



# First Quarter 2009

Conference Call  
28 May 2009

## » Agenda

**Operational and Financial Update**

**Outlook**

**Appendix**

## » Operational Update Q1 2009

### Rental business on track

#### Core Portfolio

- Rents up by 2.1% to 5.25 €/sqm in Q1 2009 (Q-o-Q)
- Vacancy reduction from 4.7% to 3.7% in Q1 2009 (Q-o-Q)

### Sales (notarised)

#### Total units sold: 1,040

- Sales proceeds: €31.8m

#### Privatisation

- Units sold: 205 (500 units stated annual privatisation target)
- Sales margin: 32%

### Cost savings initiated in 2008 showing effects

- Personnel costs reduced by 22% in Q1 2009 (Q-o-Q)
- General and administration costs down by 19% in Q1 2009 (Q-o-Q)
- Interest expenses down by 10% in Q1 2009 (Q-o-Q)

### Cash flow situation improved

- FFO increased by 55% Q-o-Q to €0.34 per share (Q1 2008: €0.22 per share)

### Ongoing improvement of business processes

- Increased service quality as a result of SAP implementation and new corporate structure of property management business

## » Portfolio Overview as of 31 March 2009

	Apartments				Commercial		Parking
	Units	Rental area	Rent	Vacancy	Units	Rental area	Units
	#	'000s sqm	€/sqm	%	#	'000s sqm	#
<b>Core portfolio</b>	<b>33,788</b>	<b>2,038</b>	<b>5.25</b>	<b>3.7%</b>	<b>382</b>	<b>70</b>	<b>8,051</b>
Berlin	22,757	1,369	5.04	3.0%	270	37	1,855
Frankfurt/Main	3,661	217	6,71	3.4%	43	17	1,825
Rhine-Main	3,282	203	5.78	7.9%	59	15	1,963
Lower Rhine-Valley	4,088	249	4.74	4.7%	10	1	2,408
<b>Disposal</b>	<b>14,005</b>	<b>880</b>	<b>4.78</b>	<b>11.5%</b>	<b>81</b>	<b>7</b>	<b>5,213</b>
Single privatisation	4,958	330	5.26	12.0%	20	2	1,839
Bloc sales	9,047	550	4.48	11.2%	61	5	3,374
<b>Own properties <sup>1</sup></b>	<b>47,793</b>	<b>2,918</b>	<b>5.11</b>	<b>5.9%</b>	<b>463</b>	<b>77</b>	<b>13,264</b>
DB 14	2,621	179	5.43	5.8%	31	8	2,624
<b>Own properties incl. DB14</b>	<b>50,414</b>	<b>3,096</b>	<b>5.13</b>	<b>5.9%</b>	<b>494</b>	<b>85</b>	<b>15,888</b>

(1) without Northern Hesse

- Core portfolio: sustainable managed stock with rent increase potential in Cluster A from rent adjustments (rent index) and in Cluster B (development) from rent increases after modernisation
- Disposal:
  - single privatisation ➔ target to privatise 500 units p.a. continuously
  - bloc sales ➔ portfolio adjustment

## » Business Performance Q1 2009 Property Management

	Vacancy in %			Rents in € per sqm			Market rent	
	Q1 2008	Q1 2009	Δ	Q1 2008	Q1 2009	Δ	€/sqm	Underrented
Own portfolio	6.8	5.9	-13%	5.01	5.11	2.0%	-	-
Core portfolio	4.7	3.7	-21%	5.14	5.25	2.1%	5.90	12.4%
Cluster A	4.1	3.3	-20%	5.23	5.33	1.9%	5.80	8.8%
Cluster B	9.1	6.8	-25%	4.57	4.76	4.2%	6.10	28.2%

### New rental contracts (non-rent-restricted)

- New contracts: c. 1,700
- Average new rent: 6.10 €/sqm, 13% above previous rent

## » Business Performance Q1 2009

### Sales (notarised)

Sales (notarised)	Transaction volume	Fair value	Disposal gain <sup>1</sup>
	units	€m	€m
Privatisation	205	16.2	3.9
Bloc sales	835	15.6	0.4
<b>Total</b>	<b>1,040</b>	<b>31.8</b>	<b>4.3</b>

### Recent disposal successes

	Q1 2009
■ Privatisations (units):	59 <sup>2</sup>
■ Gross proceeds	€4.6m
per sqm	€1,220/sqm
Sales margin	39%
■ Bloc sales (units):	35 <sup>2</sup>
■ Gross proceeds	€0.9m
per sqm	€631/sqm
Sales margin	15%

(1) before costs

(2) units effective for balance sheet (transfer of risks and benefits)

## » Financial Result Q1 2009

€ million	2008	Q1 2008	Q1 2009	Change Q-o-Q
Result from Rental Business	147.8	39.3	39.0	-0.3
Result from Sales	13.2	0.8	0.6	-0.2
Corporate Expenses	-38.9	-10.6	-8.6	2.0
Non-core Businesses	8.5	3.3	2.0	-1.3
<b>EBITDA</b>	<b>130.6</b>	<b>32.9</b>	<b>33.0</b>	<b>0.1</b>
<b>EBIT</b>	<b>-147.7</b>	<b>32.5</b>	<b>32.5</b>	<b>0.0</b>
Financial Result	-124.8	-30.6	-27.6	3.0
SWAP Revaluation	-32.2	-24.0	0.0 <sup>2</sup>	24.0
One-offs	-24.1	-1.3	-4.2	-2.9
Taxes	56.5	0.6	-2.9	-3.5
<b>Net Income<sup>1</sup></b>	<b>-255.9</b>	<b>-22.7</b>	<b>-2.2</b>	<b>20.5</b>

- Stable Result from Rental Business despite disposal of 1,800 apartments due to rent increases and reduced vacancy rates
- Decrease in Corporate Expenses through employee reduction as part of merger integration
- Improved Financial Result due to debt repayments in 2008
- SWAP revaluation through adoption of hedge accounting

1) including income from discontinued operations

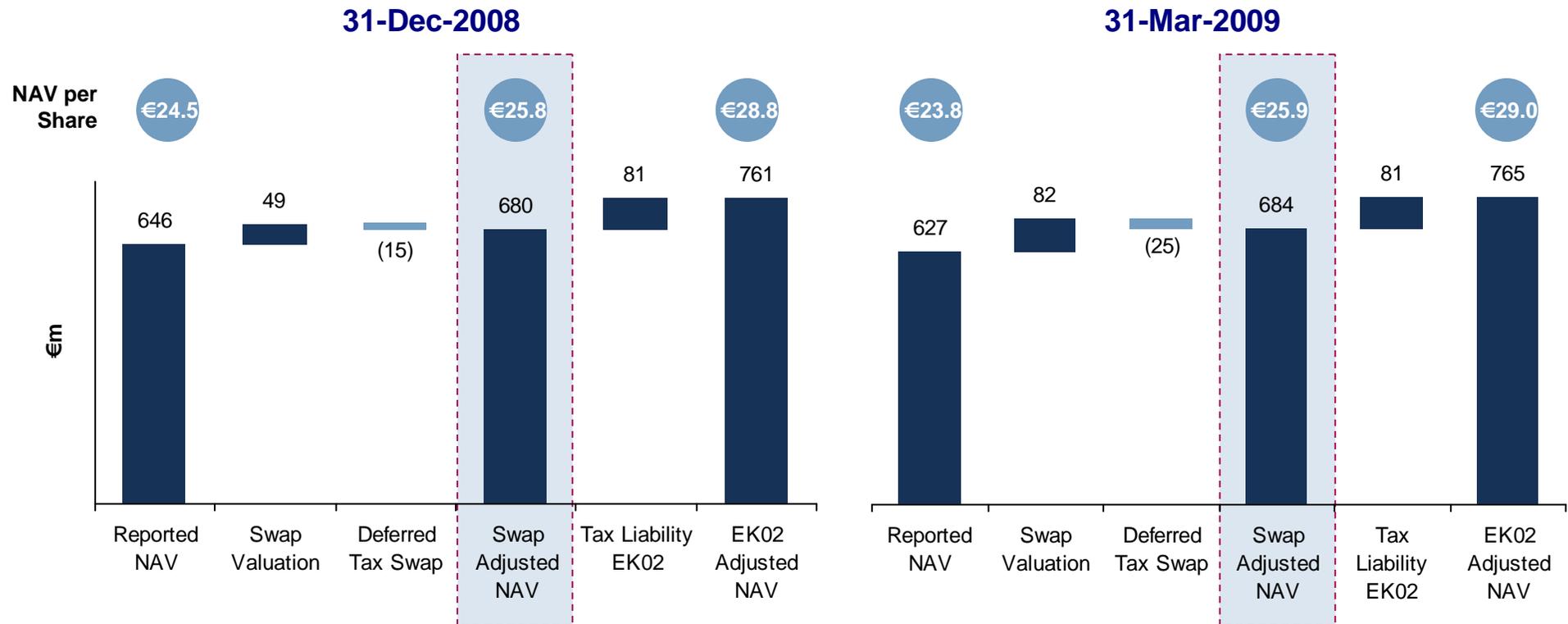
2) change to hedge accounting, SWAP revaluation reflected directly in equity

## » Cash flow Q1 2009

€ million	2008	Q1 2008	Q1 2009	Change Q-o-Q
Proceeds from operating activities	120.7	32.1	39.1	21.8%
Proceeds from disposals	123.5	12.6	7.3	nm
	<b>244.2</b>	<b>44.7</b>	<b>46.4</b>	<b>3.8%</b>
Interest payments	-107.0	-22.5	-20.6	
Investments	-28.6	-4.6	-0.8	
<b>Cash flow before one-offs</b>	<b>108.6</b>	<b>17.6</b>	<b>25.0</b>	<b>42.0%</b>
One-off effects				
Restructuring costs	-24.1	-1.3	-4.2 <sup>1</sup>	
Payments regarding DB 14	-6.1	0.0	-0.9	
<b>Cash flow before redemption</b>	<b>78.4</b>	<b>16.3</b>	<b>19.9</b>	<b>22.1%</b>
Redemption	-84.3	-9.2	-21.1	
<b>Cash flow</b>	<b>-5.9</b>	<b>7.1</b>	<b>-1.2</b>	<b>nm</b>
<b>FFO</b>	<b>26.1</b>	<b>5.8</b>	<b>9.0</b>	<b>55.2%</b>

1) includes €3.4m of lay-off costs

# » NAV Calculation



- Adjusting for the mark-to-market of swaps, NAV grew by 0.5%
  - the mark-to-market of the swap will decline with increasing life of the swap until reaching zero at maturity
- Reported NAV decreased by 3.0% in Q1 2009
  - one-off adjustment due to mark-to-market of derivative instruments

## » Solid Financing Q1 2009

### Debt structure

- Financial liabilities: €2,073.0m
- Loan-to-value ratio (LTV): 70.1%
- Available credit lines: €58.0 m

### Attractive cost of financial debt

- Average interest rate: 4.3%
- Average redemption p. a.: 2.0%  
(excl. sales release payments)

### Long-term maturities profile

- 92.3% hedged
- Average duration: 10 years
- Maturities for fixed and variable interest loans:

Q1 2009	2010	2011	2012	2013	2014
€82.4m	€65.5m	€10.3m	€443.8m	€21.3m	€1,449.7m

## » Key figures – Q1 2009

### Balance sheet

■ Portfolio value (€m)	2,894
■ Gross debt (€m)	2,073
■ Net debt (€m)	2,032
■ LTV (%)	70.1

### Yield and portfolio

■ Units total	50,414
■ of which own properties	47,793
■ Gross rental yield (%)	7.1
■ NOI yield (%)	5.4
■ Gross rental yield on EV (%)	8.6
■ NOI yield on EV (%)	6.5

## » Agenda

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## » Focus 2009



- 1 Ongoing operational and financial improvement
- 2 Focus on change of risk profile via de-leveraging
- 3 Continued disposal programme
- 4 Ongoing optimisation of business processes

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## » FFO Calculation

€ million	Q1 2008	Q1 2009
Net profit	-22.7	-2.2
+ Depreciation	0.8	0.5
+ Changes in market values of investment properties	-0.5	0.0
+ Changes in market values of derivatives	24.0	0.0
+ Non-cash financial expenses	3.5	3.7
- Deferred taxes	-0.6	2.9
+ Restructuring costs	1.3	4.2
<b>= FFO</b>	<b>5.8</b>	<b>9.0</b>
<b>FFO per share</b>	<b>0.22</b>	<b>0.34</b>

## » Balance Sheet – Assets

€ million	31.12.2008	31.03.2009
Investment properties	2,900.7	2,893.5
Other non core assets	23.0	22.6
Deferred tax assets	92.6	104.5
<b>Non current assets</b>	<b>3,016.3</b>	<b>3,020.6</b>
Land and buildings held for sale	19.3	19.4
Receivables from goods and services	21.2	14.2
Other current assets	27.9	32.2
Cash	42.0	40.7
<b>Current assets</b>	<b>110.4</b>	<b>106.5</b>
<b>Total assets</b>	<b>3,126.7</b>	<b>3,127.2</b>

## » Balance Sheet – Liabilities

€ million	31.12.2008	31.03.2009
Total equity	649.3	624.4
Financial liabilities	2,089.2	2,073.0
Tax liabilities	82.3	82.8
Deferred tax liabilities	71.7	76.3
Derivatives	49.3	82.2
Other liabilities	184.9	188.5
<b>Total liabilities</b>	<b>3,126.7</b>	<b>3,127.2</b>

€ million	31.12.2008	31.03.2009
NAV	646.2	627.0
NAV per share	24.48	23.75

## » Revaluation of Portfolio – Assumptions per December 2008

### Valuation method

- DCF-model based on a clustering (AA-CC) in regions, quality of the property and location

### Main adjustments in comparison to previous year

	2007 on average	2008 on average
Annual rate of rent increase	2.8%	2.3%
Discount rate	5.99%	6.79%
Capitalisation rate	5.36%	5.72%

### Effects

	31.12.2007	31.12.2008
Fair value / sqm	€985	€881
Multiplier	15.3	13.7
LTV	65%	71%
NAV per share	€37.16	€24.48

## » Revaluation of Portfolio – Result per December 2008

	Units	Fair Value in € m		Fair Value in €/sqm		Multiple	
		2008	New	Old	Δ	New	Old
Berlin	24,865	1,438	928	1,030	-9.9%	14.6	16.6
Brandenburg	1,857	54	433	492	-12.0%	8.8	10.6
Rhine-Main/ Lower Rhine-Valley	12,382	846	1,068	1,069	0.0%	15.9	15.6
Other Rhineland- Palatinate	7,439	259	563	630	-10.6%	10.0	11.5
Other DW	1,325	44	562	744	-24.5%	9.4	12.0
DB 14	2,621	169	902	987	-8.6%	13.0	15.2
<b>Total</b>	<b>50,489</b>	<b>2,809</b>	<b>881</b>	<b>964</b>	<b>-8.7%</b>	<b>13.7</b>	<b>15.3</b>

## » Business Performance 2008

### Impact of CapEx Measures

Berlin-Zehlendorf, Waldsiedlung (Cluster B)	2006	2008	Δ
	in €/sqm	in €/sqm	in %
Net cold rent	4.40	5.29	+20.2
Re-letting rent after capex measures	5.45	6.84	+25.5
Vacancy	0.8%	3.5%	

Re-letting rent up to €7.79 per sqm

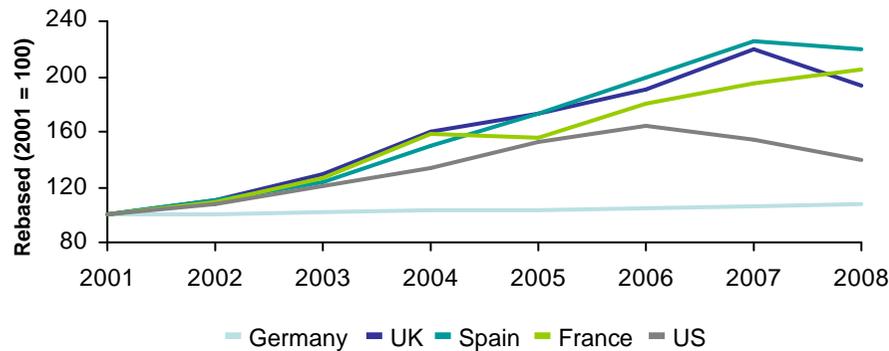
- Start of capital expenditures measures: 2007
- Number of apartments: 800 (438 already finished)
- Main measures: connection to district heating, modernisation of bathrooms, installation of interphone systems, partly renovation of facades and windows
- Investment costs: €9.6m (€374 per sqm)
- Rent increases compared to previous rent in 2008: 51.7%

## » Shareholder Structure

Shareholder's Name	Attributed to the notifier, shareholder with more than 3%	According to last WpHG notification	
		Shares	%
Oaktree	OCM Funds	6,388,000	24.20%
Deutsche Asset Management	Zurich Deutscher Herold Lebensversicherung AG (ZDHL)	1,517,500	5.75%
Arnhold and S. Bleichroeder Advisers LLC	First Eagle Overseas Fund	1,383,380	5.24%
Asset Value Investors Ltd.	British Empire (AVI)	2,643,696	10.01%
Akelius University Foundation	Akelius Apartments Ltd	1,285,509	4.87%
Sun Life Financial	MFS Investment Management	1,058,130	4.01%
Ärzteversorgung Westfalen-Lippe	Feri Finance AG	878,157	3.33%
<b>Total</b>		<b>15,154,372</b>	<b>57.40%</b>

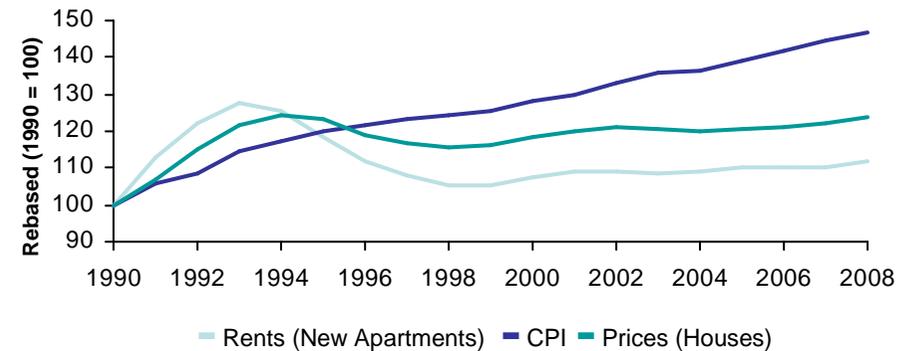
# » Key drivers of the German residential market

## House price across Europe & US



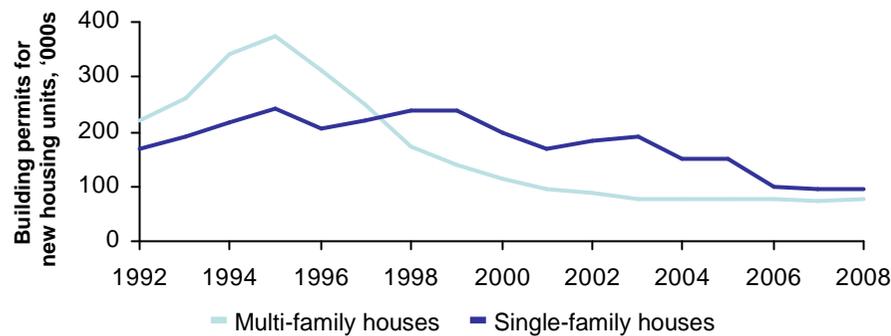
Source: BulwienGesa AG, Nationwide UK, Spanish Ministry of Housing, INSEE, Federal Housing Finance Agency

## Housing remains relatively cheap



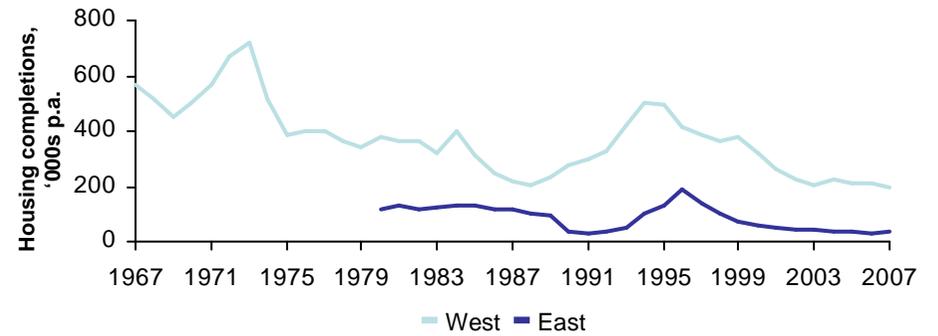
Source: BulwienGesa AG, ONS

## Supply is under pressure though...



Source: DeStatis as of 22 July 2008

## ... with fewer and fewer new homes



Source: DeStatis as of 22 July 2008

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