



## Letter to our shareholders

Frankfurt / Main, Berlin; 29 March 2011

Ladies and Gentlemen,  
Dear Shareholders,

If we reported here a year ago that 2009 was a very special year for Deutsche Wohnen AG, we can only repeat this for 2010. In the 2010 financial year now closed, we were able to successfully accomplish many important goals and significantly further developed the company. We will examine some of the highlights in detail in a moment. But first we would like to express our thanks to all the employees of Deutsche Wohnen – they are the reason for the company's success, both in the past and the future. We highly appreciate this and for this reason we remain strongly committed to their personal development and engagement to the company. We would particularly like to draw your attention to the magazine section of this year's Annual Report, entitled "Room to grow", which takes an in-depth look at our markets and positioning and thus identifies a number of interesting growth prospects. Detailed financial information can be found as usual in the financial section of our Annual Report.

### All key earnings indicators exceeded

But first of all we would like to give you an overview of the most important figures. Again we were able to improve all major key figures compared to the previous year. Deutsche Wohnen was able to close the last financial year with a net profit. Adjusted earnings before taxes almost doubled to EUR 33.7 million as of 31 December 2010, compared to EUR 18.6 million in 2009. This is largely due to the optimised income and cost structures in the segments as well as to lower interest expenses. Cash flow from the portfolio after interest expenses also improved significantly and sustainably, by EUR 13 million to EUR 47.6 million.

For greater transparency and better comparability with competitors, Deutsche Wohnen now discloses the EPRA NAV as an additional key indicator. It reflects the long-term fair value of equity. Mainly due to positive consolidated earnings, EPRA NAV increased by 5.4% to EUR 11.78 per share by the end of 2010. The Net Net Asset Value (NNAV) reported in the past went up from EUR 870.3 million as of 31 December 2009 to EUR 926.4 million. We reduced our financial liabilities from EUR 1,802.7 million to EUR 1,784.5 million. All in all we able to increase Funds from Operations (FFO) without disposals substantially from EUR 0.31 per share to EUR 0.40 per share. This underlines the significant expansion of strong and stable cash flows, even without disposals, and simultaneously reducing the



level of debt. Operating performance was also buoyed by higher rents, lower vacancy rates and nearly twice the volume of disposals.

### **Important milestones achieved in 2010**

What contributed to this success? We had set ourselves two major objectives for last year: one was to improve our operating performance, to become sustainably profitable and to demonstrate our ability to pay dividends. Secondly, we envisaged to grow and to establish ourselves permanently among the major publicly listed companies in Germany. Today, ladies and gentlemen, we can confirm that the turnaround has been definitively completed and that we are planning to pay a dividend for the first time in 2010. The Management Board and Supervisory Board will propose the payment of EUR 0.20 per share at the Annual General Meeting. Accordingly we are distributing half of the sustainable FFO to our shareholders. The capital markets also acknowledged our endeavours: the share price of your share increased by more than 56% over the full year 2010, outperforming all the benchmark indices. Furthermore, since 8 December 2010 Deutsche Wohnen AG has been listed in the MDAX, Deutsche Börse's second highest index, and is therefore one of 50 medium-sized German joint stock companies from classical industrial sectors. So the share has become demonstrably more attractive for you as shareholders. Trading volume has also increased considerably since the MDAX listing.

Last year we explained that competition for additional capital in our sector would increase. We are therefore more than proud to inform you that we also accomplished our financing objectives in 2010 prematurely. We were able to refinance loans totalling EUR 516 million in a favourable interest rate environment and also to secure over the long term additional non-current loan funds of around EUR 94 million. Therefore essentially all of our major loans maturing until 2015 have been extended before maturity, which gives us a considerable head start over most of our competitors.

Furthermore, we achieved profitable growth as planned. We expanded our portfolio by acquiring a total of 1,808 residential units in our core regions of Berlin, Potsdam and the Rhine-Main area. We also increased our stake in DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG (DB 14) by more than 40%. As we now hold a majority of the interests in this closed-end real estate fund, we will list its residential properties in our core portfolio from now on. We also plan to acquire the remaining limited partnership interests in the near future and to manage the portfolio for the long term. In total we invested EUR 111.8 million in 2010 in a target-oriented manner.

### **Ambitious new targets set for 2011**

Nevertheless, we do not intend to rest on our laurels, ladies and gentlemen, but are entering the financial year 2011 with confidence and renewed vigour having set ourselves new and ambitious targets. We want to continue to grow our business model and establish a wider portfolio basis. To do so we will continue to make acquisitions in our core regions and we intend to seize larger strategic market opportunities in the foreseeable future in conjunction with a capital increase. We have already

established the basis for this: We have an excellent portfolio in German metropolitan areas, our financial structure has been optimised and our cost ratios are in order.

If the positive economic cycle continues in Germany as expected, we plan a significant increase in FFO without disposals, from EUR 0.40 per share to EUR 0.48 to 0,50 per share. Acquisitions could also generate further positive developments. Our Loan-to-Value Ratio (LTV) should also remain stable at today's level of around 60%, in particular in light of our expansion plans. These estimates do not include earnings contributions from valuations, bloc disposals and strategic acquisitions.

Thank you, dear shareholders, for placing your trust in us and this company! We will continue to do everything we can to promote the success of Deutsche Wohnen AG in your best interests. You are warmly invited to stay with us on this auspicious path!

Yours faithfully,



Michael Zahn  
Chief Executive Officer



Helmut Ullrich  
Chief Financial Officer