



# Full Year Results 2008

Conference Call  
30 March 2009

## » Agenda

Operational Update

Financial Results

Outlook

## » Operational Highlights 2008

### Strategy and Portfolio Reviewed

- Cable business sold at a profit
- Classification and revaluation of portfolio

### Operational Targets Overachieved

- Core portfolio
  - Rents up 2.8%
  - Vacancy down 19%
- Transaction
  - Sales margin excl. AKF 17%
  - Average sales price excl. AKF €978 per sqm
  - Cash generated €149.7m
- Investments
  - Total investments €58.1m
  - Per square metre €18.26
- Nursing homes
  - EBITDA up 12.9%

### New Structure in Place

- Integration successfully concluded
- Implementation of a new structure and IT platform

## » New Company Structure

### Deutsche Wohnen AG Management & Central Units

#### RESIDENTIAL

##### Property Management

Key figures	
Personnel costs	12.0
G&A	6.0
Employees (#)	239
Units (#)	50,489
Costs per Unit	357

##### Transaction

Key figures	
Personnel costs	2.9
G&A	1.9
Employees (#)	35
Net Proceeds	145.3
Internal Brokerage Fee	3.3%

#### Nursing Homes

Key figures	
Revenues	33.1
Personnel costs	18.9
EBITDA	8.7
Employees (#)	938

All figures in € m, if not otherwise stated (#)

## » Portfolio Overview as of 31.12.2008

	Apartments				Commercial		Parking
	Units	Rental area	Rent	Vacancy	Units	Rental area	Units
	#	Tm <sup>2</sup>	€/m <sup>2</sup>	%	#	Tm <sup>2</sup>	#
<b>Core portfolio</b>	<b>33,792</b>	<b>2,038</b>	<b>5.23</b>	<b>3.9%</b>	<b>401</b>	<b>69</b>	<b>8,050</b>
Berlin	22,758	1,369	5.02	2.9%	289	38	1,853
Frankfurt/Main	3,661	217	6.68	3.9%	49	16	1,843
Rhein-Main	3,285	203	5.76	8.5%	55	14	1,945
Rheintal-Süd	4,088	249	4.72	4.7%	8	1	2,409
<b>Disposal</b>	<b>14,076</b>	<b>885</b>	<b>4.75</b>	<b>11.3%</b>	<b>63</b>	<b>6</b>	<b>5,237</b>
Single privatisation	5,017	334	5.19	11.7%	16	2	1,855
Bloc sales	9,059	550	4.48	10.9%	47	4	3,382
<b>Own properties*</b>	<b>47,868</b>	<b>2,923</b>	<b>5.09</b>	<b>5.9%</b>	<b>464</b>	<b>75</b>	<b>13,287</b>
DB 14	2,621	179	5.41	5.5%	31	8	2,624
<b>Own properties incl. DB14</b>	<b>50,489</b>	<b>3,101</b>	<b>5.10</b>	<b>5.9%</b>	<b>495</b>	<b>83</b>	<b>15,911</b>

\* without Nordhessen

- 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 2008 Property Management

	Vacancy in %			Rents in € per sqm			Market rent	
	12/07	12/08	Δ	12/07	12/08	Δ	€/sqm	Underrented
Own portfolio	6.7	5.9	-12%	4.89	5.09	4.1%	-	-
Core portfolio	4.8	3.9	-19%	5.09	5.23	2.8%	5.90	12.8%
Cluster A	4.2	3.4	-19%	5.18	5.31	2.3%	5.80	9.2%
Cluster B	9.3	7.1	-24%	4.50	4.72	4.9%	6.10	29.2%

- €5.65 per sqm average new rent as of 31.12.2008 => in non-restricted stock €5.91 per sqm
- 4,617 new rental contracts in 2008

## » Business Performance 2008 Transaction

Proceeds from disinvestments	Total	Privatisation	Bloc sales	AKF disposal
	in € m	in € m	in € m	in € m
Gross proceeds	149.7	61.0	58.7	30.0
Costs	-4.4	-3.6	-0.6	-0.2
<b>Net proceeds</b>	<b>145.3</b>	<b>57.4</b>	<b>58.1</b>	<b>29.8</b>
Fair value	-115.7	-45.1	-57.2	-13.4
<b>Result</b>	<b>29.6</b>	<b>12.3</b>	<b>0.9</b>	<b>16.4</b>

- Square metre prices:
 

Single privatisation	€1.378
Bloc sales	€741
- Sales margins:
 

Single privatisation	35%
Bloc sales	2%

## » Business Performance 2008

### Investments

	2008	
	in € m	per sqm
Maintenance		
▪ Ongoing	20.6	6.48
▪ Re-letting	16.2	5.09
P&L	36.8	11.57
Capex	21.3	6.69
<b>Total investments</b>	<b>58.1</b>	<b>18.26</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: €9.6 m (€374 per sqm)
- Rent increases compared to previous rent in 2008: 51.7%

## » Business Performance 2008 Expenses

	2008 planned	2008
	in € m	in € m
Personnel expenses	30.3	24.4
Ongoing G&A	12.3	14.5
<b>Total</b>	<b>42.6</b>	<b>38.9</b>

One-offs in € m	2008
Personnel measures + legal advice	14.6
Reorganization of business processes	7.5
Other	2.0
<b>Total one-offs</b>	<b>24.1</b>

## » Agenda

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**Financial Results**

Outlook

## » Financial Highlights 2008

### Assets

- Fair value adjusted €-276.5 m

### Liabilities

- Hedge accounting
- Solid long-term debt structure
- Repayments
- Low refinancing volume

### P&L

Versus 2007 pro forma

- |                          |      |      |
|--------------------------|------|------|
| ▪ Result rental business | up   | 9%   |
| ▪ Result from sales      | up   | 288% |
| ▪ Costs                  | down | 14%  |
| ▪ EBITDA                 | up   | 30%  |

### Cash flow

- Generation of cash flow improved
- FFO: €26.1 m

## » Balance Sheet – Assets

	€ million	2008	2007
<p>Δ € 370.5 m</p> <p>Revaluation € -276.5 m</p> <p>Sales € -95.7 m</p>	← Investment properties	2,900.7	3,271.2
	Other non core assets	23.0	28.9
<p>Δ € +6.0 m</p> <p>Properties € +8.2 m</p> <p>Loss carried forw. € -15.8 m</p> <p>Derivatives € +14.1 m</p>	← Deferred tax assets	92.6	86.6
	<b>Non current assets</b>	<b>3,016.3</b>	<b>3,386.7</b>
	Land and building held for sale	19.3	21.9
<p>thereof from</p> <p>→ rental business €14.8 m</p> <p>→ sales € 4.9 m</p> <p>→ other € 1.5 m</p>	← Receivables from goods and services	21.2	18.5
	Other current assets	27.9	45.4
<p>Δ € 17.5 m mainly</p> <p>Non current assets held for sale €+13.1 m</p> <p>and derivatives €-32.2 m</p>	Cash	42.0	47.9
	<b>Current assets</b>	<b>110.4</b>	<b>133.7</b>
	<b>Total assets</b>	<b>3,126.7</b>	<b>3,520.4</b>

## » Revaluation of Portfolio – Assumptions

- 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%
Capitalization 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

	Units	Fair Value in € m	Fair Value in €/sqm			Multiplier	
			2008	New	Old	Δ	New
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/ Rheintal-Süd	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>

## » Balance Sheet - Liabilities

$\Delta$ € -286.8 m
P&L effect
SWAP-equity effect

EK02:	€ 80.7 m
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$\Delta$ € -64.1 m	
Properties	€ -54.7 m
Derivatives	€ -9.7 m

<b>SWAPS</b>	
Nominal	€ 1,171 m
Strike	3.2% - 5.0%
Maturities	2012 - 2017

Convertible	€ 25.4 m
Pensions	€ 39.3 m
DB14	€ 48.0 m
Trade liabilities	€ 22.8 m
Other current liabilities	€ 26.6 m
Provisions	€ 22.8 m

€ million	2008	2007
Total equity	649.3	936.1
Financial liabilities	2,089.2	2,179.6
Tax liabilities	82.3	81.9
Deferred tax liabilities	71.7	135.8
Derivatives	49.3	3.8
Other liabilities	184.9	183.2
<b>Total liabilities</b>	<b>3,126.7</b>	<b>3,520.4</b>
<b>€ million</b>		
NAV	646.2	981.1
NAV per share	24.48	37.16



## » Solid Financing

### Debt Structure

- Financial liabilities: €2,089.2 m
- Loan-to-value ratio (LTV): 70.6%
- Free credit lines: €49.4 m

### Attractive Cost of Financial Debt

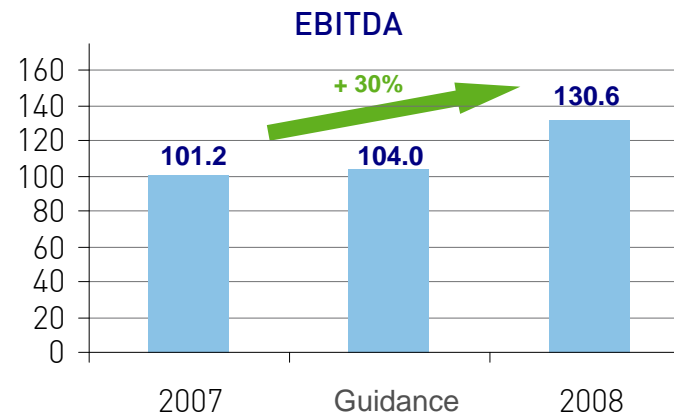
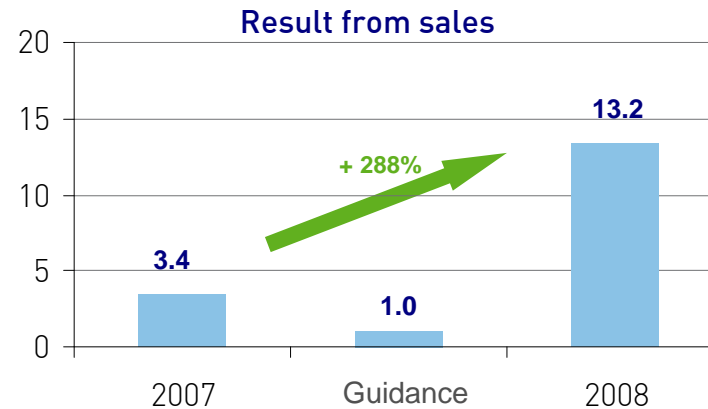
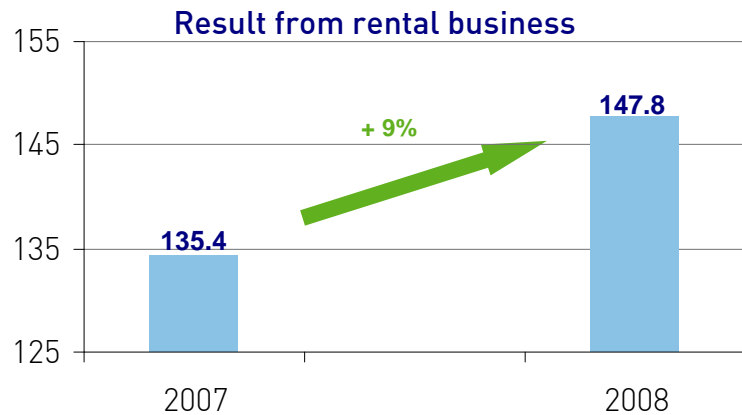
- Average interest rate: 4.6%
- Average redemption p. a.: 2.0%  
(excl. sales release payments)

### Long-term Maturities Profile

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

2009	2010	2011	2012	2013	≥ 2014
84.5	65.9	10.4	452.5	21.2	1,454.7

## » Operational Objectives Exceeded 2008 versus 2007 (pro forma)



## » P&L

€ million	2008
<b>Total gross rental income</b>	208.9
Vacancy loss	-15.1
Concessions & delinquencies	-1.9
<b>Net cold rent</b>	<b>191.9</b>
Utility expenses (net)	-3.4
<b>Net rental income</b>	<b>188.5</b>
Maintenance	-36.8
Others	-3.9
<b>Result from rental business</b>	<b>147.8</b>
<b>Result from privatization business</b>	<b>13.2</b>
Administration expenses	-38.9
Non-core business	8.5
<b>EBITDA</b>	<b>130.6</b>

Based on Enterprise Value  
(see below):

▪ Gross rental yield	8.8%
▪ Net cold rental yield	8.1%
▪ EBITDA yield	5.5%

Enterprise Value (EV)  
as at Dec 31, 2008

Equity value	€ 250.5 m
+ Financial debt	€ 2,114.6 m
= EV	€ 2,365.1 m

## » P&L

€ million	2008
<b>EBITDA</b>	<b>130.6</b>
Fair value adjustment	-276.5
Depreciation	-1.8
<b>EBIT</b>	<b>-147.7</b>
Swap valuation	-32.2
Financial result	-124.8
One-offs	-24.1
<b>EBT</b>	<b>-328.8</b>
Taxes	56.5
<b>Income from continued operations</b>	<b>-272.3</b>
Income from discontinued operations	16.4
<b>Net Income</b>	<b>-255.9</b>
<b>FFO</b>	<b>26.1</b>
<b>FFO per share</b>	<b>0.99</b>
<b>EPS</b>	<b>-9.69</b>

<b>SWAP Accounting:</b>			
	2007	2008	Δ
Positive swap (assets)	32.2	0	-32.2
Negative swap (liabil.)	-3.8	-49.3	-45.5
<b>Total</b>	<b>28.4</b>	<b>-49.3</b>	<b>-77.7</b>
			<b>P&amp;L</b>
			<b>Equity</b>
			-32.2
			-45.3

<b>Financial result:</b>	
Ongoing interest exp.	-107.3
Ongoing interest inc.	2,5
Non-cash interest exp.	-14.3
Special dividend DB 14	-5.7
<b>Total</b>	<b>124.8</b>

<b>Taxes:</b>	
Ongoing taxes	0.3
Taxes relative to EK 02	0
Deferred taxes	56.2
<b>Total</b>	<b>56.5</b>

## » Cash flow

€ million		2008
Proceeds from operating activities	120.7	
Proceeds from disposals	123.5	
		<b>244.2</b>
Debt service		
Interest payments	-107.0	
Redemption / Take-out	-84.3	
		<b>-191.3</b>
Investments		<b>-28.6</b>
Adjusted cash flow		<b>24.3</b>
One-off effects		
Restructuring costs	-24.1	
Payments regarding DB 14	-6.1	
		<b>-30.2</b>
<b>Cash flow</b>		<b>-5.9</b>

## » FFO Calculation

€ million	2008
Net profit	-255.9
+ Depreciation	1.8
+ Changes in market values of investment properties	276.5
- Result from discontinued businesses	-16.4
+ Changes in market values of derivatives	32.2
+ Non-cash financial expenses	14.3
+ Special distribution of funds DB 14	5.7
- Deferred taxes	-56.2
+ Restructuring costs	24.1
<b>= FFO</b>	<b>26.1</b>
<b>FFO per share</b>	<b>0.99</b>

## » Agenda

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## » Focus 2009

### Optimize Result

#### Targets

- Net cold rent
- Sales
- Cost
- EBITDA

### Disposal Programme

Improvement of portfolio quality through selective disposals

### Optimization

- Ongoing optimization of business processes
- Improvement of service quality
- Further cost savings

### Growth

- Qualitative growth
- Using market opportunities and scale effects



## » Disclaimer

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