



## Letter to our shareholders

Frankfurt/Main, Berlin; March 2013

Dear Sir or Madam,  
Dear Shareholders,

Anyone who has been following the development of the company for some time will have noticed one thing above all recently: Deutsche Wohnen has broken through to a new dimension. So it is only fitting that our Annual Report this year has been given the title, "The new dimension for room". After all, in 2012, Deutsche Wohnen completed the best financial year in the company's history and, with a market capitalisation of over EUR 2 billion, it is now one of the largest and most successful publicly listed residential property companies in Germany.

Your share, the Deutsche Wohnen share, also developed extremely well last year. It was able to achieve a growth in value of 43% and, in doing so, it outperformed all the comparable indices. Furthermore, as shareholders, you are participating via a dividend in the success of the company: As we have done previously, we are paying out 50% of the FFO (without disposals) which has increased significantly in comparison to the previous year.

### **Most successful financial year in the company's history**

The foundation are good financial figures for 2012: Overall, Deutsche Wohnen completed the financial year 2012 with a Group profit for the period of EUR 145.5 million and thus almost trebled the Group profit for the previous year. The adjusted earnings before taxes rose by around 71% to EUR 78.5 million. Funds from Operations (FFO, without disposals), which is a very important key figure for us, rose in comparison to the previous year, thanks to acquisitions and operational improvements, by just under 44% to EUR 68.2 million. The intrinsic value, as indicated by EPRA NAV, increased to EUR 12.48 per share.

We have also been sending out very positive signals in operational terms: In the reporting year, we invested just under EUR 68 million or EUR 19 per sqm in the maintenance and modernisation of apartments and buildings. Thus, we are able to make use of existing rent increase potential and to keep vacancy rates at a low level. In 2012 our vacancy rate was 2.5% across our entire portfolio and 1.9% in our



core+ regions. In addition, we were able to achieve a like-for-like rental growth of 2.6% in our strategic core and growth regions.

These achievements are only made possible by the hard work and great commitment of our employees; so we would like to express our special thanks to them. We will do everything we can in future as well to be a good employer and to continue with our employees along the path of growth which we have embarked on.

### **Corporate strategy secures route into new dimension**

The past year provided impressive evidence of the fact that our focussed and consistently implemented growth strategy is working. We concentrate on managing residential property in economically stable regions of Germany. We only aim for growth if, by doing so, we can sustainably enhance the value of the company. We succeeded in this in 2012.

After acquiring a number of smaller portfolios we made a substantial acquisition in 2012 with our BauBeCon transaction. The holdings comprise around 23,400 residential units, which are predominantly located in urban centres with a high population density. This acquisition – one of the largest in the German residential property market last year – was only possible because of the coherent offer we put together and because of the considerable trust in our company on the part of banks and the capital market. As a result, we were able to raise loan capital in an amount of around EUR 700 million at short notice and on favourable terms, and to successfully carry out a capital increase in June 2012 of around EUR 460 million.

In addition, we further strengthened our portfolio in 2012 with a total of around 11,700 residential units. So Deutsche Wohnen has achieved impressive but nevertheless solid growth over the past two years. The FFO (without disposals) has more than doubled and our total portfolio has grown by more than 60% to just under 83,500 units.

But we plan to go further: We believe that a company will only be successful and viable in the long term if it can anticipate social trends and integrate them into its business model. For this reason and against the background of demographic change and the very positive experience we have had in recent years, we intend to further expand our business segment Nursing and Assisted Living, which is operated by the KATHARINENHOF® Group. Over the next five years we want to grow to a size of 4,000 to 5,000 nursing places. In 2012 we acquired 156 places in Leipzig and Berlin, and in January 2013 there followed the takeover of four further facilities with 425 places in Berlin. This means that we have increased our capacity

to a total of 1,928 residential and nursing places. For 2013 we are expecting an earnings contribution of EUR 13 million.

### Focus on sustainable, profitable growth

Dear shareholders, as you can see: Deutsche Wohnen is excellently positioned to continue to play an active role in shaping the residential property market in Germany and to participate in the attractive opportunities for growth which it offers. Today we have a variety of important competitive advantages which strengthen our role. These include the current size and quality of our property portfolio, our focus on conurbations and metropolitan areas with strong growth as well as our experienced and well qualified employees and the high-quality management skills of our senior executives. A further invaluable advantage is our proven experience of integrating acquisitions combined with the scalability of our company platform. We also have stable cash flows, a high level of liquidity for future acquisitions and excellent creditworthiness.

In the current financial year one of our focal points will be the continuing integration of the new holdings and the optimisation of our operating processes.

For the financial year 2013 we forecast an FFO (before disposals) of around EUR 100 million. This figure includes the current portfolio as well as the acquisitions which saw a transfer of risks and rewards in January and February 2013. We also see additional potential mainly in the form of investments in new portfolios.

We thank you, the shareholders, for your trust. We look forward to you accompanying us further on our journey through this new dimension!

Kind regards,



Michael Zahn  
Chief Executive Officer



Lars Wittan  
Chief Financial Officer