



Letter to our shareholders

Frankfurt/Main, Berlin; March 2012

Dear Sir or Madam,
Dear Shareholders,

The financial year 2011 was once again a very successful one for Deutsche Wohnen. We reached or even surpassed all of our targets. With our acquisition and disposals policies we scaled the business and, entered new markets. We also enlarged our portfolio and improved its quality. Our strategy of focussing on areas in Germany with strong economic potential has been rewarded by the disproportionately strong dynamism of the residential property markets in these regions. The optimisation of our financial structure and the change of our interest rate policy has paid off completely.

In the course of last year it was already clear that Deutsche Wohnen was performing better than we had forecast at the beginning of the year. Today we know: Even our in August 2011 increased forecast for the recurring Funds from Operations (FFO) – without disposals, to EUR 45 million, has actually been surpassed again by the actually achieved value of EUR 47.5 million.

Further improvements in profitability

Overall, Deutsche Wohnen, in achieving a consolidated Group profit of EUR 50.6 million in the financial year 2011, more than doubled the figure of EUR 23.8 million for the previous year. Adjusted profit before taxes increased by 36 % to EUR 46.0 million. This improved profitability is primarily attributable to higher earnings from Residential Property Management despite an increase in disposals, to falling interest expenses and to a stable cost level irrespective of numerous acquisitions. The debt ratio – referred to as the Loan-to-Value (LTV) Ratio – had improved as at 31 December 2011 from 60.6 % to 55.0 %. As at the reporting date the value of the company – measured as EPRA NAV – amounted to EUR 11.84 per share.

Our strategic direction was right

At this point, dear shareholders, we would like to discuss in greater detail four of the important milestones which we achieved in 2011:

1. As announced, we continued to make substantial acquisitions in the reporting year. Since July 2010 we have been able to acquire around 8,000 residential units overall, of which almost 6,000 are in Berlin. Furthermore, with Dusseldorf we have entered a further future market. So far the properties we acquired in 2010 have been developing much better than planned. This shows that our investment decisions were the right ones.
2. Last year we also continued to improve our portfolio structure. By making value-enhancing acquisitions we were able to improve the quality of our portfolio. As a result, around 93 % of our holdings today are located – in accordance with our portfolio strategy – in regions for which a positive development is forecast. On the other hand, in the regions which we have defined as disposals regions we have been able to sell around 52 % of the residential units since 2008. Our profitable acquisitions together with a further improvement in the key rental figures lead to an upward valuation of our portfolio by EUR 40 million.
3. In an extremely difficult capital market environment we succeeded in November in carrying out a capital increase against cash contributions with subscription rights for existing shareholders. Through the issue of 20.46 million new ordinary bearer shares the registered capital of Deutsche Wohnen increased to EUR 102.3 million. The net proceeds of nearly EUR 180 million will now enable us to continue our acquisitions strategy and to generate further economies of scale.
4. This positive development in our results allows us to raise the dividend in the first year following its reintroduction and, in this way, to enable our shareholders to share in this economic success. The Management Board and the Supervisory Board will be proposing to the Annual General Meeting that a dividend of EUR 0.23 per share will be paid out for the financial year 2011. This represents an increase in comparison with the previous year from EUR 16.4 million to around EUR 23.5 million.

Overall, our position in the capital market is much stronger today: Deutsche Wohnen has a market capitalisation of more than EUR 1 billion and the liquidity of our shares has increased. Moreover, the Deutsche Wohnen share performed significantly better than its comparable indices and was able to emerge successfully from what was a generally difficult year for the stock market. You, our shareholders, are the particular beneficiaries of all this.

Focus on accretive, intelligent growth

Because we are excellently positioned in what continues to be an attractive residential property market in Germany, Deutsche Wohnen will continue to grow profitably in the future. As a company experienced in integration we will continue to make use of the opportunities which present themselves and to play an active role in shaping the consolidation process in our market. With our portfolio in German metropolitan areas we can generate steady income even in a difficult economic environment. In addition, we can continue to build on our extremely solid financial structure. Accordingly, on the basis of our existing holdings we anticipate in the current financial year 2012 a FFO (without disposals) of EUR 55 million. However, acquisitions remain an important cornerstone of our growth strategy and would have a further positive impact on the FFO.

At this point particular thanks are due to our committed and highly qualified employees. With their commitment they made a very substantial contribution last year – as in previous years - to the success of Deutsche Wohnen. We are confident that they will continue to do so in future. Together we wish to continue the course of growth we have embarked upon.

We thank you, our shareholders, for your trust. Let us – in the spirit of the motto for this year’s annual report – “experience rooms to grow” together!

Kind regards,



Michael Zahn
Chief Executive Officer



Helmut Ullrich
Chief Financial Officer



Lars Wittan
Member of the
Management Board