

# Our year 2011





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# Wijnand Donkers

# Our year 2011

Deutsche Annington is Germany's largest residential housing company with some 190,000 apartments of its own. However, it is not the size that makes a company successful but the quality of its performance and the satisfaction of its customers. Therefore, we not only want to remain Germany's largest private-sector real estate company – but also become Germany's best real estate company.

Last year, we not only achieved the goals we had set ourselves but even exceeded them in some important points. And we also set key milestones for the future – with regard to both refinancing and further improving the quality of our property management business and services. We want to further increase the satisfaction of our customers and therefore they will remain the focus of our activities.



# We want our tenants to feel comfortable with us.

## **Focus on customers**

We want our tenants to feel comfortable with us. Satisfied customers stay longer, they look after their apartment as if it was their own. And they work together with us when a problem needs to be sorted out.

For many years, the provision of accommodation in Germany was seen as a more or less basic service. In times when there was a housing shortage, the objective was simply to provide broad sections of the population with an apartment. Housing companies merely managed the large housing stocks. Providing services for the tenant was not a primary consideration. In past decades, this approach increasingly took its toll on the condition of the buildings and the well-being of the tenants.

That has now changed. Not only have our customers become justifiably more demanding but the economic, ecological and social requirements have also fundamentally changed. Nowadays, people demand affordable housing in an intact neighbourhood and in a safe environment. The landlord is no longer a property manager but a reliable service provider for his customers. Today, we know that sustainable residential property management is a challenging task which requires a very professional company structure.

We have increasingly considered what our customers want and we regularly conduct surveys. This has shown us what people expect from our apartments. This can be summarised in four short words: service, safety, cleanliness and social integrity.

However, a promise is just words until you can judge if has been kept. Therefore, from October 2012, we will be giving our customers firm and therefore binding quality assurances with seven service promises. We will be judged by them.

We are determined to considerably increase the satisfaction of our tenants. As Germany's largest housing company, Deutsche Annington will work very hard to also become the best.

# Service

## **Our seven service promises:**

- 1.** We are there for you: 350 facility managers will soon be the local contacts for the tenants in our estates.
- 2.** Any faults reported will be repaired by our own craftsmen within 8 days, or immediately if they may have an effect on safety.
- 3.** We guarantee you: our own craftsmen are punctual and tidy.
- 4.** We guarantee correct and easy-to-read ancillary cost bills – checked by TÜV Rheinland; we deal with questions and complaints within max. 28 days.
- 5.** We regularly check our service providers and ensure that they take good care of the surrounding area.
- 6.** Welcome: new customers are given a viewing appointment within 72 hours.
- 7.** From now on, we will answer inquiries made on our customer portal within 3 working days.

In recent years, we have created a modern company structure which only few in our industry can boast.



### **Optimum processes**

If a company wants to be successful in the housing industry nowadays, it has to deliver on three things: performance for the customer, cost-effectiveness and response time. This can only be achieved with well-coordinated workflows which optimally intermesh. In recent years, we have created a modern company structure which only few in our industry can boast. Our mass processes have been centralised and made more efficient in recent years. We will continue to exploit these strengths. However, we have also learned that we must keep checking to see whether all workflows still function well. We must keep what is good and correct what has not proved successful. In this respect, we want and have to continue to improve.

### **2011 business results**

2011 was once again a highly successful year for us. We not only achieved our goals but even exceeded them in some important points. With adjusted EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) of € 510 million, we again topped the high figure for the previous year. Deutsche Annington has increased this KPI by € 50 million in the last five years without any substantial additions to our housing stock. That is an achievement which we can be proud of. We again recorded a very high FFO (Funds from Operations), our key cash flow indicator. The equity ratio has risen to 21 %, the vacancy rate has fallen to 4.3 %.

### **Refinancing**

We are also making good progress with refinancing. A securitised loan (Hallam) maturing in October 2011 was already repaid in April. This successful result as well as the refinancing of the PRIMA portfolio agreed at the end of 2011 show that the market believes in our performance and has confidence in us.

We already started the negotiations very early in 2011 for the larger GRAND financing volumes maturing in mid-2013. These talks are making good progress and are proceeding in a constructive manner.

### **Operational highlights of the past year**

We can best deliver high quality when we are responsible for the standards ourselves and can check that they are being kept. Therefore, in 2011 we went back to performing work within the company which we had previously contracted out and started to set up our own facility manager and craftsmen's organisation. In this way, we will create more than 1,200 jobs by 2013 and therefore double our total workforce. Many other companies are outsourcing, we are doing the opposite!

The new employees are our face in our residential estates. They are close to the customers who can easily contact them. We are satisfying the tenants' desire for more direct contact through greater presence in the residential districts.

We are also adopting new approaches in other fields, on the social and technical sides. Here are two examples of this: together with the Workers' Welfare Association (Arbeiterwohlfahrt), Deutsche Annington is offering debt counselling free of charge, and with Telekom 171,000 apartments will be equipped step by step with modern fibre optic technology. In this way, we are not only opening the door for TV images in a completely new quality but also for new services in the future. Telecommunications are becoming faster, better and, what's more, cheaper for most customers.

### **Stock corporation**

Deutsche Annington became a stock corporation on March 1, 2012. This summer it is planned in a further step to convert the company into a European Company (SE – Societas Europaea). This will create additional options for the company, including an IPO.

### **Conclusion**

**Deutsche Annington has the right approach coupled with a solid foundation.**

Our goals are ambitious, especially with regard to customer service. Here, we still have some way to go and will continue to work on ourselves in future. I am convinced that we will also make good progress with this approach in 2012.

# Our progress in 2011 is pretty impressive.

Challenges	Agenda 2011	Results 2011	
<b>Security and returns for our shareholders</b>	Adjusted EBITDA € 507 million and FFO € 203 million	Adjusted EBITDA € 510 million and FFO € 219 million	✓
	Refinancing	Refinancing of the loan agreement for Berliner Wohnungsgesellschaft PRIMA Immobilien KG	✓
<b>Affordable housing for rent in intact neighbourhoods</b>	Further improvement in our processes	ISO certification of the ancillary cost billing system	✓
<b>Reliable services</b>	Fibre optic technology for our tenants	Strategic partnership with Deutsche Telekom for the introduction of fibre optic cables	✓
	Our own employees on site	Setting-up of caretaker company	✓
	Maintenance and modernisation	Joint venture with craftsmen	✓
<b>Energy turnaround</b>	Reasonably priced energy for our tenants	Electricity tariff for our tenants together with RWE	✓
<b>Demographic change</b>	Care for the elderly	Senior-friendly modernisation of apartments	✓
<b>Change in the social environment and social engagement</b>	Receivables management and debt counselling	Setting-up of Deutsche Wohn-Inkasso and social management	✓
	Better understanding of the social structures in our housing stocks	Project "Tenant structure in the Deutsche Annington housing stocks" together with the Fraunhofer Institute	✓

# Our result

# Success confirmed

Our 2011 financial year:

**Positive course successfully continued**

The company also continued its positive development last year. Overall, the 2011 financial year was characterised by steady improvements in business processes and performance as well as by a positive development in the Property Management business segment and a rise in the number of housing units sold. Our financial and earning power was strengthened so our company stands on a solid foundation.



## Key performance indicators adjusted EBITDA and FFO exceed expectations

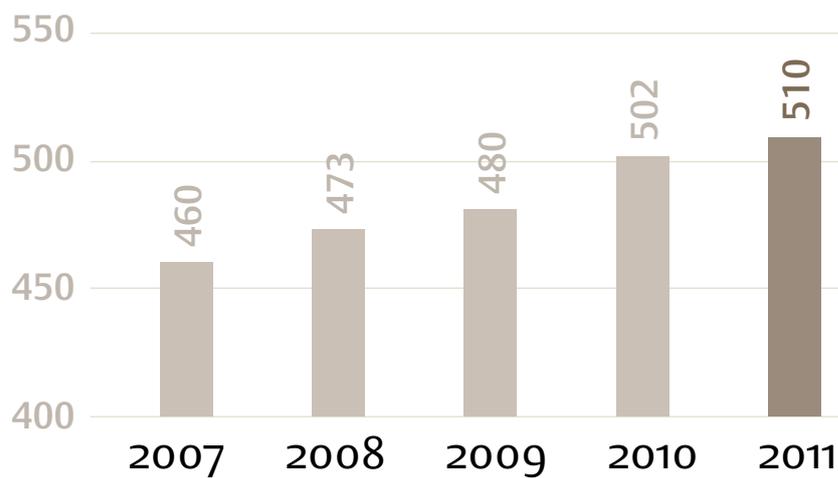
Our two most important key performance indicators, adjusted EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) and FFO (Funds from Operations), both exceeded our expectations. Adjusted EBITDA reached € 509.6 million, which was an increase of 1.6% compared with the previous year. Thus we topped the half-a-billion euro mark for the second time in succession with one of the most important performance indicators. As regards FFO, we fell only just short of the high figure for 2010 despite the higher interest rates on the GRAND financing which applied to the entire year for the first time. FFO amounted to € 218.6 million in 2011 (2010: € 226.7 million). In the previous year, the changed interest rates only had an effect on FFO in the last six months of the year.

Fair value of the real estate portfolio:

# € 9,940 million

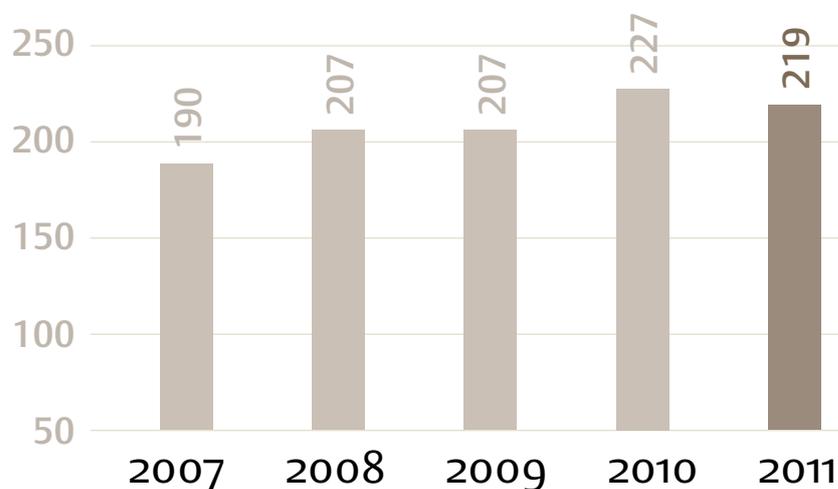


## Development of adjusted EBITDA in € million



Rise of € 50 million with virtually the same number of housing units

## Development of FFO in € million



The key performance indicator FFO has been high for years

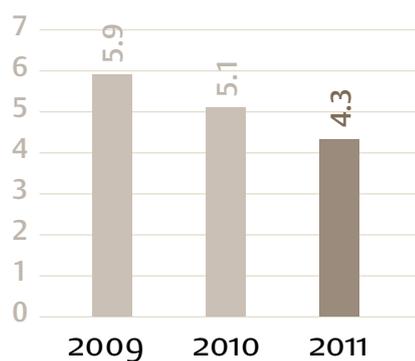
**Rents rise on average by 1.8%**

Our improved performance also meant we were able to raise our rents by an average of 1.8% in 2011 to € 5.15/m<sup>2</sup>/month (2010: € 5.06/m<sup>2</sup>/month). The rent rises were 0.5 percentage points above the core inflation rate (consumer price index excluding domestic energy and fuels).

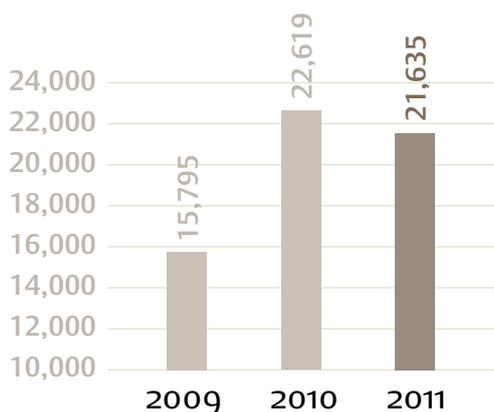
**Vacancy rate lower and letting still at a high level**

In the 2011 financial year, we managed to further reduce the vacancy rate. At the end of the year, it ran at 4.3%, 0.8 percentage points below the prior-year figure of 5.1%. This meant that our properties in many regions were fully let. The vacancy rate also includes our so-called sales-related voids at 0.7% (2010: 0.8%). This success is the result of a number of coordinated measures: these include targeted marketing campaigns, selectively reduced prices and upgrading the standard of housing units. Furthermore, at locations with high demand and low vacancy rates, we adopted a policy of differentiated pricing and more targeted steering of prospective tenants, paying more attention than before to the sustainability of our tenant structure. Overall, our rental performance in 2011 was again consistently high.

## Vacancy rate in %



## Rental performance units

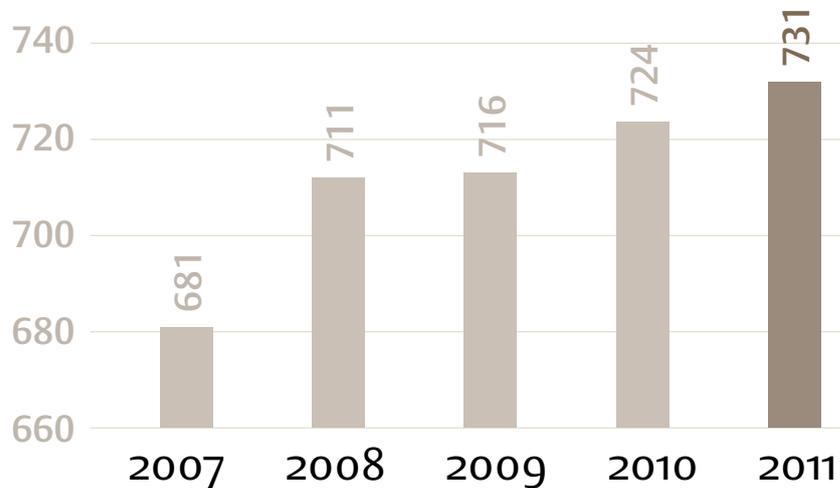
**Apartment sales up by 22.6%**

Our income from the disposal of properties grew by 12.6% from € 224.9 million to € 253.3 million in 2011. The number of apartments sold rose by 22.6%: we sold 3,169 (2010: 2,584) apartments throughout Germany; of this figure, 2,503 (2010: 2,164) housing units were sold to private customers. We achieved this thanks to the effective further development of our sales activities and more improvements in our workflows. The sales business was boosted by increased demand for apartments in the light of the uncertainty in the financial markets. As a result, real estate became more attractive for owner occupation and as a long-term capital investment. Furthermore, we made more portfolio adjustments than the year before to improve the portfolio structure.

**Acquisitions: still good opportunities for acquisitions**

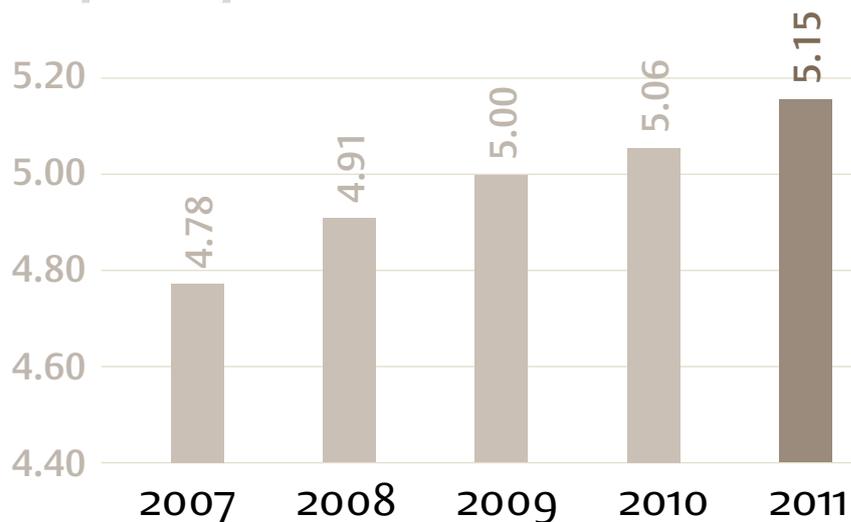
In line with our growth targets, we want to further expand our housing stocks in the coming years. In the last five years, we have successfully integrated some 12,800 apartments into our Group. We view this as confirmation of our competence in this field. We are expecting to find investment opportunities, particularly in the public sector. We are also anticipating that private-sector owners will continue to want to sell. In 2011, we analysed in detail some 400 offers for a volume of about 150,000 residential units. In the months to come, we will be closely following options which we consider attractive.

## Rental income in € million



Moderate  
but steady  
rise in rents

## Development of rents in €/m<sup>2</sup>/month



# Our way

# To build the home of the future

## What are the challenges?

The housing industry is facing a wide range of challenges which will dominate both its present and future. We are rising to these challenges at national level and building the corporate platform for a successful future on the solid foundations of our business. We want to grow profitably with satisfied customers and, at the same time, demonstrate social responsibility. We want to offer our stakeholders security while generating attractive earnings.



The tasks we are facing are varied and not only affect Deutsche Annington but our entire society. We will assume responsibility and change things where we can. Where we cannot solve the problems by ourselves, we will search for partnerships. We are capable of learning and will actively help to shape the future.

**Customer demands on Deutsche Annington**

- > Affordable accommodation for rent in intact neighbourhoods
- > Reliable services

**Societal demands on Deutsche Annington**

- > Energy turnaround
- > Demographic change (ageing population)
- > Change in the social environment and social engagement

**Affordable housing for rent in intact neighbourhoods**

Providing affordable housing requires efficient management with optimised processes. With our successful restructuring in recent years, we have created important prerequisites for looking after our customers more quickly and better than any of our precursor companies. We eliminate weaknesses wherever we identify them. This helps us to set new quality standards.

**Customer centre, online portal, repair service**

Following the changes in recent years, our workflows are becoming ever more efficient. Our modern customer centre has been well received by our tenants. Whether by fax, telephone or Internet – our tenants can reach us in several ways and can expect their inquiry or problem to be dealt with quickly.



Facts	2010	2011
Calls taken every day in the customer centre	3,400	4,600*
Availability with an average waiting time of up to 2 minutes	82 %	81 %
Matter settled directly on the telephone	approx. 60 %	approx. 75 %
Inquiries handled within 3 days	40 %	42 %

\* Customers have been able to report faults centrally since 2011

With our online customer portal, we offer our customers information and service relating to their apartment with just a few clicks, with no waiting time and 24 hours a day. With the support of our customers who took part in an online survey, we were able to further improve the platform in 2011. We owe the fact that tenants can now also upload photographs of damage onto the platform and complete and print a rent certificate to the ideas of our customers. That's also how our Internet platform should be: always improving and, step by step, becoming an integral part of daily life in our residential estates.



### Did you know?

We have reserved 10% of our apprenticeships for our tenants!

#### Ancillary costs: quicker, better and certified

In the past year, we successfully improved our ancillary cost billing processes. Today, we send bills for ancillary costs and service charges on average nearly two months earlier than before. At the same time, the number of complaints about bills fell significantly by 30%.

We have had the new quality of our work verified by an independent body: in mid-2011, we were awarded the Geislinger Konvention quality seal. It certifies that we make a demonstrable effort to keep the ancillary costs of our apartments as low as possible and also confirms the high transparency of the bills. At the end of the year, Deutsche Annington was also the first large German housing company to receive a TÜV seal of approval for ancillary cost billing. With the ISO 9001:2008 certification, TÜV Rheinland confirms that DAIG pays close attention to the quality of its processes and continuously makes improvements. The certifications demonstrate the efficiency of our processes as well as the high quality of our ancillary cost and service charge bills. Our customers will have the full benefit of this in the bills from 2012 onwards.

#### Deutsche Annington Service GmbH

- > Largest property administrator: looks after 1,200 condominium owners' associations with 41,000 owner-occupier units
- > Annual maintenance and modernisation volume: € 7 million
- > Member of the Trade Association of Housing and Property Administration (Bundesfachverband der Wohnungs- und Immobilienverwaltung)

#### Reliable services

Our customers demand more from us than just the management of their apartments. We are therefore developing new offerings all related to "living". We act upon our customers' suggestions or pursue our own concepts in order to increase the satisfaction of our customers. We would like to be a reliable service provider and competent contact for our customers. We will therefore be pushing new ideas in 2012 and successfully expanding the service for our customers.

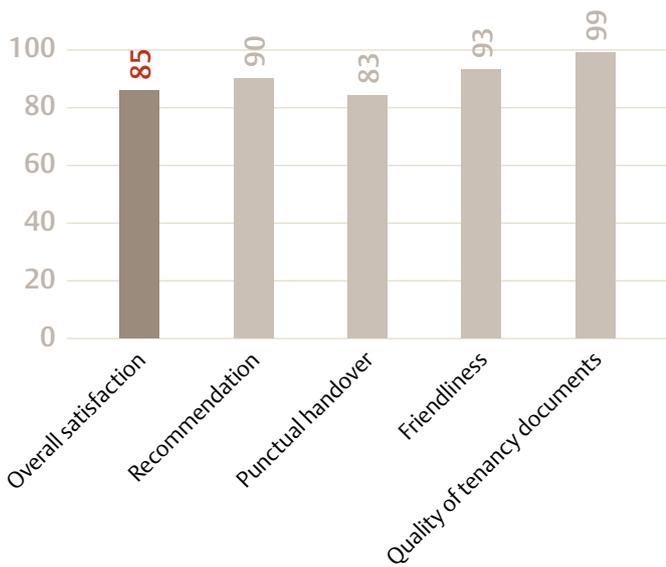
#### Direct feedback: good is good but it can be even better

We have recently been increasingly using customer surveys to discover where we stand with our customers. We regard their feedback as a direct and honest rating of our activities. We have changed a lot in our company over the last three years and it took some time before the new processes were running smoothly. This is also shown in the survey findings. They demonstrate that we are working at a high level but we have to become even better in many fields. We have scored very well with new customers. That is an incentive for us to keep to our approach and increase satisfaction levels among our current customers.

# Sustainable success is based on satisfied customers . . .

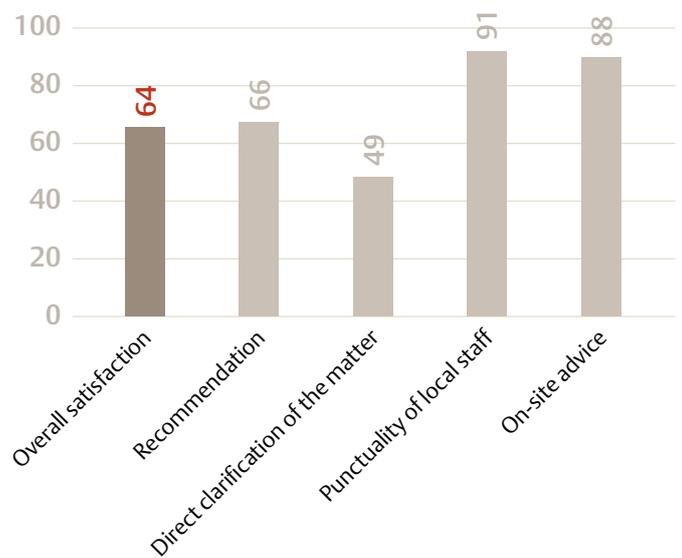
## New customers

Figures in %



## Current customers

Figures in %



## Our promise in four words

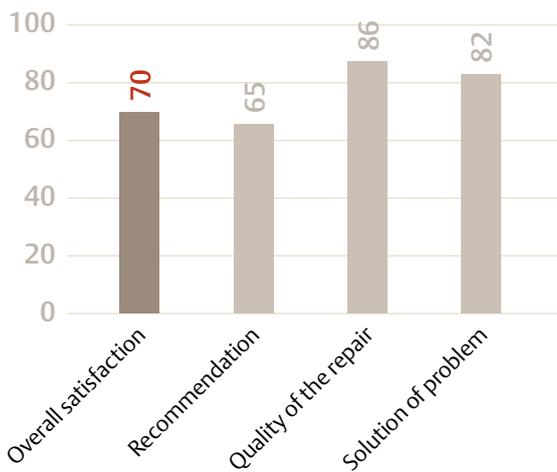


### Did you know?

We look after some 9 million m<sup>2</sup> of lawn area and 2.5 million m<sup>2</sup> of trees and bushes all around our housing stocks throughout Germany. Five tree inspectors work on our behalf throughout Germany to ensure vital growth of the trees and guarantee road safety.

## Customers with repairs

Figures in %



### Results

- > 85 % of our new tenants are satisfied with our performance, 90 % recommend us to others
- > 70 % of our tenants are satisfied with our repair services and 65 % recommend us to others
- > 64 % of the tenants who have been living with us for more than two years are satisfied with us

### Customer-oriented service

From  
a house  
to  
a home

# Four words

### Start with the customers' wishes: a promise in four words

It is not us who determine what performance is but our customers. Our customer survey clearly pinpointed what is important to our tenants. We have converted these wishes into a promise and summarised it in four words: they stand for service to the customer, the tenants' right to safety and cleanliness in the residential estates and for social integrity. We offer broad sections of the population affordable housing in intact neighbourhoods and we are a reliable service provider for our customers – today and tomorrow!

**Our own local facility managers**

In order to further improve our customer service, we began in 2011 to set up our own facility manager organisation. The facility managers not only perform traditional caretaker tasks but also act as local quality managers and coordinators. The facility managers are the direct contacts for the tenants and our local service providers. They ensure the residential estates are clean and tidy. We give preference to applicants who are unemployed, over 50 or tenants of Deutsche Annington.

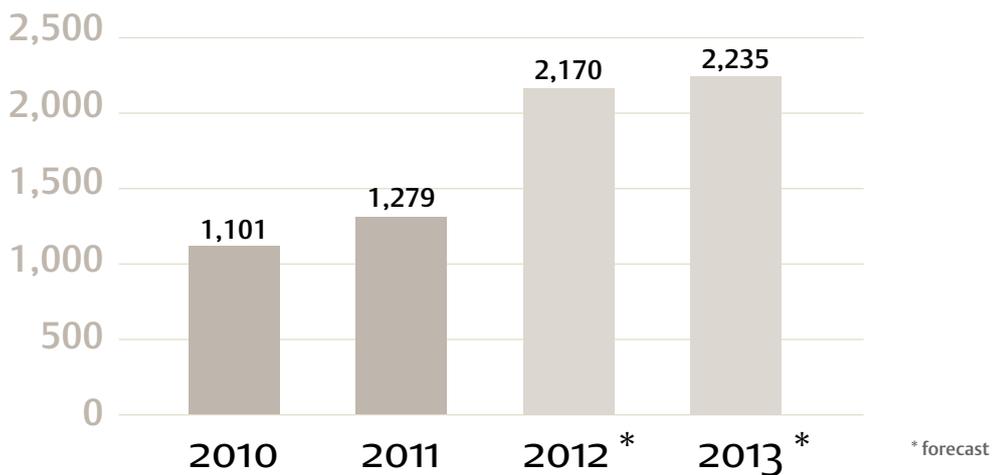
Parallel to this, we established a joint venture which, in future, will be responsible throughout Germany in our residential housing units for jobs such as painting, plumbing, masonry and glazing work.

Our own facility managers and our own craftsmen: as a result of this insourcing, the number of employees will increase by some 1,200 to approx. 2,200 by 2013. We are setting a unique example in Germany by doubling the size of our workforce.

Furthermore, we have decided to bundle services outside the buildings, such as gardening work, winter service, street, path and house cleaning. Contracts with some 80 different service companies will be replaced by one contract with Alba Facility Services. This move means the elimination of the large number of interfaces involved and will contribute towards a further increase in quality.

# Doubling of the workforce by 2013

**No. of employees**





# Local

## With our own facility managers

- > Cleanliness
- > Safety and tidiness
- > Service
- > Quality management and supervision



### Identification

- > A recognisable contact for a faster flow of information

### Customer proximity

- > Presence in the estates, e.g. for tenant surgeries

### Quality

- > Weekly rounds permit quality assurance and the elimination of defects

### Reasonably priced

- > Above-average quality at market prices

## With our own craftsmen

- > Repairs – e.g. painting, electrical, plumbing work
- > Maintenance
- > Value retention



### Speed

- > Date set for craftsman's visit during the first telephone call

### Reliability

- > Flexible and fast processing

### Quality

- > Regular customer surveys

### Responsibility

- > Our own highly motivated employees

### **Modern fibre optic technology for 171,000 apartments: innovation partnership with Deutsche Telekom**

At the end of 2011, we formed a strategic partnership with Deutsche Telekom. In the coming years, we will be installing modern fibre optic technology in 171,000 of our apartments throughout Germany. In addition to a wider range of TV channels, our apartments are to be connected to the new fibre optic network and thus have access to the fast broadband connections of Telekom. We have already started implementing this project. More than 40,000 apartments will be connected by the first quarter of 2013. This cooperation permits us to offer our customers another exclusive and reasonably priced service.

## Deutsche Annington – Our customers benefit

### **TV signal**

- TV & radio: more than 60 channels
- Lower price through ancillary costs
- Top HD quality through digital signal
- Number of channels can be optionally increased



### **Fibre optic Internet & telephone**

- The fastest broadband connections
- Bargain offers of Deutsche Telekom
- Can be optionally booked for our tenants

### **Reliable administration and good support: condominium administration services extended**

We offer our customers a condominium administration service through our subsidiary, Deutsche Annington Service GmbH. In 2011, we successfully expanded our commercial and technical services in this field. Thanks to our comprehensive housing industry expertise, we can guarantee condominium administration at all times in line with the latest laws and rulings. Our customers also benefit from nationwide framework agreements with craftsmen, insurance companies and other service providers giving them special conditions. In future, we will be offering our customers new and innovative “technical building and requirement analyses” and further reduce their costs with intelligent and bundled procurement management.



An area of some 200,000 m<sup>2</sup> has been insulated.

## Energy turnaround

Eco-minded action has top priority. Such measures protect the environment through lower emissions and in many cases even save costs. At the same time, meeting ecological standards is important for tenant satisfaction. As a residential property manager with a long-term focus, we have already been systematically taking such action for years now.

### Insulation in 172 modernisation projects

Our apartments are our capital. And we want to look after it – in the interest of our tenants' satisfaction, value retention, improvements in the quality of our housing stocks and environmental protection. In line with this philosophy, we continually invest in targeted maintenance and modernisation programmes. In 2011, we carried out 172 modernisation projects involving a total of 3,321 units as well as a large amount of maintenance work throughout Germany. Expenditure on such work increased by 11.8% to € 192.1 million compared with the previous year. That is an average of € 16 per square metre of rented living area. We will increase this figure once again this year.

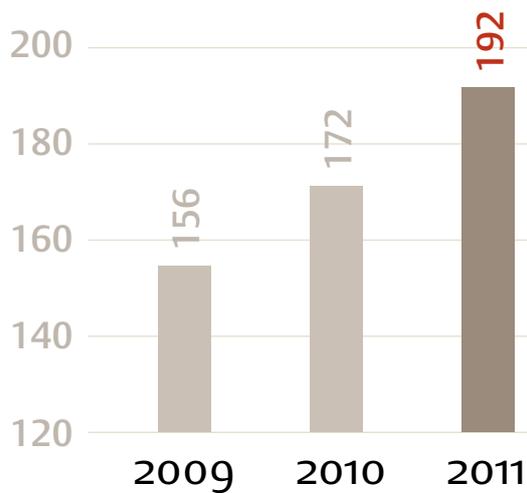


A large proportion of the modernisation investments went into balcony refurbishment and measures to insulate façades, top storey and cellar ceilings. This substantially increases the quality of the housing. An area of some **200,000 m<sup>2</sup>** was insulated. That is roughly the size of 30 football pitches.

## Deutsche Annington invests at a fast pace

# Modernisation measures

in € million



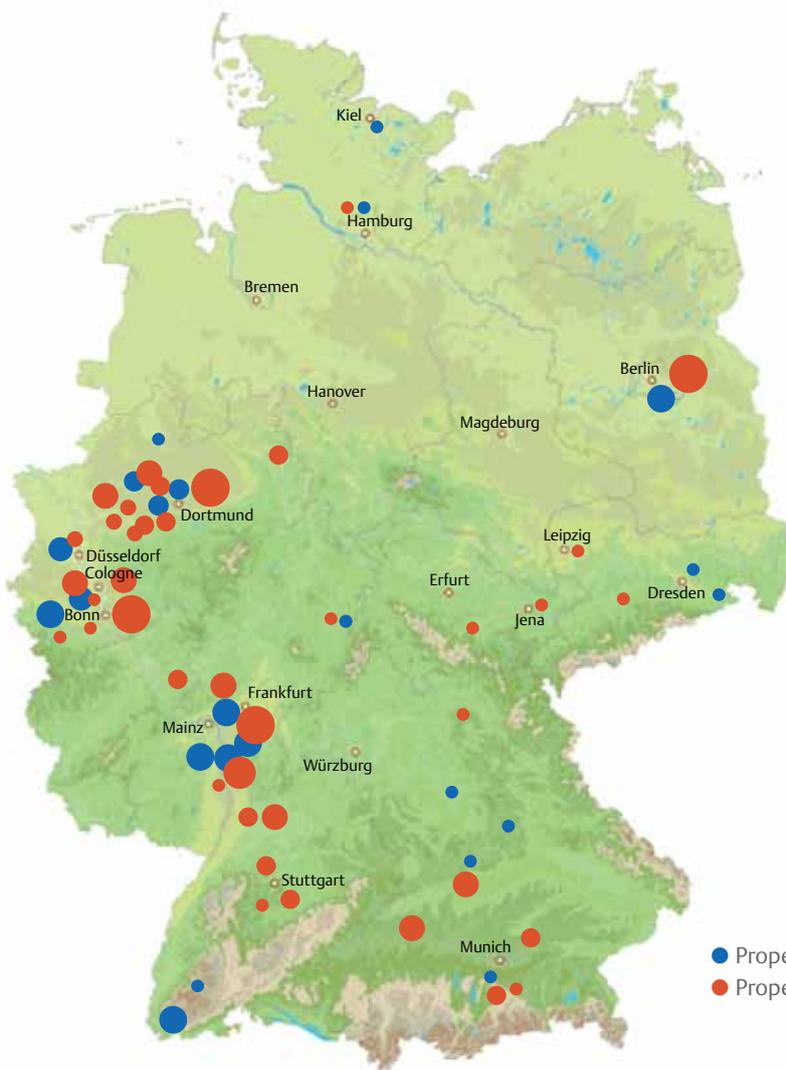
In the last three years, we have invested  
**€ 520 million** in modernisation  
and maintenance – **€ 833 million**  
in the last five years.



## Did you know?

Some 134,000 m of hedges and 800,000 m<sup>2</sup> of trees and bushes are cut on the green areas around our houses every year.

## We upgrade our apartments



- We successfully implemented 172 modernisation projects in 2011
- We modernised 3,321 apartments in 2011
- We safeguard some 1,600 jobs at suppliers and service providers through our investments
- Investments of around € 192 million
- That is € 16/m<sup>2</sup> of rented living area

### CO<sub>2</sub> emissions reduced by 5,400 tonnes a year

With our modernisation and maintenance work in our residential estates, we can appreciably cut energy consumption, which also reduces CO<sub>2</sub> emissions. According to our own calculations, the CO<sub>2</sub> emissions of the apartments that were heat-insulated in 2011 will be reduced by roughly 5,400 tonnes. The lower energy consumption not only benefits the environment but also our tenants in the form of lower ancillary costs. At the same time, with these investments we increase the attractiveness of our housing stocks.

### Modern energy management leads to lower costs for tenants

As a supplement to the energy-saving measures implemented in our modernisation projects, we further extended our energy procurement competence last year by setting up an energy management department in our company. Its task is to negotiate regional framework agreements for our tenants, for example for the supply of gas, electricity and oil. As part of these activities, advantageous conditions were already negotiated for several locations in the past years.

One example from last year is the successful conclusion of gas contracts for 14,500 apartments, including some in the Dortmund, Hanover, Witten and Frankfurt am Main regions. Thanks to the terms and conditions negotiated, we managed to achieve annual savings of more than € 1 million for our tenants. We can pass on these savings to our tenants in full through the ancillary cost bills. Another example is the conclusion of a recently negotiated electricity contract on better terms and conditions for over 82,000 households. Thanks to the new contract for communal area electricity for apartments in Frankfurt and in the Rhine-Ruhr region (including Cologne and Düsseldorf), the tenants will save electricity costs in future.

### Saving with modern waste management

Anyone who disposes of his waste properly saves money and does the environment some good. In order to improve waste management, Deutsche Annington has been working together with the service providers, Abfallmanagement Peters GmbH, ALBA Consulting GmbH and Telebon Abfallmanagement GmbH, in a large number of residential estates since last year. These companies check the rubbish bins for incorrectly sorted waste three times a week, re-sort the waste and inform the tenants. As an economic result, we are expecting – after deduction of the service providers' fees – running cost savings of € 3.8 million throughout Germany in the years to come.

## Demographic change

The demographic change which Germany is facing can already be seen in the tenant structure of Deutsche Annington: 37% of the tenants are over 60; the proportion of single-person households is high. It has long been known that people want to live as long as possible in their own home and in the neighbourhood they are familiar with. Providing the necessary infrastructure and services will be a tremendous challenge in the years to come. Deutsche Annington wants to help with this by satisfying the wishes of the tenants, in close cooperation with politicians and welfare associations. If this succeeds, it will have considerable positive social and financial consequences, for the longer people can live independently in their own apartments, the better.



In view of the demographic development, we are currently examining in detail how our elderly tenants can live comfortably and safely in their apartments for as long as possible. In cooperation with strong local partners, in the last two years we implemented projects to improve the quality of housing and life, and so we can already organise care and domestic help services at some locations as well as nationwide counselling for these services. We have started to convert individual apartments to be senior-appropriate.

For example, 12 apartments in Hamburg alone were converted to be senior-friendly in 2011 and a communal room for cooking, eating and partying together was set up. Elderly tenants can thus live comfortably in their familiar surroundings for as long as possible. The Workers' Samaritan Federation (Arbeiter-Samariter-Bund (ASB)) supports this objective with professional advice on care and practical assistance in everyday life, e.g. shopping and meal services or an emergency call service to provide assistance quickly in an emergency.

In 2012, we want to improve the care services in our residential estates through further cooperation with nursing services, associations and social agencies and to also enable the elderly to carry on living in affordable accommodation to a ripe old age. To achieve this, we are systematically developing concepts which make the lives of our elderly tenants easier by providing senior-friendly accommodation.

## Change in the social environment and social engagement

Our society is becoming more diverse. That is enriching but also presents us with ever new problems. If people are really to live together and not just co-exist or even quarrel with each other, it is in the communities where the process of understanding and meeting each other halfway must start and be put into practice. Some neighbourhoods are intact and strong, others are close to becoming divided. Our housing stocks reflect our society in many respects and anyone who can solve problems here learns something crucial about the society of our times. In recent years, Deutsche Annington has assumed responsibility for bringing people together in urban districts, some of them trouble hotspots, since other agencies responsible and public authorities have increasingly failed to act.



Project "Living and Learning", free local German courses

### **We are getting to know our tenants even better**

To be able to be a successful housing company, we have to better understand the social changes in the environment of our housing stocks. The apartments, the buildings, the tenant structure, the surrounding area and the neighbourhood must satisfy the expectations of our tenants. Only if we know our tenants can we improve their satisfaction. And we regard their satisfaction as a central cornerstone of our economic success. Therefore, we initiated the project "Tenant structure in the housing stocks of Deutsche Annington" last year.

Together with the Fraunhofer Institute, we are trying to better understand the tenant structure in our housing stocks. The additional knowledge of, for example, the purchasing power, the level of education or the ages of our tenants, helps us to develop action with which we can provide even better support for our residents in everyday life.

### **Supporting people on a broad front**

We are always searching for new ways of being there for our customers when they need us – whether in old age, in an emergency situation or when language barriers have to be overcome and good neighbourhood structures created. We have many opportunities for becoming involved.

For example, we work together with various social organisations and conduct joint support projects. Our partners include the German Red Cross, Caritas and the Order of St John (Johanniter). Furthermore, in the field of education we cooperate with associations such as Auslands-gesellschaft Deutschland (Intercultural Academy) with which we offer free German courses.

We also make use of the size of our company: exploiting our strong negotiating position, we can repeatedly achieve attractive purchasing advantages for tenants which result in appreciable benefits for them.

Only if we know  
our tenants  
can we improve  
their satisfaction.

## Cooperations with benefits for our customers



### Strategic innovation partnership

Attractive TV offering for 171,000 apartments  
TV and Internet offering for the tenants from one source  
A couple of hundred million invested



### Technological alliance

Modern heating control technology cuts fuel consumption by up to 25 %, benefiting the environment and the tenants



### Advantageous conditions for tenants

RWE offers our tenants an electricity and gas product with an exclusive bonus



### Technological alliance

EU research programme on comprehensive energy saving for socially disadvantaged tenants



### Social alliance in Dortmund

Advice and support for all local residents in all situations and a community centre



### Social alliance in Gelsenkirchen

Support and advice for residents in the district (care, bringing up children, debts etc.)  
Community centre with low-priced meals



### Bargain discount for tenants

Coupon in the customer newspaper



### Social alliance in Geesthacht

Advice and support for all residents in all situations and a community centre



**ElternService AWO**  
Eine Initiative der AWO in Deutschland

- > **Tenant support:** We not only provide housing but also support our tenants with wide-ranging services.
- > **District management:** We ensure that our tenants also feel at home outside their apartments in the surrounding area.

# Fairness by Deutsche Annington

- > **Integration and education:** We help to ensure that certain groups of customers adapt better to their environment. We try and make sure that the young generation can get off to a good start for a successful life.
- > **Sponsoring, social engagement, foundation work:** We assume responsibility at our locations and get involved in the activities in the communities. We support the socially disadvantaged with funds through two foundations.
- > **Dialogue about the environment:** We seek and maintain contacts with politicians and stakeholders.
- > **Development of employees:** We treat our employees with respect and care.



## Designing an environment worth living in

We encourage a strong community spirit among our tenants by supporting tenants' festivals, initiatives, clubs and cultural activities. The design of the living environment is, in fact, very important to us. One way in which we frequently became involved in the past was the provision of premises: for example, in the Duisburg district of Wedau a community centre was opened which has now become an important meeting place especially for senior citizens and their families. The project is being implemented in cooperation with the German Red Cross which advises and supports people in Duisburg and provides them with a wide range of home support and care services. With such social activities, we increase the attractiveness of the residential environment, especially for older people and people living on their own.

## Free debt counselling in cooperation with the Workers' Welfare Association (Arbeiterwohlfahrt)

We support our tenants in difficult situations, for example by offering them debt counselling. Together with the Workers' Welfare Association, we have been providing our tenants throughout Germany with free debt counselling since April 1, 2012. This offering is intended to strengthen the tenant communities and also contribute to customer satisfaction. Moreover, it helps to reduce the turnover rate in our apartments as any economic problems that arise are tackled at an early stage. We are convinced that prompt and competent initial counselling results in noticeable relief of the families affected if the subject of debt is actively handled with experts.

### **Our foundations: a permanent fixture**

One important tool for the economic support of our tenants is also our two foundations. Through them we provide help in cases of social hardship and to people in need. Our foundations also promote intact neighbourhoods and vocational training. One example from last year is the promotion of the project "Learning Holidays": under the motto "Ruhr pirates off to new shores", 40 children spent 10 days together at a school camp in the summer and were accompanied by qualified supervisors. They were also taught learning methods for Mathematics, English and German. The educational project was incorporated into a varied leisure time programme and showed the young boys and girls that learning need not be boring even in the holidays.

Our **"Volunteer Initiative"** is still quite a new project to provide economic support in our social environment. Here, residents from our estates can apply for an amount of € 1,000 by presenting their volunteer project. The readers of our tenants magazine choose who receives the funds.

People with a wide range of backgrounds live in our estates. With our wide-ranging engagement, we want to give them the feeling that they are important to us – every single one of them, regardless of their personal background. We not only want to offer our customers a place to live but

also support them in their everyday lives. Tenants who feel at home stay a long time in our apartments. We already do a lot for this but we welcome constructive criticism.

### **A socially responsible employer for our employees**

We want to be an attractive employer for our employees and fulfil the responsibility which our role as an employer demands of us. Therefore, we have a modern and balanced style of HR management. It is designed to promote the development of each individual optimally. We create incentives for our employees with our range of further training schemes and a modern pay system. We want to offer different and individual career prospects, above all to our young managers.

In everyday working life we also pay attention to the subject of health – for example with health days, cooperation with fitness centres and driving safety training sessions. A good balance between job and free time is absolutely essential. Our certification by the audit berufundfamilie® also shows that we are on the right course.

Our company is to grow! Our apprentices also play a key role in this strategy. They are the standard bearers of tomorrow. We offer them long-term prospects in different occupations. This also includes incentives which make working for us particularly attractive to them. One of these incentives was the initiative "Goodbye Bochum – hello world!" last year. As part of this project, our apprentices had the opportunity to get to know the major cities Berlin, Munich and/or Frankfurt am Main and gain experience there in the letting and condominium administration fields.

We will double  
the number  
of our  
apprentices.



### Did you know?

Deutsche Annington received an award as a family-minded employer. Federal Minister of Family Affairs, Kristina Schröder, conferred the certificate for the audit berufundfamilie®, a sort of MOT for the family-friendliness of companies.



## Our employees: standard bearers and a bridge to our customers

- > Individually tailored part-time working arrangements and flexible working hour arrangements
- > Alternating teleworking and mobile places of work
- > Health promotion offers
- > An information platform on work and family on the intranet
- > Cooperation with providers of family services for child care
- > The provision of a parent/child office at headquarters
- > “Wohnen Plus” offers to provide support when relatives of tenants and employees are in need of care

### What is our strategy?

Our business model consists of managing apartments in an innovative and efficient way. At the same time, we want to set standards in our industry by continuously improving our performance.

### Our objective: to grow profitably with satisfied customers

With intelligent property management we want to expand our leading market position in the coming years, increase our earning power further and improve customer satisfaction. Our core business is providing affordable housing for broad sections of the population. We also offer additional real estate-related services which bring benefits for our customers. We also sell selected apartments, preferably to our own tenants. New housing stocks are integrated provided that suitable possibilities arise.

## **Our strategy: to become a little bit better every day**

On the road to becoming the best residential property company in our industry, we currently build our strategy on the following cornerstones:

### **> Convincing our customers in day-to-day business and further improving business processes**

We are a competitive partner for our customers with coordinated letting and other services. At the same time, we continually adapt our business processes to the current requirements. In this way, we can let our apartments on a long-term basis and on economically sound terms and conditions.

### **> Actively driving the business forward**

We want to grow further by continuously reducing voids, offering rents in line with the market and improving our cost structure. The development and marketing of housing-related additional business activities is to support growth considerably.

### **> Optimising the housing portfolio**

As a housing company geared to long-term property management, we want to continually expand our housing stocks. In doing so, we concentrate on attractive portfolios with more than 500 apartments in metropolitan areas with a positive demographic forecast. Thanks to our financial possibilities, we can also buy larger housing portfolios.

### **> Safeguarding the economic foundation in the long term**

We want to maintain and improve the value of our housing stocks by investing in modernisation and maintenance. This expenditure has been continuously increased in recent years.

## **The next stage: a completely new type of housing company**

Today, we are facing new challenges as a housing company and even more so as a major letting company. In addition to cost-effectiveness, we will in future also be more involved in social and societal issues. For we are anchored in municipal socio-cultural structures with our apartments. As our operating activities show, we have long since been active in facing up to these challenges.



Some of the forthcoming tasks will in future require even greater cooperation between the stakeholders in society.

**Our signal:** We are not only involved – we are also willing to lead the way!

### **We are well positioned for this:**

- 1.** We put our customers at the centre of our work and our philosophy. We know that only satisfied customers ensure the sustainable economic success of our company.
- 2.** Customers' needs change and expand. We do not simply react to this but create a completely new range of services in the housing industry with new service offerings and alliances.
- 3.** We have a professional and learning organisation and are in a position to handle quantity and ensure quality. We expand our possibilities by establishing new structures anchored in the local environment, such as caretakers and technical services.
- 4.** In cooperation with others, we will offer new social services for our customers and modernise our housing stocks to be energy-efficient.

We assume responsibility:  
with professionalism, perseverance  
and openness we are building the  
home of the future.

## Deutsche Annington Immobilien AG



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