



# Deutsche Wohnen AG

Initiative Immobilien-Aktie  
October 2009

## » Executive Summary

- **Deutsche Wohnen successfully completed cap hike of €249.5m in Oct 2009**
  - Market capitalisation post rights issue c. €670m → clear M-Dax candidate
  - Strong support for capital increase of our existing shareholders
  - Take-up quota of new shares 132.3%
  - International shareholder base expanded
  - Share price rose by 22% since announcement
- **Deutsche Wohnen is a leading German residential platform with a stable portfolio valuation and growing FFO**
  - Portfolio value confirmed by external valuer as of 30 June 2009
  - FFO increasing due to organic rental growth, cost efficiencies and reduction of interest expense
- **Management has successfully re-positioned Deutsche Wohnen since Gehag merger**
  - Paid down c. €140m of debt in the last 18 months
  - Internal restructuring and cost efficiencies achieved
- **Deutsche Wohnen expects to see acquisition opportunities in current markets**
  - Value opportunities emerging from distressed owners

## »» Deutsche Wohnen at a Glance

### Active portfolio management

- Revenues from operating business comprise 75% estimated rent income, 13% sales and 12% nursing home revenues (based on H1 2009)
- Result from rental business (NOI) more than covers corporate and financing expenses
- Single unit privatisations further enhance FFO and EBT
- Block sales serve as portfolio clean-up and yield additional cashflow

### Investing in growth areas

- German residential player with current focus on key regions: Berlin and Rhine-Main
- 71% of the owned portfolio located in these areas <sup>1</sup>
- 80% of non rent-restricted <sup>2</sup> properties within the owned portfolio <sup>1</sup>

### High quality asset management

- Scalable platform with ability to integrate further assets and drive growth

<sup>1</sup> Owned portfolio excluding DB14. Based on number of units

<sup>2</sup> The term non rent-restricted describes properties which do not have legal rent increase restrictions, however, rent increases could be restricted by contractual obligations

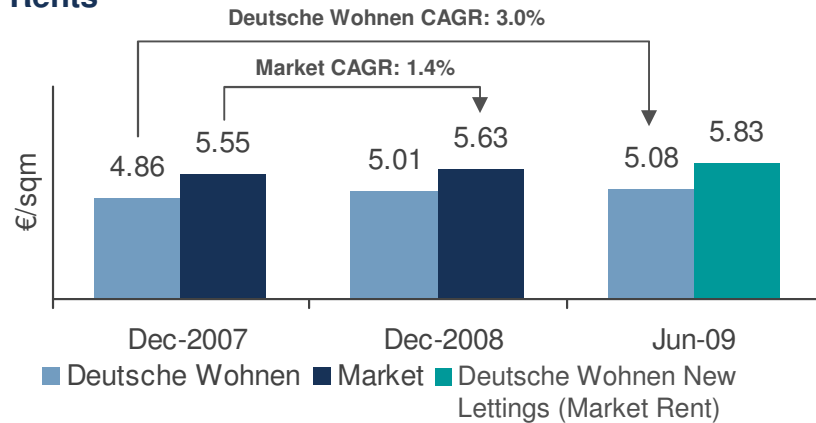
## » Key Investment Highlights



- 1 High quality residential portfolio in two key German regions: Berlin and Rhine-Main
- 2 Stable portfolio valuation
- 3 Positive integration track record and continuing organic rental growth through active portfolio management
- 4 Strong, efficient and scalable platform allowing external growth through selective acquisitions
- 5 Solid financing strategy

# » 1 Focus on Key German Regions: Berlin

## Rents <sup>1</sup>



## Key Statistics <sup>3</sup>

Population	3.432m
Increase since 2004	1.3%
Migration surplus 2007	11,996
Private households	1.888m
Single-person household growth 2004-2007 <sup>4</sup>	6.3%
Unemployment rate <sup>5</sup>	14.4%
Decrease since 2005 in percentage points <sup>5</sup>	4.6%
Services employees <sup>4</sup>	83.0%
GDP per capita p.a. (2008)	€25,554
Purchasing power per capita p.a. <sup>6</sup>	€16,977
Total rent as % of household purchasing power <sup>7</sup>	26.6%

1 Source for market rents: Empirica. Deutsche Wohnen figures based on estimated rents of Core Portfolio

2 Source for market vacancy: Jones Lang LaSalle. Deutsche Wohnen figures based on Core Portfolio

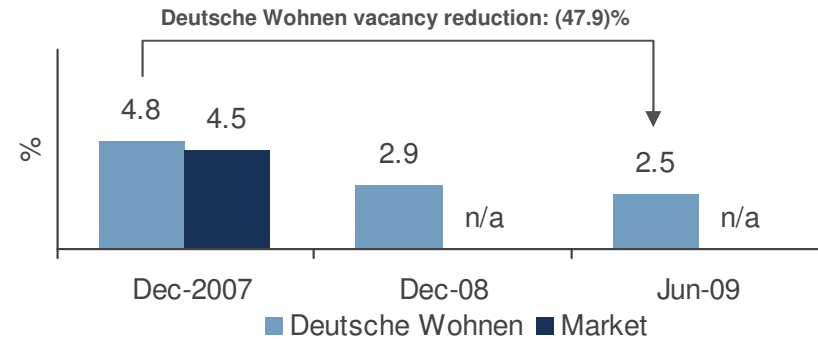
3 Source: Statistik Berlin Brandenburg as of 31 December 2008

4 Source: Jones Lang LaSalle

5 Source: Bundesagentur für Arbeit as of August 2009

6 Source: CBRE, Q2 2009

## Vacancy <sup>2</sup>



- As Germany's capital, Berlin has the highest population of any city in the country and is one of the most important political, cultural and academic centres in Europe
- Berlin ranked 2nd among German regions with strong growth sectors including healthcare, research, logistics and IT & communication <sup>8</sup>
- Berlin's rental market benefits from:
  - Strong inward migration, affordable rents and low vacancy
  - Single-person household growth of 6.3% between 2004 and 2007 paired with relatively low increase in housing stock of 0.1-0.2% p.a. <sup>3</sup> during the same period
  - Among the lowest home ownership rates in Germany (20%) <sup>9</sup>

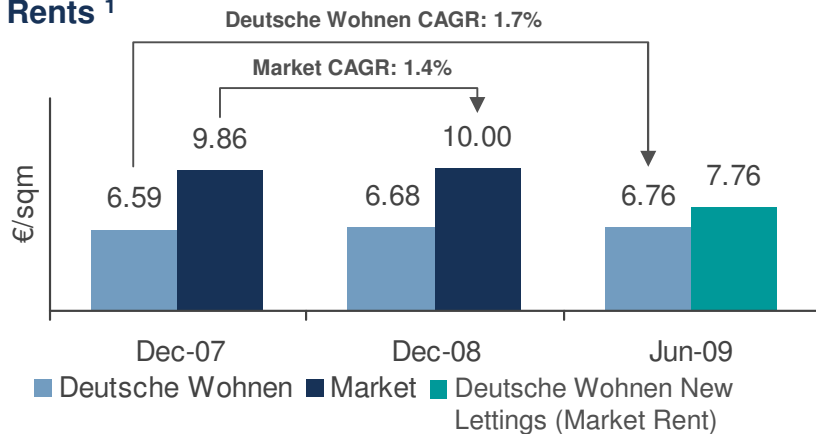
7 Source: GSW, Jones Lang LaSalle as of March 2009

8 Source: Prognos Zukunftsatlas Branchen 2009. Study analysing sectors with strong future growth and economic influence in 413 German regions and cities. Locations ranked by concentration of those sectors

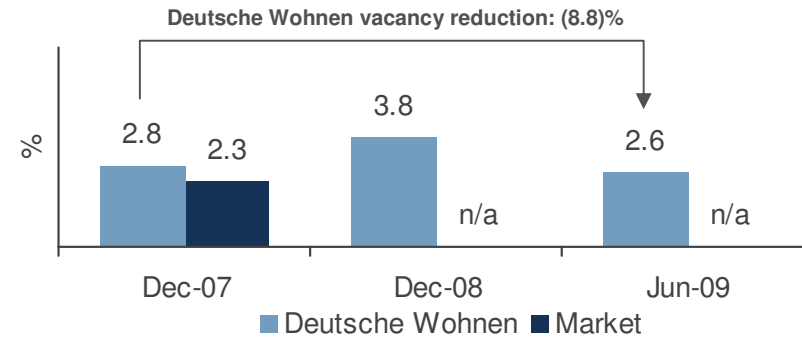
9 Source: LBS Bausparkasse, Empirica as of 2008

# » 1 Focus on Key German Regions: Frankfurt

## Rents <sup>1</sup>



## Vacancy <sup>2</sup>



## Key Statistics <sup>3</sup>

Population	0.675m
Increase since 2004	3.4%
Migration surplus 2007	4,022
Private households	0.356m
Single-person household growth 2004-2007 <sup>4</sup>	2.7%
Unemployment rate <sup>5</sup>	8.3%
Decrease since 2005 in percentage points <sup>5</sup>	2.4%
Services employees <sup>4</sup>	88.1%
GDP per capita p.a. (2007) <sup>6</sup>	€77,818
Purchasing power per capita p.a. <sup>7</sup>	€21,497
Total rent as % of household purchasing power <sup>8</sup>	32.1%

- Frankfurt is the key financial centre in Germany and the rental market benefits from:
  - Among the highest rents and lowest vacancies in Germany
  - High quality housing stock
  - One of the highest GDP per capita in Germany
- Frankfurt ranked 4th among German regions with strong growth sectors including logistics, research and IT & communication <sup>9</sup>
- Due to a population with comparatively high income:
  - Rents are affordable in relative terms
  - Privatisations are achievable at high margins

1 Source for market rents: Empirica. Deutsche Wohnen figures based on estimated rents of Core Portfolio

2 Source for market vacancy: Jones Lang LaSalle. Deutsche Wohnen figures based on Core Portfolio

3 Source: Frankfurt Statistische Berichte as of 31 March 2009

4 Source: Jones Lang LaSalle

5 Source: Bundesagentur für Arbeit as of August 2009

6 Statistik Hessen

7 Source: CBRE, Q2 2009

8 Source: GSW, Jones Lang LaSalle as of March 2009

9 Source: Prognos Zukunftsatlas Branchen 2009. Study analysing sectors with strong future growth and economic influence in 413 German regions and cities. Locations ranked by concentration of those sectors

## » 2 Stable Portfolio Valuation

- Fair value of real estate confirmed by independent property valuer CB Richard Ellis
- Total portfolio value of €2,802 million and multiple on estimated rent income of 13.6x (implied yield of 7.4%)
- Core Portfolio: Value of €2,049 million and multiple on estimated rent income of 14.9x (implied yield of 6.7%)
  - Sustainably managed units with rent increase potential from annual index adjustments and modernisation expenditure
- Disposal Portfolio: Value of €583 million and multiple on estimated rent income of 11.4x (implied yield of 8.8%)
  - Target to privatise 500 units per annum and execute selected block sales

Jun-09	Residential					Fair Value <sup>2</sup>		Multiple on Estimated Rent Income (x)
	Units #	Restricted (%)	Rental Area ('000s sqm)	Est. Rent (€/sqm)	Vacancy (%)	€m	€/sqm	
<b>Core Portfolio</b>	<b>33,777</b>	<b>19.7</b>	<b>2,037</b>	<b>5.29</b>	<b>3.3</b>	<b>2,049</b>	<b>958</b>	<b>14.9</b>
Berlin	22,757	13.7	1,369	5.08	2.5	1,325	922	14.4
Frankfurt/Main	3,660	5.7	217	6.76	2.6	339	1,448	17.8
Rhine-Main	3,272	31.8	203	5.81	6.9	213	982	16.4
Lower Rhine-Valley	4,088	57.9	249	4.76	5.3	172	687	12.1
<b>Disposal Portfolio</b>	<b>13,724</b>	<b>19.6</b>	<b>859</b>	<b>4.82</b>	<b>10.6</b>	<b>583</b>	<b>673</b>	<b>11.4</b>
Single Privatisation	4,840	3.7	322	5.33	11.3	293	903	13.8
Block Sales	8,884	27.6	537	4.52	10.1	290	535	9.7
<b>Owned Portfolio <sup>1</sup></b>	<b>47,501</b>	<b>19.7</b>	<b>2,896</b>	<b>5.15</b>	<b>5.3</b>	<b>2,632</b>	<b>876</b>	<b>13.9</b>
DB 14	2,621	84.3	179	5.47	6.2	170	902	13.0
<b>Total Portfolio</b>	<b>50,122</b>	<b>23.1</b>	<b>3,075</b>	<b>5.17</b>	<b>5.4</b>	<b>2,802</b>	<b>884</b>	<b>13.6</b>

Note: All figures excluding Nursing Homes and other

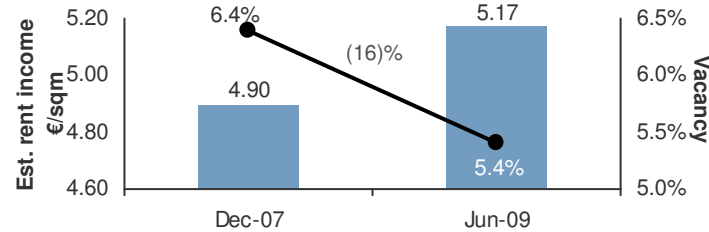
<sup>1</sup> Excluding Northern Hesse

<sup>2</sup> Including residential and commercial properties as well as owner-occupied properties at fair value

# » 3 Positive Integration Track Record Following Merger

Rent improvements and vacancy reduction

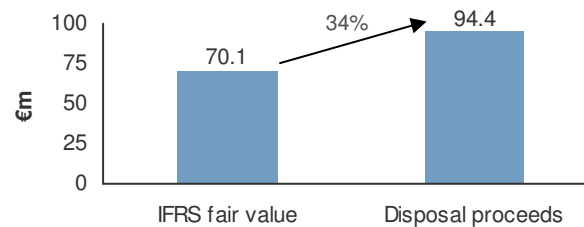
## Development of estimated rent since merger



- Estimated rent income increase by 5.5%
- Vacancy reduction to 5.4%
- 2,300 new rental contracts (non rent-restricted) in H1 2009 at an average contractual net cold rent of 6.16 EUR/sqm

High sales margins from privatisation

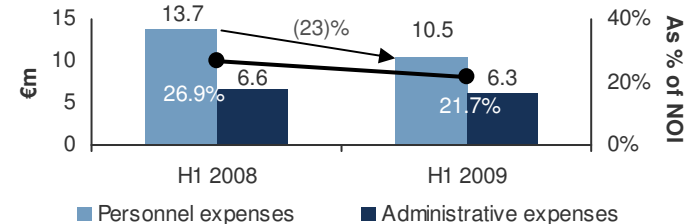
## Single unit privatisation success (Dec-07 to Jun-09)



- 976 units sold since beginning of 2008
- Realised sales margin of 34%
- Single unit privatisations successfully continued in H1 2009
- 80% of target privatisations for full year 2009 already achieved in H1 2009

Significant cost savings achieved

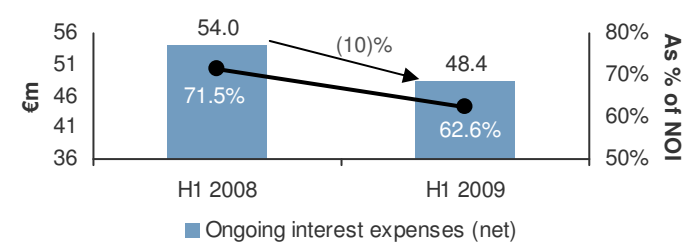
## Key cost development from rental business <sup>1</sup> (y-o-y)



- Reduction of 140 FTE in 2008
- Reduction of personnel cost by 23.4% (y-o-y)
- Reduction of admin cost by 4.5% (y-o-y)
- Implementation of SAP allows for further synergies

Reduction of ongoing interest expense (net)

## Ongoing interest expenses (net) (y-o-y)

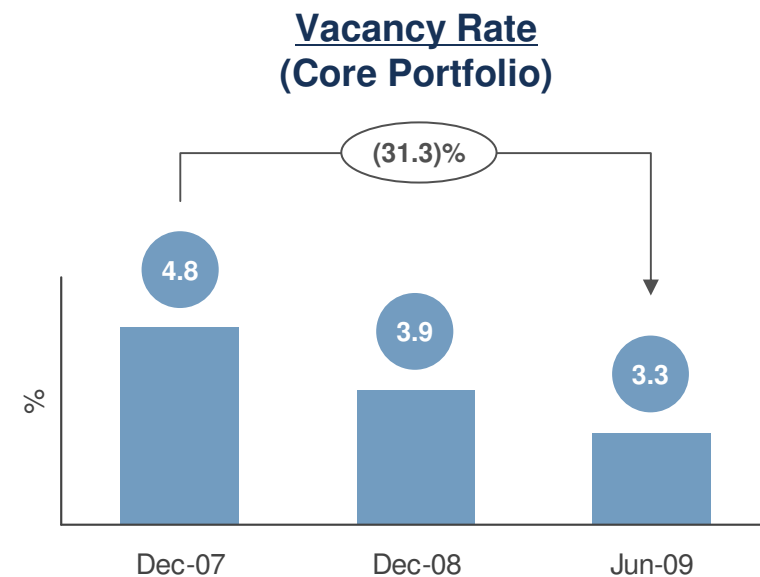
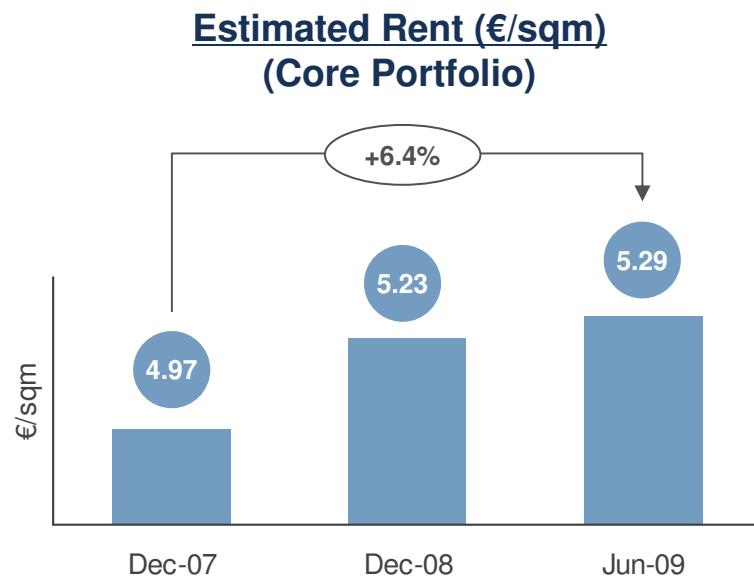


- Debt redemptions since Jan-2008 of c. €140m (6.4% reduction) achieving net debt of €2,046m by Jun-2009
- Reduction of absolute interest payments by 10% (y-o-y)
- Low interest expenses as % of NOI (63% in H1 2009 vs. 72% in H1 2008)

<sup>1</sup> Excluding expenses from Nursing Homes

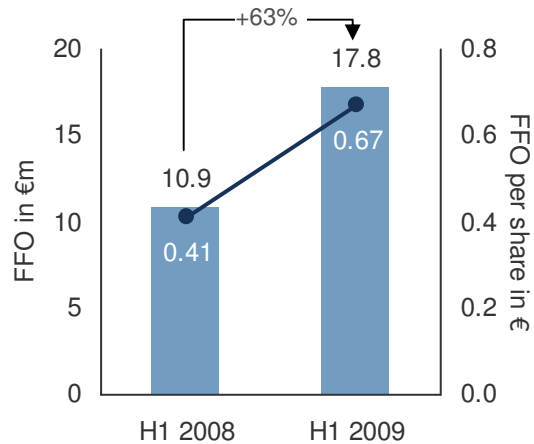
## » 3 Continuing Organic Rental Growth Through Active Portfolio Management

- Lease turnover as the key driver of raising rent levels to market values
  - Approximately 10% of leases turn over per annum
- 2,300 new rental contracts (non rent-restricted) signed in the past 6 months at an average estimated rent of 6.16 €/sqm
  - 18.5% above average estimated rent of 5.20 €/sqm in the non rent-restricted portfolio

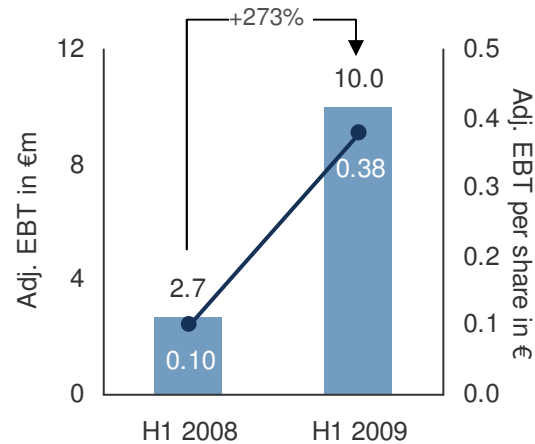


## » 3 Continued Improvement of Key Financial Measures H1 2009 Results

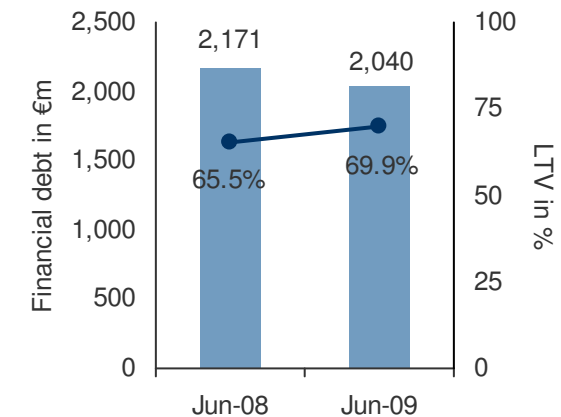
### FFO (half year)



### Adj. EBT<sup>1</sup> (half year)




### LTV and Financial Debt



- Successful restructuring and reorganisation leading to efficiency gains and administrative cost savings
  - FFO increased by c. 63% and adj. EBT<sup>1</sup> by c. 273% (adjusted for half year comparison)
- Debt repayments in 2008 led to reduced interest expense
- LTV increased due to devaluation of assets despite debt decreasing by c. €140m in the last 18 months

<sup>1</sup> EBT before swap valuation and restructuring and reorganisation expenses

# >> 4 Strong, Efficient and Scalable Platform Allowing External Growth

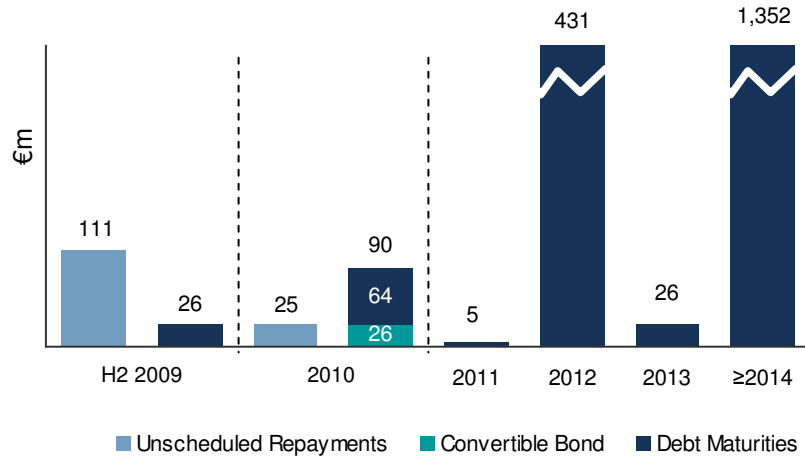
Defined Targets	Status Quo H1 2009	Acquisition Capabilities
<ul style="list-style-type: none"> <li>■ Implementation of new corporate structure</li> </ul>	✓	<ul style="list-style-type: none"> <li>■ Highly regarded company with local access to “off-market” deals</li> <li>■ Recognition as local player allows for preferred bidder status in politically sensitive environment</li> <li>■ Well resourced and disciplined management team</li> <li>■ Active track record in acquiring and consolidating</li> <li>■ Deutsche Wohnen receives c. 10 inbound offers per week with an average portfolio size of 200 units</li> </ul>
<ul style="list-style-type: none"> <li>■ Reduction of personnel and administration costs</li> </ul>	✓	
<ul style="list-style-type: none"> <li>■ Management costs per unit reduced to €357 in 2009 <sup>1</sup></li> </ul>	✓	
<ul style="list-style-type: none"> <li>■ Further synergy potential through migration to SAP</li> </ul>	✓	
		<p style="text-align: center;"><b>Acquisition Criteria</b></p> <hr/> <p>Sophisticated screening process with clear criteria:</p> <ul style="list-style-type: none"> <li>■ Location</li> <li>■ Size</li> <li>■ Quality</li> <li>■ Vacancy</li> <li>■ Yield</li> </ul> <p style="margin-left: 150px;">} Focus is on under-managed portfolios with high vacancies and rent increase potential</p>

✓ = Achieved / on track

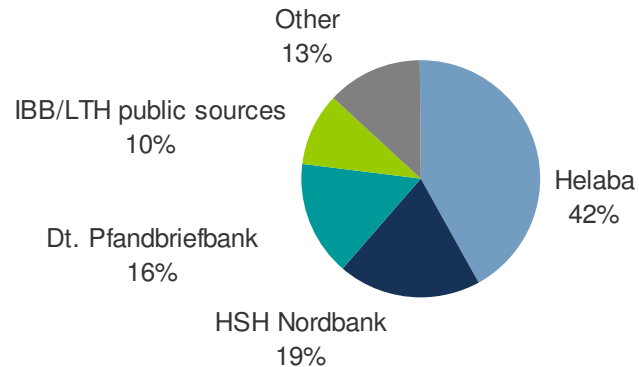
<sup>1</sup> As expected by Deutsche Wohnen for 2009. Based on personnel and material expenses of Deutsche Wohnen Management GmbH

# » 5 Solid Financing and Clear De-leveraging Strategy

## Debt maturity profile as of June 2009 <sup>1</sup>



## Key lending banks



### Debt Structure

- Total debt of €2.1 billion, of which c. €0.6 billion unsecured

### Liquidity

- €19.5m cash
- €65.0m of unused, committed credit lines

### Refinancing

- 100% of maturities in 2010 secured by mortgages, 76% at an LTV of less than 52%
- 2012 maturity mainly for HSH Nordbank (€378m)
  - HSH LTV today is at 57%, interest rate of 4.6%

### Low-cost Funding

- 93% of interest payments fixed or hedged in-line with maturity of underlying debt
- Average interest rate on debt of 4.3%

### Structure and Covenants

- Well-balanced, long-term maturity profile; average maturity 10 years
- 71% of group debt with contractual covenants
  - Major covenants are DSCR and exit yield
  - DSCR covenants between 1.025x and 1.100x at next test date

Low-cost, long-term capital structure, which will be strengthened by the capital raising

<sup>1</sup> IFRS balance sheet values

## » Use of Projected Proceeds

- Proceeds from capital raise will be used to strengthen the balance sheet and position the company for growth
- Transaction will reduce LTV to mid-term target range of 60–65%
- Reduction of debt service to achieve improved liquidity position
- Company has agreed unscheduled repayments with major lender (Helaba) for reduction in loan size and removal of certain covenants

	Reported		Pro-forma for €250m Capital Raise
	2008	H1 2009	H1 2009
Portfolio Value (€m) <sup>1</sup>	2,938	2,926	2,926
Reported Net Asset Value (€m)	646	638	875 <sup>2</sup>
Net Debt (€m)	2,073	2,046	1,809 <sup>2</sup>
LTV (%)	70.6	69.9	61.8
FFO (€m)	26.1	17.8	22.9 <sup>3</sup>
FFO Yield (%) <sup>4</sup>	8.3	11.3 <sup>5</sup>	8.3 <sup>2,5</sup>

1 Including Nursing Homes, other and assets held for sale

2 Assumes €237m net proceeds of Rights Issue

3 Assumes €237m net proceeds used for debt paydown at Deutsche Wohnen's average interest rate of 4.3%. Assuming no tax effect based on Deutsche Wohnen's tax structure as of 2008

4 Calculated as market capitalisation divided by FFO based on Xetra closing price of €11.77 as of 21 September 2009

5 Based on H1 2009 figures, annualised

## » Summary

- **Leading residential player in Germany with stable, well-invested portfolio**
  - No. 2 residential real estate firm in Germany by market cap
  - 71% of the owned portfolio located in key German regions <sup>1</sup>
  - Established, stable business model with organic growth potential
  - Fair value of real estate portfolio confirmed by CB Richard Ellis on 30 June 2009
  
- **FFO growth driven by active portfolio and asset management**
  - Rent reversion potential of 15% in both Berlin and Frankfurt <sup>2</sup>
  - Single units privatisations with high margins enhance cashflow
  - Management cost per unit reduced to €357 in 2009 <sup>3</sup>
  - Reduction of interest expense through deleveraging
  
- **Financing structure addressed**
  - No significant refinancing issues until the end of 2012
  
- **Poised for future opportunities**
  - Scalable organisation and efficient cost structure positions Deutsche Wohnen for external growth
  - Value opportunities emerging from distressed owners

<sup>1</sup> Owned portfolio excluding DB14. Based on number of units

<sup>2</sup> Based on Core Portfolio including rent-restricted properties

<sup>3</sup> As expected by Deutsche Wohnen for 2009. Based on personnel and material expenses of Deutsche Wohnen Management GmbH

## » **Appendix**

## » Summary of capital increase

### Offer size

- €249.5 million share capital increase with pre-emptive rights
- 55.44m new shares
- Subscription price of €4.50 per share

### Offering result

- Overall take-up quota of new shares at 132.3%
- 99.9% were subscribed for by exercising subscription rights
- An additional 32.3% resulted from the exercise of additional subscription rights
- Net proceeds of c. €236.5m
- Share price rose by 22% since announcement

### Use of proceeds

- Strengthen balance sheet, reduction of leverage
- Selectively capture acquisition opportunities

### Market capitalisation

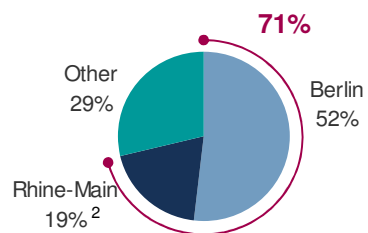
- Market capitalisation after capital increase rose to approximately €670m (€300m) with 81.84m shares outstanding
- Clear M-Dax candidate

### Shareholders

- Support of and participation in capital increase by our existing shareholders including Oaktree
- Broadened shareholder base
- Strong feed back about business model and capital increase during roadshows

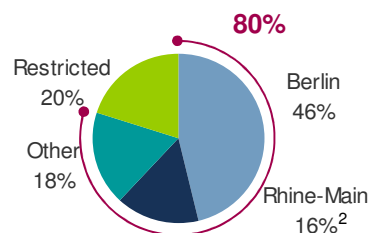
# » High Quality Owned Residential Portfolio in Berlin and Rhine-Main

**71% of owned residential portfolio situated in key German regions <sup>1</sup>**



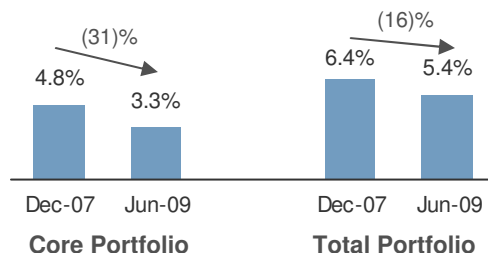
- Clear focus on key regions: Berlin and Rhine-Main
- Regional concentration resulting in efficient cost structure

**80% of portfolio non rent-restricted with significant rent increase potential <sup>1</sup>**



- Vast majority non rent-restricted
- Significant upside potential in rents compared to market rent based on recent re-letting success

**Low vacancy rate in Core Portfolio of 3.3% as per June 2009**



- Strong performance in particular in Core Portfolio
- Significant reduction of vacancy in the total portfolio

<sup>1</sup> Owned portfolio excluding DB14. Based on number of units

<sup>2</sup> Including Frankfurt

## » Financial Result H1 2009

<i>in € million</i>	2008	H1 2008	H1 2009	Change y-o-y (%)
Result from Rental Business (NOI)	147.8	75.5	77.3	2.4
Results from Sales	13.2	4.8	2.5	
Corporate Expenses	(38.9)	(20.3)	(16.8)	(17.2)
Non-core Businesses	8.5	5.0	4.3	
<b>Adj. EBITDA</b>	<b>130.5</b>	<b>65.0</b>	<b>67.3</b>	<b>3.5</b>
Depreciation	(1.8)	(0.8)	(1.4)	
Ongoing interest (net)	(104.7)	(54.0)	(48.4)	(10.4)
Non Cash Interest and Other	(20.0)	(7.5)	(7.5)	
<b>Adj. EBT</b>	<b>4.0</b>	<b>2.7</b>	<b>10.0</b>	<b>272.5</b>
Fair Value Adjustment	(276.5)	0.5	0.0	
SWAP Revaluation	(32.2)	25.9	(0.5) <sup>1</sup>	
One-offs <sup>2</sup>	(24.1)	(16.8)	(5.4)	
Taxes	56.5	(11.5)	(6.5)	
<b>Net Income<sup>3</sup></b>	<b>(255.9)</b>	<b>0.5</b>	<b>(2.4)</b>	

- Underlying rental business with continuous improvement
- Significant success on the cost side
  - Corporate expenses down 17%
  - Ongoing interest (net) improved by more than 10%
- Net income affected by SWAP effects; SWAP effects adjusted earnings before taxes almost quadrupled from €2.7m to €10.0m (y-o-y)
- Sales / privatisations as well as nursing homes business provide for additional profit

<sup>1</sup> Change to hedge accounting, SWAP revaluation reflected directly in equity

<sup>2</sup> Restructuring and reorganisation expenses

<sup>3</sup> Including income from discontinued operations

## » FFO Calculation

€ million	H1 2008	H1 2009
Net profit	0.5	(2.4)
+ Depreciation	0.8	1.4
+ Changes in market values of investment properties	(0.5)	0.0
- Result from discontinued business segments	0.3	0.0
+ Changes in market values of derivatives	(25.9)	0.5
+ Non-cash financial expenses	7.5	7.5
- Deferred taxes	11.3	5.4
+ Restructuring costs	16.8	5.4
<b>= FFO</b>	<b>10.9</b>	<b>17.8</b>
<b>FFO per share €</b>	<b>0.41</b>	<b>0.67</b>

## » Unscheduled Repayments in Order to Simplify Covenants

- Covenant simplification through removal of:
  - Group-wide and entity-level LTV and debt per sqm covenants
  - Group-wide DSCR and exit yield covenants (subject to all unscheduled repayments to Helaba being made)
- Only entity level covenants remain

<i>in € million</i> Entity	Debt Balance <sup>1</sup> as of Jun-09	Covenants <sup>2</sup>	
		DSCR	Exit Yield
GEHAG	378	1.080x	9.43%
Rhein-Main Wohnen	374	1.025x	7.00%
Deutsche Wohnen AG <sup>3</sup>	228	1.025x	7.00%
ESG <sup>4</sup>	207	1.100x	8.75%
Fortimo <sup>5</sup>	166	1.100x	8.00%
Main-Taunus Wohnen	30	1.025x	7.00%
Other (Covenants, Nursing Homes)	65		
Other (no Covenants)	592		
<b>Total financial debt</b>	<b>2,040</b>		

1 Excluding Convertible Bond

2 As per the next test date

3 As soon as unscheduled repayments to Helaba are made, all group-wide covenants are removed

4 As per agreement with Helaba

5 Fortimo has an additional ICR covenant of 1.80x



## » Typical Properties



Krankenhausviertel, Berlin Pankow



Waldsiedlung, Berlin Zehlendorf



Baumschulenweg, Berlin Treptow



Goebensiedlung, Koblenz



Alt Griesheim, Frankfurt/Main



Moltkestrasse, Mainz

## » Glossary

Contractual net cold rent	Contractual rent payable; ancillary costs (e.g. waste disposal, water and maintenance) and heating expenses are not included
Estimated rent income	Total of the net cold rent and the vacancy income shortfall (being the last contractual net cold rent payments for the vacant (but rentable) area of the respective property during the relevant period or as of the relevant date)
Estimated rent (per sqm)	Estimated rent income calculated for the relevant effective date, divided by the rentable area of the respective property
Net cold rent	Net cold rent is the sum of all contractual net cold rent payments for the rented area of the respective properties during the relevant period or as of the relevant date
Net rent	Net cold rent less rent discounts and net operating costs

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