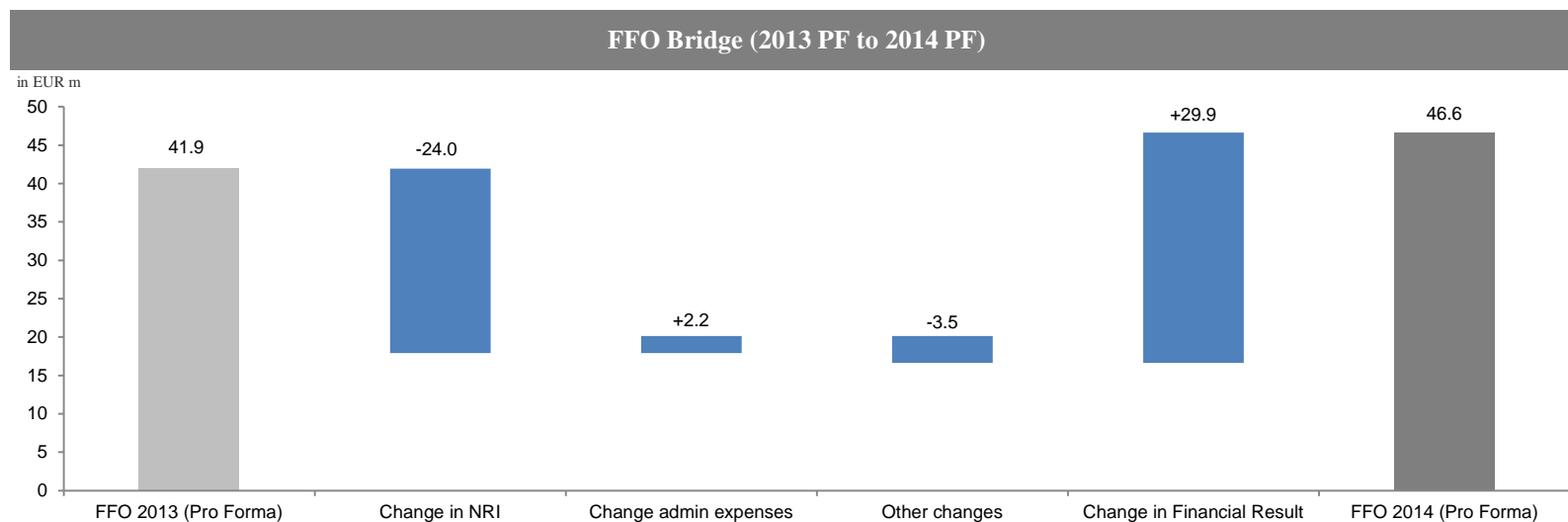


- ### Comments
- Financial result significantly improved y-o-y due to
 - reduction of net-LTV to 53.5 %
 - improvement of average cost of debt to 3.4 %
 - We see additional potential to reduce financing cost given the current status of financing markets

STRONG INCREASE OF FUNDS FROM OPERATIONS

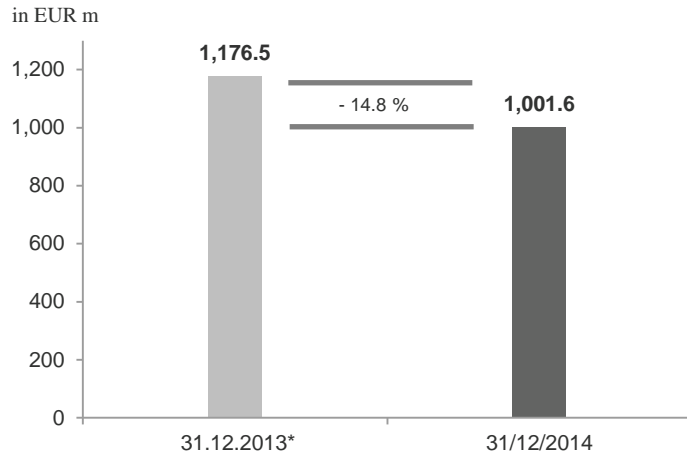
Funds from Operations (FFO)				
in EUR m	2014	2014 (PF)	2013 (PF)	Change
Rental Revenues	105.5	108.3	135.1	-20 %
Net rental income	94.2	96.5	120.5	-20 %
Administrative expenses*	-9.4	-9.6	-11.8	-19 %
Other income/ other expenses*	0.1	-0.5	3.0	n.m.
Financial result*	-38.2	-39.8	-69.7	-43 %
Funds from Operations	46.6	46.6	41.9	+11 %
FFO per share (in EUR)	0.27	0.27	0.31	-15 %

- | Comments |
|---|
| – FFO increased 11 % y-o-y to EUR c47m |
| – FFO growth despite sale of properties |
| – FY 2014 FFO with EUR c47m ahead of guidance of EUR 44 – 46m |

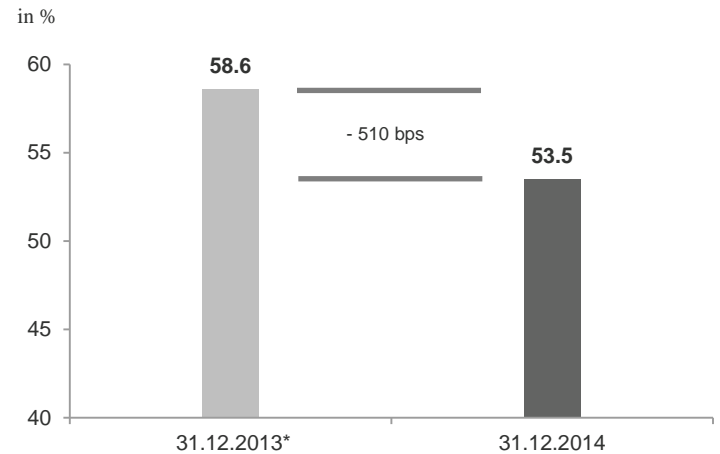


IMPROVED FINANCING STRUCTURE

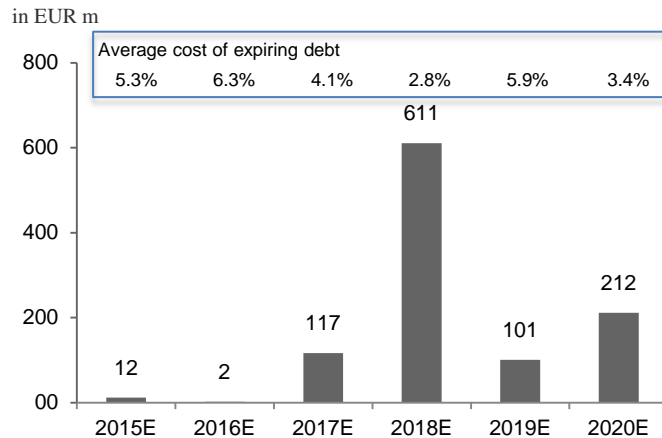
Net debt



Net-Loan-to-value



Debt maturity profile



Comments

- Net debt decreased by 15 % to €1bn
- Net-LTV significantly reduced to 53.5 %, objective to reduce to 50 % over time
- Average cost of debt improved to 3.4 %
- Hedging: 83 % (65 % via swaps, 18 % via caps)
- Average maturity 4.23 yrs. with no material maturity prior to June 2017
- Market-based financial covenants with comfortable headroom

NET ASSET VALUE AT EUR 4.45 PER SHARE

Net Asset Value			
in EUR m	31/12/2014	30/09/2014	31/12/2013 (PF)
Investment properties	1,780.7	1,844.1	1,904.1
Assets held for sale	92.8	10.3	104.4
Interest bearing loans	-1,050.5	-1,056.4	-1,318.8
Cash and cash equivalents	63.5	59.2	80.2
Other assets and liabilities	-83.5	-58.4	-62.7
Net Asset Value (NAV)	803.0	778.2	707.3
Net Asset Value (NAV) per share* (in EUR)	4.45	4.31	5.28
Fair value of derivative financial instruments	51.9	51.5	44.1
Diluted EPRA-NAV	854.9	829.7	751.4
Diluted EPRA-NAV per share* (in EUR)	4.74	4.60	5.61
Fair value of derivative financial instruments	-51.9	-51.5	-44.1
Diluted EPRA-NNNAV	803.0	778.2	707.3
Diluted EPRA-NNNAV per share* (in EUR)	4.45	4.31	5.28

* 180,529,633 shares as of balance sheet date used for calculation. Comparable period pro-forma 133,941,345 shares following the merger

Comments
– NAV increase to EUR 803.0m
– First positive q-o-q change in NAV per share since merger <ul style="list-style-type: none"> – +3.2 % from EUR 4.31 to EUR 4.45
– Value of investment properties slightly increased by EUR c7m
– One-off write down of Westend-Ensemble of EUR c13m
– Development of fair values of derivatives: <ul style="list-style-type: none"> – Negative impact from decreased interest rates nearly compensated by positive impact from shortened maturities (4.2 yrs remaining)
– We expect negative fair values of derivatives to improve going forward

DIVIDEND PROPOSAL

DIVIDEND PROPOSAL

Initial dividend guidance for FY 2014 of EUR 0.10 – EUR 0.11 based on FFO of EUR 44 – 46m and a pay-out ratio of 40 – 45 % of FFO

On the back of a positive operating performance in FY 2014, **we decided to increase the dividend proposal** to the AGM above guidance

Dividend proposal for FY 2014: EUR 0.15 per share

OUTLOOK & GUIDANCE

FY 2015

KEY FOCUS 2015

- Vacancy reduction by 2 – 3 %-points with a focus on Seestern/ Dusseldorf and KASTOR/ Frankfurt
- Reduction of LTV towards 50 % and further improvement of interest expenses
- Grow portfolio through acquisitions and capital recycling

FY 2015 GUIDANCE BASED ON CURRENT PORTFOLIO

- Rental revenues of EUR 105m – 107m expected in FY 2015
- We expect FFO to increase from EUR 47m in 2014 to at least EUR 50m in FY 2015
- We see further FFO-upside potential from additional debt and hedging restructuring
- We expect a stable dividend with a pay-out ratio of 50 – 60 % of FFO going forward

QUESTIONS & ANSWERS

THANK YOU VERY MUCH FOR YOUR ATTENTION

FINANCIAL CALENDAR

13 May 2015	Publication of Q1/2015 Report
03 June 2015	Kempen European Property Seminar, Amsterdam
17 June 2015	Annual General Meeting, Cologne
01 July 2015	Kepler Cheuvreux Real Estate Sector Conference, Paris
11 Aug 2015	Publication of H1/2015 Report
08 Aug 2015	EPRA Conference
21 Sep 2015	Baader Investment Conference, Munich
22 Sep 2015	Goldman Sachs/ Berenberg Conference, Munich
01 October 2015	SocGen Pan-European Real Estate Conference, London
05 – 07 October 2015	EXPO REAL, Munich
11 Nov 2015	Publication of 9M/2015 Report
Nov 2015	Commerzbank Real Estate Conference
Jan 2016	Kepler Cheuvreux Conference, Frankfurt

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