

# Deutsche Office

COMPANY PRESENTATION

DECEMBER 2014

# 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.

# INVESTING IN A LEADER IN GERMAN OFFICE REAL ESTATE FOCUSED ON METROPOLITAN AREAS

- 1 Investment in the German office market with sustainable cash flows and a solid market environment**
- 2 Value-add focused platform present in the leading German metropolitan areas with a EUR 1.8bn portfolio and diversified multi tenant portfolio structure**
- 3 Experienced in-house management team with strong track record in asset management esp. in the value-add segment**
- 4 Strategy focused on
  - vacancy reduction (esp. former single tenant assets) to drive growth
  - acquiring active management assets
  - capital recycling by selling stabilized assets**
- 5 Significant upside potential through targeted vacancy reduction and sustainable FFO-growth: Deutsche Office is marked by high NAV-discount**
- 6 Lean cost structure, attractive financing and tax efficient structure support sustainable FFO profile and dividend capacity**

# DEUTSCHE OFFICE 9M/2014 AT A GLANCE

- 1 Good letting result in 9M/2014 in partly challenging letting markets**
  - Letting volume of c107,700 sqm in 9M/2014 (c11.5% of gross lettable area)
    - c76,700 sqm of lease extensions
    - c31,000 sqm of new leases (up from 18,200 in H1/2014)
  - Vacancy improved to 19.2% in 9M/2014 after c20% as of Dec 31, 2013
- 2 Positive FFO development in line with guidance**
  - 9M/2014 FFO at EUR 34.1m in line with full-year guidance
  - Increased momentum in quarterly FFO in 9M/2014
- 3 Further decrease in leverage and significant improvement of financial result**
  - Loan-to-value further reduced to 54.6% (-40 BP q-o-q and -400 BP y-t-d)
  - Financial result improved by 36.8% y-o-y to EUR -35.2m
- 4 Net Asset Value**
  - Net Asset Value at EUR 4.31 per share
  - EPRA-NAV at EUR 4.60 per share

DEUTSCHE OFFICE  
COMPANY INTRODUCTION

# PORTFOLIO OVERVIEW AS OF SEPTEMBER 30, 2014

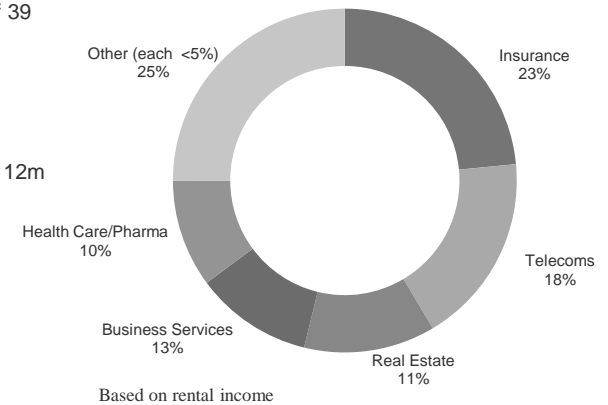
## Metropolitan areas in Western Germany and Berlin



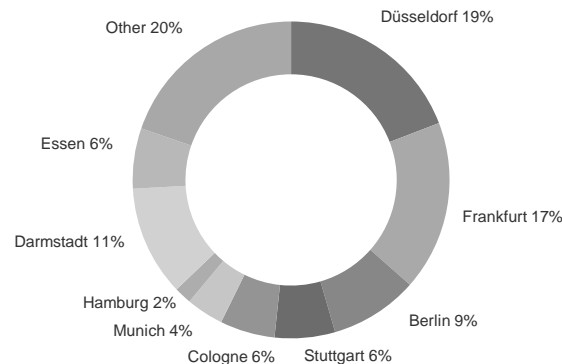
## Key Data

- 53 investment properties, thereof 39 multi-tenant
- c550 lease contracts
- Rental area: c936k sqm
- Fair value (IFRS): EUR 1,844m
- Annualized rental income: EUR 112m
- Current Gross Yield: 6.1%
- EPRA net initial yield: 5.2%
- WALT: 4.7 years
- Vacancy rate: 19.2%

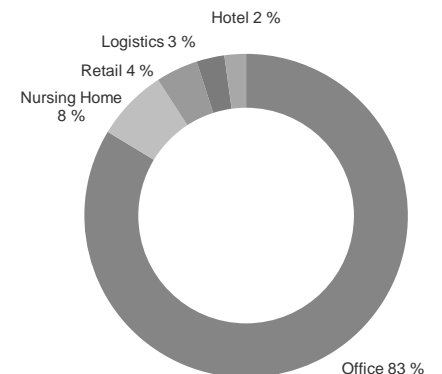
## Diversified Tenant Structure



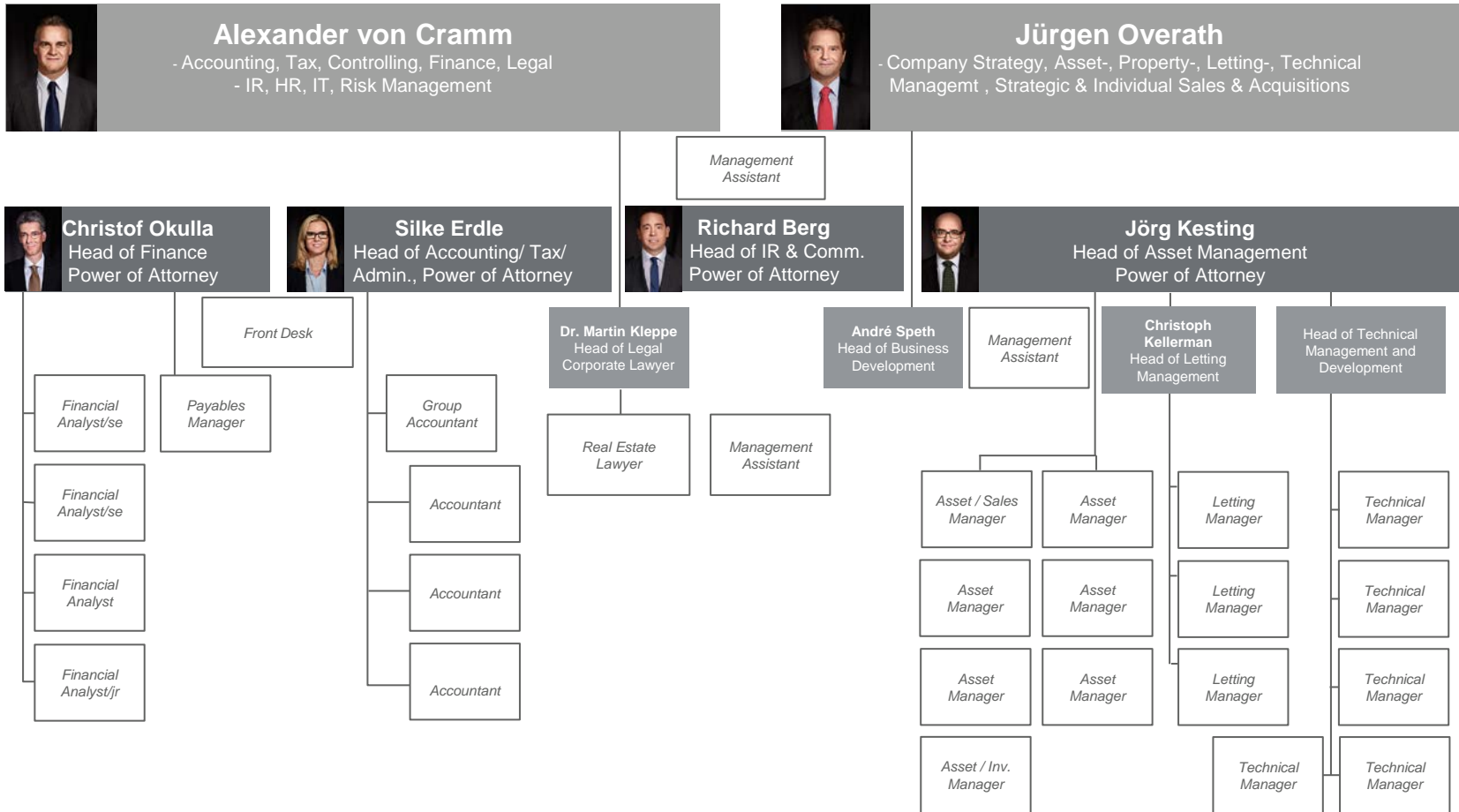
## Focus: TOP 7 Metropolitan Areas



## Main Usage: Office

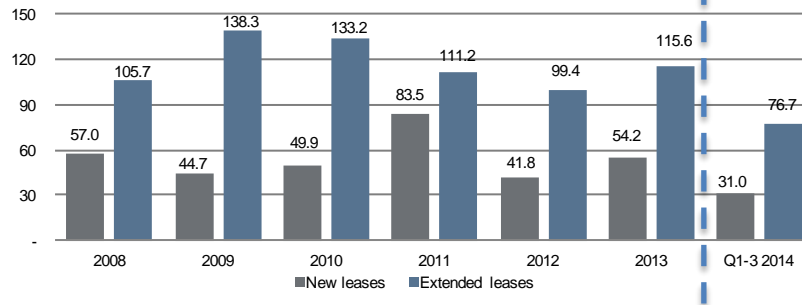


# DEUTSCHE OFFICE: EXPERIENCED MANAGEMENT TEAM WITH STRONG TRACK RECORD



# STRONG LEASE TRACK RECORD

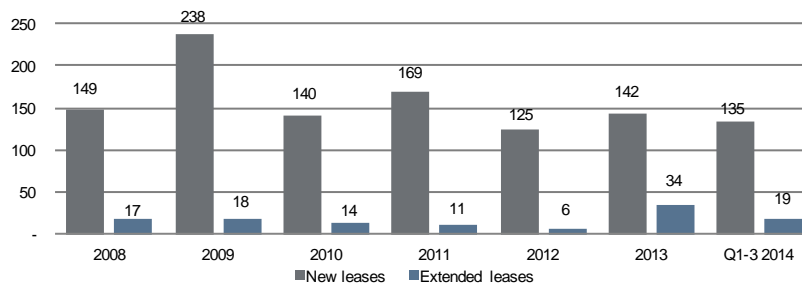
New & extended leases (in '000 sqm)



## Comment

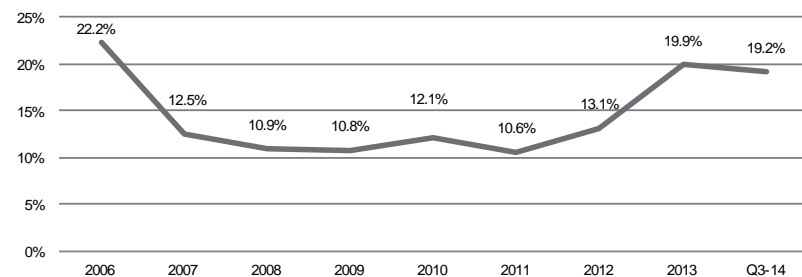
- Average annual letting volume of 169k sqm
- Strong relationship with tenants led to a renewal quote in former German Acorn of c70% until 2013 (74% YTD 2014 for Deutsche Office)

Tenant improvements (in EUR/sqm)



- Tenant improvements (and rent-free periods) reduced over time
- Tenant improvements for extensions are significantly lower than for new leases (2013 distorted by one-off for hotel refurbishment) leading to a material benefit from high renewal quote

Vacancy (% based on sqm)



- Vacancy increase 2013 mainly driven by expiry of lease contracts with single or major tenants in Dusseldorf, Am Seestern (c29k sqm), Frankfurt, Kastor (c21k sqm), Westend-Ensemble (c34k sqm) and Gutleutstr. (c3k sqm) totalling c87k sqm or c9.2% of lettable space
- Targeted vacancy decrease in the next 3-4 years to a single digit number



DEUTSCHE OFFICE  
LETTING ACTIVITIES 9M/2014

# LETTING PERFORMANCE

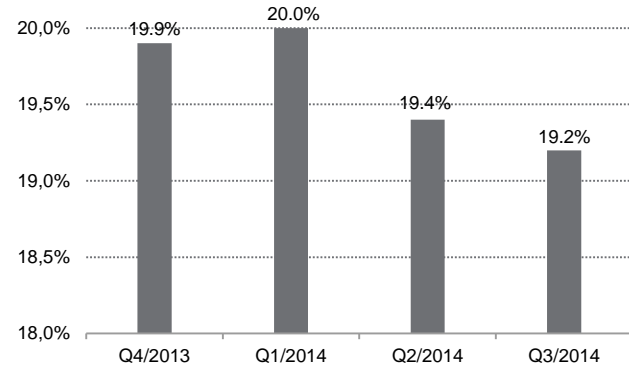
## Letting result in Q3/2014

- Q3 letting volume of c20,400 sqm
  - thereof c12,700 sqm new leases
  - thereof c7,700 sqm lease extensions

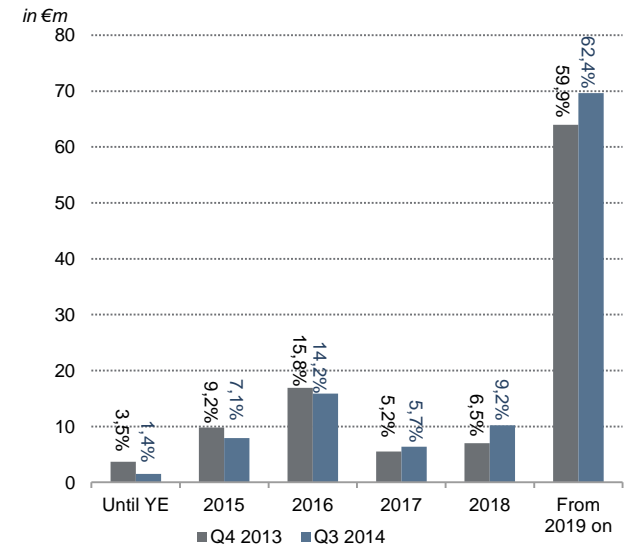
## Letting result in 9M/2014

- Total letting volume in 9M/2014 of c107,700 sqm (c11.5 % of total lettable area)
  - Thereof c31.0k sqm new leases
  - Thereof c76.7k sqm lease extensions
- Well positioned in challenging markets
  - Dusseldorf: c31.3k sqm (c13% of turnover of the Dusseldorf letting market in 9M/2014)
  - Frankfurt: c9.2k sqm (c3% of turnover of the Frankfurt letting market in 9M/2014)

## Development of vacancy q-o-q



## Lease Expiry Profile as of September 30, 2014



# REDEVELOPMENT AND LETTING ACTIVITIES UPDATE

## Westend-Ensemble, Frankfurt



Gross lettable area: 35,101 sqm

## Am Seestern 1, Dusseldorf



Gross lettable area: 36,109 sqm

## KASTOR TOWER, Frankfurt



Gross lettable area: 30,630 sqm

### Structured redevelopment process ongoing

- Preliminary building permit („Bauvorbescheid“) granted by the city of Frankfurt for conversion into residential use
- Concept provides for a gross floor space of c43k sqm of residential space
- Selection process of a development partner in progress
- Office letting process still considered as alternative
- Vacancy rate accounts for 3 %-points of portfolio vacancy

### Revitalization measures almost completed

- New marketing suites finalized
- Major revitalization measures in occupied office floors completed; revitalization of entrance hall will be completed by mid November 2014
- Good frequency of site visits despite challenging letting markets in Dusseldorf and in micro-location
- Vacancy at 79%

### YTD Letting volume corresponds to c13% of lettable area

- Letting volume in 2014 so far has reached c4k sqm
- Recently a 350 sqm new lease (additional space, interim use) and a 600 sqm lease extension by KT Bank have been achieved
- Vacancy at 73%

# LETTING ACTIVITIES UPDATE

## Carl-Schurz-Strasse, Neuss



Gross lettable area: 12,650 sqm

### Letting volume of c9.1k sqm in 9M/2014 (c72% of lettable area)

- c4,900 sqm newly let in Q3/2014 (Emerson Networks, 3M and others)
- Vacancy reduction from 59 % YE 2013 to 2% as of September 2014

## Potsdamer Platz, Bonn



Gross lettable area: 10,751 sqm

### Letting volume of 6.9k sqm in 9M/2014 (c64% of lettable area)

- Recent long-term lease extension with law firm (1.1k sqm, 5 yrs) in Q3/2014 following significant long-term lease extensions with other tenants in Q2/2014
- WALT at 6.3 yrs
- Vacancy at 5%

## Schuckert Haus, Nuremberg



Gross lettable area: 6,445 sqm

### Letting volume corresponds to c53 % of lettable area

- c3.4k sqm new lease (5yrs) signed in July 2014 with the State of Bavaria (Police Headquarters Middle Franconia)
- Rental contract to start in April 2015
- Option for take up of residual space granted to the State of Bavaria
- Full take-up likely by mid 2015

# LATEST SELLING ACTIVITIES

## Essen, Altenessener Strasse



Gross lettable area: 2,988 sqm

## Sale of Essen property accomplished

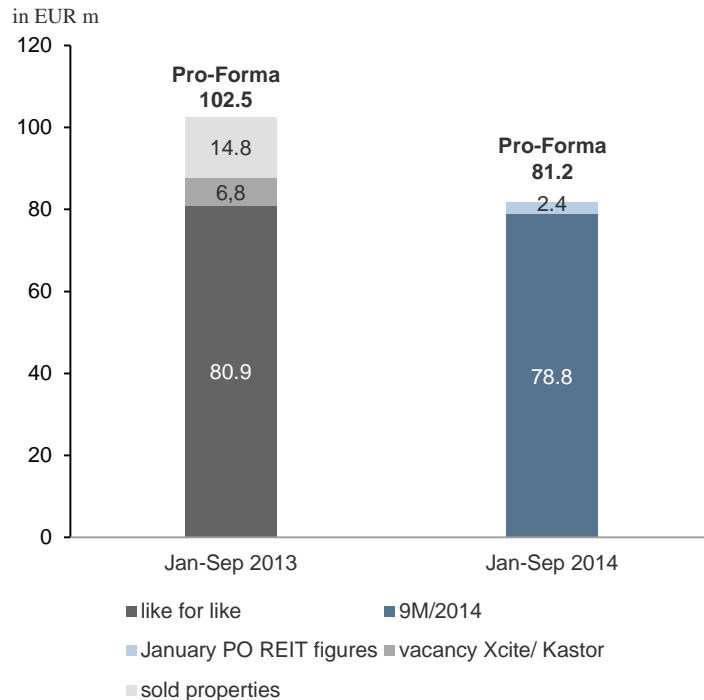
- Sale & Purchase Agreement notarised on 30 September 2014
- Sales price at book value of EUR c3.3m
- Part of portfolio optimization strategy

# FINANCIAL PERFORMANCE

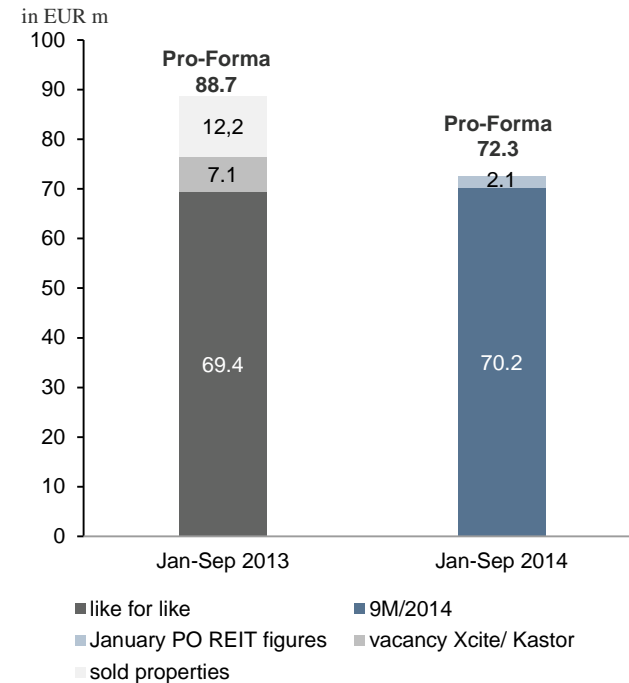
9M/2014 (IFRS)

# RENTAL REVENUES AND NET OPERATING INCOME

## Rental revenues



## Net operating income (NOI)



## Summary

- Pro-Forma 9M/2014 rental revenues and pro-forma 9M/2014 net operating income below 9M/2013 (like-for-like) primarily due to vacancies in Kastor (Frankfurt) and Am Seestern/ Xcite (Dusseldorf)

# FUNDS FROM OPERATIONS (FFO)

## 9M FFO

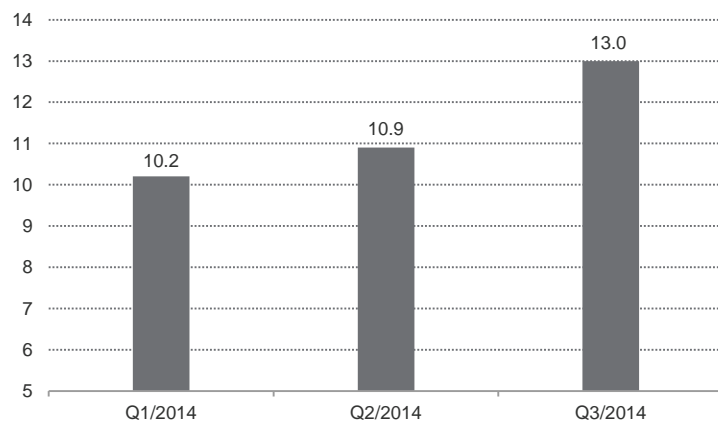
in EUR m	01 Jan to 30 Sep 2014	Pro-Forma 01 Jan to 30 Sep 2013
Net rental income	70.2	88.7
Administrative expenses	-7.4 *	-8.9
Other income	1.7 **	3.9
Other expenses	-1.0 ***	-1.7
Financial result	-29.4 ****	-51.3 °
<b>Funds from Operations (FFO)</b>	<b>34.1</b>	<b>30.7</b>
<b>FFO per share °° (in EUR)</b>	<b>0.20</b>	<b>0.23</b>

## Summary

- 9M/2014 FFO increased y-o-y to EUR 34.1m
- Increasing momentum in quarterly FFO growth
  - savings in administrative expenses
  - significantly improved financial result
    - attractive financing conditions following refinancing
    - substantial debt repayments
- 9M/2014 FFO in line with guidance for FY 2014

## Quarterly FFO

in EUR m



\* adjusted for provisions for closure of Munich offices (EUR 0.5m)

\*\* adjusted for earnings from business combination (EUR 115.4m)

\*\*\* adjusted for transaction cost of the merger and financing (EUR 24.1m); (9M/2013: EUR 7.9m)

\*\*\*\* adjusted for changes in market value and early termination of swaps (9M/2014: EUR 5.8m)

° adjusted for non cash interest expenses for subordinated interest-bearing loans to related companies until the date of deposit to equity (9M/2013: EUR 3.4m) as well as exceptional items from early termination of loans (9M/2013: EUR 1.0 m)

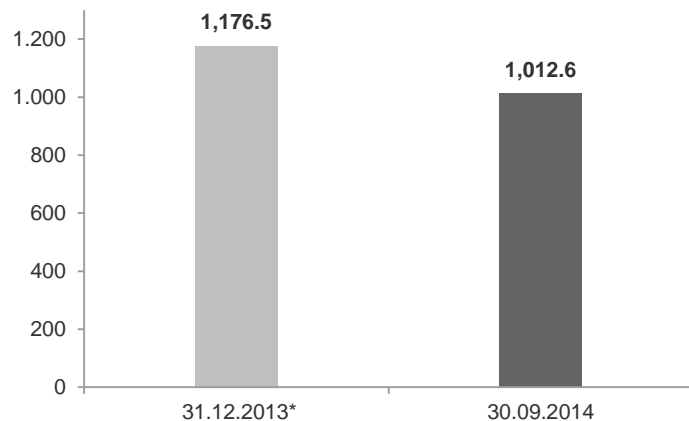
°° 169,215,671 average outstanding shares used for calculation (comparable period: pro-forma 133,941,345 after the merger)



# NET DEBT, LTV AND DEBT MATURITY

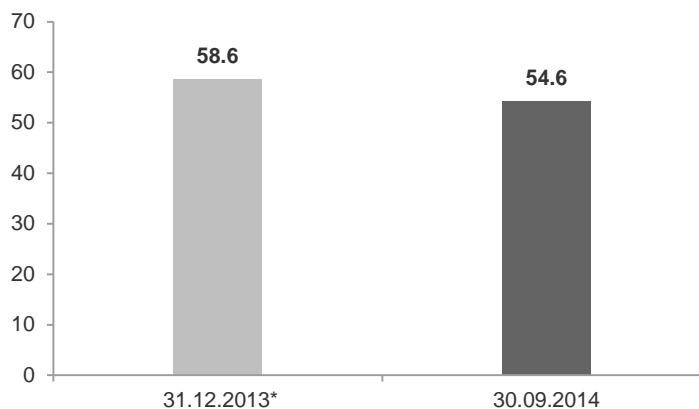
## Net debt

in EUR m



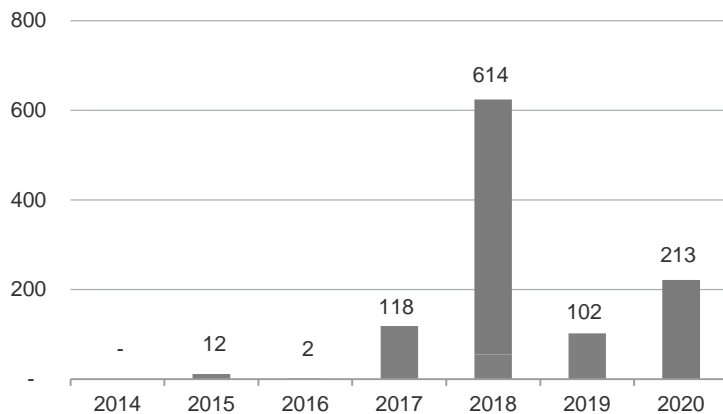
## Loan-to-value (net)

in %



## Debt maturity profile

in EUR m



## Summary

- Attractive, long-term financing structure:
  - Net-LTV further reduced q-o-q to 54.6% as of September 2014
  - Average cost of debt at 3.5 %
  - Hedging: 83% (65% via swaps, 18% via caps)
  - Average maturity 4.5 yrs.
  - No material maturity prior to June 2017
- Market-based financial covenants – comfortable headroom

\* Pro-Forma

# NET ASSET VALUE

## Summary

in EUR m	30/09/2014	Pro-Forma 31/12/2013
Investment properties	1,844.1	1,904.1
Interest bearing loans	-1,056.4	-1,256.7
Cash and cash equivalents	59.2	80.2
Other assets and liabilities	-68.7	-16.1
<b>Net Asset Value (NAV)</b>	<b>778.2</b>	<b>711.5</b>
<b>Net Asset Value (NAV) per share* (in EUR)</b>	<b>4.31</b>	<b>5.31</b>
Fair value of derivative financial instruments	51.5	44.0
<b>Diluted EPRA-NAV</b>	<b>829.7</b>	<b>755.5</b>
<b>Diluted EPRA-NAV per share* (in EUR)</b>	<b>4.60</b>	<b>5.64</b>
Fair value of derivative financial instruments	-51.5	-44.0
<b>Diluted EPRA-NNNAV</b>	<b>778.2</b>	<b>711.5</b>
<b>Diluted EPRA-NNNAV per share* (in EUR)</b>	<b>4.31</b>	<b>5.31 *</b>

\* 180,529,631 shares as of balance sheet date used for calculation. Comparable period pro-forma 133,941,345 shares following the merger

- NAV increase to EUR 778.2m as of Sep 30, 2014 compared to Dec 31, 2013
  - Positive impact:
    - Capital increase (EUR 128m)
    - Refinancings (pro forma: EUR 711.5m )
  - Negative impact:
    - Fair value adjustment of EUR 57.7m
      - EUR c26m from Westend-Ensemble (Frankfurt)
      - EUR c15m from the increase in RETT (Hesse, Bremen, Berlin)
- Higher negative fair values of derivative financial instruments

GUIDANCE

FY 2014

## GUIDANCE FY 2014

Guidance for FY 2014 confirmed:

We expect FY 2014 rental income of EUR 109m – 111m and FFO of EUR 44 – 46m (EUR 0.24 – 0.25 per share)

Pay out of 40 – 45% of targeted FFO for FY 2014 (EUR 0.10 – 0.11 per share)

# APPENDIX

# EXPERIENCED MANAGEMENT TEAM WITH STRONG TRACK RECORD IN THE VALUE-ADD SEGMENT

## Management Board



**Alexander v. Cramm**

*Board Member*

- 2007-2014: CEO/CFO of Prime Office REIT-AG
- Aug 2006-Aug 2007: CEO of a smaller, listed residential property company
- 2005-2006 responsible for corporate strategy of a SDAX-listed real estate company
- 2001-2004: CFO Loyalty Partner GmbH (Payback Cards)
- 12 years of Investment Banking experience (Deutsche Bank, Morgan Stanley)



**Jürgen Overath**

*Board Member*

- 2007-2014: CEO/Managing Director of German Acorn
- Set-up German Acorn in 2007
- 2005-2007 COO at DIC Asset AG (accompanied the IPO and first capital increase in 2006)
- 1999-2005 Managing Director at Corpus Sireo Real Estate Group
- More than 22 years of experience in the commercial real estate sector including experience in developing retail and office properties

## Management



**Christof Okulla**

*Head of Finance*

- More than 20 years experience in the real estate sector
- Formerly director finance department at Corpus Sireo and before project manager at IKB Immobilienleasing
- Joined German Acorn in 2008



**Silke Erdle**

*Head of Accounting,  
Tax and Administration*

- More than 10 years experience in the audit of listed and real estate Companies
- Formerly senior manager and Wirtschaftsprüfer (German Public Auditor) at Ernst & Young GmbH
- Joined German Acorn in 2013



**Richard Berg**

*Head of Investor  
Relations*

- More than 15 years experience in IR and corporate communications
- Formerly director IR and corporate communications in several MDAX and TecDAX listed companies
- Joined Prime Office in set up phase in 2007

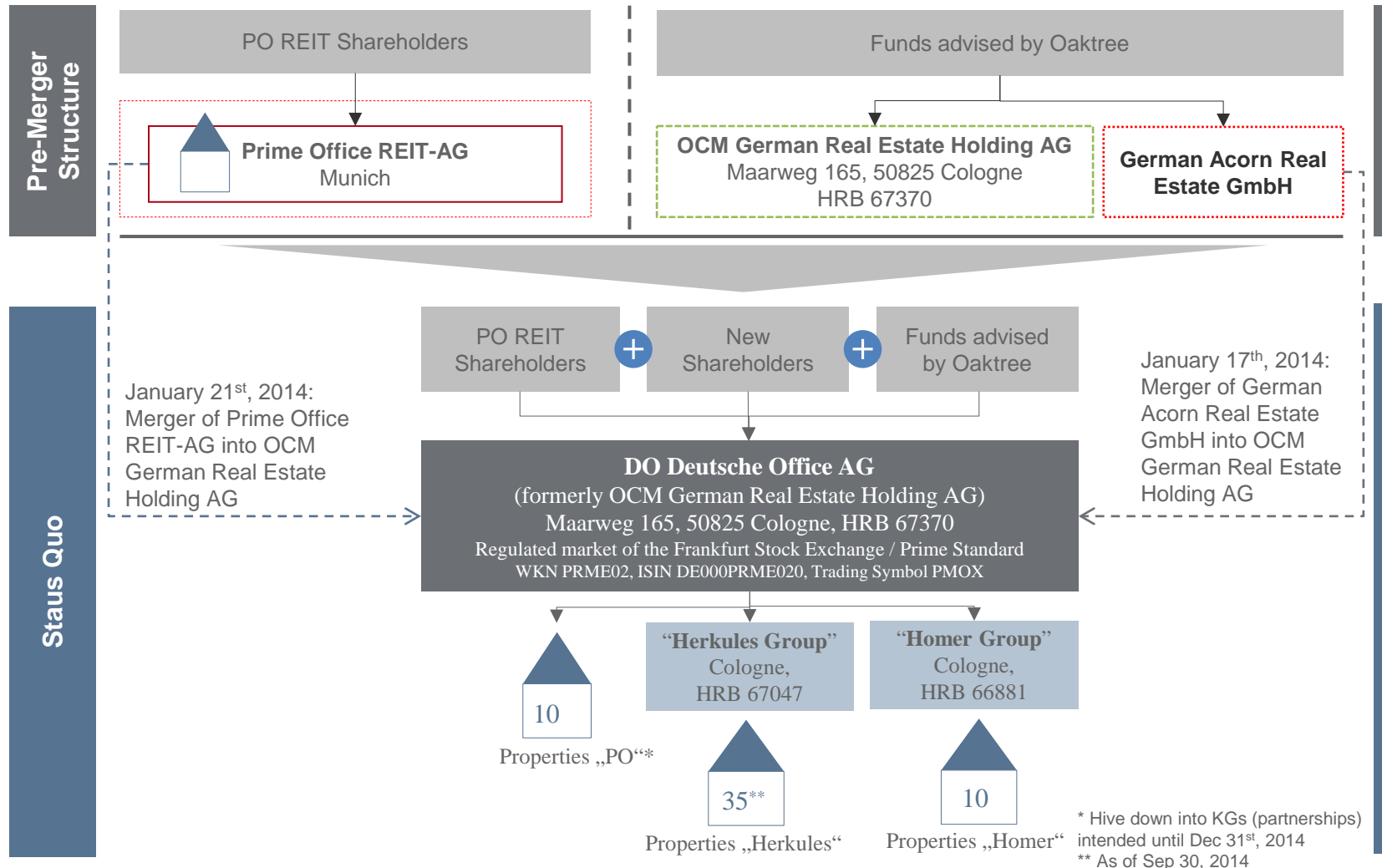


**Jörg Kesting**

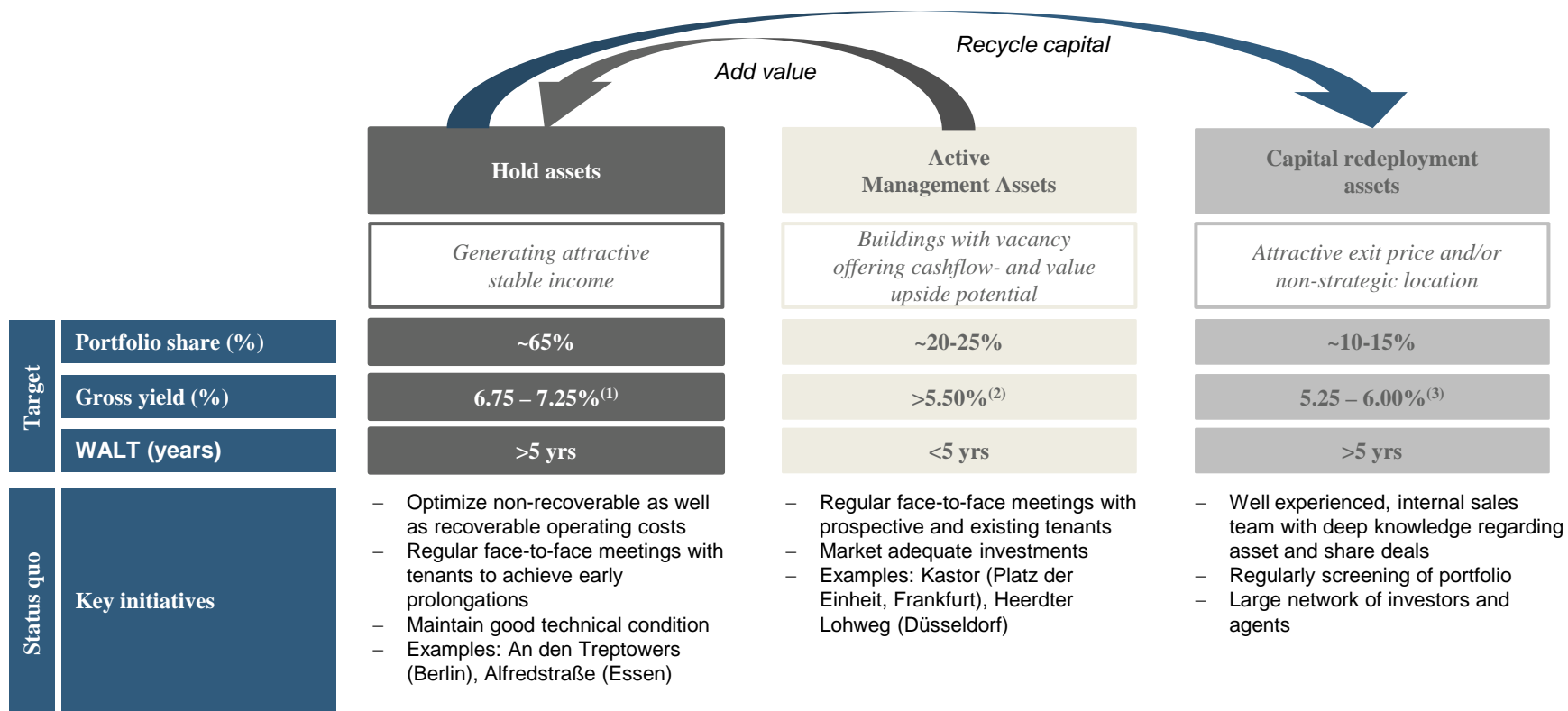
*Head of Asset  
Management*

- More than 19 years experience in asset management and controlling in the real estate sector
- Formerly director at Siemens Real Estate and Aurelis Real Estate
- Set up German Acorn in 2007

# LEGAL STRUCTURE DO DEUTSCHE OFFICE AG



# STRATEGY FOCUSED ON ACQUIRING VALUE-ADD ASSETS AND CAPITAL RECYCLING BY SELLING STABILIZED ASSETS



**▶ Active asset management approach to create value from current and future property portfolio**

Note: (1) In-place yield  
 (2) Going-in yield  
 (3) Envisaged exit yield

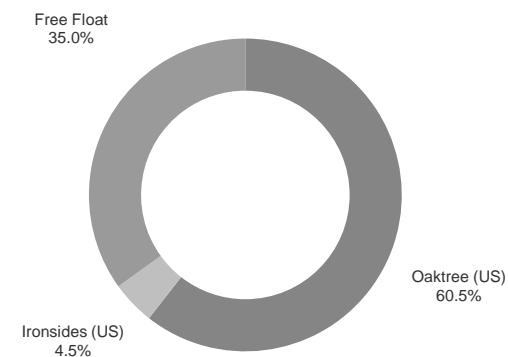


# INFORMATION ON DEUTSCHE OFFICE

## DEUTSCHE OFFICE SHARE INFORMATION

Start of trading on 22 January 2014	EUR 3.20
XETRA closing price on 30 Sep 2014	EUR 3.03
Low/high price in period under review	EUR 2.72 / EUR 3.49
Market capitalisation on 30 Sep 2014	EUR 546.9 million
Official market	Prime Standard, Frankfurt and XETRA
Indices	FTSE EPRA/NAREIT Global Real Estate Index Series, SDAX Index
Number of shares outstanding	180,529,633
Ticker symbol	PMOX
Securities identification number (WKN)	PRME02
ISIN	DE000PRME020
Designated sponsors	Baader Bank, Close Brothers Seydler

## SHAREHOLDER STRUCTURE



## FINANCIAL CALENDAR 2014/ 2015

4 November 2014	Financial report on the first nine months of 2014
6 - 7 November 2014	Kempen Roadshow London, Amsterdam
13 November 2014	Commerzbank Commercial RE Seminar, London
24 - 26 November 2014	Deutsches Eigenkapitalforum Forum, Frankfurt
27 November 2014	Roadshow Paris, Kepler Cheuvreux
9 December 2014	MidCap Conference CB Seydler, Geneva
19 – 22 January 2015	German Corporate Conference, Kepler Cheuvreux, Frankfurt

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