Deutsche Wohnen AG

» 1st half-year 2010

Conference Call, 30 August 2010

» Agenda

» ❶ Highlights

» Ongoing positive business development

- First half-year 2010 earnings after taxes of EUR 8.1 million.
- Ongoing strong performance and reduced interest expenses increased funds from operations (FFO) in the first half-year 2010 by 41 % from EUR 0.22 to EUR 0.31 per share.
- Increased real estate demand led to higher overall prices, and the resulting higher disposal gains of EUR 7.7 million contributed to the positive net result for the period and to the quality of the portfolio.
- Cash and cash equivalents rose from EUR 41.4 million to EUR 98.5 million, which means that the projected cash outflows relating to the redemption of the convertible bond and EK 02-payments in the second half-year 2010 are already funded.
- Further amortisation of financial debt in the amount of EUR 35.5 million improved the loan-to-value ratio (LTV) to 60.0 %.

» ❷ Operative development

» Improvement of EBITDA by 3.7 %

EUR m	H1/2010	H1/2009
Revenue	**167.8**	**131.3**
Residential property management	95.8	96.2
Nursing and assisted living	16.3	16.4
Disposals	55.7	18.7
Segment contribution margin	**85.9**	**84.3**
Residential property management	76.2	77.3
Nursing and assisted living	4.6	4.5
Disposals	5.1	2.5
EBITDA	**69.8**	**67.3***

* adjusted for restructuring

» Growing NOI per sqm based on solid rental income

EUR m	H1/2010	H1/2009
Current gross rental income	**95.8**	**96.2**
Non-recoverable expenses	-2.7	-3.2
Rental loss	-1.2	-0.9
Maintenance	-14.7	-13.8
Others	-1.0	-1.0
Earnings of residential property management	**76.2**	**77.3**
Personnel, general and administration expenses	-7.9	-9.0
Net operating income (NOI)	**68.3**	**68.3**
NOI margin, %	*71.3%*	*71.0%*
NOI in EUR/sqm and month	3.77	3.60
Increase, %	4.7%	

> The net operation income (NOI) from the residential property management increased by 4.7 % to 3.77 EUR/sqm.

> Maintenance expenditure amounts to 10 EUR/sqm (annualised), or approx. 15 % of rental income.

» Proven rent potential of 18 % in core portfolio

	Units	Area	Share	In-place rent*	Market rent**	Vacancy
	Number	k sqm	%	EUR/sqm	EUR/sqm	%
Core portfolio	36,974	2,226	100%	5.40	6.35	3.0%
Berlin	21,404	1,279	57%	5.29	6.02	1.8%
Frankfurt/Main	3,656	217	10%	6.86	8.32	2.0%
Rhine-Main	3,743	224	10%	5.81	7.25	7.1%
Rhine Valley South	4,346	261	12%	4.84	5.33	5.5%
Rhine Valley North	2,688	170	8%	4.84	5.08	2.5%
Brandenburg	963	63	3%	4.81	5.67	6.0%
Others	174	12	1%	6.06	6.21	4.7%

- Average in-place rent was increased from 5.26 EUR/sqm to 5.40 EUR/sqm YoY.
- 1,886 new contracts were concluded in the core portfolio (non-subsidised) in the first half-year 2010.
- Average market rent with non-subsidised apartments is 6.35 EUR/sqm and is consequently around 18 % above the average in-place rent.
- Vacancy decreased from 3.6 % to 3.0 % YoY.

* Contractually owed rent from the rented apartments divided by the rented area
** Average rent at contract conclusion of the last 12 months

» Overall disposals – incl. notarised – in H1/2010

	Units	Transaction volume	Fair value	Margin	
	#	EUR m	EUR m	EUR m	%
Privatisation	467	40.4	29.4	11.0	37%
Institutional sales	1,568	55.6	53.4	2.2	4%
	2,035	96.0	82.8	13.2	16%

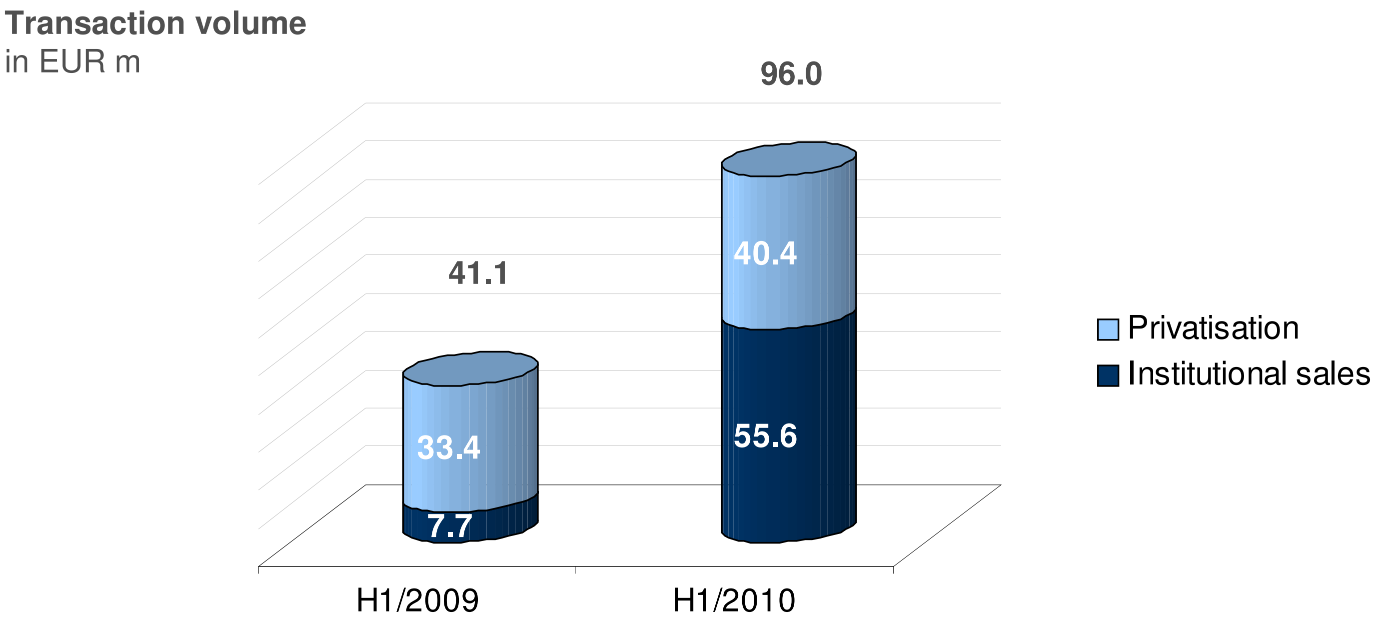
- The sales volume in the disposals segment was increased from EUR 41.1 million to EUR 96.0 million YoY.
- Privatisation (i.e. sale of individual apartments) generated significant book profits and gross margins of 37 %, as in the previous years. 93 % of the annual targeted sales (500 units) were already achieved as per the reporting date.
- In institutional sales the transaction volume was around EUR 55.6 million with a gross margin of 4 %.

Closed in H1/2010

	H1/2010	H1/2009
Sales proceeds	**55.7**	**18.7**
Cost of sales	-2.6	-2.1
Net sales proceeds	53.1	16.6
Fair value	-48.0	-14.1
Result of disposal	**5.1**	**2.5**

- The disposal of 1,069 units was taken into account as of 30 June 2010.

» Successful portfolio adjustment



- Positive stimulation of the transaction market in 2010
- Focus of institutional sales was to streamline the portfolio in structurally weak regions
- Institutional sales in H1/2010 already outperforms 2009
  - **34 %** of disposal portfolio already sold
  - Improvement of operating figures as well as efficiency of administration

» ❸ Financials

» Half-year's earnings of EUR 8.1 m

EUR m	H1/2010	H1/2009
EBITDA	69.8	67.3*
Depreciation	-1.6	-1.4
Financial result (net)	-50.3	-55.9
EBT adjusted	17.9	10.0
Restructuring	0.0	-5.4
Valuation SWAP	-1.9	-0.5
EBT	16.0	4.1
Taxes	-7.9	-6.5
Profit / loss	**8.1**	**-2.4**
Earnings per share in EUR	0.10	-0.09

EUR m	H1/2010	H1/2009
Interest expenses	-43.1	-48.8
Non-cash financial expenses	-7.5	-7.5
	-50.6	-56.3
Interest income	0.3	0.4
Financial result (net)	**-50.3**	**-55.9**

* adjusted for restructuring

- Significant increase in profit / loss from EUR -2.4 million to EUR 8.1 million
- Substantial reduction of interest expenses as a result of the continuing deleveraging process

» Significant increase of funds from operations

EUR m	H1/2010	H1/2009
Profit / loss	**8.1**	**-2.4**
Depreciation	1.6	1.4
Valuation SWAP	1.9	0.5
Non-cash financial expenses	7.5	7.5
Deferred taxes	6.2	5.4
Restructuring	0.0	5.4
FFO	25.3	17.8
FFO per share (26.4 million shares)	0.96	0.67
FFO per share (81.8 million shares)	0.31	0.22

- FFO increased by 41 % to EUR 0.31 per share YoY
- 2010 full year forecast increased to EUR 0.54

» Strong cash position

EUR m	30/06/2010	31/12/2009
Investment properties	2,780.5	2,835.5
Other non current assets	21.2	22.4
Deferred tax assets	103.6	98.4
Non current assets	**2,905.3**	**2,956.3**
Land and building held for sale	17.6	18.4
Trade receivables	7.5	14.5
Other current assets	42.0	33.0
Cash and cash equivalents	98.5	57.1
Current assets	**165.6**	**123.0**
Total assets	**3,070.8**	**3,079.3**

Unchanged valuation matrix:

- 899 EUR/sqm
- 14.2 times in-place rent

Strong liquidity position:

- Cash of EUR 99 million
- Available credit lines of EUR 128 million

> Part of liquidity will be used in the months ahead to reduce further liabilities:

- Settlement of EK 02 tax liabilities of EUR 20.9 million
- Redemption of convertible bond for EUR 27.2 million
- Purchase of limited partnership interests for EUR 27.4 million

» Stable equity and NNAV

EUR m	30/06/2010	31/12/2009
Total equity	844.3	862.0
Financial liabilities	1,770.8	1,802.7
Tax liabilities	81.0	84.1
Deferred tax liabilities	82.0	81.4
Derivatives	109.0	70.5
Other liabilities	183.7	178.6
Total liabilities	**3,070.8**	**3,079.3**

Improvement of LTV to 60.0%

Expected EK 02-payments 2010: EUR 21 million

Increase due to reduced market interest rates

EUR m	30/06/2010	31/12/2009
NNAV	859.5	870.3
NNAV per share in EUR	10.50	10.63

Reduced NNAV as a result of SWAP valuation (EUR 26 million)

» Reduction of LTV to 60.0 %

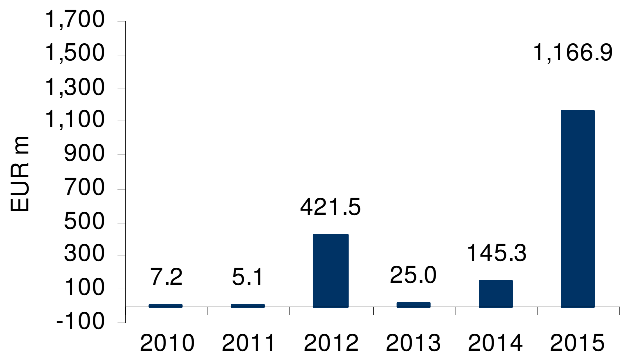
Debt structure

Financial liabilities in EUR m	DW stand alone	DB 14	Total
Mark-to-market	1,666	105	1,771
LTV (%)	59.9	61.7	60.0
Nominal value	1,726	158	1,884
LTV (%)	62.1	92.7	64.0

Debt service

- Average interest rate: ~ 4.3%
- Average mandatory redemption p.a.: ~ 1.8%
- Interest rates fixed or hedged: ~ 91%

Long-term maturities profile



> Renewal 2010: EUR 25.0 million are already renewed

> Renewal 2012: Loan EUR 360 million => early renewal targeted in order to exploit favourable interest rate levels

» 4 Forecast

» New increased FFO target of 54 cents

- Updated forecast: New FFO target of EUR 0.54 per share, i.e. a 25 % increase compared to actual FFO in 2009 (EUR 0.43 per share)
- Continued monetisation of rent potential in the core portfolio; further decrease of investment-related vacancies upon conclusion of the investments
- Target volume of sales of privatisation units up from 500 to 550 with gross margins of 35 %; taking advantage of market opportunities by selective sales from the core portfolio
- Disposal of units located in structurally weak regions, e.g. in Rhineland-Palatinate and Brandenburg, to strengthen the overall portfolio mix
- Additional liquidity stemming from disposals to be used inter alia for redeeming convertible bond, purchasing limited partnership interests of DB-funds 14 and settling tax liabilities (EK 02)
- Near-term renewal of 2012 maturities represents our single noteworthy renewal challenge

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