



# **Deutsche Wohnen AG**

» **H1 2011 results**

**Conference Call, 16 August 2011**

## » Summary

## » Robust H1/2011 lead to uplift of recurring FFO-guidance by 10%

### Portfolio

- Reclustering for higher transparency
- ~ 5,300 units since July 2010 acquired at a Net Initial Yield of 7.5%
- 623 units privatised at a gross margin of 38%
- 1,269 units further execution of non-core divestments

### Performance (y-o-y)

- Core letting portfolio
 

• In-place rent:	5.53 EUR/sqm	+ 2.0% (like-for-like: + 2.1%)
• New-letting rent:	6.53 EUR/sqm	+ 3.2%
• Vacancy:	1.8%	- 36% (like-for-like: - 32%)

### Results (y-o-y)

- Net profit: EUR 16.9 m > 100%
- Adjusted EBT: EUR 26.9 m + 50%
- FFO w/o disposals: 0.35 EUR/share + 40%
- EPRA NAV 11.92 EUR/share + EUR 0.14 (despite dividend for 2010 of EUR 0.20)

### Guidance

- New guidance for recurring FFO per share from EUR 0.48 - 0.50 to EUR 0.55 = + 10%

» **Well managed portfolio with growth potential**

## » Well managed portfolio with organic growth potential

Residential	Units	Area	Share of total portfolio	In-place rent <sup>1)</sup>	New-letting rent <sup>2)</sup>	Vacancy
	Number	k sqm	%	EUR/sqm	EUR/sqm	%
<b>Total</b>	<b>48,206</b>	<b>2,931</b>		<b>5.45</b>	<b>6.34</b>	<b>3.17</b>
<b>Core regions</b>	<b>43,835</b>	<b>2,662</b>	<b>91</b>	<b>5.53</b>	<b>6.51</b>	<b>2.50</b>
Letting portfolio	38,520	2,320	80	5.53	6.53	1.80
Privatisation	5,315	342	11	5.49	6.10	7.23
<b>Regions in detail</b>						
Greater Berlin	26,145	1,563	54	5.34	6.22	1.78
Letting portfolio	22,747	1,349	47	5.37	6.23	1.12
Privatisation	3,398	214	7	5.17	6.05	6.11
Frankfurt/Main	4,180	254	9	6.84	8.30	2.13
Letting portfolio	3,546	208	8	6.96	8.32	1.06
Privatisation	634	46	1	6.28	7.78	7.50
Rhine-Main	4,614	279	10	6.10	7.47	5.43
Letting portfolio	4,092	245	9	6.04	7.49	5.14 <sup>3)</sup>
Privatisation	522	34	1	6.58	6.49	7.29
Rhine Valley South	4,908	308	10	5.30	5.85	2.83
Letting portfolio	4,438	278	9	5.29	5.84	1.95
Privatisation	470	30	1	5.44	6.15	10.74
Rhine Valley North	3,242	208	7	5.02	5.22	3.08
Letting portfolio	2,951	190	6	4.99	5.22	2.04
Privatisation	291	18	1	5.47	5.24	12.83
Others (only letting portfolio)	746	51	2	5.00	5.54	5.08
<b>Disposal regions</b>	<b>4,371</b>	<b>269</b>	<b>9</b>	<b>4.60</b>	<b>4.69</b>	<b>11.21</b>
Adjustment portfolio	2,108	128	4	4.35	4.50	17.94
Other disposal holdings	2,263	141	5	4.79	4.86	5.80

<sup>1)</sup> Contractually owned rent from rented apartments divided by rented area

<sup>2)</sup> Average rent from contracts signed in the last twelve month for units not subject to rent control

<sup>3)</sup> Without vacancy due to current capex: 1.6%

## » More than 5,300 units acquired since 2<sup>nd</sup> half-year 2010

### Acquisitions:

	Residential units	Area	In-place rent	Vacancy	Transfer of risks and rewards
	#	sqm	EUR/sqm	%	
Acquisitions 2010	1,808	96,482	5.24	1.5	accomplished
<b>Acquisitions 2011</b>	<b>3,512</b>	<b>215,378</b>	<b>5.09</b>	<b>5.3</b>	<b>approx. 1,800 accomplished, remaining scheduled for 2<sup>nd</sup> half-year 2011</b>
Total	5,320	311,860	5.13	4.2	

### Key figures:

- Net purchase price: EUR 240.1 m / EUR 755 per sqm
- Annual current gross rental income: EUR 19.1 m
- Net Initial Yield: 7.5 % related to current gross rental income

## » Strong privatisation business and successful non-core divestments

Signed in H1/2011	Units	Transaction volume	Fair value	Gross margin	
	#	EUR m	EUR m	EUR m	%
Privatisation	623	49.4	35.7	13.7	38%
Institutional sales	1,269	38.3	38.5	-0.2	-1%
	<b>1,892</b>	<b>87.7</b>	<b>74.2</b>	<b>13.5</b>	<b>18%</b>

- **Privatisation** (i.e. sales of individual apartments):
  - › Sales volume increased by 22% with gross margins of 38%
  - › Annual privatisation targets already overachieved
- **Institutional sales:**
  - › Clear focus on disposals within disposal regions

Closed in H1/2011	H1/2011	H1/2010
<b>Sales proceeds</b>	<b>59.6</b>	<b>55.7</b>
Cost of sales	-2.9	-2.6
Net sales proceeds	56.7	53.1
Fair value	-51.7	-48.0
<b>Earnings from Disposals</b>	<b>5.0</b>	<b>5.1</b>

- Number of disposals closed in H1/2011: 1,350
  - › Privatisation: 373 units
  - › Institutional sales: 977 units

» **Strong performance**



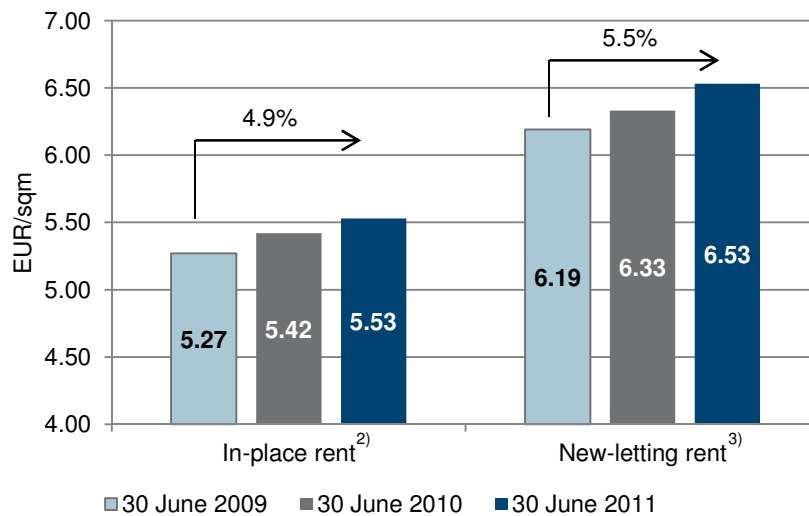
» Positive impact from newly published Mietspiegel (rent index)

	Berlin	Frankfurt/Main
No. of units affected	9,100	970
% of non-rent restricted portfolio	44%	24%
Average monthly increase per sqm <sup>1)</sup>		
- in EUR	EUR 0.36	EUR 0.33
- in %	7%	5%

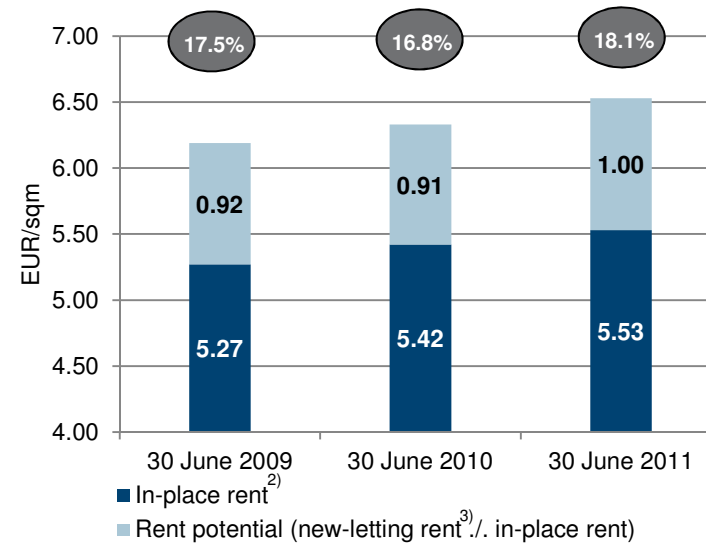
<sup>1)</sup> Basis 1 January 2011

## » Dynamic development of rents continues

Letting portfolio<sup>1)</sup> in our core regions – rent per sqm/month



Letting portfolio<sup>1)</sup> in our core regions – rent potential



- The average new-letting rent of non-rent restricted core letting portfolio grew by EUR 0.20 per sqm to EUR 6.53 per sqm, while corresponding in-place rent increased by EUR 0.11

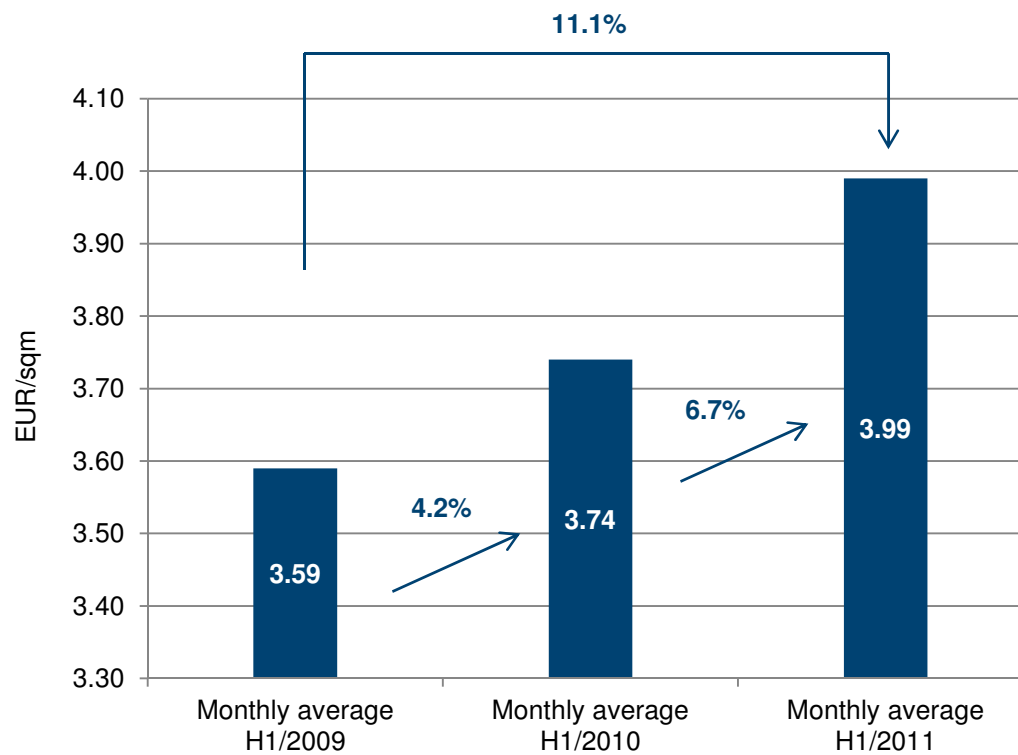
<sup>1)</sup> Figures of previous years adjusted to new portfolio structure

<sup>2)</sup> Contractually owned rent from rented apartments divided by the rented area

<sup>3)</sup> Average rent for contracts signed in the last twelve month for units not subject to rent control

## » Ongoing strong NOI per sqm development

### Residential Property Management: NOI per sqm and month<sup>1)</sup>



<sup>1)</sup> NOI: Net Operating Income of the period divided by month of the period and average floor space on a quarterly basis in the period under review

## » Cont. improvement of operating performance and cash contribution

	EUR m	H1/2011	H1/2010
<b>Letting</b>	<b>Current gross rental income</b>	<b>95.6</b>	<b>95.8</b>
	Non-recoverable expenses	-2.5	-2.7
	Rental loss	-0.9	-1.2
	Maintenance	-12.8	-14.7
	Others	0.2	-1.0
	<b>Earnings of Residential Property Management</b>	<b>79.6</b>	<b>76.2</b>
<b>NOI</b>	Staff, general and administration expenses	-8.2	-7.9
	<b>Net Operating Income (NOI)</b>	<b>71.4</b>	<b>68.3</b>
	NOI Margin	74.7%	71.3%
	NOI in EUR/sqm and month <sup>1)</sup>	3.99	3.74
	<b>Increase</b>	<b>6.7%</b>	
<b>Cash flow</b>	EUR m	H1/2011	H1/2010
	Net Operating Income (NOI)	71.4	68.3
	Cash interest expenses	-39.2	-43.1
	<b>Cash flow from portfolio after cash interest expenses</b>	<b>32.2</b>	<b>25.2</b>
	<b>Increase</b>	<b>27.8%</b>	

<sup>1)</sup> Based on average quarterly floor space for the period

» **Enhanced results and strong financial profile**

» EBITDA increased by 5.9% (y-o-y)

EUR m	H1/2011	H1/2010
Earnings from Residentail Property Management	79.6	76.2
Earnings from Disposals	5.0	5.1
Earnings from Nursing and Assisted Living	5.0	4.6
<b>Segment contribution margin</b>	<b>89.6</b>	<b>85.9</b>
Corporate expenses	-15.3	-14.9
Other operating expenses/income	-0.4	-1.2
<b>EBITDA</b>	<b>73.9</b>	<b>69.8</b>

## » Adjusted EBT increased by 52% (y-o-y)

EUR m	H1/2011	H1/2010
EBITDA	73.9	69.8
Depreciation	-1.6	-1.6
Financial result (net)	-45.4	-50.3
<b>EBT adjusted</b>	<b>26.9</b>	<b>17.9</b>
Valuation SWAP	0.3	-1.9
<b>EBT</b>	<b>27.2</b>	<b>16.0</b>
Taxes	-10.3	-7.9
<b>Profit</b>	<b>16.9</b>	<b>8.1</b>
Earnings per share in EUR	0.21	0.10

EUR m	H1/2011	H1/2010
Interest expenses	-39.2	-43.1
Non-cash interest expenses	-6.5	-7.5
	<b>-45.7</b>	<b>-50.6</b>
Interest income	0.3	0.3
<b>Financial result (net)</b>	<b>-45.4</b>	<b>-50.3</b>

- Further reduction of interest expenses as a result of the debt structure optimisation in 2010
- Taxes affected by higher deferred taxes (+ EUR 2.5 m)

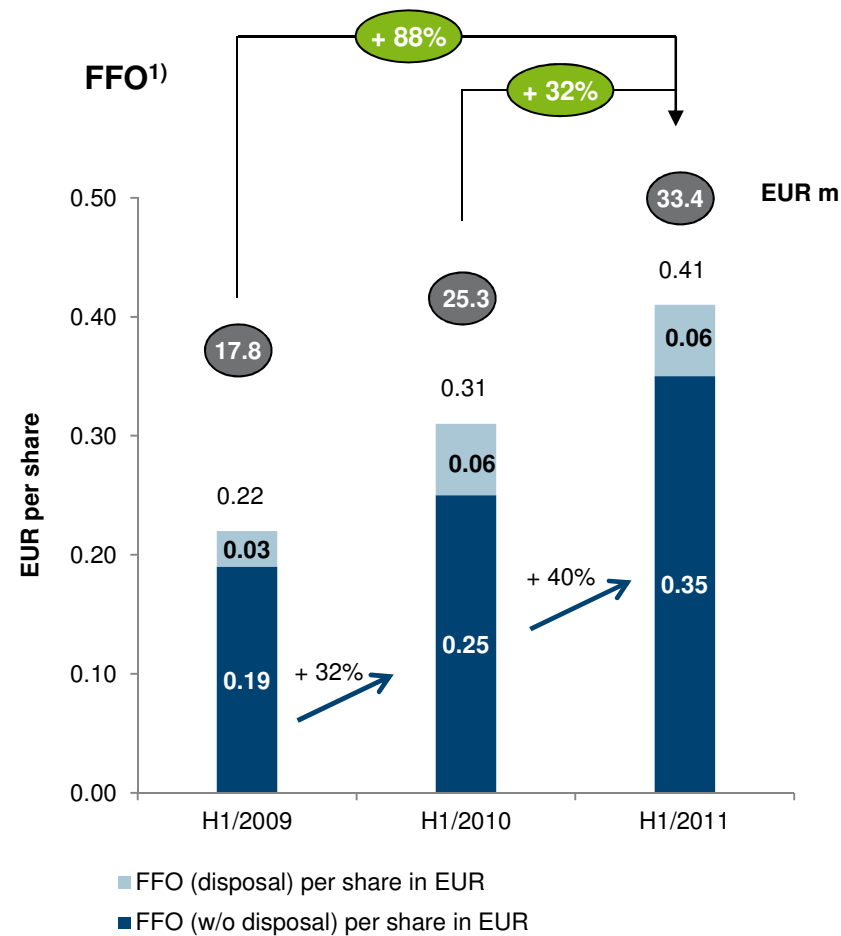
Taxes	H1/2011
Ongoing taxes	- 1.6
Deferred taxes	- 8.7
<b>Total</b>	<b>- 10.3</b>

Non-cash interest expenses	H1/2011
Mainly accruals on:	
Low-interest bearing liabilities	-3.9
Liabilities from EK 02 taxes	-1.2
Pension provisions	-1.2
DB 14	-0.2
<b>Total</b>	<b>-6.5</b>

## » Recurring FFO increased significantly

### FFO-calculation

EUR m	H1/2011	H1/2010
<b>Profit</b>	<b>16.9</b>	<b>8.1</b>
Earnings from Disposals	-5.0	-5.1
Depreciation	1.6	1.6
Valuation SWAP	-0.3	1.9
Non-cash financial expenses	6.5	7.5
Deferred taxes	8.7	6.2
<b>FFO (w/o disposals)</b>	<b>28.4</b>	<b>20.2</b>
FFO (w/o disposals) in EUR/share	0.35	0.25
<b>FFO (incl. disposals)</b>	<b>33.4</b>	<b>25.3</b>
FFO (incl. disposals) in EUR/share	0.41	0.31



<sup>1)</sup> Based on 81.84 m shares outstanding



## » Balance sheet – Assets

EUR m	30/06/2011	31/12/2010
Investment properties	2,795.8	2,821.0
Other non current assets	20.3	20.5
Derivatives	9.2	9.2
Deferred tax assets	66.1	78.7
<b>Non current assets</b>	<b>2,891.4</b>	<b>2,929.4</b>
Land and building held for sale	81.4	15.2
Trade receivables	4.7	6.7
Other current assets	24.6	40.9
Cash and cash equivalents	41.1	46.0
<b>Current assets</b>	<b>151.8</b>	<b>108.8</b>
<b>Total assets</b>	<b>3,043.3</b>	<b>3,038.2</b>

Unchanged valuation matrix

Due to acquisition of residential units held for privatisation

<b>Thereof from</b>	<b>30/06/2011</b>
Rental business	EUR 3.3 m
Disposals	EUR 0.8 m
Other	EUR 0.6 m

<b>Other current assets comprise</b>	<b>30/06/2011</b>
Non current assets held for sale	EUR 19.3 m
Income tax receivables	EUR 0.8 m
Other inventories	EUR 1.9 m
Other assets	EUR 2.6 m

## » Balance sheet – Liabilities

EUR m	30/06/2011	31/12/2010
Total equity	904.1	889.9
Financial liabilities	1,798.8	1,784.5
Tax liabilities	67.5	63.9
Deferred tax liabilities	94.4	92.0
Derivatives	52.7	70.3
Other liabilities	125.7	137.6
<b>Total equity and liabilities</b>	<b>3,043.2</b>	<b>3,038.2</b>

+ Profit	EUR 16.9 m
+ Cash flow hedge	EUR 11.9 m
+ Pensions	EUR 1.7 m
- Dividend	EUR 16.4 m

Consistent LTV of 60.7%

Including EK 02: EUR 59.0 m

Delta derivative assets	EUR 0.0 m
Delta derivative liabilities	EUR 17.6 m
<b>Total delta</b>	<b>EUR 17.6 m</b>

Other liabilities mainly comprise

Trade liabilities	EUR 35.8 m
Pensions	EUR 42.2 m
Provisions	EUR 12.5 m
Other liabilities	EUR 19.9 m
DB 14	EUR 15.3 m

EUR m	30/06/2011	31/12/2010
EPRA NAV	975.5	964.0
EPRA NAV per share in EUR	11.92	11.78

Increase of EPRA NAV by EUR 0.14 per share y-t-d  
(dividend payout of EUR 0.20 per share for 2010 already reflected)

## » LTV stable around 60%, average interest rate at 4.06%

### Debt structure

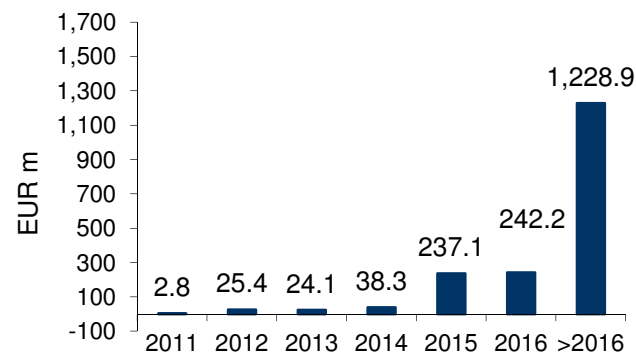
#### Financial liabilities in EUR m

Mark-to-market	1,798.8
LTV (%)	60.7
Nominal value	1,905.2
LTV (%)	64.4

### Debt service

- Average interest rate: ~ 4.06 %
- Average mandatory redemption p.a.: ~ 1.6 %
- Interest rates fixed or hedged: ~ 76 %

### Long-term maturities profile



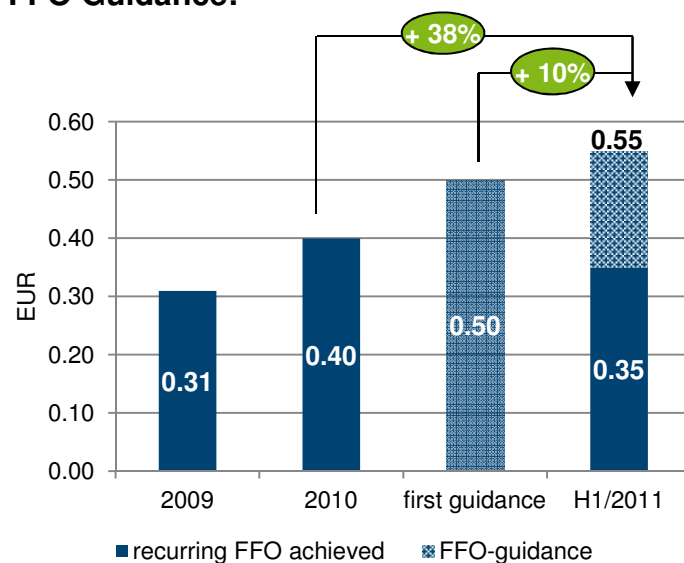
> Essentially no major loans due before end of 2015

## » **Guidance**

## » Increased guidance of recurring FFO to EUR 0.55 per share

- Strong performance in the first half of 2011 and an unchanged positive residential market environment lead to an increase in our guidance for financial year 2011
- FFO (w/o disposals) per share of EUR 0.55 for 2011
  - › This represents an increase of 38% vs. recurring FFO 2010 (= EUR 0.40)
  - › And an increase of 10% vs. upper margin of first guidance (EUR 0.48 – 0.50)

### FFO Guidance:



## » Appendix

## » Former portfolio cluster as of 30 June 2011

For reconciliation purposes, the current portfolio as of 30 June 2011 in our formerly used portfolio cluster

30/06/2011	Units	Area	Share of total portfolio	In-place rent <sup>1)</sup>	New-letting rent <sup>2)</sup>	Vacancy
	Number	k sqm	%	EUR/sqm	EUR/sqm	%
Berlin	21,324	1,263	44	5.40	6.25	1.2
Frankfurt/Main	3,656	217	8	6.94	8.30	1.3
Rhine-Main	4,253	255	9	5.99	7.43	5.0
Rhine Valley South	5,892	367	12	5.17	5.50	3.0
Rhine Valley North	3,159	204	7	5.00	5.17	2.5
Greater Berlin	914	55	2	5.45	6.59	0.8
Other	696	46	1	5.14	5.68	6.0
<b>Core portfolio</b>	<b>39,894</b>	<b>2,407</b>	<b>83</b>	<b>5.53</b>	<b>6.50</b>	<b>2.1</b>
Privatisation	5,183	330	11	5.40	5.80	7.7
Bloc sale	3,129	194	6	4.43	4.66	11.1
<b>Disposal</b>	<b>8,312</b>	<b>524</b>	<b>17</b>	<b>5.05</b>	<b>5.12</b>	<b>8.8</b>
<b>Total</b>	<b>48,206</b>	<b>2,931</b>		<b>5.45</b>	<b>6.34</b>	<b>3.2</b>

<sup>1)</sup> Contractually owned rent from rented apartments divided by rented area

<sup>2)</sup> Average rent from contracts signed in the last twelve month for units not subject to rent control

## » New portfolio cluster as of 30 June 2010

For reconciliation purposes, last years portfolio as of 30 June 2010 in our newly used portfolio cluster

Residential	Units Number	Area k sqm	Share of total portfolio %	In-place rent <sup>1)</sup> EUR/sqm	New-letting rent <sup>2)</sup> EUR/sqm	Vacancy %
<b>Total</b>	<b>48,030</b>	<b>2,941</b>		<b>5.33</b>	<b>6.12</b>	<b>4.34</b>
<b>Core regions</b>	<b>42,121</b>	<b>2,580</b>	<b>88</b>	<b>5.44</b>	<b>6.33</b>	<b>3.50</b>
Letting portfolio	37,829	2,292	79	5.42	6.33	2.82
Privatisation	4,292	288	9	5.59	6.28	8.76
<b>Regions in detail</b>						
<b>Greater Berlin</b>	<b>24,199</b>	<b>1,463</b>	<b>50</b>	<b>5.25</b>	<b>5.97</b>	<b>2.33</b>
Letting portfolio	22,195	1,328	46	5.25	5.96	1.81
Privatisation	2,004	134	4	5.17	6.22	7.45
<b>Frankfurt</b>	<b>4,277</b>	<b>261</b>	<b>9</b>	<b>6.77</b>	<b>8.32</b>	<b>3.20</b>
Letting portfolio	3,546	208	7	6.88	8.35	1.97
Privatisation	731	53	2	6.30	7.45	8.54
<b>Rhine-Main</b>	<b>4,537</b>	<b>275</b>	<b>9</b>	<b>5.94</b>	<b>7.24</b>	<b>6.64</b>
Letting portfolio	3,948	237	8	5.85	7.29	6.58
Privatisation	589	38	1	6.47	6.50	6.93
<b>Rhine Valley South</b>	<b>5,015</b>	<b>315</b>	<b>10</b>	<b>5.18</b>	<b>5.70</b>	<b>5.64</b>
Letting portfolio	4,438	278	9	5.16	5.69	4.73
Privatisation	577	37	1	5.31	5.77	12.35
<b>Rhine Valley North</b>	<b>3,346</b>	<b>215</b>	<b>7</b>	<b>4.97</b>	<b>5.11</b>	<b>3.47</b>
Letting portfolio	2,955	190	6	4.93	5.11	1.94
Privatisation	391	25	1	5.33	4.96	14.34
<b>Others (only letting portfolio)</b>	<b>747</b>	<b>51</b>	<b>2</b>	<b>4.94</b>	<b>5.41</b>	<b>7.45</b>
<b>Disposal region</b>	<b>5,909</b>	<b>361</b>	<b>12</b>	<b>4.53</b>	<b>4.68</b>	<b>11.69</b>
Adjustment portfolio	2,846	171	6	4.30	4.50	18.71
Other disposal holdings	3,063	190	6	4.71	4.83	5.98

<sup>1)</sup> Contractually owned rent from rented apartments divided by rented area

<sup>2)</sup> Average rent from contracts signed in the last twelve month for units not subject to rent control



## » Nursing and Assisted Living

	H1/2011	H1/2010
	EUR m	EUR m
<b>Income</b>		
Nursing	16.9	16.4
Living	1.5	1.6
Other	2.0	1.9
	<b>20.4</b>	<b>19.9</b>
<b>Costs</b>		
Nursing and corporate ecpenses	-5.7	-5.6
Personnel expenses	-9.7	-9.7
	<b>-15.4</b>	<b>-15.3</b>
<b>Earnings (EBITDA)</b>	<b>5.0</b>	<b>4.6</b>

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