

Deutsche Annington Immobilien GmbH, Düsseldorf

Balance Sheet as of December 31, 2011

Assets

	Notes	€	Dec. 31, 2011 €	Dec. 31, 2010 €
A. Fixed assets	(1)			
I. Intangible assets				
Commercial and industrial property rights and similar rights			234,958.58	1,186,005.78
II. Tangible assets				
Other equipment, fixtures, furniture and office equipment			1,068,437.16	1,513,084.52
III. Financial assets	(2)			
Shares in affiliated companies		1,607,708,638.06		1,598,677,277.99
Equity interests		520.00		520.00
Other long-term loans		5,175,018.79		5,061,144.23
			1,612,884,176.85	1,603,738,942.22
Total fixed assets			1,614,187,572.59	1,606,438,032.52
B. Current assets				
I. Receivables and other assets	(3)			
Receivables from affiliated companies		96,504,633.23		94,983,608.56
Receivables to companies in which the company holds a participating interest		2,157,068.02		2,017,033.73
Other assets		7,358,681.08		1,596,273.27
			106,020,382.33	98,596,915.56
II. Securities				
Short-term securities			-	3,960,145.40
III. Cash, Balances at banks				
Cash, balances at banks	(4)		29,787,989.64	21,441,793.28
Total current assets			135,808,371.97	123,998,854.24
C. Prepaid expenses				
Other prepaid expenses			-	28,018.50
D. Debit difference of asset allocation	(5) (6)		709,637.95	195,529.80
			1,750,705,582.51	1,730,660,435.06

Equity and Liabilities

	Notes	€	Dec. 31, 2011 €	Dec. 31, 2010 €
A. Equity				
I. Share capital	(7)		120,000.00	75,000.00
II. Capital reserve			718,209,230.65	718,209,230.65
III. Other revenue reserves			25,588.00	25,588.00
IV. Profit carried forward			171,619,802.78	166,177,085.21
V. Net loss for the year / Net income for the year	(8)		-7,187,477.13	5,442,717.57
Total equity			882,787,144.30	889,929,621.43
B. Provisions				
Provisions for pensions and similar obligations	(9)	30,240,667.13		28,198,160.24
Provisions for taxes		6,300,000.00		6,442,409.58
Other provisions	(10)	39,030,103.06		37,320,952.65
			75,570,770.19	71,961,522.47
C. Liabilities				
Trade payables	(11)	2,109,341.28		1,523,658.99
Liabilities to affiliated companies		789,159,375.56		766,291,041.98
Other liabilities		1,078,951.18		954,590.19
			792,347,668.02	768,769,291.16
			1,750,705,582.51	1,730,660,435.06

Deutsche Annington Immobilien GmbH, Düsseldorf

Income Statement for the Period from January 1 to December 31, 2011

	Notes	€	Jan. 1 - Dec. 31, 2011 €	Jan. 1 - Dec. 31, 2010 €
Other operating income	(12)		87,040,592.10	67,008,283.50
Personnel expenses				
a) Wages and salaries		-26,690,330.79		-24,433,983.91
b) Social security contributions and other pension expenses	(13)	-4,121,220.62		-4,132,369.91
			-30,811,551.41	-28,566,353.82
Amortisation of intangible assets and depreciation of tangible assets	(14)		-1,659,416.84	-1,874,363.10
Other operating expenses	(15)		-62,200,764.11	-37,820,984.45
Income from equity interests	(16)		4,013,906.16	3,765,557.92
Income from profit transfer agreements	(17)		22,973,090.77	22,147,320.29
Other interest and similar income	(18)		1,480,909.93	1,021,560.48
Amortisation of financial assets and marketable securities	(19)		-80,000.00	-316,895.80
Expenses from transfer of losses	(20)		-1,073,875.96	-4,412,067.36
Interest and similar expenses	(21)		-26,530,509.66	-8,110,846.35
Result from ordinary activities			-6,847,619.02	12,841,211.31
Extraordinary income	(22)	-		67,094.85
Extraordinary expenses	(23)	-		-7,520,428.81
Extraordinary result			-	-7,453,333.96
Income taxes	(24)		-302,558.03	170,168.43
Other taxes			-37,300.08	-115,328.21
Net loss for the year / Net income for the year			-7,187,477.13	5,442,717.57

Deutsche Annington Immobilien GmbH, Düsseldorf

Notes to the 2011 Financial Statements

As the parent company of the Deutsche Annington Immobilien Group in accordance with Section 290 HGB of the German Commercial Code, Deutsche Annington Immobilien GmbH, Düsseldorf, (hereinafter referred to as "DAIG" or "Company") prepares consolidated financial statements. The consolidated financial statements of DAIG are prepared according to IFRS as they are to be applied in the EU and are published in the electronic Federal Gazette.

On January 17, 2012 the shareholders' meeting passed a resolution to convert Deutsche Annington Immobilien GmbH into Deutsche Annington Immobilien AG. The entry in the trade register necessary for the conversion is not already covered at the time of preparation of financial statements.

With economic effect as of January 01, 2011, Deutsche Annington Immobilien GmbH signed a profit-and-loss transfer agreement with Deutsche Annington Energie Service GmbH, Bochum, Deutsche Wohn-Inkasso GmbH, Bochum (formerly FEA Verwaltungs GmbH, Düsseldorf) and Deutsche Annington Solutions GmbH, Bochum, and, with economic effect as of April 15, 2011 with Deutsche Annington Personalservice GmbH, Bochum.

A. Accounting and Valuation Principles

The financial statements for the 2011 financial year have been prepared according to the accounting principles of the HGB.

The income statement has been prepared using the total-cost method.

Intangible assets are carried at acquisition cost and amortised on a straight-line basis over a period of 3 years.

Tangible assets are valued at acquisition cost and depreciated over their respective useful lives.

Fixtures, furniture and office equipment are depreciated on a straight-line basis over periods of between 3 and 13 years. Movable assets are, in accordance with the tax regulations, depreciated exclusively pro rata temporis.

Minor assets, which are assets whose acquisition cost is up to and including € 410.00, are written off in full in their year of purchase. A compound item was established for assets acquired in 2008 and 2009 when the cost of the individual asset was more than € 150.00 but not more than € 1,000.00. The relevant compound item was released over five years to affect net income, i.e. by one fifth in the year of establishment and in each of the following four financial years.

Financial assets are recorded at cost of acquisition.

Interest-free and low-interest loans are stated at their present values.

If, at the balance-sheet date, the fair value of an asset is lower than the value obtained by application of the aforementioned valuation methods and this impairment is likely to be permanent, allowance is made by unscheduled depreciation. If the reasons for unscheduled depreciation no longer apply at a later balance-sheet date, the write-down is reversed in accordance with Section 253, para. 5 of the HGB.

Receivables and other assets are stated at nominal values. The fund assets for pensions and similarly long-term obligations are stated at fair value. Allowance is made for all discernible risks by appropriate deductions. Furthermore, general risks are covered by a general valuations allowance.

The asset values of the insolvency insurance policy to secure fulfilment obligations arising from part-time phased early retirement contracts are offset in accordance with Section 246, para. 2, sentence 2

HGB against the amounts for fulfilment arrears contained in the provisions for part-time phased early retirement. Surpluses of the fair values of the asset values are shown separately in the balance sheet as a surplus arising from offsetting.

Reinsurance contracts for the pension benefits of individual persons were taken out against payment of a one-off insurance premium. Furthermore, securities and, to a minor extent, bank credit balances are held which also serve to secure the pension claims. The invested assets were pledged in favour of the beneficiaries and cannot be accessed by other creditors and will be offset as an asset against the underlying obligations in accordance with Section 246 para 2 sentence 2 HGB.

The provisions allow for all discernible risks and uncertain obligations. Provisions are established in the amount of the settlement amount considered necessary using reasonable commercial judgement. With provisions with a residual term of more than one year, future price and cost increases are taken into consideration and discounting to the balance-sheet date is performed. The interest rates corresponding to the residual terms of the provisions are used as announced by the German Federal Bank in accordance with the German Provision Discounting Ordinance (Rückstellungsabzinsungsverordnung).

Provisions for pensions are determined on the basis of recognised actuarial computations using the projected unit credit method. In accordance with Section 253, para. 2, sentence 2 of the HGB, a residual term of 15 years is assumed. Thus a discount rate of 5.13% is taken for the valuation. The biometric basis for the calculation of provisions for pensions is still the Heubeck 2005G mortality tables. The projected salary increases are assumed to be 2.75% p.a. and the projected pension payment increases 2.0% p.a.

Provisions for part-time phased early retirement obligations are determined according to actuarial principles using the projected unit credit method with a discount rate of 4.23% and an assumed residual term of 4 years. The projected salary increases are assumed to be 2.50% p.a. The basis for the calculation is the Heubeck 2005G mortality tables.

The other long-term personnel provisions for anniversary bonuses and temporary assistance were determined using the projected unit credit method applying actuarial principles with a discount rate of 5.13% p.a. on the basis of the 2005G mortality tables of Prof. Dr. Klaus Heubeck. A general residual term of 15 years is assumed. The projected salary increases are assumed to be 2.75% p.a. and the projected pension payment increases 2.0% p.a.

Liabilities are shown at their amounts repayable.

B. Notes to the Balance Sheet

(1) Fixed assets

The development of fixed assets is shown in Annex 1 to the Notes (**Statement of Fixed Assets Movements**).

(2) Financial assets

The list of shareholdings of DAIG is appended in Annex 2.

The significant changes in the financial assets are described in the following:

In 2011, the following companies were established, each with a subscribed capital of € 25 k Deutsche Annington Personalservice GmbH, Bochum, Deutsche Annington Immobilienmanagement GmbH, Bochum and Deutsche Multimedia Service GmbH, Düsseldorf.

Totalling, DAIG made other payments in the 2011 financial year in accordance with Section 272, para. 2, No. 4 HGB into the capital reserve of Viterra Holdings Eins GmbH, Düsseldorf (€ 5,200 k), Deutsche Annington Holdings Eins GmbH, Düsseldorf (€ 2,294 k), Deutsche

Annington Holdings Sechs GmbH, Bochum (€ 72 k) and Monterey Capital I S.à r.l., Luxembourg (€ 9 k).

By notarised purchase and assignment contract of April 12, 2011 Deutsche Annington Immobilien GmbH acquired 100% of the shares in Deutsche Wohn-Inkasso GmbH from Deutsche Annington Vermögensgesellschaft GmbH & Co. KG, Düsseldorf at a purchase price of € 25 k.

In addition the Company acquired 100% of the shares of MIRIS Beteiligungs Eins GmbH, Düsseldorf from MIRIS Grundstücksgesellschaft GmbH & Co. KG, Grünwald by purchase and transfer agreement dated April 19, 2011 and with economic effect at the end of March 31, 2011. According to the shareholders resolution dated April 19, 2011 other payments were made into the capital reserve amounting to € 30 k of MIRIS Beteiligungs Eins GmbH.

In accordance with Section 55 para. 1 GmbHG Deutsche Annington Immobilien GmbH acquired 51% of the shares of Deutsche TGS West GmbH, Düsseldorf for a purchase price of € 673 k.

By purchase and transfer agreement dated December 30, 2011 and with economic effect at the end of December 31, 2011, Deutsche Annington Immobilien GmbH acquired 2.4% of asset investments in KADURA Grundstücksgesellschaft GmbH & Co. KG, Grünwald for a purchase price of € 1,700 k from KADURA Grundstücks-Verwaltungsgesellschaft GmbH, Grünwald.

Write-downs to the net realisable value amounting to € 80 k (prior period € 317 k) were performed on shares in affiliated companies in the current financial year.

Other long-term loans

By contract dated May 5, 2008, a supplier received a loan of € 2,000 k from DAIG. The annual interest rate payable on the loan is 4%. € 1,000 k is to be repaid by 2012 and the other € 1,000 k by 2014. To secure repayment, the supplier has provided collateral in the form of an absolute, unconditional, time-unlimited bank guarantee of € 2,000 k.

By loan agreement dated December 15, 2008, DAIG granted Wohnimmobilien Kooperation Deutsche Annington e.V. an interest-free loan of € 4,100 k with a term of 10 years. Unwinding of the discount of € 114 k on the loan was performed in the financial year.

(3) Receivables and other assets

Receivables and other assets and their remaining terms break down as follows:

	Dec. 31, 2011		Dec. 31, 2010	
	Total € '000	of which with a remaining term of more than 1 year € '000	Total € '000	of which with a remaining term of more than 1 year € '000
Receivables				
from affiliated companies	96.504	6.058	94.984	2.300
(of which from shareholders)	(6,058)	(6,058)	(2,300)	(2,300)
from companies of which the company holds a participating interest	2.157	-	2.017	-
Other assets	7.359	12	1.596	300
Total	106.020	6.070	98.597	2.600

The receivables from affiliated companies mainly result from financial transactions amounting to € 88,144 k (prior period: € 90,946 k), from the onward charging of personnel expenses amounting to € 6,058 k (prior period € 2,300 k) and from the takeover of the result of Deutsche Annington WOGÉ Vier Bestands GmbH & Co. KG, Bochum which amounted to € 1,847 k (prior period € 1,738 k).

The receivables from companies in which the company holds a participating interest result from the shareholding in AVW Assekuranz der Wohnungswirtschaft GmbH & Co. KG, Hamburg and relate to the profit allocation from 2011.

The other assets mainly relate to deposited funds on notary accounts amounting to € 5,700 k.

(4) Deposits at banks

The deposits at banks include bank accounts pledged to third parties amounting to € 2,930 k. The pledged bank accounts are mainly for securing purchase price payments received from third parties and are blocked until performance of the work still outstanding under the respective contract.

(5) Surplus arising from offsetting

	Dec. 31, 2011 € '000	Dec. 31, 2010 € '000
(6) Surplus arising from offsetting / provisions for part-time phased early retirement	710	151
(9) Surplus arising from offsetting / provisions for pensions and similar obligations	-	45
Surplus arising from offsetting	710	196

(6) Surplus arising from offsetting / Provisions for part-time phased early retirement

The fair value corresponds to the tax asset value at the balance-sheet date confirmed by the insurance company.

The money on account and the provision for part-time phased early retirement developed as follows:

Provisions for part-time phased early retirement obligations	Dec. 31, 2011 € '000	Dec. 31, 2010 € '000
Fair value of money on account - Allianz	3.099	3.727
Settlement amount - part-time phased early retirement obligations	-2.389	-3.576
Surplus arising from offsetting	710	151
Cost of money on account	3.099	3.727

The income and expenses from the discounting as well as from the assets to be offset break down as follows:

Interest expense for part-time phased early retirement obligations	2011 '000	€	2010 € '000
Change in fair value of money on account	-74		-86
Interest portion of provision for part-time phased early retirement	146		202
Interest expense after netting	72		116

(7) Subscribed capital and capital reserve

In accordance with the written shareholders' resolution of October 10, 2011, it was decided to increase the share capital from € 75 k to € 120 k. 100% of the share capital of € 120 k is held by Monterey Holdings I S.à r.l., Luxembourg.

During the fiscal year Monterey Holdings I S.à r.l. has withdrawn and deposited an amount of € 30,000 k from the capital reserve of Deutsche Annington Immobilien GmbH.

(8) Profit carryforward

The profit carryforward contains income from the valuation of assets at their fair value amounting to € 87 k and will be reduced through a loss arising from the fair value amounting to € 13 k. There is a ban on distribution in accordance with Section 268, para. 8, sentence 3 HGB amounting to € 74 k.

(9) Provisions for pensions and similar obligations

The fair value of the reinsurance contracts corresponds to the tax asset value at the balance-sheet date confirmed by the insurance company.

The fair value of the securities corresponds to the stock market price on the balance-sheet date.

The value of the fund assets may be higher than the respective benefit obligations for some people. The surplus of assets over obligations is shown under the item "Surplus arising from offsetting".

Provisions for pensions and similar obligations	Dec. 31, 2011 € '000	Dec. 31, 2010 € '000
Settlement amount for pensions and similar obligations	34.883	32.536
Fair value of reinsurance contract	2.928	2.815
Fair value of securities and credit balances with banks	1.714	1.568
Net liability recognised in the balance sheet	30.241	28.153
Surplus arising from offsetting	-	45
Provision for pensions recognised in the balance sheet	30.241	28.198
Cost of reinsurance contract	2.928	2.815
Cost of securities and credit balances with banks	1.640	1.481

The income resulting from the fund assets as well as the appreciation of the fair value were offset against interest expenses for the provisions for pensions as follows:

Interest expenses for provisions for pensions	2011 € '000	2010 € '000
Reinsurance contract:		
Depreciation (previous year appreciation) through change in fair value	113	114
Securities		
Distributions of earnings	41	29
Appreciation through change in fair value	-13	20
Income from fund assets	141	163
Interest expense from change in discount rate	-219	-420
Addition of interest portion to pension provision current financial year	-1.658	-1.557
Interest expense after netting	-1.736	-1.814

(10) Other provisions

The other provisions cover all discernible risks which are not already covered in other balance-sheet items and break down as follows:

	Dec. 31, 2011	Dec. 31, 2010
	€ '000	€ '000
Personnel obligations	28.720	29.828
Outstanding invoices	5.904	1.611
Other obligations	3.618	4.662
Tax consultancy costs	788	1.220
Total	39.030	37.321

The provisions for personnel obligations include provisions for redundancy payments under restructuring measures as well as bonus, vacation and special payments.

The provisions for pensions include long-term incentive plans (LTIP) totalling € 16,334 k (prior period: € 12,198 k). Of this figure, agreements with the managing directors account for € 6,058 k (prior period: € 2,300 k). The amount of the provision depends in particular on the development of the value of the Deutsche Annington Real Estate Group (LTIP 2007) and/or Monterey Holdings I S.à r.l. (LTIP 2011), the probability of occurrence as well as the forecast occurrence date of certain events (IPO, trade sale, change of control, long-term stop). In principle, the obligations are the participating members' entitlement to cash. In the event of an IPO, however, the LTIP 2007 may be fulfilled by the issue of equity instruments. The entitlement under the LTIP agreement is earned during the term of employment. The amount of the provision is therefore the entitlement earned up to the balance-sheet date.

Long-term incentive agreements were also concluded for other executives. Provisions of € 10,276 k (prior period € 9,898 k) as at December 31, 2011 were established for the resulting obligations. The amount of the provision depends in particular on the probability of occurrence and the occurrence date of certain events (IPO, trade sale, long-term stop). The entitlement under the LTIP agreement is earned during the term of employment. The amount of the provision is therefore the entitlement earned up to the balance-sheet date.

The retention option in accordance with Section 67, para. 1, sentence 2 EGHGB was exercised for the provisions for vacant rented business premises so that the obligation is still carried as a liability at € 486 k. The excess coverage was € 18 k as at the end of the financial year.

(11) Liabilities

The liabilities break down according to their remaining terms as follows:

	Dec. 31, 2011				Dec. 31, 2010	
	Total € '000	of which with a remaining term of			Total € '000	of which with a remaining term of
		< 1 year € '000	1 to 5 years € '000	over 5 years € '000		< 1 year € '000
Trade payables	2.109	2.109	-	-	1.524	1.524
Liabilities to affiliated companies	789.160	789.160	-	-	766.291	766.291
Other liabilities (of which tax)	1.079 (822)	1.045 (822)	34	-	954 (679)	889 (679)
Total	792.348	792.314	34	-	768.769	768.704

The liabilities to affiliated companies mainly result from the acquisition of the FSG Group (€ 675,304 k) and financial transactions amounting to € 113,459 k (prior period € 90,987 k).

C. Notes to the Income Statement**(12) Other operating income**

The other operating income includes income from other onward charges (€ 75,456 k) as well as income not relating to the period, mainly from the reversal of other provisions amounting to € 4,943 k (prior period € 6,271 k).

(13) Social security contributions and expenses for pensions and support

The expenses for pensions amount to € 1,532 k (prior period € 1,315 k).

(14) Amortisation of intangible assets and depreciation of tangible assets

In the reporting period, depreciation and amortisation amounted to € 1,659 k (prior period € 1,874 k). It was exclusively scheduled depreciation and amortisation.

(15) Other operating expenses

This item mainly includes legal and consultancy costs (€ 32,052 k), IT and service costs (€ 10,854 k), costs of business premises (€ 7,160 k), marketing expenses (€ 3,058 k) as well as expenses for prior years amounting to € 26 k (prior period € 10 k).

(16) Income from equity interests

Of the income from equity interests, € 1,847 k (prior period € 1,738 k) relates to affiliated companies and results from the takeover of the profit of Deutsche Annington WOGÉ Vier Bestands GmbH & Co. KG.

(17) Income from profit-and-loss transfer agreements (see Annex 2)

	Dec. 31, 2011 € '000
Frankfurter Siedlungsgesellschaft mbH (FSG) *	16.919
Deutsche Annington Business Management GmbH	1.989
Deutsche Annington Dienstleistungs GmbH	1.414
Deutsche Wohn-Inkasso GmbH	1.334
Deutsche Annington Vertriebs GmbH	823
Deutsche Annington Kundenservice GmbH	406
Deutsche Annington Informationssysteme GmbH	181
Deutsche Annington Solutions GmbH	60
Deutsche Annington Süd GmbH	47
Income from profit-and-loss transfer agreements	23.173

*before allowance for guaranteed dividends to the minority shareholder of € 200 k

(18) Other interest and similar income

Of the other interest and similar income, € 1,116 k (prior period € 740 k) relates to affiliated companies.

(19) Write-downs of financial assets and marketable securities

In the reporting period, write-downs to the net realisable value amounting to € 80 k (prior period € 317 k) were performed on shares in affiliated companies.

(20) Expenses for the assumption of losses (see Annex 2)

Of the expenses for the assumption of losses € 2 k relate to Deutsche Annington Energie Service GmbH, € 58 k to Deutsche Annington Süd-West GmbH and € 1,014 k to Deutsche Annington Service GmbH.

(21) Interest and similar expenses

Of the interest and similar expenses, € 24,741 k (prior period € 6,165 k) relates to affiliated companies. The expenses arising from the unwinding of discounting for provisions amount to € 2,031 k (prior period € 2,188 k).

(22) Extraordinary income

The extraordinary income from the previous year includes one-off income arising from the first-time valuation in accordance with the German Accounting Law Modernization Act (BilMoG) from the adjustment of securities amounting to € 67 k to their fair value.

(23) Extraordinary expenses

The extraordinary expenses from the previous year contain one-off expenses resulting from the first-time valuation in accordance with BilMoG for the increase in the provision for pensions (€ 7,399 k), the provision for part-time phased early retirement (€ 57 k) as well as other long-term personnel provisions (€ 63 k).

(24) Income taxes

The tax expense shown in 2011 relates exclusively to taxes for prior years. The income taxes shown in 2010 related to corporate income tax, solidarity surcharge and municipal trade tax for the current year in the amount of € 0.5 million and tax effects for prior years in the amount of € - 0.7 million.

D. Other Information

In the 2011 financial year an average of 203 staff were employed in the Company, of whom 203 were office workers.

There is a letter of comfort given to the seller of shares in ten railway housing companies in which DAIG undertakes to provide these companies with sufficient own funds and liquidity on a long-term basis in order to meet and fulfil their obligations under the privatisation contract for the shares in the companies dated December 14/15, 2000. The obligations comprise guarantees for the provision of housing and employment guarantees.

The following financial obligations exist for the period up to 2016:

	2012	2013	2014	2015	2016
	€ '000	€ '000	€ '000	€ '000	€ '000
Under rental and service contracts	2.352	1.181	588	352	519
Under TV basic-service contracts	-	19.950	15.284	15.284	85.842
of which to affiliated companies	151	132	132	132	497

In the financial year, Deutsche Multimedia Service GmbH signed contracts with Telekom Deutschland GmbH against the background of a joint strategic partnership. As regards assumption of debt, Telekom Deutschland GmbH and DAIG have agreed that, in addition to Deutsche Multimedia Service GmbH, DAIG will jointly and severally enter into all existing and future obligations arising from the contracts. As of the balance-sheet date, there are financial obligations of € 136 million resulting from the contract for the TV basic service. These obligations are set against future income from marketing the TV basic service to the tenants.

DAIG has made an irrevocable offer to the outside shareholder of FSG-Holding GmbH, Düsseldorf, which currently holds 5.2% of the shares, to purchase its shares in FSG-Holding GmbH at fair value. This offer is limited to the end of December 31, 2017.

The following are members of the **Supervisory Board**:

Robbie Barr
Chief Operating Officer of
Terra Firma Capital Partners Limited, London

Arjan Breure
Financial Managing Director of
Terra Firma Capital Partners Limited, London

William T. Comfort
Chairman of
Citigroup Venture Capital, New York

Fraser Duncan
Deputy Chairman
Business Consultant, London

Guy Hands
Chairman Chief Investment Officer of
Terra Firma Capital Partners Limited, Guernsey

Wolfgang König
Business Consultant, Esslingen

Professor Dr. Klaus Rauscher
Business Consultant, Berlin

The members of the Supervisory Board received € 237 k (prior period € 151 k) for their work in the financial year 2011.

The Supervisory Board does not have the rights and obligations provided for in the German Stock Corporation Law (Aktiengesetz)

The following persons have been appointed as **managing directors**:

Wijnand Donkers
- Chief Executive Officer -

Klaus Freiberg
- Chief Operating Officer -

Dr. A. Stefan Kirsten
- Chief Financial Officer -

from January 1, 2011

The total remuneration of the management amounted to € 3.9 million (prior period € 2.8 million). Of this figure, € 2.3 million (prior period € 1.7 million) was for fixed remuneration components including benefits in kind and other remunerations. The variable remuneration of € 1.6 million (prior period € 1.1 million) relates to bonus claims.

The pension obligations towards former managing directors and their dependants total € 5.6 million (prior period € 1.6 million).

In addition, the managing directors were granted subscription rights (LTIP, see also (10) Other Provisions) as a long-term component depending on the development of the value of Monterey Holdings I S.à r.l. The fair value of the subscription rights at the commitment date was € 11.3 million. According to statutory requirements, a value is already to be recognised for the year of grant. The expenses for the LTIP are charged to the parent company as agreed.

Düsseldorf, February 22, 2012

Deutsche Annington Immobilien GmbH
The Management

Donkers

Freiberg

Dr. Kirsten

Deutsche Annington Immobilien GmbH, Düsseldorf

Statement of Fixed Assets Movements (in euro)

	Acquisition or production costs					Accumulated depreciation					Book values	
	Balance on January 1, 2011	Additions	Additions from affiliated companies	Disposals	Balance on December 31, 2011	Balance on January 1, 2011	Additions	Additions from affiliated companies	Disposals	Balance on December 31, 2011	Balance on December 31, 2011	Balance on December 31, 2010
I. Intangible assets												
Acquired commercial and industrial property rights and similar rights	6,475,894.93	1,434.18	-	-	6,477,329.11	5,289,889.15	952,481.38	-	-	6,242,370.53	234,958.58	1,186,005.78
	6,475,894.93	1,434.18	-	-	6,477,329.11	5,289,889.15	952,481.38	-	-	6,242,370.53	234,958.58	1,186,005.78
II. Tangible assets												
Other equipment, fixtures, furniture and office equipment	3,213,146.83	261,454.68	882.44	28,354.52	3,447,129.43	1,700,062.31	706,935.46	49.02	28,354.52	2,378,692.27	1,068,437.16	1,513,084.52
	3,213,146.83	261,454.68	882.44	28,354.52	3,447,129.43	1,700,062.31	706,935.46	49.02	28,354.52	2,378,692.27	1,068,437.16	1,513,084.52
III. Financial assets												
1. Shares in affiliated companies	1,599,014,173.79	10,077,589.84	1.00	966,230.77	1,608,125,533.86	336,895.80	80,000.00	-	-	416,895.80	1,607,708,638.06	1,598,677,277.99
2. Equity interests	520.00	-	-	-	520.00	-	-	-	-	-	520.00	520.00
3. Other long-term loans	6,100,000.00	-	-	-	6,100,000.00	1,038,855.77	-	-	113,874.56	924,981.21	5,175,018.79	5,061,144.23
	1,605,114,693.79	10,077,589.84	1.00	966,230.77	1,614,226,053.86	1,375,751.57	80,000.00	-	113,874.56	1,409,626.13	1,612,884,176.85	1,603,738,942.22
	1,614,803,735.55	10,340,478.70	883.44	994,585.29	1,624,150,512.40	8,365,703.03	1,579,416.84	49.02	142,229.08	10,030,688.93	1,614,187,572.59	1,606,438,032.52

List of Deutsche Annington Immobilien GmbH Shareholdings as at December 31, 2011

Annex 2 to the notes

Company	Company domicile	Interest %	Equity € '000s	Net income/ loss for the year € '000s
Baugesellschaft Bayern mbH	Munich	94.90	113,122	2,291
Bundesbahn Wohnungsbaugesellschaft Kassel Gesellschaft mit beschränkter Haftung	Kassel	94.90	5,079	-1,986
Bundesbahn-Wohnungsbaugesellschaft Regensburg mbH	Regensburg	94.90	52,885	-154
BWG Frankfurt am Main Bundesbahn-Wohnungsgesellschaft mbH	Frankfurt	94.90	72,571	1,712
DA DMB Netherlands B.V.	Eindhoven/NL	100.00	36,404	3,447
Deutsche Annington Bestands GmbH & Co.KG	Bochum	100.00	378,307	54,073
Deutsche Annington Beteiligungsverwaltungs GmbH	Düsseldorf	100.00	202,444	-20,314
Deutsche Annington Bewirtschaftungs GmbH & Co.KG	Bochum	100.00	354,447	25,743
Deutsche Annington Business Management GmbH	Bochum	100.00	1,050	1,989 ^{1) 2) 3)}
Deutsche Annington DEWG GmbH & Co.KG	Bochum	100.00	7,279	1,107
Deutsche Annington DEWG Verwaltungs GmbH	Düsseldorf	99.60	28	1
Deutsche Annington DID Verwaltungs GmbH	Düsseldorf	99.60	24	0
Deutsche Annington Dienstleistungs GmbH	Bochum	100.00	439	1,414 ^{1) 2) 3)}
Deutsche Annington DMB Eins GmbH	Bochum	100.00	1,910	11 ¹⁾
Deutsche Annington Dritte Beteiligungsgesellschaft mbH	Düsseldorf	100.00	22	0
Deutsche Annington EisenbahnWG Karlsruhe Bestands GmbH & Co.KG	Bochum	100.00	65,374	5,453
Deutsche Annington EisenbahnWG Karlsruhe Bewirtschaftungs GmbH & Co.KG	Bochum	100.00	25,260	2,652
Deutsche Annington EisenbahnWG Karlsruhe Verwaltungs GmbH	Düsseldorf	99.60	22	0
Deutsche Annington Energie Service GmbH	Bochum	100.00	25	-2 ^{1) 2)}
Deutsche Annington EWG Augsburg GmbH & Co.KG	Munich	100.00	22,514	989
Deutsche Annington EWG Augsburg Verwaltungs GmbH	Düsseldorf	99.60	22	0
Deutsche Annington EWG Essen Bestands GmbH & Co.KG	Essen	100.00	62,386	3,502
Deutsche Annington EWG Essen Bewirtschaftungs GmbH & Co.KG	Essen	100.00	21,296	1,619
Deutsche Annington EWG Essen Verwaltungs GmbH	Düsseldorf	99.60	23	0
Deutsche Annington EWG Frankfurt Bestands GmbH & Co.KG	Bochum	100.00	99,730	8,020
Deutsche Annington EWG Frankfurt Bewirtschaftungs GmbH & Co.KG	Bochum	100.00	52,774	2,930
Deutsche Annington EWG Frankfurt Verwaltungs GmbH	Düsseldorf	99.60	21	0
Deutsche Annington EWG Kassel Bestands GmbH & Co.KG	Bochum	100.00	9,457	241
Deutsche Annington EWG Kassel Bewirtschaftungs GmbH & Co.KG	Bochum	100.00	32,213	2,068
Deutsche Annington EWG Kassel Verwaltungs GmbH	Düsseldorf	99.60	23	0
Deutsche Annington EWG Köln Bestands GmbH & Co.KG	Bochum	100.00	90,130	6,786
Deutsche Annington EWG Köln Bewirtschaftungs GmbH & Co.KG	Bochum	100.00	99,281	5,003
Deutsche Annington EWG Köln Verwaltungs GmbH	Düsseldorf	99.60	24	0
Deutsche Annington EWG Mainz GmbH & Co.KG	Bochum	100.00	83,758	3,323
Deutsche Annington EWG Mainz Verwaltungs GmbH	Düsseldorf	99.60	23	0
Deutsche Annington EWG München Bestands GmbH & Co.KG	Munich	100.00	94,640	6,630
Deutsche Annington EWG München Bewirtschaftungs GmbH & Co.KG	Munich	100.00	79,890	2,683
Deutsche Annington EWG München Verwaltungs GmbH	Düsseldorf	99.60	22	0
Deutsche Annington EWG Nürnberg GmbH & Co.KG	Munich	100.00	60,693	4,898
Deutsche Annington EWG Nürnberg Verwaltungs GmbH	Düsseldorf	99.60	22	0
Deutsche Annington EWG Regensburg GmbH & Co.KG	Düsseldorf	100.00	43,960	3,308
Deutsche Annington EWG Regensburg Verwaltungs GmbH	Düsseldorf	99.60	22	0
Deutsche Annington Finance GmbH	Düsseldorf	100.00	2,577	371
Deutsche Annington Fundus Immobiliengesellschaft mbH	Cologne	100.00	3,179	1,281 ¹⁾
Deutsche Annington Fünfte Beteiligungsgesellschaft mbH	Düsseldorf	100.00	3,412	76
Deutsche Annington Haus GmbH	Kiel	100.00	1,566	158
Deutsche Annington Heimbau Bestands GmbH & Co.KG	Bochum	100.00	202,503	10,538
Deutsche Annington Heimbau Bewirtschaftungs GmbH & Co.KG	Bochum	100.00	65,366	4,209
Deutsche Annington Heimbau GmbH	Kiel	100.00	29,218	1,130
Deutsche Annington Heimbau Verwaltungs GmbH	Düsseldorf	99.60	22	0
Deutsche Annington Holdings Drei GmbH	Bochum	100.00	13,248	448
Deutsche Annington Holdings Eins GmbH	Düsseldorf	100.00	155,251	-769
Deutsche Annington Holdings Fünf GmbH	Düsseldorf	100.00	36,920	-78 ¹⁾
Deutsche Annington Holdings Sechs GmbH	Bochum	100.00	24	-72
Deutsche Annington Holdings Vier GmbH	Düsseldorf	100.00	36,715	-85

List of Deutsche Annington Immobilien GmbH Shareholdings as at December 31, 2011

Annex 2 to the notes

Company	Company domicile	Interest	Equity	Net income/ loss for the year
		%	€ '000s	€ '000s
Deutsche Annington Holdings Vier GmbH & Co.KG	Bochum	100.00	34,932	98
Deutsche Annington Holdings Zwei GmbH	Düsseldorf	100.00	138,847	-637 ¹⁾
Deutsche Annington Immobiliendienstleistung Bestands GmbH & Co.KG	Bochum	100.00	30,058	1,476
Deutsche Annington Immobilien-Dienstleistungen GmbH	Düsseldorf	100.00	7,771	-3,244 ¹⁾
Deutsche Annington Immobilienmanagement GmbH	Bochum	100.00	24	-1 ⁴⁾
Deutsche Annington Immobilienservice GmbH	Munich	100.00	25	3 ¹⁾ ⁴⁾
Deutsche Annington Immobilienservice West GmbH	Bochum	100.00	25	2 ¹⁾ ⁴⁾
Deutsche Annington Informationssysteme GmbH	Düsseldorf	100.00	2,124	181 ¹⁾ ²⁾ ³⁾
Deutsche Annington Interim DAMIRA GmbH	Düsseldorf	100.00	443	30
Deutsche Annington Kundenservice GmbH	Bochum	100.00	289	406 ¹⁾ ²⁾ ³⁾
Deutsche Annington MIRA Bestands GmbH & Co.KG	Bochum	100.00	63,044	20,390
Deutsche Annington MIRA Bewirtschaftungs GmbH & Co.KG	Bochum	100.00	63,824	5,586
Deutsche Annington MIRA Verwaltungs GmbH	Düsseldorf	99.60	22	0
Deutsche Annington Personalservice GmbH	Bochum	100.00	25	0 ¹⁾ ²⁾ ⁴⁾
Deutsche Annington Regenerative Energien GmbH	Bochum	100.00	187	1
Deutsche Annington Revisionsgesellschaft mbH	Düsseldorf	100.00	49	-1
Deutsche Annington Rheinland Immobiliengesellschaft mbH	Cologne	100.00	13,762	1,699 ¹⁾
Deutsche Annington Rhein-Ruhr GmbH & Co.KG	Düsseldorf	100.00	23,878	4,007
Deutsche Annington Service GmbH	Frankfurt	100.00	63	-1,014 ¹⁾ ²⁾ ³⁾
Deutsche Annington Solutions GmbH	Bochum	100.00	25	61 ¹⁾ ²⁾
Deutsche Annington Süd GmbH	Munich	100.00	26	47 ¹⁾ ²⁾
Deutsche Annington Süd-West GmbH	Frankfurt	100.00	100	-58 ¹⁾ ²⁾
Deutsche Annington Vermögensgesellschaft mbH & Co.KG	Bochum	100.00	675,083	72,792
Deutsche Annington Vertriebs GmbH	Bochum	100.00	284	823 ¹⁾ ²⁾ ³⁾
Deutsche Annington Vierte Beteiligungsgesellschaft mbH	Düsseldorf	99.60	23	0
Deutsche Annington WOG E Drei Verwaltungs GmbH	Düsseldorf	99.60	23	0
Deutsche Annington WOG E Eins Verwaltungs GmbH	Düsseldorf	99.60	22	0
Deutsche Annington WOG E Fünf Bestands GmbH & Co. KG	Bochum	100.00	251	23
Deutsche Annington WOG E Fünf Bewirtschaftungs GmbH & Co. KG	Bochum	100.00	82,377	650
Deutsche Annington WOG E Fünf Verwaltungs GmbH	Düsseldorf	100.00	23	0
Deutsche Annington WOG E Sechs Bestands GmbH & Co.KG	Bochum	100.00	1	84
Deutsche Annington WOG E Sechs Bewirtschaftungs GmbH & Co.KG	Bochum	100.00	9,320	859
Deutsche Annington WOG E Sechs Verwaltungs GmbH	Bochum	100.00	24	0
Deutsche Annington WOG E Sieben Verwaltungs GmbH	Düsseldorf	100.00	22	1
Deutsche Annington WOG E Vier Bestands GmbH & Co.KG	Bochum	100.00	12,847	1,946
Deutsche Annington WOG E Vier GmbH & Co.KG	Düsseldorf	100.00	-182,277	3,016
Deutsche Annington Wohnungsgesellschaft I Bestands GmbH & Co.KG	Bochum	100.00	17,060	4,110
Deutsche Annington Wohnungsgesellschaft I mbH	Essen	100.00	37,553	1,509 ¹⁾
Deutsche Annington Wohnungsgesellschaft III Bestands GmbH & Co.KG	Bochum	100.00	21,624	1,697
Deutsche Annington Wohnungsgesellschaft III mbH	Bochum	100.00	32,422	-395 ¹⁾
Deutsche Annington Zweite Beteiligungsgesellschaft mbH	Essen	100.00	52	-2
Deutsche Eisenbahn-Wohnungs-Holdings GmbH & Co.KG	Leipzig	100.00	11,938	3,871
Deutsche Multimedia Service GmbH	Düsseldorf	100.00	24	-1
Deutsche TGS West GmbH	Düsseldorf	51.00	1,211	-104 ⁴⁾
Deutsche Wohn-Inkasso GmbH	Bochum	100.00	25	1,339 ¹⁾ ²⁾ ⁴⁾
Eisenbahn-Siedlungsgesellschaft Augsburg mbH (Siegau)	Augsburg	94.90	8,438	-879
Eisenbahn-Wohnungsbau-Gesellschaft Karlsruhe GmbH	Karlsruhe	94.90	106,671	2,566
Eisenbahn-Wohnungsbau-Gesellschaft Köln mbH	Cologne	94.90	145,059	203
Eisenbahn-Wohnungsbau-Gesellschaft Nürnberg GmbH	Nuremberg	94.90	9,474	-726
Frankfurter Siedlungsgesellschaft mbH	Düsseldorf	100.00	431,691	16,919 ¹⁾ ²⁾
FSG Immobilien GmbH & Co.KG	Düsseldorf	100.00	193,025	10,874
FSG Immobilien Verwaltungs GmbH	Düsseldorf	100.00	21	-1
FSG-Holding GmbH	Düsseldorf	94.80	9,759	70
Immobilienfonds Koblenz-Karlsruhe Wolfgang Hober KG	Düsseldorf	92.71	-2,858	225

List of Deutsche Annington Immobilien GmbH Shareholdings as at December 31, 2011

Annex 2 to the notes

Company	Company domicile	Interest %	Equity € '000s	Net income/loss for the year € '000s
JANANA Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.90	2,265	3,726
KADURA Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.91	26,382	-224
LEMONDAS Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.90	1,359	92
LEVON Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.90	6,016	2,124
MAKAB Beteiligungs Eins GmbH	Düsseldorf	100.00	22	-30
MAKAB Grundstücksgesellschaft mbH & Co.KG	Grünwald	100.00	71	-88
MAKANA Beteiligungsgesellschaft Eins GmbH	Düsseldorf	100.00	2,302	-9
MAKANA Grundstücksgesellschaft mbH & Co. KG	Grünwald	94.90	10,381	29
MANGANA Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.90	1,544	148
MELCART Grundstücks-Verwaltungsgesellschaft mbH	Grünwald	94.80	858	41
MIRA Grundstücksgesellschaft mbH	Düsseldorf	94.90	135,152	-5,265 ¹⁾
MIRIS Beteiligungs Eins GmbH	Düsseldorf	100.00	31	-7
MIRIS Grundstücksgesellschaft mbH & Co.KG	Grünwald	94.90	1,899	13
Monterey Capital I S.à r.l.	Luxembourg/L	100.00	10	-4
Prima Beteiligungsgesellschaft mbH	Berlin	100.00	25	1
Prima Immobilien GmbH & Co.KG	Berlin	100.00	21,659	2,069
Prima Wohnbauten Privatisierungs-Management GmbH	Berlin	94.54	23,845	851
"Siege" Siedlungsgesellschaft für das Verkehrspersonal mbH Mainz	Mainz	94.90	74,649	-1,139
Viterra Holdings Eins GmbH	Düsseldorf	100.00	710,894	-1
Viterra Holdings Zwei GmbH	Düsseldorf	100.00	710,364	-820
Wohnungsgesellschaft Ruhr-Niederrhein mbH Essen	Essen	94.90	39,528	-4,055

¹⁾ Result before transfer of result

²⁾ Profit-and-loss transfer agreement with DAIG

³⁾ Exemption according to section 264 para. 3 HGB

⁴⁾ Result from short business year

Deutsche Annington Immobilien GmbH

2011 Management Report

1. Economic Environment

OVERALL ECONOMY: German economy with stable domestic demand

Overall, the German economy grew by 3.0% in 2011. The upswing is firmly anchored in domestic demand. According to the Federal Ministry of Economics and Technology (BMWi), the euro debt crisis dampened economic activity, but the rise in real disposable income stabilised domestic demand. Reasons for the increase in income were higher employment and higher wages and salaries. The driver of this positive trend was primarily industrial output, although the second half of 2011 saw a decline in new orders for industry.

In its autumn forecast, the German government stated that it expected the disposable income of private households to rise by 3.2% in 2011. This would be the largest increase in disposable income since the reunification boom.

The situation on the German labour market continued to improve in 2011. According to the Federal Employment Agency, adjusted for seasonal effects, the number of people in employment and the number in jobs subject to social security deductions increased in 2011; at the same time, unemployment fell.

HOUSING MARKET: rents rise in Germany

Residential rents continued to rise in 2011. According to information from the German Association of Real Estate Consultants, Agents, Managers and Experts (IVD), the rents in new contracts for apartments built before 1948 of an average standard rose on a national average by 2.9% compared with the previous year. For apartments built after 1949, the increase was 2.1%. Overall, IVD is expecting rents in new contracts in Germany to steadily increase more or less nationwide: in cities, rates of increase are 5.8% (built before or in 1948) and 3.8% (built after 1949). In towns with up to 50,000 inhabitants, rents rose by 2.8% and 2.1%, respectively. Even in rural areas and in towns with less than 30,000 inhabitants, the rents were about 1.0% above the pre-year level. In the ranking of the large-area states, Lower Saxony and Bavaria came top of the table with rent increases of 4.9% and 3.9% respectively above the national average, whilst in Mecklenburg-Western Pomerania and Schleswig-Holstein rents fell compared with the previous year (-2.3% and -0.8%).

According to the residential rent index issued by the Hamburg research and consultancy company, F+B, rents under existing rental contracts rose by an average of 1.0% in 2011 compared with the previous year. The residential rent index determined in surveys by F+B is based on a comparison of the net rent for apartments with an area of 65 square metres, average appointments and located in towns with at least 20,000 inhabitants as well as the published rent indices.

Rising rents are also to be observed in the new-build segment, although the increases are smaller. In cities, new-build rents (average standard) are increasing by 2.8% and in rural areas by 1.2%. In a ten-year comparison, rents have increased in cities by nearly 20%, in rural areas, by contrast, by 4.5%.

Analysts of HSH Nordbank are expecting rents to continue to rise in 2012 particularly in the housing markets of cities and in the west German growth regions.

Regional differences in the vacancy rate

The vacancy rate in the properties owned by housing companies represented by GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen e.V. fell from 5.5% in 2009 to 5.3% in 2010. This development was driven by a fall in the vacancy rate of 0.7 percentage points to 8.3% in the five new states (formerly East Germany), while the vacancy rate in the old German states stagnated at 2.9%. For 2011, GdW estimates that the vacancy rate decreased overall by 0.2 percentage points to 5.1%, falling to 8.0% in the new states while increasing moderately to 3.0% in the old states.

Purchase prices for residential properties continue to increase

The purchase prices for residential properties continued to rise in 2011 after considerable growth in 2010. This development was driven above all by the increase in prices for owner-occupier apartments. Experts of the research and consultancy institute, F+B, explain this by higher demand as a result of a trend towards investment in real assets. According to the F+B residential property index, the prices for owner-occupied apartments rose from the fourth quarter of 2010 to the end of the third quarter of 2011 by 2.9 percentage points, the prices for single-family houses moderately by 0.7 percentage points and the prices for multi-family houses also moderately by 0.6 percentage points. The development in single-family and multi-family houses fluctuated over the course of the year. The Association of German Pfandbrief Banks (vdp) also sees a rise in prices for owner-occupied apartments in this period.

German tenants considering purchasing an apartment

By European comparison of home ownership rates, Germany is last but one at 43%, followed only by Switzerland. There are, however, considerable regional differences according to a study by PATRIZIA Research. Home ownership rates in Saarland and in Rhineland-Palatinate are higher than average whereas they are particularly low in the city states of Berlin and Hamburg. According to a representative survey conducted by the real-estate service provider, Immowelt, in 2011, roughly one in four tenants is considering buying an apartment.

More building permits, historically low financing terms

According to the Federal Statistical Office, building permits were issued for the construction of 167,700 apartments from January to September 2011. That is an increase of 21.6% compared with the same period in 2010. The number of building permits for multi-family houses rose particularly sharply by 26.5%. Despite a slowing of momentum in the housing construction sector in the second half of 2011, Förderbank Kreditanstalt für Wiederaufbau (KfW), the German promotional bank, estimates that some 156,000 new housing units were completed in 2011. According to information provided by GdW, the demands on energy efficiency and high land prices mean that it is often only worthwhile building new apartments for rent in the top-rent segment. Social housing promotion schemes will remain necessary after 2013 if the demand for new, reasonably priced, barrier-free and energy-efficient apartments is to be covered.

In view of the development of the residential real estate markets, the Deutsche Annington Immobilien Group expects rents to continue rising, particularly in cities. The demand for apartments in existing buildings will also increase further there. The following regions correspond to the business units of the Deutsche Annington Immobilien Group; the average rents mentioned are for market rents for average locations.

Westphalia:

The Westphalia business unit mainly includes our housing stocks in the eastern Ruhr area and the bordering towns and cities. Structural changes in recent years, such as a decline in the population and high unemployment, are having a direct impact on disposable income. The market rents vary from city to city, as illustrated by net rents of € 5.20 per square metre in Dortmund, € 4.85 per square metre in Hagen and € 4.50 per square metre in Unna. Overall, the rents in these towns and cities have tended to remain stable or in some cases have even risen slightly in recent years. We are expecting the stable trend in the development of rents to continue in this region.

Rhineland/Ruhr:

The Rhineland/Ruhr business unit covers the cities, towns and villages along the river Rhine and the western Ruhr area. In comparison to the eastern Ruhr area, the cities, towns and villages along the river Rhine are in a better position with regard to average income, unemployment and purchasing power. In recent years, average rents have risen steadily in metropolitan areas such as Düsseldorf, Cologne and Bonn and are currently among the highest residential rents in Germany. The market rents vary from city to city: residential accommodation in Düsseldorf commands the highest net average rent with € 8.50 per square metre, followed by Cologne with € 7.90 per square metre and Bonn with € 8.00 per square metre. The market rents in the other main cities of the Rhineland such as Aachen, Koblenz and Mönchengladbach are between € 5.70 and € 6.20 per square metre. In the western Ruhr area, Essen has the highest net rent at € 6.00 per square metre, followed by Bochum at € 5.30 per square metre. Overall, rents in these cities have remained constant or in some cases even risen slightly. We are expecting a stable development of rents in this region.

South/Southwest:

Our South/Southwest business unit mainly covers the states of Hesse, Baden-Württemberg and Bavaria. These regions are, in our opinion, one of the most attractive markets for residential real estate in Germany, covering both the populous Rhine-Main area in the north and the Stuttgart metropolitan area in the south as well as the economic powerhouse of Bavaria. In our opinion, the economic conditions in the Rhine-Main region are good; in addition, the population in this region is expected to grow further in the medium term. There has been a general increase in the rents in Hesse and Baden-Württemberg in recent years. In Frankfurt and Wiesbaden, rents for residential units with an average standard of comfort are € 8.20 and € 8.00 per square metre, respectively. Continued strong economic growth and a further increase in the population are predicted for Bavaria in the years to come, with the trend stronger in the south of Bavaria than in the north. The steady migration of people to the region coupled with a housing shortage has helped to push up rents in the regions; rental apartments in Munich currently fetch € 10.70 per square metre, followed by those in Nuremberg with € 6.75 per square metre. We are expecting a continued positive development of market rents for these regions.

North/East:

Our North/East business unit covers the cities of Hamburg, Bremen and Berlin, the former East German states as well as Schleswig-Holstein and Lower Saxony. The region includes the strong, mainly export-driven metropolitan area of Hamburg. Overall, the market rents in Hamburg are at a high level, averaging € 8.00 per square metre. Smaller towns in the sur-

rounding area of Hamburg, such as Geesthacht, are profiting from their location in an economically attractive region and also have a relatively high average market rent of € 5.00 per square metre. The development of rents in Lower Saxony and Schleswig-Holstein can be described as relatively stable; the average rents in Hanover are currently about € 6.00 per square metre. We still see high potential for the development of rents in the catchment area of Hamburg and the Free Hanseatic City of Hamburg itself. The five former East German states are rather structurally weak compared with the old German states and have to contend with high unemployment and lower purchasing power. Berlin has seen its population grow in recent years and, as a result, apartment rents have also tended to rise there in the last few years, whilst in the new German states a subdued to stable development of rents has been seen overall in the past few years. Rents in Berlin are currently around € 6.25 per square metre. Given the continued above-average attractiveness of the capital and the surrounding area, we expect rents to rise further there.

2. Business activities

Deutsche Annington Immobilien GmbH, which is domiciled in Düsseldorf, acts as the strategic and operational management holding company for the Deutsche Annington Immobilien Group. The focus of business activities is on control of its subsidiaries and indirect subsidiaries.

As part of its business activities, Deutsche Annington Immobilien GmbH provides management services for the service companies, Deutsche Annington Business Management GmbH, Deutsche Annington Dienstleistungs GmbH, Deutsche Annington Vertriebs GmbH and Deutsche Annington Kundenservice GmbH, in particular in the functional areas of acquisition, controlling, finance, human resources, accounting, legal affairs and taxes, against reimbursement of all costs.

In October 2011, the share capital of Deutsche Annington Immobilien GmbH was increased from € 75k to € 120k by a cash contribution of € 45k.

Deutsche Annington Immobilien GmbH signed a profit-and-loss transfer agreement beginning in the 2011 financial year with the following companies: Deutsche Annington Wohn-Inkasso GmbH, Bochum, Deutsche Annington Solutions GmbH, Bochum, Deutsche Annington Energie Service GmbH, Bochum, and Deutsche Annington Personalservice GmbH, Bochum.

3. Business Review

3.1 Earnings

In the 2011 financial year, the other operating income of Deutsche Annington Immobilien GmbH rose by € 20.0 million to € 87.0 million. The other operating income mainly contains onward charges and fees. They increased by € 23.6 million to € 75.5 million in 2011. By contrast, income from the reversal of provisions fell by € 1.3 million to € 4.8 million while there was also no income from the write-up of shares in affiliated companies, which amounted to € 4.9 million in 2010.

The other operating expenses rose by € 24.4 million to € 62.2 million in 2011. The increase mainly results from the cost incurred as part of the preparation for the refinancing. This is reflected in the higher expenses for legal and consultancy costs, which increased by € 24.1 million to € 32.0 million.

Due to the new profit-and-loss transfer agreements and a positive development of the results of some subsidiaries, the result from equity interests improved by € 5.0 million to € 26.2 million in 2011. The result from equity interests was negatively impacted by write-downs to the lower net realisable value of shares in affiliated companies of € 0.1 million.

In the 2011 financial year, EBITDA amounted to € 20.4 million (2010: € 22.1 million). EBITDA is earnings before interest, taxes, depreciation, amortisation and the extraordinary result.

The company's net interest expense fell by € 17.9 million to € -25.0 million. The main reason for this was the interest on the purchase price for the acquisition of the FSG Group, which had an effect on the full financial year for the first time.

Income taxes increased by € 0.5 million to € 0.3 million in the 2011 financial year.

The tax expense shown in 2011 relates exclusively to taxes for prior years. The income taxes shown in 2010 related to corporate income tax, solidarity surcharge and municipal trade tax for the current year in the amount of € 0.5 million and tax effects for prior years in the amount of € -0.7 million.

In 2011, Deutsche Annington Immobilien GmbH recorded a net loss for the year of € 7.2 million (2010: net income for the year of € 5.4 million).

3.2 Assets

As at December 31, 2011, the company had no real-estate stocks of its own.

The company's assets totalled €1,750.7 million (2010: € 1,730.7 million) as at December 31, 2011. In line with the company's purpose, 92.1% of its assets consist of financial assets.

The increase in shares in affiliated companies of € 9.0 million (2010: € 683.9 million) mainly results from additional payments in accordance with Section 272, para. 2, No. 4 HGB into the capital reserves of subsidiaries. By contrast, a write-down of € 0.1 million to fair value was performed on shares in affiliated companies.

Current assets mainly consist of receivables from affiliated companies amounting to € 96.5 million (2010: € 95.0 million). The receivables from affiliated companies are mainly from cash pooling and trade receivables.

The securities all matured in 2011 and were liquidated at their nominal value.

Cash and cash equivalents increased by € 8.4 million to € 29.8 million (2010: € 21.4 million). The balances at banks include balances in bank accounts pledged to third parties amounting to € 2.9 million. The pledged bank accounts are mainly for securing purchase price payments received from third parties and are blocked until performance of the work still outstanding under the respective contract.

Other provisions increased in the 2011 financial year by € 1.7 million to € 39.0 million (2010: € 37.3 million), mainly as a result of the increase in the provision for outstanding invoices amounting to € 4.3 million. By contrast, the provisions for personnel, voids and tax consultancy costs fell by € 2.3 million.

In the 2011 financial year, liabilities to affiliated companies from cash pooling and trade payables increased within the affiliated companies of the Deutsche Annington Immobilien Group by € 22.5 million to € 788.8 million (2010: € 766.3 million).

3.3 Financial position

Overall, the financial structure of Deutsche Annington Immobilien GmbH was positive in the 2011 financial year. The equity ratio of Deutsche Annington Immobilien GmbH was 50.4%

(2010: 51.4%) at the reporting date. The reduction in the equity ratio is mainly due to the increase in liabilities to affiliated companies.

During the 2011 financial year, Monterey Holdings I S.à r.l. withdrew an amount of € 30.0 million from the capital reserve of Deutsche Annington Immobilien GmbH and re-contributed it.

There were no non-current liabilities as at the balance-sheet date. The company's ability to service its debts was guaranteed at all times. Liquidity, mainly consisting of balances at banks, totalled € 29.8 million as at the balance-sheet date.

As part of its investing activities, the company made payments of € 9.5 million in 2011, mainly resulting from payments into the capital reserves of subsidiaries.

4. Employees

At the end of 2011, 205 people were in the employ of Deutsche Annington Immobilien GmbH (2010: 220). Furthermore, 10 seconded employees (2010: 36 employees) work in the company under personnel supply contracts signed with subsidiaries of Deutsche Annington Immobilien GmbH.

5. Significant events after the end of the financial year

On January 17, 2012, the shareholders' meeting passed a resolution to convert Deutsche Annington Immobilien GmbH into Deutsche Annington Immobilien AG. The entry in the trade register necessary for the conversion to be effective had yet to be made at the time when the financial statements were prepared.

6. Opportunities and risks for future development

The Deutsche Annington Immobilien Group has set up a central risk management system which ensures the early identification, assessment, control and monitoring of all major risks. The Management has overall responsibility for the functioning of the risk management system.

Responsibility for concrete risk control lies with the person responsible at business level. As part of a systematic process, the operational units and central departments regularly identify all strategic, operational, financial and legal risks. The adverse effects and the likelihood of occurrence are evaluated before action (gross) and after action (net) for each risk.

The risk manager, who acts as a controlling link between the departments and the Management, aggregates all risks and action in a central risk register, which is discussed with the Management every six months. Close communication with the management levels ensures that the measures adopted are effectively implemented.

The risk early warning system is based on detailed reporting on the operational and financial key performance indicators from Controlling. This includes detailed monthly controlling reports as well as monthly reports by the Management to the Supervisory Board. The controlling reports are supplemented by weekly financial reports and daily KPI reports.

This reporting system ensures that both managers and supervisory bodies are kept continually, comprehensively and promptly informed. In this way, misguided operational developments can be recognised in good time and counteraction taken at an early stage. Should significant risks occur unexpectedly, they are reported direct to the Management in ad-hoc risk reporting outside the scope of the routine risk assessments.

The central risk manager ensures that the risk management system is updated and refined as well as adjusted to reflect changes in the company. He coordinates the risk management process from a central point and is in close contact with the managing directors. The effectiveness of our risk management system is examined in regular internal audits by the internal audit department.

As a result of the financial crisis, the situation of the financial markets has changed greatly. For example, the margins and equity requirements for new acquisitions and acquisition refinancing increased again in the second half of 2011 after a phase of easing.

In view of the GRAND securitisation maturing in 2013, we already started work last year on the refinancing or renewal of this financing. The successful refinancing of the Hallam and Prima securitisations in 2011 meant that we were in contact with many different market players and could thoroughly check out the market. The basically positive reaction in the financing talks and the refinancing conditions achieved for the Hallam and Prima transactions allow us to be confident with respect to the major acquisition financing loans maturing from 2013 onwards.

The business activities of the Deutsche Annington Immobilien Group are mainly subject to tenancy and building law. Changes in laws may have a negative impact on our business and the reliability of our planning. New or amended environmental laws or ordinances may also have a substantial impact on our cost situation. Therefore, we are closely following planned amendments to laws and supporting the relevant housing industry bodies through lobbying.

In order to meet the increasing requirements under environmental law, particularly those of the Energy Conservation Regulations 2009 (EnEV2009), we work with medium-term scenarios and exploit synergies in our modernisation and maintenance projects. All risks and the costs estimated in this connection are reflected in our controlling instruments.

We are combating the risks of rising purchase prices for minor repairs and maintenance work through central procurement, technical standardisation, outsourcing, the conclusion of long-term framework agreements and active cost controlling at project level. A centralised management system constantly monitors the quality of the services provided by our contractors.

The main opportunities and risks for Deutsche Annington Immobilien GmbH as a management holding company still result from the economic development of its subsidiaries. This is linked to the general economic development in Germany, the factors influencing the regional residential real-estate market (e.g. decline in the population, change in the number of households and infrastructure measures) as well as to the structural composition and the quality of the housing stock. Furthermore, a change in the market parameters such as in particular the development of rents, the vacancy rate and interest rates could have an influence on the valuation of the real-estate portfolio and, as a result, on the valuation of the financial assets.

The Deutsche Annington Immobilien Group combats all material risks by defining measures and setting up controls. As far as possible, risks to the building stocks as well as from operational business are covered by appropriate insurance. The adequacy of the insurance cover

is continuously checked by an external specialised company (AVW Assekuranzvermittlung der Wohnungswirtschaft GmbH & Co. KG, Hamburg).

The Deutsche Annington Immobilien Group including the strategic and operational management holding company, Deutsche Annington Immobilien GmbH, sees, from today's point of view, no risks which the company cannot suitably combat or which may jeopardise the company's existence.

Furthermore, the Deutsche Annington Immobilien Group continually reviews its organisational structure with the aim of gearing the use of resources efficiently to the business. The aim is to continuously optimise performance and the work processes.

7. Outlook

Deutsche Annington Immobilien GmbH is responsible for the planning of the Deutsche Annington Group. There are currently no plans for fundamental changes in the business policy of the Deutsche Annington Immobilien Group.

At the end of 2011, we already agreed follow-on financing in good time on much improved conditions with a major German bank for the Prima securitisation (Opera Germany No. 1) maturing in December 2012. We are confident that we will repay the Prima securitisation before maturity – as was the case with the Hallam securitisation in 2011.

Given the basically positive reaction in the financing talks as well as the advantageous refinancing conditions achieved for the Hallam and Prima securitisation transactions, we are confident about the forthcoming major refinancing required from 2013 onwards.

Furthermore, in view of our existing cash pooling system, we also expect our company to be able to meet its payment obligations in the coming year.

In the property rental segment, Deutsche Annington Immobilien GmbH and its subsidiaries will continue to focus in 2012 on increasing customer satisfaction as well as improving the quality of our housing stocks as part of the value-enhancing management of residential properties. Furthermore, the company will systematically seize opportunities for raising rents, taking the situation on the housing market and the statutory regulations into consideration. Here there are expected to be very great regional differences in the development of rents. Overall, we are expecting similar rent rises to those seen in 2011.

In view of the positive development of the core business, i.e. property management, Deutsche Annington Immobilien Group will continue its strategy of selective sales of apartments in 2012.

Deutsche Annington Immobilien GmbH acts as a strategic and operational management holding. As the holding company, it performs both management and service functions for the entire Deutsche Annington Immobilien Group. Overall, Deutsche Annington Immobilien GmbH is expecting a positive development of business in the coming two financial years. This development will be largely governed by income from investments, income from and expenses under profit-and-loss transfer agreements as well as possible write-ups and write-downs of financial assets. Our aim for the next two financial years is to continue the company's commercially successful course. Overall, we are expecting EBITDA in 2012 and 2013 to be above the respective pre-year level. Here we are assuming that the financing conditions in the second half of 2013 will be at the same level as for the GRAND financing which runs out in mid-2013.

Unforeseen developments and events may lead to changes in our expectations and therefore also to deviations from our forecast figures.

Düsseldorf, February 2012

Deutsche Annington Immobilien GmbH

The Management