

## Letter to our shareholders

Frankfurt/Main, Berlin; 16 May 2011

Ladies and Gentlemen,  
Dear Shareholders,

With a strong second quarter Deutsche Wohnen has continued its very good performance of recent months and completed a successful first half-year of 2011. Because of the positive course of business over the past months we have raised our full-year forecast for 2011.

### **Operational performance further increased**

However, let us start by taking a look at operational developments in the first half-year of 2011. Deutsche Wohnen was able to increase the in-place rent per sqm in the letting portfolio of the core regions by EUR 0.11 or 2.0% to EUR 5.53 and to reduce the vacancy rate in these holdings from 2.8% to 1.8%. If the vacancy rate is adjusted for residential units in which comprehensive modernisation and refurbishment work is currently in progress, then it is only 0.8% instead of 1.8% in Greater Berlin, and merely 1.6% instead of 5.4% in the Rhine-Main region. These figures show very clearly the potential for reducing vacancy rates following the completion of this work in the fiscal year 2012. The new-letting rent in residential holdings not subject to price control in the core regions also increased in comparison to the equivalent period of the previous year by EUR 0.20 or 3.2% to EUR 6.53 per sqm. The Net Operating Income (NOI) improved by 6.7% to EUR 3.99 per sqm and month.

In the first half-year of 2011 the volume of notarised disposals was EUR 87.7 million with a gross margin in privatisations of 38%. In addition, it was possible once again to increase the operating result (EBITDA) in the segment Nursing and Assisted Living by 8.7% to EUR 5.0 million. This was particularly attributable to an improved capacity utilisation of the relevant properties.

Deutsche Wohnen intends to continue to profit from the dynamic development in German metropolitan areas. In line with our portfolio strategy, around 90% of our holdings today are already in regions which show a positive market development and, as a result, high potential for lettings and disposals. Here in our core regions we will continue to acquire properties in order to strengthen our letting portfolio sustainably. At the same time, it remains our goal to sell holdings which are not a good long-term fit for our portfolio. Here we were also able to achieve success, and we reduced our holdings in disposals regions by 1,538 units or 26% in the last twelve months.

### High earnings power corroborated by key figures

This good operational performance has meant that the key earnings figures of Deutsche Wohnen have continued to improve. We were able to more than double the consolidated profit for the period in a year-on-year comparison to EUR 16.9 million. This was primarily achieved by the very good development in our letting business in conjunction with acquisitions and lower interest rate charges. Adjusted earnings before taxes increased by around 50% from EUR 17.9 million to EUR 26.9 million. Recurring FFO (without disposals) also improved by 40% from EUR 0.25 to EUR 0.35 per share. The EPRA NAV, which reflects the intrinsic value of the company, rose in comparison to 31 December 2010 by around 1.2% or EUR 0.14 per share to EUR 11.92 per share – in spite of the dividend payment of EUR 0.20 per share in the second quarter of 2011. As at 30 June 2011 the Loan-to-Value Ratio was more or less unchanged at 60.7%.

### Excellent future prospects

In order to continue this positive development we have further grown our successful business model as planned and carried out a targeted expansion of our existing portfolios in the core regions. To date, a total sum of around EUR 240 million net has been invested in the acquisition of 5,300 residential units since the beginning of the second half-year of 2010. Of these, approximately 1,650 units will only be recorded on the balance sheet in the second half-year of 2011. The Net Initial Yield based on the current gross rental income as at the reporting date is 7.5%. Further acquisitions in metropolitan regions are planned provided that they add value. In addition, the recently published rent indices for 2011 are a cause for optimism. As a result, for those apartments not subject to rent control and for which we are able to adjust the rent on the basis of the published rent indices, we anticipate an average increase in the in-place rent of around 7% in Berlin and 5% in Frankfurt/Main.

Dear shareholders, as we mentioned at the start of this letter, as a result of the very good development of Deutsche Wohnen in the past months and the positive outlook for the entire year in an increasingly attractive market environment, we are increasing our forecast for 2011. We now expect a recurring FFO (without disposals) of EUR 0.55 per share. This is an increase of around 10% on our previous estimate of EUR 0.48 to EUR 0.50 per share. Thus, Deutsche Wohnen is extremely well prepared for the future.

Yours faithfully,



Michael Zahn  
Chief Executive Officer



Helmut Ullrich  
Chief Financial Officer