



EXPERIENCING **ROOMS** TO GROW

MANAGEMENT REPORT

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Business environment

Organisation and Group structure

Deutsche Wohnen AG, Frankfurt/Main, 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, Berlin

The core business of Deutsche Wohnen, the development and management of the real estate portfolio, is the responsibility of Deutsche Wohnen Management GmbH, Berlin. 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, Berlin

Deutsche Wohnen Corporate Real Estate GmbH, Berlin, 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, Berlin

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 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 Super-

visory 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).

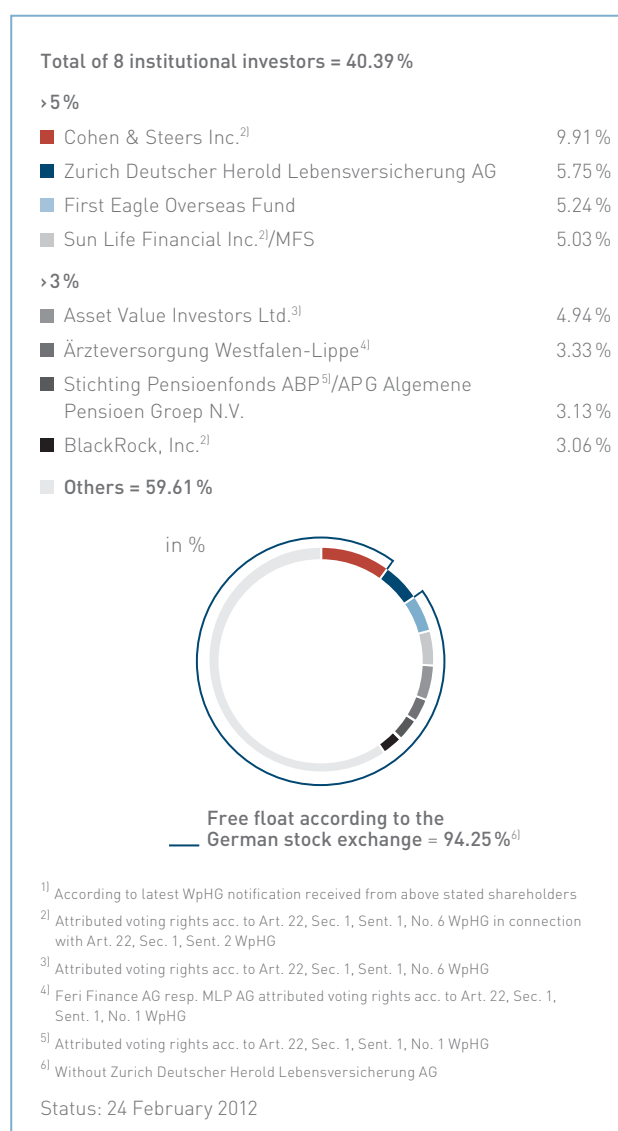
The contingent capital increase serves to grant shares to the owners or creditors of options or convertible bonds, as well as profit participation rights with conversion or option rights which, in accordance with the authorisation of the Annual General Meeting from 31 May 2011 to 30 May 2016, are issued 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 structure¹⁾



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 defined¹⁾ 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 spaciouly 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 with 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 a 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).

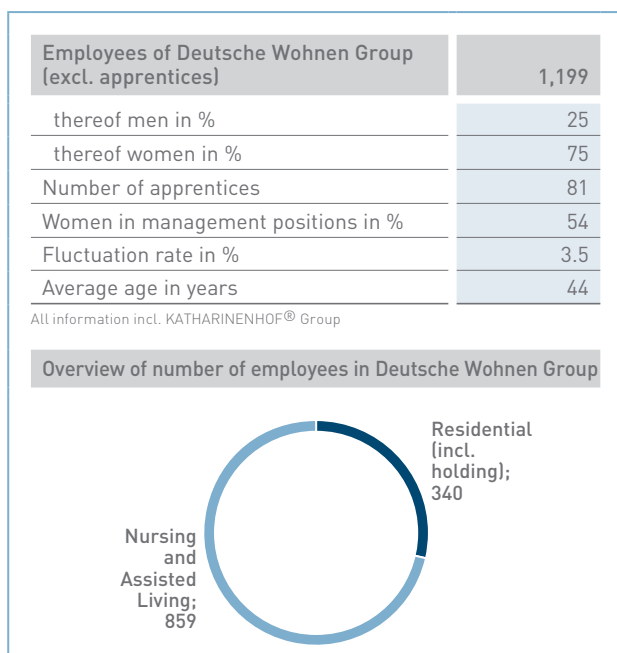
Responsible business policies

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.



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.

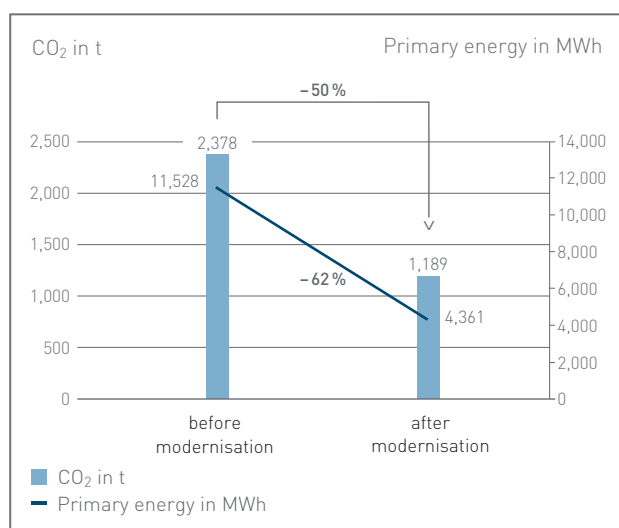
In an effort to respond to the great interest of tourists, and also to inform the people of Berlin about the special features of the estates, we built so-called "Infostationen" as information and contact points in "Siemensstadt" and "Hufeisensiedlung" last year. In "Siemensstadt", a pavilion by Fred 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 CO₂ 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.

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 CO₂ emissions.

Reduction of CO₂ and primary energy in Berlin-Pankow, Berlin-Zehlendorf and Hanau (2010–2013)



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” (Forschungszentrum 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 2012⁴⁾, 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.

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

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 2011⁶⁾. 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 2011/2012.⁸⁾ In January 2012 the German Institute for Economic Research (DIW) predicted growth of 0.6% for the entire year. 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 2025.⁹⁾ 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.⁹⁾ 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).¹⁰⁾

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.

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

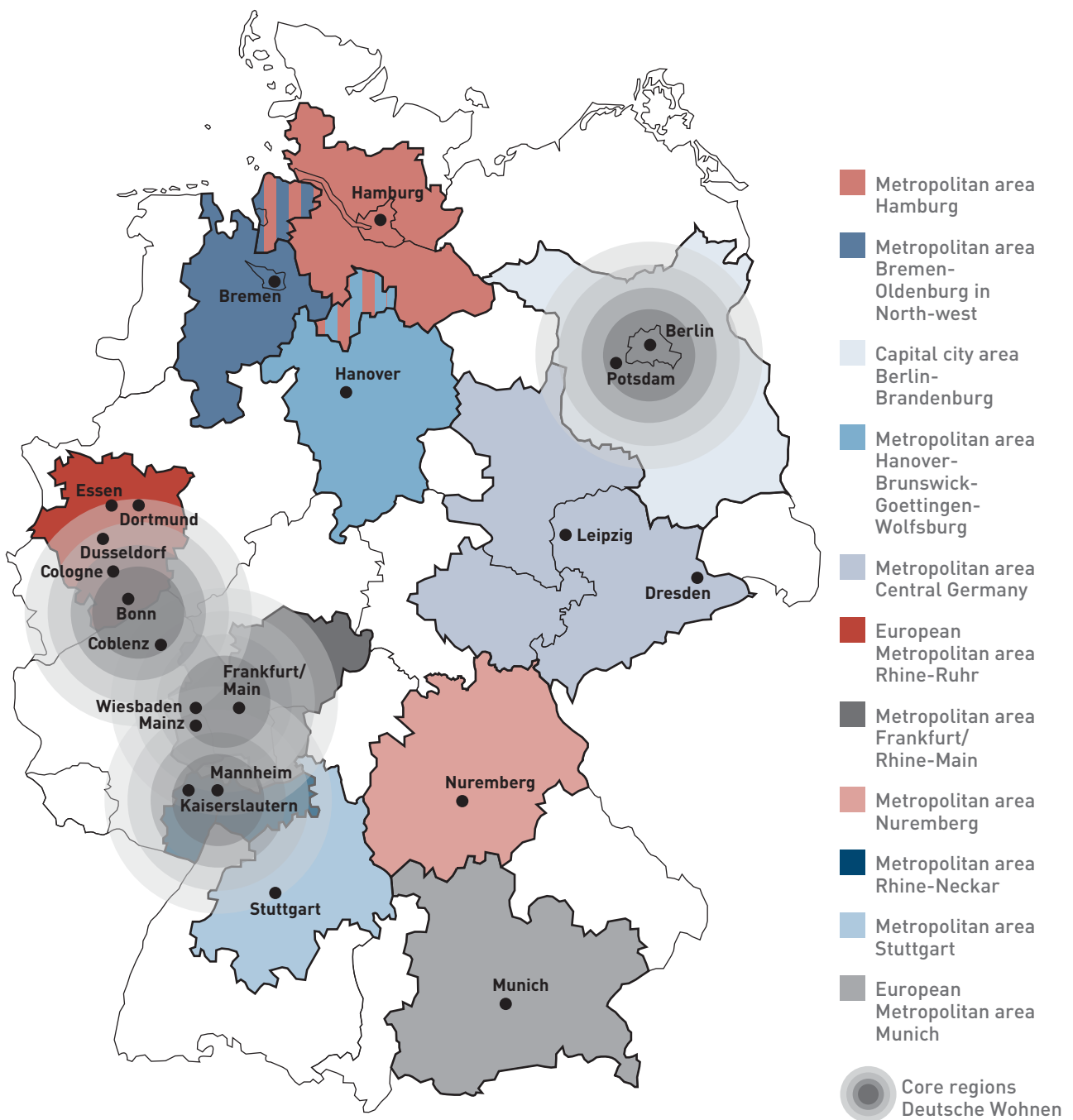
⁸⁾ German Institute for Economic Research (DIW), Weekly Report 1+2/2012

⁹⁾ Jones Lang LaSalle, Housing Market Report Autumn 2011

¹⁰⁾ 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.¹¹⁾



The following table presents the main indicators of the eleven German metropolitan areas.¹²¹

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 in 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.

¹²¹ 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.¹³⁾ 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 2002.¹³⁾

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 households¹⁴⁾: 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 households¹⁴⁾: 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.¹⁵⁾

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.

¹³⁾ BBU Market Monitor 2011

¹⁴⁾ IBB Housing Market Report 2010

¹⁵⁾ 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.¹⁶⁾ 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 inhabitants¹⁷⁾) 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.¹⁸⁾

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.¹⁹⁾

¹⁶⁾ Cushman & Wakefield, European Cities Monitor, 2011

¹⁷⁾ Statistical Yearbook Frankfurt/Main, 2011

¹⁸⁾ HWWI/Berenberg City Ranking 2010

¹⁹⁾ Housing Market Report 2011 of the Rhine-Neckar Metropolitan Region

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.

Notes on the financial performance and
financial position of Deutsche Wohnen AG**Financial performance of Deutsche Wohnen AG**

	2011 EUR m	2010 EUR m	Changes EUR m	Changes relative in %
Revenue	10.0	9.0	1.0	11
Other operating income	3.7	1.0	2.7	270
Staff expenses	-7.2	-6.4	-0.8	13
Other operating expenses	-20.5	-12.7	-7.8	61
Depreciation and amortisation	-1.6	-1.4	-0.2	14
Operating result	-15.6	-10.5	-5.1	49
Net income from interest	-3.7	-12.2	8.5	-70
Income from shareholdings	8.0	-1.0	9.0	-900
Annual profits/losses	-11.3	-23.7	12.4	-52

Deutsche Wohnen AG acts as a holding company and generates revenue from business management services for the entire Group.

The increase in other operating expenses is primarily due to costs associated with the capital increase (EUR 7.4 million).

The income from interest consists of interest expenses of EUR 8.6 million (previous year: EUR 17.2 million) and interest income of EUR 4.9 million (previous year: EUR 5.0 million) combined. The decrease in interest expense is attributable to the prepayment penalties in the amount of EUR 8.3 million incurred in the financial year 2010.

Income from shareholdings consists of expenses from the acquisition of subsidiaries, income from profit transfer agreements and control agreements amounting to EUR 2.1 million (previous year: EUR 8.2 million) and income from shareholdings and profit transfers amounting to EUR 10.1 million (previous year: EUR 7.2 million).

Financial position of Deutsche Wohnen AG

	31/12/2011		31/12/2010		Changes EUR m
	EUR m	%	EUR m	%	
Assets	289.9	35.8	290.7	46.0	-0.8
Receivables and other assets	419.3	51.7	339.4	53.8	79.9
Cash and bank balances	101.3	12.5	1.3	0.2	100.0
	810.5	100.0	631.4	100.0	179.1
Equity	635.4	78.4	476.6	75.5	158.8
Provisions	8.8	1.1	4.2	0.7	4.6
Liabilities	166.3	20.5	150.6	23.8	15.7
	810.5	100.0	631.4	100.0	179.1

The fixed assets of Deutsche Wohnen AG amounting to EUR 289.9 million (previous year: EUR 290.7 million) primarily consist of investments in affiliated companies amounting to EUR 286.4 million.

The receivables and other assets primarily consist of receivables from affiliated companies amounting to EUR 419.0 million (previous year: EUR 337.4 million).

The increase in cash and cash equivalents is due to income from the capital increase.

Deutsche Wohnen was always able to meet its financial obligations in the financial year 2011.

The equity of Deutsche Wohnen AG increased in the financial year 2011 as a result of the capital increase (gross proceeds: EUR 186.5 million). The registered capital amounts to EUR 102.3 million (previous year: 81.8 million). The equity ratio amounts to 78% (previous year: 76%).

The debt ratio of Deutsche Wohnen AG (ratio of debt capital to total assets) as at the reporting date is 22% (previous year: 24%).

The presentation of a detailed statement of cash flows is waived in accordance with Section 264 (1) sentence 2 of the German Commercial Code (HGB).

The cash flows of Deutsche Wohnen AG from operating activities are generally negative due to its holding activities. It was EUR -4.1 million in 2011 and was particularly affected by the implementation of profit transfers (net loss relief) from the previous year of EUR 4.7 million.

Cash flows from financing activities amounted to EUR 105 million. Deutsche Wohnen AG received EUR 186.5 million as a result of the capital increase, which were partially offset by the costs of the capital increase of EUR 7.4 million. Furthermore, the dividend of EUR 16.4 million for the financial year 2010 was paid out. As part of the Group-wide cash management, funds in the amount of EUR 76.1 million (net) were passed on to subsidiary companies.

In 2011, Deutsche Wohnen AG invested approximately EUR 0.8 million, primarily in software and operating and business equipment.

Deutsche Wohnen AG has sufficient liability to meet its payment obligations through the internal cash management system and external credit lines.

Events after the reporting date

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

On company and Group level following risks can mainly occur:

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 21.5 million, of which EUR 21.5 million is due in 2012.

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.

Employees and organisation

Our employees form the basis of Deutsche Wohnen's success. Only with their motivation, commitment and skills can we promote the successful implementation of corporate strategy and planned growth of the company.

In addition to the Management Board, employees of the central areas of Human Resources, Legal, Finance/Controlling/Accounting, Communications, Investor Relations and Marketing work in the management holding Deutsche Wohnen AG. An average of 78 employees worked in these non-operational areas in the financial year.

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 deemed the total remuneration of Management Board members as appropriate.

The remuneration of the Management Board was composed as follows:

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 20 k, 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, however, it will not come to a standstill. The German Council of Economic Experts expects GDP growth of 0.9%, the DIW is forecasting 0.6%.

We are hoping for an improved result before extraordinary items for Deutsche Wohnen AG in the financial years 2012 and 2013.

Frankfurt/Main, 24 February 2012

Deutsche Wohnen AG



Michael Zahn
Chief Executive
Officer



Helmut Ullrich
Chief Financial
Officer



Lars Wittan
Member of the
Management
Board

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BALANCE SHEET

as at 31 December 2011

in EUR	31/12/2011	31/12/2010
ASSETS		
A. FIXED ASSETS		
I. Intangible assets		
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	2,468,646.27	3,406,121.25
2. Prepayments	0.00	7,140.00
	2,468,646.27	3,413,261.25
II. Property, plant and equipment		
Other equipment, furniture and fixtures	1,027,260.82	889,831.20
III. Financial assets		
Shares in affiliates	286,371,323.53	286,371,323.53
	289,867,230.62	290,674,415.98
B. CURRENT ASSETS		
I. Receivables and other assets		
1. Trade receivables	21,420.00	27,898.14
2. Receivables from affiliates	419,007,313.11	337,393,091.46
3. Other assets	184,621.16	2,035,011.58
	419,213,354.27	339,456,001.18
II. Cash on hand, bank balances	101,332,568.02	1,255,418.70
	520,545,922.29	340,711,419.88
C. PREPAID EXPENSES	68,277.34	61,934.26
	810,481,430.25	631,447,770.12

in EUR	31/12/2011	31/12/2010
EQUITY AND LIABILITIES		
A. EQUITY		
I. Issued share capital Conditional capital as at 31 December 2011: EUR 20,460,000.00 (previous year: EUR 12,700,000.00)	102,300,000.00	81,840,000.00
II. Capital reserve	508,577,624.76	377,406,029.87
III. Capital reserve		
Reserves required by law	1,022,583.76	1,022,583.76
IV. Balance sheet profit	23,529,000.00	16,368,000.00
	635,429,208.52	476,636,613.63
B. PROVISIONS		
1. Provisions for pensions and similar obligations	240,162.00	143,186.00
2. Other provisions	8,543,924.79	4,079,527.61
	8,784,086.79	4,222,713.61
C. LIABILITIES		
1. Liabilities to banks	98,610,791.08	79,757,428.13
2. Trade payables	2,586,153.86	872,535.69
3. Liabilities to affiliates	64,988,894.65	69,847,652.54
4. Other liabilities thereof for taxes: EUR 78,741.10 (previous year: EUR 98,958.37) thereof for social security: EUR 0.00 (previous year: EUR 11,868.15)	82,295.35	110,826.52
	166,268,134.94	150,588,442.88
	810,481,430.25	631,447,770.12

PROFIT AND LOSS STATEMENT

for the financial year from 1 January to 31 December 2011

in EUR	2011	2010
1. Revenue	9,983,513.03	9,046,856.17
2. Other operating income	3,704,300.11	991,880.46
3. Staff expenses		
a) Wages and salaries	-6,395,572.90	-5,422,080.91
b) Social security and pension contributions thereof for pensions: EUR 133,224.88 (previous year: EUR 170,289.83)	-857,162.51	-1,002,691.43
	-7,252,735.41	-6,424,772.34
4. Depreciation, amortisation and write-downs of intangible assets and property, plant and equipment	-1,585,368.61	-1,421,493.99
5. Other operating expenses	-20,461,644.92	-12,646,089.16
6. Income from equity investments thereof from affiliates: EUR 3,178,625.53 (previous year: EUR 3,619,490.44)	3,178,625.53	3,619,490.44
7. Income from profit transfer agreements	6,951,043.06	3,588,322.19
8. Other interests and similar income thereof from affiliates: EUR 4,662,039.79 (previous year: EUR 4,596,737.63)	4,872,485.58	5,016,504.72
9. Expenses from loss absorption	-2,169,713.61	-8,244,968.85
10. Interests and similar expenses thereof from affiliates: EUR 2,788,739.13 (previous year: EUR 2,768,303.54)	-8,534,032.97	-17,230,780.37
11. Results from ordinary activities	-11,313,528.21	-23,705,050.73
12. Other taxes	-1,756.00	-587.00
13. Net loss for the year	-11,315,284.21	-23,705,637.73
14. Loss carried-forward/profit carried-forward	0.00	-45,638,908.35
15. Transfer from capital reserve	34,844,284.21	85,712,546.08
16. Balance sheet profit	23,529,000.00	16,368,000.00

NOTES

for the financial year from 1 January to 31 December 2011

A General information on the annual financial statements

Deutsche Wohnen AG, Frankfurt/Main, is a listed corporation registered in Germany.

The Annual Financial Statement was produced in accordance with Sections 242 ff. and Sections 264 ff. of the German Commercial Code (HGB) and the additional stipulations of the German Stock Corporation Act (AktG). The company is a large corporation in terms of Section 267 (3) of the German Commercial Code (HGB).

The profit and loss statement is presented using the total cost method. The financial year is the calendar year.

B Accounting and valuation method

Fixed assets

Purchased intangible fixed assets are carried at amortised cost and depreciated according to their useful life less regular depreciation (three to five years; linear method).

The property, plant and equipment are carried at acquisition or production costs – less regular depreciation.

Low-value assets up to a value of EUR 150 are fully depreciated in the year of acquisition. Since the beginning of the financial year 2008, low-value assets from a value from EUR 150 up to EUR 1,000 are depreciated over a period of five years.

Shares in affiliated companies are always valued at cost or at the lower cost or fair value in the case of impairment.

Current assets

The current assets are recognised at acquisition or production costs – less any write-downs to lower fair value on the balance sheet date.

Receivables and other assets are carried at their nominal value.

Cash in hand and bank balances are carried at their nominal values.

Prepaid expenses

Prepayments as at the reporting date are recognised as expenses that relate to a certain time after the deadline. Money acquisition costs are fully recognised in the year of expense.

Deferred taxes

Differences between the commercial and tax bases of assets and liabilities or due to tax loss carry-forwards, if they are expected to reduce in subsequent financial years and there is an overall tax burden, are recognised as passive deferred tax liabilities. A resulting overall tax benefit (deferred tax assets) is not recognised. Deferred taxes are calculated using the tax rates at the time of the expected degradation of the differences and not discounted. Deferred taxes from subsidiary companies are recognised with the parent company.

Provisions for pensions and similar obligations

All the company's pension obligations are determined according to the Projected Unit Credit Method based on an actuarial opinion according to "Mortality tables 2005G" from Professor Dr Klaus Heubeck. The interest rate of 5.13 % p.a. (previous year: 5.15 % p.a.) published by the Bundesbank was used as a basis. Income growth of 2.50 % p.a. increases in the income threshold of 2.25 % p.a. and pension adjustments of 1.75 % p.a. were taken into account.

Other provisions

Other provisions are recognised at the amount necessary to settle on the respective obligation in accordance with sound business judgement. They cover all foreseeable losses from pending transactions and contingent liabilities.

Liabilities

The liabilities are carried at their settlement amount. Non-current, non-interest-bearing liabilities are discounted.

Rating units in accordance with Section 254 of the German Commercial Code (HGB)

Hedges are executed through the formation of rating units. Here, compensatory changes in the value of the underlying transaction and the hedging transaction are not reported in accordance with the hedge presentation method.

C Notes to the balance sheet

1 Fixed assets

The structure and development of fixed assets are shown in the attached statement in fixed assets (Appendix 1 to the Notes).

The company is indirectly or directly involved in the following*** companies in accordance with Section 285 No. 11 of the German Commercial Code (HGB). Equity and net profit are based on commercial accounting standards.

*** Additionally, the company is indirectly involved in working groups.

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)

2 Receivables and other assets

Receivables from affiliated companies have a remaining term of more than one year amounting to EUR 82.5 million. The remaining receivables and other assets have a remaining term of less than one year.

Receivables from affiliated companies primarily include receivables from cash management contracts, loans granted and other business relations with subsidiaries within the Deutsche Wohnen Group in the amount of EUR 419.0 million (previous year: EUR 337.4 million). Other assets mainly include tax refund claims, just like the previous year.

3 Prepaid expenses

The prepaid expenses include discounts in the amount of EUR 18 k.

4 Deferred tax assets

The following differences between the commercial and tax bases of assets and liabilities exist at the company and/or the subsidiary companies:

- Due to different discount rates according to commercial and tax law, differences remain in the employee benefit liabilities, which will lead to a future tax benefit.
- Due to prohibitions for showing certain items in the financial statements under tax law, there are differences to the trade balance, which will lead to a future tax benefit.
- There are tax loss carry-forwards, which will lead to a future tax benefit.
- Due to differences between the tax capital accounts for private companies and commercial investment carrying values, there are differences which will lead to a future tax benefit.

5 Equity

Issued share capital

The registered capital amounts to EUR 102.3 million (previous year: EUR 81.84 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 capital increases 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 interests 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.

The Management Board of Deutsche Wohnen AG does not know of any limitations that affect the voting rights or transfer of shares.

As at 31 December 2011 approximately 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. Every share entitles the holder to one vote at the Annual General Meeting and determines the basis for the shareholder's share in the profits of the company. The rights and obligations of the shareholders are outlined in detail in the provisions of the German Stock Corporation Act (AktG), in particular Sections 12, 53 et seq., 118 et seq. and 186 AktG.

Shares with special rights conferring powers of control do not exist.

Capital reserves

The initial formation of the capital reserve was made by resolution of the Extraordinary General Meeting in 1999. The capital reserve as at 31 December 2011 amounted to EUR 508.5 million. This has increased by EUR 166.0 million in the financial year 2011 through the share premium payments under the capital increase and decreased through a withdrawal of EUR 34.8 million (previous year: EUR 85.7 million).

Revenue reserves

The legal 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 legal reserve has a cap of 10% of the registered capital.

In accordance with Section 272 para. 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.

6 Other provisions

The other provisions consist mainly of staff-related provisions amounting to EUR 2.7 million, provisions for negative fair values of interest rate hedging transactions amounting to EUR 2.3 million and provisions for outstanding invoices amounting to EUR 2.3 million.

7 Liabilities

in EUR k	Balance	Thereof remaining term		
		up to one year	one to five years	More than five years
Liabilities to banks	98,611	22,117	6,400	70,094
Previous year	79,757	1,664	6,400	71,693
Trade payables	2,586	2,586	0	0
Previous year	872	872	0	0
Liabilities to affiliates	64,989	34,989	0	30,000
Previous year	69,848	39,848	0	30,000
Other liabilities	82	82	0	0
Previous year	111	111	0	0
Total for the financial year	166,268	59,774	6,400	100,094
Total for the previous year	150,588	42,495	6,400	101,693

The liabilities to affiliates include liabilities arising from internal cash management from trade payables and other liabilities.

D Notes to the profit and loss statement

8 Other operating income

The other operating income mainly includes income from compensation for the acquisition of interest rate swaps with negative fair value (EUR 2,633 k) and the release of provisions (EUR 693 k).

9 Other operating expenses

Other operating expenses are primarily made up as follows:

in EUR k	2011	2010
Costs of capital increase	7,420	0
IT costs	3,308	3,687
Administrative expenses	2,938	2,107
Consultancy and audit	2,338	2,419
Services received from other Group companies	1,497	1,377
Rental income	896	949
Communication/Investor Relations	910	836
Travel expenses	268	285
Other	887	986
	20,462	12,646

10 Interests and similar expenses

Interest and similar expenses in the financial year 2011 include one-off charges from the acquisition of interest rate swaps with negative market value of EUR 2,633 k, which is offset by an amount for other operating income from settlement payments in the same amount. Financial year 2010 included one-off and off-schedule prepayment penalties resulting from the restructuring of loan agreements amounting to EUR 8,332 k.

E Derivative financial instruments

Deutsche Wohnen AG acquired three interest rate swaps with a nominal total of EUR 50.3 million to hedge interest rate risk in the financial year 2011. The remaining term is five years. The negative fair value as at the reporting date is EUR 5.8 million net and was determined based on a mark-to-market valuation. At the time of adopting these swaps, the negative fair value was EUR 2.6 million and was considered a provision for contingent losses and is scheduled to take the remaining term of the swap to complete. Changes in fair value following the acquisition were not reported in accordance with Section 254 of the German Commercial Code (HGB).

The hedges (interest rate swaps) were recorded together with the underlying transactions (loan agreements, reported as liabilities to banks) to a rating unit in the nominal amount of EUR 50.3 million at the closing date, and thereby hedging the interest rate risks of EUR 5.8 million net at the reporting date.

The opposing changes in value and cash flows from interest rate swaps and loan agreements will offset one another in the future, as the hedges are contractually matched in maturity, duration and assessment basis.

F Contingent liabilities

At the reporting date there are two corporate guarantees for two affiliated companies in the aggregate amount of EUR 0.1 million in favour of R+V Versicherung AG, Wiesbaden. Furthermore, Deutsche Wohnen AG is the guarantor for a loan submitted at a affiliated company amounting to EUR 13.2 million in favour of Aareal Bank AG, Wiesbaden. Further, Deutsche Wohnen AG is the guarantor for bank guarantees and uncollected rental deposits for affiliated companies amounting to EUR 5.2 million, and a total of EUR 1.0 million for other limited guarantees. A claim is in both guarantees unlikely, because these companies are profitable and financially solvent, and, in particular, the loans are secured against property.

Deutsche Wohnen AG is jointly and severally liable with affiliated companies for liabilities to the banks of these affiliated companies amounting to EUR 506.9 million. A claim is unlikely because these companies are profitable and financially solvent and the loans are secured against property.

Deutsche Wohnen AG has issued a letter of support to a creditor in favour of the affiliated companies. A claim is unlikely because these companies are profitable and financially solvent and the loans are secured against property.

There is a controlling agreement between Deutsche Wohnen AG as the controlling entity and the Rhein-Pfalz Wohnen GmbH as the controlled entity.

There are controlling and profit and loss transfer agreements between Deutsche Wohnen AG (Group parent) and Deutsche Wohnen Corporate Real Estate GmbH, Berlin, Deutsche Wohnen Management GmbH, Berlin, Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main, Deutsche Wohnen Fondsbeteiligungs GmbH (previously Deutsche Wohnen Service GmbH, Berlin) and Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin, each of which are subsidiary companies.

G Other disclosures

in EUR m	up to one year	one to five years	Total
Leasing and rental agreements	0.7	1.3	2.0
Long-term contracts	3.6	6.9	10.5
Total	4.3	8.2	12.5

H Other information

Management Board

In the financial year 2011 the Management Board was composed as follows:

Name	Memberships in supervisory boards and other executive bodies within the meaning of Section 285 no. 10 of the German Commercial Code (HGB) in connection with Section 125 para. 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 administration (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)

The remuneration of the Management Board was composed as follows:

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

Please refer to the Management Report for further explanation of the remuneration system of the Management Board.

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

Supervisory Board

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, KPMG, 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, KPMG, 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, KPMG, 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, KPMG, 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)

Each member of the Supervisory Board receives fixed remuneration of EUR 20 k, 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 amounted to EUR 170 k including German value added/sales tax.

There is no employee benefit liability for current or retired members of the Supervisory Board of Deutsche Wohnen AG. No advances, loans or securities were granted to members of the Supervisory Board in the financial year.

Shareholdings requiring notification in accordance with section 160 German Stock Corporation Act (AktG)

In the financial year 2011 and in the financial year 2012 until the valuation date Deutsche Wohnen published the following notifications of voting rights according to §§ 21 ff. German Securities Trading Act (WpHG).

1. On December 23, 2010, British Empire Securities and General Trust plc, Chelmsford, England (United Kingdom), has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have fallen below the threshold of 5% on December 22, 2010 and as of such date amount to 4.99% (this corresponds to 4,081,902 voting rights).

2. Hereby we notify you in each case in the name and on behalf of
OCM Luxembourg Opportunities Investments, S.à R.L., Luxembourg, Luxembourg, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Luxembourg Real Estate Investments, S.à R.L., Luxembourg, Luxembourg, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Luxembourg Opportunities Holdings, LLC, Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Luxembourg Real Estate Holdings, LLC, Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Opportunities Fund V, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Opportunities Fund VI, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Principal Opportunities Fund III, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Principal Opportunities Fund IIIA, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Real Estate Opportunities Fund IIIA, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Opportunities Fund V GP, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Opportunities Fund VI GP, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Principal Opportunities Fund III GP, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

JPMorgan Chase Bank, National Association, Columbus Ohio OH, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

JPMorgan Chase & Co., New York, NY, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

Teachers' Retirement System of the City of New York, New York, NY, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Real Estate Opportunities Fund III, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Real Estate Opportunities Fund III GP, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 10%, 5% and 3% and on this day amounts to 0% (0 voting rights).

Oaktree Fund GP I, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

Oaktree Fund GP II, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 10%, 5% and 3% and on this day amounts to 0% (0 voting rights).

Oaktree Capital I, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

Oaktree Capital II, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 10%, 5% and 3% and on this day amounts to 0% (0 voting rights).

Oaktree Capital Management, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 10%, 5% and 3% and on this day amounts to 0% (0 voting rights).

OCM Holdings I, LLC, Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

Oaktree Holdings, LLC, Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 5% and 3% and on this day amounts to 0% (0 voting rights).

Oaktree Holdings, Inc., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 10%, 5% and 3% and on this day amounts to 0% (0 voting rights).

Oaktree Capital Group, LLC, Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 10%, 5% and 3% and on this day amounts to 0% (0 voting rights).

Oaktree Capital Group Holdings, L.P., Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 10%, 5% and 3% and on this day amounts to 0% (0 voting rights).

Oaktree Capital Group Holdings GP, LLC, Los Angeles, California, USA, that its share of the voting rights in Deutsche Wohnen AG fell with effect on 31 January 2011 below the thresholds of 10%, 5% and 3% and on this day amounts to 0% (0 voting rights).

3. On February 16, 2011, Ruffer LLP, London, UK, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have fallen below the threshold of 5% on February 15, 2011 and as of such date amount to 4.61% (this corresponds to 3,773,086 voting rights).

These 4.61% of the voting rights (this corresponds to 3,773,086 voting rights) are to be attributed to the company according to Article 22, Section 1, Sentence 1, No. 6 of the WpHG.

4. On February 22, 2011, Oyster Asset Management S.A., Luxembourg, Luxembourg, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have exceeded the threshold of 3% on February 11, 2011 and as of such date amount to 3.01% (this corresponds to 2,461,000 voting rights).

These 3.01% of the voting rights (this corresponds to 2,461,000 voting rights) are to be attributed to the company according to Article 22, Section 1, Sentence 1, No. 6 of the WpHG.

5. HBOS plc., Edinburgh, UK, notified us on 4th March 2011 according to Article 21, Section 1 and Article 22 WpHG that the voting rights of HBOS plc. in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6 exceeded the notification threshold of Article 21 Section 1 WpHG of 5% on 27th September 2006 and as of such date amount to 5.03% (i.e. 1,006,133 voting rights). 5.03% of the voting rights (i.e. 1,006,133 voting rights) are to be attributed to HBOS plc. according to Article 22 Section 1 Sentence 1 No. 6, Section 1 Sentence 2 WpHG.

HBOS Insurance & Investment Group Limited, London, UK, notified us on 4th March 2011 according to Article 21, Section 1 and Article 22 WpHG that the voting rights of HBOS Insurance & Investment Group Limited in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6 exceeded the notification threshold of Article 21 Section 1 of 5% on 27th September 2006 and as of such date amount to 5.03% (i.e. 1,006,133 voting rights). 5.03% of the voting rights (i.e. 1,006,133 voting rights) are to be attributed to HBOS Insurance & Investment Group Limited according to Article 22 Section 1 Sentence 1 No. 6, Section 1 Sentence 2 WpHG.

HBOS plc., Edinburgh, UK notified us on 4th March 2011 according to Article 21 Section 1 and Article 22 WpHG that its voting rights have fallen below the 5% and 3% thresholds of Article 21 Section 1 WpHG on 6th August 2007 and of such date amount to 0.00% of the voting rights (0 voting rights) in Deutsche Wohnen AG, Frankfurt, Deutschland, ISIN: DE000A0HN5C6.

HBOS Insurance & Investment Group Limited, London, UK notified us on 4th March 2011 according to Article 21 Section 1 and Article 22 WpHG that its voting rights have fallen below the 5% and 3% thresholds of Article 21 Section 1 WpHG on 6th August 2007 and of such date amount to 0.00% of the voting rights (0 voting rights) in Deutsche Wohnen AG, Frankfurt, Deutschland, ISIN: DE000A0HN5C6.

Insight Investment Management (Global) Limited, London, UK and Insight Investment Management Limited, London, UK notified us on 4th March 2011 of the withdrawal of their notifications of voting rights in relation to Deutsche Wohnen AG, Frankfurt, Deutschland, ISIN: DE000A0HN5C6 made on 3rd January 2007 according to Articles 21, 22 WpHG.

These notifications are to be withdrawn, because by mistake an exceeding of the 5% notification threshold of Article 21 Section 1 WpHG was notified on 28th December 2006, although in fact none of the companies on such date held a participation in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6 required to be notified.

6. On February 25, 2011 OYSTER Sicav, Luxembourg, Luxembourg, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have exceeded the threshold of 3% on February 11, 2011 and as of such date amount to 3.01% (this corresponds to 2,461,000 voting rights).

7. On March 29, 2011, Oyster Asset Management S.A., Luxembourg, Luxembourg, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have exceeded the threshold of 3% on February 11, 2011 and as of such date amount to 3.01% (this corresponds to 2,461,000 voting rights). These 3.01% of the voting rights (this corresponds to 2,461,000 voting rights) are to be attributed to the company according to Article 22, Section 1, Sentence 1, No. 6 of the WpHG.

The voting rights of the following shareholder holding 3% or more in Deutsche Wohnen AG are to be attributed to Oyster Asset Management S.A.: - OYSTER Sicav

8. On April 12, 2011, Cohen & Steers Capital Management, Inc., New York, USA, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have exceeded the threshold of 5% on April 11, 2011 and as of such date amount to 5.03% (this corresponds to 4,116,772 voting rights).

These 5.03% of the voting rights (this corresponds to 4,116,772 voting rights) are to be attributed to the company according to Article 22, Section 1, Sentence 1, No. 6 of the WpHG.

9. On April 28, 2011, Ruffer LLP, London, UK, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have fallen below the threshold of 3% on April 28, 2011 and as of such date amount to 2.99% (this corresponds to 2,442,913 voting rights).

These 2.99% of the voting rights (this corresponds to 2,442,913 voting rights) are to be attributed to the company according to Article 22, Section 1, Sentence 1, No. 6 of the WpHG.

10. On 20 June 2011, British Empire Securities and General Trust plc, Chelmsford, United Kingdom, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have fallen below the threshold of 3% on 17 June 2011 and as of such date amount to 2.99% (this corresponds to 2,445,609 voting rights).

11. On 29 June 2011, ASSET VALUE INVESTORS LIMITED, London, United Kingdom, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have fallen below the threshold of 5% on 24 June 2011 and as of such date amount to 4.94% (this corresponds to 4,039,297 voting rights).

These 4.94% of the voting rights (this corresponds to 4,039,297 voting rights) are to be attributed to the company according to Article 22, Section 1, Sentence 1, No. 6 of the WpHG.

12. On 27 July 2011 OYSTER Sicav, Luxembourg, Luxembourg, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have fallen below the threshold of 3% on 22 July 2011 and as of such date amount to 2.96% (this corresponds to 2,421,800 voting rights).

13. On 27 July 2011, Oyster Asset Management S.A., Luxembourg, Luxembourg, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have fallen below the threshold of 3% on 22 July 2011 and as of such date amount to 2.96% (this corresponds to 2,421,800 voting rights).

These 2.96% of the voting rights (this corresponds to 2,421,800 voting rights) are to be attributed to Oyster Asset Management S.A. according to Article 22, Section 1, Sentence 1, No. 6 of the WpHG.

14. On 08 August 2011, Cohen & Steers, Inc., New York, USA, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have exceeded the threshold of 10% on 03 August 2011 and as of such date amount to 10.07% (this corresponds to 8,240,933 voting rights).

These 10.07% of the voting rights (this corresponds to 8,240,933 voting rights) are to be attributed to the company according to Article 22, Section 1, Sentence 1, No. 6 of the WpHG in connection with Article 22, Section 1, Sentence 2 of the WpHG.

15. On 05 October 2011, BlackRock, Inc., New York, USA, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have exceeded the threshold of 3% on 28 September 2011 and as of such date amount to 3.06% (this corresponds to 2,504,524 voting rights).

These 3.06% of the voting rights (this corresponds to 2,504,524 voting rights) are to be attributed to the company according to Article 22, Section 1, Sentence 1, No. 6 of the WpHG in connection with Article 22, Section 1, Sentence 2 of the WpHG.

On 05 October 2011, BlackRock Financial Management, Inc., New York, USA, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have exceeded the threshold of 3% on 28 September 2011 and as of such date amount to 3.06% (this corresponds to 2,504,524 voting rights).

These 3.06% of the voting rights (this corresponds to 2,504,524 voting rights) are to be attributed to the company according to Article 22, Section 1, Sentence 1, No. 6 of the WpHG in connection with Article 22, Section 1, Sentence 2 of the WpHG.

On 05 October 2011, BlackRock Holdco 2, Inc., Wilmington, Delaware, USA, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have exceeded the threshold of 3% on 28 September 2011 and as of such date amount to 3.06% (this corresponds to 2,504,524 voting rights).

These 3.06% of the voting rights (this corresponds to 2,504,524 voting rights) are to be attributed to the company according to Article 22, Section 1, Sentence 1, No. 6 of the WpHG in connection with Article 22, Section 1, Sentence 2 of the WpHG.

16. On 17 October 2011, Cohen & Steers, Inc., New York, USA, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have fallen below the threshold of 10% on 13 October 2011 and as of such date amount to 9.91% (this corresponds to 8,107,281 voting rights).

These 9.91% of the voting rights (this corresponds to 8,107,281 voting rights) are to be attributed to the company according to Article 22, Section 1, Sentence 1, No. 6 of the WpHG in connection with Article 22, Section 1, Sentence 2 of the WpHG.

17. Morgan Stanley, Wilmington, Delaware, USA ("Morgan Stanley"), herewith notifies you on its own behalf and behalf of such further subsidiaries as mentioned below pursuant Section 21, para. 1 in connection with Section 24 of the German Securities Trading Act that:

Morgan Stanley Bank AG, Frankfurt, Germany, on 30 November 2011 exceeded the thresholds of 3%, 5%, 10%, 15%, reached the threshold of 20% and therefore held 20.00% (20,460,000 shares, each carrying one voting right) of voting rights in Deutsche Wohnen AG, Frankfurt, Germany; and

The holding entity of Morgan Stanley Bank AG, Morgan Stanley International Holdings Inc., Wilmington, Delaware, USA on 30 November 2011 exceeded the thresholds of 3%, 5%, 10%, 15%, and 20% and therefore held 20.17% (20,631,547 shares, each carrying one voting right) of voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, 20.17% (20,631,547 shares, each carrying one voting right) have to be attributed pursuant to Section 22, para. 1, sent. 1 No. 1 German Securities Trading Act, whereby 20,460,000 of these attributed voting rights (20.00%) have to be attributed pursuant to Section 22, para. 1, sent. 1 No. 1 German Securities Trading Act from Morgan Stanley Bank AG; and

The holding entity of Morgan Stanley International Holdings Inc., Morgan Stanley, Wilmington, Delaware, USA on 30 November 2011 exceeded the thresholds of 3%, 5%, 10%, 15%, and 20% and therefore held 20.17% (20,631,547 shares, each carrying one voting right) of voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, whereby 20.17% (20,631,547 shares, each carrying one voting right) have to be attributed pursuant

to Section 22, para. 1, sent. 1 No. 1 German Securities Trading Act.

The voting rights that are to be attributed to Morgan Stanley are held via the following companies which are controlled by Morgan Stanley and whose holdings of voting rights amount to 3% each or more in Deutsche Wohnen AG: Morgan Stanley International Holdings Inc. and Morgan Stanley Bank AG.

Morgan Stanley, Wilmington, Delaware, USA ("Morgan Stanley"), herewith notifies you on its own behalf and behalf of such further subsidiaries as mentioned below pursuant Section 21, para. 1 in connection with Section 24 of the German Securities Trading Act that:

Morgan Stanley Bank AG, Frankfurt, Germany, on 01 December 2011 has fallen below the thresholds of 20%, 15%, 10%, 5% and 3% and on that day holds 0% (0 shares/voting rights) of the voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany; and

Morgan Stanley International Holdings Inc., Wilmington, Delaware, USA on 01 December 2011 has fallen below the thresholds of 20%, 15%, 10%, 5% and 3% of the voting rights of Deutsche Wohnen AG, Frankfurt/Main, Germany, and on that day holds 0.44% (446,826 shares, each carrying one voting right), whereby 0.44% (446,826 shares, each carrying one voting right) have to be attributed pursuant to Section 22, para. 1, sent. 1 No. 1 German Securities Trading Act; and

Morgan Stanley, Wilmington, Delaware, USA on 01 December 2011 has fallen below the thresholds of 20%, 15%, 10%, 5% and 3% of the voting rights of Deutsche Wohnen AG, Frankfurt/Main, Germany, and on that day holds 0.44% (446,826 shares, each carrying one voting right), whereby 0.44% (446,826 shares, each carrying one voting right) have to be attributed pursuant to Section 22, para. 1, Sentence 1 No. 1 German Securities Trading Act.

The chain of entities represented as follows (starting on the highest level):

- 1) Morgan Stanley
- 2) Morgan Stanley International Holdings Inc.
- 3) Morgan Stanley Bank AG.

18. On 06 December 2011, UBS AG, Zurich, Switzerland, has informed us according to Section 21, para. 1 of the German Securities Trading Act (WpHG) that its voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, have exceeded the thresholds of 3% and 5% on 30 November 2011 and as of such date amount to 7.09% (this corresponds to 7,250,078 voting rights).

Thereof 0.31% of the voting rights (this corresponds to 317,084 voting rights) are to be attributed to the company according to section 22, para. 1, sent. 1, no. 1 of the German Securities Trading Act (WpHG). Further 6.67% of the voting rights (this corresponds to 6,820,000 voting rights) are to be attributed to the company according to section 22, para. 1, sent. 1, no. 2 of the German Securities Trading Act (WpHG). These are held by Morgan Stanley Bank AG.

On 06 December 2011, UBS AG, Zurich, Switzerland, has informed us according to Section 21, para. 1 of the German Securities Trading Act (WpHG) that its voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, have fallen below the thresholds of 5% and 3% on 01 December 2011 and as of such date amount to 0.33% (this corresponds to 337,259 voting rights).

Thereof 0.31% of the voting rights (this corresponds to 317,806 voting rights) are to be attributed to the company according to section 22, para. 1, sent. 1, no. 1 of the German Securities Trading Act (WpHG).

19. Herewith, we notify you according to Sections 21, para. 1 and 24 of the German Securities Trading Act (WpHG) on our own behalf and on behalf of the consecutively named entities that:

On 30 November 2011 the voting rights of Credit Suisse Securities (Europe) Limited, London, England, in Deutsche Wohnen AG exceeded the thresholds of 3% and 5% and as of such date amounted to 6.71% (6,862,639 voting rights). Thereof, Credit Suisse Securities (Europe) Limited holds 0.04% (42,639 voting rights) according to Section 21, para. 1, sent. 1 of the German Securities Trading Act (WpHG), and a further 6.67% (6,820,000 voting rights) which are held by Morgan Stanley Bank AG are to be attributed to Credit Suisse Securities (Europe) Limited according to Section 22, para. 1, sent. 1, no. 2.

The duty of notification according to Section 22, para. 1, sent. 1, no. 2 of the German Securities Trading Act (WpHG) arises from the fact that Credit Suisse Securities (Europe) Limited, along with Morgan Stanley Bank AG and UBS Limited, have accompanied as Joint Global Coordinator and Joint Bookrunner the capital increase, which was registered in the commercial register on 30 November 2011.

On 01 December 2011 the voting rights of Credit Suisse Securities (Europe) Limited, London, England, in Deutsche Wohnen AG have fallen below the thresholds of 5% and 3% and as of such date amounted to 0.04% (41,260 voting rights). Credit Suisse Securities (Europe) Limited holds these voting rights according to Section 21, para. 1, sent. 1 of the German Securities Trading Act (WpHG).

We further inform you that because of the above reported exceeding of the thresholds of 3% and 5% of Credit Suisse Securities (Europe) Limited, also the voting rights of its affiliated companies, Credit Suisse Investments (UK), London, England and Credit Suisse Investment Holdings (UK), London, England each exceeded the thresholds of 3% and 5% of voting rights in Deutsche Wohnen AG on 30 November 2011 and as of such date amounted to 6.71% (6,862,639 voting rights). Thereof, 0.04% (42,639 voting rights) is each to be attributed to the companies mentioned in this passage, according to Section 22, para. 1, sent. 1, no. 1 of the German Securities Trading Act (WpHG) and a further 6.67% (6,820,000 voting rights) according to Section 22,

para. 1, sent. 1, no. 2 in connection with Section 22, para. 1, sent. 2 of the German Securities Trading Act (WpHG).

We further inform you that because of the above reported falling below the thresholds of 5% and 3% of Credit Suisse Securities (Europe) Limited, also the voting rights of its affiliated companies, Credit Suisse Investments (UK), London, England and Credit Suisse Investment Holdings (UK), London, England have each fallen below the thresholds of 5% and 3% of voting rights in Deutsche Wohnen AG on 01 December 2011 and as of such date amounted to 0.04% (41,260 voting rights). These voting rights are each to be fully attributed to the companies mentioned in this passage according to Section 22, para. 1, sent. 1, no. 1 of the German Securities Trading Act (WpHG).

Furthermore, we inform you that on 30 November 2011 the voting rights of Credit Suisse AG, Zurich, Switzerland, and of Credit Suisse Group AG, Zurich, Switzerland in Deutsche Wohnen AG exceeded the thresholds of 3% and 5% and as of such date amounted to 6.76% (6,914,191 voting rights). Thereof, 0.05% (48,117 voting rights) is each to be attributed to the companies mentioned in this passage according to Section 22, para. 1, sent. 1, no. 1 of the German Securities Trading Act (WpHG), 6.67% (6,820,000 voting rights) according to Section 22, para. 1, sent. 1, no. 2 in connection with Section 22, para. 1, sent. 2 of the German Securities Trading Act (WpHG) and a further 0.05% (46,074 voting rights) according to Section 22, para. 1, sent. 1, no. 6 in connection with Section 22, para. 1, sent. 2 of the German Securities Trading Act (WpHG).

Furthermore, we inform you that on 01 December 2011 the voting rights of Credit Suisse AG, Zurich, Switzerland, and of Credit Suisse Group AG, Zurich, Switzerland in Deutsche Wohnen AG have fallen below the thresholds of 5% and 3% and as of such date amounted to 0.091% (92,812 voting rights). Thereof, 0.046% (46,738 voting rights) is each to be attributed to the companies mentioned in this passage according to Section 22, para. 1, sent. 1, no. 1 and a further 0.045% (46,074 voting rights) according to Section 22, para. 1, sent. 1, no. 6 in connection with Section 22, para. 1, sent. 2 of the German Securities Trading Act (WpHG).

The chain of affiliated companies represents as follows (starting with the lowest entity):

Credit Suisse Securities (Europe) Ltd., Credit Suisse Investment Holdings (UK), Credit Suisse Investments (UK), Credit Suisse AG and Credit Suisse Group AG.

20. On 22 December 2011, MFS International Value Fund, Boston, Massachusetts, USA, has informed us according to Article 21, Section 1 of the German Securities Trading Act (WpHG) that its voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, have exceeded the threshold of 3% on 15 December 2011 and as of such date amount to 3.03% (this corresponds to 3,099,653 voting rights).

21. On 2 February 2012, APG Algemene Pensioen Groep N.V., DJ Heerlen, The Netherlands, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have exceeded the threshold of 3% on 31 January 2012 and as of such date amounted to 3.13% (this corresponds to 3,204,277 voting rights).

On 2 February 2012, APG Groep N.V., DJ Heerlen, The Netherlands, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have exceeded the threshold of 3% on 31 January 2012 and as of such date amounted to 3.13% (this corresponds to 3,204,277 voting rights).

These 3.13% of the voting rights (this corresponds to 3,204,277 voting rights) are to be attributed to APG Groep N.V. according to Article 22, Section 1, Sentence 1, No. 1 of the WpHG.

Voting rights that are to be attributed to APG Groep N.V. are held via the following company which is controlled by APG Groep N.V. and whose holdings of voting rights amount to 3% or more in Deutsche Wohnen AG:
APG Algemene Pensioen Groep N.V.

On 2 February 2012, Stichting Pensioenfonds ABP, DJ Heerlen, The Netherlands, has informed us according to Article 21, Section 1 of the WpHG that its voting rights in Deutsche Wohnen AG, Frankfurt, Germany, ISIN: DE000A0HN5C6, have exceeded the threshold of 3% on 31 January 2012 and as of such date amounted to 3.13% (this corresponds to 3,204,277 voting rights).

These 3.13% of the voting rights (this corresponds to 3,204,277 voting rights) are to be attributed to Stichting Pensioenfonds ABP according to Article 22, Section 1, Sentence 1, No. 1 of the WpHG.

Voting rights that are to be attributed to Stichting Pensioenfonds ABP are held via the following companies which are controlled by Stichting Pensioenfonds ABP and whose holdings of voting rights amount to 3% each or more in Deutsche Wohnen AG:
APG Algemene Pensioen Groep N.V. and APG Groep N.V.

Auditor's fees

In the year under review, the fees recorded as expenses for the auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, amounted to:

in EUR k	2011
Financial audit	226
Other certification and valuation services	1,034
Tax advisory services	10
Other services	176
	1,446

The expenses for other certification and valuation services relate to services rendered in the context of the capital increase. These expenses comprise pure certification services and the insurance premium amounting to EUR 602 k.

Employees

In the year under review the average number of employees was 78 (previous year: 77)

Related party disclosure

In the financial year, there were no transactions between related companies or individuals and the company that were not carried out at usual market rates.

Consolidated financial statements

The company is the parent company of the Group and produces a Consolidated Financial Statement, as published in the German Federal Gazette (electronischer Bundesanzeiger).

Corporate governance

The Management Board and the Supervisory Board submitted a declaration of compliance 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 on the company's website at www.deutsche-wohnen.de.

I Appropriation of net profits

The Management Board proposes that the net retained profit of EUR 23,529 k, comprising an annual net loss of EUR 11,315 k and a withdrawal from the capital reserve of EUR 34,844 k, be distributed to shareholders as dividend of 23 cents per share.

Frankfurt/Main, 24 February 2012

Deutsche Wohnen AG



Michael Zahn
Chief Executive
Officer



Helmut Ullrich
Chief Financial
Officer



Lars Wittan
Member of the
Management
Board

Appendix 1

STATEMENT OF CHANGES IN FIXED ASSETS

for the financial year from 1 January to 31 December 2011

in EUR	Acquisition and production costs			
	01/01/2011	Additions	Disposals	Reclassification
I. Intangible assets				
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	5,752,692.83	338,083.31	0.00	7,140.00
2. Prepayments	7,140.00	0.00	0.00	-7,140.00
	5,759,832.83	338,083.31	0.00	0.00
II. Property, plant and equipment				
Other equipment, furniture and fixtures	1,393,709.74	491,486.31	95,510.69	0.00
III. Financial assets				
Shares in affiliates	286,371,323.53	0.00	0.00	0.00
	293,524,866.10	829,569.62	95,510.69	0.00

31/12/2011	Accumulated depreciation, amortisation and write downs			Carrying amount		
	01/01/2011	Additions	Disposals	31/12/2011	31/12/2010	
6,097,916.14	2,346,571.58	1,282,698.29	0.00	3,629,269.87	2,468,646.27	3,406,121.25
0.00	0.00	0.00	0.00	0.00	0.00	7,140.00
6,097,916.14	2,346,571.58	1,282,698.29	0.00	3,629,269.87	2,468,646.27	3,413,261.25
1,789,685.36	503,878.54	302,670.32	44,124.32	762,424.54	1,027,260.82	889,831.20
286,371,323.53	0.00	0.00	0.00	0.00	286,371,323.53	286,371,323.53
294,258,925.03	2,850,450.12	1,585,368.61	44,124.32	4,391,694.41	289,867,230.62	290,674,415.98

Independent auditors' report

We have audited the annual financial statements, comprising the balance sheet, the profit and loss statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Deutsche Wohnen AG, Frankfurt/Main, for the fiscal year from 1 January 2011 to 31 December 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] 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 annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company'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 annual financial statements as at 31 December 2011 give a true and fair view of the net assets, financial and earnings position of the company and the management report gives a true and fair view of the development of the business including the business result and the position of the company and describes the main opportunities and risks associated with the company'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

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misunderstanding or misinterpretation arising from
this translation.

DEUTSCHE WOHNEN AG

Registered office
Pfaffenwiese 300
65929 Frankfurt am Main

Phone +49 (0)69 976 970 0
Fax +49 (0)69 976 970 4980

Berlin Office
Mecklenburgische Straße 57
14197 Berlin

Phone +49 (0)30 897 86 0
Fax +49 (0)30 897 86 100

info@deutsche-wohnen.com
www.deutsche-wohnen.com