

# Deutsche Office

Q1 / 2015

13 MAY 2015

# DISCLAIMER

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, general economic conditions, including in particular economic conditions in the core business of DO Deutsche Office AG and core markets, general competitive factors, the impact of acquisitions, including related integration issues, and reorganization measures. Furthermore, the development of financial markets, interest rate levels, currency exchange rates, as well as national and international changes in laws and regulations, in particular regarding tax matters, can have a corresponding impact. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

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 – March 2014 figures for the former PO REIT, 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 million euros (EUR m). In some cases, this may result in minor discrepancies in the tables and graphs included in the presentation and in the totals provided.

# DEUTSCHE OFFICE IN Q1/2015

## **Strong operating performance**

- Letting volume of c52.6k sqm in Q1/2015 (5.8 % of gross lettable area)
- Vacancy reduced by 290 bps y-o-y to 17.1 %
- Vacancy of c16 % or below expected for end of Q2/2015

## **Further deleveraging and reduction of financing cost**

- Net-Loan-to-Value (Net-LTV) reduced to 52.7 % (-80 bps q-o-q and -230 bps y-o-y)
- Pro-forma Net-LTV after closing of sale of Westend-Ensemble at 50.6 % as of April 30, 2014
- Average cost of debt at 3.4 %
- Financial result improved by 14 % y-o-y to EUR -9.4m

## **Cost further reduced**

- Admin cost ratio decreased y-o-y by 1.8 %-points to 7.3 %
- Cost leadership position further enhanced

## **Strong FFO development**

- FFO increased y-o-y by 18 % to EUR 12.0m

## **Net Asset Value (NAV) increase continues**

- Increase in NAV per share q-o-q by 1.3 % to EUR 4.51

## **Guidance for FY 2015 confirmed**

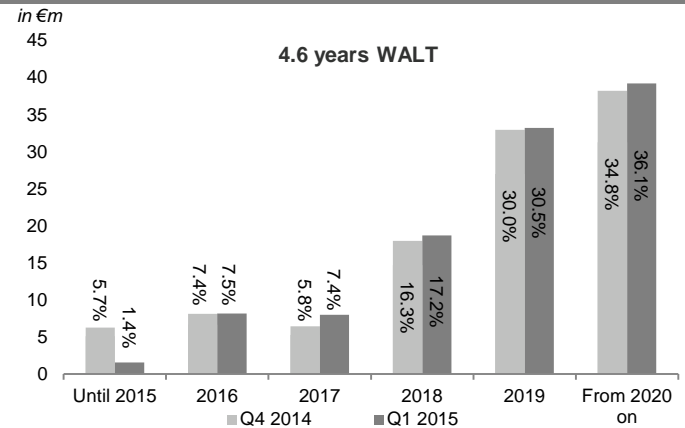
- Revenues of EUR 105m – 107m and FFO of at least EUR 50m in FY 2015 expected
- Stable dividend with pay-out ratio of 50 – 60 % of FFO going forward

# STRONG OPERATING PERFORMANCE

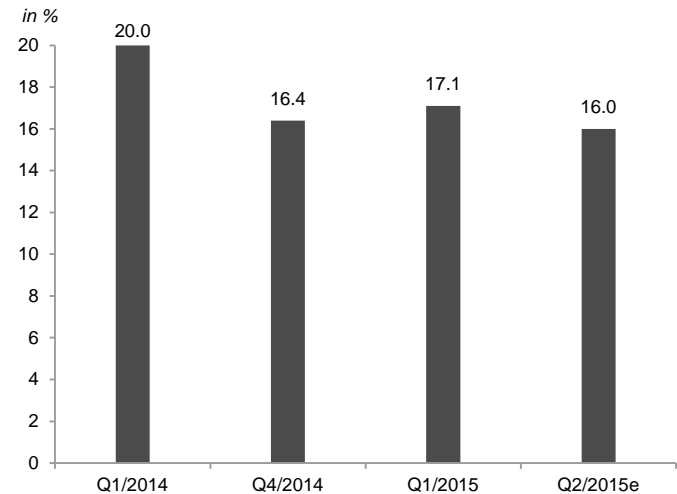
## Letting result in Q1/2015

- Total letting volume c52.6k sqm (c5.8 % of gross lettable area of investment properties)
  - thereof c11.9k sqm new leases
  - thereof c40.7k sqm lease extensions
  - thereof in challenging markets
    - Dusseldorf: c8.8k sqm
    - Frankfurt: c1.8k sqm
- Vacancy decrease y-o-y to 17.1%, but slightly up q-o-q due to typical high share of expiring leases at the beginning of the year
  - Vacancy of c16 % or below expected for end of Q2/2015
- WALT almost stable at 4.6 yrs
- Average rent of EUR 12.45/sqm for new leases of office space, on average 7 % above expectations
- Rent levels of renewed contracts remained stable

## Lease Expiry Profile 31 March 2015



## Vacancy Development Investment Properties\*



# LETTING HIGHLIGHTS YTD



Gross lettable area: 30,630 sqm

## Frankfurt, KASTOR TOWER

- 5.5 yrs lease contract (1.5k sqm) signed with BNP Paribas Bank for the 2<sup>nd</sup> floor of the KASTOR TOWER
- Vacancy reduced by c9 %-points to c73 %
- WALT: 4.0 yrs



Gross lettable area: 36,109 sqm

## Dusseldorf, AM SEESTERN 1

- 10 yrs lease contract (c2.5k sqm) signed with Alloheim (nursing home operator)
- Vacancy reduced by c9 %-points to c70 %
- WALT: 5.3 yrs

# LETTING HIGHLIGHTS YTD (CONTINUED)



Gross lettable area: 37,691 sqm

## Dusseldorf, Heerdter Lohweg

- Letting volume in Q1/2015 corresponds to c15 % of lettable area
- c5.5k sqm new lease (2.6 yrs) signed with a telecommunications company
- Office vacancy reduced to c8 %
- WALT: 2.7 yrs



Gross lettable area: 11,196 sqm

## Munich, Taunusstrasse

- Letting volume in Q1/2015 of c3.2k sqm corresponds to c29 % of lettable area
- c1.2k sqm new lease and c1k sqm lease extension (5 yrs each) signed with Gigatronic
- Full occupancy maintained
- WALT: 6.2 yrs



Gross lettable area: 6,785 sqm

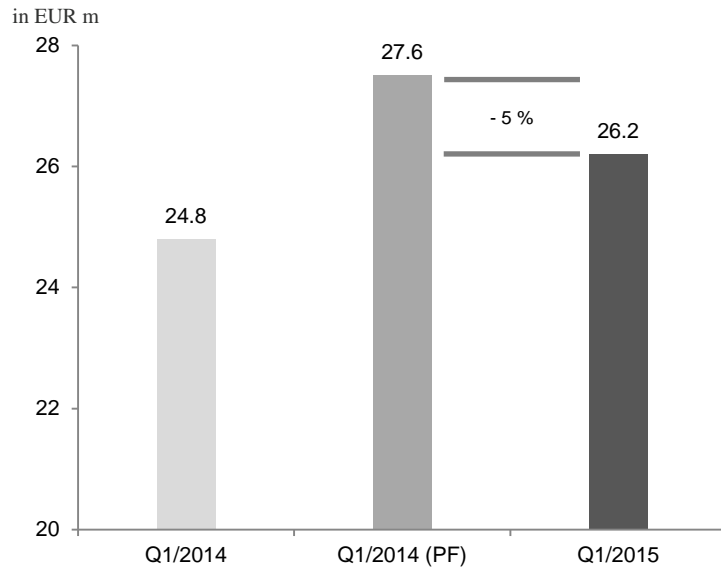
## Hamburg, Borsteler Chaussee

- Letting volume in Q1/2015 corresponds to c35 % of lettable area
- 2.4k sqm lease extensions, thereof 1.9k sqm (5 yrs) signed with Honeywell
- Vacancy reduced to c3 %
- WALT: 3.9 yrs

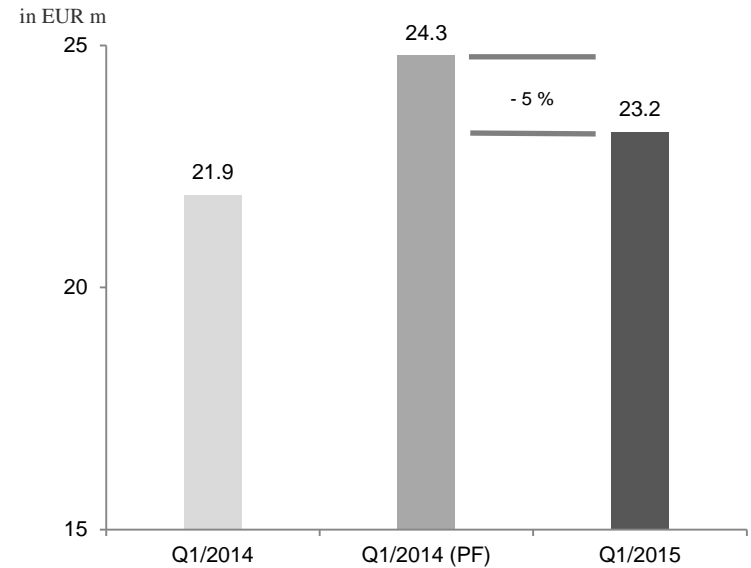
# FINANCIALS Q1/2015

# RENTAL INCOME AND NET RENTAL INCOME

## Rental income



## Net rental income



## Summary

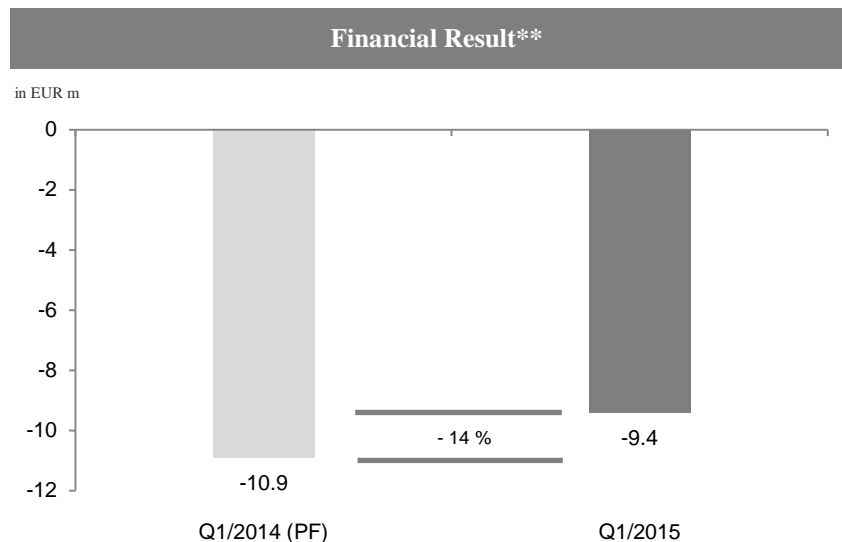
- Rental income decreased by 5 % y-o-y in Q1/2015 due to property disposals and expiry of major leases mostly already covered by new leases to start in the next quarters
- Net rental income margin increased and will be improving further in the quarters to come



# MARKET LEADING COST BASE FURTHER IMPROVED

EPRA-Cost				
	Q1/2015	Q1/2014	Change	Q1/2014
in EURm				
Non-recoverable property related expenses	-3.0	-3.3	-9 %	-2.9
Administrative cost*	-1.9	-2.5	-24 %	-2.3
EPRA-Cost (incl. vacancy cost)	-4.9	-5.8	-16 %	-5.2
Vacancy cost	1.9	1.8	6 %	1.6
EPRA-Cost (excl. vacancy cost)	-3.0	-4.0	-25 %	3.6
Rental revenues	26.2	27.6	-5 %	24.8
<b>EPRA-Cost ratio (incl. vacancy cost)</b>	<b>18.7 %</b>	<b>21.0 %</b>		<b>21.0 %</b>
EPRA-Cost ratio (excl. vacancy cost)	11.5 %	14.5 %		14.5 %
thereof: Net service charges	4.2 %	5.4 %		5.2 %
<b>Administrative cost</b>	<b>7.3 %</b>	<b>9.1 %</b>		<b>9.3 %</b>

- | Comments   |
|--|
| <ul style="list-style-type: none"> <li>– Merger synergies fully kicking in</li> <li>– EPRA-Cost ratio further reduced by 1 %-point vs. FY 2014 to below 19 %</li> <li>– Admin cost ratio decreased y-o-y by 1.8 %-points to well below 8 %                             <ul style="list-style-type: none"> <li>– Admin cost ratio of 7.3 % in Q1/2015 demonstrates cost leadership</li> <li>– Scalable platform allows acquisitions without additional cost</li> </ul> </li> <li>– Cost leadership position enhanced</li> </ul> |



- | Comments  |
|---|
| <ul style="list-style-type: none"> <li>– Financial result significantly improved y-o-y due to                             <ul style="list-style-type: none"> <li>– reduction of Net-LTV to 52.7 %</li> <li>– improvement of average cost of debt to 3.4 %</li> </ul> </li> <li>– Additional potential to further reduce financing cost in the course of 2015 given the current status of financing markets</li> </ul> |

# GROWING FUNDS FROM OPERATIONS

Funds from Operations (FFO)				
in EUR m	Q1/2015	Q1/2014	Change	Q1/2014 (PF)
Rental Income	26.2	27.6	-5 %	24.8
Net rental income	23.2	24.3	-5 %	21.9
Administrative expenses*	-1.9	-2.5	-24 %	-2.3
Other income/ other expenses*	0.1	-0.7	n.m.	-0.1
Financial result*	-9.4	-10.9	-14 %	-9.3
<b>Funds from Operations</b>	<b>12.0</b>	<b>10.2</b>	<b>+18 %</b>	<b>10.2</b>
<b>FFO per share (in EUR)</b>	<b>0.07***</b>	<b>0.07**</b>	<b>0 %</b>	<b>0.07**</b>

\* Adjusted for one-off-, extraordinary effects and fair value adjustments of derivatives

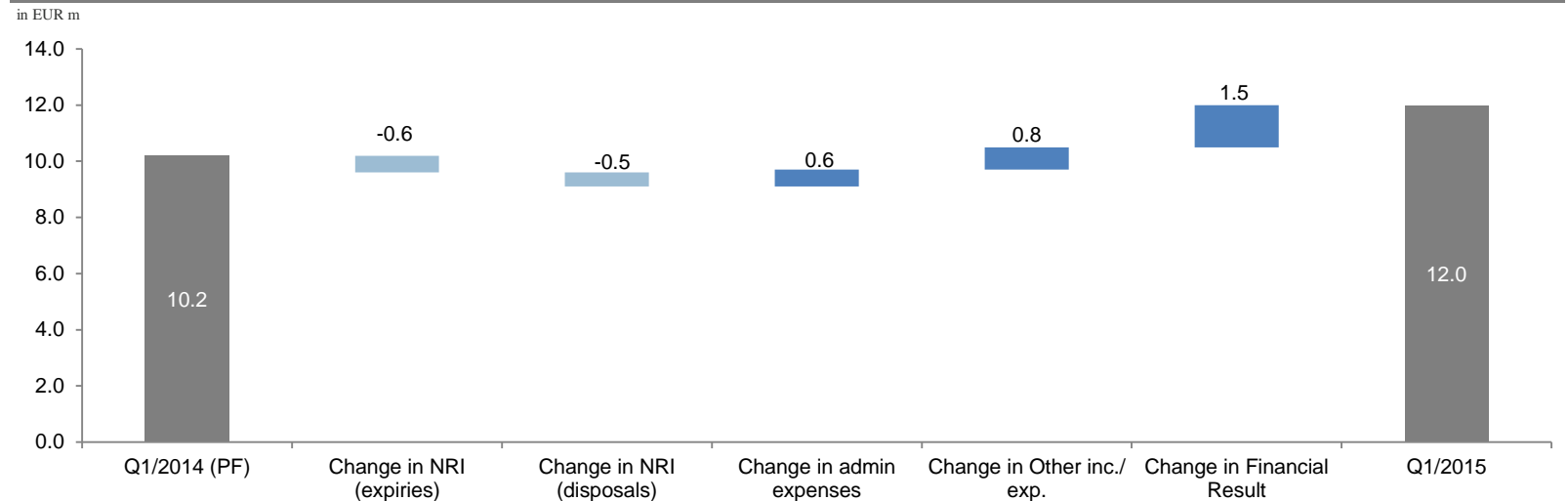
\*\* Based on 146.2m shares

\*\*\* Based on 180.5m shares

## Comments

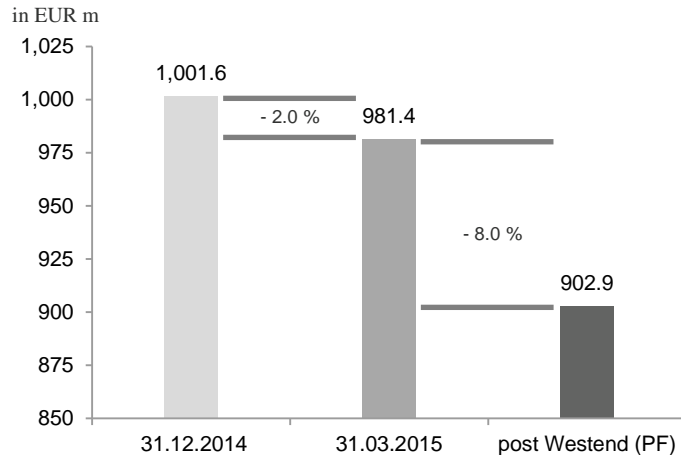
- FFO increased 18 % y-o-y to EUR c12m aided by reduced administrative expenses and improved financial result
- FFO improving over the coming quarters

## FFO Bridge (Q1/2014 (PF) to Q1/2015)

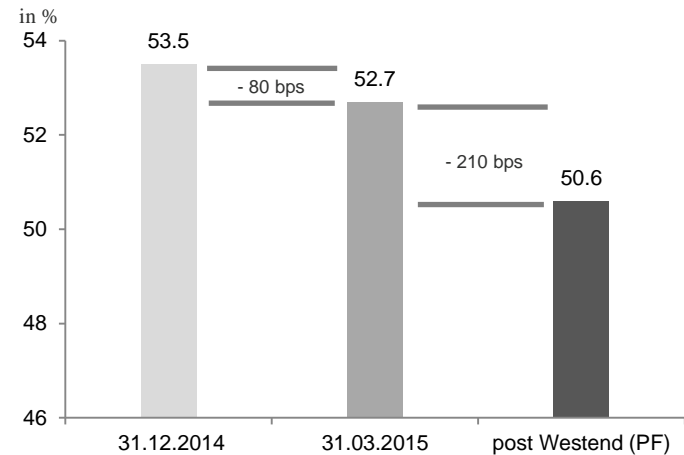


# CONTINUOUSLY IMPROVING FINANCING STRUCTURE

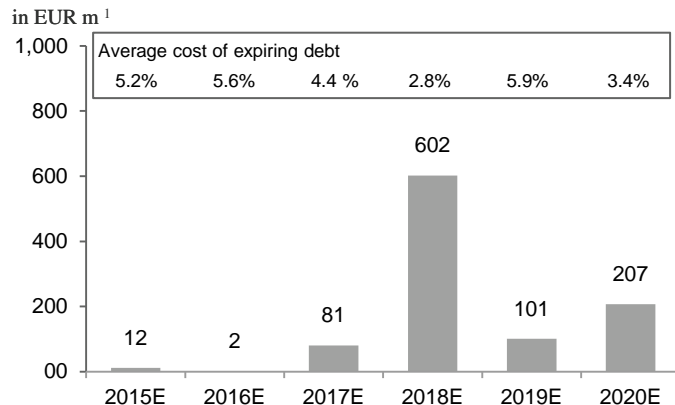
## Net debt



## Net-Loan-to-value



## Debt maturity profile



<sup>1</sup> Excluding €34.8m loan on sold property Westend-Ensemble (repaid Apr 2015)

## Comments

- Net debt decreased by 2 % to below €1bn
- Net-LTV further reduced to 52.7 %, objective to reduce to 50 % or below until year end
- Average cost of debt at 3.4 % with further improvement potential
- Hedging: 84 % (c65 % via swaps, 19 % via caps)
- Average debt maturity 4 yrs with no material maturity prior to June 2017
- Market-based financial covenants with comfortable headroom

# NAV PER SHARE INCREASES FURTHER TO EUR 4.51

Net Asset Value		
in EUR m	31/03/2015	31/12/2014
Investment properties	1,784.7	1,780.7
Assets held for sale	78.0	92.8
Interest bearing loans	-1,035.8	-1,050.5
Cash and cash equivalents	65.7	63.5
Other assets and liabilities	-78.5	-83.5
<b>Net Asset Value (NAV)</b>	<b>814.1</b>	<b>803.0</b>
<b>Net Asset Value (NAV) per share* (in EUR)</b>	<b>4.51</b>	<b>4.45</b>
Fair value of derivative financial instruments	51.2	51.9
<b>Diluted EPRA-NAV</b>	<b>865.3</b>	<b>854.9</b>
<b>Diluted EPRA-NAV per share* (in EUR)</b>	<b>4.79</b>	<b>4.74</b>
Fair value of derivative financial instruments	-51.2	-51.9
<b>Diluted EPRA-NNNAV</b>	<b>814.1</b>	<b>803.0</b>
<b>Diluted EPRA-NNNAV per share* (in EUR)</b>	<b>4.51</b>	<b>4.45</b>

\* 180,529,633 shares as of balance sheet date used for calculation.

Comments
– NAV increased to EUR 814.1m
– Second positive consecutive q-o-q change in NAV per share since merger <ul style="list-style-type: none"> <li>– +1.3 % from EUR 4.45 to EUR 4.51</li> </ul>
– Development of fair values of derivatives: <ul style="list-style-type: none"> <li>– Negative impact from decreased interest rates overcompensated by positive impact from shortening maturities</li> <li>– Fair values expected to continuously improve going forward</li> </ul>
– Further debt amortization of EUR c18m scheduled for Q2 – Q4/ 2015

# GUIDANCE FY 2015

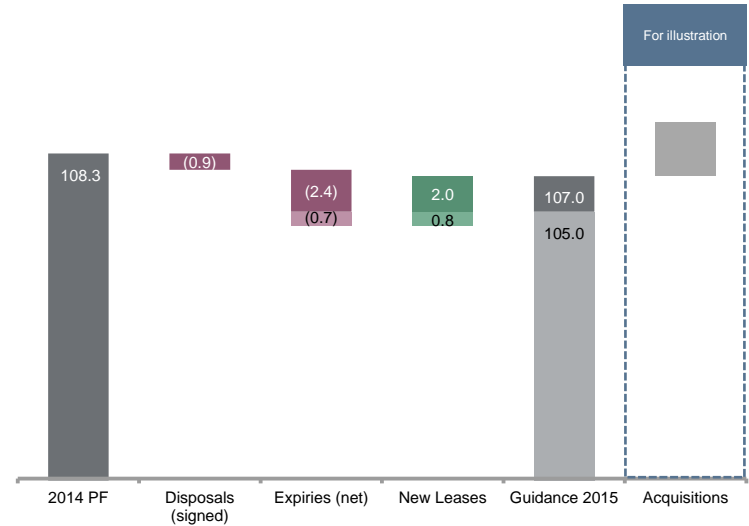
# KEY PERFORMANCE INDICATORS

## KPI Expectations

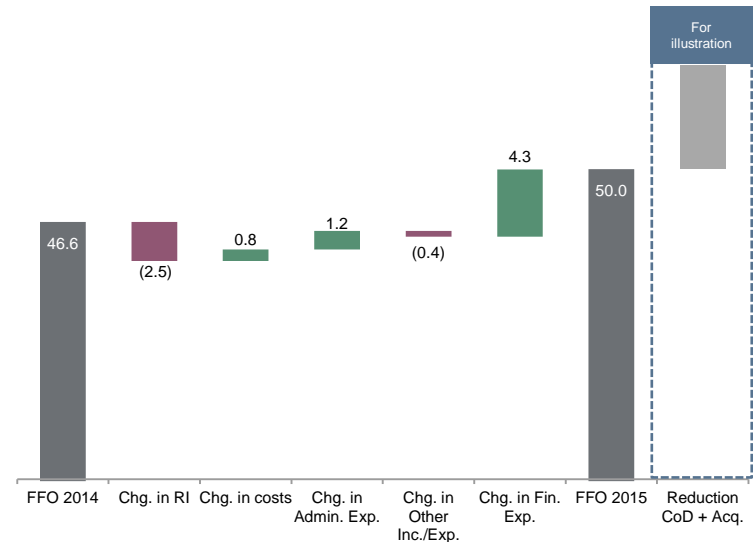
	Q1/2015	FY 2015e	Comment
Vacancy rate	17.1 %	14 – 13 %	c16 % expected for Q2/2015
Funds From Operations (in EUR m)	12.0m	50m plus	FFO improving over the coming quarters
Cost of Debt	3.4 %	< 3 %	Favourable market environment
Net-LTV	52.6 %	< 50 %	post Westend sale at 50.6 %; scheduled amortization c1% of GAV
Net Asset Value per share (in EUR)	4.51	> 4.51	Main driver: Improvement of derivatives and amortization

# FY 2015 GUIDANCE BASED ON CURRENT PORTFOLIO

- Rental income of EUR 105m – 107m expected in FY 2015
- Expiring leases expected in a range of cEUR c2.4m to cEUR -3.1m
- New leases expected in a range of cEUR +0.8m to cEUR +2.8m



- 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/ hedging restructuring and from acquisitions
- We expect a stable dividend with a pay-out ratio of 50 – 60 % of FFO going forward



THANK YOU VERY MUCH FOR YOUR ATTENTION



# APPENDIX

# FINANCIAL CALENDAR

03 June 2015	Kempen European Property Seminar, Amsterdam
17 June 2015	Annual General Meeting, Cologne
18 June 2015	Dividend Payment
01 July 2015	Kepler Cheuvreux Real Estate Sector Conference, Paris
11 Aug 2015	Publication of H1/2015 Report
08 Sep 2015	EPRA Conference, Berlin
21 Sep 2015	Goldman Sachs/ Berenberg German Corporate Conference, Munich
22 Sep 2015	Baader Investment 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, London
Jan 2016	Kepler Cheuvreux Conference, Frankfurt

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