FINANCIAL REPORT
of the Annual Report 2011

Deutsche Wohnen

EXPERIENCING

ROOMS

TO GROW

KEY FIGURES

Profit and loss statement		2011	2010[1]
Earnings from Residential Property Management	EUR m	157.4	150.9
Earnings from Disposals	EUR m	10.6	12.7
Earning from Nursing and Assisted Living	EUR m	9.2	8.9
Corporate expenses	EUR m	–32.9	–31.8
EBITDA	EUR m	142.0	136.1
EBT (adjusted)	EUR m	46.0	33.7
EBT (as reported)	EUR m	85.8	57.1
Group profit (after taxes)	EUR m	50.6	23.8
Group profit (after taxes)	EUR per share	0.61[2]	0.29
FFO (without disposals)	EUR m	47.5	33.1
FFO (without disposals)	EUR per share	0.57[2]	0.40
FFO (incl. disposals)	EUR m	58.1	45.8
FFO (incl. disposals)	EUR per share	0.70[2]	0.56

Balance sheet		31/12/2011	31/12/2010
Investment properties	EUR m	2,928.8	2,821.0
Current assets	EUR m	288.7	108.8
Equity	EUR m	1,083.4	889.9
Net financial liabilities	EUR m	1,666.9	1,738.5
Loan-to-Value Ratio (LTV)	in %	55.0	60.6
Total assets	EUR m	3,302.2	3,038.2

Share		31/12/2011	31/12/2010
Share price (closing price)	EUR per share	10.27	10.50
Number of shares	m	102.30	81.84
Market capitalisation	EUR m	1,051	859
Dividend per share	EUR per share	0.23[3]	0.20

Net Asset Value (NAV)		31/12/2011	31/12/2010
EPRA NAV	EUR m	1,211.3	964.0
EPRA NAV	EUR per share	11.84	11.78

Fair values		31/12/2011	31/12/2010
Fair Value of real estate properties[4]	EUR m	2,899	2,672
Fair Value per sqm residential and commercial area[4]	EUR per sqm	946	926

[1] All figures for 2010 without so called scrip adjustment of the capital increase 2011
[2] Based on average number of around 83.58 million issued shares in financial year 2011
[3] Dividend proposal for financial year 2011
[4] Only comprises residential and commercial buildings

Deutsche Wohnen

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LETTER TO OUR SHAREHOLDERS

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 structure. 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

MICHAEL ZAHN // HELMUT ULLRICH // LARS WITTAN

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!

Frankfurt/Main and Berlin, March 2012

Kind regards

Michael Zahn Chief Executive Officer	Helmut Ullrich Chief Financial Officer	Lars Wittan Member of the Management Board

The share

In a difficult capital market environment that was dominated by the debt crisis in the eurozone the share price of Deutsche Wohnen AG was able to post a gain of 2.6 % in the financial year 2011 – adjusted for the dividend payout in June 2011 and the capital increase in November 2011. Thereby our shares greatly surpassed the benchmark indices with their significant losses. The market capitalisation of Deutsche Wohnen at the end of 2011 amounted to over EUR 1 billion.

Volatile trend in the capital market with a weak second half-year

The 2011 stock market year began very well. Accordingly, the MDAX, in which the shares of Deutsche Wohnen are listed, achieved its highest level in 2011 shortly after the end of the first half-year with an increase of over 10 %. The DAX, the EPRA Europe and the EPRA Germany also announced their year highs within the first six months. But in the second half of 2011 the debt crisis in Europe and the debate about the debt ceiling in the U.S. led to a much higher degree of uncertainty and sharply falling prices in the capital market. Listings on the financial markets fell during the further course of summer within a few days, partly by 20 % and reached levels of the crisis year 2009. From late July to early August, the DAX declined on eleven consecutive days. In the fourth quarter there was only a slight recovery – against a backdrop of continuing high volatility. Overall, the German leading share index DAX lost 14.7 % of its value by the end of the year, and the MDAX ended the year with a loss of 12.2 %.

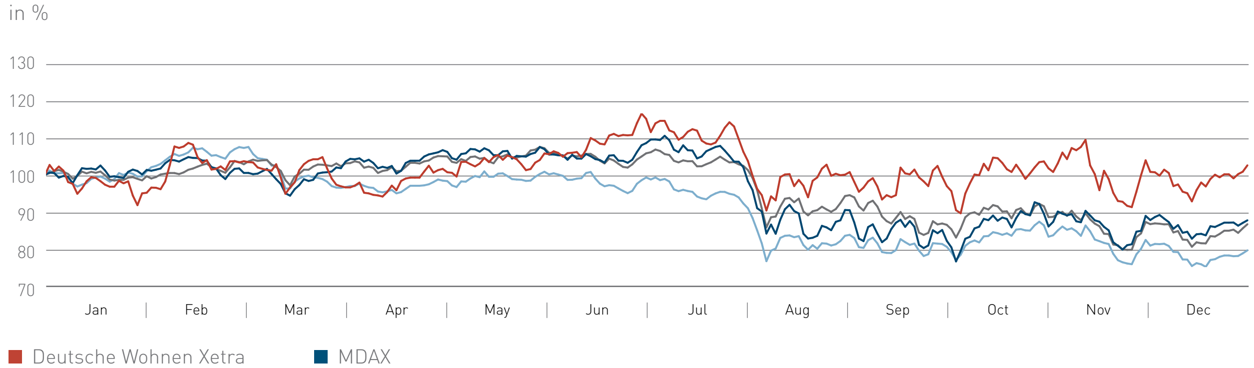
This negative trend also affected real estate companies. Thus, the EPRA Europe Index, in which 83 European real estate values are represented, fell by 13.2 % on an annual basis. The German real estate companies were even more strongly affected: The EPRA Germany Index comprising eleven real estate companies ended the year with a loss of 20.2 %.

Deutsche Wohnen shares significantly exceed benchmark indices

It is all the more encouraging that the shares of Deutsche Wohnen were able to close the financial year 2011 – adjusted for the dividend payment in June 2011 and the capital increase in November 2011 – with a gain of 2.6 %. This means that once again our stock significantly exceeded its benchmark indices.

At the beginning of the year, our share price moved more or less in parallel to the market prices of the benchmark indices. With its year high of EUR 11.65[1)] on 30 June 2011, however, it already managed to outperform the benchmark indices. Whilst Deutsche Wohnen was also unable to escape the ensuing global collapse of the stock markets, the losses were limited in comparison to

Share price performance in 2011 (indexed)



Performance of Deutsche Wohnen AG adjusted for dividend payout and capital increase

1) The year high of EUR 12.00 per share adjusted for the capital increase in November 2011

the overall market. After a further period of price volatility the share price reached its annual low of EUR 8.98[2] on 5 October 2011. Thereafter, however, there was an immediate turnaround, and our share price performed excellently, even with regard to the benchmark indices. Only with the announcement of the capital increase on 14 November 2011 – with the subsequent determination of the subscription price – did the share price suffer any losses. However, these losses were also suffered by the overall market and the benchmark indices. After that the shares of Deutsche Wohnen AG were able to outperform the market significantly. Overall, they ended the year positively with gains of around 2.6 % (adjusted for the dividend payment in June 2011 and the capital increase in November 2011).

Market capitalisation and trading volume

Over the course of the year, the market capitalisation of Deutsche Wohnen AG increased from around EUR 859 million to around EUR 1,051 million. The average number of shares traded increased by almost 94,000 shares from 157,710 to 251,661 a day. The high liquidity of our shares, particularly in comparison to the competition, contributes significantly to their attractiveness.

Key share figures	2011	2010
Number of shares outstanding in m	102.3	81.84
Closing price at end of year[1] in EUR	10.27	10.50 (10.01)[3]
Market capitalisation in EUR m	1,051	859 (819)[3]
Highest share price during year[1] in EUR	12.00 (11.65)[3]	10.50 (10.01)[3]
Lowest share price during year[1] in EUR	9.25 (8.98)[3]	6.13 (5.84)[3]
Average daily traded volume[2]	251,661	157,710

[1] XETRA closing price
[2] XETRA daily traded volume (traded shares)
[3] Prices in parentheses adjusted for only capital increase or capital increase and dividend payout

Shareholder structure of Deutsche Wohnen AG

Eight domestic and foreign institutional investors each hold more than a 3 % stake in Deutsche Wohnen AG. This means that an estimated 40 % of the total shares are held by these long-term oriented investors, with whom we are in regular close contact. The nearly 60 % of the remaining shares are held by domestic and foreign institutional investors and private shareholders who have not exceeded the statutory notification threshold of 3 %. The largest shareholder in Deutsche Wohnen is Cohen & Steers, with 9.91 % pursuant to the most recent notification of voting rights. According to the definition of the German stock exchange, the free float of our company corresponds to around 94.3 %.

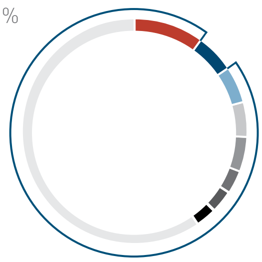
Shareholder structure[1]

Total of 8 institutional investors = 40.39 %

› 5 %	
Cohen & Steers Inc.[2]	9.91 %
Zurich Deutscher Herold Lebensversicherung AG	5.75 %
First Eagle Overseas Fund	5.24 %
Sun Life Financial Inc.[2]/MFS	5.03 %
› 3 %	
Asset Value Investors Ltd.[3]	4.94 %
Ärzteversorgung Westfalen-Lippe[4]	3.33 %
Stichting Pensioenfonds ABP[5]/APG Algemene Pensioen Groep N.V.	3.13 %
BlackRock, Inc.[2]	3.06 %

Others = 59.61 %

in %



Free float according to the German stock exchange = 94.25 %[6]

[1] According to latest WpHG notification received from above stated shareholders
[2] Attributed voting rights acc. to Art. 22, Sec. 1, Sent. 1, No. 6 WpHG in connection with Art. 22, Sec. 1, Sent. 2 WpHG
[3] Attributed voting rights acc. to Art. 22, Sec. 1, Sent. 1, No. 6 WpHG
[4] Feri Finance AG resp. MLP AG attributed voting rights acc. to Art. 22, Sec. 1, Sent. 1, No. 1 WpHG
[5] Attributed voting rights acc. to Art. 22, Sec. 1, Sent. 1, No. 1 WpHG
[6] Without Zurich Deutscher Herold Lebensversicherung AG

Status: 24 February 2012

[2] The year low of EUR 9.25 per share adjusted for the capital increase in November 2011

Analyst coverage significantly expanded

At the present moment[3] our share is being observed by 20 analysts. In the financial year 2011 Deutsche Bank, Morgan Stanley, Baader Bank, Warburg Research, WGZ Bank, Silvia Quandt Research, Bankhaus Metzler and Edge Capital started coverage of the shares of Deutsche Wohnen. The positive preception of the share in the capital market was further strengthened through the increased number of research reports in 2011.

The analysts' target price for our shares is currently between EUR 9.00 and EUR 13.10. The vast majority of the analysts express positive recommendations. The following table provides an overview of the analysts' current[1] rating estimates:

Rating	Number
Buy/Add/Overweight/Outperform	12
Hold/Neutral	7
Underweight/Sell/Underperform	1

The EPRA NAV – the intrinsic value of the company – as at 31 December 2011 amounted to EUR 11.84 per share. Thus, through the closing price at the end of the year the share indicated a comparably low discount of around 13 % (31 December 2010: approximately 11 %).

Annual General Meeting 2011 paves the way for capital increase

Deutsche Wohnen held its Annual General Meeting on 31 May 2011. It took place in the Japan Center in Frankfurt/Main. 63.07 % of the entire share capital was represented. All agenda items to be voted on were passed – mostly with a very large majority. In particular, the agenda items for the creation of authorised and contingent capital were approved by the Annual General Meeting with impressively approximately 97 % of the votes. This shows the very positive mood of the shareholders in support of continuing the expansion and growth strategy of Deutsche Wohnen AG.

Capital increase successfully completed

In November 2011 – despite a challenging capital market environment – we successfully completed a capital increase against cash contributions with subscription rights for existing shareholders. Utilising the existing authorised share capital it was possible to increase the company's share capital from EUR 81.84 million to EUR 102.3 million against cash contributions by issuing 20,460,000 new no-par bearer shares (ordinary shares).

With the obtained funds we intend to proceed our chosen growth path.

This successful placement – in particular the take-up quota of 96 % – in a challenging market environment demonstrates the confidence our shareholders have in Deutsche Wohnen, in our commitment to growth and in the attractiveness of the residential asset class.

For more information, see "Milestones 2011" from page 30 in the Group Management Report of this Annual Report.

[3] Status: 24 February 2012

Key share data	
Type of share	Ordinary share; divided into bearer and registered shares
ISIN	DE000A0HN5C6 (bearer share)
WKN	A0HN5C (bearer share)
Reuters	DWNG.DE (bearer share)
Bloomberg	DWNI (bearer share)
Stock markets	Xetra, Frankfurt/Main, Stuttgart, Munich, Hamburg, Hanover, Dusseldorf, Berlin
Admission segment	Prime Standard
Major indices	MDAX, EPRA/NAREIT, GPR250
Number of issued shares (total)	102,300,000

Intensive capital market communication continued

In 2011 shareholders, analysts and all other interested participants in capital markets continued to be carefully looked after by the Investor Relations department of Deutsche Wohnen. An objective and fair assessment of our shares is important to us. We achieve this through regular and timely reporting about our company, our market potential and our strategy as well as intensive contact with our existing and future investors. Only open and honest communication creates acceptance and lasting confidence.

In addition to numerous individual meetings and phone calls with investors and analysts, Deutsche Wohnen presented at eleven capital market conferences over the past year: In the first six months we visited the HSBC Conference and the Deutsche Bank "VIP Real Estate Event" in Frankfurt/Main, the Credit Suisse Global Real Estate Conference and the European Property Conference of Morgan Stanley in London and the 9th European Property Seminar led by Kempen in Amsterdam. In the second half-year this was followed by the EPRA Annual Conference, the German Corporate Forum led by JP Morgan and the German stock exchange, as well as the UBS Global Real Estate Conference in London, the Merrill Lynch Global Real Estate Conference in New York, the UniCredit German Investment Conference in Munich and the 11th Real Estate Share Initiative Conference in Frankfurt/Main.

In addition, the management of Deutsche Wohnen met investors at numerous roadshows in New York, Boston, London, Amsterdam, Paris, Brussels, Vienna, Milan, Munich, Dusseldorf and Cologne. As part of the roadshow for the capital increase, investors were visited in Frankfurt, London, Amsterdam, New York, Boston, Zurich and Milan. In October 2011 Deutsche Wohnen AG presented for a second time with its own booth at the Expo Real and had numerous conversations with interested market participants throughout the three-day trade fair. During organised property tours in Berlin and Frankfurt/Main many investors and analysts took the opportunity to see the quality of our real estate holdings.

We arranged conference calls upon publication of our annual report and each of our quarterly reports, during which investors and analysts could put their questions directly to the members of the Management Board. These conferences were broadcast live via webcast in 2011 once again and were thereafter available for download on our website in the Investor Relations section. The financial reports and investor presentations are also made available here. In addition, on our website we provide an overview of all current activities based on our financial calendar. Current analysts' estimates, ad-hoc announcements and press releases, corporate news, notifications of voting rights, directors' dealings, as well as all information about the Annual General Meeting can also be obtained via the Deutsche Wohnen website.

We will continue to invest in intensive dialogue with our shareholders in the future.

Further information can be found on our website www.deutsche-wohnen.com in the Investor Relations section.

Corporate Governance Report

Corporate Governance stands for a responsible and long-term value-driven management and control of companies. The corporate governance and corporate culture of the Deutsche Wohnen Group comply with statutory requirements and – with a few exceptions – the additional recommendations of the German Corporate Governance Code. The Management Board and Supervisory Board of Deutsche Wohnen AG feel obligated to Corporate Governance; all areas of business are orientated towards this purpose. Our focus is on values such as competence, transparency and sustainability.

Declaration of Compliance

The Management Board and Supervisory Board were also careful to meet the standards of the German Corporate Governance Code in 2011. They used the Code in its version as at 26 May 2010 as a basis and in December 2011, in accordance with section 161 of the German Stock Corporation Act (AktG), they submitted their declaration of compliance for the financial year 2011 with the recommendations of the Code and outlined in detail the position they held in the few instances of deviations from the Code. The statements are available for inspection by shareholders and interested parties on our website at www.ir.deutsche-wohnen.com/websites/deuwo/English/8000/corporate-governance.html.

General management structure with three bodies

Deutsche Wohnen AG, registered in Frankfurt/Main, is subject to the provisions of the German stock corporation law and capital market legislation and the provisions of its articles of association. With its two bodies, the Management Board and the Supervisory Board, the company has a two-tier management and supervisory structure. Above this is the Annual General Meeting at which the shareholders are involved in fundamental decisions concerning the company. Together, these three bodies are obligated to act in the best interests of the shareholders and for the benefit of the company.

The Management Board works in the best interests of the company

The Management Board manages the company and conducts the enterprise's business under its own responsibility. In this task it is bound by the goal of sustainable value creation in the company's interests. The members of the Management Board are appointed by the Supervisory Board. The age limit for members of the Management Board has been set by the Supervisory Board at the legal retirement age. The selection of members of the Management Board is based on the knowledge, skills and professional experience required for the fulfilment of the tasks of the Management Board.

The Management Board currently consists of three members and has a Chairperson. The work of the Management Board is governed in detail by the by-laws, which, among other things, provide for a division of tasks according to functional aspects.

The Management Board develops the strategic direction of the company, agrees this with the Supervisory Board, and ensures its implementation. It also bears the responsibility for appropriate risk management and control within the company as well as regular, timely and comprehensive reporting to the Supervisory Board. The approval of the Supervisory Board is intended for certain transactions and activities of the Management Board.

The members of the Management Board must immediately disclose any conflict of interest to the Supervisory Board and their colleagues on the Management Board. Significant business transactions between members of the Management Board, as well as parties closely related to them and the company, require the approval of the Supervisory Board. Equally, the acquisition of secondary employment outside the company requires such approval, too.

A D&O group insurance policy has been concluded for the members of the Management Board and the Supervisory Board. Since 1 July 2010 it has included a deductible that meets the requirements of section 93, paragraph 2 of the German Stock Corporation Act (AktG).

The Supervisory Board advises and monitors the Management Board

The Supervisory Board consists of six members. It is not subject to any employee participation requirements. All members are elected by the Annual General Meeting as representatives of the shareholders. Their term of office is generally five years in accordance with statutory provisions and the articles of association. The selection of members of the Supervisory Board is based on the knowledge, skills and professional experience that is required for the fulfilment of their tasks. Only persons who at the time of appointment have not yet completed their 73rd year of life should be proposed for election as a member of the Supervisory Board.

The Supervisory Board advises and monitors the Management Board on its management of the company on a regular basis within the framework established by law, the articles of association and the by-laws. It works closely with the Management Board for the benefit of the company and is involved in decisions of fundamental importance to the company.

The Supervisory Board has by-laws; its work takes place both in plenary sessions and in committees. The work of the committees is intended to increase the efficiency of the work of the Supervisory Board. The committee Chairpersons report regularly to the Supervisory Board on the work of their committee. Currently there are four committees:

- The Executive Committee is responsible for liaising with the Management Board and providing ongoing advice. It also prepares the meetings of the Supervisory Board, insofar as this is appropriate with regard to the scope and importance of items to be discussed. In accordance with the resolutions of the full Supervisory Board the Executive Committee is responsible for the conclusion and the content of the contracts for members of the Management Board. It is also responsible for giving advice and – insofar as this is permitted – making decisions about urgent issues.

- The Nomination Committee proposes suitable candidates to the Supervisory Board for it to recommend to the Annual General Meeting.

- The Audit Committee is responsible for the preliminary examination of the documentation for the annual financial statements and the consolidated financial statement, the preparation of the adoption or approval of these reports and the preparation of the Management Board's proposal for the appropriation of the profits by the Management Board. The committee discusses the principles of compliance, risk assessment, risk management and the adequacy and effectiveness of the internal control system with the Management Board. The responsibilities of the Audit Committee also include the preparation of the appointment of the auditors by the Annual General Meeting, which among other things includes an examination of the auditor's required independence, the subsequent appointment of the auditing contract and the determination of the audit priorities. The members of the Audit Committee have expertise in accounting and auditing regulations and the composition of the committee meets all stipulations for independence within the meaning of the EU recommendation on the role of Supervisory Board members (OJ EC 2005 No. L 52, 25/02/2005, p.1) and of the recommendation of the German Corporate Governance Code.

- The Acquisition Committee prepares the decisions of the Supervisory Board on corporate and/or portfolio acquisitions.

Important decisions are made at the Annual General Meeting

In line with the opportunities provided by the articles of association, the shareholders exercise their rights at the Annual General Meeting and exercise their voting rights. Each share carries one vote.

The Annual General Meeting is held annually during the first eight months of the financial year. The agenda of the Annual General Meeting and the reports and documents required for the Annual General Meeting are published on the website of Deutsche Wohnen AG.

Important resolutions are passed at the Annual General Meetings. These include those relating to the appropriation of profits, formal approval of the actions of the Management Board and the Supervisory Board, the selection of members of the Supervisory Board and the auditors, amendments to the articles of association and measures which affect the capital structure of the company. The Annual General Meeting provides a good opportunity to the Management Board and Supervisory Board to communicate directly with shareholders and to discuss and coordinate with them about the further development of the company.

In order to make it easier to personally exercise their rights, Deutsche Wohnen AG provides its shareholders with a proxy who is bound by the instructions given to him by the shareholders and who can also be reached during the Annual General Meeting. It is explained in the invitation to the Annual General Meeting how instructions may be given in advance of the Annual General Meeting. In addition, shareholders are at liberty to be represented at the Annual General Meeting by a proxy of their choice.

Remuneration of the Management Board

The remuneration system of the Management Board is the subject of regular consultations, review and redesign at the plenary sessions of the Supervisory Board.

The Management Board contracts of Deutsche Wohnen AG contain fixed and variable components. The variable component for all members of the Management Board is adjusted to the requirements of section 87, paragraph 1 sentence 3 of the German Stock Corporation Act (AktG). It is tied to the achievement of the company's economic goals and is primarily based on multi-year assessment criteria. The variable remuneration may only be claimed if there has been a corresponding positive development in the business. In this way, the compensation structure is aligned to sustainable business development and incentive and risk effects of the variable remuneration are optimised.

The detailed remuneration report of Deutsche Wohnen AG for the financial year 2011 can be found in the Management Report on pages 50 to 52 and on the company's website at www.ir.deutsche-wohnen.com/websites/deuwo/English/8460/report-on-compensation.html.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board has been established by the Annual General Meeting in section 6, paragraph 6 of the articles of association. Accordingly, the members of the Supervisory Board receive a fixed annual remuneration of EUR 20,000. The Chairman of the Supervisory Board receives double the standard remuneration; the Deputy Chairman receives one and a half times the standard remuneration. Cash expenses are reimbursed. In addition, the company can, at its expense, include the members of the Supervisory Board in a D&O group insurance for executive bodies and managers, and has done so. A deductible payable by the members of the Supervisory Board was agreed for this in accordance with the requirements of section 93, paragraph 2 of the German Stock Corporation Act (AktG).

Performance-based remuneration for members of the Supervisory Board is not paid. Due to the simplicity of the remuneration system, an individualised representation of the remuneration of the Supervisory Board further to the above statements is not currently planned.

Directors' Dealings and shareholdings subject to mandatory disclosure

The members of the Management Board and the Supervisory Board of Deutsche Wohnen AG and their closely related parties are obligated in accordance with section 15a of the German Securities Trading Act (WpHG) to disclose without delay transactions in shares of Deutsche Wohnen AG or related financial instruments. The company will publish these transactions immediately after they have been reported to it. In the financial year 2011 the following transactions of this nature have been reported to Deutsche Wohnen AG: The purchase of 3,488 shares and two subscription rights by the Chief Financial Officer Helmut Ullrich; the purchase of 3,100 shares by the Chairman of the Supervisory Board, Uwe E. Flach, and of 1,550 shares by his wife; the purchase of 802 shares by the Supervisory Board member, Dr Florian Stetter, and the purchase of 659 shares and three subscription rights by the wife of the Deputy Chairman of the Supervisory Board Dr Andreas Kretschmer.

As at 31 December 2011 the Chief Financial Officer Helmut Ullrich held 17,438 shares in Deutsche Wohnen AG. This corresponds to around 0.02 % of the 102.3 million shares issued. At the end of the year the Supervisory Board members Uwe E. Flach and Dr Florian Stetter held 15,500 and 4,009 shares in Deutsche Wohnen AG respectively. The wife of the Chairman of the Supervisory Board, Uwe E. Flach, held 7,750 shares at this time and the wife of the Deputy Chairman of the Supervisory Board, Dr Andreas Kretschmer, held 3,292 shares. The other members of the Supervisory Board and Management Board held no shares in Deutsche Wohnen AG as at 31 December 2011.

Thus, the total holdings of all members of the Management Board and Supervisory Board in shares of Deutsche Wohnen AG as at 31 December 2011 amounted to less than 1 % of the company's issued shares.

Compliance as an important management task

Deutsche Wohnen AG has appointed a Compliance Officer in order to ensure compliance with the standards of conduct and norms prescribed by the German Corporate Governance Code and the relevant statutory provisions. The Compliance Officer manages, among other things, the company's list of insiders and informs management, employees and business partners about the relevant legal framework and the consequences of violations of insider regulations.

Adequate opportunity and risk management

Deutsche Wohnen AG considers it to be very important to deal responsibly with opportunities and risks. This is ensured by an comprehensive opportunity and risk management system, which identifies and monitors the major opportunities and risks. This system is continuously being developed and adapted to changing conditions.

Detailed information is available in the Management Report: The risk management system of Deutsche Wohnen AG is presented in the risk report on pages 47 to 49, corporate strategic opportunities are described in the outlook of the Management Report on page 50 and the information on the consolidated accounts can be found in the notes on pages 62 to 72.

Committed to transparency

As part of ongoing investor relations activities all events that are important to the shareholders, investors and analysts are published at the beginning of the year for the duration of each financial year in the financial calendar. The financial calendar, which is updated regularly, can also be viewed on the company's website at www.ir.deutsche-wohnen.com/websites/deuwo/English/7000/financial-calendar.html. An overview of the important information published in the financial year 2011 can be found in the annual document in accordance with section 10 of the German Securities Trading Act (WpHG), which is available at www.ir.deutsche-wohnen.com/websites/deuwo/German/3600/jaehrliches-dokument.html (German version only).

The company informs shareholders, analysts and journalists according to uniform criteria. The information is transparent and consistent for all capital market participants. Ad hoc statements and press releases, as well as presentations of press and analysts conferences and roadshows are immediately available on our website.

Insider information (ad hoc publicity), voting rights notifications and directors' dealings are disclosed by Deutsche Wohnen AG without delay in accordance with statutory provisions.

Accounting

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was reselected as the auditor at the Annual General Meeting 2011. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has provided an advance statement that no business, financial, personal or other relationships exist between the auditor, its executive bodies and audit leaders on the one hand, and the company or members of its executive bodies on the other, which could give rise to doubts as to its independence.

Deutsche Wohnen AG is committed to abide by the publication deadlines prescribed by the German Corporate Governance Code of 90 days after the end of the financial year for the consolidated financial statement and 45 days after the end of the reporting period for interim reports. However, due to the time needed to carefully prepare financial statements and company reports no binding commitment can yet be given that these publication deadlines will be met.

Further information

Further information about the activities of the Supervisory Board and its committees and its cooperation with the Management Board can be found in the Report of the Supervisory Board.

Frankfurt/Main, March 2012

Supervisory Board Management Board

To our shareholders
Group Management Report
Consolidated Financial Statements
Further Information

Report of the Supervisory Board

Dear shareholders,

Deutsche Wohnen AG completed a very successful financial year in 2011. Our business model and our clear focus on metropolitan areas paid off once again. Earnings and returns improved once more in the reporting year, the financial structure and liquidity saw further optimisation, and the asset value increased as well. The portfolio was expanded through acquisitions in growth areas and the equity base was strengthened through the cash capital increase in November 2011.

Trusting relationship with Management Board

In the financial year 2011 the Supervisory Board took great care in exercising its duties according to statute, the company's articles of association, the German Corporate Governance Code and the by-laws. It regularly advised the Management Board on the management of the company and oversaw its activities. In addition, it was directly involved in all decisions of fundamental importance to the company at an early stage.

The Management Board informed the Supervisory Board regularly, promptly and comprehensively – both verbally and in writing – on company policy, corporate planning and strategy, the situation of the company including risks, the progress of business and risk management. Discrepancies between actual and planned developments were explained in full. The Management Board agreed major business transactions with the Supervisory Board.

The Chairman of the Supervisory Board and other members of the Supervisory Board were in regular contact with the Management Board and also discussed important issues outside of the meetings of the Supervisory Board and its committees. These issues concerned, for example, the strategic direction of the company, business development and risk management.

Meetings of the Supervisory Board

In the financial year 2011 the Supervisory Board discussed current developments in the company's business, important individual transactions and actions of the Management Board requiring Supervisory Board approval at ten meetings. At each of the meetings the Supervisory Board granted its approval, where necessary – always after careful consideration and extensive discussion. Two resolutions were also passed by way of written resolution procedure based on comprehensive informational materials and a previous extensive discussion in plenary.

The focus of the Supervisory Board's activities in the reporting year was the business planning and development of Deutsche Wohnen AG, the growth strategy and acquisitions and the capital measure of the company. It was regularly advised in detail on the performance in the segments Residential Property Management, Disposals and Nursing and Assisted Living, as well as the financial and liquidity position of the Group. The Supervisory Board's activities also focussed on the review of and consultation about the internal control and risk management system of the Deutsche Wohnen Group.

At its meeting on 13 January 2011 the Supervisory Board dealt mainly with the business plan 2011 and the extension of the CEO Michael Zahn's term of office for the period 1 January 2012 to 31 December 2015.

At its meeting on 18 March 2011 the Supervisory Board dealt mainly with the report from the Audit Committee, the Annual Financial Statements 2010 and the adjustment of the Performance Share Unit Plan, as well as determining the Management Board bonuses for the financial year 2010. Furthermore, the Supervisory Board decided to extend the appointment of Helmut Ullrich as a member of the Management Board until the end of 31 December 2012, and to appoint Lars Wittan as an additional member of the Management Board with effect from 1 October 2011 for a term of three years until the end of 30 September 2014. Representatives of the auditing company were present to provide advice on the Annual Financial Statements 2010 and they explained items and accounting policies in the Annual Financial Statements of the company and the Group.

The subjects of the meeting on 5 May 2011 were in particular the performance of the company in the first quarter of 2011 and the revision of the by-laws of the Supervisory Board and Management Board, namely the catalogue of transactions requiring approval.

At the meeting on 31 May 2011 the Chairman of the Supervisory Board, Hermann T. Dambach announced his resignation and his departure from the Supervisory Board on 30 June 2011. The Management Board reported in particular on the state of preparations for the Annual General Meeting taking place on the same day.

At the meeting on 5 July 2011 the Supervisory Board dealt with the election of the Chairman of the Supervisory Board. It also dealt with the composition of its committees and the election of their Chairmen. The member of the Supervisory Board Uwe E. Flach was elected as Chairman of the Supervisory Board to succeed the retired member Hermann T. Dambach. Uwe E. Flach was elected as Chairman of the Executive Committee and the Nomination Committee and Dr Andrew Kretschmer was elected Chairman of the Audit Committee by the respective committees.

The meeting on 4 August 2011 served mainly for the Management Board to explain the performance of the company based on the Interim Report for the first half-year of 2011. The Management Board also reported on acquisition projects requiring approval.

The core content of the meeting on 16 September 2011 was the current status of acquisition projects and financing issues.

At its meeting on 4 November 2011 the Supervisory Board dealt mainly with the performance of the company on the basis of the Interim Report for the third quarter of 2011 and the current acquisition projects.

At the meeting on 14 November 2011 the consent of the Supervisory Board was given to the basic resolution of the Management Board on the 2011 capital increase.

At the meeting on 21 December 2011 the Supervisory Board adopted the business plan for 2012, discussed the medium-term planning and dealt with the strategic positioning of the Deutsche Wohnen Group. Another key issue was the adoption of the declaration of compliance with the German Corporate Governance Code.

The two resolutions of the Supervisory Board passed by way of written resolution on 28 February and 5 September 2011 concerned a successor in the Nomination Committee and the approval for the acquisition of a residential property portfolio, which had already been discussed in detail in the previous meeting.

Efficient work of the Supervisory Board in four committees

In order to perform its duties efficiently, the Supervisory Board has formed committees. In the reporting year it continually assessed their activities and the need for them.

The following four committees existed in the year under review:

- Executive Committee,
- Nomination Committee,
- Audit Committee,
- Acquisition Committee,

their duties are represented in detail in the Corporate Governance Report on page 9.

In principle, the resolutions of the Supervisory Board and the topics to be discussed at the Supervisory Board plenary are prepared in the committees. Where permitted by law, each committee is given decision-making powers by the by-laws or by resolutions of the Supervisory Board. The Chairpersons of the committees reported regularly and comprehensively on the contents and results of committee meetings to the meetings of the Supervisory Board.

In the reporting year the Executive Committee met on 24 November and 29 November. The subject of the meetings was the resolutions adopted in connection with the capital increase 2011.

In the reporting year the Nomination Committee met for one meeting to prepare a proposal for the appointment of two candidates for election to the Supervisory Board and to recommend these nominations for the Annual General Meeting to the Supervisory Board plenary.

The Audit Committee met on four occasions during the reporting year and dealt with relevant aspects of the Supervisory Board's work. These included in particular the preliminary examination of the Annual Financial Statements, the Consolidated Financial Statement and the Interim Reports of Deutsche Wohnen and a discussion of the risk management system. It made a recommendation to the Supervisory Board regarding the choice of the auditing company for the financial year 2011, secured a declaration of independence from the auditors and monitored their activities. The members of the Audit Committee have expertise and experience in the application of accounting principles and internal control procedures. The committee Chairmen, Uwe E. Flach until 05/07/2011 and Dr Andreas Kretschmer after 05/07/2011, meet all the stipulations of Section 100 (5) of the German Stock Corporation Act (AktG).

The Acquisition Committee did not meet in the year under review.

Corporate Governance standards further developed

The Supervisory Board continuously observed and discussed the further development of the company's own Corporate Governance standards. Comprehensive information on Corporate Governance in the company, including its structure and the amount of remuneration paid to the Supervisory Board and Management Board can be found on pages 8 to 11 of this Annual Report.

At the meeting of the Supervisory Board on 21 December 2011 the Management Board and Supervisory Board held detailed discussions about the requirements of the version of the German Corporate Governance Code applicable to the reporting year and the implementation of these requirements. They have made their updated joint declaration of compliance permanently accessible to the public on the company website in accordance with Section 161 of the German Stock Corporation Act (AktG). The declaration of compliance can be viewed at: www.ir.deutsche-wohnen.com/websites/deuwo/English/8300/declaration-of-compliance.html.

Annual and Consolidated Financial Statements discussed in detail

The Annual Financial Statements of Deutsche Wohnen AG as at 31 December 2011 and the Consolidated Financial Statements, along with the Management Reports of the company and the Group, which were prepared by the Management Board, were examined by the auditing company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as appointed by the Annual General Meeting of 31 May 2011 and commissioned by the Supervisory Board, and awarded the unqualified audit opinion.

The Annual Financial Statements of Deutsche Wohnen AG and the Consolidated Financial Statements, the Management Reports for the company and the Group and the audit reports were made available to all members of the Supervisory Board immediately following their preparation. The auditors took part in the meeting of the Audit Committee on 8 March 2012. They reported on the main results of their audit and provided additional information. The results of the audit of the company's Annual Financial Statements, the Consolidated Financial Statements and the Management Reports of the company and the Group were agreed by the Audit Committee in the committee meeting on 19 March 2012.

The Chairman of the Audit Committee fully reported to the Supervisory Board at its meeting on 19 March 2012 on the Annual Financial Statements and the annual audit. In addition, the auditors explained the main findings of their audit and made themselves available to provide information and answers to further questions from the Supervisory Board. The Supervisory Board carefully examined the Annual Financial Statements, the Management Report, the Consolidated Financial Statements, the Group Management Report, the proposal for the appropriation of the balance sheet profit and the auditors' reports. There were no objections. The Supervisory Board then subsequently approved the recommendation of the Audit Committee with respect to the Annual Financial Statements and Consolidated Financial Statements drawn up by the Management Board as at 31 December 2011. The Annual Financial Statements are thereby adopted.

The adopted Annual Financial Statements show a balance sheet profit. The Supervisory Board endorses the Management Board's proposal regarding the appropriation of the balance sheet profit. The agenda of the Annual General Meeting shall therefore include a resolution on the payment of a dividend.

Changes to the Management Board and Supervisory Board

As a result of an appointment by court order Wolfgang Clement joined the Supervisory Board as a new member on 6 July 2011. Hermann T. Dambach had previously resigned his position on the Supervisory Board with effect from 30 June 2011. In order not to undermine the competence of the Annual General Meeting, the judicial appointment of Wolfgang Clement will end following the Annual General Meeting on 6 June 2012, which decides on granting formal approval to the actions of the board for the financial year 2011.

Lars Wittan was appointed to the company's Management Board with effect from 1 October 2011 and for a term lasting until 30 September 2014 by the resolution adopted at the Supervisory Board Meeting of 18 March 2011. At the same time, the term of another member of the Management Board, Helmut Ullrich, was extended to 31 December 2012 at the afore-mentioned Board meeting. The Supervisory Board had already extended the term of the Chief Executive Officer, Michael Zahn, at its meeting of 13 January 2011 from 1 January 2012 to 31 December 2015.

The Supervisory Board expresses its thanks and appreciation to the members of the Management Board, as well as the employees of all the subsidiaries of the Deutsche Wohnen Group, for their successful work in the reporting year.

Frankfurt/Main, March 2012

On behalf of the Supervisory Board

Uwe E. Flach

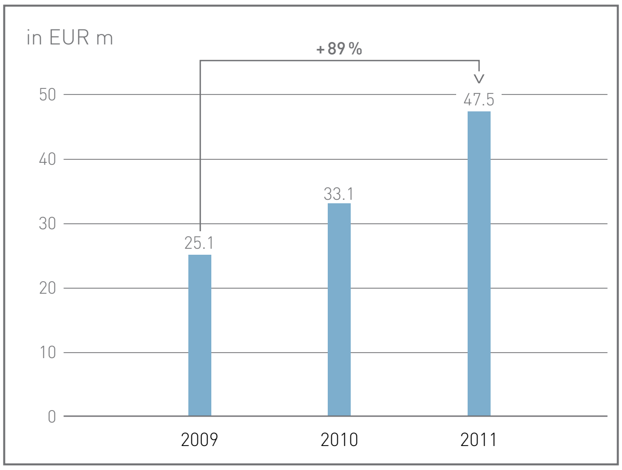
GROUP MANAGEMENT REPORT

OUR HIGHLIGHTS

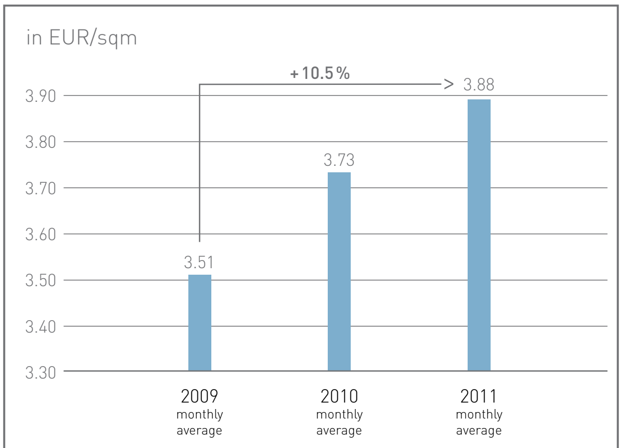
- Our strategic assessments in the past have been confirmed.
- We have once again improved all our key performance indicators.
- The positive development of the business seems to continue through the sustained momentum in the German metropolitan areas.

WE ARE NOW EXCELLENTLY POSITIONED AND CAN FOCUS ON VALUE-ENHANCING, SMART GROWTH!

Recurring FFO

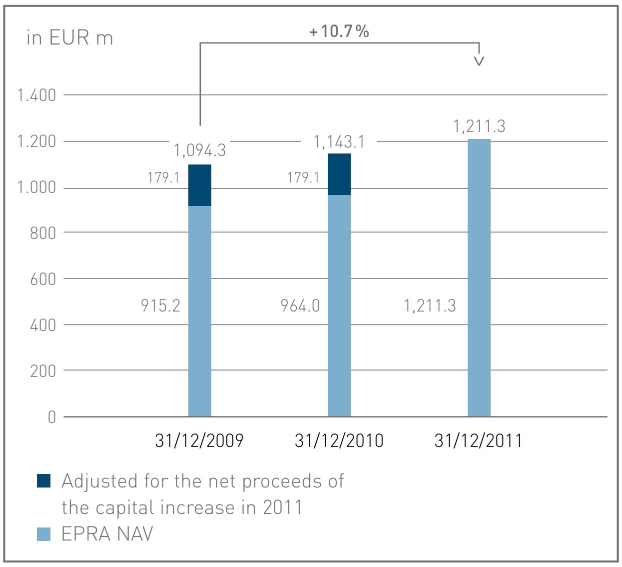


Net Operating Income (NOI)[1]



[1] Based on the average floor space on a quarterly basis in the period under review

EPRA NAV



Business environment

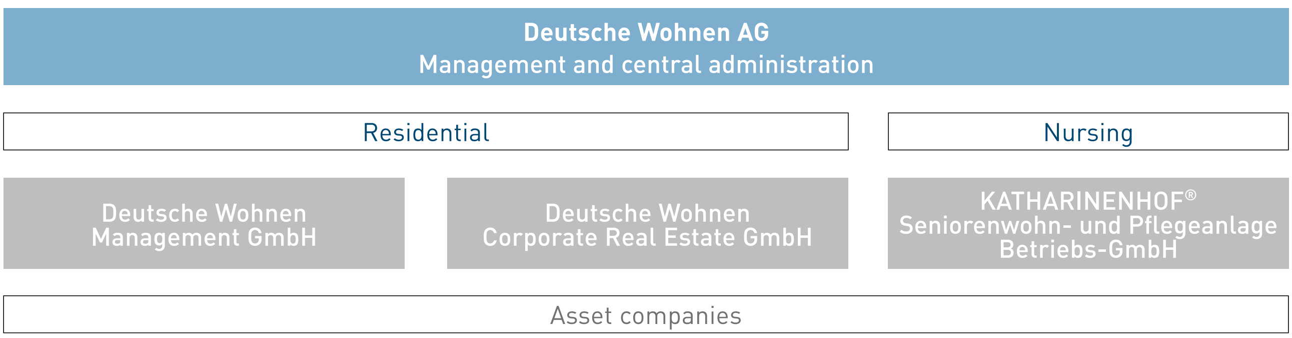
Organisation and Group structure

Deutsche Wohnen AG and its subsidiaries (hereinafter referred to as "Deutsche Wohnen" or "Group") is one of the largest publicly listed German real estate companies, measured by its market capitalisation and real estate holdings of 51,103 units, of which 50,626 are residential units. The company is listed in the MDAX of the German stock exchange. As part of our business strategy, our focus is on attractive residential property in fast-growing metropolitan areas of Germany: Currently Berlin-Brandenburg, Frankfurt/Rhine-Main, Rhine-Ruhr and Rhine-Neckar. In the German metropolitan areas, the basic economic growth data and population influx figures provide a very good foundation for achieving strong and stable cash flows from letting, and for making use of opportunities for value enhancement.

The following diagram shows the organisational division between management and asset companies. The management companies can be assigned to the corresponding business segments, whereby Deutsche Wohnen AG assumes a classic holding company function – with responsibility for the areas Communications, Investor Relations, Legal, Human Resources, Finance/Accounting/Controlling.

Deutsche Wohnen Management GmbH
The core business of Deutsche Wohnen, the development and management of the real estate portfolio, is the responsibility of Deutsche Wohnen Management GmbH. The company bundles all activities related to the management and administration of the residential property, the management of rental contracts and tenant support. The strategic goal of Deutsche Wohnen in this business segment is to optimise rental income and carry out maintenance and modernisation work that is characterised by maximum cost-consciousness, but also by value-orientation and sustainability. By steadily developing our portfolio, we can make use of available potential for rent increases and reduce the vacancy rate. Moreover, we guarantee efficient management of the residential properties in cooperation with qualified system providers. Our specially designed quality management system for Facility Management enables us to check specifically defined performance standards and maintain the value of our portfolio.

Deutsche Wohnen Corporate Real Estate GmbH
Deutsche Wohnen Corporate Real Estate GmbH combines portfolio management, acquisition and disposal activities. Property held for disposal by Deutsche Wohnen is divided into individual sales in the core regions of the company to owner-occupiers and investors (privatisation), and sales to institutional investors in the disposal regions. Disposal activities in the disposal regions aim particularly to optimise and concentrate the portfolio on an ongoing basis.



KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH
In the business segment Nursing and Assisted Living, we manage and market retirement and nursing homes for the elderly, most of which are owned by Deutsche Wohnen, under the brand KATHARINENHOF®. These facilities provide full in-patient care with the aim of enabling the patients to have an active lifestyle and maximum possible independence. In the context of Assisted Living, we provide residential units to elderly people together with comprehensive services which are appropriate to the needs of senior citizens.

Legal structure of the Group

Registered capital and shares

The registered capital of Deutsche Wohnen AG amounts to EUR 102.3 million and is divided into 102.3 million no-par value shares with a notional share of the registered capital of EUR 1.00 per share. As at 31 December 2011, around 99.90 % of the shares were bearer shares (102,196,840 shares); the remaining approximately 0.10 % were registered shares (103,160 shares). All shares carry the same rights and obligations. Each share entitles the holder to one vote at the Annual General Meeting and is the basis for the division of company profit amongst shareholders. The rights and obligations of shareholders are outlined in detail in the provisions of the German Stock Corporation Act (AktG), particularly in Section 12, 53a ff., 118 ff. and 186 AktG.

The Management Board of Deutsche Wohnen AG is not aware of any restrictions with regard to voting rights or transfer of shares.

In the event of capital increases the new shares are issued as bearer shares.

The Management Board is authorised, with the consent of the Supervisory Board, to increase the company's registered capital until 30 May 2016, once or several times, by a total of up to EUR 20.46 million by issuing up to 20.46 million new ordinary bearer shares against cash contributions or non-cash contributions (authorised capital 2011). The original approved capital in 2011 was EUR 40.92 million. The shareholders are to be granted subscription rights within the scope of the authorised capital. However, according to the detailed provisions of the articles of association, the Management Board is authorised to exclude the subscription rights of shareholders in certain cases with the approval of the Supervisory Board. Thus, an exclusion of subscription rights is in particular possible when issuing shares against cash contributions if the issue price of the new shares at the time when the issue price is finally determined is not significantly below the share price of those shares of the same type which are already listed on the market, and if the proportion of the registered capital made up of the new shares that have been issued with an exclusion of subscription rights does not exceed a total of 10 % of the registered capital, either at the time when this authorisation becomes effective or when it is exercised. Furthermore, an exclusion of subscription rights for issuing shares is possible, for example, against non-cash contributions for the purpose of acquiring companies, parts of companies or stakes in companies. Overall, the authorisation to exclude subscription rights is limited to an amount that does not exceed 20 % of the registered capital. This 20 % level also particularly includes shares issued to service bonds with conversion or option rights, insofar as they have been issued with an exclusion of subscription rights on the basis of the authorising resolution of the Annual General Meeting of 31 May 2011.

There is a further contingent increase of the registered capital by up to EUR 20.46 million through the issue of up to 20.46 million new ordinary bearer shares with dividend rights from the start of the financial year of their issuance (contingent capital 2011).

The contingent capital increase serves to grant shares to the owners or creditors of options or convertible bonds, as well as profit participation rights with conversion or option rights which, in accordance with the authorisation of the Annual General Meeting from 31 May 2011 to 30 May 2016, are issued by the company or by dependent companies or enterprises in which the company has a majority shareholding. It shall only be exercised insofar as options or conversion rights related to the aforementioned options or convertible bonds or profit participation rights are exercised, or if the conversion obligations from such bonds are fulfilled and provide own shares are not used to service the obligations.

There are no shares with special rights that grant powers of control.

Shareholder structure

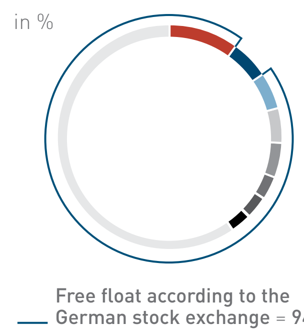
The following diagram shows our shareholder structure (based on the relevant last notification from the respective shareholders according to the German Trading Securities Act (WpHG) as at 24 February 2012:

Shareholder structure[1]

Total of 8 institutional investors = 40.39 %

› 5 %	
Cohen & Steers Inc.[2]	9.91 %
Zurich Deutscher Herold Lebensversicherung AG	5.75 %
First Eagle Overseas Fund	5.24 %
Sun Life Financial Inc.[2]/MFS	5.03 %
› 3 %	
Asset Value Investors Ltd.[3]	4.94 %
Ärzteversorgung Westfalen-Lippe[4]	3.33 %
Stichting Pensioenfonds ABP[5]/APG Algemene Pensioen Groep N.V.	3.13 %
BlackRock, Inc.[2]	3.06 %

Others = 59.61 %



[1] According to latest WpHG notification received from above stated shareholders
[2] Attributed voting rights acc. to Art. 22, Sec. 1, Sent. 1, No. 6 WpHG in connection with Art. 22, Sec. 1, Sent. 2 WpHG
[3] Attributed voting rights acc. to Art. 22, Sec. 1, Sent. 1, No. 6 WpHG
[4] Feri Finance AG resp. MLP AG attributed voting rights acc. to Art. 22, Sec. 1, Sent. 1, No. 1 WpHG
[5] Attributed voting rights acc. to Art. 22, Sec. 1, Sent. 1, No. 1 WpHG
[6] Without Zurich Deutscher Herold Lebensversicherung AG

Status: 24 February 2012

Appointment and dismissal of members of the Management Board and amendments to the articles of association

Members of the Management Board are appointed and dismissed in accordance with Sections 84 and 85 of the German Stock Corporation Act (AktG). The Supervisory Board appoints members of the Management Board for a maximum of five years. A reappointment or an extension of the term of office are both permitted for a maximum of five years. The articles of association of Deutsche Wohnen AG additionally stipulate in Article 5 that the Management Board has to consist of at least two members and that otherwise the Supervisory Board determines the number of Management Board members. It may appoint deputy members of the Management Board and nominate a member of the Management Board as Chief Executive Officer or Spokesperson of the Management Board.

According to Section 119 (1) no. 5 of the German Stock Corporation Act (AktG), the Annual General Meeting decides on changes to the articles of association. According to Article 10 (5) of the articles of association, the Supervisory Board is authorised to make changes to the articles of association which affect the version only. According to Article 10 (3) of the articles of association, the resolutions of the Annual General Meeting are passed by a simple majority of votes and, if a majority of shares is required, by a simple majority of capital, unless otherwise prescribed by law or the articles of association.

Group strategy and Group control

Competitive strengths and Group strategy

Deutsche Wohnen AG regards itself as an active, strategic manager of real estate in the areas of residential and nursing with a clear focus on German metropolitan areas. We are currently represented in four out of a total of eleven defined[1] German metropolitan areas. Metropolitan areas are "high-density agglomeration areas with more than one million inhabitants which are developing particularly dynamically in terms of economic criteria such as value creation, economic strength and income, and are particularly outstanding and integrated in international terms".[2] As motors of societal, economic, social and cultural development, they should also maintain the capability and competitiveness of Germany and Europe, and contribute to an acceleration of the process of European integration. With a clear portfolio strategy, aimed at urban centres in metropolitan areas, we will continue to benefit from the momentum of these markets.

On the product side, we focus on the mid-price segment of middle-class residential neighbourhoods. The high proportion of listed estates from the Weimar Republic is a conscious strategic decision and represents an important and unique feature of our portfolio. These estates are still characterised by modern architecture, intelligent floor plans and a very spaciously designed living environment.

Based on the current size and quality of the real estate portfolio, the focus on strong German metropolitan areas and the high management quality of our staff, Deutsche Wohnen can look into the future with confidence.

The competitive advantages of Deutsche Wohnen AG include:

- An attractive, practically fully let residential property portfolio in four of the eleven defined German metropolitan areas with high rent potential,
- Scalability of the company platform and thus cost efficiency potential through growth,
- A stable capital structure with, compared to German competition, a low leverage (Loan-to-Value Ratio),
- Stable cash flows on the one hand with a high level of liquidity for future acquisitions on the other hand,
- An experienced management team with many years of experience in the sector real estate,
- A steadily built shareholder base which supports our company policy and
- A high level of creditworthiness due to the reputation of the management and the successful and sustainable business model.

As part of our portfolio strategy we want to acquire further holdings in the existing metropolitan areas of Berlin-Brandenburg, Frankfurt/Rhine-Main, Rhine-Ruhr and Rhine-Neckar if market opportunities arise here and if they are in line with our portfolio strategy. With the acquisition of around 8,000 residential units since the second half of 2010, we have already started to strengthen and expand our portfolio.

Moreover, the strategic acquisition of new locations is a further opportunity for external growth, and such acquisitions are evaluated by the Management Board of Deutsche Wohnen in close cooperation with portfolio management. Here we are mainly concentrating on urban centres in the defined German metropolitan areas.

[1] From the Conference of Ministers for Regional Planning
[2] Initiative European Metropolitan Regions in Germany, a project of the research programme "Demonstration Projects of Spatial Planning" (MORO) and the Federal Ministry of Transport, Building and Urban Development (BMVBS) and the Federal Office for Building and Regional Planning (BBR) workshop: Field Bulletin 52, Bonn 2007

Group management

The focus of Deutsche Wohnen is the constant improvement of cash flow from the letting business in order to continuously increase shareholder value. Our central planning and controlling system is geared to precisely this cash flow figure. Management of the Group thereby follows the particular characteristics of our segments.

In the segment of Residential Property Management the development of the rent per sqm and the vacancy rate, differentiated according to defined portfolios and/or regions, are the performance measures for management. This includes the scope and earnings of new lettings and the development of the costs associated with letting, such as maintenance, marketing of properties to let, operating costs and rental loss. All parameters are assessed on a weekly or monthly basis and are checked against detailed budget estimates. Measures can be derived from this and strategies developed to realise rent increase potential while keeping cost developments under control and thus to constantly improve the operating result. This established system enables us to identify residential holdings with low development potential for disposal, but also to determine short-term potential for the company from portfolio acquisitions.

The Disposals segment is managed by monitoring the disposals prices per sqm and the margin as the difference between the carrying amount and the disposal price. The values obtained here are compared with the target figures.

As part of regular reporting, portfolio management reports to the Management Board on the development of the major indicators compared with the target figures.

Other operational expenditure such as staff and general and administration expenses, and the non-operational indicators such as financial expenditure and taxes are also part of the central planning and controlling system and the monthly report to the Management Board. Current developments are also shown here and are compared with the targeted figures.

Financial expenditure is of considerable importance, as this has a significant impact on Group earnings and cash flow development. The Treasury department of Deutsche Wohnen AG (holding company) is responsible for the management of financial expenditure. It reports directly to the Management Board. Active and ongoing management of the hedging rate, together with permanent market monitoring, enables the continuous optimisation of the financial result. Cash and cash equivalents are planned for an 18-month period and are monitored and updated every month on a rolling basis. Depending on market opportunities, the available cash is invested with a bank or used to repay loans.

In the Nursing and Assisted Living segment, we generate organic growth mainly through rent increases and vacancy rate reduction, and through new lettings (in the area of residential care/Assisted Living), as well as through increases in nursing care benefits and occupancy rates (in the area of residential nursing homes). In all KATHARINENHOF® facilities, rents and nursing care fees are in the upper third of the relevant regional market average. Reporting to the Management Board regarding this segment is carried out on a monthly basis as well.

To measure the cash flows generated from operational business activities and to compare this with plan figures, we use as indicators adjusted profit before taxes (EBT) and Funds from Operations (FFO) especially before disposals. Consolidated profit/loss is then the starting value for determining the FFO, which is adjusted by depreciation, one-off items, non-cash financial expenses and -income, and tax expenses and -income.

With the help of regular reporting, the Management Board and specialist departments can evaluate the economic development of the Group in a timely manner and compare it with the figures of the previous month and year, as well as with the targeted figures. In addition, anticipated developments are determined by means of updated forecasts. In this way, opportunities as well as negative developments can be identified at short notice and measures can be taken to make use of these opportunities or countermeasures can be derived.

Overall, the increase in shareholder value is measured by the EPRA Net Asset Value (EPRA NAV) and the total shareholder return (capital gain plus dividend).

Responsible business policies

Deutsche Wohnen also continued its constant commitment to social, ecological and cultural issues in the financial year 2011. We assume overall social responsibility within the context of diverse projects and measures.

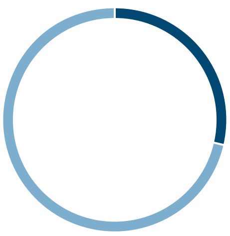
Long-term retention of employees
Our company offers its employees not only secure jobs and attractive earnings potential, but also a motivating work environment. Modern company structures, flat hierarchies and a high level of individual responsibility enable fast decision-making processes.

Discovering and developing talent is a key area of our personnel work. No one knows our business and Deutsche Wohnen better than our employees, so the recruitment of managers from within our own ranks has proved its value extremely well. A leadership development programme, which has been specially tailored to our company, prepares young managers for their new responsibilities. Our intensive, hands-on training fills our apprentice with enthusiasm for the exciting work of our company. Consequently, there are a large number of former apprentices among our specialists and managers today.

Employees of Deutsche Wohnen Group (excl. apprentices)	1,199
thereof men in %	25
thereof women in %	75
Number of apprentices	81
Women in management positions in %	54
Fluctuation rate in %	3.5
Average age in years	44

All information incl. KATHARINENHOF® Group

Overview of number of employees in Deutsche Wohnen Group



Our successful recruitment of new employees shows us that Deutsche Wohnen is also seen as an attractive employer among job applicants. In this way, vacancies can be quickly filled again.

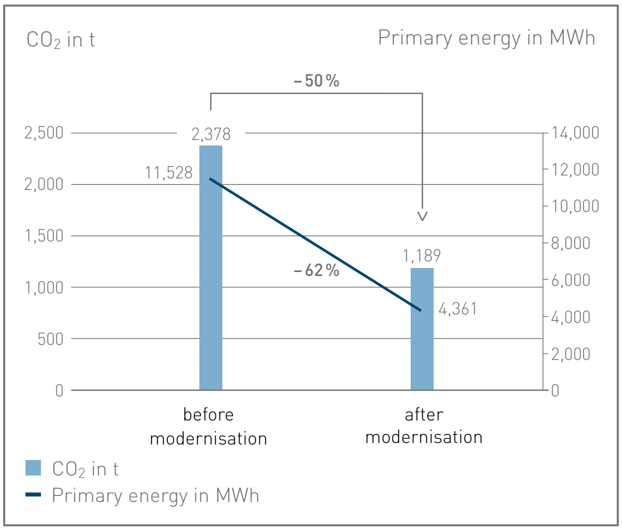
Protect building culture
The portfolio of Deutsche Wohnen has a high cultural value: Around 25 % of the property is listed and three of our estates are UNESCO World Heritage Sites. The special quality of our portfolio is one of its important features, and we feel obliged to preserve this heritage.

Accordingly, as part of the programme for the promotion of investment in national UNESCO World Heritage Sites, we have carried out extensive building work in "Siemensstadt" (Siemens City), the "Hufeisensiedlung" (Horseshoe Estate) and the "Weiße Stadt" (White City) in Berlin since 2009. The aim is to restore these properties by 2014 in accordance with the specifications for the preservation of historical monuments. Deutsche Wohnen is investing around EUR 26 million in the work; roughly a third of the overall costs will be provided in the form of a subsidy by the Federal Ministry of Construction and the State of Berlin.

In an effort to respond to the great interest of tourists, and also to inform the people of Berlin about the special features of the estates, we built so-called "Infostationen" as information and contact points in "Siemensstadt" and "Hufeisensiedlung" last year. In "Siemensstadt", a pavilion by Fred Forbart was elaborately restored in accordance with the specifications for the preservation of historical monuments, as was a commercial-residential unit directly inside the horseshoe of the "Hufeisensiedlung".

Environmental awareness
The large proportion of old buildings and listed properties in our portfolio presents us with great challenges, particularly in the context of renovation. As the historical value of the houses would be almost destroyed by an energy-efficient renovation of the building shells, we place more emphasis on efficient heating technology and ecological forms of heat supply. In recent years we have converted several holdings in Berlin-Pankow, Berlin-Zehlendorf and Hanau to district heating in combination with combined heat and power, and have already been able to significantly reduce CO_2 emissions in this way. We will continue to invest in this area of technology in the coming years in order to also offset rising energy costs.

Reduction of CO_2 and primary energy in Berlin-Pankow, Berlin-Zehlendorf and Hanau (2010 – 2013)



In addition, Deutsche Wohnen has supplied its holdings almost exclusively with green power since 2011. This is 100 % renewable energy and is generated in environmentally friendly hydro power plants in Scandinavia, to be subsequently fed into the European grid. The renewable energy is carbon neutral and its generation does not produce any CO_2 emissions.

GEHAG Forum – We offer artists a platform

A long-term cultural commitment is the regular exhibition of works of contemporary art within the context of the GEHAG Forum. In this way, we have offered artists a platform for their work since 1988. The GEHAG Forum has since become established and is also acknowledged outside the Berlin art scene. Also in the past years numerous artists have exhibited their drawings, paintings, sculptures and machines with us.

We have permanently loaned our drawings by Bruno Taut to the Academy of Arts (Akademie der Künste) in Berlin in order to make them accessible to a wider public.

Investment in residential sector research

Deutsche Wohnen AG is actively involved in discussions on the future of the residential sector in Germany. We are members of the professional associations in our sector, are involved in real estate sector events and enrich discussions through articles in the press and other publications.

To underscore our active role in the German residential industry, we decided to issue a joint research paper with the prestigious "Research Centre for the Real Estate Industry" (Forschungscenter betriebliche Immobilienwirtschaft), of the Technical University (Technische Universität) of Darmstadt. The working paper on real estate sector research and practice, which was published in May 2011, has the title: "The housing industry at a time of change: Opportunities and limitations with regard to public financing in the provision of housing" (Wohnungswirtschaft im Wandel: Möglichkeiten und Grenzen öffentlicher Finanzierung in der Wohnraumversorgung).

The aim of this working paper is to contribute to greater objectivity in the political debate about the involvement of private resources in the provision of housing. The paper gives a systematic overview of investing and financial challenges for the residential sector in general, and the state provision of housing in particular.

Corporate social responsibility in our holdings

In 2011 we continued our cooperation with Malteser Hilfswerk e.V., which started in 2009. The Manna Family Centre in the large Berlin estate of Gropiusstadt provides a meeting place for all generations. School children in particular like using the community centre for recreational activities, help with homework or a daily lunch. However, there are also regular events and activities on offer for elderly people. A highlight of last year was the project "Blickwinkel Gropiusstadt" (Focus on Gropiusstadt): The senior citizens showed their views of Gropiusstadt through photographs and are now presenting them in an exhibition. The motifs were also printed on postcards and so can now be sent all over the world.

We also regularly take part in the steering meetings of the district management. In preparation for the 50th anniversary of Berlin Gropiusstadt this year we have teamed up with other property companies and associations. Together with the relevant political players and other regional initiatives, we want to encourage the development of the estate and make it more attractive for residents.

Significant economic factors

General economic conditions

Global economy
The world economy was affected in the first months of 2011 by various shocks, such as the oil price rise due to the political upheavals in Arab countries and the natural and nuclear disasters in Japan. During the further course of year there was an escalation of the debt crisis in the eurozone; many industrial countries, also outside of the eurozone, are increasingly faced with the task of meeting the need to consolidate their public finances. In contrast, the picture remains positive for emerging markets; Asian countries in particular should continue to provide supporting momentum to the global economy.[3]

Overall, the German Institute for Economic Research (DIW) expects only a slight decline in the gross domestic product of the world economy from 4.1 % in 2011 to 3.8 % in 2012[4], even though this forecast is subject to large uncertainties, for example, an intensification of the debt crisis as a result of the insolvency of other member states of the monetary union, existential difficulties of banks, the duration of the general uncertainty and the threat of a so-called "double dip" in the U.S., meaning a renewed relapse into recession.

Development in Germany
The economic upswing in Germany continued at first in 2011 and in the course of the year the gross domestic product was able to reach pre-crisis levels again.[5] According to initial calculations by the Federal Statistical Office, the price-adjusted gross domestic product (GDP) in Germany increased by 3.0 % in 2011.[6] The growth impetus mainly came from the domestic market – consumer spending in particular proved to be a mainstay of economic development. In addition, the year 2011 was again characterised by strong investment momentum.

But the economic upswing in Germany has also recently lost much of its momentum, so it is likely that total economic activity in the winter half year 2011/2012 will have weakened noticeably. The external economic conditions and early indicators suggest that German export growth is continuing to lose pace.[7] Overall, the German Council of Economic Experts predicts a GDP growth rate of 0.9 % for 2012 in its annual report for 2011/2012. In January 2012 the German Institute for Economic Research (DIW) predicted growth of 0.6 % for the entire year.[4] In contrast to the previous year, the growth will be supported by the more stable domestic economy.

German residential property market

Demographic change and supply and demand for residential property
The generally declining population in Germany is accompanied by an increase in the number of households and in the amount of living space demanded, as more and more people live alone. So a growing demand for housing until 2025 – up to an estimated 41.14 million households in 2025 – can be assumed for Germany. Metropolitan areas will even see over 10 % growth in households by 2025.[8] There is an unchanged significant population influx within Germany into urban centres.

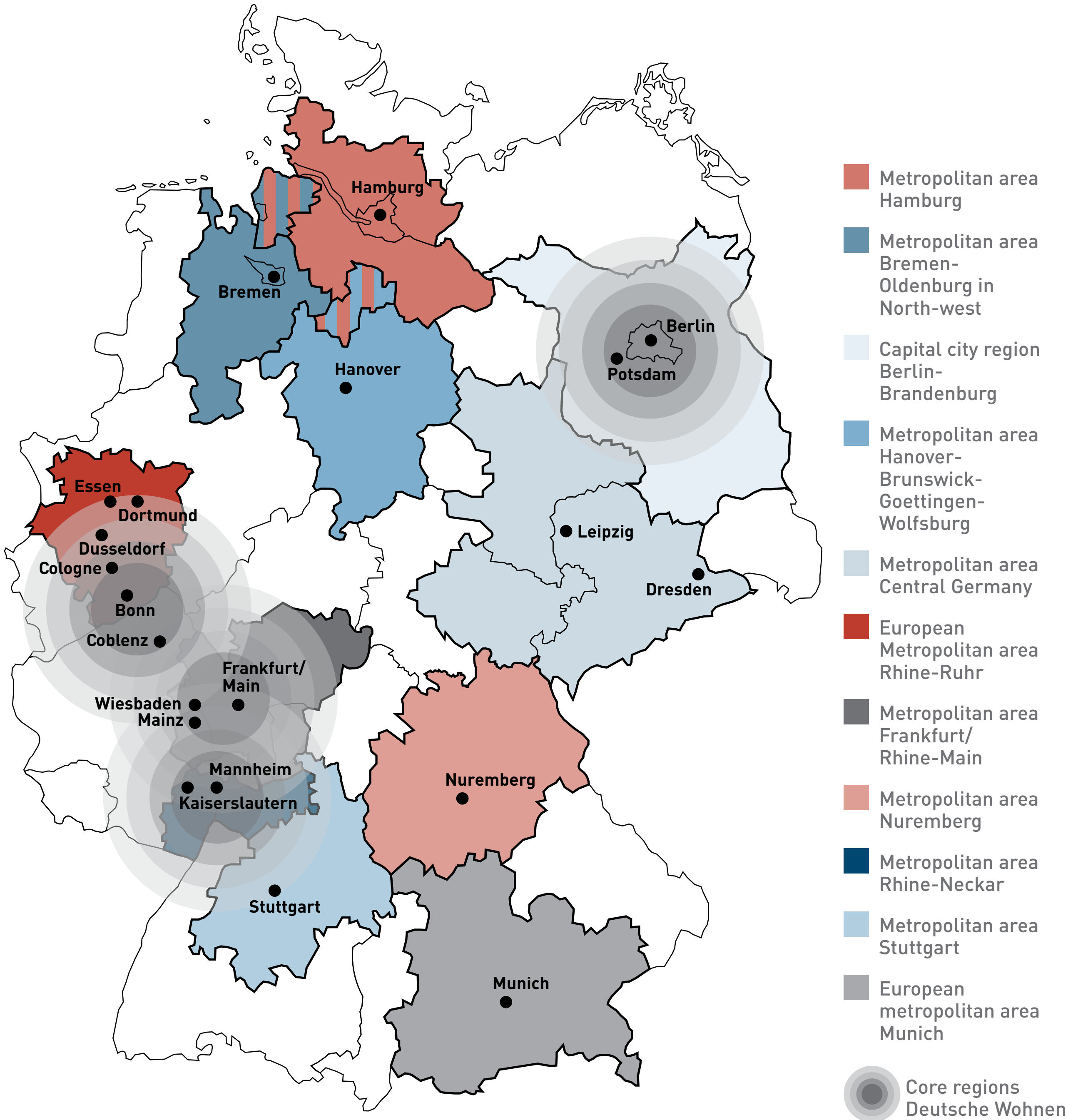
On the other hand, new properties have only been built to a limited extent in recent years, so housing is becoming scarce, particularly in the increasingly popular metropolitan areas. In 2010 residential holdings in Germany amounted to around 40.3 million residential units.[8] The need for new construction, which covers the higher numbers of households as well as the need for replacement, is about 183,000 residential units a year nationwide, according to the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR).[9]

In addition, the historical development of current gross rental income (i.e. rent index trends) in metropolitan areas shows that they have been able to separate themselves from the overall economic environment – in the most recent financial crisis as well – and develop positively.

[3] German Council of Economic Experts (Sachverständigenrat), Annual Appraisal 2011/2012
[4] German Institute for Economic Research (DIW), Winter Report, Weekly Report No. 1+2/2012
[5] German Council of Economic Experts (Sachverständigenrat), Annual Appraisal 2011/2012
[6] Federal Statistical Office Press Release No. 10 of 11 January 2012
[7] Federal Ministry of Finance, Monthly Report December 2011
[8] Jones Lang LaSalle, Housing Market Report Autumn 2011
[9] Federal Institute for Building, Urban Affairs and Spatial Research (BBSR), Forecast on residential property market 2025, 2010

German metropolitan areas

The map below shows the German metropolitan areas defined by the Conference of Ministers for Regional Planning, which show fundamentally positive growth data and population influxes.[10]



[10] Federal Office for Building and Regional Planning, Regional Monitoring 2010

The following table presents the main indicators of the eleven German metropolitan areas.[11]

European metropolitan areas in Germany	Population 2008	Population development 2008–2030 in %	GDP per capita 2008 in EUR	Unemployment 2008 in %	Change in residential holdings 1998–2008 in %	Completed residential units per 1,000 inhabitants 2008 EUR/sqm
Berlin-Brandenburg	5,954,168	– 2.8	53,215	15.4	4.2	1.5
thereof Berlin	3,431,675	1.3	54,080	13.9	2.7	0.9
Bremen-Oldenburg in North-west	2,726,186	2.3	60,142	8.6	9.6	1,7
Frankfurt/Rhine-Main	5,521,908	4.8	71,538	7.0	7.6	2.1
thereof Frankfurt	672,607	7.6	86,805	8.5	7.0	2.8
Hamburg	4,286,123	2.2	69,540	8.1	8.2	2.1
Hanover-Brunswick-Goettingen-Wolfsburg	3,879,373	– 5.0	60,402	9.7	6.4	1.1
Central Germany	6,901,813	– 18.2	49,984	14.2	1.0	1.0
Munich	5,601,830	8.3	73,188	4.5	10.8	3.0
Nuremberg	3,598,323	– 2.7	61,676	5.8	7.8	1.9
Rhine-Neckar	2,361,435	3.9	65,000	6.2	7.0	1.8
Rhine-Ruhr	11,693,041	– 3.6	65,494	10.6	5.4	1.6
Stuttgart	5,291,507	4.2	66,103	4.5	7.7	2.4
Metropolitan areas in Germany	**57,851,707**	**– 1.6**	**63,596**	**9.2**	**6.1**	**1.8**
Germany total	**82,002,356**	**– 2.0**	**61,963**	**8.7**	**6.7**	**1.9**

Based on the number of inhabitants, the Rhine-Ruhr region is the largest German metropolitan area ahead of Berlin-Brandenburg and Central Germany. A population decline of 3.6 % by 2030 is forecast for Rhine-Ruhr, while the population in Munich, Frankfurt/Rhine-Main and Stuttgart is expected to grow very strongly. Along with Hamburg, these regions record the highest gross domestic product per capita and the highest number of completed residential units per inhabitant.

[11] Federal Office for Building and Regional Planning, Regional Monitoring 2010;
Destatis, Population Registry Office, Frankfurt/Main, Senate Administration for Urban Development and the Environment, Berlin

Metropolitan area Berlin-Brandenburg

Together, Berlin and Brandenburg form the German capital region in the centre of the enlarged European Economic Area. With almost six million inhabitants, the region is the third largest of the eleven German metropolitan areas.

Berlin as a scientific and economic location

With its large number of universities and research institutes, Berlin already has an excellent reputation as a scientific and research region. Its ability to perform was demonstrated impressively within the context of the national excellence competition.

Already in recent years there has been a boom in Berlin as a business location in emerging sectors such as medical technology, pharmaceuticals, healthcare, biotechnology, logistics, media/information and communications technology, transport systems engineering and energy technology. Through its geographical location, efficient transport infrastructure and specialised courses at the universities the city plays an important role in the expansion of international economic links. The future city airport BER is the largest transport and infrastructure project in the coming years, and, when it goes into operation in mid-2012, it will be a huge engine for growth: Increasing passenger numbers mean additional jobs in growth sectors.

Residential property market Berlin

Although rent prices in Berlin are still low compared to other German metropolitan areas, Berlin is catching up and shows great momentum in residential rents: Due to the population numbers, which have been increasing for several years, and an increase in single-occupancy households, the overall number of households in Berlin is increasing and so is the demand for housing. From 2001 to 2010 alone, there was an increase of just under 128,000 to almost two million private households, while the population only grew by around 72,300 people.[12)] The number of completed apartments is not keeping pace with developments in demand: Consistent with the continued low level of building activity in the city, the number of residential units only increased by 4,243 to 1,898,807 by the end of year 2010. The annual growth rate of 0.2 % has been at this low level since 2002.[12)]

The development of the rent index rents in Berlin in the last financial year to EUR 5.21 per sqm (+7.9 %) shows here the first effects, which have already been in evidence for a while in rising new letting rents.

Berlin remains a city of single-occupancy households[13)]: While in the year 2000, the proportion of single-person households was still at 47 %, it already rose in 2009 by 7 percentage points to 54 %; according to the forecast of the Senate Department for Urban Development, this proportion is expected to increase further to 55.4 % by 2020. This is also reflected in the size of households[13)]: While an average of 1.72 persons live in one household in Berlin, the figures in Hamburg, Munich and Cologne are between 1.82 to 1.88 persons. In 2000, the figure in Berlin was still at 1.86 – a decline of 7.5 %. According to forecasts by the Senate for Urban Development, household size will decrease even further by 2020 to 1.70 persons per household.

Overall, according to the IBB Berlin (Investment Bank Berlin), only in the upper rental segment there is a balance between supply and demand, while demand exceeds supply in the other segments.[14)]

The demand-based momentum in the Berlin rental market is also having an impact on the investment market: Rising rents and higher expectations are increasing the acquisition prices and also the multipliers on the annual rents.

12) BBU Market Monitor 2011
13) IBB Housing Market Report 2010
14) IBB Housing Market Barometer 2011

Metropolitan area Frankfurt/Rhine-Main

With around 5.52 million inhabitants, a workforce of around 2.87 million people and a gross domestic product of around EUR 205 billion, Frankfurt/Rhine-Main is one of the most significant metropolitan areas in Germany. The region also owes its internationally outstanding position to the fact that it is a financial centre, a trade fair and exhibition centre and a transport hub.

Frankfurt/Main as economic location

Frankfurt/Main is the most significant city in the metropolitan area Frankfurt/Rhine-Main. With around 688,000 inhabitants, it is the largest city in Hesse and the fifth largest city in Germany.

In a current ranking of European business locations, Frankfurt/Main reaches the third place overall, making it the highest-ranked German city.[15] Managers of Europe's 500 largest companies evaluated the cities according to factors such as market access, transport links, telecommunications, office costs and the quality of the available workforce.

The population in Frankfurt/Main has an above average income and strong purchasing power. Today it is one of the richest and best performing cities in Europe, which is also noticeable from the high number of international companies present.

Residential property market Frankfurt/Main

Rents in Frankfurt/Main are among the highest in Germany. The growing number of inhabitants (2000 – 2010: +37,451 inhabitants[16]) and the simultaneous decline in housing construction ensure that there is increased demand for housing. The population forecasts predict further growth until 2020, especially among young people below 20 years of age. The number of households is also rising more sharply here based on the personalisation of living.[17]

Metropolitan area Rhine-Ruhr

The Rhine-Ruhr metropolitan area consists of the Ruhr region as an agglomeration of eleven autonomous cities and four districts between Duisburg and Hamm, as well as the Rhine River from Bonn to Dusseldorf.

Location and Residential property market Dusseldorf

Dusseldorf is one of the most attractive cities in the Rhine-Ruhr metropolitan area and attracts an increasing number of people. A solid economic structure and high purchasing power, also thanks to the arrival of many large companies, cause a sustained, high-growth residential property market. Currently, there is already a shortage of around 9,700 apartments in Dusseldorf. At the same time, the number of inhabitants is increasing – the population is expected to increase from the current level of 580,000 to 600,000 people by 2025 – and single-person households are increasing, too. It is expected that this supply shortage will lead to further increases in rents here as well. The subject of purchasing real estate is thus becoming increasingly interesting, and in 2010, for example, private property was sold at a value of EUR 950 million, a 10-year high. This, in turn, is leading likewise to rising acquisition prices for residential property in Dusseldorf.

Metropolitan area Rhine-Neckar

The metropolitan area Rhine-Neckar is located at the intersection of the states of Baden-Wuerttemberg, Hesse and Rhineland-Palatinate and extends from the Pfälzerwald (Palatinate Forest) in the west to the Odenwald and Kraichgau in the east, and from the French border in the south-west up to and including the Hessian Ried in the north. A total of seven districts and eight autonomous cities belong to the metropolitan area. In addition to the main centres of Mannheim, Ludwigshafen and Heidelberg, 30 medium-sized centres, such as Landau, Bensheim and Sinsheim, are spread across the region.

A total of around 2.4 million inhabitants live in this metropolitan area and by 2030 this figure is expected to grow by 3.9 %. A major advantage of the location is good accessibility, which applies equally to all modes of transport. Individual and freight traffic benefit from a convenient connection to the national motorway network and 94 % of the people living here can reach the nearest long-distance train station in less than 30 minutes. In this respect, the Rhine-Neckar, together with the Rhine-Main, is the best of the German metropolitan areas.[18]

[15] Cushman & Wakefield, European Cities Monitor, 2011
[16] Statistical Yearbook Frankfurt/Main, 2011
[17] HWWI/Berenberg City Ranking 2010
[18] Housing Market Report 2011 of the Rhine-Neckar Metropolitan Region

Milestones in 2011

Successful capital increase despite difficult capital market environment

On 14 November 2011 the Management Board of Deutsche Wohnen AG decided, with the consent of the Supervisory Board, on a capital increase against cash contributions with subscription rights for the shareholders. The registered capital of the company was increased from the existing registered capital of EUR 81.84 million by EUR 20.46 million to EUR 102.3 million, against cash contributions by issuing 20.46 million new ordinary bearer shares (no-par value shares).

The new shares were issued to existing shareholders at EUR 9.10 at a subscription ratio of 4:1. The purchase price constituted a discount of 15.5 % on the 5-day volume weighted average price prior to the announcement of the capital increase. How difficult the capital market environment was during the subscription period was also reflected in the fact that the German leading share index DAX in the period between the announcement of the transaction (before the opening of the market on 14 November 2011) and its closing price for the day before the announcement of the subscription price on 24 November 2011 lost approximately 10 % of its value. Consequently, the discount on the closing price the day before the announcement of the subscription price on 24 November 2011 was only 2.0 %.

Upon expiry of the subscription period on 28 November 2011, 96 % of new shares had already been successfully subscribed by existing shareholders. The remaining 4 % that were not acquired through the subscription offer could even be quickly placed with institutional investors at EUR 9.45 per share.

The net proceeds of almost EUR 180 million enables us to continue our acquisition strategy which was initiated in the last two years.

With the raised equity capital, we will further improve our FFO profit.

The successful issue – especially the high take-up quota of 96 % – in a generally difficult market environment demonstrates the shareholders' confidence in Deutsche Wohnen and its chosen growth path, as well as the high appeal of the asset class residential.

Acquisition of around 8,000 residential units in our core regions

Since July 2010, we have acquired around 8,000 residential units, thereof almost 6,000 in Berlin. Deutsche Wohnen invested a total of around EUR 410 million in these acquisitions, which is an average of EUR 870 per sqm of living space. The net initial yield was 7.2 %. Rents which are achievable on the market are 17 % above the current in-place rent.

With the acquisition of around 1,900 residential units earmarked for privatisation in Berlin, we were able to expand our privatisation portfolio in Berlin and reach an average sales margin of 38 %.

The around 1,800 residential units acquired in 2010, of which almost 1,700 residential units were in Greater Berlin, have developed well above our expectations. The in-place rents have increased by EUR 0.30 to EUR 5.54 per sqm (+5.7 %); the vacancy rate today is just 0.8 %. The average new letting rent is almost 25 % above the current in-place rent. From today's perspective, all our investment decisions were correct, and the acquired real estate properties are developing much better than planned.

Portfolio management and valuation

Overview and newly improved portfolio clustering during the year

With the publication of our half-year results for 2011, we have already further developed and improved our portfolio clustering, with which we also manage our portfolio operationally.

In addition to the letting portfolio, we now also disclose separately the residential holdings of the individual privatisations in the "core regions" cluster.

We have discontinued the previously separate presentation of Berlin and the immediate close sphere of Berlin (et al. Potsdam) and now identify both regions as "Greater Berlin". As part of our ongoing portfolio management and optimisation, we reclassified around 1,500 residential units during the year, mainly from the core regions, into the other disposal holdings. This particularly affects the closer geographical concentration of the region Rhine Valley South.

As a result, the former core portfolio is basically the letting portfolio of the core regions.

All figures for the previous year in this Annual Report have been adjusted to reflect the new portfolio clustering.

The following overview shows our portfolio as at 31 December 2011:

	Apartments						Commercial		Parking spaces
	Number	Share of total portfolio	Area	Gross rental income	New-letting rent	Vacancy	Number	Area	Number
		%	sqm k	EUR/sqm	EUR/sqm	%		sqm k	
Core regions	**47,325**	**93**	**2,869**	**5.63**		**2.1**	**455**	**83**	**13,660**
Letting portfolio	42,652	84	2,567	5.63	6.74	1.6	444	82	12,079
Privatisation	4,673	9	302	5.58		6.3	11	1	1,581
Greater Berlin	28,201	56	1,684	5.45		1.7	288	39	2,785
Letting portfolio	25,225	50	1,496	5.48	6.41	1.2	277	38	2,353
Privatisation	2,976	6	188	5.24		5.8	11	1	432
Frankfurt/Main	4,090	8	247	6.99		1.4	45	16	2,140
Letting portfolio	3,505	7	205	7.11	8.56	0.5	45	16	1,766
Privatisation	585	1	42	6.38		6.3	0	0	374
Rhine-Main	4,843	10	290	6.22		4.3	57	14	2,553
Letting portfolio	4,358	9	259	6.16	7.53	4.0	57	14	2,242
Privatisation	485	1	31	6.70		6.4	0	0	311
Rhine Valley South	5,137	10	321	5.30		2.2	41	12	3,451
Letting portfolio	4,741	9	296	5.29	5.96	1.6	41	12	3,213
Privatisation	396	1	25	5.46		9.2	0	0	238
Rhine Valley North	4,342	9	277	5.35		1.9	3	0	2,435
Letting portfolio	4,111	8	262	5.34	5.90	1.5	3	0	2,209
Privatisation	231	1	15	5.55		7.9	0	0	226
Other (letting only)	712	1	48	5.06	5.59	4.4	21	2	296
Disposal regions	**3,301**	**7**	**207**	**4.65**		**8.5**	**22**	**2**	**1,671**
Adjustment portfolio	1,416	3	88	4.37		13.5	13	1	600
Other disposal holdings	1,885	4	119	4.83		5.3	9	1	1,071
Total	**50,626**	**100**	**3,076**	**5.57**		**2.4**	**477**	**85**	**15,331**

Incl. the acquisitions with transfer of risks and rewards 1 and 2 January 2012

Core regions

In accordance with our portfolio strategy, the majority of our holdings, around 93 % in fact, is today in regions that can expect positive market developments. More than 87 % of our rental units of the overall portfolio are in the defined dynamically growing metropolitan areas.

Disposal regions

We have identified as disposal regions those geographical markets which are stagnating in their development or even show a negative trend. In particular, the rate of disposals of properties in our adjustment portfolio is to be accelerated because of structural risks. The key figures of the other disposal holdings are significantly better. These properties are also to be sold, however, for portfolio strategy reasons. Since the end of 2008, we were able to successfully sell around 52 % of the residential units in the disposal regions. Of our structurally risky holdings in the adjustment portfolio, we have even been able to sell 59 % since December 2008.

Strengthening of the portfolio quality through acquisitions in metropolitan areas and the successful streamlining of almost half of the properties in the adjustment portfolio

Our acquisitions will have a sustained positive impact on the structure and quality of our portfolio:

	31/12/2011			31/12/2010		
	Residential units	Area	Share of total portfolio	Residential units	Area	Share of total portfolio
Residential	Number	sqm k	%	Number	sqm k	%
Core regions	**47,325**	**2,869**	**93**	**42,745**	**2,604**	**90**
Letting portfolio	42,652	2,567	84	38,785	2,339	81
Privatisation	4,673	302	9	3,960	265	9
Disposal regions	**3,301**	**207**	**7**	**4,943**	**303**	**10**
Adjustment portfolio	1,416	88	3	2,542	154	5
Other disposal holdings	1,885	119	4	2,401	149	5
Total	**50,626**	**3,076**	**100**	**47,688**	**2,907**	**100**

The residential holdings in our core regions have grown by around 4,600 units over the last twelve months. The relative share of core regions in the overall portfolio increased from 89.6 % to 93.5 %.

Despite the very successful disposal of 1,053 units in 2011, we were able to expand the privatisation portfolio compared with the reporting date of the previous year by more than 700 units (net) by acquiring a portfolio which had already been earmarked for privatisation. We have thus laid the foundation for future earnings from privatisation. Solely from the portfolio acquired in the past year, we have achieved an average gross margin of around 38 %.

In 2011, we were able to dispose a total of over 1,600 residential units in structurally weak regions. More than two thirds of these disposals affect the adjustment portfolio with their structural risks. In this way, it was possible to reduce the adjustment portfolio by more than 44 % over the last twelve months.

Overall, the acquisitions in the core regions, along with disposals of holdings from the disposals regions, led to a significant improvement in portfolio quality.

Valuation

Profitable acquisitions on the one hand and a further improvement of the key rental indicators on the other hand, have led to a portfolio valuation increase of EUR 40.0 million (+1.4 %). This was justified and confirmed by an external report (CBRE) as at the reporting date.

The following table shows the change in valuation in comparison with the previous year:

	31/12/2011				31/12/2010			
	Fair Value EUR m	Fair Value EUR/sqm	Multiple In-place rent	Multiple market rent	Fair Value EUR m	Fair Value EUR/sqm	Multiple In-place rent	Multiple market rent
Core regions								
Letting portfolio	2,523	988	14.5	12.9	2,265	977	14.7	13.0
Privatisation	264	872	13.6	11.4	251	952	14.9	12.5
Disposal regions								
Adjustment portfolio	39	440	10.0	8.1	66	425	10.2	7.8
Other disposal holdings	73	613	10.9	10.1	91	604	11.1	10.2
Total	**2,899**	**946**	**14.2**	**12.6**	**2,672**	**926**	**14.4**	**12.6**

Data for 2011 incl. acquired privatisation holdings in Berlin with transfer of risk and rewards as at 1 June 2011
Data for 2010 and 2011 each without consideration of acquisitions with transfer of risk and rewards as at 1 January or 2 January of the following year

Higher rents and a lower vacancy rate in the letting portfolio of the core regions are the main reason for the upward revaluation of the portfolio. The slight fall in the in-place rent multiplier is mainly due to the acquisitions that were made (more than 6,000 residential units at a fair value of around EUR 800 per sqm). The practically constant market rent multiplier shows that we have included the development of market rents in our assessment. This supports the sustainable approach to our valuation and possible potential in the future.

The disposal regions only now account for around EUR 110 million or 3.9 % of the carrying amount of the total portfolio.

Dividend of EUR 0.23 per share proposed

Deutsche Wohnen is basing its determination of the dividend on the FFO without disposals. We generally want to pay out approximately 50 % of the FFO without disposals. On this basis the Management Board and Supervisory Board will suggest a pay-out of EUR 23.5 million or EUR 0.23 per share to the shareholders at the Annual General Meeting.

Notes on the financial performance and financial position

Financial performance

The operating activities of Deutsche Wohnen include the letting and management of predominantly its own holdings (earnings from Residential Property Management), the sale of apartments to owner-occupiers, investors and institutional investors (earnings from Disposals) and operating residential nursing home facilities and retirement homes (earnings from Nursing and Assisted Living).

In the following we provide an overview of the individual segment results as well as other items in the consolidated profit and loss statement for the financial year 2011 compared to 2010:

in EUR m	2011	2010
Earnings from Residential Property Management	157.4	150.9
Earnings from Disposals	10.6	12.7
Earnings from Nursing and Assisted Living	9.2	8.9
Corporate expenses	– 32.9	– 31.8
Other operating expenses/income	– 2.3	– 4.6
Operating result (EBITDA)	**142.0**	**136.1**
Depreciation and amortisation	– 3.0	– 3.0
Fair value adjustments of investment properties	40.0	47.2
Financial result	– 93.2	– 123.2
Profit before taxes	**85.8**	**57.1**
Current taxes	– 5.4	– 4.8
Deferred taxes	– 29.8	– 28.5
Group profit	**50.6**	**23.8**

Overall, the consolidated profit of Deutsche Wohnen more than doubled in the financial year 2011 to EUR 50.6 million (EUR +26.8 million compared to 2010).

The consolidated profit in 2011 mainly comprises one special effect: The fair value adjustments of investment properties of EUR +40.0 million (previous year: EUR +47.2 million) and the associated increase in deferred taxes of around EUR 13 million. In the past financial year no contrary effects in the form of prepayment penalties resulting from the exceptional repayment of loans and interest rate hedges ahead of schedule were incurred (previous year EUR 23.6 million).

The from these effects adjusted earnings before taxes were made up as follows:

in EUR m	2011	2010
Profit before taxes	**85.8**	**57.1**
Gains from fair value adjustments of investment properties	– 40.0	– 47.2
Losses from fair value adjustments of derivative financial instruments	0.2	0.2
Prepayment penalties	0.0	23.6
Adjusted earnings before taxes (EBT)	**46.0**	**33.7**

The adjusted earnings before taxes increased by 36 % – over a third.

Overall, it can be summarised that
- the stable level of costs in staff and general and administration expenses in spite of extensive acquisitions in the segment Residential Property Management,
- declining interest expenses primarily due to the refinancing undertaken at the end of 2010 and
- increased earnings from Residential Property Management in spite of increased disposals, particularly from the adjustment portfolio,

have made Deutsche Wohnen, as a competitive company, even more profitable.

Earnings from Residential Property Management

The following overview shows the improvement in important portfolio key figures as at the reporting dates:

	31/12/2011	31/12/2010
Residential units	50,626	47,688
Residential and commercial space in sqm k	3,161	2,987
Fair value per sqm residential and commercial space in EUR	946[1]	926[1]
Debt per sqm residential and commercial space in EUR	578[1]	595[1]
In-place rent per sqm in EUR	5.57	5.38
Residential vacancy rate in %	2.4	3.3
Maintenance costs per sqm/year in EUR[2]	9.81	9.63
Capital expenditure per sqm/year in EUR[2]	8.19	6.02

[1] Without consideration of acquisitions with transfer of risks and rewards as at 1/1 and 2/1 of the following year
[2] Based on the quarterly average space, excluding the floor space acquired with transfer of risks and rewards as at 31/12 of the relevant financial year (only 2010) or 1/1 and 2/1 of the following year

An overview of the portfolio as at 31 December 2011 can be found in the sub-chapter "Portfolio management and valuation" from page 30 onwards.

We achieved a contribution margin in the amount of EUR 157.4 million from the letting of holdings (previous year: EUR 150.9 million):

in EUR m	2011	2010
Current gross rental income	**196.4**	**189.8**
Non-recoverable expenses	– 5.8	– 6.4
Rental loss	– 1.9	– 2.1
Maintenance	– 29.6	– 28.0
Other	– 1.7	– 2.4
Earnings from Residential Property Management	**157.4**	**150.9**
Staff and general and administration expenses	– 16.8	– 17.0
Operating result (Net Operating Income – NOI)	**140.6**	**133.9**
NOI margin in %	71.6	70.5
NOI in EUR per sqm and month[1]	3.88	3.73
Increase in %	+4.0	

[1] Based on the average floor space on a quarterly basis in the period under review

The increase in current gross rental income in comparison to the previous year by EUR 6.6 million or 3.5 % is made up of increases in rent, a reduction in the vacancy rate and acquisitions during the financial year, and, as an offsetting effect, the loss of the rental income from apartments sold during the year.

As a result of some further improvements in income and cost structure, the operating result (Net Operating Income, NOI) increased by 5.0 % to EUR 140.6 million. The NOI per sqm increased by EUR 0.15 to EUR 3.88 per sqm.

Around 96 % of our current gross rental income comes from the letting of residential units (including subsidies); we obtain the remaining 4 % from the letting of commercial space and parking spaces. The current gross rental income includes current subsidies from publicly subsidised housing in the amount of EUR 2.7 million (1.4 % of the current gross rental income).

The ongoing, demand-driven momentum – in particular in our letting markets – continues to have clearly positive effects on our existing rents:

	Like-for-like comparison		
	31/12/2011 In-place rent[1] EUR/sqm	31/12/2010 In-place rent[1] EUR/sqm	Development %
Letting portfolio of core regions	5.67	5.46	3.8
Greater Berlin	5.55	5.30	4.7
Frankfurt/Main	7.11	6.93	2.6
Rhine-Main	6.14	5.95	3.2
Rhine Valley South	5.31	5.19	2.3
Rhine Valley North	5.04	4.95	1.8
Others	5.06	4.97	1.8
Privatisation	5.67	5.58	1.6
Disposal regions	4.62	4.55	1.5
Total	**5.60**	**5.41**	**3.5**

[1] Contractually owed rent from rented apartments divided by rented area

In our core regions we measure a through acquisitions and disposals undiluted development of our in-place rents in a so-called like-for-like comparison, i.e., the rents of the residential units that were in our portfolio throughout the whole of 2011. We increased the in-place rent in these around 38,500 residential units by EUR 0.21 per sqm or 3.8 % to EUR 5.67 per sqm. In the Greater Berlin, which accounts for half of our total portfolio, we were able to increase the in-place rent by 4.7 %. Hence, the like-for-like growth rates of 3.4 % and 4.2 % respectively as at 30 September 2011 were even exceeded at year-end.

Even though the like-for-like growth of the in-place rents in the portfolio earmarked for individual privatisation (approximately 3,000 residential units) was at 1.6 % – in part due to conscious non-re-letting – and around 1.5 % lower in the disposal regions (around 3,000 units) due to market conditions, there was a like-for-like growth of 3.5 % for the entire portfolio, which underpins the continued momentum in our metropolitan areas.

Overall, we were able to achieve rental increases (rent index, modernisation, new lettings) during the past financial year of around EUR 3.0 million, which for 2012 alone (full 12-month period) means an increase in current gross rental income of around EUR 6.2 million.

The new-letting rents achieved in the non-rent restricted units in 2011 are around 20 % above the in-place rent as at the reporting date:

	31/12/2011			31/12/2010
	New-letting rent[1] EUR/sqm	In-place rent[2] EUR/sqm	Rent potential[3] %	Rent potential[3] %
Letting portfolio in core regions	6.74	5.63	19.7	18.3
Greater Berlin	6.41	5.48	17.0	15.8
Frankfurt/Main	8.56	7.11	20.4	19.2
Rhine-Main	7.53	6.16	22.2	23.9
Rhine Valley South	5.96	5.29	12.7	12.9
Rhine Valley North	5.90	5.34	10.5	4.8
Others	5.59	5.06	10.5	8.7

[1] Contractually owed rent for newly concluded contracts for units not subject to rent control effective in 2011
[2] Contractually owed rent from rented apartments divided by rented area
[3] Rent potential = New-letting rent (i.e. contractually owed rent for newly concluded contracts for units not subject to rent control effective in 2011) compared to in-place rent

Due to rising new-letting rents, the rent potential has increased to 19.7 % despite the increase of in-place rents by 3.8 %. This means that the changes in the rent index values are only following the dynamics of the markets to a limited extent, and that the delta between new-letting rents and in-place rents is increasing.

Non-recoverable expenses consist mainly of vacancy-related losses, which it was possible to reduce by almost 10 % compared to the previous year.

The vacancy rate in the letting portfolio of the core regions was improved in the past financial year in a like-for-like comparison from 2.0 % to 1.5 % and thus improved by 25 % compared to December 2010:

	Like-for-like comparison		
	31/12/2011 Vacancy %	31/12/2010 Vacancy %	Development %
Letting portfolio in core regions	1.5	2.0	– 25.0
Greater Berlin	1.1	1.3	– 15.4
Frankfurt/Main	0.5	1.4	– 64.3
Rhine-Main	3.9	5.2	– 25.0
Rhine Valley South	1.7	2.3	– 26.1
Rhine Valley North	1.7	2.1	– 19.0
Others	4.4	5.2	– 15.4
Privatisation	6.2	2.1	>100
Disposal regions	8.5	8.9	– 4.5
Total	**2.3**	**2.4**	**– 4.2**

Particularly in the two most important rental markets, Berlin and Frankfurt/Main, which comprise over 67 % of the letting portfolio, the vacancy rate continues to decline.

The increase in vacancy levels in privatisation is intentional, in order to be able to put the vacant residential units on the market at higher rates.

In the disposal regions a like-for-like analysis shows a drop in the vacancy rate from 8.9 % last year to 8.5 % as at 31 December 2011 – driven in particular by a reduction in the vacancy rate in the adjustment portfolio. Furthermore, the vacancy rate as at the reporting date (taking account of disposals) of 8.5 % as at 31 December 2011 (previous year: 11.6 %) shows the successful systematic streamlining of the portfolio.

Expenses for rental loss apply to rent reductions and the loss of receivables outstanding. The proportion of receivables lost related to the rent including service charges was only 0.5 % in the reporting year.

In the financial year 2011 EUR 29.6 million was spent on maintenance (previous year: EUR 28.0 million) and a further EUR 24.7 million on value-increasing investments (previous year: EUR 17.6 million). Altogether, we invested around EUR 18 per sqm in our property portfolio (previous year: around EUR 16 per sqm).

in EUR m	2011	2010
Maintenance	29.6	28.0
Maintenance in EUR per sqm	9.81[1]	9.63[1]
Modernisation	24.7	17.6
Modernisation in EUR per sqm	8.19[1]	6.02[1]

[1] Based on the quarterly average area, excluding the area acquired with transfer of risks and rewards as at 31/12 of the relevant financial year or as at 1/1 and 2/1 of the following year

The maintenance for 2011 comprised around EUR 10.0 million (previous year: EUR 7.6 million) for the ongoing modernisation of rental units associated with a change in tenant.

Despite an extension of the managed property portfolio during the course of the year it was even possible to reduce the corporate expenses (staff and general and administration expenses) incurred in the Residential Property Management segment by around 1 % from EUR 17.0 million in 2010 to EUR 16.8 million in 2011. Therefore, the average corporate expenses per residential unit for 2011 was only EUR 346 (previous year: EUR 353).

Earnings from Disposals
In the Disposals segment we sold a total of 3,299 residential units (previous year: 3,314). The earnings from Disposals are made up as follows:

in EUR m	2011	2010
Sales proceeds	150.6	171.7
Cost of sales	– 8.3	– 6.9
Net sales proceeds	**142.3**	**164.8**
Carrying amounts of assets sold	– 131.7	– 152.1
Earnings from Disposals	**10.6**	**12.7**

The earnings from Disposals should be seen as better compared to the previous year despite a decline in transaction volume. On the one hand, we were able to significantly increase privatisations of residential units. On the other hand, in institutional sales we mainly sold scattered sites in structurally weak regions.

In the following, the key figures and results are shown separately according to privatisation and institutional sales:

Privatisations

in EUR m	2011	2010
Sales proceeds	**78.1**	**56.8**
Average sale price per sqm	1,155	1,214
Volume in residential units (#)	1,053	660
Cost of sales	– 6.0	– 4.9
Net sales proceeds	**72.1**	**51.8**
Carrying amounts of assets sold	– 57.9	– 42.3
Gross margin in %	34.9	34.3
Earnings	**14.2**	**9.5**
+ Carrying amounts of assets sold	57.9	42.3
./. Loan repayment	– 31.1	– 18.0
Liquidity contribution	**41.0**	**33.8**

The privatisation segment was able to significantly surpass its targets in the reporting year. Overall, in the past year we privatised 1,053 residential units, of which 216 residential units were from our privatised portfolio acquired in 2011 and 837 residential units were from the defined portfolio set aside for privatisation in previous years. With a gross margin of 34.9 %, we were even slightly above the very good level of the previous year.

Institutional sales

in EUR m	2011	2010
Sales proceeds	**72.5**	**114.9**
Average sale price per sqm	508	722
Volume in residential units (#)	2,246	2,654
Cost of sales	– 2.3	– 2.0
Net sales proceeds	**70.2**	**113.0**
Carrying amounts of assets sold	– 73.8	– 109.8
Gross margin in %	– 1.8	4.6
Earnings	**– 3.6**	**3.2**
+ Carrying amounts of assets sold	73.8	109.8
./. Loan repayment	– 46.6	– 65.0
Liquidity contribution	**23.6**	**48.0**

The comparison of the 2011 business result with the previous year is distorted by the sale of around 1,700 residential units in 2010 from the then core portfolio. In 2011 the sole focus was on successful sales in the disposal regions: Here in particular considerably more than 1,000 residential units were sold from the adjustment portfolio with its structural risks. The low carrying amount losses of 1.8 % are to this extent acceptable.

Earnings from Nursing and Assisted Living

The Nursing and Assisted Living segment is operated by the KATHARINENHOF® Group. The company focuses primarily on the operation of residential and nursing facilities in five federal German states: Berlin, Brandenburg, Saxony, Lower Saxony and Rhineland-Palatinate:

	Facilities	Places Nursing and Assisted Living	Income from Nursing and Assisted Living	Occupancy as at 31/12	
	Number	Number	EUR m	2011	2010
Berlin	2	175	5.3	97.5	93.7
Brandenburg	5	596	14.8	97.5	96.1
Saxony	5	319	7.4	100.0	100.0
Lower Saxony	1	131	4.1	100.0	97.7
Rhineland-Palatinate	1	128	3.0	74.8	74.2
Sale of one operation			1.7		83.3
Total	**14**	**1,349**	**36.3**	**96.2**	**93.7**

Of the 14 properties, as at 31 December 2011, 12 are owned by Deutsche Wohnen with a fair value of EUR 78.1 million.

The segment earnings are made up as follows:

in EUR m	2011	2010
Income		
Nursing	33.6	33.4
Living	2.7	3.1
Other	3.8	4.1
	40.1	**40.6**
Costs		
Nursing and corporate costs	11.5	11.7
Staff expenses	19.4	20.0
	30.9	**31.7**
Segment earnings	9.2	8.9
Attributable current interest expenses	−2.7	−2.7
Segment earnings after interest expenses	6.5	6.2

In 2011 the segment Nursing and Assisted Living contributed to Deutsche Wohnen's result with an EBITDA amounting to EUR 9.2 million. After deducting the current interest rate expenses, the profit before taxes amounted to EUR 6.5 million and therefore an EBITDA margin in relation to the fair value of the properties of 11.8 %.

Corporate expenses

The corporate expenses include staff and general and administration expenses excluding the Nursing and Assisted Living segment. Compared to the previous year we recorded an increase of 3 %, which is mainly due to salary increases. The corporate expenses break down as follows:

in EUR m	2011	2010
Property Management (Deutsche Wohnen Management GmbH)	16.8	17.0
Asset Management/Disposals (Deutsche Wohnen Corporate Real Estate GmbH)	3.1	3.0
Holding Company Function (Deutsche Wohnen AG)	13.0	11.8
Total	32.9	31.8

Financial result

The financial result is made up as follows:

in EUR m	2011	2010
Current interest expenses	81.6	86.3
Accrued interest on liabilities and pensions	12.1	13.9
Prepayment penalties	0.0	23.6
Fair value adjustments of derivative financial instruments	0.2	0.2
	93.9	124.0
Interest income	– 0.7	– 0.8
Financial result	**93.2**	**123.2**

The reduction in the Group's average interest rate compared to the previous year led once again – despite acquisition-related higher financial liabilities – to savings of EUR 4.7 million in the current interest expenses.

Non-cash accrued interest relate to low-interest bearing loans with EUR 7.2 million, tax liabilities (EK 02) with EUR 2.3 million, employee benefit liabilities with EUR 2.0 million and put options from limited partners in funds with EUR 0.6 million.

After interest expenses, the cash flow just from the portfolio improved significantly and sustainably by over EUR 11 million.

in EUR m	2011	2010
NOI from lettings	140.6	133.9
Current interest expenses (without Nursing and Assisted Living)	– 78.9	– 83.6
Cash flow from portfolio after current interest expenses	**61.7**	**50.3**
Interest ratio	1.78	1.60

The interest ratio (current interest expenses in relation to the NOI) represents the coverage ratio of payable interest expenses (excluding interest expenses in the segment Nursing and Assisted Living) by the net operating income from Residential Property Management (taking into account the staff and general and administration expenses). Just as in 2010, it was possible to further improve this coverage through the optimised financing structure and the increase in the net operating income from Residential Property Management to just under 1.8.

Current taxes and deferred taxes

The current taxes of EUR 5.4 million include EUR 2.4 million notional tax expenses from the 2011 capital increase as well as current income taxes of EUR 3.0 million.

The deferred taxes of EUR 29.8 million include around EUR 13 million from the fair value adjustments of investment properties of EUR 40.0 million.

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Financial position

Selected key figures of the consolidated balance sheet:

	31/12/2011		31/12/2010	
	in EUR m	in %	in EUR m	in %
Investment properties	2,928.8	88	2,821.0	93
Other non-current assets	84.7	3	108.4	3
Total non-current assets	**3,013.5**	**91**	**2,929.4**	**96**
Current assets	120.9	4	62.8	2
Cash and cash equivalents	167.8	5	46.0	2
Total current assets	**288.7**	**9**	**108.8**	**4**
Total assets	**3,302.2**	**100**	**3,038.2**	**100**
Equity	**1,083.4**	**33**	**889.9**	**29**
Financial liabilities	1,834.7	56	1,784.5	59
Tax liabilities	58.6	2	63.9	2
Liabilities to limited partners in funds	7.3	0	22.5	1
Employee benefit liability	42.7	1	44.7	1
Other liabilities	275.5	8	232.7	8
Total liabilities	**2,218.8**	**67**	**2,148.3**	**71**
Total equity and liabilities	**3,302.2**	**100**	**3,038.2**	**100**

The investment properties (EUR 2,928.8 million) represent at 88 % the major asset position of Deutsche Wohnen. The carrying value was confirmed at the end of the year by CB Richard Ellis.

The increase in current assets is due to the acquisition of holdings intended for disposal in Berlin (around 1,900 residential units). By the end of the year we sold 216 residential units with sales proceeds of EUR 12.7 million and, therefore, a gross margin of 38 % on average.

In addition to the cash and cash equivalents held as at the reporting date, Deutsche Wohnen has access to additional credit lines amounting to around EUR 106 million, which are callable at short notice.

The Group's equity ratio on the balance sheet date was 33 % and has improved as a result of the capital increase and the Group's profit.

The increase in the EPRA NAV is shown in the following table:

in EUR m	31/12/2011	31/12/2010
Equity (before non-controlling interests)	1,083.1	889.6
Diluted NAV	1,083.1	889.6
Fair values of derivative financial instruments	95.0	61.1
Deferred taxes (net)	33.2	13.3
EPRA NAV	1,211.3	964.0
Number of shares (in m)	102.30	81.84
EPRA NAV in EUR per share	11.84	11.78

The EPRA NAV per share increased to EUR 11.84 as at 31 December 2011. The capital increase of 2011 and the issuance of new shares plays a role in this marginal increase.

In the case of capital increases an adjustment is normally made for the effects resulting from the capital increases to enable the comparability over time (known as "scrip adjustment": here 1.03 according to Datastream). Using this scrip adjustment, the adjusted EPRA NAV per share as at 31 December 2010 was EUR 11.44 so that the adjusted EPRA NAV per share in 2011 was increased by 3.5 %.

The Group's Loan-to-Value Ratio (LTV) developed as follows:

in EUR m	31/12/2011	31/12/2010
Financial liabilities	1,834.7	1,784.5
Cash and cash equivalents	– 167.8	– 46.0
Net financial liabilities	**1,666.9**	**1,738.5**
Investment properties	2,928.8	2,821.0
Non-current assets held for sale	37.4	34.3
Land and buildings held for sale	63.5	15.2
	3,029.7	**2,870.4**
Loan-to-Value Ratio in %	55.0	60.6

The ratio of net financial liabilities to property assets (Loan-to-Value Ratio) improved from 60.6 % to 55.0 %.

Financial liabilities have risen in comparison to the end of 2010 from EUR 1,784.5 million to EUR 1,834.7 million – net balanced against repayments – primarily as a result of new borrowing to finance acquisitions.

The financial covenants underlying the credit agreements, which relate to the debt service coverage (DSCR/ ISCR) and the leverage ratios with respect to rental income (multipliers), continued to improve.

Over the next three financial years the Group's refinancing volume – related to the remaining value as at the end of 2011 – is about EUR 107 million. This consists of many small loans secured with property as collateral.

The prolongation structure of the following year is as follows:

in EUR m	2012	2013	2014	2015	2016	later than 2016
Prolongations	45	24	38	235	246	1,247

As at the reporting date, the average rate of interest for the credit portfolio was approximately 4.1 % p.a.

Of the tax liabilities, the sum of EUR 50.5 million (31 December 2010: EUR 57.8 million) is attributable to the present value of liabilities from the lump-sum taxation of EK-02-holdings. These taxes are payable in equal annual installments of EUR 9.6 million in the third quarter of each year until 2017. We have taken legal action against this taxation.

The liabilities to limited partners in funds were once again significantly reduced as a result of the payments we made for tendered limited partner's interest in DB 14 which we acquired in 2009, 2010 and 2011. In 2011 a total of approximately 18.5 % of the shares were tendered to us. As at the reporting date Deutsche Wohnen held around 93 % of the shares in DB 14.

The other liabilities mainly comprise the following items:

in EUR m	31/12/2011	31/12/2010
Derivative financial instruments	95.0	70.3
Deferred tax liabilities	96.2	92.0
Miscellaneous	84.3	70.4
Total	**275.5**	**232.7**

Cash flow statement
These were the principal cash flows over the past financial year:

in EUR m	2011	2010
Net cash flows from operating activities before EK-02-payments	53.1	33.7
EK-02-payments	– 9.6	– 23.8
Net cash flows from investing activities	– 125.1	68.7
Net cash flows from financing activities	203.4	– 89.7
Net change in cash and cash equivalents	121.8	– 11.1
Opening balance cash and cash equivalents	46.0	57.1
Closing balance cash and cash equivalents	167.8	46.0

Net cash flows from operating activities before EK-02-payments has improved significantly.

Net cash flows from investing activities mainly comprise proceeds from disposals (EUR 149.4 million), investments of more than EUR 255 million in our own property portfolio and acquisitions, and payments to limited partners in funds (EUR 15.8 million).

Net cash flows from financing activities contain proceeds in the amount of EUR 40.7 million arising from an increase in financial liabilities. This sum is the balance of repayments at EUR 592.4 million and new borrowing in an amount of EUR 633.1 million. Included in this figure is the refinancing of a portfolio in the amount of around EUR 400 million. This refinancing measure was completed before 31 December 2010 and executed in January 2011. In addition, the net cash flows from financing activities include the net proceeds from the capital increase of EUR 179.1 million and the pay-out of the dividend for the financial year 2010 amounting to EUR 16.4 million in the second quarter of 2011.

Funds from Operations (FFO)
The strong operational development and the reduction of the current interest expenses resulted in a significantly improved FFO:

in EUR m	2011	2010
Profit for the period	**50.6**	**23.8**
Earnings from Disposals	–10.6	–12.7
Depreciation and amortisation	3.0	3.0
Fair value adjustments of investment properties	–40.0	–47.2
Fair value adjustments of derivative financial instruments	0.2	0.2
Non-cash financial expenses	12.1	13.9
Prepayment penalties	0.0	23.6
Deferred taxes	29.8	28.5
Tax benefit from capital increase costs	2.4	0.0
FFO (without disposals)	**47.5**	**33.1**
FFO (without disposals) per share in EUR	0.57	0.40
average number of issued shares in million	83.58	81.84
FFO (including disposals)	**58.1**	**45.8**
FFO (including disposals) per share in EUR	0.70	0.56
average number of issued shares in million	83.58	81.84

The FFO (without disposals) increased by nearly 45 % compared to the previous year from EUR 33.1 million to EUR 47.5 million. Based on the average number of issued shares in the relevant financial year, it was possible to improve the recurring FFO per share by EUR 0.17 to EUR 0.57.

Adjusting the 2011 capital increase for the recurring FFO per share for the financial year 2010 (known as a scrip adjustment of 1.03 according to Datastream; see also notes on this on page 43), the recurring FFO per share for 2010 amounted to EUR 0.39 per share.

Events after the reporting date

With the transfer of risks and rewards as at 1 and 2 January 2012 we have taken over 1,332 residential units in Dusseldorf and Ludwigshafen. The transaction volume was approximately EUR 89 million.

Further significant events occurring after the reporting date are not known.

Risk and opportunity report

Risk management

Deutsche Wohnen AG continually examines any opportunities which arise and can be used to secure the continued development and growth of the Group. In order to be able to take advantage of these opportunities, risks must also be taken where appropriate. In this situation knowing, assessing and controlling all the important aspects are of great importance. Only in this way we can take a professional approach to risks. For this purpose a central risk management system has been implemented in Deutsche Wohnen, which ensures the identification, measurement, control and monitoring of all significant risks affecting the Group. A central component of this system is detailed reporting, which is continuously being monitored and developed. Using the relevant operating figures and financial data, it creates a link to the identified risk areas. We focus in particular on the key figures for the development of lettings and residential privatisations, on the cash flow, liquidity and the key figures in the balance sheet.

Through intensive communication at the management level of the Group, all decision-makers are aware of any relevant developments in the company at all times. Divergent developments or emerging risks that could potentially threaten the continued operations of the Group are thereby discovered early, and appropriate remedial actions are taken.

The information from risk management is documented on a quarterly basis. The Supervisory Board receives comprehensive information on all relevant issues and developments of the Group at each of its meetings. In addition, the internal risk management guide is updated as required.

The risk management system sees itself as part of the internal control system with respect to the accounting procedures.

The main features of the existing internal control system and risk management system in relation to the (Group) accounting procedures at Deutsche Wohnen can be summarised as follows:

- Deutsche Wohnen is characterised by a clear organisational, corporate, controlling and monitoring structure.
- There are Group-wide planning, reporting, controlling and early warning systems and processes for the comprehensive analysis and control of risk factors relevant to financial performance and risks that threaten continued operations.
- The functions in all areas of the financial reporting process (e.g. financial accounting, controlling) are clearly assigned.
- The IT systems implemented in the accounting systems are protected against unauthorised access.
- Mainly standard commercial software is used in the area of financial systems.
- Adequate internal guidelines (e.g. consisting of a Group-wide risk management policy) have been established and are adjusted as necessary.
- The departments involved in the accounting procedures meet quantitative and qualitative requirements.
- The completeness and accuracy of accounting data are regularly checked by means of random sampling and plausibility tests using both manual and software checks.
- Significant accounting-related processes are subject to regular audits. The existing Group-wide risk management system is continuously adapted to current developments and checked for its functionality on an ongoing basis.
- The dual-control principle is applied throughout for all accounting procedures.
- The Supervisory Board deals, among other things, with important accounting issues, risk management, commissioning the audit and the main focus of the audit.

The internal control and risk management system with respect to the accounting procedures, of which the essential characteristics are described above, ensures that details of corporate transactions are properly recorded, processed and honoured in the balance sheet, and included as such in the external accounts.

The clear organisational, corporate, controlling and monitoring structure, as well as the sufficient resources within the accounting system in terms of staff and material, provide the basis for efficient working for those areas involved in the accounting process. Clear legal and corporate standards and guidelines ensure uniform and proper accounting procedures.

The internal control and risk management system ensures that the accounts at Deutsche Wohnen AG and all companies included in the consolidated financial statement are uniform and in line with legal and regulatory requirements and internal guidelines.

Risk report

Strategic risks

Risks due to failure to recognise trends: Not recognising market developments and trends can lead to risks affecting the viability of the Group as a going concern. To minimise these risks, all divisions are regularly reminded to closely observe developments in their sectors and promptly inform risk management of any changes. Risk management will then take appropriate action.

Legal and corporate law risks

Legal risks that could potentially result in losses for the company may under some circumstances arise from non-compliance with statutory regulations, the non-implementation of new or amended legislation, the lack of comprehensive regulations in concluded contracts or insufficient management of insurance arrangements.

Orders to cease construction work and incomplete planning permission could also have a negative effect leading to unplanned costs and construction delays. The clearing of contamination and the implementation of amendments to statutory provisions may result in increased costs.

Corporate law risks: Further risks may arise out of future mergers or ones that have already taken place. In order to counteract these risks, the Management Board orders all necessary analyses in circumstances as they arise, in order to gain an overall picture and to get ideas on how the identified risks can be dealt with. In addition, the Management Board takes detailed advice from the internal "Corporate Law" department as well as external legal advisers from renowned law firms before the start of substantive negotiations. The Management Board is aware that strategic external growth should not be pursued under all circumstances.

IT risks

On 1 January 2009 Deutsche Wohnen AG introduced SAP across the Group as a new IT application.

Generally, there is a fundamental risk of a total failure of this application, which could lead to significant disruptions to business operations. As a result, the provision of functioning operational, maintenance and administration processes, as well as of effective monitoring mechanisms, has been contractually agreed between Deutsche Wohnen and its IT service provider. This is designed to prevent such a system failure and any possible associated data losses.

Staff risks

A decisive factor in the commercial success of Deutsche Wohnen is the staff with their knowledge and special skills. However, there is still a danger that Deutsche Wohnen may not be able to keep the most qualified and suitable employees in the company. We counteract this by providing a stimulating work environment and financial and non-financial incentives. We believe that Deutsche Wohnen is one of the most attractive employers in its sector.

Market risks

Market risks may arise in the lettings market if the economic situation in Germany deteriorates, causing market rents to stagnate or fall. In a stagnant or shrinking economy there may also be increased unemployment, which will limit the financial resources of tenants. In addition, a decline in net disposable income – whether because of unemployment, tax increases, tax adjustments or increases in service charges – can lead to fewer new lettings, lower new-letting rents and rising vacancy rates, and thus have a negative effect on the business operations of Deutsche Wohnen.

If the economic situation in Germany should deteriorate, there is also a risk that jobs will be cut. This could lead to a loss of regular income for tenants, who would therefore be unable to pay rents or pay rents on time. Management considers the probability of occurrence of this risk to be low. It can be averted in advance through close contact with the tenants and early recognition of financial problems. Tenants can then be offered smaller and more affordable apartments from Deutsche Wohnen's diversified portfolio.

In addition, an overall economic downturn can lead to a declining interest in acquiring property. In the areas of both individual privatisation and block sales there would be a risk that investments are postponed by potential buyers and that therefore the disposal plans of Deutsche Wohnen will be delayed.

Property risks

Property risks may arise at the level of the individual properties, the portfolio and the location of the property.

At the level of the individual property this comprises, in particular, maintenance failures, structural damage, inadequate fire protection or wear and tear by the tenant. Furthermore, risks may arise from contamination including wartime contamination, pollutants in soil and harmful substances in building materials as well as from possible breaches of building requirements. At the portfolio level, risks appear as a result of a concentration in the structure of the holdings. Such risks may include increased maintenance and refurbishment costs and an increased difficulty in letting units.

Financial risks

With a variety of interests and a complex ownership structure, increased transparency and greater management input are needed to avoid a negative impact on the Group's business operations. In addition, there is an increasing dependence on the commercial trade and tax environment. Inadequate planning and management and a lack of effective controlling of the investment proceeds could result in lower revenues.

Fundamental changes in tax conditions can lead to financial risks.

Among the financial risks, Deutsche Wohnen includes delayed cash flows from revenues and loans and unforeseen expenses, leading to liquidity problems. Furthermore, fluctuations in the valuation of property (IAS 40) due to negative developments in the property market and of derivatives can result in annual adjustments in the profit and loss statement.

Financial market risks

Banks may no longer be able or willing to extend expiring loans. It is possible that refinancing will become more costly and that future contract negotiations will take more time to complete. The refinancing volume of Deutsche Wohnen up to and including 2014 as at 31 December 2011 is EUR 107 million, of which EUR 45 million is due in 2012. In the loan agreements there are financial covenants, which could lead to extraordinary termination by the banks if the terms of these covenants are not met. At Deutsche Wohnen these are key financial figures which relate to the debt servicing ability (Debt Service Cover Ratio (DSCR)/Interest Service Cover Ratio (ISCR)) and the debt-ratio in relation to the rental income (multiplier). With the measures implemented in 2010 to optimise the financing structure and the exploitation of economies of scale in acquisitions we have further improved the existing "buffers" that we had in the past.

The significant risks to the Group arising from financial instruments comprise interest-related cash flow risks, liquidity risks and default risks. The company management prepares and reviews risk management guidelines for each of these risks. Default risks, or the risk that a partner will not be able to meet its payment obligations, are managed by using credit lines and control processes. Deutsche Wohnen does not face any considerable default risk, either from partners or from groups of partners with similar characteristics. The Group reviews the risk of liquidity shortfalls daily by using a liquidity planning tool. Deutsche Wohnen seeks to ensure that sufficient funds are available to meet future obligations at all times. The interest rate risk to which the Group is exposed is mainly derived from non-current financial liabilities with floating interest rates and is largely hedged through interest rate derivatives. Please refer to our information in the Notes on the Consolidated Financial Statements.

Investment risks

The selection and planning of major renovation work can lead to an incorrect allocation of investment funds. It is also possible that additional units acquired will not meet revenue expectations. This could have a negative impact on the business operations of the Group. Moreover, incomplete information in due diligence reports and evaluations as well as non-transparent procurement decisions and the failure to comply with procurement rules (e.g. in the use of public funds with the result of repayment) all entail risks.

Other risk factors that are directly related to investments by the company are exceeding planned costs, the failure to meet deadlines and the shortfall of equipment and fittings standards. This may require additional work on the part of the company. Similarly, delays in the start-up of operations, rental loss (rent reductions under certain circumstances) or an inadequate correction of defects can lead to increased expenses. Deutsche Wohnen uses external and internal experts, as well as ongoing project monitoring, to minimise these risks.

Opportunities for future development

Deutsche Wohnen has strengthened its position as one of the largest publicly listed German residential property companies and demonstrated its integration capabilities. This process has led to increased experience among employees and management, which can be used to enhance value in potential future integrations. Deutsche Wohnen is thus positioned as a consolidation platform to take advantage of emerging market opportunities and actively participate in the consolidation of the market.

In the current portfolio the main locations of Berlin and Frankfurt/Main and Rhine-Main continue to show good prospects for growth. Compared to the major German cities they are in the leading group. With Dusseldorf, access was gained to a further metropolitan area. A portfolio with a good mix with respect to the sizes of the residential units and micro-sites within the metropolitan areas and intensive tenant support offer the ability to generate constant income from the portfolio even in a challenging economic environment.

Overall, we have been able to significantly improve our position in the capital market. Today we have a market capitalisation of over EUR 1 billion and have been able to increase the liquidity of the shares; this has also enabled us to improve in the MDAX. Our financial structure is more than solid: We have full long-term financing and a low Loan-to-Value Ratio (LTV). Our business model is established with our banking partners and, the creditworthiness has further improved due to a better credit rating.

All these aspects will further support our growth strategy.

Deutsche Wohnen and RREEF Management GmbH (RREEF) have agreed on a court settlement in order to conclude court proceedings relating to loss compensation claims with regard to the financial years 1999 to 2011 and 2004 to 2006 (first half-year). Subject to the settlement being binding and a court notification on the withdrawal of the company's appeal RREEF will make a payment of EUR 20 million to the company. The settlement is subject to a special resolution of the shareholders being passed in a general assembly and to no objection being lodged in such meeting by a minority comprising shares of one tenth of the capital represented. We intend to submit the settlement for approval to the Annual General Meeting 2012. Deutsche Wohnen would receive a respective return in 2012 from this settlement.

Corporate management

We have published the information according to Section 289a of the German Commercial Code (HGB) on our website www.deutsche-wohnen.com.

Remuneration report

The remuneration system for the Management Board and the total remuneration of individual members of the Management Board are determined by the full Supervisory Board and are subject to regular review.

In light of the new applicable statutory framework under the German Appropriateness of Management Board Compensation Act (VorstAG), the Supervisory Board revised the remuneration system for the Management Board in the financial year 2010. According to the revised system, monetary remuneration is split evenly between a fixed and a variable component. The variable component has been divided into a so-called short-term incentive and long-term incentive since 2010. These are anchored in the employment contracts of Management Board members. The grant idea leads to the result that a total of around 58 % of the variable remuneration is set up on a multi-year basis. The actual remuneration structure at the end of the period may vary.

For the short-term incentive, specific individual targets are agreed in advance for the financial year between the member of the Management Board and the Supervisory Board. The amount of the short-term incentive paid out is dependent on the extent to which the targets have been met at the end of the financial year. An amount of up to 80 % of the short term incentive will be paid after the end of the financial year. The remaining amount will be left interest free in the company and will only be paid out after a further three years, provided that the economic situation of the company has not deteriorated in that time due to reasons that are the responsibility of the Management Board member to such an extent that the Supervisory Board would be authorised in accordance with section 87(2) of the German Stock Corporation Act (AktG) to make a deduction from their remuneration.

The long-term incentive is calculated according to the provisions of the Deutsche Wohnen senior managers participation programme "Performance Share Unit Plan" (PSU-Plan for short). According to this plan, the amount of the long-term incentive depends on the development of the key figures Funds from Operations (FFO), Net Asset Value (NAV) and the share price of Deutsche Wohnen AG within a four-year performance period.

A new performance period begins each year as part of the PSU-Plan. At the start of this period a base value is agreed for each member of the Management Board in accordance with the remuneration commitments stated in their contracts of employment. An entitlement to payment of the remuneration component only exists after the expiry of the relevant performance period, i.e. after four years.

The amount of the payment entitlement is dependent on the development of the key figures for the FFO, NAV and the share price of Deutsche Wohnen during the performance period. With the structure prescribed in the PSU-Plan for the long-term incentive both, positive and negative developments, are taken into account. In the event of exceptionally positive developments, there is a cap on the maximum amount to be paid out. A negative development reduces the amount of the initial base value and the amount paid until the payment amount reaches zero.

The described revised remuneration system was already in use in 2010 for the member of the Management Board Helmut Ullrich. For the Chief Executive Officer Michael Zahn the revised remuneration system has applied since the renewal of his employment contract, that is since 2011. For the member of the Management Board Lars Wittan the remuneration system applies with effect from his appointment to the board as at 1 October 2011, whereby the remuneration for the financial year 2011 is on a pro rata basis.

In the event of premature termination of his employment due to a change in control of the company, the Chief Executive Officer is promised benefits in accordance with the requirements of Section 4.2.3, (4) of the German Corporate Governance Code and with the cap on remuneration prescribed in that provision.

In the financial year 2011 the Supervisory Board once again engaged itself with the appropriateness of the overall remuneration of the members of the Management Board. In this process the Supervisory Board took into consideration the responsibilities of each member of the Management Board and the economic situation of the company, whilst paying particular regard to personal achievements, success and the positive outlook for the company. In addition, the prevailing level of remuneration in comparable companies and the remuneration structures in place elsewhere in the company were also scrutinised. The Supervisory Board has considered the total remuneration of Management Board members as appropriate.

The following remuneration payments were made to the members of the Management Board in 2011:

in EUR k	Michael Zahn	Helmut Ullrich	Lars Wittan
Fixed remuneration	**350**	**275**	**50**
Variable remuneration components			
Short-term incentive			
short-term due	300	160	38
long-term due	100	40	13
Long-term incentive PSU-Plan	150	125	25
Additional payments	**27**	**19**	**6**

The entitlements of the Management Board arising from the long-term remuneration components as at the reporting date have a value of around 150 %.

There is no employee benefit liability for current or retired members of the Management Board or Supervisory Board of Deutsche Wohnen AG. In the financial year 2011 no loans were granted to members of the Management Board at Deutsche Wohnen AG.

The Annual General Meeting of 17 June 2008 decided on the remuneration of the Supervisory Board. On the basis of this resolution, each member of the Supervisory Board receives fixed annual remuneration of EUR 20k, the Chairman of the Supervisory Board receives double that amount, and the Deputy Chairman of the Supervisory Board receives one and a half times that amount. The remuneration to be paid to the Supervisory Board in the financial year 2011 amounts to EUR 150k net.

Forecast

Independent economic research institutes expect that the economic upswing in Germany will weaken compared to 2011 but will not come to a standstill. The German Council of Economic Experts is forecasting GDP growth of 0.9 %, the German Institute for Economic Research (DIW) is forecasting 0.6 %.

With regard to our forecast for 2012, we have, provided that the economic climate in Germany will develop as predicted, made the following assumptions.

In Residential Property Management we are expecting a significant increase in segment profit primarily from the full-year impact of acquisitions and of the increase in rents in 2011 and from scheduled rent increases in 2012 with an impact for the year of around EUR 4 million. This is countered by opposing effects from disposals in 2011 and 2012. We want to keep vacancy rates at the current level. The costs of maintenance will remain at a similar level to 2011 (EUR 9–10 per sqm). Modernisation expenses are expected to be just under EUR 40 million. Overall, we are sustainably investing more than EUR 22 per sqm in our portfolio.

In the Nursing and Assisted Living segment, we expect an almost identical result in the amount of EUR 9 million.

Corporate expenses will increase by about 4 %.

The current interest expenses, depending on the interest rates, will amount to around EUR 85 million. Furthermore, the willingness of banks to offer financing in relation to acquisitions as well as their conditions will affect our financing expenses. The LTV will increase depending on acquisitions. If necessary, we would accept a short-term increase to 65 %, provided that key liquidity-based indicators in particular do not deteriorate significantly.

Overall, we are striving in our base scenario – that means without further acquisitions – for an FFO (without disposals) amounting to EUR 55 million.

In the area of privatisations, we are planning to sell about 900 units with a transaction volume of around EUR 70 million. An additional approximately 1,100 units are to be sold from the disposal regions, with a transaction volume of around EUR 45 million. In the Disposals segment we expect total earnings of around EUR 10 million.

Alongside the base scenario, we want to grow further in 2012 with the proceeds from the capital increase, which will have correspondingly positive effects on the FFO.

For the financial year 2013 we plan with an improved result through further acquisitions.

Frankfurt/Main, 24 February 2012

Michael Zahn Chief Executive Officer	Helmut Ullrich Chief Financial Officer	Lars Wittan Member of the Management Board

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as at 31 December 2011

in EUR k	Notes	31/12/2011	31/12/2010
ASSETS			
Investment properties	D.1	2,928,816	2,820,952
Property, plant and equipment	D.2	18,636	16,536
Intangible assets	D.3	2,511	3,483
Derivative financial instruments	D.6	0	9,192
Other non-current assets		561	517
Deferred tax assets	D.14	63,037	78,651
Non-current assets		**3,013,561**	**2,929,331**
Land and buildings held for sale	D.4	63,476	15,159
Other inventories		2,937	2,298
Trade receivables	D.5	13,959	6,690
Income tax receivables		797	2,353
Derivative financial instruments	D.6	0	75
Other current assets		2,329	1,944
Cash and cash equivalents	D.7	167,829	46,016
Subtotal current assets		**251,327**	**74,535**
Non-current assets held for sale	C.9	37,388	34,314
Current assets		**288,715**	**108,849**
Total assets		**3,302,276**	**3,038,180**

in EUR k	Notes	31/12/2011	31/12/2010
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Issued share capital	D.8	102,300	81,840
Capital reserve	D.8	496,174	370,048
Retained earnings	D.8	484,598	437,682
		1,083,072	**889,570**
Non-controlling interests	D.8	302	302
Total equity		**1,083,374**	**889,872**
Non-current financial liabilities	D.9	1,728,291	1,338,954
Employee benefit liability	D.10	42,662	44,747
Liabilities to limited partners in funds	D.11	0	476
Tax liabilities	D.13	41,221	48,496
Derivative financial instruments	D.6	71,731	43,922
Other provisions	D.12	8,265	9,789
Deferred tax liabilities	D.14	96,219	92,021
Total non-current liabilities		**1,988,389**	**1,578,405**
Current financial liabilities	D.9	106,382	445,565
Trade payables		35,634	29,236
Liabilities to limited partners in funds	D.11	7,287	22,011
Other provisions	D.12	3,295	3,465
Derivative financial instruments	D.6	23,241	26,416
Tax liabilities	D.13	17,411	15,433
Other liabilities		37,263	27,777
Total current liabilities		**230,513**	**569,903**
Total equity and liabilities		**3,302,276**	**3,038,180**

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from 1 January to 31 December 2011

in EUR k	Notes	2011	2010
Income from Residential Property Management	E.16	196,373	189,770
Expenses from Residential Property Management	E.17	–38,981	–38,801
Earnings from Residential Property Management		**157,392**	**150,969**
Sales proceeds		150,596	171,682
Costs of sales		–8,280	–6,912
Carrying amounts of assets sold		–131,742	–152,116
Earnings from Disposals	E.18	**10,574**	**12,654**
Income from Nursing and Assisted Living		40,105	40,651
Expenses for Nursing and Assisted Living		–30,875	–31,754
Earnings from Nursing and Assisted Living	E.19	**9,230**	**8,897**
Corporate expenses	E.20	–32,951	–31,795
Other expenses		–2,262	–4,606
Subtotal		**141,983**	**136,119**
Gains from fair value adjustment of investment properties	D.1	40,049	47,178
Depreciation and amortisation	D.2/3	–3,007	–3,044
Earnings before interest and taxes (EBIT)		**179,025**	**180,253**
Finance income		675	848
Losses from fair value adjustments of derivative financial instruments	D.6	–199	–234
Finance expense	E.21	–93,712	–123,728
Profit before taxes		**85,789**	**57,139**
Income taxes	E.22	–35,214	–33,334
Profit for the period		**50,575**	**23,805**
Thereof attributable to:			
Shareholders of the parent company		50,575	23,805
Non-controlling interests		0	0
		50,575	**23,805**
Earnings per share			
basic in EUR		0.61	0.29
diluted in EUR		0.61	0.29

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2011

in EUR k	2011	2010
Profit for the period	**50,575**	**23,805**
Other comprehensive income		
Net gain/loss from derivative financial instruments	–33,691	9,630
Income tax effect	10,484	–2,998
	–23,207	**6,632**
Actuarial gains/losses	1,528	–3,650
Income tax effect	–456	1,113
	1,072	**–2,537**
Other comprehensive income after taxes	**–22,135**	**4,095**
Total comprehensive income, net of tax	**28,440**	**27,900**
Thereof attributable to:		
Shareholders of the parent company	28,440	27,900
Non-controlling interests	0	0

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 31 December 2011

in EUR k	Notes	2011	2010
Operating activities			
Profit/loss for the period		50,575	23,805
Finance income		– 675	– 848
Finance expense		93,712	123,728
Income taxes		35,214	33,334
Profit/loss for the period before interest and taxes		**178,826**	**180,019**
Non-cash expenses/income			
Fair value adjustment of investment properties	D.1	– 40,049	– 47,178
Depreciation and amortisation	D.2/3	3,007	3,044
Fair value adjustments to interest rate swaps		199	234
Other non-cash operating expenses/income	G	– 20,338	– 24,312
Change in net working capital			
Change in receivables, inventories and other current assets		2,298	2,986
Change in operating liabilities		7,452	7,107
Net operating cash flows		**131,395**	**121,900**
Interest paid		– 79,446	– 86,149
Interest received		675	848
Taxes paid/received excluding EK-02-payments		481	– 2,901
Net cash flows from operating activities before EK-02-payments		**53,105**	**33,698**
EK-02-payments	D.13	– 9,603	– 23,839
Net cash flows from operating activities		**43,502**	**9,859**

in EUR k	Notes	2011	2010
Investing activities			
Sales proceeds		149,378	182,283
Purchase of property, plant and equipment/ investment property and other non-current assets	G	–260,382	–89,243
Receipt of investment subsidies		1,645	4,106
Payments to limited partners in funds	D.11	–15,763	–28,416
Net cash flows from investing activities		**–125,122**	**68,730**
Financing activities			
Proceeds from borrowings	D.9	633,111	137,894
Repayment of borrowings	D.9	–592,366	–203,963
Prepayment penalties		0	–23,599
Proceeds from the capital increase	D.8	186,476	0
Costs of the capital increase	D.8	–7,420	0
Dividend paid		–16,368	0
Net cash flows from financing activities		**203,433**	**–89,668**
Net change in cash and cash equivalents		**121,813**	**–11,079**
Opening balance of cash and cash equivalents		46,016	57,095
Closing balance of cash and cash equivalents		**167,829**	**46,016**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2011

in EUR k	Issued share capital	Capital reserves
Notes	D.8	D.8
Equity as at 01 January 2010	**81,840**	**455,761**
Profit/loss for the period		
Other comprehensive income after tax		
Total comprehensive income, net of taxes		
Transfer from the capital reserve		–85,713
Equity as at 31 December 2010	**81,840**	**370,048**
Equity as at 01 January 2011	**81,840**	**370,048**
Profit/loss for the period		
Other comprehensive income after tax		
Total comprehensive income, net of taxes		
Capital increase	20,460	166,016
Costs of capital increase, less tax effects		–5,046
Transfer from the capital reserve		–34,844
Dividend paid		
Equity as at 31 December 2011	**102,300**	**496,174**

	Retained Earnings				
Pensions	Reserves for cash flow hedge	Other reserves	Subtotal	Non-controlling interests	Equity
D.8	D.8	D.8		D.8	
204	**−44,805**	**368,670**	**861,670**	**302**	**861,972**
		23,805	23,805		23,805
−2,537	6,632		4,095		4,095
−2,537	**6,632**	**23,805**	**27,900**	**0**	**27,900**
		85,713	0	0	0
−2,333	**−38,173**	**478,188**	**889,570**	**302**	**889,872**
−2,333	**−38,173**	**478,188**	**889,570**	**302**	**889,872**
		50,575	50,575	0	50,575
1,072	−23,207		−22,135		−22,135
1,072	**−23,207**	**50,575**	**28,440**	**0**	**28,440**
			186,476		186,476
			−5,046		−5,046
		34,844	0	0	0
		−16,368	−16,368		−16,368
−1,261	**−61,380**	**547,239**	**1,083,072**	**302**	**1,083,374**

Notes to the consolidated financial statements

for the financial year ended 31 December 2011

A General information about the consolidated financial statements of the Deutsche Wohnen Group

1 The Deutsche Wohnen Group

The consolidated financial statements of Deutsche Wohnen AG ("Deutsche Wohnen") as at 31 December 2011 were prepared by the Management Board on 24 February 2012. The Supervisory Board is scheduled to approve the consolidated financial statements at its meeting on 19 March 2012. Deutsche Wohnen AG is a publicly-listed real estate company based in and operating across Germany with its registered office at Pfaffenwiese 300, Frankfurt/Main, and is registered in the commercial register of the Frankfurt/Main District Court under number HRB 42388.

The business activities of Deutsche Wohnen AG are limited to its role as the holding company for the companies in the Group. These activities include the following functions: Legal, Human Resources, Finance/Controlling/Accounting, Communication/Marketing and Investor Relations. The operating subsidiaries focus on residential property management and disposals relating to properties mainly situated in Berlin and the Rhine-Main area, as well as on the division Nursing and Assisted Living.

The consolidated financial statements are presented in Euros. Unless otherwise stated, all figures are rounded to the nearest thousand Euro (k EUR). For arithmetical reasons there may be rounding differences between tables and references and the exact mathematical figures.

2 Consolidated financial statements

The consolidated financial statements of Deutsche Wohnen and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

The consolidated financial statements have been prepared on a historical cost basis. This excludes, in particular, investment properties and derivative financial instruments, which are measured at fair value.

The consolidated financial statements comprise the financial statements of Deutsche Wohnen and its subsidiaries to 31 December of each financial year. The financial statements for the subsidiaries are prepared using consistent accounting and valuation methods as at the same reporting date as the financial statements of the parent company.

The disclosure in the consolidated profit and loss statement was changed above the "subtotal-" line compared to the reporting date of the "Interim Result". This change was made to better depict the business model of Deutsche Wohnen and thus provide a more transparent representation of the profit situation to the external readers. The result is that the disclosure is also easier to compare with competitors. The changes are also effective for the previous year. The following significant changes have been made to the disclosure:

- The income and expenses from Residential Property Management are reported separately as a separate item.
- The income and expenses from Nursing and Assisted Living are newly summarised in "Earnings from Nursing and Assisted Living" and further explained in the Notes to the Consolidated Financial Statements.
- The costs of sales are now shown in the earnings on Disposals.
- The corporate expenses now include staff costs (excluding Nursing and Assisted Living) and the ongoing general and administration expenses (excluding Nursing and Assisted Living).

in EUR m	Earnings from Residential Property Management	Earnings from Disposals	Earnings from Nursing and Assisted Living	Corporate expenses	Other expenses	Total
Revenues	264.6		33.2			297.8
Earnings from Disposals		19.6				19.6
Other operating income	1.0		4.7	0.7	3.2	9.6
Total expense	– 114.6	– 6.9	– 29.0	– 32.5	– 7.9	– 190.9
	151.0	**12.7**	**8.9**	**– 31.8**	**– 4.7**	**136.1**

3 Application of IFRS in the financial year

With the exception of new and revised standards and interpretations, the same accounting and valuation methods were applied to the consolidated financial statements for the past financial year as were used for the consolidated financial statements as at 31 December 2010.

In the financial year 2011 there were no changes arising from the first-time application of the IFRS standards or IFRIC interpretations.

The following shows already published but not yet applied IFRS standards:

IFRS 9 "Financial Instruments" was published by the IASB in November 2009. According to this standard, in future financial assets are to be allocated to one of the two valuation categories "at amortised cost" or "at fair value", and valued accordingly. Additionally, in October 2010 the regulations covering the accounting of financial liabilities were published. IFRS 9 is to be applied to financial years that begin on or after 1 January 2015. The application of the new standard will result in changes to the presentation and accounting of financial assets and liabilities.

In May 2011 the IASB published IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements": IFRS 12 "Disclosure of Interests in Other Entities", amendments to IAS 27 "Separate Financial Statements" and amendments to IAS 28 "Investments in Associates and Joint Ventures". IFRS 10 will replace the current regulations on consolidated financial statements (parts of IAS 27 "Consolidated and Separate Financial Statements") and special purpose entities (SIC 12 "Consolidation – Special Purpose Entities"). The application of the new standards will not likely lead to changes in the consolidated financial statements.

The IFRS 13, "Fair Value Measurement", was published in May 2011. The new standard provides guidance on how to determine the fair value. IFRS 13 is mandatory for financial years that begin on or after 1 January 2013. It has not yet been adopted into EU law. The application of this standard is not expected to lead to adjustments in the consolidated financial statements.

In June 2011 the IASB published "Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income". The application of the changed standard will result in changes to the presentation of the consolidated statement of comprehensive income.

In June 2011 the "Amendments to IAS 19 – Employee Benefits" was published. This includes new rules on accounting for pension plan commitments and other employee benefits. The application of the standard will result in no changes to the consolidated financial statements.

The IASB and the IFRS IC issued further statements that will not have any significant effect on our consolidated financial statements.

4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements. However, this excludes decisions involving estimates.

Operating lease commitments – Group as lessor

The Group has entered into leases to rent on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. The carrying amounts of the investment properties amounted to EUR 2,928.8 million (previous year: EUR 2,821.0 million).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

Fair value of investment properties

The fair value of investment properties was determined internally by a portfolio valuation as at 31 December 2011. The properties are clustered on the basis of their location and property quality. Assumptions regarding the development of rents, vacancies, vacancy losses, maintenance costs, and discount rates are made on the basis of these clusters. These valuation assumptions are subject to uncertainties due to their long-term nature that may lead to either positive or negative value adjustments in the future. The global crisis in the financial markets generated a high level of uncertainty in the European property market. In this environment, it is possible that fair values will be subject to volatility. The carrying amounts of the investment properties amounted to EUR 2,928.8 million (previous year: EUR 2,821.0 million).

Pensions and other post-employment benefits

Expenses relating to post-employment defined benefit plans are determined on the basis of actuarial calculations. The actuarial calculations are made on the basis of assumptions regarding discount rates, future wage and salary increases, mortality and future pension increases. Such estimates are subject to significant uncertainty due to the long-term nature of these plans. The employee benefit liability from pension obligations as at 31 December 2011 amount to EUR 42.7 million (previous year: EUR 44.7 million).

Liabilities to limited partners in funds

The limited partners of DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn (hereinafter "DB 14") have the possibility of tendering their shares until 2019. The full tendering of all limited partnership interests was assumed as a basis for the measurement of the liability. As at 31 December 2011, the liability amounted to EUR 7.3 million (previous year: EUR 22.5 million).

B Basis of consolidation and consolidation methods

1 Basis of consolidation

The consolidated financial statements comprise Deutsche Wohnen AG and the subsidiaries it controls from the time of their acquisition, being the date on which the Group obtains control. They continue to be consolidated until the date when such control ceases. The composition of Deutsche Wohnen can be seen in the list of shareholdings attached as Appendix 1.

In 2011, there were the following changes in the consolidation: Since 1 June 2011 Promontoria Holding XVI N. V., based in Amsterdam, the Netherlands, and since 30 September 2011 AGG Auguste-Viktoria-Allee Grundstücks GmbH, Berlin, SGG Scharnweberstraße Grundstücks GmbH, Berlin, and Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, Berlin were fully consolidated as wholly owned indirect subsidiaries. Those transactions do not constitute a business combination in accordance with IFRS 3. There have been no further significant changes to the basis of consolidation.

2 Consolidation methods

The financial statements for the subsidiaries are prepared using consistent accounting and valuation methods as at the same reporting date as the financial statements of the parent company. Subsidiaries are fully included in the consolidation from the time of acquisition, being the date on which the Group obtains control. They continue to be consolidated until the date when such control ceases.

Consolidation of capital is made in accordance with the acquisition method, according to which the acquisition costs are offset against the net assets of the shareholdings carried at fair value at the time of the acquisition.

All intra-Group balances, transactions, revenues, expenses, and gains and losses from intra-Group transactions which are included in the carrying amount of the assets are eliminated in full.

Non-controlling interests represent the share of the profits and net assets not attributable to the Group. Non-controlling interests are shown separately in the consolidated profit and loss statement and in the consolidated balance sheet. The disclosure in the consolidated balance sheet is made within equity, separate from the equity attributable to the owners of the parent company.

C Accounting and valuation methods

1 Investment properties

Investment properties are properties that are held to generate rental income or for the purposes of generating value and which are not used by the company itself or held for sale in the course of normal business activities. Investment properties include land with residential and commercial buildings, undeveloped land and land with leasehold rights.

Investment properties are measured initially at cost including transaction costs. Subsequent to the initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit and loss statement.

Internal valuations were made as at 31 December 2011 and 31 December 2010. The portfolio was also evaluated by CB Richard Ellis GmbH, Frankfurt/Main, as at 31 December 2011 and 31 December 2010 and the total value was confirmed. Value deviations for individual properties were no larger than +/– 10 %. The total valuation by CB Richard Ellis GmbH varied by < 0.1 % (previous year: 0.2 %) from the internal valuation.

The valuation was performed in both financial years as follows: The properties were clustered. Homogeneous groups (clusters) were created on the basis of the location and quality of the units and their relative risks.

The clusters were created based on the following characteristics:

Cluster	Location characteristic	Property characteristic
AA	Good location	Good property
AB	Good location	Normal property
AC	Good location	Basic property
BA	Normal location	Good property
BB	Normal location	Normal property
BC	Normal location	Basic property
CA	Basic location	Good property
CB	Basic location	Normal property
CC	Basic location	Basic property

These clusters were further split into the regions Berlin, Brandenburg, Rhine-Main/Rhine Valley South, the residual of Rhineland-Palatinate and others.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses from the permanent withdrawal from use or disposal of investment properties are recognised in the year of their withdrawal from use or disposal.

Properties are transferred from the investment properties portfolio if there is a change of use caused by the company either starting to use the property itself or by the commencement of development with an intention to dispose.

If there is a transfer of investment properties into the portfolio of owner-occupied properties, the deemed cost for subsequent accounting is the fair value at the date of change in use.

2 Property, plant and equipment

Property, plant and equipment are stated at cost net of cumulative depreciation and accumulated impairment losses. Subsequent acquisition costs are recognised insofar as it is likely that a future economic benefit from the property, plant or equipment will accrue for Deutsche Wohnen.

Straight-line depreciation is based on the estimated useful life of the asset. The useful life of buildings is 50 years. The useful life of moveable assets is four to ten years.

Impairment tests regarding the carrying amounts of property, plant and equipment are performed as soon as there are indications that the carrying amount of an asset exceeds its recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated profit and loss statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted if appropriate.

3 Intangible assets

Deutsche Wohnen only recognises acquired intangible assets on the balance sheet. These are measured on initial recognition at cost and are amortised using the straight-line method over their respective useful lives. Their useful lives are between three and five years.

4 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they arise. There were no effects from the application of IAS 23 (revised), as the relevant assets (properties) were already recognised at fair value.

5 Impairment of non-financial assets

The non-financial assets consist mainly of property, plant and equipment, intangible assets and inventories. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the profit and loss statement in those expense categories consistent with the function of the impaired asset.

For all non-financial assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss statement.

6 Financial assets

Financial assets within the scope of IAS 39 are classified by Deutsche Wohnen
- as financial assets at fair value through profit or loss,
- as loans and receivables,
- as available-for-sale financial assets, or
- as derivative financial instruments designed as hedging instruments in an effective hedge.

The financial assets are recognised initially at fair value plus, in case of investments not at fair value through profit and loss, directly attributable transaction costs. Financial assets are assigned to the categories upon initial recognition. If permitted and necessary, reclassifications are made at the end of the financial year.

Other than derivative financial instruments with and without hedging context (interest rate swaps), Deutsche Wohnen has not recognised any financial assets held for trading purposes or financial assets held to maturity, yet.

The receivables and other assets recognised in the consolidated financial statements of the Deutsche Wohnen Group are allocated to the category "loans and receivables". Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest method less impairment. Gains and losses are recognised in profit/loss for the period when the loans and receivables are derecognised or impaired or when amortised.

Impairment of receivables from rental activities is made on the basis of empirical values. Reasonable individual impairments are made for other receivables and assets.

Interest rate swaps are recognised at fair value on the basis of a mark-to-market method, regardless of whether they are classified as an effective or non-effective hedging instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to receive cash flows from the asset have expired.

7 Inventories

Inventories comprise land and buildings held for sale and other inventories. Land and buildings held for sale are sold in the normal course of business, so it exceeds a period of twelve months.

The initial valuation is made at cost. At reporting date the inventories are valued at the lower value of cost or cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

8 Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet comprise cash at banks and on hand and short-term deposits with original maturities of less than three months.

9 Non-current assets held for sale

The Deutsche Wohnen Group recognises investment properties as assets held for sale if notarised contracts of sale are available at the reporting date but transfer of ownership takes place at a later date. Measurement is made at the lower of the carrying amount or acquisition price. In the case of own-used property by the company (IAS 16), depreciation is discontinued from the time of reclassification. The property is allocated to the Disposals segment.

10 Financial liabilities

Financial liabilities within the scope of IAS 39 are classified by Deutsche Wohnen

- as other financial liabilities that are carried at amortised cost, or
- as derivative financial liabilities that meet the requirements of an effective hedging transaction.

Financial liabilities

Loans and borrowings are initially recognised at fair value less the transaction costs directly associated with the loan. After initial recognition, the interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss statement when the liabilities are derecognised or during the amortisation process.

Profit participation rights

GEHAG employees have the opportunity to participate in GEHAG as silent shareholders in the form of profit participation rights. These profit participation rights are purchased at nominal amount and give an entitlement to profit participation. Employees have the right to terminate their profit participation rights after eight years. If the right of termination is exercised, the cumulative balance of the capital account is paid out (nominal value + profit share ./. share of losses). There is no obligation to commit additional capital. The profit participation rights are recognised as non-current debt capital (EUR < 0.1 million) within the financial liabilities.

Trade payables and other liabilities
Liabilities are initially recognised at fair value. After initial recognition, they are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss statement when the liabilities are derecognised or during the amortisation process.

Liabilities to limited partners in funds
According to IAS 32 (revised 2003), the termination rights of a limited partner are a decisive criteria for the distinction between equity and debt capital. Financial instruments that give the owner (here: limited partner) the right to return the instrument to the issuer in return for payments of money constitute a financial liability. Due to the termination rights of the limited partners, the limited partnership interests and the "net assets of shareholders" are recognised as debt capital. According to IAS 32.35 (revised 2003), the profit share of the limited partners and minority shareholders are consequently recognised as a finance expense.

The net assets of the limited partners have to be recognised at the fair value of any possible repayment amount at the end of the financial year. Value increases are recognised as finance expense and impairments as finance income in the consolidated profit and loss statement. The amount of the repayment obligation depends on the articles of association.

Within Deutsche Wohnen there are liabilities to limited partners in funds of EUR 7.3 million (previous year: EUR 22.5 million).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modifications is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit and loss statement. The difference between the respective carrying amounts is recognised in the profit and loss statement.

11 Pensions and other post-employment benefits

Employee benefit liabilities are recognised for commitments (pensions, invalidity, surviving spouse pensions and surviving dependent benefits) for pensions and ongoing benefits to eligible active and former employees and their surviving dependents.

Expenses for benefits granted as part of defined contribution plans are determined using the projected unit credit method. Actuarial gains and losses are recognised with an earnings-neutral effect in the consolidated statement of comprehensive income.

On the basis of statutory provisions, Deutsche Wohnen pays contributions to state pension insurance funds from defined contribution plans. These current contributions are shown as social security contributions within staff expenses. Payment of the contributions does not constitute any further obligations for the Group.

There is also a pension plan drawn up in accordance with the regulations governing public sector supplementary pensions. It is based on membership of a Group company in the Bayerische Versorgungskammer (hereinafter BVK) — the supplementary pension fund for municipalities in Bavaria. The supplementary pension comprises a partial or full reduced earnings capacity pension plus an age-related pension as a full pension or surviving dependant's pension. The charge levied by the BVK is determined by the employees' compensation used to calculate the supplementary pension contribution.

The BVK therefore represents a multi-employer defined benefit plan that, in accordance with IAS 19.30 (a), is accounted for as a defined contribution plan because the BVK has not provided sufficient information to account for the plan as a defined benefit plan.

No specific information is known regarding any overfunding or underfunding of the plan or the related future effects on Deutsche Wohnen Group. In future, decreasing/increasing payments of premiums by Deutsche Wohnen to the BVK may result from possible surpluses or deficits.

12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss statement net of any reimbursement. If the impact of the interest rate is significant, provisions are discounted at an interest rate before tax that reflects the specific risks of the liability. In the case of discounting, the increase in provisions due over time is recognised as a finance expense.

13 Lease

Leasing transactions are differentiated between finance leases and operating leases. Contractual provisions that transfer all significant risks and rewards associated with the ownership of an asset to the lessee are reported as finance leases. The lessee recognises the leased asset as an asset and the corresponding obligations are recognised as liabilities. All other leasing transactions are reported as operating leases. Payments from operating leases are recorded as an expense on a straight-line basis over the contract period.

14 Revenue and expenses recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In addition, the following criteria have to be met when recognising revenue:

Rental income

Rental income from investment properties is recognised monthly over the period of the lease in accordance with the tenancy agreement.

Disposal of property

Revenue is recognised when the significant risks and rewards associated with the ownership of the disposed property have been transferred to the purchaser.

Services

Revenue is recognised in accordance with the delivery of the service.

As part of the long-term performance-based remuneration there are share-based remuneration components which are settled through funds. The remuneration components to be expensed over the vesting period correspond to the fair value of the equity-based remuneration on the reporting date. The determination of fair values is based on generally accepted valuation methods. Provisions/liabilities are accounted for in a corresponding amount.

15 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. In the case of a grant related to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Deutsche Wohnen has received government grants in the form of disbursement subsidies, disbursement loans and subsidised-interest loans.

Disbursement subsidies, in the form of rent subsidies, are recognised in the profit and loss statement. They are recognised as income from residential property management.

Disbursement loans and subsidised-interest loans are property loans and are recognised as financial liabilities. In comparison with loans made under market conditions, both offer advantages such as lower interest rates or interest-free and redemption-free periods. The loans are measured at fair value and are subsequently carried at amortised cost. However, they are to be viewed in context with rent restrictions of the properties, which were taken into account when determining the fair value.

Deutsche Wohnen also received investment grants amounting to EUR 1.6 million (previous year: EUR 4.1 million) and these were offset against acquisition costs.

16 Taxes

Current income tax assets and liabilities

Current income tax assets and liabilities for the current period and for previous periods are measured at the amount expected to be recovered or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those enacted as at reporting date.

Deferred taxes

Deferred tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences except of the following: In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, deferred tax liabilities are not recognised.

Deferred tax assets are recognised for all deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The following exceptions apply:

- Deferred tax assets from deductible temporary differences which arise from the initial recognition of an asset or a liability in a transaction that is not a business combination and that, at the time of the business transaction, affect neither the accounting profit nor taxable profit or loss may not be recognised.

- Deferred tax assets from deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount for deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items that are recognised directly in equity are recognised in equity and not in the consolidated profit and loss statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

17 Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments (interest rate swaps) to hedge against interest rate risks. These derivatives are initially recognised at fair value when the corresponding agreement is entered into and are subsequently measured at fair value. Derivative financial instruments are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. Measurement is derived using the mark-to-market method.

Deutsche Wohnen recognises concluded interest rate swaps on the basis of the hedge accounting regulations of IAS 39. In addition to documentation of the hedging correlation between the hedge and the underlying item, one requirement for hedge accounting is proof of the effectiveness of the hedging correlation between the hedge and the underlying item. If an effective correlation exists, the effective part of the value adjustment of the hedge is directly recognised in equity without affecting earnings. The non-effective part is recognised in the profit and loss statement. As far as the requirements for hedge accounting existed, the fair values of the hedging instruments were classified as current or non-current assets/liabilities. Deutsche Wohnen tested the effectiveness of the concluded interest hedges on a prospective (critical terms method) and a retrospective basis. In the case of derivative financial instruments which do not meet the criteria for hedge accounting, gains or losses from changes in fair value are immediately recognised in the profit or loss statement.

Deutsche Wohnen only hedges cash flows which relate to future interest expenses.

D Notes to the consolidated balance sheet

Non-current assets

1 Investment properties

Investment properties are recognised at fair value. Fair value developed as follows during the financial year:

in EUR k	31/12/2011	31/12/2010
Start of period	**2,820,952**	**2,835,483**
Acquisitions	159,035	83,377
Other additions	23,182	13,434
Disposals	−77,014	−124,206
Fair value adjustment	40,049	47,178
Transfer	−37,388	−34,314
End of period	**2,928,816**	**2,820,952**

The transfer includes the property reclassified as non-current asset for sale in the current year.

The following principles were applied to the valuation as at 31 December 2011 and 31 December 2010:

Based on the clusters:
- Derivation of annual rates of increase in rent.
- Derivation of target vacancy rates over a period of 1.0 to 4.5 years.
- Derivation of capitalisation rates and discount rates.

Based on the properties:
- Determination of the market rent as at the reporting date.
- Development of rent per sqm of lettable area based on market rent and in-place rent/current gross rental income.
- Development of costs (maintenance, administration, rental loss and non-recoverable expenses, ground rent (if applicable)).
- Determination of cash flows from annual proceeds and payments and the terminal value at the end of year 10, based on the recurring cash flow expected in year 11 or an expected sales price less sales expenses.
- Calculation of a fair value based on the administrative unit as at the reporting date.

The capitalisation and discount rates were derived based on the risk-free interest rate (10-year average of net yields of federal bonds: 3.32 % [previous year: 2.95 %]) and property-specific risk estimates. Discount rates of 6.10 % to 8.35 % were applied. The weighted average of the discount rates is 6.7 %. The capitalisation rates range from 4.75 % to 7.50 %.

This results in an average value of EUR 946 per sqm (previous year: EUR 926 per sqm) and a multiplier of 13.7 (previous year: 13.7) based on the potential current gross rental income as at 31 December 2011 and a multiplier of 14.2 (previous year: 14.4) based on the current gross rental income. The portfolio without fair value adjustments would have had an average value of EUR 933 per sqm (previous year: EUR 910 per sqm). The increase in fair values of investment properties is due to the improvement in economic property parameters (rent levels, vacancy rates, discount rate).

A capitalisation and discount rate shift of 0.1 % causes a fair value adjustment of EUR 50 million (previous year: EUR 47 million).

The investment properties serve as collateral for the loans. There are also agreements in individual cases according to which the condition of the properties may not deteriorate. In the case of acquisitions in 2011, it was agreed with the creditors to carry out renovation measures totalling EUR 4.6 million.

Insofar as no significant deviations from the current market value determined as at the reporting date resulted from the valuation of the properties according to the parameters and assumptions above, the current market value from the previous year was carried forward.

All of the Group's investment properties are leased under operating leases. The rental income generated from this amounted to EUR 196.4 million (previous year: EUR 189.8 million). The expenses directly associated with the investment properties amounted to EUR 39.0 million (previous year: EUR 38.8 million).

Deutsche Wohnen is partly subject to restrictions with regards to rental increases related to certain preferential tenants and in relation to grants in the form of subsidised-interest loans or investment subsidies. Additionally, we must comply with legal obligations when privatising apartments.

2 Property, plant and equipment

Land and buildings, plant and equipment classified under IAS 16 are reported under this item. They developed as follows during the financial year:

in EUR k	31/12/2011	31/12/2010
Cost		
Start of period	23,764	23,536
Additions	4,093	1,046
Disposals	– 677	– 818
End of period	**27,180**	**23,764**
Cumulative depreciation and impairment		
Start of period	7,228	6,135
Additions	1,697	1,809
Disposals	– 381	– 716
End of period	**8,544**	**7,228**
Net carrying amounts	**18,636**	**16,536**

The land and buildings included in property, plant and equipment (EUR 11.4 million, previous year: EUR 8.8 million) are mainly property-secured.

3 Intangible assets

Intangible assets developed as follows:

in EUR k	31/12/2011	31/12/2010
Cost		
Start of period	6,959	6,887
Additions	338	434
Disposals	– 20	– 362
End of period	**7,277**	**6,959**
Cumulative depreciation and impairment		
Start of period	3,476	2,329
Additions	1,310	1,235
Disposals	– 20	– 88
End of period	**4,766**	**3,476**
Net carrying amounts	**2,511**	**3,483**

Intangible assets mainly comprise software licences.

4 Land and buildings held for sale

The increase in land and properties held for sale is largely due to an acquisition of already privatised residential units that were acquired for disposal purposes. Proceeds of EUR 24.5 million (previous year: EUR 4.3 million) were generated in the financial year 2011. The proceeds were partly offset by carrying amounts of assets sold of EUR 20.5 million (previous year: EUR 2.8 million).

5 Trade receivables

Receivables are made up as follows:

in EUR k	31/12/2011	31/12/2010
Receivables from rental activities	5,643	4,526
Receivables from the disposal of land	7,317	1,461
Other trade receivables	999	703
	13,959	**6,690**

Receivables from rental activities are interest-free and are always overdue. Impairments are made based on the age structure and/or according to whether the tenants are active or former tenants. There have been write-downs formed of almost all overdue receivables.

In the financial year 2011 rental claims totalling EUR 1.4 million (previous year: EUR 1.8 million) were written off or impaired. The impairment of receivables as at 31 December 2011 amounted to EUR 5.3 million (previous year: EUR 5.3 million).

Receivables from the disposal of land are interest-free and are due between 1 and 90 days.

The non-impaired receivables from the disposal of land are due as follows:

in EUR k	Thereof, neither impaired nor overdue as at reporting date	Thereof, neither impaired nor overdue in the following periods as at reporting date			
		< 30 days	30 – 60 days	61 – 90 days	> 91 days
2011	6,506	275	91	222	223
2010	756	639	0	3	63

Other receivables are interest-free and are due between 1 and 90 days.

6 Derivative financial instruments

The Deutsche Wohnen Group has concluded several interest hedges with a nominal amount of EUR 1,206 million (previous year: EUR 1,177 million). The cash flows of the underlying hedged item under the cash flow hedge accounting will be incurred in the years 2012 to 2018. The strike rates are between 2.28 % and 4.74 %. The negative fair value as at 31 December 2011 amounted to EUR 95.0 million (previous year: EUR 61.1 million).

There are no significant default risks as the interest rate swaps were concluded with major banks. If the interest rate level changes, the market values change accordingly. Income and expenses are recognised in equity for the effective part of a hedge, while the non-effective part is recognised within current earnings. If the interest rate level should rise/fall by 50 basis points, the fair value of the interest rate swap rises/falls by approximately EUR 24.7 million (previous year: EUR 27.0 million).

7 Cash and cash equivalents

The cash and cash equivalents of EUR 167.8 million (previous year: EUR 46.0 million) mainly consist of cash at banks, cheques and cash on hand. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rate. As at the reporting date, the Deutsche Wohnen Group had cash and cash equivalents amounting to EUR 25.8 million (previous year: EUR 16.8 million) which were restricted in use. This primarily relates to the purchase collection accounts for special repayments from disposals, the cash funds of DB 14 and rental deposits.

8 Equity

Please refer to the consolidated statement of changes in equity for the development of equity.

a) Issued share capital

The registered capital amounts to EUR 102.3 million (previous year: EUR 81.8 million). The registered capital comprises 102,300,000 no-par value shares (previous year: 81,840,000 no-par value shares) with a notional share of EUR 1.00 per share. All shares have been issued and are paid in full. In November 2011 Deutsche Wohnen AG increased its share capital through the issue of new shares with partial utilisation of the authorised capital from the Annual General Meeting of 31 May 2011. Thus, the subscribed capital of the company was increased by issuing 20,460,000 new shares. Cash contributions in the amount of an average of EUR 9.11 per share (total: EUR 186,476 k) were made on the newly issued shares. The capital increase was registered in the commercial register.

The company shares are either registered or bearer shares. If the shares are issued as registered shares, the registered shareholders are entitled to request — in writing or in text form (Section 126b of the German Civil Code [BGB]) — from the Management Board that the registered shares for which they are listed in the company's share register be converted into bearer shares. A conversion of the shares requires the consent of the Management Board.

New shares issued due to a capital increase are issued as bearer shares.

With the consent of the Supervisory Board, the Management Board is authorised to increase the registered capital on one or more occasions up to 30 May 2016 by up to EUR 20,460,000.00 by issuing up to 20,460,000 new ordinary bearer shares in exchange for cash or non-cash contributions (authorised capital 2011). The shareholders must always be granted subscription rights along with the authorised capital. However, in certain cases, the Management Board is entitled to exclude the subscription rights of shareholders with the agreement of the Supervisory Board and subject to the conditions of the articles of association. Thus, an exclusion of subscription rights is possible in particular for the issue of shares for cash contributions, if the issue price of new shares is not substantially below the market price of shares already listed the same class and features at the time of the final determination of the issue price and the pro rata amount of the share capital attributable to the new shares issued with the exclusion of subscription rights does not exceed a total of 10 % of the share capital, neither at the date of entry nor at the time of its exercise. Furthermore, an exclusion of subscription rights to shares issued against contributions in kind is possible, for example, for the purpose of acquiring companies, parts of companies or shares in companies. Overall, the authorisation to exclude subscription rights is limited to an amount not exceeding 20 % of the share capital; shares issued to service bonds with conversion or option rights are also subject to this 20 % limit, if they have been issued according to the resolution of the Annual General Meeting of 31 May 2011 with exclusion of subscription rights.

The registered capital is contingently increased by up to EUR 20,460,000.00 by the issuance of up to 20.460.000 new bearer shares with dividend rights from the start of the financial year in which they are issued (contingent capital 2011).

The contingent capital increase serves the issuance of shares to the owners or creditors of bonds with warrants or convertible bonds and of profit participation rights with option or conversion rights that are issued before 30 May 2016 by the company, or companies which are controlled or majority owned by the company, according to the authorisation of the Annual General Meeting of 31 May 2011. It shall only be exercised insofar as option or conversion rights related to the aforementioned bonds with warrants or convertible bonds or profit participation rights are exercised, or if the conversion obligations from such bonds are fulfilled and provided own shares are not used to service the obligations.

b) Capital reserve
EUR 34.8 million (previous year: EUR 85.7 million) was taken from the capital reserve in 2011.

In 2011 the capital reserve increased by EUR 166.0 million due to premium payments related to the capital increase. The costs incurred due to the capital increase in the amount of EUR 7,420 k and the income tax effects related to these costs (EUR 2,374 k) were offset against the premium payments.

c) Retained earnings
Retained earnings comprise the revenue reserve of Deutsche Wohnen and the accumulated profit/loss carried forward.

The statutory reserve is mandatory for German publicly listed corporations. According to Section 150 (2) of the German Stock Corporation Act (AktG), an amount equivalent to 5 % of the profit for the financial year is to be retained. The statutory reserve has a cap of 10 % of the registered capital. In accordance with Section 272 (2) nos. 1–3 of the German Commercial Code (HGB), any existing capital reserve is to be taken into account and the provisions required for the statutory reserve are reduced accordingly. This is measured on the basis of the issued share capital which exists and is legally effective at the reporting date and which is to be reported in this amount in the respective annual balance sheet. The statutory reserve remains unchanged at EUR 1.0 million.

d) Non-controlling interests
The non-controlling interests (minority interests) exist in the GEHAG Group.

9 Financial liabilities

The company has taken on bank loans particularly to finance property and company transactions and property acquisitions.

The financial liabilities are hedged at around 78 % (previous year: around 78 %) at a fixed rate and/or through interest rate swaps. The average rate of interest was around 4.1 % (previous year: around 4.0 %).

The loan renewal structure based on current outstanding liability is as follows:

in EUR m	Carrying amount 31/12/2011	Nominal value 31/12/2011	2011	2012	2013	2014	2015	Greater than/ same as 2016
Loan renewal structure 2011	1,834.7	1,938.6	n.a.	45.2	23.6	37.5	235.4	1,596.9
Loan renewal structure 2010	1,784.5	1,894.7	5.0	39.0	25.0	49.0	247.8	1,528.9

The liabilities are fully secured by property as collateral.

10 Employee benefit liability

The company's pension scheme consists of defined benefit and defined contribution plans.

Employee benefit liabilities are determined using the projected unit credit method in accordance with IAS 19. Future obligations are measured using actuarial methods that conservatively estimate the relevant parameters.

The level of pension obligations (defined benefit obligation of the pension commitments) was calculated in accordance with actuarial methods on the basis of an external expert report and the following factors:

in %	31/12/2011	31/12/2010
Discount rate	4.66	4.51
Future salary increases	2.50	2.00
Future pension increases	1.75	1.75
Increase in the contribution assessment ceiling	2.25	2.00
Mortality tables	R 05G	R 05G

The future salary increases include expected future salary increases that depend, among other things, on the inflation rate and the length of service in the company.

The pension expenses are made up as follows:

in EUR k	31/12/2011	31/12/2010
Interest cost	−1,965	−2,087
Service cost	−246	−226
Adjustments to the pension fund	−53	0
	−2,264	**−2,313**

The following overview shows the development of pension obligations:

in EUR k	31/12/2011	31/12/2010
Opening balance employee benefit liability	44,747	41,529
Pension payments	−2,821	−2,745
Interest cost	1,965	2,087
Service cost	246	226
Adjustments to the pension fund	53	0
Actuarial profits/losses	−1,528	3,650
Closing balance employee benefit liability	**42,662**	**44,747**

Pension commitments include old-age, disability, surviving spouse and surviving dependant pensions. They are based on the last fixed annual gross salary. Different benefit plans apply depending on the employee's position in the company.

The pro rata interest costs are recognised as "interest expenses" in the profit and loss statement, whilst current pension payments, service cost and adjustments to current pensions are recognised as "staff expenses".

The amounts for the current and previous five reporting periods are as follows:

in EUR k	31/12/2011	31/12/2010	31/12/2009	31/12/2008	31/12/2007
Defined benefit obligation	42,662	44,747	41,529	39,300	41,562
Experience-based adjustments	–875	166	228	–874	–174

Costs totalling EUR 3.5 million (previous year: EUR 3.4 million) were incurred for defined contribution pensions. Therefore, total expenses for retirement provisions (defined benefit and defined contribution) amounted to EUR 3.8 million (previous year: EUR 3.6 million). For 2012, based on the current number of employees, the cost will total EUR 3.8 million.

11 Liabilities to limited partners in funds

On the basis of individual agreements, Rhein-Pfalz Wohnen GmbH has granted the limited partners of DB 14 a put option relating to their limited partnership interests from 2005 to 2019. Under these agreements, the Group is obliged to acquire the interests initially (in 2005) at 105 % of the paid-in capital upon request. From 2005, the agreed purchase price for the interest increases by five percentage points per annum. Outstanding dividend payments are taken into account for limited partnership interests that are offered to us.

Liabilities developed as follows during the financial year:

in EUR k	31/12/2011	31/12/2010
Opening balance liabilities	22,487	49,125
Payment for tender	–15,763	–28,416
Accrued interest	563	1,778
Closing balance liabilities	**7,287**	**22,487**

The disclosure of liabilities to limited partners in funds as at 31 December 2011 is fully (previous year: EUR 22.0 million) recognised as current, since payments for the remaining tenders are expected in 2012.

12 Other provisions

The other provisions are made up as follows:

in EUR k	Revitalisation	Restructuring	Other	Total
Opening balance at start of period	9,564	220	3,470	13,254
Utilisation	–1,912	–188	–310	–2,410
Reversal	0	–32	–904	–936
Additions	264	0	1,388	1,652
Closing balance at end of period	**7,916**	**0**	**3,644**	**11,560**
thereof non-current	7,916	0	349	8,265
thereof current	0	0	3,295	3,295

The provision for revitalisation (EUR 7,916 k; previous year: EUR 9,564 k) relates to the privatisation agreement between the federal state of Berlin and GEHAG. According to this agreement, GEHAG is committed to invest an original total of EUR 25,565 k in the improvement of housing conditions. There are no regulations in the agreement regarding the time period. The calculation assumes a period until 2015 and an interest rate of 4.1 %. The additions are related to the interest accrued for the provision.

13 Tax liabilities

Current and non-current tax liabilities (EUR 58.6 million; previous year: EUR 63.9 million) essentially include the present value from the settlement of the EK-02-holdings (EUR 50.5 million; previous year: EUR 57.8 million) in the Deutsche Wohnen Group. In accordance with the German Annual Taxation Act 2008 (JStG), the previous regulation regarding the treatment of EK-02-holdings was abolished and replaced by a flat-rate payment that is mandatory. In accordance with this, the closing balance of EK-02-holdings as at 31 December 2006 is taxed at a flat rate of 3 %, regardless of their utilisation. It is not applicable to the remaining holdings and triggers no further increases in German corporation income tax. The resulting tax amount is to be paid either within a period of ten years from 2008 to 2017 in ten equal annual instalments or at the present value in a lump-sum payment. The total EK-02-capital reserves of the Deutsche Wohnen Group amount to EUR 3.2 billion. The valuation was based on an interest rate of 4.2 %. Furthermore it is assumed, that the payment will be in ten annual instalments (EUR 9.6 million) and not in a lump-sum payment at the present value.

14 Deferred taxes

Deferred taxes are made up as follows:

in EUR k	31/12/2011	Change	31/12/2010
Deferred tax assets			
Properties	5,733	–25,740	31,473
Pensions	3,243	–352	3,595
Prepayment penalties	541	–41	582
Loss carry-forwards	21,152	161	20,991
Provisions	2,815	–192	3,007
Swap	29,552	10,549	19,003
	63,037	**–15,615**	**78,651**
Deferred tax liabilities			
Loans	23,417	2,045	25,461
Properties	69,673	–4,811	64,862
Special items	3,129	–1,431	1,698
	96,219	**–4,197**	**92,021**
Deferred taxes (net)	**–33,183**	**–19,812**	**–13,370**
thereof			
Recognised directly in equity	10,028		–1,884
Recognised in profit/loss	–29,840		–28,502
	–19,812		**–30,386**

The actuarial gains and losses from pensions and the changes in the current market value of the effective hedges are recognised directly in equity not affecting net income. The resulting deferred taxes are also recognised directly in equity and amount to EUR –0.5 million (previous year: EUR 1.1 million) for the actuarial profits and losses and to EUR 10.5 million (previous year: EUR –3.0 million) for the changes in the current market value of the effective hedges.

Deutsche Wohnen has corporation tax loss carry-forwards totalling EUR 1.1 billion (previous year: EUR 1.1 billion) and trade tax loss carry-forwards totalling EUR 0.9 billion (previous year: EUR 0.9 billion). Corporation tax loss carry-forwards that were not capitalised amount to approximately EUR 1.0 billion, trade tax loss carry-forwards to approximately EUR 0.9 billion. In general, loss carry-forwards do not expire.

15 Leases

The tenancy agreements which Deutsche Wohnen has concluded with its tenants are classified as operating leases in accordance with IFRS. Accordingly, the Group acts as lessor in a diverse range of operating lease agreements (tenancies) for investment properties from which it obtains the largest part of its income and revenues.

In 2012, Deutsche Wohnen will receive minimum lease payments totalling approximately EUR 51 million (previous year: EUR 48 million) from existing operating lease agreements with third parties from the current property portfolio (implied legal period of notice: three months). Furthermore, Deutsche Wohnen will receive minimum lease payments totalling EUR 34 million (previous year: EUR 34 million) from the properties connected with Nursing and Assisted Living in 2012, between one and five years totalling approximately EUR 136 million (previous year: approximately EUR 136 million), and more than five years totalling of approximately EUR 170 million (previous year: EUR 170 million). This is based on an assumption of a remaining lease of five years after the fifth year. The tenancy agreements are for an indefinite period and end upon the death of the tenant or upon termination by the landlord in the event of a default of payments.

E Notes to the consolidated profit and loss statement

The consolidated profit and loss statement is prepared using the total cost method.

16 Income from Residential Property Management

The income from Residential Property Management is made up as follows:

in EUR k	2011	2010
Potential gross rental income	201,422	196,109
Subsidies	2,721	3,344
	204,143	**199,454**
Vacancy loss	–7,770	–9,683
	196,373	**189,770**

17 Expenses from Residential Property Management

The expenses from Residential Property Management are made up as follows:

in EUR k	2011	2010
Maintenance costs	29,618	27,958
Non-recoverable expenses	5,758	6,376
Rental loss	1,915	2,108
Other expenses	1,690	2,359
	38,981	**38,801**

18 Earnings from Disposals

The earnings from Disposals include sales proceeds, costs of sales and carrying amounts of assets sold and certain land and buildings held for sale.

19 Earnings from Nursing and Assisted Living

The earnings from Nursing and Assisted Living are made up as follows:

in EUR k	2011	2010
Income from Nursing and Assisted Living	40,105	40,651
Nursing and corporate costs	–11,497	–11,769
Staff expenses	–19,378	–19,985
	9,230	**8,897**

20 Corporate expenses

The corporate expenses are made up as follows:

in EUR k	2011	2010
Staff expenses	20,338	19,672
General and administration expenses		
IT costs	3,186	3,106
Building costs	1,929	1,874
Legal, consultancy and audit costs	2,716	2,197
Communication costs	1,069	1,172
Printing and telecommunication costs	1,227	1,266
Travel expenses	628	707
Insurance	305	313
Other expenses	1,553	1,488
	12,613	12,123
	32,951	**31,795**

The Deutsche Wohnen Group employed on average 1,201 employees in the financial year (previous year: 1,238 employees):

Employees	2011	2010
Residential (including holding company)	325	333
Nursing and Assisted Living	876	905
	1,201	**1,238**

21 Finance expenses

Finance expenses are made up as follows:

in EUR k	2011	2010
Current interest expenses	81,589	86,250
Accrued interest on liabilities and pensions	12,123	13,878
Prepayment penalties	0	23,600
	93,712	**123,728**

Prepayment penalties comprise payments in 2010 for the termination of interest rate swaps ahead of maturity (EUR 15.3 million) and payments for the termination/refinancing of loans (EUR 8.3 million).

22 Income taxes

Companies resident in Germany that have the legal form of a corporation are subject to German corporation tax of 15 % (previous year: 15 %) and a solidarity surcharge of 5.5 % of corporation tax levied. These entities are also subject to trade tax, the amount of which depends on the tax rates set by local authorities. Companies in the legal form of a partnership are only subject to trade tax. The profit less trade tax is assigned to the partners for corporation tax purposes. Limited use of corporation and trade tax loss carry-forwards is to be taken into account from the assessment period 2004 onwards. As a result, a positive tax assessment basis up to EUR 1.0 million may be reduced by an existing loss carry-forward without limitation; amounts over EUR 1 million may only be reduced by up to 60 %.

The 2008 Corporate Tax Reform Act (UStRG) was passed by resolution of the Bundesrat (Federal Council of Germany) on 6 July 2007. The law is primarily intended to reduce tax rates and, for reciprocal financing purposes, broaden the assessment basis; the deductibility of interest expenses is limited to 30 % of the taxable EBITDA; in future, trade tax will no longer be a tax-deductible expense. The anticipated nominal income tax rate for 2011 for the Group's parent company Deutsche Wohnen AG is 31.93 %.

Income tax expense/benefit is made up as follows:

in EUR k	2011	2010
Current tax expense		
Current income tax charge	–3,000	–4,832
Tax benefit from capital increase costs	–2,374	0
	–5,374	**–4,832**
Deferred tax expense		
Properties	–30,551	–31,927
Loss carry-forwards	161	2,958
Loans	2,045	1,563
Other provisions	–192	–96
Interest rate swaps	65	73
Pensions	104	–111
Other	–1,472	–962
	–29,840	**–28,502**
	–35,214	**–33,334**

The reconciliation of tax expense/benefit is provided in the following overview:

in EUR k	2011	2010
Consolidated accounting profit before taxes	85,789	57,139
Applicable tax rate	31.93 %	31.93 %
Resulting tax expense/benefit	**–27,392**	**–18,244**
Non-capitalised tax losses, amortisation of capitalised loss carry-forwards, previous years and changes in the tax balance sheet	–3,723	–11,878
Tax benefit from capital increase costs	–2,374	0
Other effects	–1,725	–3,212
	–35,214	**–33,334**

For the financial year 2011, current income tax expense takes into account expenses relating to other periods totalling EUR 0.6 million (previous year: EUR 4.1 million), included in other effects in the table above.

F Segment reporting

Deutsche Wohnen reports by business segments on the basis of the information provided to the decision makers of the Deutsche Wohnen Group. Segment information is not reported by geographical region as the property and therefore all of the operational activities are in Germany.

Deutsche Wohnen focuses on the following three main segments in the context of its business activities:

Residential Property Management
Deutsche Wohnen's core business activity is the management of residential properties in the context of an active asset management. Asset management includes the modernisation and maintenance of the property portfolio of Deutsche Wohnen, the management of tenancy agreements, support for tenants and the marketing of apartments. The focus of property management is on the optimisation of rental income. Therefore, rental increase potential is examined continuously in the course of ongoing maintenance, tenant turnover is used as an opportunity to create value, and services are purchased based on best-available prices for real savings and passed on to the tenant.

Disposals
The Disposals segment is another pillar of the Deutsche Wohnen Group's operating activities. Privatisation can either take place as individual privatisation, i.e. by selling an individual residential unit (e.g. to a tenant), or it takes place as block sales.

The Disposals segment includes all aspects of the preparation and execution of the sale of apartments from our property portfolio as part of the ongoing portfolio optimisation and streamlining process.

In addition, the privatisation of residential property can take place in connection with the future acquisition of portfolios for the purpose of portfolio streamlining as well as for financing purposes.

Certain residential units, particularly in Rhineland-Palatinate, and individual properties of the GEHAG Group are subject to privatisation restrictions due to the acquisition agreements. Due to these obligations, the Group is partly bound by certain specifications (e.g. sale to tenants, general social conditions, etc.) when making privatisation decisions. These restrictions to some extent also forbid the disposal of the properties in question for a specified period of time.

Nursing and Assisted Living
The Nursing and Assisted Living segment is operated by KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH (KATHARINENHOF®) and comprises the marketing and management of nursing and residential care homes as well as services for the care of the senior citizens who live in these homes.

Inter-company transactions primarily concern agency agreements which are carried out according to usual market conditions.

The segment reporting is attached to the notes to the consolidated financial statements as Appendix 2.

The reconciliation of the segment assets to the consolidated balance sheet is illustrated in the following table:

in EUR m	31/12/2011	31/12/2010
Segment assets	3,238.5	2,957.2
Deferred taxes	63.0	78.7
Income tax receivables	0.8	2.3
	3,302.3	**3,038.2**

G Notes to the consolidated statement of cash flows

The consolidated cash flow statement shows how the Group's cash position has changed during the financial year due to the inflow and outflow of funds. In accordance with IAS 7 ("Cash Flow Statements"), a distinction is made between cash flows from operating and from investing and financing activities. Other non-cash income and expenses mainly include capital gains from disposals. Payments from investments include payments for modernisation and acquisition of investment properties and land and buildings held for sale.

In total, EUR 25.8 million (previous year: EUR 16.8 million) were restricted in use to the Group. This relates to the cash and cash funds of DB 14 and rental deposits administered in a fiduciary capacity, as well as liquidity to purchase collection accounts, which may be used only for special repayments on loans. A maturity of up to three months results from the contractual conditions of these cash and cash equivalents.

The Group has funds amounting to EUR 106 million (previous year: EUR 101 million) at its disposal from existing financing commitments that had not been utilised as at the reporting date.

Cash flows from investing and financing activities are determined when payments are made. However, the cash flow from operating activities is indirectly derived from the Group's profit/loss.

H Earnings per share

In order to calculate the basic earnings per share, the consolidated earnings are divided by the weighted number of shares outstanding in the financial year.

In order to calculate the diluted earnings per share, the consolidated earnings are adjusted for the interest expenses related to the convertible bonds and are divided by the weighted number of shares outstanding in the financial year, including the shares which would result from the conversion.

The following table displays the figures used to calculate the basic and diluted earnings per share:

in EUR k	2011	2010
Consolidated earnings for calculation of basic earnings per share	50,575	23,805
Adjusted consolidated earnings for calculation of diluted earnings per share	50,575	23,805

	2011	2010
Shares issued at start of period	81,840	81,840
Shares issued as at 1 December 2011	20,460	0
Shares issued at end of period	102,300	81,840
Average of shares issued, basic	**83,578**	**81,840**
Average of shares issued, diluted	**83,578**	**81,840**

The earnings per share for continuing operations amount to:

in EUR	2011	2010
Earnings per share		
Basic	0.61	0.29
Diluted	0.61	0.29

In the financial year 2011, a dividend was distributed for the financial year 2010 amounting to EUR 16.4 million or EUR 0.20 per share. For 2011 there are plans for a dividend amounting to EUR 23.5 million or EUR 0.23 per share.

I Other disclosures

Risk management

General information on risk management

The risk management system (RMS) is an instrument for achieving the main aim of the company, to guarantee the profitability of Deutsche Wohnen, which mainly concentrates on the management and development of its own property portfolio sustainably. It provides the foundation for active risk control and serves as a basis for information for the Management Board and the Supervisory Board regarding the current risk situation of the company.

Risk management is an ongoing process which is divided into the following phases:

- Establishing standards
- Risk identification and analysis
- Risk management
- Reporting
- Risk controlling

Risks are monitored in a professional and timely manner in accordance with the risk management guidelines established by management. The risk management guidelines establish the roles and responsibilities, set the basic principles of the RMS and define the framework for the evaluation and management of risks. Risk is proactively managed by using risk early warning systems.

The measures relating to financial risk management are described below:

With the exception of derivatives, the main financial instruments used by the Group are bank loans and cash and cash equivalents. The primary purpose of these financial instruments is to finance the Group's business activities. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which result directly from its business activities.

The Group also carries out derivative transactions in the form of interest rate swaps. The purpose of these derivative financial instruments is to manage interest rate risks that result from the Group's business activities and its sources of finance. There has been no trading of interest rate swaps, nor will there be any future trading in this area.

The following table illustrates the classification of the financial instruments into appropriate classes in accordance with IFRS 7.6 together with their allocation to valuation categories in accordance with IAS 39:

in EUR k	Valuation category in accordance with IAS 39	Carrying amount 31/12/2011	Balance sheet measurement in accordance with IAS 39: Amortised costs	Balance sheet measurement in accordance with IAS 39: Fair Value recognised in profit/loss	Fair Value 31/12/2011
Assets					
Trade receivables	(1)	13,959	13,959		13,959
Other assets	(1)	2,329	2,329		2,329
Cash and cash equivalents	(1)	167,829	167,829		167,829
Equity and liabilities					
Financial liabilities	(2)	1,834,673	1,834,673		1,834,673
Liabilities to limited partners in funds	(3)	7,287		7,287	7,287
Trade payables	(2)	35,634	35,634		35,634
Other liabilities	(2)	37,263	37,263		37,263
Derivative financial instruments	(4)	94,972		94,972	94,972
(1) Loans and receivables		184,117			
(2) Liabilities carried at amortised cost		1,907,570			
(3) Liabilities carried at fair value and recognised in profit/loss		7,287			
(4) Liabilities carried at fair value		94,972			
Assets		31/12/2010			31/12/2010
Trade receivables	(1)	6,690	6,690		6,690
Derivative financial instruments	(4)	9,267		9,267	9,267
Other assets	(1)	1,945	1,945		1,945
Cash and cash equivalents	(1)	46,016	46,016		46,016
Equity and liabilities					
Financial liabilities	(2)	1,784,519	1,784,519		1,784,519
Liabilities to limited partners in funds	(3)	22,487		22,487	22,487
Trade payables	(2)	29,236	29,236		29,236
Other liabilities	(2)	27,777	27,777		27,777
Derivative financial instruments	(4)	70,338		70,338	70,338
(1) Loans and receivables		54,651			
(2) Liabilities carried at amortised cost		1,841,532			
(3) Liabilities carried at fair value and recognised in profit/loss		22,487			
(4) Liabilities/assets carried at fair value		61,071			

The fair values of liabilities to limited partners in funds and of derivative financial instruments were derived on the basis of generally accepted valuation methodologies that use observable market parameters.

The following table shows the contractual, undiscounted payments:

in EUR m	Carrying amount 31/12/2011	2012	2013	2014	> 2015
Financial liabilities	1,834.7	106.4	100.5	59.5	1,672.2
Liabilities to limited partners in funds[1]	7.3	7.3			
Liabilities from taxes	58.6	17.7	9.6	9.6	28.8
Trade payables	35.6	35.6			
Other liabilities	37.3	37.3			
	31/12/2010	2011	2012	2013	> 2014
Financial liabilities	1,784.5	112.2	112.2	112.2	1,558.1
Liabilities to limited partners in funds[1]	22.5	22.5			
Liabilities from taxes	63.9	15.7	9.6	9.6	32.3
Trade payables	29.2	29.2			
Other liabilities	27.8	27.8			

[1] The actual payments depend on the extent to which the limited partners exercise their options to tender their shares, making payment estimates uncertain.

The profits and losses from financial assets and liabilities are as follows:

in EUR k 2011	Interest	Impairment	Fair value	Net loss
Loans and receivables		202		202
Liabilites carried at amortised cost	88,181			88,181
Liabilities carried at fair value and recognised in profit/loss	563			563
Derivative financial instruments			199	
	88,744	**202**	**199**	**89,145**
2010				
Loans and receivables		937		937
Liabilites carried at amortised cost	94,582			94,582
Liabilities carried at fair value and recognised in profit/loss	1,778			1,778
Derivative financial instruments			234	234
	96,360	**937**	**234**	**97,531**

The significant risks to the Group arising from financial instruments comprise interest-related cash flow risks, liquidity risks, default risks and market price risks. Company management prepares and reviews risk management guidelines for each of these risks, as outlined below:

Default risk

Default risks, or the risk that a partner will not be able to meet its obligations, are managed by using exposure limits and control processes. If appropriate, the company is provided with collateral. Deutsche Wohnen does not face any considerable default risk, either from partners or from groups of partners with similar characteristics. The maximum default risk is the carrying amount of the financial assets as reported in the balance sheet.

Liquidity risk

The Group reviews the risk of liquidity shortfalls daily by using a liquidity planning tool. This tool takes into account the inflows and outflows of cash from the operating activities and payments relating to financial liabilities.

Deutsche Wohnen seeks to ensure that sufficient liquidity is available to meet future obligations at all times. Deutsche Wohnen currently has a debt capital ratio of approximately 67 % (previous year: 71 %) and a Loan-to-Value Ratio of 55.0 % (previous year: 60.6 %).

Interest-related cash flow risks

The interest rate risk to which the Group is exposed is mainly derived from non-current financial liabilities with floating interest rates.

The Group's interest expenses are managed by a combination of fixed-interest and floating-rate debt capital. To make this combination of fixed-interest and floating-rate debt capital cost-efficient, the Group concludes interest rate swaps at specified intervals by which it exchanges the difference between the fixed-interest and floating-rate amounts as determined on the basis of an agreed nominal value with the contractual partner.

These interest rate swaps hedge the underlying debt capital. Accordingly, interest rate risk only exists for floating-rate financial liabilities that are not hedged by interest rate swaps. Applied to these financial liabilities, an increase/reduction of 1 % in the interest rate at the reporting date would have led to an increase/reduction in the interest expenses of EUR 4.2 million (previous year: EUR 4.2 million).

Market risks

The financial instruments of Deutsche Wohnen that are not reported at fair value are primarily cash and cash equivalents, trade receivables, other current assets, financial liabilities, trade payables and other liabilities.

The carrying amount of cash and cash equivalents is very close to their fair value due to the short-term nature of these financial instruments. For receivables and liabilities which are based on usual trade credit conditions, the carrying amount based on the historical cost is also very close to the fair value.

Fair value risks can primarily result from fixed-interest loans. A significant share of Deutsche Wohnen's liabilities due to banks are fixed-interest liabilities and interest hedged. As such, the impact of fluctuations in interest rates can be estimated for the medium term.

Capital management

The primary aim of the Group's capital management is to ensure that it maintains a high credit rating and a good equity ratio to support its business activities and to maximise shareholder value.

Management of the capital structure takes into account liabilities to banks and other creditors, and cash and cash equivalents.

The key figures for capital management are:

• The equity/debt capital ratio and the leverage ratio

The Group aims to achieve an equity ratio of 30 %. Future investments will therefore be based on balanced financing, amongst other things. The current equity ratio amounts to 33 % (previous year: 29 %) following the 2011 capital increase.

• Loan-to-Value Ratio

The ratio of financial liabilities compared to the value of investment properties is defined as the Loan-to-Value Ratio.

in EUR m	31/12/2011	31/12/2010
Financial liabilities	1,834.7	1,784.5
Cash and cash equivalents	–167.8	–46.0
Net financial liabilities	**1,666.9**	**1,738.5**
Investment properties	2,928.8	2,821.0
Non-current assets held for sale	37.4	34.3
Land and buildings held for sale	63.5	15.2
	3,029.7	**2,870.4**
Loan-to-Value Ratio	55.0 %	60.6 %

Hedging

As at 31 December 2011 and 31 December 2010, there were various interest hedges (payer swaps), through which variable interest rate conditions can be exchanged for fixed interest rate conditions. The non-effective part shown in the consolidated profit and loss statement amounts to EUR 0.2 million (previous year: EUR 0.2 million).

Events after the reporting date

With the transfer of risks and rewards as at 1 and 2 January 2012 we have taken over 1,332 residential units in Dusseldorf and Ludwigshafen. The transaction volume was approximately EUR 89 million.

Further significant events occurring after the reporting date are not known.

Commitments and contingencies

Heritable building right contracts result in annual financial commitments of EUR 1.2 million (previous year: EUR 1.2 million).

Other financial commitments relating to agency agreements concerning IT services amount to EUR 9.2 million (previous year: EUR 11.9 million).

One Group company (Rhein-Pfalz Wohnen GmbH) has been certified as a development and redevelopment agency (Sections 158 and 167 of the German Federal Building Code [BauGB]). Rhein-Pfalz Wohnen GmbH performs the duties bestowed to it by local authorities as their trustee.

As at 31 December 2011, the company had cash at banks amounting to EUR 3.3 million (previous year: EUR 3.3 million) at its disposal in a fiduciary capacity in relation to property renovation and development measures. The fiduciary tasks of Rhein-Pfalz Wohnen GmbH were transferred to the development company Rhein-Pfalz GmbH & Co. KG as at 30 June 2001 under the terms of the agency agreement entered into with this company.

Renovation obligations from financing contracts amount to EUR 4.6 million (previous year: EUR 0.0 million).

In the financial year 2011 contracts of sale for the acquisition of property and property holding companies were recognised. The transfer of the transaction item has not taken place until the valuation date. There are payments obligations from this contract amounting to approximately EUR 77.6 million.

Contingent claims from compensation of losses

Deutsche Wohnen AG and RREEF Management GmbH (RREEF) have agreed on a court settlement in order to conclude court proceedings relating to loss compensation claims with regard to the financial years 1999 to 2001 and 2004 to 2006 (first half year). Subject to the settlement being binding and a court notification on the withdrawal of the company's appeal RREEF will make a payment of EUR 20 million to the company. Each party will bear the cost of their legal counsel and the costs of the court will be split equally.

Until mid-2006 RREEF and the company were parties to a domination agreement (Beherrschungsvertrag). The dispute between the parties is, whether the losses of those financial years, in total about EUR 63 million, were compensated in accordance with the German stock corporation act by means of withdrawals from the company's capital reserves. The district court (Landgericht) Frankfurt found this type of loss compensation to be legal and dismissed the company's action for compensation in cash in August this year. The company had filed an appeal against this judgement with the court of appeals (Oberlandesgericht) Frankfurt.

The settlement is subject to a special resolution of the shareholders being passed in a general assembly and to no objection being lodged in such assembly by a minority comprising shares of one tenth of the capital represented. The company intends to submit the settlement for approval to its ordinary general assembly 2012. In case of an approval and subject to its share in the cost of the proceedings, the company receives a respective return from the settlement.

Lease commitments

Payments from leasing agreements of up to one year amount to EUR 2.3 million (previous year: EUR 2.5 million), of one to five years EUR 5.9 million (previous year: EUR 7.7 million) and of more than five years EUR 1.3 million (previous year: EUR 2.0 million).

Auditors' services

The auditor of Deutsche Wohnen AG and the Group is Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The following expenses were incurred in the year under review:

in EUR k	2011	2010
Audit	375	403
Other certification and valuation services	448	0
Reimbursement of insurance premiums	602	0
Tax advice	172	181
Other services	176	81
	1,773	**665**

The expenses for other certification and valuation services relate with EUR 432 k to services rendered in the context of the capital increase in 2011.

Related party disclosures

Companies and persons who have the possibility of controlling or exercising a significant influence on the financial and business policies of the Deutsche Wohnen Group are considered to be related parties. Existing control relationships were taken into account when defining the significant influence that the Deutsche Wohnen Group's related parties have on its financial and business policies.

Related companies
The affiliated companies, jointly controlled entities and associates included in the consolidated financial statements are to be considered related companies.

Service- and cash management agreements exist within the Group. Services between the companies are eliminated on consolidation.

Related parties
The following persons are to be considered related parties:

Name	Memberships in supervisory boards and other executive bodies within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Michael Zahn, economist, Chief Executive Officer	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Chairman of the Supervisory Board) GEHAG GmbH, Berlin (Chairman of the Supervisory Board) KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin (Member of the Supervisory Board since 07/04/2011, Chairman of the Supervisory Board since 26/04/2011)
Helmut Ullrich, assessor, Chief Financial Officer	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Member of the Supervisory Board)
Lars Wittan, Degree in business administation (Dipl.-Betriebswirt), Member of the Management Board since 01/10/2011	KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin (Member of the Supervisory Board since 07/04/2011, Deputy Chairman of the Supervisory Board since 26/04/2011)

Members of the Supervisory Board of Deutsche Wohnen AG
The Supervisory Board is made up as follows:

Name	Occupation	Memberships in supervisory boards and other executive bodies within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Uwe E. Flach, Chairman since 05/07/2011	Senior Advisor Oaktree GmbH, Frankfurt/Main	Nordenia International AG, Greven (Deputy Chairman of the Supervisory Board since 30/05/2011) (Chairman of the Supervisory Board until 30/05/2011) OCM German Real Estate Holding AG, Hamburg (Chairman of the Supervisory Board) Versatel AG, Dusseldorf (Member of the Supervisory Board until 09/09/2011)
Dr. Andreas Kretschmer, Deputy Chairman	Managing Director of Ärzteversorgung Westfalen-Lippe Einrichtung der Ärztekammer Westfalen-Lippe – KöR –, Münster	BIOCEUTICALS Arzneimittel AG, Bad Vilbel (Chairman of the Supervisory Board) IVG Institutional Funds GmbH, Wiesbaden (Member of the Advisory Board) Private Life Biomed AG, Hamburg (Chairman of the Supervisory Board) Amprion GmbH, Dortmund (Deputy Chairman of the Supervisory Board)
Matthias Hünlein	Managing Director Tishman Speyer Properties Deutschland GmbH, Frankfurt/Main	A.A.A. Aktiengesellschaft Allgemeine Anlagenverwaltung, Frankfurt/Main (Member of the Supervisory Board)
Dr. Florian Stetter	Real Estate Agent	CalCon Deutschland AG, Munich (Member of the Supervisory Board)
Dr. Michael Leinwand	Chief Investment Officer Zürich Beteiligungs-AG, Frankfurt/Main	Bizerba GmbH & Co. KG, Balingen (Member of the Supervisory Board)
Dr. Wolfgang Clement since 06/07/2011	Publicist and Company Consultant Federal Minister (retired) (Bundesminister a.D.) Minister President (retired) (Ministerpräsident a.D.)	Daldrup & Söhne AG, Grünwald (Deputy Chairman of the Supervisory Board) DIS AG, Dusseldorf (Member of the Supervisory Board) Peter Dussmann-Stiftung, Berlin (Deputy Chairman of the Board of Trustees) Dussmann Stiftung & Co. KGaA, Berlin (Chairman of the Supervisory Board) Landau Media Monitoring AG & Co. KG, Berlin (Member of the Supervisory Board) RWE Power AG, Essen (Member of the Supervisory Board)
Hermann T. Dambach, Chairman until 30/06/2011	Managing Director Oaktree GmbH, Frankfurt/Main	Nordenia International AG, Greven (Chairman of the Supervisory Board since 30/05/2011) (Deputy Chairman of the Supervisory Board until 30/05/2011) R&R Ice Cream Ltd., North Yorkshire, United Kingdom (Board Member) OCM German Real Estate Holding AG, Hamburg (Deputy Chairman of the Supervisory Board)

Transactions with related parties
The CEO Michael Zahn purchased a multiple-occupancy house from GEHAG GmbH for a price of EUR 0.3 million in the financial year 2010. The purchase price was paid and risks and rewards were transferred in 2011. This sale was approved by the Supervisory Board.

The CFO Helmut Ullrich purchased three apartments from GEHAG GmbH for a price of EUR 0.4 million in the financial year 2012. This disposal was agreed by the Supervisory Board.

Remuneration of the Management Board and Supervisory Board

The remuneration of the Management Board is made up as follows:

2011 in EUR k	Fixed remuneration	Variable remuneration components – Short-term incentive: short-term due	Variable remuneration components – Short-term incentive: long-term due	Variable remuneration components – Long-term incentive: PSU-Plan	Supplementary payments
Michael Zahn	350	300	100	150	27
Helmut Ullrich	275	160	40	125	19
Lars Wittan	50	38	13	25	6

2010 in EUR k	Fixed remuneration	Variable remuneration components – Short-term incentive: short-term due	Variable remuneration components – Short-term incentive: long-term due	Variable remuneration components – Long-term incentive: PSU-Plan	Supplementary payments
Michael Zahn	300	400	–	–	26
Helmut Ullrich	275	120	30	125	23

There is no employee benefit liability for current or retired members of the Management Board or Supervisory Board.

Each member of the Supervisory Board receives fixed remuneration of EUR 20,000, the Chairman of the Supervisory Board receives double that amount, and the Deputy Chairman of the Supervisory Board receives one and a half times that amount as remuneration. Supervisory Board remuneration for the financial year amounted to EUR 150 k net.

Corporate Governance

The Management Board and the Supervisory Board submitted a declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders online at www.deutsche-wohnen.com.

Frankfurt/Main, 24 February 2012

Michael Zahn Chief Executive Officer	Helmut Ullrich Chief Financial Officer	Lars Wittan Member of the Management Board

APPENDIX 1 TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SHAREHOLDINGS***

as at 31 December 2011

Company and registered office	Share of Capital %		Equity EUR k	Profit/ loss EUR k	Reporting date
AGG Auguste-Viktoria-Allee Grundstücks GmbH, Berlin	100.00	*	–43.9	0.0	2011
Aufbau-Gesellschaft der GEHAG mbH, Berlin	100.00	*	1,800.7	–363.1	2011
AVUS Immobilien Treuhand GmbH & Co. KG, Berlin	100.00	*	428.6	–58.4	2010
Bundeshöhenzug 80. V V AG, Berlin	100.00	*	49.5	–0.5	2011
DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn	92.87	*	29,716.9	–463.0	2010
Deutsche Wohnen Asset Immobilien GmbH, Frankfurt/Main	100.00	*	25.0	0.0	2011
Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt/Main	100.00	*	1,025.0	929.6	2011
Deutsche Wohnen Corporate Real Estate GmbH, Berlin	100.00	****	25.0	0.0	2011
Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt/Main	100.00	*	–30,767.4	69,595.2	2011
Deutsche Wohnen Fondsbeteiligungs GmbH, Berlin	100.00	****	25.0	0.0	2011
Deutsche Wohnen Management GmbH, Berlin	100.00	****	25.0	0.0	2011
Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main	100.00	****	25.6	0.0	2011
Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin	100.00	****	25.2	0.0	2011
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung, Berlin	94.90	*	11,889.8	0.0	2011
Fortimo GmbH, Berlin	100.00	*	6,127.2	0.0	2011
GbR Fernheizung Gropiusstadt, Berlin	45.59	*	609.9	–38.5	2011
Gehag Acquisition Co. GmbH, Berlin	100.00	*	682.1	–298.1	2011
GEHAG Dritte Beteiligungs GmbH, Berlin	100.00	*	378.8	0.0	2011
GEHAG Erste Beteiligungs GmbH, Berlin	100.00	*	45.0	11.4	2011
GEHAG Erwerbs GmbH & Co. KG, Berlin	99.99	*	20,319.8	–23.0	2011
GEHAG GmbH, Berlin	100.00	*	246,646.9	44,048.3	2011
GEHAG Immobilien Management GmbH, Berlin	100.00	*	25.0	0.0	2011
GEHAG Zweite Beteiligungs GmbH, Berlin	100.00	*	–3,557.1	–3,402.7	2011
Haus und Heim Wohnungsbau-GmbH, Berlin	100.00	*	2,798.7	0.0	2011
HESIONE Vermögensverwaltungsgesellschaft mbH, Frankfurt/Main	100.00	*	21.9	3.9	2011
Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, Berlin	100.00	*	–133.3	0.0	2011
KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin	100.00	*	1,950.0	0.0	2011
KATHARINENHOF® Service GmbH, Berlin	100.00	*	25.0	0.0	2011
Main-Taunus Wohnen GmbH & Co. KG, Eschborn	99.99	**	10,668.8	6,322.7	2011
Promontoria Holding XVI N.V., Amsterdam, The Netherlands	100.00	*	14,774.5	1,156.2	2011
Rhein-Main Wohnen GmbH, Frankfurt/Main	100.00	*	292,896.9	87,397.7	2011
Rhein-Mosel Wohnen GmbH, Mainz	100.00	*	139,196.9	13,082.2	2011
Rhein-Pfalz Wohnen GmbH, Mainz	100.00		31,017.0	0.0	2011
RMW Projekt GmbH, Frankfurt/Main	100.00	*	16,238.3	0.0	2011
Sanierungs- und Gewerbebau GmbH & Co. KG, Aachen	100.00	*	1,405.0	2,393.3	2011
SGG Scharnweberstraße Grundstücks GmbH, Berlin	100.00	*	8.1	0.0	2011
Sophienstraße Aachen Vermögensverwaltungsgesellschaft mbH, Berlin	100.00	*	2,193.0	0.0	2011
Stadtentwicklungsgesellschaft Eldenaer Straße mbH i.L., Berlin	50.00	*	279.1	18.3	2010
Wohn- und Pflegewelt Lahnblick GmbH, Bad Ems	100.00	*	320.8	168.7	2011

* Direct shareholdings
** Direct and indirect shareholdings
*** Additionally, the company is indirectly involved in working groups.
**** Waiver according to Section 264 (3) of the German Commercial Code (HGB)

APPENDIX 2 TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED SEGMENT REPORTING

for the financial year 2011

in EUR m	External revenue		Internal revenue	
	2011	2010	2011	2010
Segments				
Residential Property Management	196.4	189.8	2.1	2.1
Disposals	150.6	171.7	11.2	7.6
Nursing and Assisted Living	40.1	40.6	0.0	0.0
Reconciliation with consolidated financial statement				
Central functions and other operational activities	0.4	0.5	31.1	28.8
Consolidations and other reconciliations	–0.4	–0.5	–44.4	–38.5
	387.1	**402.1**	**0.0**	**0.0**

	Total revenue		Segment earnings		Assets		Depreciation and amortisation	
	2011	2010	2011	2010	31/12/2011	31/12/2010	2011	2010
	198.5	191.9	157.4	150.9	2,938.8	2,829.6	0.0	0.0
	161.8	179.3	10.6	12.7	110.3	52.8	0.0	0.0
	40.1	40.6	9.2	8.9	3.0	2.8	−0.3	−0.3
	31.5	29.4	−35.2	−36.4	186.4	72.0	−2.7	−2.7
	−44.8	−39.0	0.0	0.0	0.0	0.0	0.0	0.0
	387.1	**402.2**	**142.0**	**136.1**	**3,238.5**	**2,957.2**	**−3.0**	**−3.0**

Independent auditors' report

We have audited the consolidated financial statements prepared by the Deutsche Wohnen AG, Frankfurt/Main, comprising the balance sheet, the profit and loss statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January 2011 to 31 December 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, 19 March 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Völker	Glöckner
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable accounting standards, the consolidated financial statements as at 31 December 2011 give a true and fair view of the net assets, financial and earnings position of the Group and the Group's management report gives a true and fair view of the development of the business including the business result and the position of the Group and describes the main opportunities and risks associated with the Group's expected future development."

Frankfurt/Main, 24 February 2012

Deutsche Wohnen AG
Management Board

Michael Zahn
Chief Executive Officer

Helmut Ullrich
Chief Financial Officer

Lars Wittan
Member of the Management Board

GLOSSARY

Current gross rental income
The current gross rent corresponds to the sum of the contractually agreed net cold rent payments for the areas let of the respective properties for the period under review or as at the reporting date.

D&O (directors and officers) Group insurance
Personal liability insurance that provides general cover to corporate bodies for damages incurred due to neglect of duty.

Discounted cash flow method
Procedure for the (DCF method) valuation, especially for company valuation and to determine the current market value of properties based on the discounting of free cash flows.

EBT
Earnings before taxes; The company discloses an adjusted EBT as well: EBT (as reported) is adjusted for the result of fair value adjustment of investment properties, the result of fair value adjustments to derivative financial instruments, prepayment penalties and restructuring and reorganisational costs.

EBIT
Earnings before interest and taxes.

EBITDA
Earning before interests, taxes, depreciations and amortisation.

EURIBOR
Euro Interbank Offered Rate.

Fair value
Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

FFO
Funds from Operations: From the company's point of view, an essential operational figure for property companies geared towards liquidity derived from the Group's profit and loss statement. Based on the net result for the period (profit/loss), adjustments for one-off effects as well as financial expenses/income and tax expenses/income, not affecting liquidity, are made. The FFO (incl. disposals) is adjusted for the earnings from disposals to determine the FFO (excl. disposals).

Financial covenants
Agreements contained in some financing contracts in which the borrower promises to comply with certain key financial figures specified in the additional agreement for the term of the credit agreement.

In-place rent (per sqm)
Contractually owed net cold rent from the rented apartments (current gross rental income) divided by the rented area.

LTV ratio
Loan-to-Value Ratio: Quantifies the ratio between the sum of the net financial liabilities and the value of the investment properties plus the non-current assets held for sale and the land and buildings held for sale.

Modernisation measures
Typical modernisation measures are the renovation of the bathrooms, the installation of new doors and windows, the reconditioning or retrofitting of balconies, as well as the implementation of energy saving measures such as the installation of insulating glass windows and thermal insulation measures.

Multiplier (current gross rental income)
Net capital value divided by the current gross rental income as at December 2011 multiplied by 12.

Multiplier (potential gross rental income)
Net capital value divided by the current gross rental income as at December 2011 plus vacancy loss (i.e. potential gross rental income) multiplied by 12.

NAV
Net Asset Value: Indicates the net asset value or intrinsic/inherent value of a property company. The EPRA NAV is calculated based on equity (before minorities) adjusted for the effect of the exercise of options, convertibles and other equity interests as well as adjustments of the market value of derivative financial instruments and deferred taxes (net of assets and liabilities), i.e. the adjustment of balance sheet items that have no impact on the Group's long-term performance. In the past we reported the Net Net Asset Value (NNAV): The NNAV is the sum of all assets minus liabilities (= equity) and is adjusted for property related deferred taxes. The property related deferred taxes apply to the deferred tax assets and liabilities from the investment properties, deferred tax assets from loss carry-forwards, to the extent of available property related deferred tax liabilities, deferred tax liabilities from property related loans, as well as deferred tax assets from real estate related provisions and deferred tax liabilities from investment subsidies received.

Net cold rent
Contractually agreed rent payments; additional expenses (e.g. rubbish collection, water, janitor) and heating costs are not included.

Net Operating Income (NOI)
The Net Operating Income (NOI) represents the operating earnings from residential property management after deduction of incurred personnel expenses and general and administration expenses in this business segment.

New-letting rent (formerly described as market rent)
Deutsche Wohnen determines the new-letting rent by calculating the actual average agreed monthly net cold rent payments per sqm based on the new leases for units not subject to rent controls for the respective properties during the 12 month period preceding the respective reporting date.

Potential gross rental income
The potential gross rental income is the sum of current gross rental income and vacancy loss.

Potential gross rent per sqm
The potential gross rent per sqm corresponds to the potential gross rent calculated for the reporting date, divided by the lettable area of the respective properties.

Vacancy loss
The vacancy loss corresponds to the sum of the respective last contractually agreed net cold rent payments for the areas that are not rented but are lettable for the review period or as at the reporting date of the referred properties.

Vacancy rate
The vacancy rate quantifies the ratio between the vacancy loss and the potential gross rental income as at the respective reporting date.

COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Management Board
as at March 2012

Michael Zahn
Chief Executive Officer, Berlin

Helmut Ullrich
Chief Financial Officer, Berlin

Lars Wittan
Member of the Management Board, Berlin

Supervisory Board
as at March 2012

Uwe E. Flach
Chairman, Frankfurt/Main

Dr. rer. pol. Andreas Kretschmer
Deputy Chairman, Dusseldorf

Wolfgang Clement
Bonn

Matthias Hünlein
Oberursel

Dr. Michael Leinwand
Bad Honnef

Dr. Florian Stetter
Erding

Deutsche Wohnen

CLEAR STRATEGY +
SUCCESSFUL IMPLEMENTATION =

MORE
ROOM

FOR FURTHER PROFITABLE
GROWTH.

Deutsche Wohnen AG will continue to grow – grow with us!
Contact us at: Phone +49 (0)30 897 86 0 // e-mail info@deutsche-wohnen.com

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FINANCIAL CALENDAR 2012

07–08/02/2012	QUO VADIS 2012, Berlin
01/03/2012	HSBC Real Estate and Construction Conference, Frankfurt/Main
29/03/2012	Publication of Annual Report 2011
29/03/2012	Conference Call; Results of the Financial Year 2011
02–04/04/2012	Deutsche Bank's 2nd VIP Real Estate Event, Frankfurt/Main
18–19/04/2012	Credit Suisse Global Real Estate Conference, London
26–27/04/2012	Capital market conference Bankhaus Lampe, Baden-Baden
11/05/2012	Publication of Interim Report as at 31 March 2012/1st quarter
14–16/05/2012	Deutsche Bank German, Swiss & Austrian Conference 2012, Frankfurt/Main
23–24/05/2012	Commerzbank German Mid Cap Investment Conference, New York & Boston
24/05/2012	CBRE und Horvath & Partners Management Consultants, 2nd Leader Workshop for Residential Property, Berlin
30–31/05/2012	Kempen & Co. European Property Seminar, Amsterdam
06/06/2012	Annual General Meeting 2012, Frankfurt/Main
14–15/06/2012	Investor conference "Warburg-Highlights", Hamburg
18–19/06/2012	19th Handelsblatt Annual Conference Real Estate Industry 2012, Berlin
21/06/2012	Morgan Stanley 2012 EMEA Property Conference, London
13/08/2012	Publication of Interim Report as at 30 June 2012/half-year results
05/09/2012	Kempen & Co. German Property Seminar, Berlin
06–07/09/2012	EPRA Annual Conference, Berlin
12–13/09/2012	Merrill Lynch 2012 Global Real Estate Conference, New York
24–26/09/2012	Goldman Sachs & Berenberg Bank German Corporate Conference 2012, Munich
25–27/09/2012	10th German Investment Conference UniCredit/Kepler, Munich
08–10/10/2012	Expo Real, Munich
12/11/2012	Publication of Interim Report as at 30 September 2012/3rd quarter

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