



## Letter to our shareholders

Frankfurt / Main, Berlin; 30 August 2010

Dear Shareholders, Ladies and Gentlemen,

The positive development of Deutsche Wohnen continues! And also today you will hear good news from your company. We were able to further improve our company's key figures in the first half of 2010. As usual, I will provide you with an overview of the current financial figures and recent developments in our business operations. For details, please consult the last Interim Report as of 30 June 2010, which you can also obtain from our website as of today.

### Significant increase of the FFO

In the first half of 2010, Deutsche Wohnen generated after-tax earnings of EUR 8.1 million – an enormous increase compared to the same period in the previous year, which ended with a loss of EUR 2.4 million. After adjusting for valuation effects and special items, the result improved by 79 %, from EUR 10.0 million to EUR 17.9 million.

This is reflected in a substantial increase in the funds from operations (FFO). Compared to the first half of 2009, FFO rose by 41 %, from EUR 0.22 per share to EUR 0.31 per share. We have thus in the first half of the year exceeded by a large margin our original objective for the entire year, which was to increase FFO by EUR 0.05. The main drivers of this development are the result of the sustained success of our business operations as well as the reduced interest expense.

And we also rigorously carried on reducing the Group's debts: As a result of further net repayments of financial liabilities of EUR 35.5 million, the loan-to-value ratio (LTV) is now 60 %. At the same time, cash and cash equivalents increased by EUR 41.4 million to EUR 98.5 million, hence, projected cash outflows in the second half of the year due to the redemption of the convertible bond and EK 02-payments are already funded. We are proud of these figures, which show that Deutsche Wohnen is successfully pursuing further growth.

### Sustained improvements in our business operations

The published financial figures are the result of the continuous and positive development of our business operations.

Regarding the privatisation of residential units, we have nearly achieved our objective for the entire year of between 500 and 550 units after only six months. The increased market demand for property transactions that we already observed during the first quarter of 2010 has led to rising price levels.

For example, the disposal gains of EUR 7.7 million contributed significantly to the positive net result for the period and improved the quality of our portfolio.

Despite the sales and in view of falling debt, we have been able to keep the earnings from residential property management at the level of the same period in the previous year. The stabilisation of the in-place rent is the result of rent adjustments and the continued reduction of vacancies: We were able to again increase the rent in the core portfolio to 5.40 EUR / sqm and reduce the vacancy rate to 3.0 %.

### **Attractive prospects**

The excellent first half of the year that I have just presented to you and the continued good market environment support our optimistic assessment for the entire financial year 2010. We will build on Deutsche Wohnen's new, solid foundation and continue to take advantage of opportunities for sustainable and profitable growth as they arise. Our growth rests on three pillars: Internal growth, portfolio streamlining, and acquisitions.

In specific terms: We will make long-term investments in our portfolio and thereby further increase the potential growth of rents and reduce modernisation-related vacancies. In order to optimise our property portfolio, we will continue our streamlining efforts also during the coming months, largely in the structurally weak regions such as Brandenburg and Rhineland-Palatinate. In this regard, we intend to exceed even the performance of the first half of this year and further improve our key figures. Acquisitions will include the enlargement of our property portfolio in our favoured regions such as Berlin and Frankfurt/Main. Here, we will further pursue acquisitions ranging between EUR 10 million and EUR 50 million. We are open to considering large strategic acquisitions, provided they can be realised in within the scope of our portfolio strategy and in an economically advantageous manner. Based on the positive development of the first six months of 2010, we have increased our forecast for the entire financial year. We expect to further improve the FFO by EUR 0.06 to EUR 0.54 per share, which represents an FFO growth of 25 % relative to 2009.

As you can see, Deutsche Wohnen is an attractive company with a bright outlook. Let us all benefit from these opportunities together!

Sincerely yours,



Michael Zahn  
Chairman of the Management Board