



KWG KOMMUNALE WOHNEN AG
Company Presentation



GROWTH

ASSET MANAGEMENT

FUNDAMENTAL VALUE

INVESTORS

SUCCESS

DEVELOPMENT

SUSTAINABILITY

RENOVATION

Agenda

1. Investment Case
2. Market Environment
3. KWG Kommunale Wohnen AG – An Overview
4. Business Model
5. Investment Highlights
6. Financial Statistics
7. Summary & Outlook

1. Investment Case

KWG Kommunale Wohnen AG

Unique Value Proposition (Value + Catalyst)

- High NAV discount (-30%) vs. Peer Group (-15%)
- High Cash Generation Potential after completion of refurbishments
- Management and Core Shareholders aim to increase Portfolio Value and Freefloat

Triggers (Catalysts)

- Reduction of NAV discount vs. Peer Group
- FFO potential to be appreciated by Capital Markets
- Accretive Growth with simultaneous increase of Freefloat to improve Visibility and Liquidity of KWG share

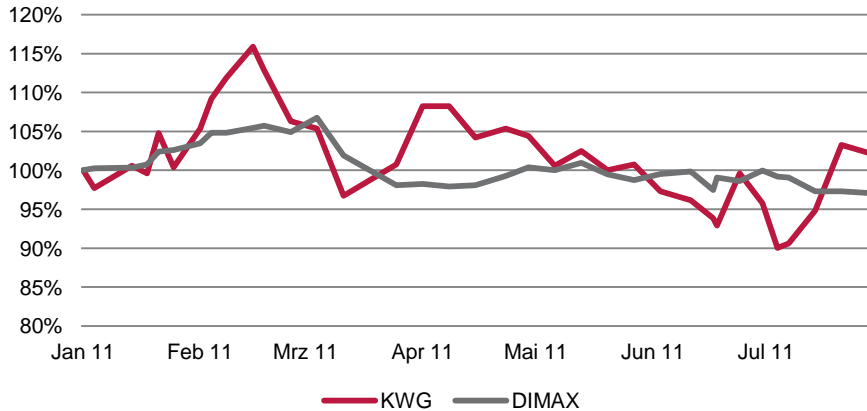


High Share Price Increase Potential

2. Market Environment

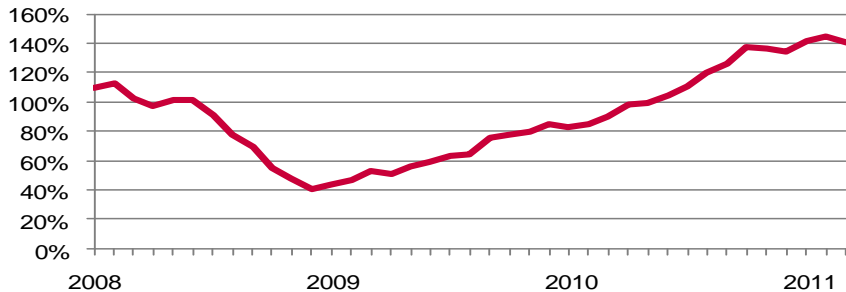
Capital Markets

German Real Estate Shares Index (DIMAX)



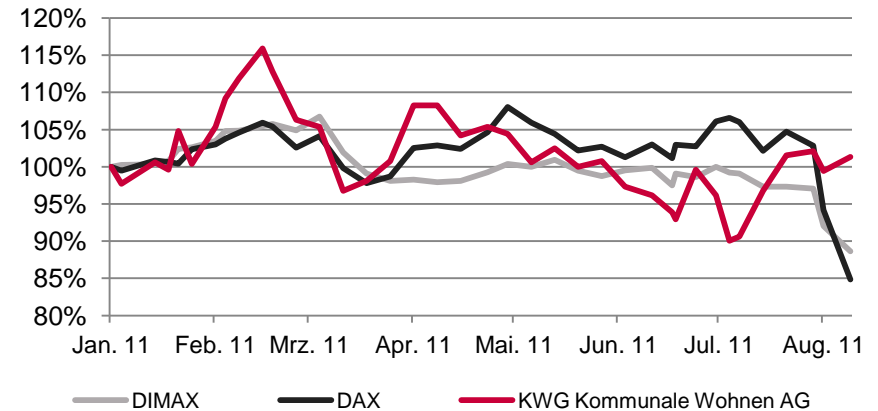
Source: Deutsche Börse Group

Real Estate Economy Index – Germany



Source: King Sturge

KWG vs. DAX-30 & DIMAX*



* German Real Estate Shares Index (DIMAX) by Bankhaus Ellwanger & Geiger

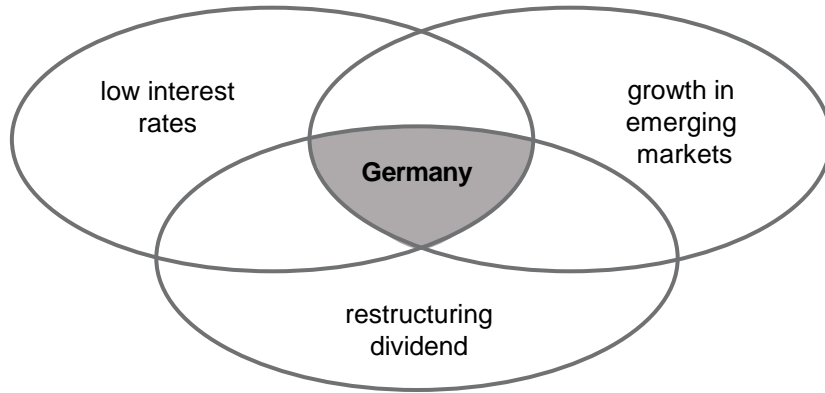
Comments

- Volatile capital markets environment favours performance of fundamental value backed stocks
- General conditions for German residential property market remain intact
- KWG share price showed continuous growth and outperformed its peer since beginning of FY 2011
- Real Estate Economy Index for Germany shows considerable improvements since the end of 2008

2. Market environment

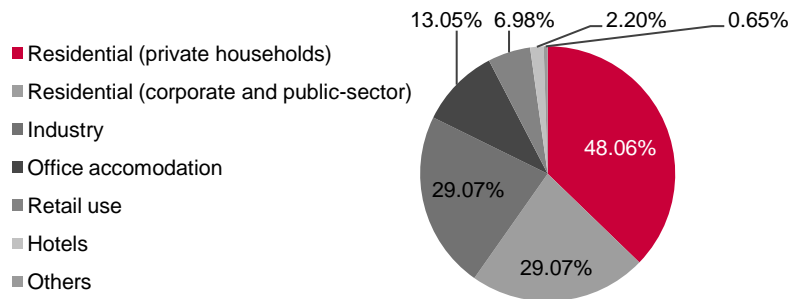
Real estate market

Germany at the „Sweet Spot“



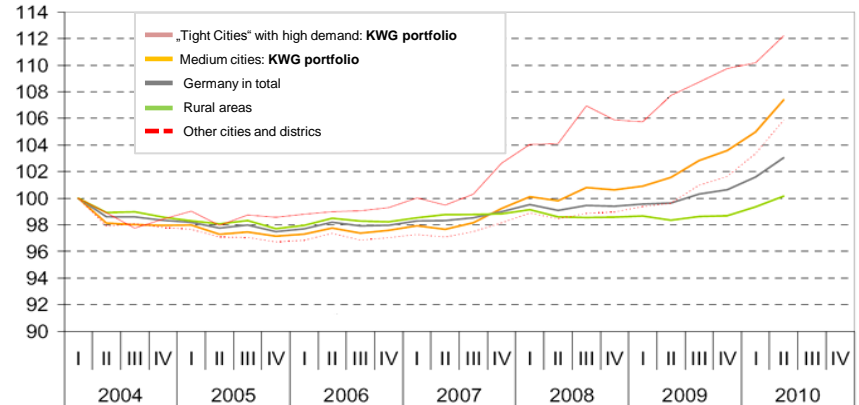
Source: Deutsche Börse Group

Distribution of property in Germany



Source: King Sturge

Surplus demand causes residential rents to go up



Source: Bloomberg

Comments

- Excellent macroeconomic conditions place Germany in the “sweet spot” as a result of social and corporate structuring combined with German industry’s strong focus on prospering emerging markets
- Comprising real estate with a total value of some EUR 7.7 trillion, Germany has Europe’s biggest property market
- Residential property accounts for 77% of the real estate market
- Real Estate market activity is likely to increase further in the next few years

3. KWG Kommunale Wohnen AG - An Overview



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3. KWG – An Overview

Board of Directors

Stavros Efremidis – CEO



Torsten P. Hoffmann – CFO



Areas of responsibility

- Acquisitions
- Construction Management
- Asset Management
- Group Management
- IR/PR

- Finance
- Group Management
- Personnel
- Legal
- IT

Real estate experience

- 18 years

- 20 years

Previous positions

- Palu Suisse AG; Director
- Berliner Aktiengesellschaft für Industriebeteiligungen; Board Member
- rec24 Immobilien GmbH; MD
- SAB Spar und Anlageberatung; Sales Coordinator

- Deutsche Real Estate; CFO
- Deutsche Grundvermögen AG; Head of Accounting & Controlling
- RIMC International Hotel Resort Management und Consulting; Finance Manager
- HANSEATICA Unternehmens Consulting GmbH; Head of Group Accounting

3. KWG – An Overview

Company profile

KWG - Key Facts

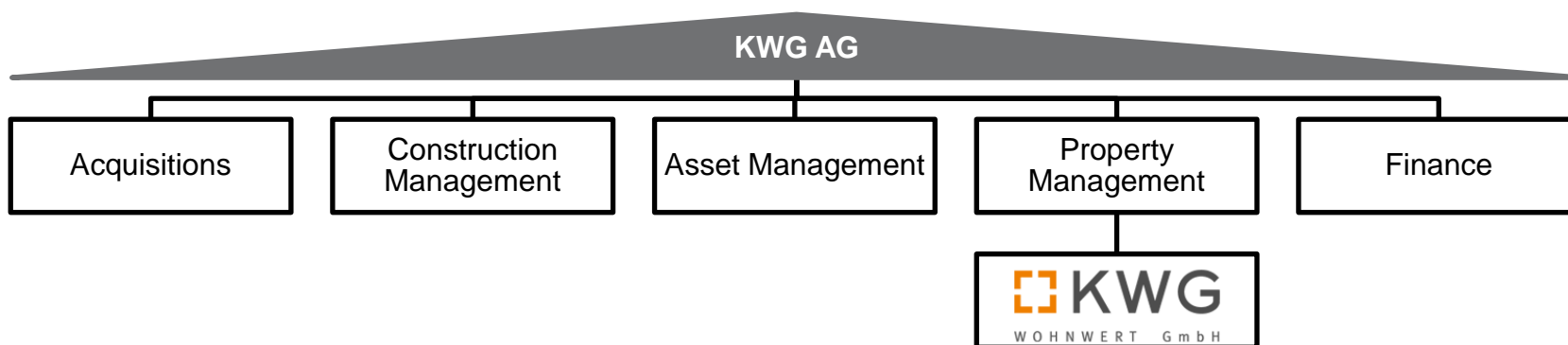
- Listed company with some 5,400 residential and commercial properties
- Integrated owner-operator of a portfolio of apartments
- Specialized in good micro-locations in metropolitan areas and medium-sized cities
- Portfolio with high rental yields and significant potential for value enhancement, but with reduced risk
- Active property management yields ROE* > 15%

*ROE: Return on Equity

Distinctive Features

- The complete output chain is covered thanks to a lean and cost-efficient organisational structure.
- Acquisitions, construction and asset management are run centrally within the company.
- Integrated building management carried out by own subsidiary
- Flexible Platform, adaptable to further growth

Corporate structure



3. KWG – An Overview

Real Estate Portfolio (1/2)

Portfolio figures

Attribute	Amount
No. of apartments	5,375
No. of commercial units	45
Usable floor space, approx.	311,250
Average rent in EUR per sqm*	4.84
Vacancy rate*	4.4%

KWG portfolio in comparison

Attribute	KWG	Peer Group***
No. of appartments	5,375	69,705
Valuation in EUR per sqm	698.0	890.4
Vacancy rate in %	13.6	6.0
Factor (Valuation vs. net rent)	14.1	15.2

→ Real estate valuation of KWG conservative compared to Peer Group

* Core portfolio = portfolio suitable for letting

** Investment portfolio = properties requiring extensive refurbishments

*** average values of listed German portfolio holders (Dated: 30 June 2011)

Regional property allocation



3. KWG – an Overview

Real Estate Portfolio (2/2)

Regional allocation of portfolio

Target region Bremen



No. of units: 679
Floor space: 36,071 m²
Book Value: 680 € / m²

Target region Braunschweig



No. of units: 737
Floor space: 47,656 m²
Book Value: 865 € / m²

Target region Berlin



No. of units: 414
Floor space: 24,232 m²
Book Value: 787 € / m²

Target region Rhein-Ruhr



No. of units: 1.049
Floor space: 69,378 m²
Book Value: 765 € / m²

Target region Erfurt



No. of units: 668
Floor space: 34,479 m²
Book Value: 744 € / m²

Core region Saxony



No. of units: 1.873
Floor space: 99,434 m²
Book Value: 537 € / m²

4. Business Model



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4. Business Model

Specialised Platform

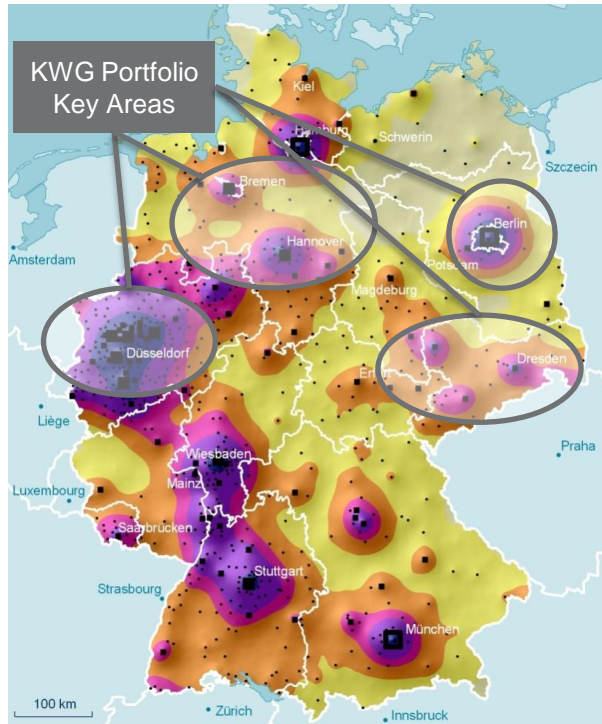
KWG Kommunale Wohnen AG ...

- ... buys properties with, in some cases, a high vacancy level and high value enhancement potential
- ... buys a vacancy level connected with the property, but not caused by structural deficiencies
- ... acquires properties where the purchase price is based on the actual rent – i.e. vacancies included
- ... incurs running costs only on the vacant apartments
- ... renovates vacant apartments and returns them to the market straightaway
- ... realises refurbishments at low cost thanks to the company's in-house construction management
- ... achieves higher profit by letting vacant apartments than from higher earnings as a result of rent adjustments

4. Business Model

Attractive Fundamentals in Residential Market

Population Potential

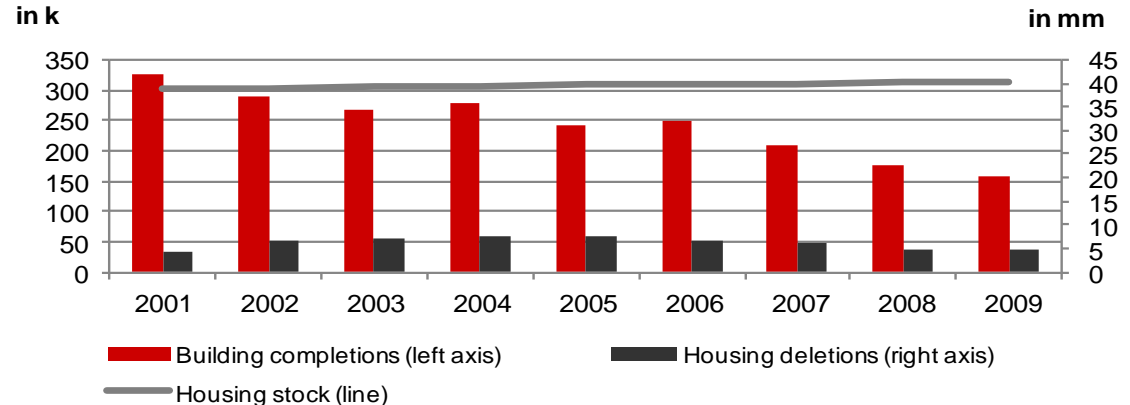


Population within a radius of 100 km



Source: Bundesamt für Bauwesen und Raumordnung; KWG Kommunale Wohnen AG

Planning permissions granted / apartments built



Source: German Federal Statistics Authority; KWG Kommunale Wohnen AG

Market observations

- KWG portfolio is focused on regions with **above-average population potential**.
- **Shortage of living space** caused by long-term decline in amount of planning permissions granted / no. of apartments built.
- The purchase prices for apartment portfolios in Germany are often well below construction costs.
- Despite a declining population, demand for accommodation is on the rise, owing in particular to the growing number of households with only 1 or 2 persons and the increasing average amount of living space per capita.
- At 3.7%, the national vacancy rate for residential property is well below that for other types of use.

4. Business Model

Sustainable Business Approach

Acquisitions

- Potential for value enhancement as most important purchasing criteria
- Purchase through asset or share deals
- Selective purchase of poorly-managed and undervalued companies or portfolios
- Good micro-location in metropolitan regions or prospering small and medium-sized towns
- Investments including grants when possible

Example of KWG's approach



Construction and Asset Management

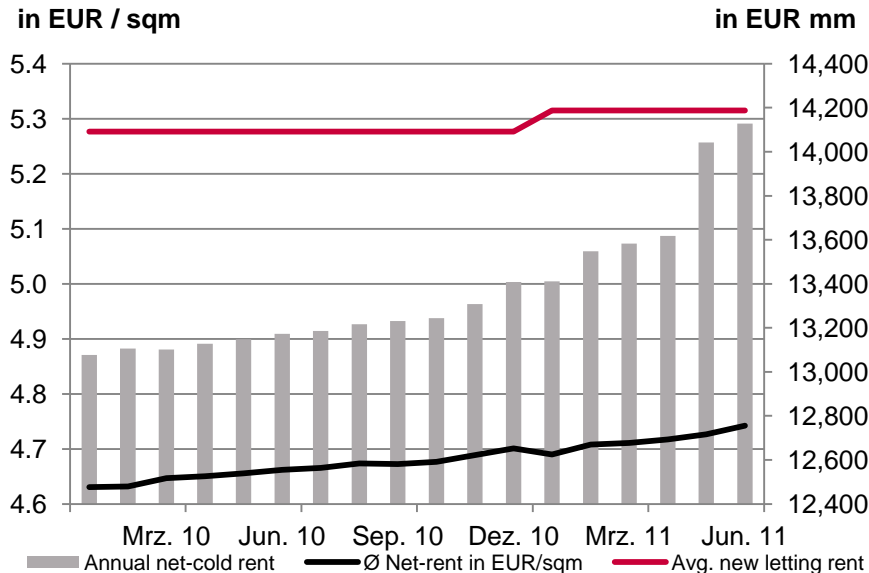
- Construction and asset management based on detailed analysis of development potential
- Optimisation through in-house construction & asset management platform
- Efficient modernisation & renovation
- Active reduction of vacancies
- Enhanced value through rent increases
- Reduction of fluctuation



4. Business Model

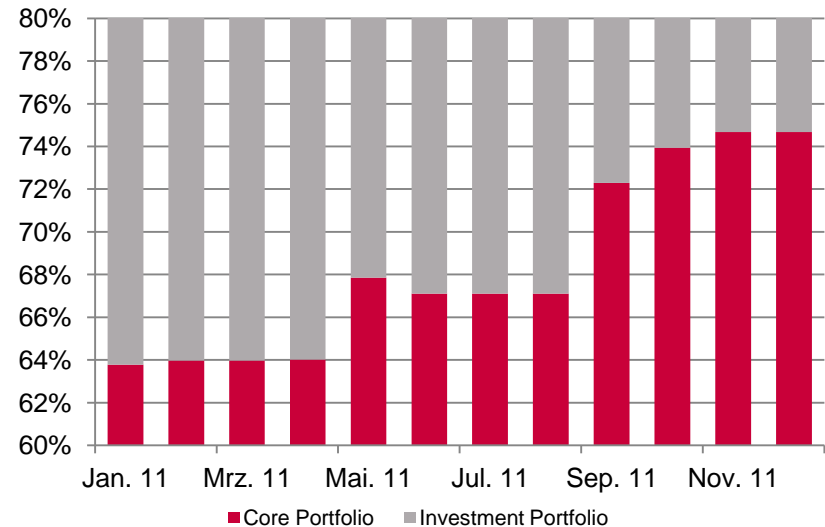
Development of Real Estate Portfolio

Optimisation of Real Estate Portfolio



- Increase of rental income after in-sourcing of property management due to improvements in property and asset management
- Annual Net Rental Income FY 2011e to increase by 6 % to > EUR 14 mm compared to last year
- Constant improvement of key figures proves success in the optimisation of the portfolio

Continuous Increase of Core Portfolio



- Target: Optimisation of portfolio due to sustainable enhancement of core portfolio
- Increase of core portfolio in H1 2011 by renovation measures in Gelsenkirchen and Celle
- Further enhancement of core portfolio in the course of H2 2011e due to further renovation measures in the investment portfolio

4. Business Model

Success through active Portfolio Management (1/2)

Wolfsburg: General Conditions

Key Figures

Acquisition	November 2007
No. of apartments	160
Purchase price (plus ancillary costs)	approx. EUR 469 / sqm
Actual annual rent, November 2007	470 TEUR
Actual annual rent, June 2011	697 TEUR
Additional income (=+ 48 %)	227 TEUR

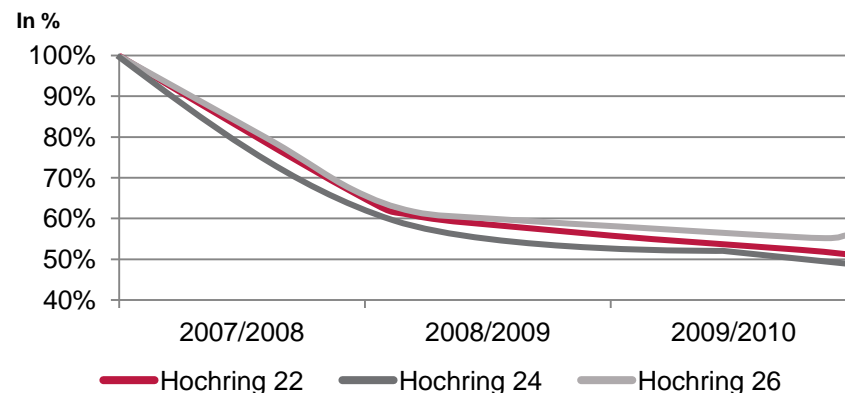
Wolfsburg: Investment Calculation

Value enhancement through construction improvements :

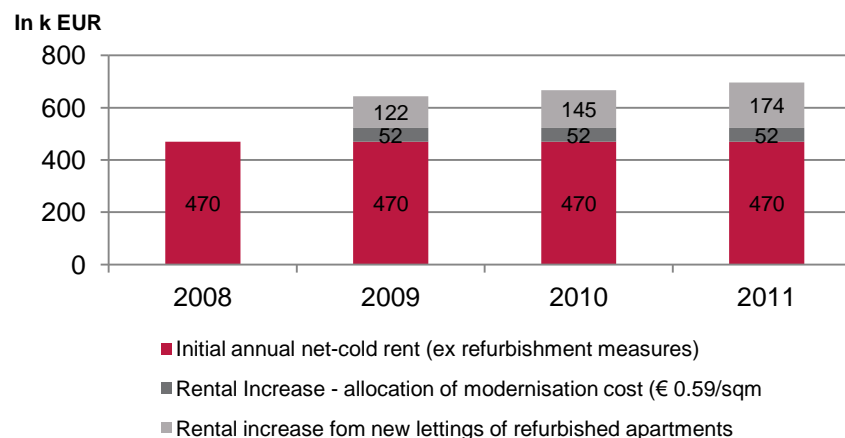
Total Investment:	EUR 1.84 mm
Debt Capital	EUR 1.37 mm
Debt Service (interest rate 2.69 %) p.a .	EUR 0.04 mm
Equity:	EUR 0.47 mm
Additional rental income minus interest paid	EUR 0.23 mm

Return on Equity 49 %

Wolfsburg: Improved Energy Efficiency



Increased rents in Wolfsburg



4. Business Model

Success through active Portfolio Management (2/2)

Positive effect of renovating an apartment

Costs for complete renovation/modernisation of a vacant apartment:

Investment per sqm **165.00 EUR**

Income after investment:

EUR 6 new cold rent per sq.m.
per month x 12 months **+ EUR 72.00**

Savings after investment:

EUR 1 vacancy costs saved per sqm
per month x 12 months **+ EUR 12.00**

Total income/savings: **+ EUR 84.00**

Return on Investment **51 %**

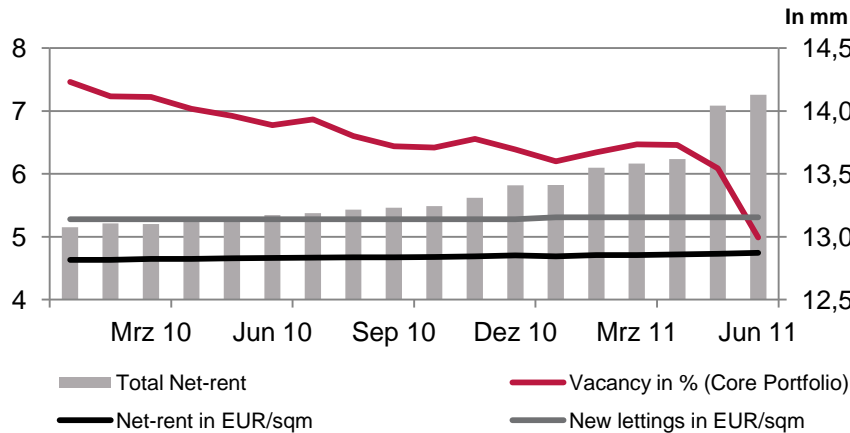
Example of KWG's approach



4. Business Model

In-sourcing of Property Management

Added value by in-house Property Management*



* Property management inhouse since January 2010

Management according to strict Group Standards

- Ancillary cost efficiency through constant monitoring and adjustment of contracts (benchmarking)
- Direct contact with tenants (local tenant offices)
- Tightly knit claim management
- Commercial, technical and infrastructural facility management
- Cost reduction of 30% by own property management compared to external service providers

Letting through pro-active Direct Approach

- Decrease of vacancy rate by 66%
- Increase of rents by an average of 5% (in EUR per sqm)
- Higher rents based on an increase of new lettings by an average of 17% (in EUR per sqm)
- No agent's fee
- Better tenant mix
- Lower rent loss
- Direct contact with local authorities
- Sales presence in all media with own corporate design

5. Investment Highlights



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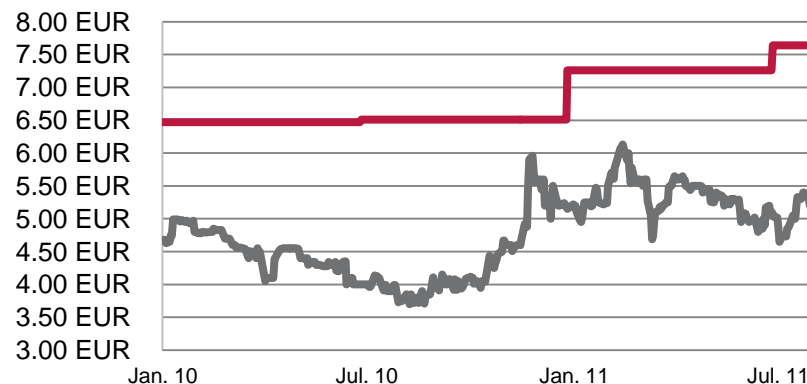
5. Investment Highlights

KWG Share

Key figures

Sector	Real Estate
WKN/ISIN	5227342/DE0005227342
Stock Exchange Symbol	BIW GR
Market Cap as per 01 Aug 2011	EUR 57.59 Mio.
Shares Outstanding	10,804,729
Stock Exchange Segment	Entry Standard
Listing in Entry Standard	08.03.2010
Share Price on 01.08.2011	EUR 5.33
52-week-high	EUR 6.20
52-week-low	EUR 3.60
Trading volume (Ø 4 weeks)	approx. 9,600 shares per day
Exchanges	Entry Standard: Frankfurt, Xetra Freiverkehr: Berlin, Düsseldorf, Hamburg, Hannover, München, Stuttgart
Designated Sponsor	Silvia Quandt & Cie. AG

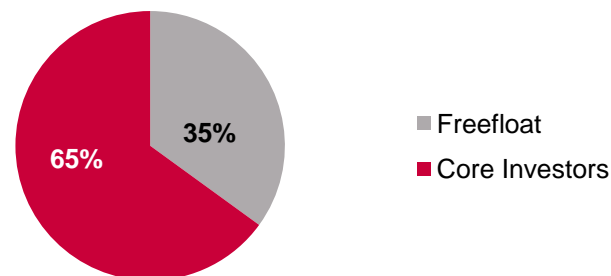
NNNAV and Share Price



Source: Bloomberg

— Share Price — NNNAV per Share

Shareholder structure



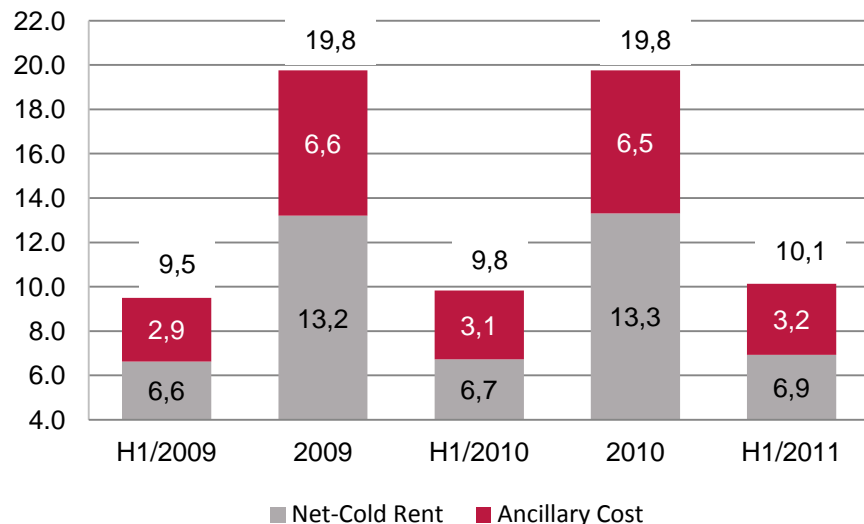
Source: KWG Kommunale Wohnen AG

5. Investment Highlights

Sustainable Operating Development

Development of Turnover

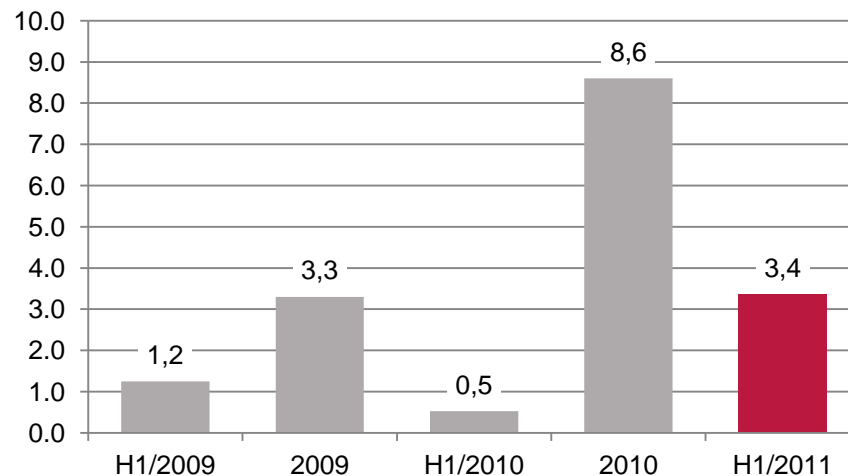
in mm EUR



- Constant Improvement of Net-Rent demonstrates Success of KWG's Business Model
- Turnover increased by 3.1% to EUR 10.1 mm in H1 2011a compared to H1 2010a
- Additional turnover increase in H2 2011e due to new lettings of apartments which have been refurbished in H1

Development of Group Result

In mm EUR



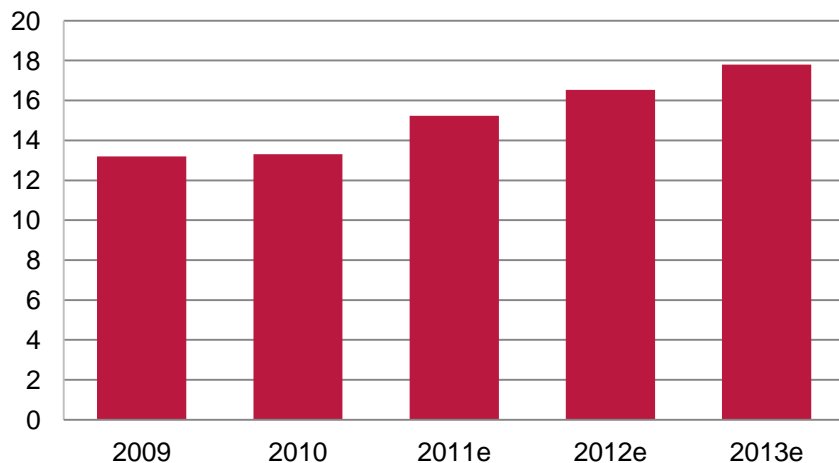
- Development shows above average value appreciation potential of KWG portfolio
- Group Income increased > 5x to EUR 3.4 Mio. compared to last year
- Comprehensive renovation measures in H1 reflected in Group Income

5. Investment Highlights

Further like-for-like Growth expected

Development of Net-Cold Rental Income

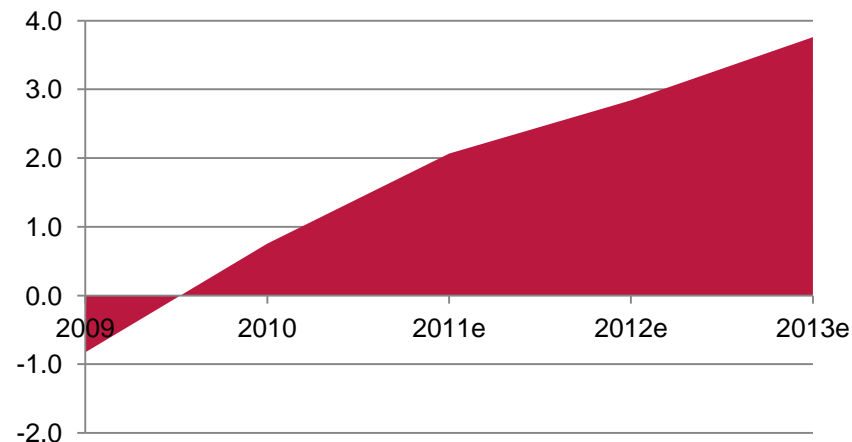
In mm EUR



- Increase of Net-Cold Rental Income demonstrates successful KWG Business Model
- Growth of Rental Income forms a solid basis for positive development of FFO

Development of Funds from Operations (FFO)

In mm EUR



- Further improvement of like-for-like FFO expected over coming years
- Expected development of FFO shows high dividend potential of KWG

5. Investment Highlights

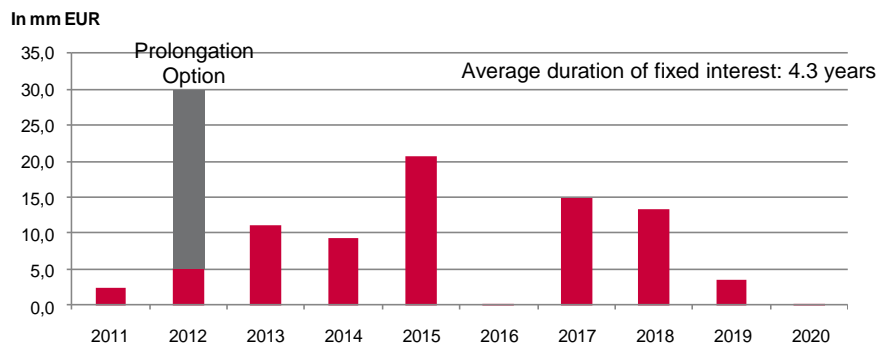
Stable Financing Situation

Main Figures

Category	Amount
Average nominal Interest Rate	4.91 %
Average annual Amortisation (nominal)	1.48 %
Total Financial Debt	EUR 128 mm
Debt Ratio	63 %

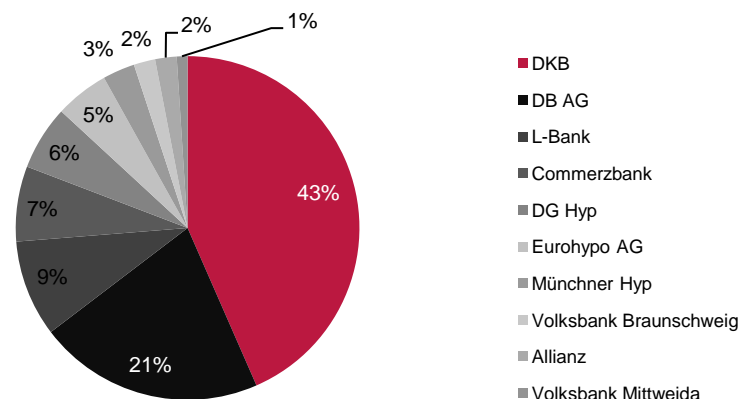
Source: KWG Kommunale Wohnen AG

Refinancing Requirements at End of Fixed Interest



Source: KWG Kommunale Wohnen AG

List of Banks



Source: KWG Kommunale Wohnen AG

Comments

- In the recent past existing loans were refinanced at attractive conditions, thus reducing the average nominal interest rate
- In 2012 KWG has the option to either refinance approx. EUR 30 mm, or to prolong 80% of this volume until 2014 at pre-fixed margins
- Taking this option into account, before 2014 no significant refinancing requirements (EUR 18 mm) occur

6. Financial Statistics



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6. Financial Statistics

Group P&L

Positive operating developments reflected in P&L

In k EUR	2009	H1 2010	2010	H1 2011
Turnover	19,759	9,827	19,765	10,130
thereof Net-Cold Rent	13,189	6,731	13,306	6,931
Other Operating Income	224	215	263	589
Result from Fair Value Valuation of Real Estate	3,960	0	9,602	3,667
EBIT	9,026	3,800	16,577	7,236
Financial Result	-5,792	-2,924	-5,835	-3,025
EBT	3,234	876	10,742	4,211
Taxes	86	-349	-2,158	-859
EAT	3,320	527	8,584	3,352
Result per share	0.39	0.05	0.87	0.31

Source: KWG Kommunale Wohnen AG

6. Financial Statistics

Cash Flow

Cash Flow Overview

In k EUR	2008	2009	2010
Operating Cash Flow	-2,656	-5,122	115
Investment Cash Flow and Cash Flow from unit sales	-43,417	-2,139	-5,833
Financing Cash Flow	40,747	6,721	7,193
Changes of Cash & Cash Equivalents	-5,327	-539	1,475
Cash & Cash Equivalents at the beginning of FY	13,127	7,800	7,261
Cash & Cash Equivalents at the end of FY	7,800	7,261	8,736

Additional Key Data

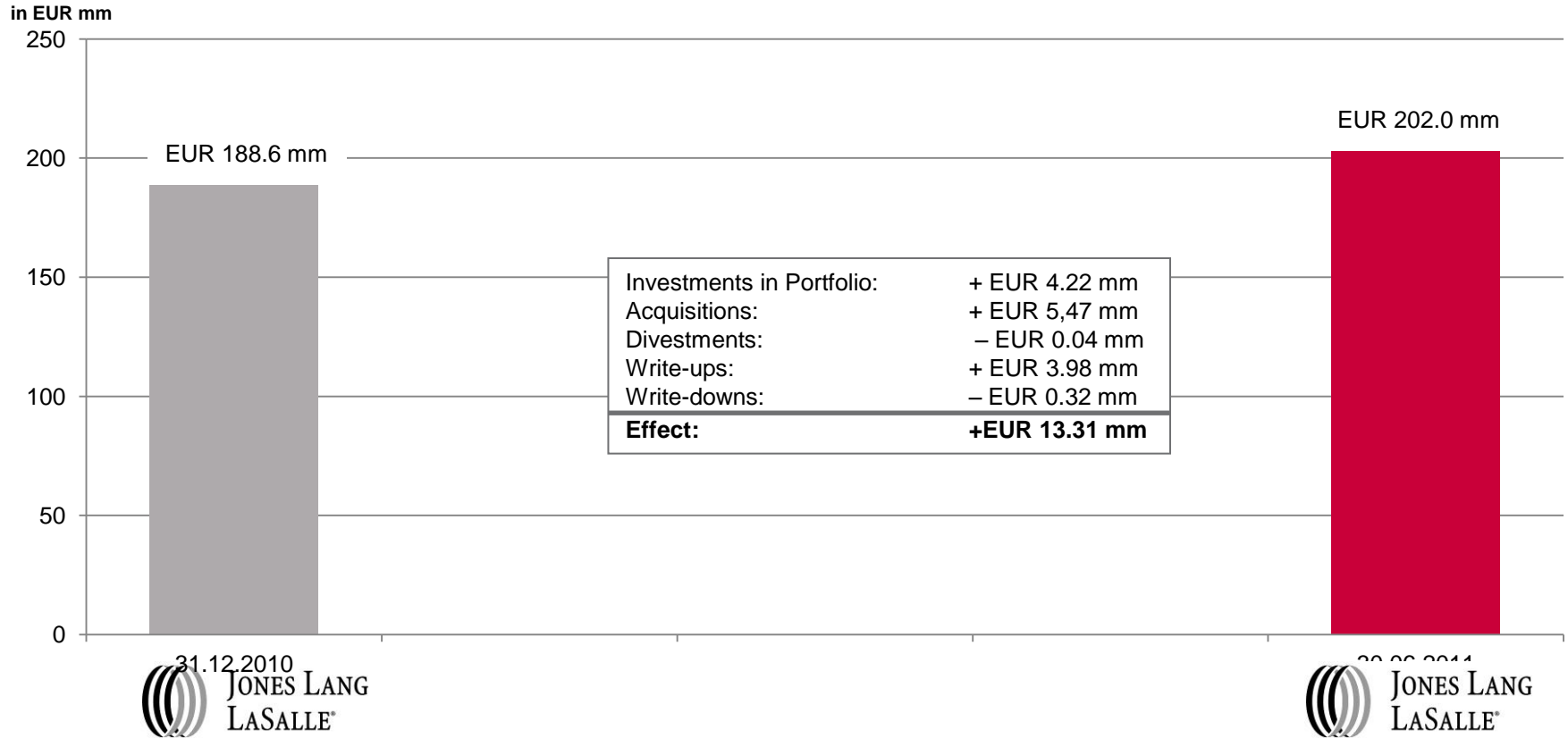
	31.12.2009	30.06.2010	31.12.2010	30.06.2011
Residential Units	4,827	4,828	4,822	4,933
Commercial Units	44	44	44	45
Garages and Parking Spaces	1,093	1,093	1,093	1,153
Total letting area in sqm	283,862	283,821	283,470	289,371

Source: KWG Kommunale Wohnen AG

6. Financial Statistics

Fair Value Valuation of Real Estate Portfolio

Stable Value Increase of Real Estate Portfolio



6. Financial Statistics

Balance Sheet

Continuous Increase of Balance Sheet

in k EUR	31.12.2009	30.06.2010	31.12.2010	30.06.2011
Real Estate held as Financial Investment	173,579	175,412	188,636	201,958
Other Long-Term Assets	3,870	4,163	4,535	9,734
Total Long-Term Assets	177,449	179,575	193,171	211,692
Cash & Cash Equivalents	7,261	4,808	8,736	3,630
Other Short-Term Assets	2,749	2,514	3,328	4,216
Total Short-Term Assets	10,010	7,322	12,064	7,846
Total Equity	64,737	65,076	78,102	81,527
Long-Term Financial Liabilities	114,386	110,827	114,171	121,002
Other Long-Term Liabilities	2,377	2,590	4,385	5,300
Total Long-Term Liabilities	116,763	113,417	118,556	126,302
Short-Term Financial Liabilities	2,397	4,908	4,975	6,872
Other Short-Term Liabilities	3,562	3,496	3,602	4,837
Total Short-Term Liabilities	5,959	8,404	8,577	11,709
Balance Sheet Total	187,459	186,896	205,235	219,537
Equity Ratio	34.5%	34.8%	38.1%	37.1%
Loan-To-Value	67.3%	63.3%	65.8%	63.3%
Real Estate Value per sqm (EUR)	611	618	665	698

6. Financial Statistics

Net Asset Value (NAV)

Strong increase of NAV and NNAV (according to EPRA-standards)

in k EUR	31.12.2009	30.06.2010	31.12.2010	30.06.2011
Long-Term Assets	177,449	179,575	193,171	211,692
+ Short-Term Assets	10,010	7,322	12,064	7,846
– Long-Term Liabilities and Provisions	-116,763	-113,417	-118,556	-126,302
– Short-Term Liabilities	-5,959	-8,404	-8,577	-11,709
– Minorities	-2	-1	-3	-8
= NAV	64,735	65,075	78,099	81,519
+ Deferred Tax Liabilities	2,289	2,542	4,332	5,245
– Deferred Tax Receivables	-3,503	-3,686	-3,985	-4,230
= NNAV (according to EPRA-standards)	63,521	63,931	78,446	82,534
NNNAV per share (acc. to EPRA-standards; EUR)	6.47	6.51	7.26	7.64

All indicated values according to IFRS; terminable assets that according to EPRA standards should be included in the calculation amount to 0 during the scope of evaluation

7. Summary and Outlook



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7. Summary and Outlook

Further Growth in FY 2011e

Strong strategic Positioning

- Demand for residential real estate continues to increase
- Proven Business Model in segments/regions with limited competition
- Attractive real estate portfolio with above average potential for value enhancements

Successful Operating Development

- H1 2011a like-for-like Result increased significantly
- Important success in management of real estate portfolio
- Overproportional increase of topline in H2 2011e by increased letting of refurbished units

Continued positive Results Development

- Increase of net cold rent to more than EUR 14 mm in FY 2011e
- Increase of total performance to more than EUR 23 mm in FY 2011e
- Operating growth while maintaining positive Operating Cash Flow

7. Appendix

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