Deutsche Wohnen

# FINANCIAL REPORT
# OF THE ANNUAL REPORT
# 2012

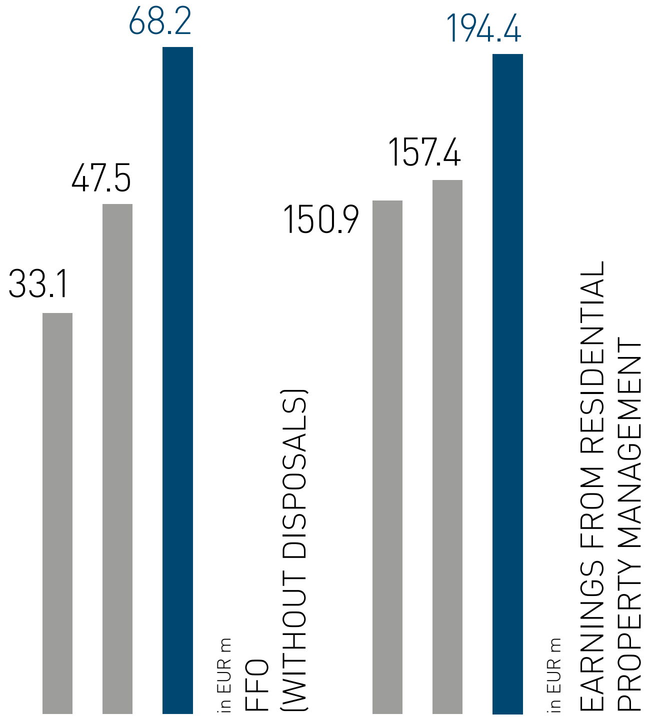
# Group key figures

of the Deutsche Wohnen AG

| PROFIT AND LOSS STATEMENT | | 2012 | 2011 |
|---|---|---|---|
| Earnings from Residential Property Management | EUR m | 194.4 | 157.4 |
| Earnings from Disposals | EUR m | 19.9 | 10.6 |
| Earnings from Nursing and Assisted Living | EUR m | 9.9 | 9.2 |
| Corporate expenses | EUR m | –40.4 | –32.9 |
| EBITDA | EUR m | 196.5 | 142.0 |
| EBT (adjusted) | EUR m | 78.5 | 46.0 |
| EBT (as reported) | EUR m | 205.6 | 85.8 |
| Group profit (after taxes) | EUR m | 145.5 | 50.6 |
| Group profit (after taxes)[1] | EUR per share | 1.15 | 0.57 |
| FFO (without disposals) | EUR m | 68.2 | 47.5 |
| FFO (without disposals)[1] | EUR per share | 0.54 | 0.54 |
| FFO (incl. disposals) | EUR m | 88.1 | 58.1 |
| FFO (incl. disposals)[1] | EUR per share | 0.70 | 0.65 |
| **BALANCE SHEET** | | **2012** | **31/12/2011** |
| Investment properties | EUR m | 4,614.6 | 2,928.8 |
| Current assets | EUR m | 188.5 | 288.7 |
| Equity | EUR m | 1,609.7 | 1,083.4 |
| Net financial liabilities | EUR m | 2,678.0 | 1,666.9 |
| Loan-to-Value Ratio (LTV) | in % | 57.2 | 55.0 |
| Total assets | EUR m | 4,907.9 | 3,302.2 |
| **SHARE** | | **2012** | **31/12/2011** |
| Share price (closing price) | EUR per share | 14.00 | 9.78[2] |
| Number of shares | m | 146.14 | 102.30 |
| Market capitalisation | EUR m | 2.046 | 1.000 |
| **NET ASSET VALUE (NAV)** | | **2012** | **31/12/2011** |
| EPRA NAV | m | 1,824.4 | 1,211.3 |
| EPRA NAV | EUR per share | 12.48[3] | 11.50[4] |
| **FAIR VALUES** | | **2012** | **31/12/2011** |
| Fair value of real estate property[5] | EUR m | 4,320 | 2,899 |
| Fair value per sqm residential and commercial area[5] | EUR per sqm | 950 | 946 |

[1] Based on average number of around 126.1 million issued shares in 2012 and 88.7 million in 2011
[2] Adjusted by dividend payout and capital increase in 2012
[3] Based on around 146.14 million issued shares as at reporting date
[4] Based on around 105.37 million shares as at reporting date (inclusive scrip adjustment of 1.03 of capital increase 2012)
[5] Only comprises residential and commercial buildings

THE NEW
DIMENSION
FOR




## DEUTSCHE WOHNEN

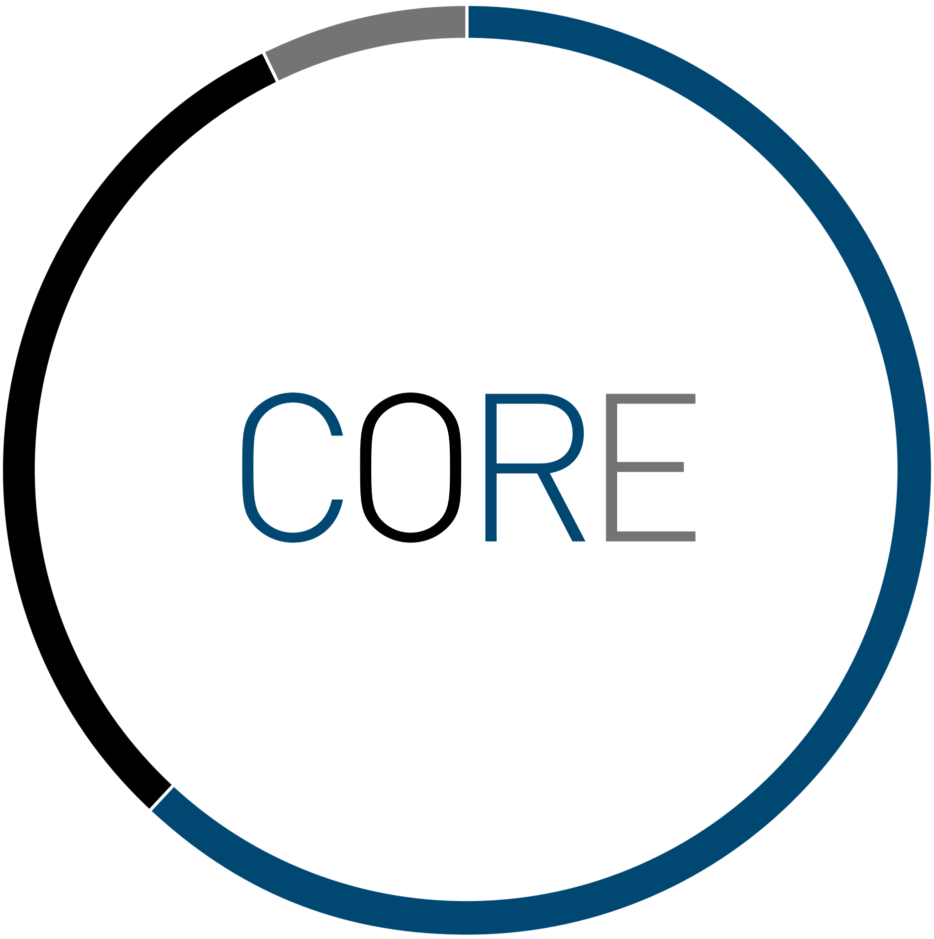
Deutsche Wohnen is one of the largest listed residential property companies in Germany. Our operative focus lies in the management and development of our own residential portfolio. Furthermore, with KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH we are active in a very dynamic market, because of demographic change. With value-enhancing acquisitions, we have significantly optimised our residential and commercial portfolio over the past three years, which currently includes around 83,500 units (of which 82,500 are residential units and 1,000 are commercial units). Our real estate holdings are distinguished by a high level of quality and good locations. 93 % of our holdings are in core regions where particularly positive development is expected. We are thus superbly positioned to continue to grow sustainably and profitably based on our strong foundation.

## THE NEW DIMENSION FOR ROOM

Deutsche Wohnen has taken on a new dimension with the acquisition of more than 41,000 new units and six new nursing facilities since 2011. With around 82,500 residential units, we are one of the leading residential property companies in Germany. We have strengthened our existing portfolio in the core region of Greater Berlin by around 18,000 residential units and have thus gained corresponding economies of scale. Furthermore, we have developed three new core regions with the Rhineland, Hanover/Brunswick/Magdeburg and Central Germany.

# SPLIT OF PORTFOLIO BY REGIONS

Percentual split by number of residential units




CORE+
62 %

Greater Berlin
49 %

Rhine-Main
11 %

Rhineland
2 %

CORE
31 %

Hanover/Brunswick/Magdeburg
13 %

Rhine Valley South
6 %

Rhine Valley North
4 %

Central Germany
5 %

Other
3 %

NON-CORE
7 %

Disposal
3 %

Other
4 %

| | Residential units | FFO (without disposals) EUR m |
|---|---|---|
| 2011 | around 50,000 | 47.5 |
| 2012 | around 82,500 | 68.2 |



To our shareholders
Group Management Report
Group Financial Statements
Further Information

# Letter to our shareholders

## DEAR SIR OR MADAM,
## DEAR SHAREHOLDERS,

Anyone who has been following the development of the company for some time will have noticed one thing above all recently: Deutsche Wohnen has broken through to a new dimension. So it is only fitting that our Annual Report this year has been given the title, **"The new dimension for room"**. After all, in 2012, Deutsche Wohnen completed the best financial year in the company's history and, with a market capitalisation of over EUR 2 billion, it is now one of the largest and most successful publicly listed residential property companies in Germany.

Your share, the Deutsche Wohnen share, also developed extremely well last year. It was able to achieve a growth in value of 43 % and, in doing so, it outperformed all the comparable indices. Furthermore, as shareholders, you are participating via a dividend in the success of the company: As we have done previously, we are paying out 50 % of the FFO (without disposals) which has increased significantly in comparison to the previous year.

### Most successful financial year in the company's history

The foundation are good financial figures for 2012: Overall, Deutsche Wohnen completed the financial year 2012 with a Group profit for the period of EUR 145.5 million and thus almost trebled the Group profit for the previous year. The adjusted earnings before taxes rose by around 71 % to EUR 78.5 million. Funds from Operations (FFO, without disposals), which is a very important key figure for us, rose in comparison to the previous year, thanks to acquisitions and operational improvements, by just under 44 % to EUR 68.2 million. The intrinsic value, as indicated by EPRA NAV, increased to EUR 12.48 per share.


MICHAEL ZAHN


LARS WITTAN

We have also been sending out very positive signals in operational terms: In the reporting year, we invested just under EUR 68 million or EUR 19 per sqm in the maintenance and modernisation of apartments and buildings. Thus, we are able to make use of existing rent increase potential and to keep vacancy rates at a low level. In 2012 our vacancy rate was 2.5 % across our entire portfolio and 1.9 % in our core+ regions. In addition, we were able to achieve a like-for-like rental growth of 2.6 % in our strategic core and growth regions.

These achievements are only made possible by the hard work and great commitment of our employees; so we would like to express our special thanks to them. We will do everything we can in future as well to be a good employer and to continue with our employees along the path of growth which we have embarked on!

## Corporate strategy secures route into new dimension

The past year provided impressive evidence of the fact that our focussed and consistently implemented growth strategy is working. We concentrate on managing residential property in economically stable regions of Germany. We only aim for growth if, by doing so, we can sustainably enhance the value of the company. We succeeded in this in 2012.

After acquiring a number of smaller portfolios we made a substantial acquisition in 2012 with our BauBeCon transaction. The holdings comprise around 23,400 residential units, which are predominantly located in urban centres with a high population density. This acquisition – one of the largest in the German residential property market last year – was only possible because of the coherent offer we put together and because of the considerable trust in our company on the part of banks and the capital market. As a result, we were able to raise loan capital in an amount of around EUR 700 million at short notice and on favourable terms, and to successfully carry out a capital increase in June 2012 of around EUR 460 million.

In addition, we further strengthened our portfolio in 2012 with a total of around 11,700 residential units. So Deutsche Wohnen has achieved impressive but nevertheless solid growth over the past two years. The FFO (without disposals) has more than doubled and our total portfolio has grown by more than 60 % to just under 83,500 units.

But we plan to go further: We believe that a company will only be successful and viable in the long term if it can anticipate social trends and integrate them into its business model. For this reason and against the background of demographic change and the very positive experience we have had in recent years, we intend to further expand our business segment Nursing and Assisted Living, which is operated by the KATHARINENHOF® Group. Over the next five years we want to grow to a size of 4,000 to 5,000 nursing places. In 2012 we acquired 156 places in Leipzig and Berlin, and in January 2013 there followed the takeover of four further facilities with 425 places in Berlin. This means that we have increased our capacity to a total of 1,928 residential and nursing places. For 2013 we are expecting an earnings contribution of EUR 13 million.

## Focus on sustainable, profitable growth

Dear shareholders, as you can see: Deutsche Wohnen is excellently positioned to continue to play an active role in shaping the residential property market in Germany and to participate in the attractive opportunities for growth which it offers. Today we have a variety of important competitive advantages which strengthen our role. These include the current size and quality of our property portfolio, our focus on conurbations and metropolitan areas with strong growth as well as our experienced and well qualified employees and the high-quality management skills of our senior executives. A further invaluable advantage is our proven experience of integrating acquisitions combined with the scalability of our company platform. We also have stable cash flows, a high level of liquidity for future acquisitions and excellent creditworthiness.

In the current financial year one of our focal points will be the continuing integration of the new holdings and the optimisation of our operating processes.

For the financial year 2013 we forecast an FFO (before disposals) of around EUR 100 million. This figure includes the current portfolio as well as the acquisitions which saw a transfer of risks and rewards in January and February 2013. We also see additional potential mainly in the form of investments in new portfolios.

We thank you, the shareholders, for your trust. We look forward to you accompanying us further on our journey through this new dimension!

Frankfurt/Main and Berlin, March 2013

Best regards

| | |
|---|---|
| Michael Zahn | Lars Wittan |
| Chief Executive Officer | Chief Financial Officer |

# The share

The share price of Deutsche Wohnen increased significantly in 2012 by 43 % on the value of the previous year[1] and market capitalisation doubled to EUR 2,046 million in comparison to the value of the previous year.

## Positive development in capital markets with strong second half-year

The capital markets continued to be dominated by the general debt and financial crisis in 2012. However, they were given impetus in the second half of the year by the European Central Bank's stated commitment to make, in principle, unlimited purchases of the government bonds of crisis countries in future. The agreement on a new rescue package for Greece and the restructuring of the Spanish banking sector had a stabilising effect on the markets in the eurozone. These measures resulted overall in a positive development of the capital markets, coupled with declining volatility.

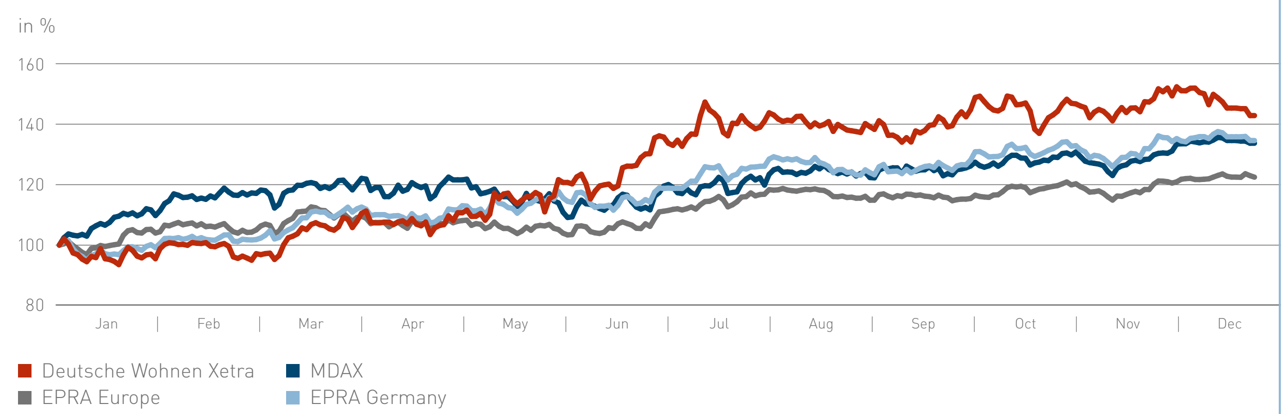
The MDAX, where the Deutsche Wohnen shares are also listed, increased by 34 % to 11,914 points in 2012. On 19 December 2012 it reached its highest level at 12,086 points. The property-specific indices EPRA Europe and EPRA Germany also developed positively. In particular, EPRA Germany increased sharply by 35 % in the course of the year. It also achieved its highest level on 19 December 2012 at 575 points, an increase of 38 % on the beginning of the year. At the end of 2012 it closed only slightly below this peak at 562 points. EPRA Europe gained 23 % in 2012 and recorded its highest level at 1,507 points on 27 December 2012. However, despite this increase it remained behind the German indices.

## Deutsche Wohnen share stronger than benchmark indices

With a significant increase of 43 %[1] and a closing price of EUR 14.00 at the end of the year, the Deutsche Wohnen share had an extremely successful year in 2012. While the price developed moderately at the beginning of the year, it increased sharply as the year progressed and achieved its highest level of EUR 14.94 in December 2012. Thus, the development of the Deutsche Wohnen share significantly exceeded that of its benchmark indices – MDAX, EPRA Europe and EPRA Germany.

The uncertainties about the future course of the debt and financial crisis in Europe led to an increased demand for the residential asset class in Germany during the reporting year. Deutsche Wohnen AG especially benefitted from this due to its positive corporate development in recent years and its successful and value-creating acquisitions.

Share price performance in 2012 (indexed)




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

[1] Previous year's value adjusted for dividend payout and capital increase in June 2012

## Market capitalisation and trading volume

At the end of 2012 the market capitalisation of Deutsche Wohnen AG was EUR 2,046 million. Deutsche Wohnen is, therefore, one of the largest listed real estate companies in Germany. The development of the liquidity of our shares is also encouraging. The average volume of shares traded on the Xetra trading centre increased significantly by over 32 % in comparison to the previous year's value. The trading volume also increased by over 100 % on the alternative trading platforms/Multilateral Trading Facilities. This development contributes significantly to making our shares more attractive.

| Key share figures | 2012 | 2011 |
|---|---|---|
| Number of shares outstanding in m | around 146.14 | 102.3 |
| Closing price at end of year[1] in EUR | 14.00 | 10.27 (9.78)[4] |
| Market capitalisation in EUR m | 2,046 | 1,051 (1,000)[4] |
| Highest share price during year[1] in EUR | 14.94 | 12.00 (11.11)[5] |
| Lowest share price during year[1] in EUR | 9.60 (9.15)[4] | 9.15 (8.56)[4] |
| Average daily traded volume[2] | 332,402 | 251,709 |
| Average daily traded volume[3] | 160,858 | 66,454 |

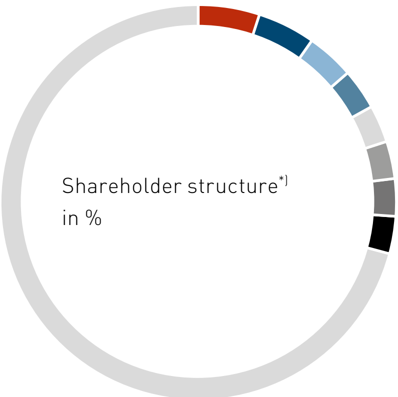
[1] Xetra closing price
[2] Xetra daily traded volume (traded shares)
[3] Daily traded volume for alternative trading platforms (Multilateral Trading Facility – MTF)
[4] Prices in parentheses adjusted for capital increase and dividend payout in 2012
[5] Prices in parentheses adjusted for capital increase in 2011 and capital increase and dividend payout in 2012

## Shareholder structure of Deutsche Wohnen AG

Eight national and international institutional investors hold around 29 % of Deutsche Wohnen shares at the moment. The remaining around 71 % are held by national and international institutional investors and private shareholders who have not exceeded the statutory notification threshold of 3 %. According to the definition of the German stock exchange, the free float of our shares corresponds to 100 %.

### Shareholders

| | |
|---|---|
| **› 5 %** | |
| Sun Life Financial Inc.[1] | 5.03 % |
| **› 3 %** | |
| First Eagle Investment Management, LLC[2] | 4.72 % |
| Zurich Deutscher Herold Lebensversicherung AG | 4.02 % |
| Ärzteversorgung Westfalen-Lippe | 3.33 % |
| Stichting Pensioenfonds ABP[3]/APG Algemene Pensioen Groep N.V. | 3.13 % |
| MFS International Value Fund | 3.08 % |
| BlackRock, Inc.[1] | 3.03 % |
| The Capital Group Companies, Inc.[4] | 3.02 % |
| **8 institutional investors in total** | **29.36 %** |
| Other | 70.64 % |
| **Freefloat according to Deutsche Börse** | **100.00 %** |




*) As at 19 February 2013 according to latest WpHG (German Securities Exchange Act) notification received from above stated shareholders
[1] Attributed voting rights according to Article 22, Section 1, Sentence 1, No. 6 WpHG in connection with Article 22, Section 1, Sentence 2 WpHG
[2] Attributed voting rights according to Article 22, Section 1, Sentence 1, No. 6 WpHG
[3] Attributed voting rights according to Article 22, Section 1, Sentence 1, No. 1 WpHG
[4] Attributed voting rights according to Article 22, Section 1, Sentence 1, No. 6 WpHG in connection with Article 22, Section 1, Sentence 2 and Sentence 3 WpHG

## Analyst coverage extended once again

The share of Deutsche Wohnen is being covered by a total of 22 analysts at the moment[2] – two more than in the equivalent period of the previous year. This increase underlines the increased market interest in Deutsche Wohnen shares. WestLB, Unicredit, Edge Capital and Silvia Quandt Research are no longer covering our shares and are thus no longer listed by us. By contrast, Barclays, J. P. Morgan Cazenove, Kepler Capital Markets, Green Street Advisors and ABN Amro Bank have taken up coverage of our shares.

The target prices of the analysts lie between EUR 11.30 and EUR 17.40. 16 analysts value the shares with a target price of over EUR 14.00, of whom ten even expect a target price of over EUR 15.00. The vast majority of our analysts rate our shares positively. Eight come to the conclusion: buy/overweight/outperform and ten analysts to the conclusion: hold/neutral. The following table provides an overview of the analysts' current rating estimates:

| Rating | Number |
|---|---|
| Buy/overweight/outperform | 8 |
| Hold/neutral | 10 |
| Sell/underweight | 4 |

## Ordinary Annual General Meeting 2012 successful

The Ordinary Annual General Meeting 2012 was held on 6 June 2012 in Frankfurt/Main. Around 66 % of the company's entire issued share capital was represented. The shareholders approved all the agenda items submitted. It is worth pointing out the following here: firstly, the Annual General Meeting approved, with a majority of 95 %, a settlement with RREEF Management GmbH. This settlement involved compensation for losses arising from a control agreement between Deutsche Wohnen AG and RREEF Management GmbH for the financial years 1999 to mid-2006. Secondly, the creation of authorised capital 2012/I was approved. Finally, Dr h.c. Wolfgang Clement, whose appointment by court as a member of the Supervisory Board ended upon completion of the Ordinary Annual General Meeting for the financial year 2011, was elected to the Supervisory Board within the context of the Annual General Meeting 2012.

[2] Status: 25 February 2013

## Capital increase in 2012 successfully accomplished

With the consent of the Supervisory Board, the Management Board decided on 11 June 2012 on a capital increase against cash contributions with subscription rights for the shareholders. The company's share capital was increased by partially utilising the authorised share capital of EUR 102.3 million against cash contributions by issuing 43,842,858 new no-par bearer shares (ordinary shares).

The new shares were issued to existing shareholders at a subscription ratio of 7:3 at EUR 10.50, i. e. seven existing shares gave the entitlement to take up three new shares.

Upon expiry of the subscription period on 25 June 2012, around 99 % of the new shares had been subscribed. It was possible to place, within a very short time, the remaining around 1 % of shares that were not taken up as part of the subscription offer with institutional investors at EUR 12.30 per share.

In total, net proceeds of around EUR 444 million accrued to our company. Around 75 % of the net proceeds were used to finance the acquisition of the BauBeCon Group and the remaining net proceeds were used for further acquisitions.

The company's notional EPRA NAV per share after the capital increase was only around 5 % below the last published EPRA NAV in the amount of EUR 12.01 per share as at 31 March 2012. This low NAV dilution underlines the attractiveness of the chosen "best efforts/at market structure" of the capital measures and the high level of shareholder confidence in the Deutsche Wohnen growth path.

## Extraordinary Annual General Meeting 2012 for the creation of new authorised capital

On 4 December 2012 the Management Board of Deutsche Wohnen invited shareholders to an Extraordinary Annual General Meeting. The convocation of shareholders aimed to create new authorised capital, to enable Deutsche Wohnen to act with sufficient flexibility on the market in the future and to raise equity capital as required.

With the consent of the Supervisory Board, the Management Board of Deutsche Wohnen AG was authorised to increase the registered capital on one or more occasions up to 3 December 2017 by up to EUR 73,071,429 by issuing up to 73,071,429 new ordinary bearer no-par value shares in exchange for cash or non-cash contributions.

The vote at the Extraordinary Annual General Meeting revealed that 94 % of the valid votes approved the creation of authorised capital 2012/II. A new authorised capital of EUR 73,071,429 was decided upon and the remaining authorised capital of EUR 7,307,142 was suspended. This clear result confirms the support of our shareholders and their great confidence in our strategy.

After the balance sheet date, Deutsche Wohnen increased its capital through the partial utilisation of the capital authorised in December 2012. Here, 14,614,285 new no-par bearer shares were issued at a subscription price of EUR 13.35 per share and gross proceeds of EUR 195.1 million were achieved. Please refer to events after the reporting date on page 50 and the legal Group structure on page 23 for further details.

## Communication with capital markets further intensified

We continued to attach importance to close communication with our shareholders, analysts and investors in the financial year 2012. In doing so, we gave market participants a comprehensive and transparent view of our strategy and our prospects for future development. Timely, transparent and detailed reporting and regular dialogue are integral parts of our Investor Relations activities. In particular, we seek discussions with national and international investors through participation in conferences worldwide.

In 2012, we participated in various national and international banking conferences: HSBC, Deutsche Bank and DZ-Bank in Frankfurt/Main, Credit Suisse, Morgan Stanley, J. P. Morgan and UBS in London, Bankhaus Lampe in Baden-Baden, Commerzbank in New York and Boston, Kempen & Co. in Amsterdam, BofA Merrill Lynch in New York, Goldman Sachs/Berenberg Bank and UniCredit/Kepler in Munich. Furthermore, we were represented at the Expo Real real estate trade fair in Munich as well as at the EPRA conference and IIA in Berlin. Additionally, we ran numerous road shows in New York, Boston, London, Paris, Amsterdam, Vienna and Brussels, for example.

We hold a telephone conference following publication of each annual report and each of our interim reports. Investors and analysts are able to put their questions directly to the Management Board. These conferences are also broadcast live via webcast and are available afterwards for download on our website in the Investor Relations section. Up-to-date financial reports and company presentations are always made available here as well. In addition, we provide an overview on our website of all current activities based on our financial calendar. The current ratings of analysts, shareholder structures, ad-hoc and press releases, corporate news, voting rights notifications, directors' dealings, as well as all information about the Annual General Meeting can also be obtained via the website.

| **Key share data** | |
|---|---|
| Type of share | Ordinary share; divided into bearer and registered shares |
| ISIN | DE000A0HN5C6 (bearer share) |
| WKN | A0HN5C (bearer share) |
| Reuters | DWNG.DE (bearer share) |
| Bloomberg | DWNI (bearer share) |
| Stock markets | Xetra, Frankfurt/Main, Stuttgart*, Munich*, Hamburg*, Hanover*, Dusseldorf*, Berlin* |
| Admission Segment | Prime Standard |
| Major indices | MDAX, EPRA/NAREIT, GPR250 |
| Number of issued shares (total) | 146,142,858 (status: 31/12/2012) 160,757,143 (status: 25/02/2012) |

*trading on the open market

To Deutsche Wohnen Investor Relations means timely and transparent reporting, an active and regular dialogue with our shareholders and investors and the expansion of our existing network of national and international contacts. Our Investor Relations department will continue to promote and expand these measures in the future.

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

# Corporate Governance Report

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

## Declaration of Compliance

The Management Board and Supervisory Board were also careful to meet the standards of the German Corporate Governance Code in 2012. In doing so, they took account of the amendments to the Code contained in the version as at 15 May 2012 and published in the German Federal Gazette (Bundesanzeiger) on 15 June 2012, and in December 2012, in accordance with section 161 of the German Stock Corporation Act (AktG), they submitted their declaration of compliance for the financial year 2012 with the recommendations of the Code and outlined in detail the position they held in the few instances of deviations from the Code. The explanation is available for inspection by shareholders and interested parties on our website at www.ir.deutsche-wohnen.com/websites/deuwo/English/8000/corporate-governance.html.

## General management structure with three bodies

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

## The Management Board works in the best interests of the company

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

Following the departure of Mr Ullrich as at 31 December 2012, the Management Board currently consists of two members and has a Chairperson. The work of the Management Board is governed in detail by the by-laws, which, among other things, provide for a division of tasks according to functional aspects.

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

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

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

## The Supervisory Board advises and monitors the Management Board

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

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

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

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

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

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

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

## Important decisions are made at the Annual General Meeting

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

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

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

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

## Remuneration of the Management Board

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

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

The detailed remuneration report of Deutsche Wohnen AG for the financial year 2012 can be found in the Management Report on pages 55 to 57 and on the company's website at www.ir.deutsche-wohnen.com/websites/deuwo/English/8460/report-on-compensation.html.

## Remuneration of the Supervisory Board

The remuneration of the Supervisory Board has been established by the Annual General Meeting in section 6, paragraph 6 of the articles of association. Accordingly, the members of the Supervisory Board receive a fixed annual remuneration of EUR 30,000. The Chairman of the Supervisory Board receives double the standard remuneration; the Deputy Chairman receives one and a half times the standard remuneration. Each member of the Supervisory Board additionally receives lump sum remuneration in the amount of EUR 5,000 per financial year in return for his or her membership of the Supervisory Board's Audit Committee. Furthermore, each member of the Executive Committee and the Acquisition Committee receives an attendance fee in the amount of EUR 1,000 for each committee meeting personally attended by such member. Cash expenses are reimbursed. In addition, the company can, at its expense, include the members of the Supervisory Board in a D&O group insurance for executive bodies and managers, and has done so. A deductible payable by the members of the Supervisory Board was agreed for this in accordance with the requirements of section 93, paragraph 2 of the German Stock Corporation Act (AktG).

No performance-based remuneration for members of the Supervisory Board is paid. The remuneration report contains disclosure of the remuneration of the individual members of the Supervisory Board.

## Directors' Dealings and shareholdings subject to mandatory disclosure

The members of the Management Board and the Supervisory Board of Deutsche Wohnen AG and their closely related parties are obligated in accordance with section 15a of the German Securities Trading Act (WpHG) to disclose without delay transactions in shares of Deutsche Wohnen AG or related financial instruments. The company will publish these transactions immediately after they have been reported to it. In the financial year 2012, the following transactions of this nature have been reported to Deutsche Wohnen AG: the sale of 17,438 shares and 5,000 subscription rights by the Chief Financial Officer Helmut Ullrich; the acquisition of 7,001 shares and the sale of 7,501 shares by the Chairman of the Supervisory Board, Uwe E. Flach, and the acquisition of 2,250 shares by his wife; the sale of 4,009 shares by the Supervisory Board member, Dr Florian Stetter, and the acquisition of 1,413 shares by the wife of the Deputy Chairman of the Supervisory Board Dr Andreas Kretschmer.

As at 31 December 2012, the Supervisory Board member Uwe E. Flach held 15,000 shares and his wife 10,000 shares in Deutsche Wohnen AG respectively. As at that date, the wife of the Deputy Chairman of the Supervisory Board, Dr Andreas Kretschmer, held 4,705 shares, and the Supervisory Board member Dr h.c. Wolfgang Clement and his wife together held 1,000 shares. The other members of the Supervisory Board and Management Board held no shares in Deutsche Wohnen AG as at 31 December 2012.

Thus, the total holdings of the aforementioned groups of individuals of shares of Deutsche Wohnen AG as at 31 December 2012 amounted to approximately 0.02 % of the approximately 146.1 million issued shares by the company.

## Compliance as an important management task

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

## Adequate opportunity and risk management

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

Detailed information is available in the Management Report: The risk management system of Deutsche Wohnen AG is presented in the risk report on pages 51 to 54, corporate strategic opportunities are described in the forecast of the Management Report on pages 54 and 55 and the information on the consolidated accounts can be found in the notes on pages 68 to 78.

## Committed to transparency

As part of ongoing Investor Relations activities all events that are important to the shareholders, investors and analysts are published at the beginning of the year for the duration of each financial year in the financial calendar. The financial calendar, which is updated regularly, can also be viewed on the company's website at www.ir.deutsche-wohnen.com/websites/deuwo/English/7000/financial-calendar.html.

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

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

## Accounting

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was reselected as the auditor at the Annual General Meeting 2012. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has provided an advance statement that no business, financial, personal or other relationships exist between the auditor, its executive bodies and audit leaders on the one hand, and the company or members of its executive bodies on the other, which could give rise to doubts as to its independence.

Deutsche Wohnen AG is committed to abide by the publication deadlines prescribed by the German Corporate Governance Code of 90 days after the end of the financial year for the consolidated financial statement and 45 days after the end of the reporting period for interim reports. Although these deadlines were met in the financial year 2012, due to the time needed to carefully prepare financial statements and company reports, no binding commitment can yet be given that these publication deadlines will be met.

## Further information

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

Frankfurt/Main, March 2013

Supervisory Board     Management Board

# Report of the Supervisory Board

## Dear Shareholders,

Deutsche Wohnen AG has had a very successful financial year in 2012. The business model and clear focus on urban centres has proven once again. Profitability and returns were improved once again in the year under review, the financial structure and liquidity were further optimised, and the intrinsic value and therefore the shareholder value also increased. The portfolio has been expanded significantly through acquisitions and the equity capital basis has been strengthened through the cash capital increases in June 2012 and January 2013.

## Trusting cooperation with the Management Board

In the financial year 2012, the Supervisory Board has taken great care in its exercising of the duties it is obliged to perform under law, the articles of association, the German Corporate Governance Code and the by-laws. It has regularly advised the Management Board on the management of the company and overseen its activities. In addition, it was directly and promptly included in all decisions of fundamental importance to the company.

The Management Board informed the Supervisory Board regularly, promptly and fully, verbally and in writing, on the business policy, corporate planning and strategy, the company's situation, including the risks, the state of business and risk management. Discrepancies between actual and planned development were explained in full. The Management Board agreed major business transactions with the Supervisory Board.

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

## Meetings of the Supervisory Board

In the financial year 2012, the Supervisory Board discussed the current performance, important individual transactions and measures requiring the approval of the Management Board in six meetings of the Supervisory Board. At each of the meetings the Supervisory Board gave its approval, where necessary, and always after careful consideration and extensive discussion. Five resolutions were also passed by way of the written resolution procedure based on comprehensive informational materials and a previous discussion in plenary. At two meetings there was a member of the Supervisory Board in each case who was unable to be in attendance. Apart from this, all of the members of the Supervisory Board were always present.

The focus of the Supervisory Board's activities in the year under review were the business planning and performance of Deutsche Wohnen AG, the growth strategy and acquisitions and the capital measure of the company. They were regularly advised on the performance in the Residential Property Management, Disposals, Nursing and Assisted Living segments, as well as the financial and liquidity position of the Group. The Supervisory Board's activities were also focussed on the review of and provision of advice in respect of the internal control and risk management systems of the Deutsche Wohnen Group.

At the meeting of 19 March 2012, the Supervisory Board dealt mainly with the report from the Audit Committee, the 2011 annual financial statements and matters relating to the Management Board and Supervisory Board, in particular the determination of the Management Board bonuses for the financial year 2011. Representatives of the auditing company were present to provide advice on the 2011 annual financial statements and explained items and approaches in the financial statements of the company and Group. Further core issues comprised the adoption of a resolution in respect of the agenda for the Ordinary Annual General Meeting and the handling of acquisition projects.

The subjects of the meeting of 7 May 2012 were in particular the performance in the first quarter of 2012 and the acquisition of the BauBeCon holdings.

At the meeting of 6 June 2012, the Supervisory Board mainly discussed the state of play in the matter of the BauBeCon acquisition and adopted the fundamental resolution required for the implementation of the capital increase 2012.

The meeting of 6 August 2012 served mainly for the Management Board to explain the performance based on the 2012 half-year report and also as a forum for the discussion of acquisition projects, in particular BauBeCon.

The core content of the meeting on 11 October 2012 was the current status of acquisition projects and the possible convening of an Extraordinary General Meeting.

In its meeting of 5 November 2012, the Supervisory Board dealt mainly with the performance of the company on the basis of the third quarter report 2012 and the current acquisition projects, the current status of the integration of purchases and the strategic focus of the Deutsche Wohnen Group, but also with the preparations for the Extraordinary General Meeting and matters relating to the Management Board.

The resolutions of the Supervisory Board passed by way of written resolution concerned the granting of approval for the acquisition of residential property portfolios (27 September and 8 October), the convening of an Extraordinary General Meeting (22 October), the acquisition of senior citizens' facilities (4 December) and the adoption of the declaration of compliance with the German Corporate Governance Code (22 December). Each of these matters had already been discussed in detail at previous meetings.

## Efficient work in four committees of the Supervisory Board

In order to efficiently perform its duties, the Supervisory Board has formed committees and continuously evaluated their needs and activities in the year under review.

Specifically, there existed the following four committees in the year under review:

- The Executive Committee,
- The Nomination Committee,
- The Audit Committee,
- The Acquisition Committee.

Their duties are represented in detail in the Corporate Governance Report on page 12.

In principle, the resolutions of the Supervisory Board and the topics to be discussed at the Supervisory Board plenary are prepared in the committees. Where permitted by law, each committee has been transferred decision-making powers in individual cases through the articles of association or through resolutions of the Supervisory Board. The Chairmen of the committees regularly and fully reported on the contents and results of committee meetings to the meetings of the Supervisory Board.

In the reporting year, the Executive Committee met on 28 February, 11 June, 19 June and 26 June. The subject of the meetings was the discussion and adoption of resolutions in connection with the remuneration of the members of the Management Board and Supervisory Board and also the capital increase 2012.

In the reporting year, the Nomination Committee met for one meeting held on 8 March to prepare a proposal for the appointment of a candidate for election to the Supervisory Board and to recommend these nominations for the Annual General Meeting to the Supervisory Board plenary.

The Audit Committee met on four occasions during the year under review, where it dealt with the relevant items of the Supervisory Board's work. These included in particular the preliminary examination of the annual financial statements, the consolidated financial statement and interim reports of Deutsche Wohnen and a discussion of the risk management system. It spoke with the Supervisory Board about a recommendation for the appointment of the auditing company for the financial year 2012, collected a declaration of independence from this party, and monitored its activities. The members of the Audit Committee have expertise and experience in the application of accounting principles and internal control procedures. The committee Chairman, Dr Andreas Kretschmer, meets all the stipulations of Section 100 para. 5 of the German Stock Corporation Act (AktG).

The Acquisition Committee convened for a meeting held on 23 April, the subject of which was the discussion and proposal of resolutions, in particular as regards the BauBeCon acquisition.

## Corporate Governance Standards further developed

The Supervisory Board has continuously observed and discussed the further development of the company's own Corporate Governance Standards. Comprehensive information on corporate governance in the company, including the structure and amount of remuneration paid to the Supervisory Board and Management Board can be found on pages 11 to 15 in this report.

The Management Board and Supervisory Board have discussed the requirements of the version of the German Corporate Governance Code applicable for the year under review and the implementation of these requirements. They adopted their updated joint declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) in December 2012 and have made it permanently accessible to the public on the company website. The declaration of compliance can be viewed at www.ir.deutsche-wohnen.com/websites/deuwo/German/8300/entsprechenserklaerung.html.

## Annual and consolidated financial statements discussed in detail

The annual financial statements of Deutsche Wohnen of 31 December 2012 and the consolidated financial statements along with the Management Reports of the company and the Group that were prepared by the Management Board were examined by the auditing company that was appointed by the Annual General Meeting of 6 June 2012 and commissioned by the Supervisory Board, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, and provided with the unqualified audit opinion.

The annual financial statements of Deutsche Wohnen AG and the consolidated financial statements, the reports on the situation of Deutsche Wohnen AG and the Group and the Audit Reports were made available to all members of the Supervisory Board immediately following their preparation. The auditing company took part in the meeting of the Audit Committee held on 20 March 2013, for the purposes of preparing for the meeting of the Supervisory Board for the review of the accounts. It reported on the substantial results of its audit and provided additional information. The results of the audit of the company's annual financial statements, the consolidated financial statements and the Management Reports of the company and the Group were agreed by the Audit Committee following extensive discussion.

The Chairman of the Audit Committee fully reported to the Supervisory Board at its meeting on 20 March 2013 on the Annual Financial Statements and the audit. In addition, the auditing company explained the main findings of its audit and was available to provide information and answers to further questions for the Supervisory Board. The Supervisory Board has carefully examined the annual financial statements, the Management Report, the consolidated financial statement, the proposal for the utilisation of net profit and Audit Reports. There have been no objections. The Supervisory Board then subsequently approved the recommendation of the Audit Committee in accordance with the annual financial statements and consolidated financial statement produced by the Management Board on 31 December 2012. The annual financial statements are thereby adopted.

The adopted annual financial statements indicate a net profit. The Supervisory Board endorses the Management Board's proposal regarding the utilisation of net profits. The agenda of the Annual General Meeting shall therefore include a resolution on the distribution of a dividend.

## Changes to the Supervisory Board and Management Board

There were no changes to the members of the Supervisory Board. Dr h.c. Wolfgang Clement, whose term of office on the basis of an appointment by court order commencing on 6 July 2011 ended upon the conclusion of the Ordinary Annual General Meeting on 6 June 2012, was reappointed a member of the Supervisory Board by the Annual General Meeting on 6 June 2012.

Mr Helmut Ullrich withdrew from the Management Board upon the expiration of his appointment as at 31 December 2012 at his own request.

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

Frankfurt/Main, March 2013

On behalf of the Supervisory Board

Uwe E. Flach

# Composition of the Management Board and the Supervisory Board

## Management Board

as at March 2013

Michael Zahn
Chief Executive Officer, Berlin

Lars Wittan
Chief Financial Officer, Berlin

## Supervisory Board

as at March 2013

Uwe E. Flach
Chairman, Frankfurt/Main

Dr rer. pol. Andreas Kretschmer
Deputy Chairman, Dusseldorf

Dr h.c. Wolfgang Clement
Bonn

Matthias Hünlein
Oberursel

Dr Michael Leinwand
Bad Honnef

Dr Florian Stetter
Erding

# Group Management Report

## Business environment

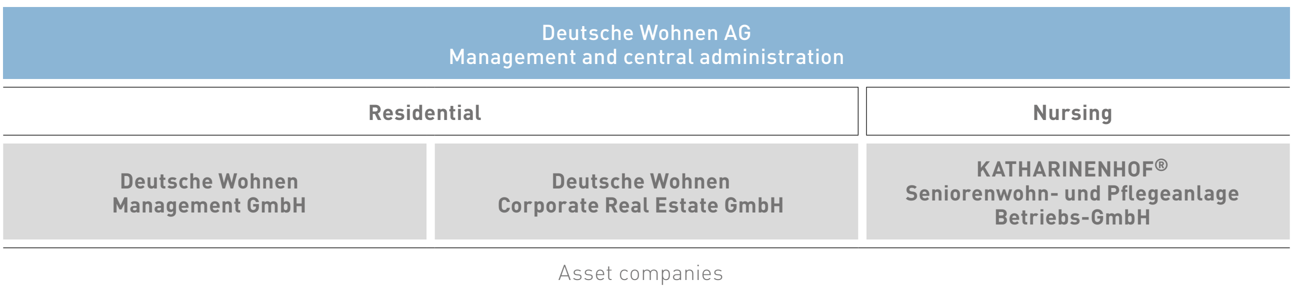
### Organisation and Group structure

Deutsche Wohnen AG together with its subsidiaries (hereinafter referred to as "Deutsche Wohnen" or "Group") is currently one of the largest publicly listed real estate companies in Germany, measured by market capitalisation. Its real estate holdings include about 83,700 residential and commercial units as well as nursing care facilities with about 1,900 nursing places at a fair value of around EUR 4.9 billion in total. The company is listed on the MDAX stock index of the German stock exchange. Consistent with its business strategy, the focus of Deutsche Wohnen is on residential and nursing care properties in fast-growing conurbations and metropolitan areas of Germany, such as Greater Berlin, the Rhine-Main region with Frankfurt/Main, and the Rhineland with Dusseldorf as its centre, as well as on stable conurbations and metropolitan areas such as Hanover/Brunswick/Magdeburg. In the German metropolitan areas, the fundamental economic growth data, population influx and the demographic development are a very good basis for achieving strong and stable cash flows from letting and leasing, and for using opportunities to create value.

The diagram below shows the clear organisational division between management and asset companies. The management companies are allocable to the respective segments. Deutsche Wohnen AG therefore has a traditional holding function – with responsibility for the areas of Corporate Development, Corporate Finance, Finance, Human Resources, Investor Relations and Corporate Communication.

**Deutsche Wohnen Management GmbH**
The development and management of the residential property portfolio is the responsibility of Deutsche Wohnen Management GmbH. The company deals with all activities related to the management and administration of residential property, the management of rental contracts and tenant support. By steadily developing our portfolio, we can make use of any rent increase potential and keep the vacancy rate at a low level. In addition, we guarantee efficient management of the residential properties in cooperation with qualified system providers. A specially designed quality management system for facility management allows us to check specially defined performance standards.

**Deutsche Wohnen Corporate Real Estate GmbH**
Deutsche Wohnen Corporate Real Estate GmbH essentially bundles the Group's sales activities. Deutsche Wohnen's residential holdings held for sale are divided into the strategic sale of residential property to capital investors among others, and the sale of residential property in non-core regions, primarily to institutional investors. We continuously release capital, especially with the sale of residential property in the strategic core and growth regions with considerable margins, and thereby strengthen our internal financing capacity.



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

## Group legal structure

**Registered capital and shares**
The registered capital of Deutsche Wohnen AG amounted to EUR 146.1 million as at 31 December 2012, and is divided into 146.1 million non-par value shares with a notional share of the registered capital of EUR 1.00 per share. As at 31 December 2012, around 99.93 % of the company's shares were bearer shares (146,046,338 shares); the remaining approximately 0.07 % were registered shares (96,520 shares). All shares carry the same rights and obligations. Each share entitles the holder to one vote at the Annual General Meeting and determines the basis for the division of company profit amongst shareholders. The rights and obligations of shareholders are outlined in detail in the provisions of the German Stock Corporation Act (AktG), in particular Sections 12, 53a ff., 118 ff. and 186 AktG. There are no shares with special rights that grant powers of control.

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

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

By resolution of the general shareholders' meeting dated 4 December 2012, which was entered into the commercial register on 10 January 2013, the Management Board has been authorised to increase the company's registered capital, with the consent of the Supervisory Board, by up to around EUR 73.1 million once or several times in the period until 3 December 2017, by the issuance of up to around 73.1 million new ordinary bearer shares against cash contributions and/or contributions in kind (authorised capital 2012/II); the original approved authorised capital in the amount of around EUR 7.3 million was cancelled at the same time. The shareholders must in principle be granted subscription rights within the scope of the authorised capital. However, according to the detailed provisions of the articles of association, the Management Board is authorised in certain cases to exclude the subscription rights of shareholders with the approval of the Supervisory Board.

In a partial utilisation of the new authorised capital 2012/II, the company increased its registered capital in January 2013 to around EUR 160.8 million by issuing 14,614,285 new ordinary bearer shares (non-par value shares) against cash contributions with the subscription right excluded. The capital increase was registered into the commercial register on 17 January 2013. The authorised capital was reduced accordingly to around EUR 58.5 million.

The registered capital can be contingently increased by up to around EUR 25.58 million through the issue of up to 25.58 million new ordinary bearer shares with dividend rights from the start of the financial year of their issuance (contingent capital 2012).

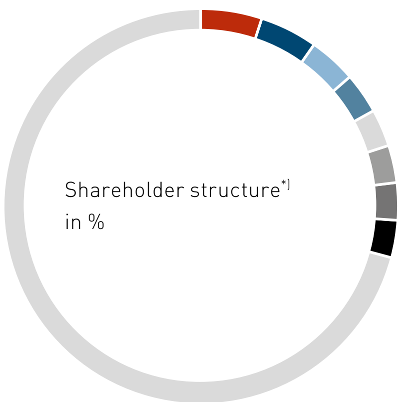
The contingent capital increase serves to grant shares to the owners or creditors of options or convertible bonds as well as profit participation rights with option or conversion rights which, in accordance with the authorisation of the Annual General Meeting of 6 June 2012, are issued up to 5 June 2017 by the company, or by dependent companies or enterprises in which the company has a majority shareholding. It shall only be exercised insofar as option or conversion rights related to the aforementioned options or convertible bonds or profit participation rights are exercised, or if the conversion obligations arising from such bonds are fulfilled, and provided own shares are not used to service the obligations.

### Shareholder structure[*]

The following chart shows our shareholder structure (based on the most recent relevant notification from the respective shareholders according to the German Securities Trading Act (WpHG)) as at 19 February 2013:

**Shareholders**

| | |
|---|---|
| **›5 %** | |
| Sun Life Financial Inc.[1] | 5.03 % |
| **›3 %** | |
| First Eagle Investment Management, LLC[2] | 4.72 % |
| Zurich Deutscher Herold Lebensversicherung AG | 4.02 % |
| Ärzteversorgung Westfalen-Lippe | 3.33 % |
| Stichting Pensioenfonds ABP[3]/APG Algemene Pensioen Groep N.V. | 3.13 % |
| MFS International Value Fund | 3.08 % |
| BlackRock, Inc.[1] | 3.03 % |
| The Capital Group Companies, Inc.[4] | 3.02 % |
| **8 institutional investors in total** | **29.36 %** |
| Other | 70.64 % |
| **Freefloat according to Deutsche Börse** | **100.00 %** |




[*] As at 19 February 2013 according to latest WpHG (German Securities Exchange Act) notification received from above stated shareholders
[1] Attributed voting rights according to Article 22, Section 1, Sentence 1, No. 6 WpHG in connection with Article 22, Section 1, Sentence 2 WpHG
[2] Attributed voting rights according to Article 22, Section 1, Sentence 1, No. 6 WpHG
[3] Attributed voting rights according to Article 22, Section 1, Sentence 1, No. 1 WpHG
[4] Attributed voting rights according to Article 22, Section 1, Sentence 1, No. 6 WpHG in connection with Article 22, Section 1, Sentence 2 and Sentence 3 WpHG

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

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

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

## Group strategy and Group control

### Group strategy

Deutsche Wohnen regards itself as a portfolio manager for real estate in the areas of residential and nursing care with a clear focus on conurbations and metropolitan areas in Germany – our strategic core and growth regions are located there. Our holdings are currently located predominantly in Greater Berlin, the Rhine-Main region including Frankfurt/Main, the Rhineland with Dusseldorf as its centre, as well as Hanover/Brunswick/Magdeburg. These locations are centres of high population density and are characterised by a stable or dynamic development of economic parameters such as value creation, economic strength, income, innovative capacity and competitiveness.

Based on the current size and quality of the real estate portfolio, the focus on densely populated cities and metropolitan areas of Germany, and the high management quality of its executives, Deutsche Wohnen can look into the future with confidence.

**Our competitive advantages**

The competitive advantages of Deutsche Wohnen include:

- an attractive and almost fully let residential portfolio in strategic core and growth regions with high rental potential in core+ regions;
- high-quality nursing facilities with occupancy rates clearly above the market average;
- an experienced management team with many years of expertise both in the residential as well as in the nursing segment;
- scalability of the company platform and thus cost efficiency potential through further growth;
- a proven integration expertise;
- a stable capital structure with a low debt ratio;
- a stable cash flow on the one hand with a high level of liquidity for future acquisitions on the other hand;
- a steadily built shareholder base which supports our company policy, and
- an improved creditworthiness as a result of a lowered debt ratio as well as a real estate portfolio with stronger earnings.

Regarding our strategic portfolio structure please refer to our explanations in the "Portfolio management and portfolio strategy" chapter on page 27 of the annual report.

Group Management Report
Group Financial Statements
Further Information

## Group control

All of Deutsche Wohnen's actions are aimed at continuously improving the earnings situation and thereby the internal financing capacity.

Our dividend policy ensures that sufficient liquidity is available in the company for value-enhancing investments and that debt is kept at a level that is acceptable for this asset class.

At the holding level, all earnings and payment flows are aggregated in terms of the key figures of FFO, NAV and LTV and assessed. At the same time, the Investor Relations department applies a benchmark across the relevant peers on a quarterly basis. This SWOT analysis serves for the validation of Deutsche Wohnen in comparison to its key competitors.

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

The Disposals segment is managed by monitoring the disposal prices per sqm and the margin as the difference between the carrying amount and disposal price. In the process, the values obtained are compared to the target figures. They are also compared to the market on an ongoing basis and adjusted, where necessary.

As part of regular reporting, Asset Management reports to the Management Board on the development of the major indicators compared with the target figures. Furthermore, risks and opportunities are constantly assessed in the context of cluster valuation.

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

Financial expenses are of considerable importance, as they have a significant impact on Group earnings and cash flow performance. The Corporate Finance department of Deutsche Wohnen AG (holding company) is responsible for the management of financial expenses. Active and ongoing management of the hedging rate, together with permanent market monitoring, enables the continuous optimisation of the financial result. In addition, the department is responsible for risk management by expanding the debt capital portfolio to include new bank partners and insurance companies.

In the Nursing segment, we generate internal growth most of all from increases in nursing care benefits and occupancy rates (in the area of residential nursing homes). In all KATHARINENHOF® facilities, rents and nursing fees are in the upper third of the relevant regional market average. Reporting to the Management Board regarding this segment is carried out on a monthly basis as well.

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

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

Overall, the increase in shareholder value is measured by the performance of the EPRA Net Asset Value (EPRA NAV) and the total shareholder return (share price increase plus dividend).

# Portfolio management and portfolio strategy and portfolio valuation

## Portfolio management and portfolio strategy

With the clear focus of our portfolio on conurbations and metropolitan areas, we also expect to profit in the future from the dynamics of these growth markets.

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

In the context of our medium-term planning, we intend to further expand the portfolio of Deutsche Wohnen. It is our aim to increase our holdings in our present regions, and to break into new conurbations and metropolitan areas when appropriate market opportunities arise.

The following table summarises the acquisitions of 2012 with their most important key data:

| | BauBeCon | Brunswick, Dresden, Leipzig | Berlin | Berlin, Potsdam |
|---|---|---|---|---|
| Number of residential units (rounded) | 23,400 | 5,100 | 5,200 | 1,400 |
| Gross acquisition price | | | | |
| in EUR per sqm | 815 | 770 | 710 | 1,022 |
| In-place rent multiplier | 13.0 | 13.4 | 13.1 | 15.8 |
| FFO[*] yield | ~9% | ~9% | ~9% | ~9% |

[*] FFO before disposals and before taxes after completed integration

We have invested nearly EUR 1.8 billion in new real estate portfolios over the past twelve months. In the process, around EUR 1.2 billion of additional debt capital was borrowed, and around EUR 0.6 million of equity capital was invested. All these acquisitions will considerably improve the profitability of the Deutsche Wohnen Group in the next two years. With an FFO yield (before disposals and before taxes) which, following integration, is targeted to amount to an average of 9% in relation to the equity invested, we are substantially above the Group figure of 4.2% as at 31 December 2011.

The equity raised in January 2013 with a premium on the EPRA NAV puts us in the position to acquire additional portfolios of around EUR 500 million.

**Oriented to growth**
With the acquisitions made in 2012, our holdings have increased from 50,626 to 82,738 residential units. In the course of this process, our present portfolio clustering was expanded by the cluster core+.

We now differentiate in terms of strategic core and growth regions – and within these, between core+ and core regions – and non-core regions, which before now were described as disposals regions.

After the newly defined clustering the portfolio is structured, as at 31 December 2012, as follows compared to the previous year:

| | 31/12/2012 | | | 31/12/2011 | | |
|---|---|---|---|---|---|---|
| | Residential units | Area | Share of total portfolio | Residential units | Area | Share of total portfolio |
| Residential | number | sqm k | in % | number | sqm k | in % |
| **Strategic core and growth regions** | **77,007** | **4,699** | **93** | **47,240** | **2,865** | **93** |
| Letting portfolio | 71,455 | 4,328 | 86 | 42,558 | 2,562 | 84 |
| Privatisation | 5,552 | 371 | 7 | 4,682 | 303 | 9 |
| Core+ | 51,587 | 3,086 | 62 | 38,436 | 2,304 | 76 |
| Core | 25,420 | 1,613 | 31 | 8,804 | 561 | 17 |
| Non-core | 5,731 | 366 | 7 | 3,386 | 211 | 7 |
| **Total** | **82,738** | **5,066** | **100** | **50,626** | **3,076** | **100** |

Including acquisitions with transfer of risk and rewards on 1/1 and 1/2/2013 or 1 and 2/1/2012

Deutsche Wohnen now manages more than 82,700 residential units in total. 62 % of these are within core+ regions and 31 % in core regions. Merely 7 % of the total residential holdings are classified as non-core and these will be subject to streamlining in the course of disposals.

Considering acquisitions and disposals made in the area of privatisation during this period, our privatisation holdings have increased by 870 to 5,552 units, so that we have access to a larger contingent for future privatisation measures.

The following summary shows the portfolio as at 31 December 2012 with information about the in-place rent and the vacancy rate:

| Residential | 31/12/2012 | | | |
|---|---|---|---|---|
| | Residential units number | Share of total portfolio in % | In-place rent[1] EUR/sqm | Vacancy in % |
| Strategic core and growth regions | 77,007 | 93 | 5.54 | 2.1 |
| Core+ | 51,587 | 62 | 5.73 | 1.9 |
| Core | 25,420 | 31 | 5.18 | 2.6 |
| Non-core | 5,731 | 7 | 4.76 | 8.6 |
| Total | 82,738 | 100 | 5.49 | 2.5 |

Including acquisitions with transfer of risks and rewards on 1/1 and 1/2/2013
[1] Contractually owed rent from rented apartments divided by rented area

The annualised current gross rental income across the entire real estate holdings, including the nearly 1,000 commercial units as well as the 21,000 parking spaces, amounts to around EUR 341 million. If one considers only eleven months' current gross rental income from the most recent acquisition of about 5,200 residential units in Berlin because the transfer of risks and rewards occurred on 1 February 2013, then the current gross rental income for 2013 – before taking into account rental shortfall due to disposals during the period as well as rental increases within the period – will be around EUR 339 million.

We summarise the most dynamic markets with strong rental growth in the cluster core+. These include Greater Berlin, the Rhine-Main region and the Rhineland with Dusseldorf as its centre. The partial region of Frankfurt/Main, which has existed in the past, will be included in the metropolitan area of Rhine-Main from now on.

| | 31/12/2012 | | | |
|---|---|---|---|---|
| | Residential units | Share of total portfolio | In-place rent[1] | Vacancy |
| Residential | number | in % | EUR/sqm | in % |
| **Core+** | **51,587** | **62** | **5.73** | **1.9** |
| Letting portfolio | 48,436 | 59 | 5.73 | 1.6 |
| Privatisation | 3,151 | 4 | 5.68 | 5.7 |
| **Greater Berlin** | **40,692** | **49** | **5.48** | **1.4** |
| Letting portfolio | 38,842 | 47 | 5.50 | 1.3 |
| Privatisation | 1,850 | 2 | 5.14 | 4.5 |
| **Rhine-Main** | **9,275** | **11** | **6.71** | **3.3** |
| Letting portfolio | 8,142 | 10 | 6.78 | 2.6 |
| Privatisation | 1,133 | 1 | 6.28 | 7.9 |
| **Rhineland** | **1,620** | **2** | **6.34** | **2.6** |
| Letting portfolio | 1,452 | 2 | 6.25 | 2.6 |
| Privatisation | 168 | 0 | 6.87 | 2.7 |

Including acquisitions with transfer of risk and rewards on 1/1 and 1/2/2013
[1] Contractually owed rent from rented apartments divided by rented area

The cluster core covers markets with moderately rising rents and stable rent development forecasts. These include Hanover/Brunswick/Magdeburg, the Rhine Valley South and North as well as Central Germany with Dresden, Leipzig, Halle (Saale) and Erfurt.

| | 31/12/2012 | | | |
|---|---|---|---|---|
| Residential | Residential units number | Share of total portfolio in % | In-place rent[1] EUR/sqm | Vacancy in % |
| **Core** | **25,420** | **31** | **5.18** | **2.6** |
| Letting portfolio | 23,019 | 28 | 5.16 | 2.4 |
| Privatisation | 2,401 | 3 | 5.37 | 3.8 |
| **Hanover/Brunswick/Magdeburg** | **10,929** | **13** | **5.21** | **3.2** |
| Letting portfolio | 10,028 | 12 | 5.15 | 3.2 |
| Privatisation | 901 | 1 | 5.88 | 3.3 |
| **Rhine Valley South** | **4,952** | **6** | **5.39** | **1.8** |
| Letting portfolio | 4,653 | 6 | 5.39 | 1.4 |
| Privatisation | 299 | 0 | 5.46 | 7.9 |
| **Rhine Valley North** | **2,944** | **4** | **5.12** | **1.4** |
| Letting portfolio | 2,798 | 3 | 5.09 | 0.8 |
| Privatisation | 146 | 0 | 5.65 | 11.2 |
| **Central Germany** | **3,777** | **5** | **5.04** | **2.5** |
| Letting portfolio | 3,777 | 5 | 5.04 | 2.5 |
| Privatisation | 0 | 0 | 0.00 | 0.0 |
| **Other[2]** | **2,818** | **3** | **4.99** | **2.8** |
| Letting portfolio | 1,763 | 2 | 5.05 | 3.3 |
| Privatisation | 1,055 | 1 | 4.90 | 1.9 |

Including acquisitions with transfer of risks and rewards on 1/1 and 1/2/2013
[1] Contractually owed rent from rented apartments divided by rented area
[2] Essentially, Kiel/Luebeck

We intend to gradually dispose of holdings in residential units in the cluster non-core for reasons of portfolio strategy. In particular, the residential holdings "Disposal" are to be sold off more quickly because of structural risks.

| | 31/12/2012 | | | |
|---|---|---|---|---|
| | Residential units | Share of total portfolio | In-place rent[1] | Vacancy |
| Residential | number | in % | EUR/sqm | in % |
| Non-core | 5,731 | 7 | 4.76 | 8.6 |
| Disposal | 2,246 | 3 | 4.69 | 12.7 |
| Other | 3,485 | 4 | 4.80 | 6.0 |

[1] Contractually owed rent for the rented residential units divided by rental area

In the course of the acquisitions made in 2012, the non-core holdings increased from 3,386 to 5,731 residential units. The share of the overall holdings, however, remains unchanged at 7%. In the financial year 2012 we sold nearly 1,300 units from the non-core holdings, half of which were "Disposal" and the other half "Other holdings".

Overall, the acquisitions in our strategic core and growth regions in combination with selected disposals strengthened the yield of our portfolio.

## Portfolio valuation

The further improved operational development of the portfolio and the higher purchase prices realised in the market with a markedly higher transaction volume led to an increase in the value of the property holdings by 2.8% or EUR 119.2 million as at the reporting date. This valuation result was confirmed as at the reporting date by an external valuation report on these holdings by CB Richard Ellis.

The following table shows the revaluation of our holdings:

| Fair value Residential | 31/12/2012 | | | |
|---|---|---|---|---|
| | Fair value EUR m | Fair value EUR/sqm | Multiple in-place rent | Multiple market rent |
| Strategic core and growth regions | 4,148 | 981 | 14.5 | 12.6 |
| Core+ | 3,036 | 1,080 | 15.3 | 13.0 |
| Core | 1,111 | 785 | 12.7 | 11.7 |
| Non-core | 173 | 540 | 10.5 | 9.0 |
| Total | 4,320 | 950 | 14.3 | 12.4 |

Without taking into account acquisitions with transfer of risks and rewards on 1/1 and 1/2/2013

## Employees

The long-term success of Deutsche Wohnen Group is to a significant extent based on the high degree of expertise and the great personal commitment of its employees.

For the integration of the new portfolio, Deutsche Wohnen is planning to hire more than 100 new employees for the residential business segment. The new employees will primarily work at the Berlin head office and the new sites in Hanover, Brunswick and Magdeburg, as well as in Central Germany. The largest staff increase in this process will be made at Deutsche Wohnen Management GmbH.

In the process of expanding our staff, we have also strengthened the management team of Deutsche Wohnen AG. In doing so, we succeeded in getting experienced experts on board in the Corporate Development, Corporate Finance as well as M&A departments.

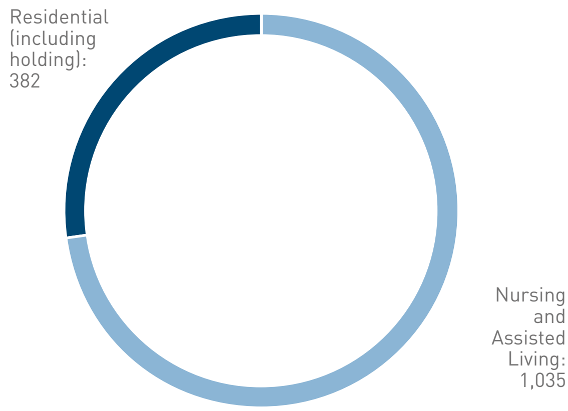
The new employees will find an established corporate culture, flat hierarchies and secure jobs at the Deutsche Wohnen Group. In order to motivate our employees and bind them to our company for the long term, we offer a performance-related remuneration system and attractive opportunities for personal development. In the context of staff development, we support the specialist and management careers of our employees individually and over the long term. Our management team is being prepared for the future challenges to face our company with the help of management and development programmes.

In acquiring new talent, Deutsche Wohnen Group particularly draws on its own young employees. We have trained young people to become specialists in the real estate industry for many years – with great success. Many of our former trainees hold management positions in the company today. In 2012, 95 trainees took part in our training programme.

| **Employees of Deutsche Wohnen Group (excl. trainees)** | **1,417** |
|---|---|
| Men in % | 23 |
| Women in % | 77 |
| Number of trainees | 95 |
| Women in management positions in % | 52 |
| Staff turnover rate in % | 2.7 |
| Average age in years | 43 |

All information is data as at reporting date of 31/12/2012 and also includes the KATHARINENHOF® Group

**Overview of employee figures at Deutsche Wohnen Group**




## Sustainability report

Deutsche Wohnen embraces its social responsibility, and its business activities are guided by the principles of sustainability. We do not see the ecological, social and economic dimensions of our business as contradictions, but as elements that can be harmonised to achieve sustainable and therefore long-term company growth. Against this background, Deutsche Wohnen initiated a process in the middle of 2012 for developing a sustainability strategy. The result of this process will be documented in a sustainability report.

## Significant economic factors

### General economic conditions

#### Global economy

The development of the world economy in 2012 was considerably influenced by the sovereign debt and banking crisis as well as the macroeconomic crisis in the eurozone. These factors caused a great amount of insecurity in global markets and led to a cooling down of the worldwide economy. In its report, the Council of Economic Experts for the evaluation of the overall economic development assumes weakened global economic growth of probably 3.3 % for 2012.[1]

In its Winter Baselines 2013, the German Institute for Economic Research (DIW) also assumes weaker worldwide economic growth in the past year. Accordingly, it is expected to have fallen to 3.2 % in 2012 from 4.2 % in 2011. The causes of the decline are primarily the slowdown in economic development in emerging countries and, at the same time, the continuing weak economic dynamics of the developed economies. The crisis in the eurozone is playing an important role in this scenario.[2]

#### Development in Germany

At the start of 2012, the economy in Germany continued to develop without showing any real effects from the eurozone crisis. However, economic development in Germany was weakened due to the re-emergence of the eurozone crisis in the middle of the year, and the unexpected slowdown in the global economy. The resulting insecurity, which started to increase once again, prompted companies to reduce their investments. Moreover, private households also responded by being more cautious in their spending for fear of job losses, even though the employment situation in Germany can be regarded as favourable.[2] According to initial calculations by the Federal Statistics Office, the price-adjusted gross domestic product (GDP) rose in Germany by 0.7 % in 2012. At the same time, German foreign trade proved to be very robust in a difficult foreign trade environment.[3]

In its Winter Baselines, the DIW assumes an increase in real gross domestic product of 0.8 % for 2012, and forecasts for Germany a growth in real gross domestic product of 0.9 % in 2013.[2]

For the second consecutive time, the Federal Statistics Office was expecting rising population figures in Germany. Accordingly, the number of inhabitants was expected to rise to 82.0 million people by end of 2012. This development was caused by a large population influx – according to the estimate of the Federal Statistics Office – of 340,000 persons from foreign countries. This was counteracted by the deficit in births, which will probably be between 185,000 and 200,000 persons.[4]

### German residential property market

#### Demographic change and supply and demand for residential property

The residential property market in Germany has changed noticeably in the past few years. A clear process of urbanisation can be seen. In some of the large cities and conurbations excess demand is starting to become apparent. This development is caused by increasing numbers of households and rising expectations in terms of living space. In addition, the favourable job market situation in Germany is encouraging migration from abroad. Based on this trend, it is assumed that there will be growing demand for residential property in Germany until 2025 – up to an estimated 41.14 million households. In metropolitan areas a growth in households of more than 10 % is expected by 2025.

Moreover, the considerable insecurity in the capital markets is making apartments increasingly attractive as a capital investment and hedge against inflation.

Furthermore, new apartments have only been built to a limited extent in recent years. However, the current increase in the amount of planning permission granted illustrates that building activity is picking up and is therefore responding at a delay to rising demand. At the same time, this new building activity is increasing particularly in markets where there is strong demand for apartments. It has to be feared in this regard, however, that the development in supply will be unable to keep pace with demand over the short term, and that excess demand will result in the meantime.

[1] Council of Economic Experts – Annual Report 2012/13
[2] DIW – Winter Baselines 2013 – Weekly Report 1+2 2013
[3] Federal Statistical Office, press release No. 17/13 of 15 January 2013
[4] Federal Statistical Office, press release No. 13/13 of 14 January 2013

While rents and prices are on the rise in the growth regions, and new building is also required, the opposite is happening in the shrinking and mostly rural areas: the residential property industry there is confronted with a declining population, increasing vacancies and a drop in prices and rents. Consequently, the development of the residential market in Germany is not homogeneous. The greatest rental price increases for new lettings and re-lettings in 2011 were to be found mainly in large cities, such as Berlin with +7.4 % or Hamburg with +8.8 %.[5)]

## Core+ regions

The core+ regions consist of regions with a high population density and a dynamic economic development. They include: Greater Berlin, the regions Rhine-Main and Frankfurt/Main as well as the Rhineland region with Dusseldorf.

### Greater Berlin

Berlin is both the German capital and Germany's largest city with more than 3.5 million inhabitants and a workforce numbering 1.7 million. At the same time, it generates a gross domestic product of around EUR 101 billion.

The Greater Berlin area consists of the city of Berlin as well as its outskirts, foremost amongst them is the city of Potsdam.

### Berlin as a scientific and economic location

The positive economic trend in Berlin continues. According to an initial forecast, the 1.4 % increase in Berlin's gross domestic product is greater than the average increase for the whole of Germany (0.7 %).[6)] With 2.5 %, Berlin also had the strongest increase in employment of all the federal states in 2012.[7)] The purchasing power of the federal capital likewise rose by 4 % to EUR 18,883 per capita in comparison to the previous year. It is, however, markedly below the Germany-wide average of EUR 20,554 per capita.[8)]

Because of its geographical location, its convenient transport network and the specialist academic programmes at its universities, the city plays an important role in the expansion of international economic relations. Additionally, with its large number of universities and research institutes, Berlin has an excellent reputation as a region for science and research.

The very positive economic situation in Berlin also has an impact on its outskirts. In particular, the federal state capital of Brandenburg, Potsdam, should be mentioned here. For years it has had a positive migration balance. In 2011, there were a total of 157,361 inhabitants in the city. The forecasts up to 2020 assume there will be an additional influx and are expecting the number of inhabitants to increase to 164,000.[9)]

### Residential property market Berlin

Berlin continues to grow: the number of inhabitants increased in 2011 by nearly 40,000 to more than 3.502 million. As at 30 September 2012, the Statistics Office of Berlin-Brandenburg forecast a population level of 3.531 million.[10)] One cause of this strong growth is, amongst other factors, the influx of people from abroad. The Berlin Senate is expecting a population increase of about 254,000 by 2030.[11)]

In 2012, nearly two million households were counted in the census. On average 1.72 persons live in one household: this makes Berlin the city of one-person households. According to the forecasts of the Senate Department for Urban Development, the household size will fall even further to 1.70 persons per household by 2020.[12)]

The number of completed residential units in Berlin rose only modestly in 2011 from 1,924 to 1,990 residential units. Construction permits for new multi-family houses, however, increased considerably by 72 % to 3,519 residential units in 2011 compared to the previous year (2,042 residential units). Compared to the annual influx of population and the increase in the number of households, however, this construction activity cannot compensate for the rising demand for living space.[13)]

The most recent rent index, which was published in 2011, already illustrated the excess demand in Berlin. According to the index, average rents rose by 7.9 % to EUR 5.21 per sqm. This trend had been visible for some time in rising rents for new lettings. An up-to-date rent index will be published in 2013.

5) Report on the Rental and Real Estate Industry in Germany 2012
6) Federal Statistics Office, press release No. 17/13 of 15 January 2013 in conjunction with the Market Report on the Economic Situation in Berlin 3rd Quarter 2012, Forecast 2012/2013
7) Press release from the Statistics Office of Berlin-Brandenburg dated 24 January 2013
8) Status 31/12/2012, MB-Research GmbH
9) Economy and Statistics of the City of Potsdam, dated March 2013
10) Statistics Office, Population Level of Berlin, September 2012 in conjunction with Statistics about Berlin (short version) 2012
11) Population Forecast for Berlin and Districts 2011–2030, October 2012 in conjunction with BBU Real Estate Market Monitor 2012
12) IBB Housing Market Report 2011
13) BBU Market Monitor Real Estate 2012

### Rhine-Main region including Frankfurt/Main
With around 5.57 million inhabitants, a workforce of approximately 2.89 million people and a gross domestic product of about EUR 200 billion, the Rhine-Main region with Frankfurt/Main is one of the most significant economic regions in Germany. The internationally outstanding position of the region is owed to its role as a major financial market, exhibition centre and transport hub.

### Frankfurt/Main an economic location
In the Rhine-Main region, Frankfurt/Main is the most important city. The population has been steadily rising over the past few years. In June 2012, Frankfurt/Main passed the mark of 700,000 residents – as at 30 September 2012, the population figure stated by the city administration was 704,449 inhabitants. Frankfurt/Main is, in terms of its number of inhabitants, the largest city in the state of Hesse and Germany's fifth largest city.

The city is the central transport hub of Europe. The airport offers connections to important destinations worldwide. The road network is connected directly to the European network by its motorways and interstate roads. Additionally, Frankfurt/Main is an international trade fair and trading centre. A total of more than 40 trade fairs and exhibitions take place there each year. Furthermore, the city is the undisputed stock exchange and financial centre in Germany.

The population in the city of Frankfurt/Main has an above-average purchasing power of EUR 23,332 per inhabitant. The purchasing power of the entire Rhine-Main region, which is at EUR 21,073 per capita, is also above average. The German average is EUR 20,554.[14]

### Residential property market Frankfurt/Main
The continually rising population figures in Frankfurt are evidence of the region's attractiveness as a place to live and work. The population increased by 47,593 between 2000 and 2011. The population forecast predicts further growth by 2030 to more than 720,000 inhabitants. Here too, the number of households is rising more sharply due to the tendency of more people to live alone.[15]

Specifically for households with a low to medium income, the situation in the residential market is leading to a shortage of supply. Apartments in Frankfurt that are finished to a medium-to-good standard command rents of EUR 7.00 per sqm to EUR 16.00 per sqm. Depending on quality and location, these prices are exceeded considerably in desirable residential areas. The current amount of new construction cannot meet the growing need for living space.[16]

### Rhineland region with Dusseldorf
Our core region Rhineland includes the city of Dusseldorf as its center. With its 591,000 inhabitants and a workforce numbering 490,000, Dusseldorf is the capital of the Federal State of North Rhine-Westphalia and an economically powerful centre in the region. With a gross domestic product per person in paid work of EUR 86,384, the entire gross domestic product of Dusseldorf amounts to around EUR 42 billion in total.[17]

### Dusseldorf as an economic location
Dusseldorf has an important economic structure, and many consolidated companies with international operations are represented there. The consultancy and trade sectors are of particular importance.

All in all, more than 1,660 consulting firms, including McKinsey & Company, Inc. and the Boston Consulting Group GmbH, have registered offices in Dusseldorf. This makes the city the top location in Germany for consulting firms. In addition, Dusseldorf is one of the most significant German trade centres with more than 6,200 wholesale and retail enterprises and a sales area of 810,000 sqm. Numerous large national and international trading groups have their headquarters here, for example the Metro Group, Electronic Partner, C&A or Peek & Cloppenburg. Furthermore, the two DAX-listed groups Henkel and E.ON are based in Dusseldorf.

The city is at the same time a large and attractive sales market. At EUR 24,661 per person, the purchasing power in Dusseldorf is far greater than the national average.[18]

[14] Status 31/12/2012, MB-Research GmbH
[15] Statistical Almanac of Frankfurt/Main, 2012 in conjunction with Forecast of the Bertelsmann Foundation, retrieved on 18/02/2013
[16] Chamber of Commerce, Residential Market Report 2012, December 2012
[17] City of Dusseldorf, presentation dated 04/07/2012
[18] Status 31/12/2012, MB-Research GmbH – Purchasing Power in Germany

**Residential property market in Dusseldorf**

The growth trend in the population figures, which has existed since the year 2000, will continue according to the demographic report of the city. In the forecast a rise in the number of inhabitants to around 605,500 in the year 2025 is expected.[19]

In the first half-year of 2012 rents amounted to EUR 8.95 per sqm on average, which is equivalent to a 5.3 % increase compared to the same period of the previous year (EUR 8.50 per sqm). This development in rents underscores the rental price dynamics of the market and the increased demand.[20]

## Core regions

In its core regions Deutsche Wohnen includes regions with a good economic situation and stable economic prospects. Among these are Hanover, Brunswick and Magdeburg.

Hanover, the state capital of Lower Saxony, currently has more than 516,000 inhabitants. The population of Brunswick is more than 245,000 and that of Magdeburg more than 231,000. The purchasing power of Hanover and Brunswick, at EUR 21,487 and EUR 21,809 per capita respectively, is above the national average. Magdeburg's purchasing power is EUR 17,720 per capita.[21]

**Economic location**

These cities are located in the centre of Germany. Densely populated areas such as Berlin, the Ruhr region and Southern Germany can be reached quickly via the existing transport links – motorway, railway as well as an airport. This geographical location gives the region logistical advantages, with the result that companies such as DHL, DB Schenker, UPS or Hermes operate from here. Traditionally, the automobile industry – e. g. Volkswagen – has been another strong sector in the region's economy. Moreover, Hanover and Magdeburg are home to their respective federal state governments.

The city of Brunswick, which is located near Hanover, has developed into an important centre of commerce and research in Europe. Scientific organisations and research institutes work closely together with the local companies here. The spectrum spans from biotechnology to transport technology.

Mechanical and plant engineering has traditionally been an important industrial sector in Magdeburg. In addition, logistics, health care and environmental technologies represent viable core areas of business in the region's economy. Alongside these industries, Magdeburg's universities add to its appeal as business location. Together with companies and research institutes – such as the Fraunhofer Institute or the Max-Planck Institute for Dynamics – Magdeburg's universities form a network of research and innovation in this region.

**Residential property market**

The residential property market in Hanover is also positively influenced by the demographic development there. An influx of 12,000 people is expected in Hanover by 2025.[22] According to a residential property market study by the department for urban development of the City of Hanover, rents for new lettings have increased by 9.5 % since 2005 to EUR 6.21 per sqm.[23] The vacancy rate has been falling since 2006 and is currently below 3 %, which corresponds to natural fluctuation.[22]

For Brunswick as well, an increase in the demand for residential units is predicted.[24] The rent index is already showing an increase in existing rents over the last two years of up to 5 %.

Compared to the rural areas of Saxony-Anhalt, the city of Magdeburg will have a stable demographic structure in the coming years and will not be affected by population losses for now. The residential property market in the state capital has a structural excess of nearly 17,500 units. However, the vacancies are concentrated in residential holdings that have not been refurbished. The number of such holdings will be reduced by the city over the medium term.[25]

[19] Demography Report 2011, Dusseldorf
[20] JLL Housing Market Dusseldorf, 1st half-year 2012 in conjunction with the Housing Market Report Dusseldorf 2010/2011
[21] Status 31/12/2012, MB-Research GmbH – Purchasing Power 2012 in Germany
[22] Region Hanover, Real Estate Market Report 2012
[23] State capital Hanover – Department for Urban Development – Small-scale Housing Market Study 2011, September 2012
[24] NBank – Residential Property Market Study 2010/2011 – Perspective 2030
[25] City of Magdeburg – Integrated Urban Development Concept – Magdeburg 2025

# Notes on the financial performance and financial position

## Financial performance

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

The following overview shows the business development of the individual segments as well as other items in the consolidated profit and loss statement for the financial year 2012 compared to 2011:

| in EUR m | 2012 | 2011 |
|---|---|---|
| Earnings from Residential Property Management | 194.4 | 157.4 |
| Earnings from Disposals | 19.9 | 10.6 |
| Earnings from Nursing and Assisted Living | 9.9 | 9.2 |
| Corporate expenses | – 40.4 | – 32.9 |
| Other operating expenses / income | 12.7 | – 2.3 |
| **Operating result (EBITDA)** | **196.5** | **142.0** |
| Depreciation and amortisation | – 3.1 | – 3.0 |
| Fair value adjustments of investment properties | 119.2 | 40.0 |
| Financial result | – 107.0 | – 93.2 |
| **Profit before taxes** | **205.6** | **85.8** |
| Current taxes | – 10.5 | – 5.4 |
| Deferred taxes | – 49.6 | – 29.8 |
| **Group profit** | **145.5** | **50.6** |

Overall, Deutsche Wohnen ended the financial year 2012 with a consolidated Group profit in the amount of EUR 145.5 million (+ EUR 94.9 million compared to 2011).

In the financial year 2012, Deutsche Wohnen profited from the strong demand for living space in conurbations and metropolitan areas caused by a continuous migratory influx and rising numbers of households. We were therefore able to realise existing rent potential and drive our disposal business. Furthermore, there was the added value achieved through acquisitions – especially the acquisition of the BauBeCon Group, which is included in the Group financial statements for four months.

Earnings before taxes, adjusted for one-off and valuation effects, are as follows:

| in EUR m | 2012 | 2011 |
|---|---|---|
| **Profit before taxes** | **205.6** | **85.8** |
| Gains/losses from fair-value adjustments of investment properties | – 119.2 | – 40.0 |
| Settlement on loss compensation | – 20.3 | 0.0 |
| Transaction costs BauBeCon | 12.2 | 0.0 |
| Gains/losses from fair value adjustments of derivative financial instruments | 0.2 | 0.2 |
| **Adjusted earnings before taxes** | **78.5** | **46.0** |

It was possible to improve the adjusted earnings before taxes by EUR 32.5 million. A major factor in driving this improvement was the acquisition of residential holdings, which in turn helped to achieve economies of scale.

The compensation payment from RREEF Management GmbH (RREEF) is based on a control agreement for the financial years of 1999 to mid-2006. With the approval of the Annual General Meeting in June 2012, the payment in the amount of EUR 20.0 million was made.

Regarding the acquisition of the BauBeCon Group, one-off transaction costs in the amount of EUR 12.2 million were incurred. They essentially concern commitment fees for bridge loans and other financing costs (altogether EUR 7.8 million) as well as integration costs (EUR 4.4 million).

**Earnings from Residential Property Management**

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

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Residential units | 82,736 | 50,626 |
| Residential and commercial space in sqm k | 5,222 | 3,161 |
| Fair value per sqm residential and commercial space in EUR[1] | 950 | 946 |
| Debt per sqm residential and commercial space in EUR[1] | 559 | 578 |
| In-place rent per sqm in EUR | 5.49 | 5.57 |
| Like-for-like rent increases in core and growth regions (letting portfolio) in % | 2.6 | 3.8 |
| Residential vacancy rate in % | 2.5 | 2.4 |
| Maintenance costs per sqm and year in EUR[2] | 9.68 | 9.81 |
| Capital expenditure per sqm and year in EUR[2] | 9.26 | 8.19 |

[1] without consideration of acquisitions with transfer of risks and rewards as at 1/1/1/2 and/or 1/2 of the following year

[2] with consideration of the average floor spaces on a quarterly basis in the relevant periods (BauBeCon floor space for the 3rd quarter 2012 only included for one month)

An overview of the portfolio as at 31 December 2012 can be found from page 27 in the sub-chapter Portfolio management and portfolio strategy.

The following table shows the operating result (Net Operating Income, NOI) from Residential Property Management in the financial year 2012 compared to the same period in the previous year:

| in EUR m | 2012 | 2011 |
|---|---|---|
| **Current gross rental income** | **240.1** | **196.4** |
| Non-recoverable expenses | −4.1 | −5.8 |
| Rental loss | −3.0 | −1.9 |
| Maintenance | −34.7 | −29.6 |
| Other | −3.9 | −1.7 |
| **Earnings from Residential Property Management** | **194.4** | **157.4** |
| Staff and general and administration expenses | −22.2 | −16.8 |
| **Operating result (Net Operating Income – NOI)** | **172.2** | **140.6** |
| NOI margin in % | 71.7 | 71.6 |
| NOI in EUR per sqm and month[1] | 4.00 | 3.88 |
| Change in % | +3.1 | |

[1] based on the average floor spaces on a quarterly basis in the period under review (BauBeCon floor space for the 3rd quarter 2012 only included for one month)

Earnings from Residential Property Management increased by EUR 37.0 million. This was caused by the acquisitions made in 2011, which fully came into effect in 2012, as well as the acquisitions made in 2012 – in particular of the BauBeCon Group, which is taken into account for four months.

After the deduction of staff and general and administration expenses for residential property management, there is a net operating result in the amount of EUR 172.0 million – an increase of 22 %.

Whilst the NOI margin remained almost unchanged, the NOI per sqm improved by 3.1 %. This illustrates a higher profitability at nearly unchanged investment expenditures of almost EUR 10 per sqm. Particularly after the integration of the BauBeCon holdings and the additional portfolios we see further return potential for increasing our margins.

The most important source of income is residential rents, which account for around 96 % of our current gross rental income. The rest is rental income for commercial spaces and car parks or parking spaces. Subsidies resulting from publicly subsidised housing amounted to EUR 2.7 million (1.1 % of current gross rental income).

The following overview shows the development of the in-place rents (residential) as well as the vacancy rates in a like-for-like comparison, i. e. only for holdings that we have consistently managed over the past twelve months:

| Like-for-like | Residential units number | In-place rent[1] in EUR/sqm | | Develop-ment in % | Vacancy in % | | Develop-ment in % |
|---|---|---|---|---|---|---|---|
| | | 31/12/2012 | 31/12/2011 | | 31/12/2012 | 31/12/2011 | |
| **Strategic core and growth regions (letting portfolio)** | **42,353** | **5.78** | **5.63** | **2.6** | **1.3** | **1.6** | **– 18.8** |
| Core+ | 34,202 | 5.91 | 5.74 | 2.8 | 1.3 | 1.5 | – 13.3 |
| Greater Berlin | 25,213 | 5.63 | 5.47 | 2.9 | 1.1 | 1.4 | – 21.4 |
| Rhine-Main | 7,833 | 6.75 | 6.58 | 2.7 | 1.6 | 2.1 | – 23.8 |
| Rhineland | 1,156 | 6.24 | 6.11 | 2.1 | 0.8 | 0.9 | – 11.1 |
| Core | 8,151 | 5.27 | 5.19 | 1.4 | 1.5 | 1.7 | – 11.8 |
| Hanover/Brunswick/ Magdeburg | 0 | – | – | | – | – | – |
| Rhine Valley South | 4,653 | 5.39 | 5.29 | 1.7 | 1.4 | 1.4 | 0.0 |
| Rhine Valley North | 2,798 | 5.09 | 5.06 | 0.6 | 0.8 | 1.6 | – 50.0 |
| Central Germany | 174 | 6.08 | 6.08 | 0.0 | 2.0 | 3.6 | – 44.4 |
| Other | 526 | 4.89 | 4.72 | 3.6 | 5.7 | 4.4 | 29.5 |
| **Privatisation** | **3,218** | **5.60** | **5.55** | **0.9** | **5.9** | **1.8** | **227.8** |
| **Non-core** | **2,150** | **4.83** | **4.80** | **0.7** | **6.1** | **5.7** | **7.0** |
| **Total** | **47.721** | **5.72** | **5.59** | **2.4** | **1.8** | **1.8** | **0.0** |

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

The in-place rents in the letting portfolio of the strategic core and growth regions increased on a like-for-like basis by 2.6 % (around 42,400 residential units) compared to the previous year.

Overall, we were able to achieve rental increases (new lettings, rent index, modernisation) in the course of the past financial year of around EUR 2.7 million, which alone means an increase in current gross rental income of around EUR 4.8 million for 2013 (full 12-month period).

The vacancy costs fell once more in the like-for-like comparison. At 1.3 %, the vacancy rate in the letting portfolio of the strategic core and growth regions was once again below the rate from the previous year (1.6 %).

The following table shows the development of new letting rents in the cluster core+ (without BauBeCon holdings):

| Residential | New letting rent[1] EUR/sqm | In-placerent[2] EUR/sqm | Rent potential[3] in % | Rent potential[3] in % |
|---|---|---|---|---|
| | 31/12/2012 | | | 31/12/2011 |
| Core+ (letting holdings) | 7.16 | 5.89 | 21.6 | 20.4 |
| Greater Berlin | 6.65 | 5.62 | 18.3 | 17.0 |
| Rhine-Main | 8.40 | 6.76 | 24.3 | 21.3 |
| Rhineland | 8.07 | 6.24 | 29.3 | 13.1 |

[1] Contractually owed rent from newly concluded rental agreements in non-rent restricted units, effective in 2012
[2] Contractually owed rent from rented apartments divided by rented area
[3] Rent for new lettings in comparison to the in-place rent

In the past financial year, the new letting rents in the non-rent restricted residential holdings were almost 22 % above the in-place rent as at the reporting date.

Non-recoverable expenses consist mainly of vacancy-related losses, which were possible to reduce once more by EUR 1.7 million compared to the previous year.

Expenses for rental loss apply to rent reductions and the loss of rent receivables outstanding. The proportion of receivables lost in relation to the gross rent including service charges was 0.7 % in the reporting year. The absolute increase compared to the previous year is due to the increase in our residential holdings.

The following table illustrates the maintenance expenses as well as the capitalised modernisation expenses (capex – capital expenditures) for the last financial year in comparison to the previous year:

| in EUR m | 2012 | 2011 |
|---|---|---|
| Maintenance | 34.7 | 29.6 |
| Maintenance in EUR per sqm | 9.68[1] | 9.81[1] |
| Modernisation | 33.2 | 24.7 |
| Modernisation in EUR per sqm | 9.26[1] | 8.19[1] |

[1] based on the quarterly average area, excluding the area acquired with transfer of risks and rewards as at 31 December of the relevant financial year or as at 1 and 2/1 and/or 1/2 of the following year; BauBeCon floor space for the 3rd quarter 2012 only included for one month

In the financial year 2012 we invested nearly EUR 68 million or EUR 19 per sqm (previous year: EUR 18 per sqm) in the maintenance and modernisation of residential units and buildings. Around EUR 11.3 million for maintenance concerns the modernisation of apartments associated with a change in tenants.

Regarding the development of the staff expenses and general and administration expenses (including an external management fee for BauBeCon) that are attributable to the Residential Property Management segment, we refer to the explanations of the corporate expenses.

## Earnings from Disposals

In the Disposals segment, we sold a total of 3,000 residential units (previous year: 3,299). The earnings from Disposals are made up as follows:

| in EUR m | 2012 | 2011 |
|---|---|---|
| Sales proceeds | 167.8 | 150.6 |
| Cost of sales | – 11.8 | – 8.3 |
| **Net sales proceeds** | **156.0** | **142.3** |
| Carrying amounts of assets sold | – 136.1 | – 131.7 |
| **Earnings from Disposals** | **19.9** | **10.6** |

The earnings from Disposals were improved by 88 % compared to the previous year. The current framework conditions for sales are very good in the present environment. Real estate – above all in densely populated centres – is considered a "safe haven" and an opportunity for hedging against inflation. In addition, sales activities are favoured by persistently low interest rates.

In the following, the key figures and earnings are shown separately for residential unit privatisations and institutional disposals:

### Privatisations

| in EUR m | 2012 | 2011 |
|---|---|---|
| **Sales proceeds** | **115.4** | **78.1** |
| Average sale price per sqm | 1,114 | 1,155 |
| Volume in residential units (#) | 1,623 | 1,053 |
| Cost of sales | – 9.2 | – 6.0 |
| **Net sales proceeds** | **106.2** | **72.1** |
| Carrying amounts of assets sold | – 86.3 | – 57.9 |
| Gross margin in % | 33.7 | 34.9 |
| **Earnings** | **19.9** | **14.2** |
| + Carrying amounts of assets sold | 86.3 | 57.9 |
| ./. Loan repayment | – 52.3 | – 31.1 |
| **Liquidity contribution** | **53.9** | **41.0** |

In the past year, we privatised a total of 1,623 apartments and thus 570 apartments or 54 % more than in the previous year. With a gross margin of nearly 34 % we were able to utilise the very good market situation not just in terms of volume.

### Institutional sales

| in EUR m | 2012 | 2011 |
|---|---|---|
| **Sales proceeds** | **52.4** | **72.5** |
| Average sales price per sqm | 573 | 508 |
| Volume in residential units (#) | 1,377 | 2,246 |
| Cost of sales | – 2.6 | – 2.3 |
| **Net sales proceeds** | **49.8** | **70.2** |
| Carrying amounts of assets sold | – 49.8 | – 73.8 |
| Gross margin in % | 5.2 | – 1.8 |
| **Earnings** | **0.0** | **– 3.6** |
| + Carrying amounts of assets sold | 49.8 | 73.8 |
| ./. Loan repayment | – 32.6 | – 46.6 |
| **Liquidity contribution** | **17.2** | **23.6** |

In institutional sales we focused on the streamlining of holdings in structurally weak regions and earned proceeds of EUR 52.4 million (previous year: EUR 72.5 million). All in all – after considering the cost of sales – we completed the institutional sales with a solid zero (previous year: – EUR 3.6 million).

## Earnings from Nursing and Assisted Living

The Nursing and Assisted Living segment is operated by the KATHARINENHOF® Group.

| | Facilities | Places | Income | Ø Occupancy | |
|---|---|---|---|---|---|
| | number | number | EUR m | 2012 | 2011 |
| Brandenburg | 5 | 596 | 15.4 | 97.8 | 95.9 |
| Saxony | 7 | 475 | 9.8 | 99.7 | 100.0 |
| Berlin | 2 | 173 | 5.7 | 99.4 | 92.7 |
| Lower-Saxony | 1 | 131 | 4.4 | 99.6 | 97.7 |
| Rhineland-Palatinate | 1 | 128 | 3.2 | 83.8 | 76.9 |
| | **16** | **1,503** | **38.4** | **97.6** | **94.9** |
| Acquisition Berlin[*] | 4 | 425 | 14.0 | | |
| | **20** | **1,928** | **52.4** | | |

[*] Transfer of risks and rewards Q1/2013

Of the 16 facilities, as at 31 December 2012, 13 are owned by Deutsche Wohnen with a fair value of EUR 85.3 million.

Against the background of demographic change and the very good experience that we have gained over the past few years, we will continue to expand the segment. In doing so, we intend to create a capacity of 4,000 to 5,000 places over the next five years. The investment criteria are comparable to the residential asset class. This means: we are scouting for the right location at a fair price.

We succeeded in taking the first step in the financial year 2012 with the acquisition of more than 580 places in Leipzig and Berlin. These facilities will contribute approximately EUR 3.6 million p.a. to the segment result. However, the acquisition in Berlin only became effective in January 2013.

The earnings for the Nursing and Assisted Living segment in the financial year just ended is as follows:

| in EUR m | 2012 | 2011 |
|---|---|---|
| Income | | |
| Nursing | 36.4 | 33.6 |
| Living | 2.0 | 2.7 |
| Other | 3.6 | 3.8 |
| | **42.0** | **40.1** |
| Costs | | |
| Nursing and corporate expenses | 11.3 | 11.5 |
| Staff expenses | 20.8 | 19.4 |
| | **32.1** | **30.9** |
| **Segment earnings** | **9.9** | **9.2** |
| Attributable current interest | −2.6 | −2.7 |
| **Segment earnings after interest expenses** | **7.3** | **6.5** |

The segment Nursing and Assisted Living contributed to the Group result of Deutsche Wohnen in 2012 with an EBITDA amounting to EUR 9.9 million. After deducting the current interest rate expenses, the earnings before taxes amounted to EUR 7.3 million. The EBITDA margin in relation to the fair value of the facilities amount to 11.6 %.

### Corporate expenses

Corporate expenses include all of the staff expenses and general and administration expenses without the segment Nursing and Assisted Living. They are made up as follows:

| in EUR m | 2012 | 2011 |
|---|---|---|
| **Staff expenses** | | |
| Holding Company function | –9.1 | –7.0 |
| Asset Management/ Disposals | –2.0 | –2.2 |
| Property Management | –12.5 | –11.1 |
| | **–23.6** | **–20.3** |
| **General and administration expenses** | **–12.7** | **–12.6** |
| **Total staff expenses, general and administration expenses** | **–36.3** | **–32.9** |
| Property Management (external management BauBeCon) | –4.1 | 0.0 |
| **Total corporate expenses** | **–40.4** | **–32.9** |

Staff expenses rose in comparison to the previous year by EUR 3.3 million, Property Management expenses increased by EUR 1.4 million to EUR 12.5 million, and expenses for the Holding Company rose from EUR 7.0 million to EUR 9.1 million (+EUR 2.1 million). Overall, the increase compared to the year before is essentially due to the hiring of new employees, variable remuneration components as well as special bonuses for the employees and the managerial staff for the financial year 2012.

The general and administration expenses remained – despite significantly expanded property holdings – at the same level as in the previous year.

The expenses ratio relative to the actual rent amounted to 16.8% and was thus essentially equivalent to the figure for the previous year. After the integration of the new holdings has been completed, we are expecting a reduction to around 14%. This corresponds to an efficiency increase of approximately EUR 12 million.

### Other operating expenses/income

The following table shows the other operating expenses/income for the financial year 2012 with the previous year's values for comparison:

| in EUR m | 2012 | 2011 |
|---|---|---|
| Settlement on loss compensation | 20.3 | 0.0 |
| Integration costs BauBeCon | –4.4 | 0.0 |
| Other | –3.2 | –2.3 |
| **Other operating expenses/income** | **12.7** | **–2.3** |

### Financial result

The financial result is made up as follows:

| in EUR m | 2012 | 2011 |
|---|---|---|
| Current interest expenses | 89.6 | 81.6 |
| Accrued interest on liabilities and pensions | 11.4 | 12.1 |
| One-off financing costs for BauBeCon transaction | 7.8 | 0.0 |
| Fair value adjustments of derivative financial instruments | 0.2 | 0.2 |
| | **109.0** | **93.9** |
| Interest income | –2.0 | –0.7 |
| **Financial result** | **107.0** | **93.2** |

The absolute increase in current interest expenses compared to the previous year is due to acquisitions. The reduction in the average interest rate of 4.1% as at 31 December 2011 to 3.7% as at 31 December 2012 went towards counteracting this increase.

Non-cash accrued interest affects low-interest bearing loans in the amount of EUR 7.0 million, tax liabilities (EK 02) in the amount of EUR 2.1 million, employee benefit liabilities in the amount of EUR 2.2 million and put options from limited partners in funds in the amount of EUR 0.2 million.

The one-off financing costs for BauBeCon consist largely of commitment fees for bridge loans and other costs related to financing.

After interest expenses, the cash flow from the portfolio rose by EUR 23.5 million as the following table shows:

| in EUR m | 2012 | 2011 |
|---|---|---|
| NOI from lettings | 172.2 | 140.6 |
| Current interest expenses (without Nursing and Assisted Living) | –87.0 | –78.9 |
| **Cash flow from portfolio after current interest expenses** | **85.2** | **61.7** |
| Interest ratio | 1.98 | 1.78 |

Once again it was possible, due to rising operating results from Residential Property Management, economies of scale and low interest rates in the context of financing, to improve the interest ratio (current interest expenses in relation to the NOI) to 1.98.

**Current taxes and deferred taxes**
The current taxes for the expired financial year 2012 amount to EUR 10.5 million and include EUR 5.6 million of notional tax expenses resulting from the capital increase (previous year: EUR 2.4 million) as well as current income taxes of EUR 4.9 million (previous year: EUR 3.0 million). The rise in income taxes of EUR 1.9 million compared to the previous year is caused predominantly by disposals.

The deferred taxes of EUR 49.6 million include around EUR 36 million from the fair value adjustments of investment properties of EUR 119.2 million.

## Dividend

Our dividend policy of the past years has been based on the stable and recurring earnings from lettings. Half of the FFO (without disposals) was distributed to our shareholders in the past two years. We wish to continue this policy. On the one hand, this enables us to ensure that we can finance the modernisation (capex) of our residential holdings (2012: around EUR 33 million) from the operating cash flows; on the other hand, we can also ensure our contractually agreed regular loan repayments (2012: around EUR 36 million) without any greater depletion of substance.

On the whole, this procedure leads to well-maintained and modernised residential holdings with a reasonable debt ratio.

## Financial position

Selected key figures of the consolidated balance sheet:

| | 31/12/2012 | | 31/12/2011 | |
|---|---|---|---|---|
| | in EUR m | in % | in EUR m | in % |
| Investment properties | 4,614.6 | 94 | 2,928.8 | 88 |
| Other non-current assets | 104.8 | 2 | 84.7 | 3 |
| **Total of non-current assets** | **4,719.4** | **96** | **3,013.5** | **91** |
| Current assets | 97.9 | 2 | 120.9 | 4 |
| Cash and cash equivalents | 90.6 | 2 | 167.8 | 5 |
| **Total of current assets** | **188.5** | **4** | **288.7** | **9** |
| **Total assets** | **4,907.9** | **100** | **3,302.2** | **100** |
| **Equity** | **1,609.7** | **33** | **1,083.4** | **33** |
| Financial liabilities | 2,768.6 | 56 | 1,834.7 | 56 |
| Tax liabilities | 63.6 | 1 | 58.6 | 2 |
| Liabilities to limited partners in funds | 5.1 | 0 | 7.3 | 0 |
| Employee benefit liability | 54.5 | 1 | 42.7 | 1 |
| Other liabilities | 406.4 | 8 | 275.5 | 8 |
| **Total liabilities** | **3,298.2** | **67** | **2,218.8** | **67** |
| **Total equity and liabilities** | **4,907.9** | **100** | **3,302.2** | **100** |

The investment properties (EUR 4,614.6 million) represent at 94 % the major asset position of Deutsche Wohnen. The carrying value was confirmed at the end of the year by CB Richard Ellis.

The increase in other non-current assets is particularly attributable to the increase in deferred tax assets – primarily in relation to interest swaps.

The reduction in current assets of around EUR 23 million was primarily due to the reduction through disposals of land and buildings held for sale.

Along with the cash and cash equivalents shown as at the reporting date, Deutsche Wohnen has access to additional credit facilities of around EUR 106 million, which can be drawn at short notice. Furthermore, after the balance sheet date, Deutsche Wohnen received net proceeds from the capital increase amounting to EUR 193.7 million in January 2013.

The equity ratio of the Group is unchanged at 33 % as at the balance sheet date. The absolute increase in equity is essentially due to the capital increase carried out in June 2012, particularly for the purpose of refinancing the BauBeCon transaction. In the process, gross proceeds of around EUR 461 million were achieved. The placement was made at a subscription price of EUR 10.50.

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

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Equity (before non-controlling interests) | 1,609.3 | 1,083.1 |
| Fair values of derivative financial instruments | 152.5 | 95.0 |
| Deferred taxes (net) | 62.6 | 33.2 |
| **EPRA NAV** | **1,824.4** | **1,211.3** |
| Number of shares (in m) | 146.14 | 105.37[1] |
| **EPRA NAV in EUR per share** | **12.48** | **11.50** |

[1] Including the so-called scrip adjustment of 1.03 from the capital increase 2012

The EPRA NAV per share rose as at 31 December 2012 to EUR 12.48, an increase of nearly EUR 1 – taking into account the so-called scrip adjustment from the capital increase 2012.

When taking the net proceeds of the capital increase 2013 as the basis as early as at 31 December 2012 and in consideration of the increased number of shares, the EPRA NAV amounts formally to EUR 12.55 per share as at 31 December 2012.

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

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Financial liabilities | 2,768.6 | 1,834.7 |
| Cash and cash equivalents | –90.6 | –167.8 |
| **Net financial liabilities** | **2,678.0** | **1,666.9** |
| Investment properties | 4,614.6 | 2,928.8 |
| Non-current assets held for sale | 24.4 | 37.4 |
| Land and buildings held for sale | 39.1 | 63.5 |
| | **4,678.1** | **3,029.7** |
| **Loan-to-Value Ratio in %** | **57.2** | **55.0** |

The ratio of net financial liabilities to property assets (Loan-to-Value Ratio; LTV) at the balance sheet date amounted to 57.2 % and is thereby slightly above our mid-term target value of 55 %.

Over the next two financial years, the Group's refinancing volume – relative to the remaining value as at the end of 2012 – will be about EUR 126 million. This consists of many small loans secured with property as collateral. The prolongation structure of the following years is as follows:

| in EUR m | 2013 | 2014 | 2015 | 2016 | 2017 | after 2017 |
|---|---|---|---|---|---|---|
| Prolongations | 66 | 60 | 282 | 267 | 487 | 1,607 |

As at the reporting date, the average rate of interest for the credit portfolio was approximately 3.7 % p. a. (previous year: 4.1 %). The reduction is largely due to new loan extensions arising from acquisitions with interest rates of considerably less than 4.0 %.

Of the tax liabilities, the sum of EUR 46.6 million (31 December 2011: EUR 50.5 million) is attributable to the present value of liabilities from the lump-sum taxation of EK-02-holdings. These taxes are payable in equal annual instalments of EUR 10.4 million in the third quarter of each year until 2017.

The rise in employee benefit liabilities of around EUR 12 million is essentially caused by the takeover of existing employee benefit liabilities in the context of the BauBeCon acquisition and by changed actuarial assumptions.

The other liabilities mainly comprise the following items:

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Derivative financial instruments | 152.5 | 95.0 |
| Deferred tax liabilities | 143.3 | 96.2 |
| Trade payables | 72.0 | 35.6 |
| Miscellaneous | 38.6 | 48.7 |
| Total | 406.4 | 275.5 |

**Consolidated statement of cash flows**
The most important cash flows of the past financial year are shown in the following:

| in EUR m | 2012 | 2011 |
|---|---|---|
| Net cash flows from operating activities before EK-02 payments | 69.6 | 53.1 |
| EK-02 payments | – 10.4 | – 9.6 |
| **Net cash flows from operating activities after EK-02 payments** | **59.2** | **43.5** |
| Net cash flows from investing activities | – 1,238.0 | – 125.1 |
| Net cash flows from financing activities | 1,101.5 | 203.4 |
| **Net change in cash and cash equivalents** | **– 77.3** | **121.8** |
| Opening balance cash and cash equivalents | 167.8 | 46.0 |
| **Closing balance cash and cash equivalents** | **90.6** | **167.8** |

Net cash flows from operating activities have continued to improve due to the rise in net operating results.

Net cash flows from investing activities are based primarily on proceeds from sales (EUR 163.5 million), on investments of nearly EUR 1.4 billion in our own property portfolio.

Net cash flows from financing activities contain proceeds of EUR 688.9 million arising from the increase of financial liabilities. This sum is the balance of repayments in the amount of EUR 158.5 million and new borrowing of EUR 847.4 million. In addition, they also include the net proceeds from the capital increase in 2012 in the amount of EUR 444.0 million and the payout of the dividend for the financial year 2011 amounting to EUR 23.5 million in the second quarter of 2012.

**Funds from Operations (FFO)**
The key figure of funds from operations (FFO) without disposals, which is decisive for us, rose by around 44 % in comparison to the previous year because of acquisitions and owing to operational improvements in the holdings.

| in EUR m | 2012 | 2011 |
|---|---|---|
| **Profit for the period** | **145.5** | **50.6** |
| Earnings from Disposals | – 19.9 | – 10.6 |
| Depreciation and amortisation | 3.1 | 3.0 |
| Fair value adjustments for investment properties | – 119.2 | – 40.0 |
| Fair value adjustments of derivative financial instruments | 0.2 | 0.2 |
| Non-cash financial expenses | 11.4 | 12.1 |
| One-off income from RREEF settlement | – 20.3 | 0.0 |
| BauBeCon transaction costs | 12.2 | 0.0 |
| Deferred taxes | 49.6 | 29.8 |
| Tax benefit from capital increase costs | 5.6 | 2.4 |
| **FFO (without disposals)** | **68.2** | **47.5** |
| FFO (without disposals) per share in EUR | 0.54 | 0.54 |
| average number of issued shares in m | 126.1 | 88.7 |
| **FFO (including disposals)** | **88.1** | **58.1** |
| FFO (including disposals) per share in EUR | 0.70 | 0.65 |
| average number of issued shares in m | 126.1 | 88.7 |

The average number of issued shares analogous to the EPS calculation, i. e. including so-called scrip adjustments from the capital increases 2011 and 2012

The average number of issued shares in the financial year 2012 increased by approximately 42 % compared to the previous year. This caused the FFO (without disposals) to remain stable at EUR 0.54 per share.

## Events after the reporting date

We successfully carried out a capital increase after the balance sheet date. On 15 January 2013, Deutsche Wohnen placed 14,614,285 new ordinary bearer shares with institutional investors nationally and internationally by way of an accelerated book building. The new shares are fully entitled to dividends for the financial year 2012. The subscription rights of the shareholders were excluded in this process. The shares were issued in partial utilisation of the authorised capital approved by the extraordinary general meeting in December. The placement price was EUR 13.35 per share. We thereby achieved gross proceeds in the amount of EUR 195.1 million.

As at 1 January 2013, the transfer of risks and rewards regarding a portfolio of 5,100 residential units in Brunswick, Dresden, Leipzig and Erfurt, which had been acquired by Deutsche Wohnen, took place. The gross acquisition price amounted to around EUR 770 per sqm, with an FFO yield before taxes of around 9 %.

As at 1 February 2013, the transfer of risks and rewards for an additional portfolio, which consists of 5,200 residential units in Berlin, took place. The gross acquisition price amounted to around EUR 710 per sqm with an FFO yield before taxes of around 9 %.

In addition, KATHARINENHOF® took over four nursing homes with 425 places from LebensWerk GmbH in Berlin. The risks and rewards were transferred as at 15 January 2013.

We are not aware of any other significant events after the reporting date.

## Risk and opportunity report

### Risk management

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

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

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

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

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

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

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

This clear organisational, corporate, controlling and monitoring structure, as well as the sufficient resources within the accounting system in staff and material expenses provides the basis for efficient work for those areas involved in the accounting process. Clear legal and corporate standards and guidelines ensure uniform and proper accounting procedures.

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

## Risk report

### Strategic risks

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

### Legal and corporate law risks

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

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

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

### IT risks

Deutsche Wohnen AG uses SAP as its Group-wide IT application.

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

### Staff risks

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

### Market risks

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

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

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

### Property risks

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

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

### Financial risks

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

Fundamental changes in tax conditions can lead to financial risks.

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

### Financial market risks

Banks may no longer be able or willing to extend expiring loans. It is possible that refinancing will become more costly and that future contract negotiations will take more time to complete. The refinancing volume of Deutsche Wohnen up to and including 2014 as at 31 December 2012 is EUR 126 million, of which EUR 66 million is due in 2013. In the loan agreements there are financial covenants, which could lead to extraordinary termination by the banks if the terms of these covenants are not met. At Deutsche Wohnen these are key financial figures which relate to the debt servicing ability (Debt Service Cover Ratio (DSCR)/Interest Service Cover Ratio (ISCR)) and the debt ratio in relation to the rental income (multiplier).

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

### Investment risks

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

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

### Acquisition and integration risks

Every acquisition is reviewed in detail by us. In the process, a legal, financial and technical due diligence is conducted, and external specialists are consulted. This procedure is a standardised process of Deutsche Wohnen in order to recognise and assess risks with regard to acquisitions. We are continuing our growth strategy with acquisitions in existing as well as new regions. In doing so, we are expecting synergy effects and cost savings. Nonetheless, we cannot rule out the possibility that these goals cannot be achieved fully or only in part or at a later time. The development of the acquired holdings is additionally dependent on a number of factors: the rents to be expected, the possible reduction of vacancies, the cost of repair measures, the intended privatisations, the disposal of non-strategic units as well as the costs of the integration process. The integration of new holdings requires a reorganisation of administration and management as well as of internal structures and processes. These factors may deviate from our assessments and lead to failure to achieve the forecast results or to increased risks.

### Political and regulatory risks

Political decisions can – particularly at the national or the federal state level – affect the regulations of tenancy law and thereby possibly the earnings situation of a residential property company. In particular, this would be the case if, for example, maximum levels for current gross rental income and/or new-letting rents were determined by law. At the present time, the probability of this taking place and the effects of such a political intervention cannot be estimated. Initial adjustments have already been made with regard to current gross rental income. These may be increased in three years by a maximum of 15 % – before it was 20 %.

## Opportunities for future development

Deutsche Wohnen has expanded its position to become one of the largest publicly listed property companies in Germany in terms of market capitalisation and has once more demonstrated its ability to integrate new holdings. This process has led to increased experience among employees and management, which can be used in further possible integrations in future to add value. Deutsche Wohnen is thus positioned as a consolidation platform to capitalise on market opportunities emerging in the future and to actively participate in the consolidation process of the market.

In the current portfolio, especially the core+ regions, i. e. Greater Berlin, the Rhine-Main region with Frankfurt/Main, and the Rhineland with Dusseldorf as its centre, are very dynamic and have extremely good growth prospects. Compared to other major German cities, they are in the top class. In our core regions we also see good, but less dynamic development opportunities; these regions include Hanover/Brunswick/Magdeburg, the Rhine Valley and select locations in Central Germany, such as Dresden, Erfurt, Halle (Saale) and Leipzig.

A good portfolio mix with respect to the sizes of the residential units and microsites within the urban areas as well as intensive tenant support ensure that it is possible to generate consistent earnings from the portfolio even in a tough economic environment.

Our position in the capital market has improved considerably. Today we have a market capitalisation of more than EUR 2 billion. This is double compared to the previous year. Moreover, we were able to increase the liquidity of our share. Our position on the MDAX was thereby further improved. Our financing structure is more than solid: we have long-term financing and have an appropriate Loan-to-Value Ratio (LTV). Our business model is well established with our bank partners and our credit rating has further improved.

All these aspects will further support our growth strategy.

## Corporate management

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

## Remuneration report

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

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

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

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

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

The amount of the payment entitlement is dependent on the development of the key figures for the FFO, NAV and the share price of Deutsche Wohnen during the performance period. With the structure prescribed in the PSU Plan for the long-term incentive, both positive and negative developments are taken into account. In the event of exceptionally positive developments, there is a cap on the maximum amount to be paid out. A negative development reduces the amount of the initial base value and the amount paid until the payment amount reaches zero. The described revised remuneration system was already in use in 2010 for the member of the Management Board Helmut Ullrich. For the Chief Executive Officer Michael Zahn, the revised remuneration system has applied since the renewal of his employment contract that is since 2011. For the member of the Management Board Lars Wittan the remuneration system applies with effect from his appointment to the board as at 1 October 2011.

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

In the financial year 2012 the Supervisory Board once again concerned itself with the appropriateness of the overall remuneration of the members of the Management Board. In this process, the Supervisory Board took into consideration the responsibilities of each member of the Management Board and the economic situation of the company, whilst paying particular regard to their personal achievements, the success of the company and its positive future prospects. In addition, the prevailing level of remuneration in comparable companies and the remuneration structures in place elsewhere in the company were also scrutinised. In this context, the Supervisory Board has adjusted the total remuneration for the Management Board members from the year 2013 to the effect that Mr Michael Zahn's fixed remuneration has increased to EUR 450,000 p. a. and Mr Lars Wittan's to EUR 250,000 p. a. as at 1 January 2013, whilst the maximum amount of the short-term incentive for Mr Michael Zahn has increased to EUR 500,000 and for Mr Lars Wittan to EUR 250,000.

The following remuneration payments were made to the Management Board members in 2012:

| in EUR k | Michael Zahn | Helmut Ullrich | Lars Wittan |
|---|---|---|---|
| **Fixed remuneration** | 350 | 275 | 200 |
| **Variable remuneration components** | | | |
| Short-term incentive | | | |
| short-term due | 300 | 240 | 150 |
| long-term due | 100 | 60 | 50 |
| Long-term incentive PSU Plan (base value) | 150 | 125 | 100 |
| **Additional payments** | 27 | 19 | 25 |

The entitlements of the Management Board resulting from the long-term remuneration components in the period 2010 to 2012 as at the reporting date have a value of around EUR 2.5 million (Michael Zahn EUR 0.9 million, Helmut Ullrich EUR 1.1 million and Lars Wittan EUR 0.4 million).

There is no employee benefit liability for current or retired members of the Management Board or Supervisory Board of Deutsche Wohnen AG. In the financial year 2012, no loans were granted to members of the Management Board at Deutsche Wohnen AG.

The Annual General Meeting of 6 June 2012 decided on the remuneration of the Supervisory Board for 2012. On the basis of this resolution, each member of the Supervisory Board receives a fixed remuneration of EUR 30,000, the Chairman of the Supervisory Board receives double that amount, and the Deputy Chairman of the Supervisory Board receives one and a half times that amount. In addition, each Supervisory Board member receives lump-sum remuneration in the amount of EUR 5,000 per financial year for their membership of the Audit Committee of the Supervisory Board. Furthermore, each member of the General and Acquisition Committee receives a meeting fee in the amount of EUR 1,000 for each attendance at a committee meeting in person. Expenses are reimbursed.

The total Supervisory Board remuneration to be paid for the financial year 2012 amounts to EUR 243,000 net, of which EUR 66,000 net is allocated to Mr Flach, EUR 51,000 net to Dr Kretschmer, EUR 35,000 net to Dr Stetter, EUR 31,000 net to Mr Hünlein as well as EUR 30,000 net to Dr h.c. Clement and Dr Leinwand, respectively.

## Forecast

### Review

We completed the financial year 2012 with an FFO (without disposals) of around EUR 68 million. At the beginning of the financial year 2012 we had assumed in our base scenario – i.e. without acquisitions – an FFO (without disposals) of EUR 55 million. Without taking into account the acquisitions made during the year, the FFO (without disposals) in 2012 would have been around EUR 59 million. This rise is mainly attributable to improved cost structures within our lettings results, where we benefited from the extremely low vacancy rate that has existed for two years.

### General economic conditions

Independent economic research institutes expect that the German economy will pick up in 2013 in comparison to the second half-year of 2012. The German Council of Economic Experts is forecasting economic growth of 0.8 % in Germany for 2013 and the German Institute for Economic Research is forecasting 0.9 %.

Our planning for the financial year 2013 assumes that general legal and taxation conditions will remain unchanged.

### Takeover and integration process

Following the acquisition of around 35,000 units in 2012 and at the beginning of 2013, the priority for the financial year 2013 is the takeover and integration of these portfolios.

The takeover will take place in stages and is intended to be completed in June 2013. This means that all relevant new data will be unified and then incorporated into the IT systems of Deutsche Wohnen and that new staff members will be employed and inducted so that they are fully conversant with their new responsibilities.

The integration phase/optimisation phase will run partly in parallel with and partly following completion of the takeover phase. In this phase it is intended that the process flows involved in the new portfolios will be adapted to those of Deutsche Wohnen and thereby optimised. This phase is expected to be completed by the end of 2013.

## FFO (without disposals) for 2013:
### around EUR 100 million

Taking into consideration the most recent acquisitions, we are expecting an FFO (without disposals) of around EUR 100 million for the financial year 2013. We are forecasting an FFO (incl. disposals) of around EUR 114 million for 2013. For the individual business segments we are planning for the business year 2013 as follows:

For the segment Residential Property Management we are planning earnings of around EUR 264 million with continued stable expenditure on maintenance of around EUR 10 per sqm. In total, we are planning to spend around EUR 80 million or just under EUR 16 per sqm per annum on maintenance and modernisation measures.

In the segment Disposals the emphasis will continue to be on the streamlining of the portfolio and on privatisations. Disposals from within the strategic core and growth regions will be decided depending on the given situation and the opportunities that present themselves. Overall, we plan to sell around 2,500 units (around 1,000 units in privatisations) with a transaction volume of around EUR 120 million. We are forecasting earnings from Disposals of around EUR 14 million.

The segment Nursing and Assisted Living – taking into consideration recent acquisitions – will contribute around EUR 13 million to the earnings of the Group.

In total, we are forecasting an EBITDA of around EUR 235 million or an EBT of around EUR 105 million. These figures do not take into account any effects arising from valuations or acquisitions.

### Forecast for 2014

With the current size of our portfolio, we are expecting a further increase in FFO (without disposals) to at least EUR 110 million in the business year 2014 (i. e. an increase of 10 % compared to 2013) against a background of unchanged general legal and taxation conditions and an interest rate which continues to be low.

Frankfurt/Main, 25 February 2013

Michael Zahn
Chief Executive Officer

Lars Wittan
Chief Financial Officer

# Consolidated Financial Statements

# Consolidated balance sheet
## as at 31 December 2012

| in EUR k | Notes | 31/12/2012 | 31/12/2011 |
|---|---|---|---|
| **ASSETS** | | | |
| Investment properties | D.1 | 4,614,598 | 2,928,816 |
| Property, plant and equipment | D.2 | 20,348 | 18,636 |
| Intangible assets | D.3 | 3,256 | 2,511 |
| Other non-current assets | | 438 | 561 |
| Deferred tax assets | D.14 | 80,716 | 63,037 |
| **Non-current assets** | | **4,719,356** | **3,013,561** |
| Land and buildings held for sale | D.4 | 39,143 | 63,476 |
| Other inventories | | 3,206 | 2,937 |
| Trade receivables | D.5 | 20,842 | 13,959 |
| Income tax receivables | | 1,188 | 797 |
| Other current assets | | 9,078 | 2,329 |
| Cash and cash equivalents | D.7 | 90,571 | 167,829 |
| **Subtotal current assets** | | **164,028** | **251,327** |
| Non-current assets held for sale | C.9 | 24,425 | 37,388 |
| **Current assets** | | **188,453** | **288,715** |
| **Total assets** | | **4,907,809** | **3,302,276** |

| in EUR k | Notes | 31/12/2012 | 31/12/2011 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Equity attributable to shareholders of the parent company | | | |
| Issued share capital | D.8 | 146,143 | 102,300 |
| Capital reserve | D.8 | 859,251 | 496,174 |
| Retained earnings | D.8 | 603,930 | 484,598 |
| | | **1,609,324** | **1,083,072** |
| Non-controlling interests | D.8 | 346 | 302 |
| **Total equity** | | **1,609,670** | **1,083,374** |
| Non-current financial liabilities | D.9 | 2,634,286 | 1,728,291 |
| Employee benefit liability | D.10 | 54,538 | 42,662 |
| Tax liabilities | D.13 | 36,509 | 41,221 |
| Derivative financial instruments | D.6 | 113,694 | 71,731 |
| Other provisions | D.12 | 7,102 | 8,265 |
| Deferred tax liabilities | D.14 | 143,331 | 96,219 |
| **Total non-current liabilities** | | **2,989,460** | **1,988,389** |
| Current financial liabilities | D.9 | 134,357 | 106,382 |
| Trade payables | | 71,962 | 35,634 |
| Liabilities to limited partners in funds | D.11 | 5,142 | 7,287 |
| Other provisions | D.12 | 7,272 | 3,295 |
| Derivative financial instruments | D.6 | 38,767 | 23,241 |
| Tax liabilities | D.13 | 27,060 | 17,411 |
| Other liabilities | | 24,119 | 37,263 |
| **Total current liabilities** | | **308,679** | **230,513** |
| **Total equity and liabilities** | | **4,907,809** | **3,302,276** |

# Consolidated profit and loss statement

## for the period from 1 January to 31 December 2012

| in EUR k | Notes | 2012 | 2011 |
|---|---|---|---|
| Income from Residential Property Management | E.16 | 240,054 | 196,373 |
| Expenses from Residential Property Management | E.17 | – 45,633 | – 38,981 |
| **Earnings from Residential Property Management** | | **194,421** | **157,392** |
| Sales proceeds | | 167,756 | 150,596 |
| Cost of sales | | – 11,763 | – 8,280 |
| Carrying amounts of assets sold | | – 136,106 | – 131,742 |
| **Earnings from Disposals** | E.18 | **19,887** | **10,574** |
| Income from Nursing and Assisted Living | | 42,013 | 40,105 |
| Expenses from Nursing and Assisted Living | | – 32,089 | – 30,875 |
| **Earnings from Nursing and Assisted Living** | E.19 | **9,924** | **9,230** |
| Corporate expenses | E.20 | – 40,421 | – 32,951 |
| Other expenses/income | | 12,726 | – 2,262 |
| **Subtotal** | | **196,537** | **141,983** |
| Gains from fair value adjustments of investment properties | D.1 | 119,203 | 40,049 |
| Depreciation and amortisation | D.2/3 | – 3,129 | – 3,007 |
| **Earnings before interest and taxes (EBIT)** | | **312,611** | **179,025** |
| Finance income | | 1,959 | 675 |
| Losses from fair value adjustments of derivative financial instruments | D.6 | – 214 | – 199 |
| Finance expense | E.21 | – 108,720 | – 93,712 |
| **Profit before taxes** | | **205,636** | **85,789** |
| Income taxes | E.22 | – 60,123 | – 35,214 |
| **Profit for the period** | | **145,513** | **50,575** |
| Thereof attributable to: | | | |
| Shareholders of the parent company | | 145,513 | 50,575 |
| Non-controlling interests | | 0 | 0 |
| | | **145,513** | **50,575** |
| **Earnings per share** | | | |
| basic in EUR | | 1.15 | 0.57 |
| diluted in EUR | | 1.15 | 0.57 |

# Consolidated statement of comprehensive income

## for the period from 1 January to 31 December 2012

| in EUR k | 2012 | 2011 |
|---|---|---|
| **Profit for the period** | **145,513** | **50,575** |
| Other comprehensive income | | |
| Net gain/loss from derivative financial instruments | – 57,637 | – 33,691 |
| Income tax effect | 17,804 | 10,484 |
| | **– 39,833** | **– 23,207** |
| Actuarial losses/gains and impacts of caps for assets | – 7,873 | 1,528 |
| Income tax effect | 2,410 | – 456 |
| | **– 5,463** | **1,072** |
| **Other comprehensive income after taxes** | **– 45,296** | **– 22,135** |
| **Total comprehensive income, net of tax** | **100,217** | **28,440** |
| Thereof attributable to: | | |
| Shareholders of the parent company | 100,217 | 28,440 |
| Non-controlling interests | 0 | 0 |

# Consolidated statement of cash flows

## for the period from 1 January to 31 December 2012

| in EUR k | Notes | 2012 | 2011 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit/loss for the period | | 145,513 | 50,575 |
| Finance income | | – 1,959 | – 675 |
| Finance expense | | 108,720 | 93,712 |
| Income taxes | | 60,123 | 35,214 |
| **Profit/loss for the period before interest and taxes** | | **312,397** | **178,826** |
| Non-cash expenses/income | | | |
| Fair value adjustment of investment properties | D.1 | – 119,203 | – 40,049 |
| Depreciation and amortisation | D.2/3 | 3,129 | 3,007 |
| Fair value adjustments to interest rate swaps | | 214 | 199 |
| Other non-cash operating expenses/income | G | – 33,943 | – 20,338 |
| Change in net working capital | | | |
| Change in receivables, inventories and other current assets | | – 3,126 | 2,298 |
| Change in operating liabilities | | 2,775 | 7,452 |
| **Net operating cash flows** | | **162,243** | **131,395** |
| Interest paid | | – 93,487 | – 79,446 |
| Interest received | | 1,959 | 675 |
| Taxes paid/received excluding EK-02-payments | | – 1,072 | 481 |
| **Net cash flows from operating activities before EK-02-payments** | | **69,643** | **53,105** |
| EK-02-payments | D.13 | – 10,421 | – 9,603 |
| **Net cash flows from operating activities** | | **59,222** | **43,502** |

| in EUR k | Notes | 2012 | 2011 |
|---|---|---|---|
| **Investing activities** | | | |
| Sales proceeds | G | 163,540 | 149,378 |
| Purchase of property, plant and equipment/investment property and other non-current assets | | – 1,400,555 | – 260,382 |
| Receipt of investment subsidies | | 432 | 1,645 |
| Payments to limited partners in funds | D.11 | – 1,420 | – 15,763 |
| **Net cash flows from investing activities** | | **– 1,238,003** | **– 125,122** |
| **Financing activities** | | | |
| Proceeds from borrowings | D.9 | 847,402 | 633,111 |
| Repayment of borrowings | D.9 | – 158,526 | – 592,366 |
| One-off financing costs for BauBeCon transaction | E.21 | – 7,782 | 0 |
| Proceeds from the capital increase | D.8 | 461,157 | 186,476 |
| Costs of the capital increase | D.8 | – 17,199 | – 7,420 |
| Dividend paid | | – 23,529 | – 16,368 |
| **Net cash flows from financing activities** | | **1,101,523** | **203,433** |
| **Net change in cash and cash equivalents** | | **– 77,258** | **121,813** |
| Opening balance of cash and cash equivalents | | 167,829 | 46,016 |
| **Closing balance of cash and cash equivalents** | | **90,571** | **167,829** |

# Consolidated statement of changes in equity

## as at 31 December 2012

| in EUR k | Issued share capital | Capital reserves |
|---|---|---|
| Notes | D.8 | D.8 |
| **Equity as at 1 January 2011** | **81,840** | **370,048** |
| Profit/loss for the period | | |
| Other comprehensive income after tax | | |
| **Total comprehensive income, net of taxes** | | |
| Capital increase | 20,460 | 166,016 |
| Costs of capital increase, less tax effects | | – 5,046 |
| Transfer from the capital reserve | | – 34,844 |
| Dividend paid | | |
| **Equity as at 31 December 2011** | **102,300** | **496,174** |
| **Equity as at 1 January 2012** | **102,300** | **496,174** |
| Profit/loss for the period | | |
| Other comprehensive income after tax | | |
| **Total comprehensive income, net of taxes** | | |
| Capital increase | 43,843 | 417,314 |
| Costs of capital increase, less tax effects | | – 11,593 |
| Transfer from the capital reserve | | – 42,645 |
| Change non-controlling interests | | |
| Dividend paid | | |
| **Equity as at 31 December 2012** | **146,143** | **859,251** |

| Retained earnings | | | | | |
|---|---|---|---|---|---|
| Pensions | Reserves for cash flow hedge | Other reserves | Subtotal | Non-controlling interests | Equity |
| D.8 | D.8 | D.8 | | D.8 | |
| **−2,333** | **−38,173** | **478,188** | **889,570** | **302** | **889,872** |
| | | 50,575 | 50,575 | | 50,575 |
| 1,072 | −23,207 | | −22,135 | | −22,135 |
| **1,072** | **−23,207** | **50,575** | **28,440** | **0** | **28,440** |
| | | | 186,476 | | 186,476 |
| | | | −5,046 | | −5,046 |
| | | 34,844 | 0 | 0 | 0 |
| | | −16,368 | −16,368 | 0 | −16,368 |
| **−1,261** | **−61,380** | **547,239** | **1,083,072** | **302** | **1,083,374** |
| **−1,261** | **−61,380** | **547,239** | **1,083,072** | **302** | **1,083,374** |
| | | 145,513 | 145,513 | 0 | 145,513 |
| −5,463 | −39,833 | | −45,296 | | −45,296 |
| **−5,463** | **−39,833** | **145,513** | **100,217** | **0** | **100,217** |
| | | | 461,157 | | 461,157 |
| | | | −11,593 | | −11,593 |
| | | 42,645 | 0 | 0 | 0 |
| | | | 0 | 44 | 44 |
| | | −23,529 | −23,529 | | −23,529 |
| **−6,724** | **−101,213** | **711,868** | **1,609,324** | **346** | **1,609,670** |

# Notes to the consolidated financial statements

for the financial year ended 31 December 2012

## A General information on the consolidated financial statements of the Deutsche Wohnen Group

### 1 The Deutsche Wohnen Group

The consolidated financial statements of Deutsche Wohnen AG ("Deutsche Wohnen") as at 31 December 2012 were prepared by the Management Board on 25 February 2013. The Supervisory Board is scheduled to approve the consolidated financial statements at its meeting on 20 March 2013. Deutsche Wohnen AG is a publicly listed real estate company based in and operating across Germany with its registered office at Pfaffenwiese 300, Frankfurt/Main, and is registered in the commercial register of the Frankfurt/Main District Court under number HRB 42388.

The business activities of Deutsche Wohnen AG are limited to its role as the holding company for the companies in the Group. Part of this is in particular Corporate Development, Corporate Finance, Investor Relations, Corporate Communication and Human Resources. The operating subsidiaries focus on residential property management and disposals relating to properties, as well as on the division Nursing and Assisted living.

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

### 2 Consolidated financial statements

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

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

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

### 3 Application of IFRS in the financial year

With the exception of new and revised standards and interpretations, the same accounting and valuation methods were applied to the consolidated financial statements for the past financial year as were used for the consolidated financial statements as at 31 December 2011.

In the financial year 2012 there were no changes arising from the first-time application of the IFRS standards or IFRIC interpretations.

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

IFRS 9 "Financial Instruments" was published by the IASB in November 2009. According to this standard, in future, financial assets are to be allocated to one of the two valuation categories "at amortised cost" or "at fair value", and are valued accordingly. Based on a change published in December 2011, IFRS 9 henceforth only has to be applied to financial years started on or after 1 January 2015. It has not yet been adopted into European law. The application of the new standard will result in changes to the presentation and accounting of financial assets and liabilities.

In May 2011 the IASB published IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interest in Other Entities", amendments to IAS 27 "Separate Financial Statements" and amendments to IAS 28 "Investments in Associates and Joint Ventures". IFRS 10 replaces the current regulations on consolidated financial statements (parts of IAS 27 "Consolidated and Separate Financial Statements") and special purpose entities (SIC-12 "Consolidation – Special Purpose Entities") and stipulates the control approach to be the standard principle from now on.

These changes will be initially applicable for financial years starting on or after 1 January 2014 by their adoption in European law. The changes to IFRS 10, IFRS 11 and IFRS 12, which were published in June 2012 by IASB, serving as clarification of the IFRS 10 transition rules and concerning simplifications for the initial application however have not yet been adopted in European law. We assume that the new or revised standards will not have any significant effects on the financial performance and financial position.

IFRS 13 "Fair Value Measurement", also published in May 2011, introduces a framework concept for the assessment of the fair value. IFRS 13 is to be applied to financial years starting on or after 1 January 2013. The standard will not have any significant effects on the financial performance and financial position.

In June 2011 the IASB published "Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income". The changes are to be applied to financial years starting on or after 1 July 2012. The application of the changed standard will result in changes to the presentation of the consolidated statement of comprehensive income.

The "Amendments to IAS 19 – Employee Benefits" were published in June 2011. The changes lead to a phasing out of the corridor method and demand that actuarial gains and losses are recorded directly in other earnings. The calculatory interest applied for discounting pension commitments is from now on decisive for the expected interest on the plan assets. The changes are to be applied to financial years starting on or after 1 January 2013. We assume that the changes will not have any significant effects on the financial performance and financial position.

The IASB and the IFRS IC issued further statements during the reporting year, which will not have any significant effect on the consolidated financial statements.

## 4 Significant accounting judgements, estimates and assumptions

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

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements. However, this excludes decisions involving estimates. Insofar as statements regarding discretionary decisions in the context of individual rules had to be made, an explanation was provided for the corresponding items.

#### Operating lease commitments-Group as lessor

The Group has entered into leases to rent on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. The carrying amount of the investment properties amounted to EUR 4.6 billion (previous year: EUR 2.9 billion).

### Estimates and assumptions

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

#### Fair value of investment properties

The fair value of investment properties was determined internally by a portfolio valuation as at 31 December 2012. The properties are clustered on the basis of their location and property quality. Assumptions regarding the development of rents, vacancies, vacancy losses, maintenance costs, and discount rates are made on the basis of these clusters. These valuation assumptions are subject to uncertainties due to their long-term nature that may lead to either positive or negative value adjustments in the future. The carrying amount of the investment properties amounted to EUR 4.6 billion (previous year: EUR 2.9 billion).

#### Pensions and other post-employment benefits

Expenses relating to post-employment defined benefit plans are determined on the basis of actuarial calculations. The actuarial calculations are made on the basis of assumptions regarding discount rates, future wage and salary increases, mortality and future pension increases. Such estimates are subject to significant uncertainty due to the long-term nature of these plans. The employee benefit liability from pensions obligation as at 31 December 2012 amount to EUR 54.5 million (previous year: EUR 42.7 million).

#### Liabilities to limited partners in funds

The limited partners of DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn (hereinafter "DB 14") have the possibility of tendering their shares until 2019. The full tendering of all limited partnership interests was assumed as a basis for the measurement of the liability. The liability as at 31 December 2012 amounts to EUR 5.1 million (previous year: EUR 7.3 million).

## B Basis of consolidation and consolidation methods

### 1 Basis of consolidation

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

In 2012 the basis of consolidation changed as follows:

- Since 2 January 2012 Deutsche Wohnen Reisholz GmbH, Berlin (formerly: FdR Reisholz Verwaltungs-GmbH, Essen), is a fully consolidated as wholly owned indirect subsidiary.

- Since 1 June 2012 the Seniorenresidenz home "Am Lunapark" GmbH, Leipzig, is a fully consolidated wholly owned indirect subsidiary.

- Since 1 July 2012 Marienfelder Allee 212-220 Grundstücksgesellschaft GbR, Berlin, is a fully consolidated, indirect subsidiary on the basis of a 96 % majority shareholding.

- Since 30 August 2012 Deutsche Wohnen Service GmbH, Berlin, is a fully consolidated wholly owned indirect subsidiary and Deutsche Wohnen Service Braunschweig GmbH, Berlin, wholly owned indirect subsidiary.

- Since 1 September 2012 the companies of the BauBeCon Group are fully consolidated wholly owned indirect subsidiary. BauBeCon Assets GmbH, Hanover; BauBeCon BIO GmbH, Hanover; BauBeCon Immobilien GmbH, Hanover; BauBeCon Wohnwert GmbH, Hanover; Algarobo Holding B.V., Amsterdam, the Netherlands; Hamnes Investments B.V., Amsterdam, the Netherlands; Intermetro B.V., Amsterdam, the Netherlands; patus 216. GmbH, Hanover; patus 217. GmbH, Hanover.

- In addition, the following companies were established in the financial year 2012, which are fully consolidated wholly owned indirect subsidiaries since their founding: Deutsche Wohnen Beteiligungsverwaltungs GmbH & Co. KG, Berlin, GEHAG Beteiligungs GmbH & Co. KG, Berlin, Deutsche Wohnen Service Magdeburg GmbH, Berlin, Deutsche Wohnen Service Hannover GmbH, Berlin.

These changes to the basis of consolidation do not involve company mergers according to IFRS 3, as the relevant companies essentially include real estate assets and financings allocated thereto and therefore they do not fulfil the criteria of IFRS 3 for operating business. There have been no further changes to the basis of consolidation.

### 2 Consolidation methods

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

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

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

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

## C Accounting policies and valuation methods

### 1 Investment properties

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

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

Internal valuations were made as at 31 December 2012 and 31 December 2011. The portfolio was also evaluated by CB Richard Ellis GmbH, Frankfurt/Main as at 31 December 2012 and 31 December 2011, and the total value was confirmed. Value deviations for individual properties were no larger than +/– 10 %. The total valuation by CB Richard Ellis varied by around – 0.1 % (previous year: < 0.1 %) from the internal valuation.

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

The clusters were created based on the following characteristics:

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

The clusters were further split into respectively eight regions, e.g. Greater Berlin, Lower Saxony or North Germany.

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

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

## 2 Property, plant and equipment

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

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

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

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

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

## 3 Intangible assets

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

## 4 Borrowing costs

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

## 5 Impairment of non-financial assets

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

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

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

## 6 Financial assets

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

- as financial assets at fair value through profit or loss,
- as loans and receivables,
- as available-for-sale financial assets, or
- as derivative financial instruments designed as hedging instruments in an effective hedge.

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

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

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

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

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

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

## 7 Inventories

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

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

## 8 Cash and cash equivalents

Cash and cash equivalents on the consolidated balance sheet comprise cash on hand and cash at bank.

## 9 Non-current assets held for sale

Deutsche Wohnen Group recognises investment properties as assets held for sale if notarised contracts of sale are available at the reporting date but transfer of ownership takes place later. Measurement is made at the lower of the carrying amount and average sales price.

## 10 Financial liabilities

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

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

### Financial liabilities

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

### Trade payables and other liabilities

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

**Liabilities to limited partners in funds**

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

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

Within Deutsche Wohnen there are liabilities to limited partners in funds of EUR 5.1 million (previous year: EUR 7.3 million).

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

## 11 Pensions and other post-employment benefits

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

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

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

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

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

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

## 12 Provisions

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

## 13 Lease

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

## 14 Revenue and expenses recognition

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

**Rental income**
Rental income is recognised monthly over the period of the leases in accordance with the tenancy agreement.

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

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

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

## 15 Government grants

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

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

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

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

Furthermore, Deutsche Wohnen received investment subsidies in the amount of EUR 0.4 million (previous year: EUR 1.6 million) and offset these against the acquisition costs.

## 16 Taxes

### Current income tax assets and liabilities

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

### Deferred taxes

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

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

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

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

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

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

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

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

## 17 Derivative financial instruments and hedging transactions

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

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

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

# D Notes to the consolidated balance sheet

## 1 Investment properties

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

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| **Start of period** | **2,928.8** | **2,821.0** |
| Acquisitions | 1,633.2 | 159.0 |
| Other additions | 32.9 | 23.2 |
| Disposals | −75.1 | −77.0 |
| Fair value adjustment | 119.2 | 40.0 |
| Transfer | −24.4 | −37.4 |
| **End of period** | **4,614.6** | **2,928.8** |

The transfer includes the property reclassified as non-current assets for disposal in the current financial year.

The following principles were applied to the valuation as at 31 December 2012 and as at 31 December 2011:

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

Based on the properties:
- Determination of the market rent as at the reporting date.
- Development of rent per sqm of lettable area based on market rent and in-place rent/current gross rental income.
- Development of costs (maintenance, administration, rental loss and non-recoverable expenses, ground rent (if applicable)).

- Determination of cash flows from annual proceeds and payments and the terminal value at the end of year 10, based on the recurring cash flow expected in year 11 or an expected sales price less sales expenses.

- Calculation of a fair value based on the administrative unit as of the reporting date.

The discount rates lie between 6.10 % and 8.35 % depending on the clusters. The weighted average of the discount rates is 6.8%. The capitalisation rates range from 4.75 % to 7.60 %.

This results in an average value of EUR 950 per sqm (previous year: EUR 946 per sqm) and a multiplier of 13.7 (previous year: 13.7) based on the potential current gross rental income as at 31 December 2012 or a multiplier of 14.3 (previous year: 14.2) based on the current gross rental income. The portfolio without fair value adjustment would have had an average value of EUR 916 per sqm (previous year: EUR 933 per sqm). The increase in investment properties is due to an improvement of economic property parameters (rent levels, vacancy rates, discount rate).

A capitalisation and discount rate shift of 0.1 % causes a value adjustment of EUR 77 million (previous year: EUR 50 million).

The investment properties serve as collateral for the loans. There are also agreements in individual cases according to which the condition of the properties may not deteriorate or the average minimum investments have been determined on sqm-basis.

All of the Group's investment properties are leased under operating leases. The rental income generated from this amounted to EUR 240.1 million (previous year: EUR 196.4 million). The expenses directly associated with the investment properties amounted to EUR 45.6 million (previous year: EUR 39.0 million).

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

## 2 Property, plant and equipment

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

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| **Cost** | | |
| Start of period | 27.2 | 23.8 |
| Additions | 3.8 | 4.1 |
| Disposals | −0.7 | −0.7 |
| **End of period** | **30.3** | **27.2** |
| **Cumulative depreciation and impairment** | | |
| Start of period | 8.5 | 7.2 |
| Additions | 1.9 | 1.7 |
| Disposals | −0.5 | −0.4 |
| **End of period** | **10.0** | **8.5** |
| **Net carrying amounts** | **20.3** | **18.6** |

The land and buildings included in property, plant and equipment (EUR 12.2 million, previous year: EUR 11.4 million) are mainly property-secured.

## 3 Intangible assets

Intangible assets developed as follows:

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| **Cost** | | |
| Start of period | 7.3 | 7.0 |
| Additions | 2.0 | 0.3 |
| Disposals | −0.2 | 0.0 |
| **End of period** | **9.0** | **7.3** |
| **Cumulative depreciation and impairment** | | |
| Start of period | 4.8 | 3.5 |
| Additions | 1.2 | 1.3 |
| Disposals | −0.2 | 0.0 |
| **End of period** | **5.8** | **4.8** |
| **Net carrying amounts** | **3.3** | **2.5** |

Intangible assets mainly comprise software licences.

## 4 Land and buildings held for sale

The decrease of land and buildings held for sale is largely due to the disposal of the residential units that have been acquired in 2011 for disposal purposes. Proceeds of EUR 32.9 million (previous year: EUR 24.5 million) were generated in the financial year 2012. The proceeds were partly offset by carrying amounts of assets sold of EUR 23.7 million (previous year: EUR 20.5 million).

## 5 Trade receivables

Receivables are made up as follows:

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Receivables from rental activities | 7.9 | 5.6 |
| Receivables from the disposal of land | 11.6 | 7.3 |
| Other trade receivables | 1.3 | 1.0 |
| | **20.8** | **13.9** |

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

In the financial year 2012 rental claims totalling EUR 3.5 million (previous year: EUR 1.4 million were written off or impaired. The impairment of receivables as at 31 December 2012 amounted to EUR 15.1 million (previous year: EUR 5.3 million).

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

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

| in EUR m | Thereof, neither impaired nor overdue as at reporting date | Thereof, neither impaired nor overdue in the following periods as at reporting date | | | |
|---|---|---|---|---|---|
| | | < 30 days | 30 – 60 days | 61 – 90 days | > 91 days |
| 2012 | 10.5 | 1.1 | 0.0 | 0.0 | 0.0 |
| 2011 | 6.5 | 0.3 | 0.1 | 0.2 | 0.2 |

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

## 6 Derivative financial instruments

Deutsche Wohnen has concluded several interest hedging transactions in a nominal amount of EUR 1.8 billion (previous year: EUR 1.2 billion). The cash flows from the underlying hedging item under the cash flow hedge accounting, will be incurred in the years from 2013 to 2022. The strike rates are between 0.60 % and 4.74 %. The negative fair value of these businesses as at 31 December 2012 amounted to EUR 152.5 million (previous year: EUR 95.0 million).

There are no significant default risks as the interest rate swaps were concluded with major banks. If the interest rate level changes, the market values change accordingly. Income and expenses are recognised in equity for the effective part of a hedge, while the non-effective part is recognised within current earnings. If the interest rate level should rise/fall by 50 basis points, the attributable fair value of the interest rate swap rises/falls by approximately EUR 41.6 million (previous year: EUR 24.7 million).

## 7 Cash and cash equivalents

The cash and cash equivalents in the amount of EUR 90.6 million (previous year: EUR 167.8 million) mainly consist of cash at bank and cash on hand. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rate. As at the reporting date, the Deutsche Wohnen Group had cash and cash equivalents amounting to EUR 16.1 million (previous year: EUR 25.8 million) which were restricted in use. This primarily relates to the purchase collection accounts for special repayments from disposals, the cash funds of DB 14 and rental deposits.

## 8 Equity

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

**a) Issued share capital**

The registered share capital of Deutsche Wohnen AG as at 31 December 2012 amounted to EUR 146,142,858 (31 December 2011: EUR 102,300,000), divided in 146,142,858 no-par value shares (31 December 2011: 102,300,000 no-par value shares) with a notional share in the registered share capital of EUR 1.00 per share. The increase is attributable to the capital increase in 2012. As at 31 December 2012 approximately 99.93% (previous year: 99.90%) of the company's shares were bearer shares (146,046,338 shares), the remaining approximately 0.07% (previous year: 0.10%) were registered shares (96,520 shares). All shares carry the same rights and obligations. Each share entitles the holder to one vote at the Annual General Meeting and determines the basis for the division of company profit amongst shareholders. The rights and obligations of shareholders are outlined in detail in the provisions of the German Stock Corporation Act (AktG), in particular Sections 12, 53a ff., 118 ff. and 186 AktG. There are no shares with special rights that grant powers of control.

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

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

By resolution of the general shareholders' meeting dated 4 December 2012, which was entered into the commercial register on 10 January 2013, the Management Board has been authorised to increase the company's registered capital, with the consent of the Supervisory Board, by up to around EUR 73.1 million once or several times in the period until 3 December 2017 by the issuance of up to around 73.1 million new ordinary bearer shares against cash contributions and/or contributions in kind (authorised capital 2012/II); the original approved authorised capital in the amount of rounded EUR 7.3 million was cancelled at the same time. The shareholders must in principle be granted subscription rights within the scope of the authorised capital. However, according to the detailed provisions of the articles of association, the Management Board is authorised in certain cases to exclude the subscription rights of shareholders with the approval of the Supervisory Board.

In a partial utilisation of the new authorised capital 2012/II the company increased its registered capital in January 2013 to EUR 160,757,143 by issuing 14,614,285 new ordinary bearer shares (non-par value shares) against cash contributions with the subscription right excluded. The capital increase was registered into the commercial register on 17 January 2013. The authorised capital was reduced accordingly to around EUR 58.5 million.

The registered capital can be contingently increased by up to EUR 25.58 million through the issue of up to EUR 25.58 million new ordinary bearer shares with dividend rights from the start of the financial year of their issuance (contingent capital 2012).

The contingent capital increase serves to grant shares to the owners or creditors of options or convertible bonds as well as profit participation rights with option or conversion rights which, in accordance with the authorisation of the Annual General Meeting of 6 June 2012, are issued up to 5 June 2017 by the company, or by dependent companies or enterprises in which the company has a majority shareholding. It shall only be exercised insofar as option or conversion rights related to the aforementioned options or convertible bonds or profit participation rights are exercised, or if the conversion obligations arising from such bonds are fulfilled, and provided own shares are not used to service the obligations.

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

**b) Capital reserve**

EUR 42.6 million (previous year: EUR 34.8 million) was taken from the capital reserve in 2012.

In 2012, the capital reserve increased by EUR 417.3 million due to premium payments related to the capital increase. The costs incurred due to the capital increase in the amount of EUR 17.2 million and the income tax effects related to these costs (EUR 5.6 million) were offset against the premium payments.

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

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

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

## 9 Financial liabilities

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

The borrowings are hedged at around 86 % (previous year: around 78 %) at a fixed rate and/or through interest rate swaps. The average rate of interest was around 3.7 % (previous year: around 4.1 %).

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

| in EUR m | Carrying amount 31/12/2012 | Nominal value 31/12/2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Greater than/ equal 2018 |
|---|---|---|---|---|---|---|---|---|
| Loan renewal structure 2012 | 2,768.6 | 2,872.8 | 66.1 | 59.9 | 282.3 | 266.6 | 486.6 | 1,711.3 |
| Loan renewal structure 2011 | 1,834.7 | 1,938.6 | 45.2 | 23.6 | 37.5 | 235.4 | 246.2 | 1,350.6 |

The liabilities are fully secured by property as collateral.

## 10 Employee benefit liability

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

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

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

| in % | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Discount rate | 3.50 | 4.66 |
| Future salary increases | 2.50 | 2.50 |
| Future pension increases | 1.75 | 1.75 |
| Increase in the contribution assessment ceiling | 2.25 | 2.25 |
| Mortality tables | R 05G | R 05G |

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

The pension commitments taken over in the scope of the BauBeCon acquisition are financed through ufba – Unterstützungskasse zur Förderung der betrieblichen Altersversorgung e. V. (Assistance Fund for the Promotion of Company Pension Plans inc. soc.) – and the plan assets. The valuation applied an expected interest charge in the amount of 3.5 %.

The following summary shows the financing status of the Group's pension plans, which is at the same time equivalent of the balance sheet posting:

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Present value of employee benefit liability | 62.5 | 42.7 |
| lesser by attributable fair value of the plan assets | − 8.0 | 0.0 |
| | **54.5** | **42.7** |

The following table shows the development of the present value of performance-oriented commitments and the attributed fair value of the plan assets:

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Opening balance employee benefit liability | 42.7 | 44.7 |
| Pension payments | − 3.1 | − 2.8 |
| Acquisitions | 13.4 | – |
| Interest cost | 2.2 | 2.0 |
| Service cost | 0.3 | 0.2 |
| Adjustments to the pension fund | 0.1 | 0.1 |
| Actuarial gains/losses | 7.0 | − 1.5 |
| **Closing balance employee benefit liability** | **62.5** | **42.7** |
| of which pension plans with financing from plan assets | 9.1 | – |
| of which pension plans without financing from plan assets | 53.4 | 42.7 |
| Opening balance plan assets | 0.0 | |
| Acquisitions | 8.9 | |
| Expected earnings from plan assets | 0.1 | |
| Contributions to plan assets | 0.2 | |
| Pension payments from plan assets | − 0.3 | |
| Actuarial losses | − 0.9 | |
| **Closing balance plan assets** | **8.0** | |

The pension expenses are made up as follows:

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Interest cost | − 2.2 | − 2.0 |
| Service cost | − 0.3 | − 0.2 |
| Adjustments to the pension fund | − 0.1 | − 0.1 |
| Expected earnings from plan assets | 0.1 | – |
| | **− 2.5** | **− 2.3** |

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

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

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

| in EUR m | 31/12/2012 | 31/12/2011 | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|---|---|
| Defined benefit obligation | 54.5 | 42.7 | 44.7 | 41.5 | 39.3 |
| Experience-based adjustments | 0.3 | –0.9 | 0.2 | 0.2 | –0.9 |

Costs totalling EUR 3.7 million (previous year: EUR 3.5 million) were incurred for defined contribution pensions. Therefore, total expenses for retirement provisions (defined benefit and defined contribution) amounted to EUR 4.1 million (previous year: EUR 3.8 million). For 2013, based on the current number of employees, the cost will total EUR 5.2 million.

## 11 Liabilities to limited partners in funds

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

Liabilities developed as follows during the financial year:

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Opening balance liabilities | 7.3 | 22.5 |
| Payment for tender | –1.4 | –15.8 |
| Reversal | –1.0 | 0.0 |
| Accrued interest | 0.2 | 0.6 |
| **Closing balance liabilities** | **5.1** | **7.3** |

The disclosure of liabilities to limited partners in funds as at 31 December 2012 is fully (previous year: EUR 7.3 million) recognised as current, since payments for the remaining tenders are expected in 2013.

## 12 Other provisions

The other provisions are made up as follows:

| in EUR m | Revita-lisation | Other | Total |
|---|---|---|---|
| Opening balance at start of period | 7.9 | 3.6 | 11.6 |
| Utilisation | −1.6 | −1.4 | −3.0 |
| Reversal | 0.0 | −0.3 | −0.3 |
| Additions | 0.4 | 5.6 | 6.0 |
| **Closing balance at end of period** | **6.7** | **7.6** | **14.3** |
| thereof non-current | 6.7 | 0.4 | 7.1 |
| thereof current | 0.0 | 7.2 | 7.2 |

The provision for revitalisation (EUR 6.7 million, previous year: EUR 7.9 million) relates to the privatisation agreement between the federal state of Berlin and GEHAG. According to this agreement, GEHAG is committed to invest an original total of EUR 25,565 k in the improvement of housing conditions. There are no regulations in the agreement regarding the time period. As in the previous year, the calculation assumes a period until 2015 and an interest rate of around 4%. The additions are related to the interest accrued for the provision.

The contributions to other provisions include amounts (EUR 4.2 million), which are related to acquisitions.

## 13 Tax liabilities

Current and non-current tax liabilities (EUR 63.6 million, previous year: EUR 58.6 million) essentially include the present value from the payment of the EK-02-holdings (EUR 46.6 million, previous year: EUR 50.5 million) in the Deutsche Wohnen Group. In accordance with the German Annual Taxation Act 2008 (JStG), the previous regulation regarding the treatment of EK-02-holdings was abolished and replaced by a flat-rate payment that is mandatory. In accordance with this, the closing balance of EK-02-holdings as at 31 December 2006 is taxed at a flat rate of 3%, regardless of their utilisation. It is not applicable to the remaining holdings and triggers no further increases in German corporation income tax. The resulting tax amount is to be paid either within a period of ten years from 2008 to 2017 in ten equal annual instalments or at the present value in a lump-sum payment. The entire EK-02-capital reserves of Deutsche Wohnen Group amount to EUR 3.5 billion (previous year: EUR 3.2 billion). It was assumed in the valuation that the payment is made in ten annual instalments (EUR 10.4 million, previous year: EUR 9.6 million) and not as one-time, present value payment. The EK02 liability has increased due to the takeover of BauBeCon Group before considering the amortisation of the period under review.

## 14 Deferred taxes

Deferred taxes are made up as follows:

| in EUR m | 31/12/2012 | Change | 31/12/2011 |
|---|---|---|---|
| **Deferred tax assets** | | | |
| Properties | 4.9 | −0.8 | 5.7 |
| Pensions | 6.0 | 2.8 | 3.2 |
| Prepayment penalties | 0.5 | 0.0 | 0.5 |
| Loss carry-forwards | 19.1 | −2.0 | 21.1 |
| Provisions | 2.8 | 0.0 | 2.8 |
| Swap | 47.4 | 17.9 | 29.6 |
| | **80.7** | **17.7** | **63.0** |
| **Deferred tax liabilities** | | | |
| Loans | 21.6 | 1.8 | 23.4 |
| Properties | 118.6 | −48.9 | 69.7 |
| Special items | 3.1 | 0.0 | 3.1 |
| | **143.3** | **−47.1** | **96.2** |
| **Deferred taxes (net)** | **−62.6** | **−29.4** | **−33.2** |
| thereof | | | |
| Recognised directly in equity | 20.2 | | 10.0 |
| Recognised in profit/loss | −49.6 | | −29.8 |
| | **−29.4** | | **−19.8** |

The actuarial gains and losses from pensions and the changes in the current market value of the effective hedges are recognised directly in equity not affecting net income. The resulting deferred taxes are also recognised directly in equity and amount to EUR 2.4 million (previous year: EUR -0.5 million) for actuarial profits and losses, and to EUR 17.8 million (previous year: EUR 10.5 million) for the changes in the current market value of the effective hedges.

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

## 15 Leases

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

In 2013, Deutsche Wohnen will receive minimum lease payments totalling approximately EUR 84 million (previous year: EUR 51 million) from existing operating lease agreements with third parties from the current property portfolio (implied legal period of notice: three months). Furthermore, Deutsche Wohnen will receive minimum lease payments totalling EUR 52 million (previous year: EUR 34 million) from the properties connected with Nursing and Assisted Living in 2013, between one and five years totalling approximately EUR 208 million (previous year: approximately EUR 136 million), and more than five years totalling of approximately EUR 260 million (previous year: EUR 170 million). This is based on an assumption of a remaining lease of five years after the fifth year. The tenancy agreements are for an indefinite period and end upon the death of the tenant or upon termination by the landlord in the event of a default of payments.

# E Notes to the consolidated profit and loss statement

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

## 16 Income from Residential Property Management

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

| in EUR m | 2012 | 2011 |
|---|---|---|
| Potential gross rental income | 245.1 | 201.4 |
| Subsidies | 2.7 | 2.7 |
| | **247.8** | **204.1** |
| Vacancy loss | –7.8 | –7.8 |
| | **240.0** | **196.4** |

## 17 Expenses from Residential Property Management

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

| in EUR m | 2012 | 2011 |
|---|---|---|
| Maintenance costs | 34.7 | 29.6 |
| Non-recoverable expenses | 4.1 | 5.8 |
| Rental loss | 3.0 | 1.9 |
| Other expenses | 3.8 | 1.7 |
| | **45.6** | **39.0** |

## 18 Earnings from Disposals

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

## 19 Earnings from Nursing and Assisted Living

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

| in EUR m | 2012 | 2011 |
|---|---|---|
| Income for Nursing and Assisted Living | 42.0 | 40.1 |
| Nursing and corporate costs | – 11.3 | – 11.5 |
| Staff expenses | – 20.8 | – 19.4 |
| | 9.9 | 9.2 |

## 20 Corporate expenses

The corporate expenses are made up as follows:

| in EUR m | 2012 | 2011 |
|---|---|---|
| Staff expenses | 23.6 | 20.3 |
| General and administration expenses | | |
| IT costs | 3.1 | 3.2 |
| Building costs | 1.7 | 1.9 |
| Legal, consultancy and audit costs | 2.6 | 2.7 |
| Communication costs | 1.1 | 1.1 |
| Printing and telecommunication costs | 1.2 | 1.2 |
| Travel expenses | 0.7 | 0.6 |
| Insurance | 0.3 | 0.3 |
| Other expenses | 2.0 | 1.6 |
| | 12.7 | 12.6 |
| Property Management (external management BauBeCon) | 4.1 | 0.0 |
| | 40.4 | 32.9 |

Deutsche Wohnen Group employed on average 1,268 employees in the financial year (previous year: 1,201 employees):

| Employees | 2012 | 2011 |
|---|---|---|
| Residential (including holding company) | 339 | 325 |
| Nursing and Assisted Living | 929 | 876 |
| | 1,268 | 1,201 |

## 21 Finance expenses

Finance expenses are made up as follows:

| in EUR m | 2012 | 2011 |
|---|---|---|
| Current interest expenses | 89.6 | 81.6 |
| Accrued interest on liabilities and pensions | 11.4 | 12.1 |
| Financing costs for BauBeCon | 7.8 | 0.0 |
| | 108.8 | 93.7 |

## 22 Income taxes

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

The 2008 Corporate Tax Reform Act (UStRG) was passed by resolution of the Bundesrat (Federal Council of Germany) on 6 July 2007. The law is primarily intended to reduce tax rates and, for reciprocal financing purposes, broaden the assessment basis; the deductibility of interest expenses is limited to 30 % of the taxable EBITDA; in future, trade tax will no longer be a tax-deductible expense. The anticipated nominal income tax rate for 2012 for the Group's parent company Deutsche Wohnen AG is 31.93 %.

Income tax expense/benefit is made up as follows:

| in EUR m | 2012 | 2011 |
|---|---|---|
| **Current tax expense** | | |
| Current income tax charge | –4.9 | –3.0 |
| Tax benefit from capital increase costs | –5.6 | –2.4 |
| | **–10.5** | **–5.4** |
| **Deferred tax expense** | | |
| Properties | –49.8 | –30.6 |
| Loss carry-forwards | –2.0 | 0.2 |
| Loans | 1.8 | 2.0 |
| Other provisions | 0.0 | –0.2 |
| Interest rate swaps | 0.1 | 0.1 |
| Pensions | 0.3 | 0.1 |
| Other | 0.0 | –1.5 |
| | **–49.6** | **–29.8** |
| | **–60.1** | **–35.2** |

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

| in EUR m | 2012 | 2011 |
|---|---|---|
| Consolidated accounting profit before taxes | 205.6 | 85.8 |
| Applicable tax rate | 31.93 % | 31.93 % |
| **Resulting tax expense/benefit** | **–65.6** | **–27.4** |
| Permanent effect of expenses not deductible for tax purposes and trade tax corrections | 1.4 | –3.2 |
| Changes of unrecognised deferred taxes and losses carry-forwards | 3.9 | –4.6 |
| Income tax expenses from other periods | –0.2 | –0.6 |
| Other effects | 0.4 | 0.6 |
| | **–60.1** | **–35.2** |

For the financial year 2012, current income tax expense take into account expenses relating to other periods totalling EUR 0.2 million (previous year: EUR 0.6 million), included in other effects in the table above.

## F Segment reporting

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

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

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

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

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

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

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

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

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

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

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

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Segment assets | 4,825.8 | 3,238.5 |
| Deferred taxes | 80.7 | 63.0 |
| Income tax receivables | 1.3 | 0.8 |
| | **4,907.8** | **3,302.3** |

## G Notes to the consolidated statement of cash flows

The consolidated statement of cash flows shows how the Group's cash position has changed during the financial year due to the inflow and outflow of funds. In accordance with IAS 7 ("Cash Flow Statements"), a distinction is made between cash flows from operating and from investing and financing activities. Other non-cash income and expenses mainly include capital gains from disposals (2012: EUR 31.6 million; previous year: EUR 18.9 million). In total Deutsche Wohnen received EUR 163.5 million (previous year: EUR 149.4 million) from property disposal. Payments for investments include payments for modernisation and acquisition of investment land and buildings held for sale.

In total, EUR 16.1 million (previous year: EUR 25.8 million) were restricted in use to the Group as at the reporting date. This relates to the cash and cash funds of DB 14 and rental deposits administered in a fiduciary capacity, as well as liquidity to purchase collection accounts, which may be used only for special repayments on loans. A maturity of up to three months results from the contractual conditions of these cash and cash equivalents.

The Group has funds amounting to EUR 106 million (previous year: EUR 106 million) at its disposal from existing financing commitments that have not been utilised as at the reporting date. Due to the corporate measure implemented in January 2013, liquid funds could be contributed to the Group in the amount of around EUR 194 million.

Cash flows from investing and financing activities are determined when payments are made. The cash flows from operating activities in contrast are indirectly derived from the Group's profit/loss.

## H Earnings per share

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

The diluted and undiluted earnings amount to EUR 145.5 million (previous year: 50.6 million).

The average number of issued shares (diluted and undiluted) amount to:

| in shares k | 2012 | 2011 |
|---|---|---|
| Shares issued at start of period | 102,300 | 81,840 |
| Addition of issued shares in the relevant financial year | 43,843 | 20,460 |
| Shares issued at end of period | 146,143 | 102,300 |
| **Average of shares issued** | **126,148** | **88,742** |

In partial utilisation of its authorised share capital in the amount of 10 %, Deutsche Wohnen AG increased its registered share capital on 16 January 2013 from EUR 146.1 million to EUR 160.8 million by issuance of 14,614,285 new ordinary bearer shares (no-par shares).

The earnings per share for continuing operations amount to:

| in EUR | 2012 | 2011 |
|---|---|---|
| Earnings per share | | |
| Basic | 1.15 | 0.57 |
| Diluted | 1.15 | 0.57 |

In the financial year 2012, a dividend was distributed for the financial year 2011 amounting to EUR 23.5 million or EUR 0.23 per share. For 2012 there are plans for a dividend amounting to EUR 33.8 million or EUR 0.21 per share.

# I Other disclosures

## Risk management

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

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

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

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

The measures relating to financial risk management are described below:

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

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

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

| in EUR m | Valuation category in accordance with IAS 39 | Carrying amount 31/12/2012 | Balance sheet measurement in accordance with IAS 39 Amortised costs | Balance sheet measurement in accordance with IAS 39 Fair value recognised in profit/loss | Fair value 31/12/2012 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Trade receivables | (1) | 20.8 | 20.8 | | 20.8 |
| Other assets | (1) | 9.1 | 9.1 | | 9.1 |
| Cash and cash equivalents | (1) | 90.6 | 90.6 | | 90.6 |
| **Equity and liabilities** | | | | | |
| Financial liabilities | (2) | 2,768.6 | 2,768.6 | | 2,768.6 |
| Liabilities to limited partners in funds | (3) | 5.1 | | 5.1 | 5.1 |
| Trade payables | (2) | 72.0 | 72.0 | | 72.0 |
| Other liabilities | (2) | 24.1 | 24.1 | | 24.1 |
| Derivative financial instruments | (4) | 152.5 | | 152.5 | 152.5 |
| (1) Loans and receivables | | 120.5 | | | |
| (2) Liabilities carried at amortised cost | | 2,864.7 | | | |
| (3) Liabilities carried at fair value and recognised in profit/loss | | 5.1 | | | |
| (4) Liabilities carried at fair value | | 152.5 | | | |
| **Assets** | | 31/12/2011 | | | 31/12/2011 |
| Trade receivables | (1) | 14.0 | 14.0 | | 14.0 |
| Other assets | (1) | 2.3 | 2.3 | | 2.3 |
| Cash and cash equivalents | (1) | 167.8 | 167.8 | | 167.8 |
| **Equity and liabilities** | | | | | |
| Financial liabilities | (2) | 1,834.7 | 1,834.7 | | 1,834.7 |
| Liabilities to limited partners in funds | (3) | 7.3 | | 7.3 | 7.3 |
| Trade payables | (2) | 35.6 | 35.6 | | 35.6 |
| Other liabilities | (2) | 37.3 | 37.3 | | 37.3 |
| Derivative financial instruments | (4) | 95.0 | | 95.0 | 95.0 |
| (1) Loans and receivables | | 184.1 | | | |
| (2) Liabilities carried at amortised costs | | 1,907.6 | | | |
| (3) Liabilities assessed at fair value and recognised in profit/loss | | 7.3 | | | |
| (4) Liabilities carried at fair value | | 95.0 | | | |

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

The following table shows the contractual, undiscounted payments:

| in EUR m | Carrying amount 31/12/2012 | 2013 | 2014 | 2015 | > 2016 |
|---|---|---|---|---|---|
| Financial liabilities | 2,768.6 | 134.4 | 102.5 | 311.2 | 2,324.7 |
| Liabilities to limited partners in funds[1] | 5.1 | 5.1 | | | |
| Liabilities from taxes | 63.6 | 27.3 | 10.4 | 10.4 | 20.8 |
| Trade payables | 72.0 | 72.0 | | | |
| Other liabilities | 24.1 | 24.1 | | | |
| | 31/12/2011 | 2012 | 2013 | 2014 | > 2015 |
| Financial liabilities | 1,834.7 | 106.4 | 100.5 | 59.5 | 1,672.2 |
| Liabilities to limited partners in funds[1] | 7.3 | 7.3 | | | |
| Liabilities from taxes | 58.6 | 17.7 | 9.6 | 9.6 | 28.8 |
| Trade payables | 35.6 | 35.6 | | | |
| Other liabilities | 37.3 | 37.3 | | | |

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

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

| in EUR m | Interest | Impairment | Fair value | Net loss |
|---|---|---|---|---|
| **2012** | | | | |
| Loans and receivables | | 2.3 | | 2.3 |
| Liabilities carried at amortised cost | 94.6 | | | 94.6 |
| Liabilities carried at fair value and recognised in profit/loss | 0.2 | | | 0.2 |
| Derivative financial instruments | | | 0.2 | 0.2 |
| | **94.8** | **2.3** | **0.2** | **97.3** |
| 2011 | | | | |
| Loans and receivables | | 0.2 | | 0.2 |
| Liabilities carried at amortised cost | 88.2 | | | 88.2 |
| Liabilities carried at fair value and recognised in profit/loss | 0.5 | | | 0.5 |
| Derivative financial instruments | | | 0.2 | 0.2 |
| | 88.8 | 0.2 | 0.2 | 89.2 |

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

#### Default risk

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

#### Liquidity risk

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

Deutsche Wohnen seeks to ensure that sufficient liquidity is available to meet future obligations at all times. Deutsche Wohnen currently has a debt capital ratio of approximately 67 % (previous year: 67 %), and a Loan-to-Value Ratio of 57.2 % (previous year: 55.0 %).

#### Interest-related cash flow risks

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

The Group's interest expenses are managed by a combination of fixed-interest and floating-rate debt capital. To make this combination of fixed-interest and floating-rate debt capital cost-efficient, the Group concludes interest rate swaps at specified intervals by which it exchanges the difference between the fixed-interest and floating-rate amounts as determined on the basis of an agreed nominal value with the contractual partner. These interest rate swaps hedge the underlying debt capital. Accordingly, interest rate risk only exists for floating-rate financial liabilities that are not hedged by interest rate swaps. Applied to these financial liabilities, an increase/reduction of 1 % in the interest rate at the reporting date would have led to an increase/reduction in the interest expenses of EUR 3.9 million (previous year: EUR 4.2 million). Applied to the Group equity, an interest adjustment in the same amount has led to an increase/reduction by around EUR 83 million (previous year: EUR 49 million).

#### Market risks

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

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

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

## Capital management

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

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

The key figures for capital management are:

- The equity/debt capital ratio and the leverage ratio

The Group aims to achieve an equity ratio of 30 %. Future investments will therefore be based on balanced financing, amongst other things. The equity ratio amounts to 33 % (previous year: 33 %) as at the reporting date.

- Loan-to-Value Ratio

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

| in EUR m | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Financial liabilities | 2,768.6 | 1,834.7 |
| Cash and cash equivalents | – 90.6 | – 167.8 |
| **Net financial liabilities** | **2,678.0** | **1,666.9** |
| Investment properties | 4,614.6 | 2,928.8 |
| Non-current assets held for sale | 24.4 | 37.4 |
| Land and buildings held for sale | 39.1 | 63.5 |
| | **4,678.1** | **3,029.7** |
| **Loan-to-Value Ratio in %** | **57.2** | **55.0** |

## Hedging

As at 31 December 2012 and 31 December 2011, there were various interest hedges (payer swaps), through which variable interest rate conditions can be exchanged for fixed interest rate conditions. The non-effective part whose value change is shown in the consolidated profit and loss statement amounts to EUR 0.2 million (previous year: EUR 0.2 million).

## Events after the reporting date

On 15 January 2013, Deutsche Wohnen placed 14,614,285 new ordinary bearer shares with institutional investors nationally and internationally by way of an accelerated book building. The new shares are fully entitled to dividends for the financial year 2012. The subscription rights of the shareholders were excluded in this process. The shares were issued in partial utilisation of the authorised capital approved by the extraordinary general meeting in December. The placement price was EUR 13.35 per share. We thereby achieved gross proceeds in the amount of EUR 195.1 million.

Furthermore, on 1 January 2013 the transfer of risks and rewards regarding a portfolio of 5,100 residential units in Brunswick, Dresden, Leipzig and Erfurt, which had been acquired by Deutsche Wohnen, took place. The gross acquisition price amounted to around EUR 770 per sqm, with an FFO yield before taxes of around 9 %.

In addition, on 1 February 2013 the transfer of risks and rewards for an additional portfolio, which consists of 5,200 residential units in Berlin, took place. The gross acquisition price amounted to around EUR 710 per sqm with an FFO yield before taxes of around 9 %.

In addition, KATHARINENHOF® took over four Nursing Homes with 425 places from LebensWerk GmbH in Berlin. The risks and rewards were transferred as at 15 January 2013. The takeover involves a company acquisition in the definition of IFRS 3. The purchase price for the nursing facilities taken over amounted rounded EUR 43 million. It has not been possible yet to split the purchase price over the assets and debts taken over due to the proximity of the transaction to the key date of the preparation of the consolidated financial statements. Based on the information that is available to Deutsche Wohnen Group it is assumed that the difference amount between the purchase price and the equity of the purchased companies are primarily allocated to the fair value of purchased real estate as well as to assets related to the operative business. It is furthermore assumed that the predominant part of the silent reserves will not be depreciated as planned.

We are not aware of any other significant events after the reporting date.

## Commitments and contingencies

Hereditary building rights contracts result in annual financial commitments of EUR 1.7 million (previous year: EUR 1.2 million).

Other financial commitments relating to agency agreements concerning IT services amount to EUR 9.9 million (previous year: EUR 9.2 million).

Other service contracts result in annual financial commitments of EUR 3.4 million (previous year: EUR 2.9 million).

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

As at 31 December 20112, the company had cash at banks amount to EUR 3.2 million (previous year: EUR 3.3 million) at its disposal in a fiduciary capacity in relation to property renovation and development measures. The fiduciary tasks of Rhein-Pfalz Wohnen GmbH were transferred to the development company Rhein-Pfalz GmbH & Co. KG as at 30 June 2001 under the terms of the agency agreement entered into with this company.

In the financial year 2012 contracts of sale for the acquisition of property and property holding companies were recognised. The transfer of the transaction item has not taken place until the valuation date. There are payment obligations from this contract amounting to approximately EUR 255.7 million.

## Lease commitments

Payments for leasing agreements of up to one year amount to EUR 2.6 million (previous year: EUR 2.3 million), for one to five years EUR 6.8 million (previous year: EUR 5.9 million), and for more than five years EUR 4.5 million (previous year: EUR 1.3 million).

## Auditors' services

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

| in EUR k | 2012 | 2011 |
|---|---|---|
| Audit | 525 | 375 |
| Other certification and valuation services | 930 | 448 |
| Reimbursement of insurance premiums | 602 | 602 |
| Tax advice | 284 | 172 |
| Other services | 0 | 176 |
| | 2,341 | 1,773 |

The expenses for other certification and valuation services essentially relate to services rendered in the context of the capital increase in 2012.

## Related party disclosures

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

### Related companies

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

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

### Related parties

The following persons are to be considered related parties:

| Name | Memberships in supervisory boards and other executive bodies within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG) |
|---|---|
| Michael Zahn, economist,<br>Chief Executive Officer | Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Chairman of the Supervisory Board)<br>GEHAG GmbH, Berlin (Chairman of the Supervisory Board)<br>KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin<br>(Chairman of the Supervisory Board) |
| Lars Wittan, Degree in business administration (Dipl.-Betriebswirt)<br>Chief Financial Officer | KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin<br>(Deputy Chairman of the Supervisory Board) |
| Helmut Ullrich, assessor,<br>Member of the Management Board until 31/12/2012 | Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin<br>(Member of the Supervisory Board until 31/12/2012) |

## Members of the Supervisory Board of Deutsche Wohnen AG

The Supervisory Board is made up as follows:

| Name | Occupation | Memberships in supervisory boards and other executive bodies within the meaning of Section 125 para 1 sentence 5 of the German Stock Corporation Act (AktG) |
|---|---|---|
| Uwe E. Flach, Chairman | Senior Advisor Oaktree GmbH, Frankfurt/Main | DZ Bank, Frankfurt/Main (Member of the Advisory Council)<br>OCM German Real Estate Holding AG, Hamburg (Chairman of the Supervisory Board)<br>Nordenia International AG, Greven (Deputy Chairman of the Supervisory Board until 30/09/2012) |
| Dr Andreas Kretschmer, Deputy Chairman | Managing Director of Ärzteversorgung Westfalen-Lippe Einrichtung der Ärztekammer Westfalen-Lippe – KöR -, Münster | BIOCEUTICALS Arzneimittel AG, Bad Vilbel (Chairman of the Supervisory Board)<br>Private Life Biomed AG, Hamburg (Chairman of the Supervisory Board)<br>Amprion GmbH, Dortmund (Deputy Chairman of the Supervisory Board) |
| Matthias Hünlein | Managing Director Tishman Speyer Properties Deutschland GmbH, Frankfurt/Main | A.A.A. Aktiengesellschaft Allgemeine Anlagenverwaltung, Frankfurt/Main (Member of the Supervisory Board) |
| Dr Florian Stetter | Real Estate Agent, Erding | CalCon Deutschland AG, Munich (Member of the Supervisory Board) |
| Dr Michael Leinwand | Chief Investment Officer Zürich Beteiligungs-AG, Frankfurt/Main | Bizerba GmbH & Co. KG, Balingen (Member of the Supervisory Board) |
| Dr h.c. Wolfgang Clement | Publicist and Company Consultant<br>Federal Minister (retired) (Bundesminister a.D.)<br>Minister President (retired) (Ministerpräsident a.D.) | Daldrup & Söhne AG, Grünwald (Chairman of the Supervisory Board)<br>DIS AG, Dusseldorf (Member of the Supervisory Board)<br>Peter Dussmann-Stiftung, Berlin (Deputy Chairman of the Board of Trustees)<br>Dussmann Stiftung & Co. KGaA, Berlin (Chairman of the Supervisory Board)<br>Landau Media Monitoring AG & Co. KG, Berlin (Member of the Supervisory Board)<br>RWE Power AG, Essen (Member of the Supervisory Board) |

### Transactions with related parties

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

The Management Board Member Lars Wittan purchased four apartments from GEHAG GmbH for a price of EUR 0.3 million in the financial year 2012. This disposal was approved by the Supervisory Board.

## Remuneration of the Management Board and Supervisory Board

The remuneration for the Management Board is composed as follows:

| | | Variable remuneration components | | | |
|---|---|---|---|---|---|
| | | Short-term Incentive | | Long-term Incentive | |
| in EUR k | Fixed remuneration | short-term due | long-term arranged | PSU plan | Supplementary payments |
| **2012** | | | | | |
| Michael Zahn | 350 | 300 | 100 | 150 | 27 |
| Helmut Ullrich | 275 | 240 | 60 | 125 | 19 |
| Lars Wittan | 200 | 150 | 50 | 100 | 25 |
| **2011** | | | | | |
| Michael Zahn | 350 | 300 | 100 | 150 | 27 |
| Helmut Ullrich | 275 | 160 | 40 | 125 | 19 |
| Lars Wittan | 50 | 38 | 13 | 25 | 6 |

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

The Annual General Meeting of 6 June 2012 decided on the remuneration of the Supervisory Board for 2012. On the basis of this resolution, each member of the Supervisory Board receives a fixed remuneration of EUR 30 k, the Chairman of the Supervisory Board receives double that amount, and the Deputy Chairman of the Supervisory Board receives one and a half times that amount. In addition, each Supervisory Board member receives lump-sum remuneration in the amount of EUR 5 k per financial year for their membership of the Audit Committee of the Supervisory Board. Furthermore, each member of the General and the Acquisition Committee receives a meeting fee in the amount of EUR 1 k for each attendance at a committee meeting in person. Expenses are reimbursed.

The total Supervisory Board remuneration to be paid for the financial year 2012 amounts to EUR 243 k net, of which EUR 66 k net are allocated to Mr Flach, EUR 51 k net to Dr Kretschmer, EUR 35 k net to Dr Stetter, EUR 31 k net to Mr Hünlein as well as EUR 30 k net to Dr h.c. Clement and Dr Leinwand, respectively.

## Corporate Governance

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

Frankfurt/Main, 25 February 2013

Michael Zahn
Chief Executive Officer

Lars Wittan
Chief Financial Officer

## Appendix 1 to the Notes to the consolidated financial statements

# Shareholdings***

as at 31 December 2012

| Company and registered office | Share of capital in % | | Equity EUR k | Profit/ loss EUR k | Report-ing Date |
|---|---|---|---|---|---|
| AGG Auguste-Viktoria-Allee Grundstücks GmbH, Berlin | 100.00 | * | –43.9 | 0.0 | 2012 |
| Algarobo Holding B.V., Amsterdam, Netherlands | 100.00 | * | 8,828.6 | –2,314.2 | 2012 |
| Aufbau-Gesellschaft der GEHAG mbH, Berlin | 100.00 | * | 2,554.2 | 753.5 | 2012 |
| AVUS Immobilien Treuhand GmbH & Co. KG, Berlin | 100.00 | * | 428.6 | –14.9 | 2011 |
| BauBeCon Assets GmbH, Hanover | 100.00 | * | 26,766.8 | –2,011.0 | 2012 |
| BauBeCon BIO GmbH, Hanover | 100.00 | * | 8,626.5 | 26.0 | 2012 |
| BauBeCon Immobilien GmbH, Hanover | 100.00 | * | 321,482.6 | –85,048.7 | 2012 |
| BauBeCon Wohnwert GmbH, Hanover | 100.00 | * | 26,710.2 | 0.0 | 2012 |
| DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn | 93.95 | * | 29,086.6 | –90.2 | 2011 |
| Deutsche Wohnen Asset Immobilien GmbH, Frankfurt/Main | 100.00 | * | 25.0 | 0.0 | 2012 |
| Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt/Main | 100.00 | * | 1,025.0 | 0.0 | 2012 |
| Deutsche Wohnen Beteiligungsverwaltungs GmbH & Co. KG, Berlin | 100.00 | * | 20.0 | 13.1 | 2012 |
| Deutsche Wohnen Corporate Real Estate GmbH, Berlin | 100.00 | **** | 25.0 | 0.0 | 2012 |
| Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt/Main | 100.00 | * | 425,298.4 | 27,594.1 | 2012 |
| Deutsche Wohnen Fondsbeteiligungs GmbH, Berlin | 100.00 | **** | 25.0 | 0.0 | 2012 |
| Deutsche Wohnen Management GmbH, Berlin | 100.00 | **** | 25.0 | 0.0 | 2012 |
| Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main | 100.00 | **** | 25.6 | 0.0 | 2012 |
| Deutsche Wohnen Reisholz GmbH, Berlin (formerly: FdR Reisholz Verwaltungs-GmbH, Essen) | 100.00 | * **** | 2,077.5 | 570.0 | 2012 |
| Deutsche Wohnen Service GmbH, Berlin | 100.00 | | 196.5 | –963.5 | 2012 |
| Deutsche Wohnen Service Braunschweig GmbH, Berlin | 100.00 | * | 68.6 | –6.4 | 2012 |
| Deutsche Wohnen Service Hanover GmbH, Berlin | 100.00 | * | 46.9 | –625.1 | 2012 |
| Deutsche Wohnen Service Magdeburg GmbH, Berlin | 100.00 | * | 63.2 | –324.8 | 2012 |
| Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin | 100.00 | **** | 25.2 | 0.0 | 2012 |
| Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung, Berlin | 94.90 | * | 11,889.8 | 0.0 | 2012 |
| Fortimo GmbH, Berlin | 100.00 | * | 6,127.2 | 0.0 | 2012 |
| GbR Fernheizung Gropiusstadt, Berlin | 45.59 | * | 618.3 | –30.8 | 2012 |
| Gehag Acquisition Co. GmbH, Berlin | 100.00 | * | 428,879.2 | –274.6 | 2012 |
| GEHAG Beteiligungs GmbH & Co. KG, Berlin | 100.00 | * | 21,867.1 | –44.9 | 2012 |
| GEHAG Dritte Beteiligungs GmbH, Berlin | 100.00 | * | 378.8 | 0.0 | 2012 |
| GEHAG Erste Beteiligungs GmbH, Berlin | 100.00 | * | 45.0 | 0.0 | 2012 |
| GEHAG Erwerbs GmbH & Co. KG, Berlin | 99.99 | * | 20,308.9 | –11.0 | 2012 |
| GEHAG GmbH, Berlin | 100.00 | * | 735,943.7 | 32,677.1 | 2012 |
| GEHAG Immobilien Management GmbH, Berlin | 100.00 | * | 25.0 | 0.0 | 2012 |
| GEHAG Vierte Beteiligung SE, Amsterdam, Netherlands (formerly: Promontoria Holding XVI N.V., Amsterdam, Netherlands) | 100.00 | * | 17,754.5 | 2,931.9 | 2012 |
| GEHAG Zweite Beteiligungs GmbH, Berlin | 100.00 | * | –5,374.5 | –2,917.4 | 2012 |
| Hamnes Investments B.V., Amsterdam, Netherlands | 100.00 | * | 10,110.8 | 2,478.3 | 2012 |
| Haus und Heim Wohnungsbau-GmbH, Berlin | 100.00 | * | 2,798.7 | 0.0 | 2012 |
| HESIONE Vermögensverwaltungsgesellschaft mbH, Frankfurt/Main | 100.00 | * | 32.9 | 11.0 | 2012 |
| Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, Berlin | 100.00 | * | 25.0 | 158.3 | 2012 |
| Intermetro B.V., Amsterdam, Netherlands | 100.00 | * | 6,148.7 | –1,369.8 | 2012 |

| Company and registered office | Share of capital in % | | Equity EUR k | Profit/ loss EUR k | Report-ing Date |
|---|---|---|---|---|---|
| KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin | 100.00 | * | 1,950.0 | 0.0 | 2012 |
| KATHARINENHOF® Service GmbH, Berlin | 100.00 | * | 25.0 | 0.0 | 2012 |
| Main-Taunus Wohnen GmbH & Co. KG, Eschborn | 99.99 | ** | 11,640.7 | 7,294.6 | 2012 |
| Marienfelder Allee 212 – 220 Grundstücksgesellschaft b.R., Berlin | 94.00 | * | 7,086.4 | 444.8 | 2012 |
| patus 216. GmbH, Hanover | 100.00 | * | 9.8 | – 10.2 | 2012 |
| patus 217. GmbH, Hanover | 100.00 | * | 10.6 | – 10.7 | 2012 |
| Rhein-Main Wohnen GmbH, Frankfurt/Main | 100.00 | * | 499,134.0 | 56,237.1 | 2012 |
| Rhein-Mosel Wohnen GmbH, Mainz | 100.00 | * | 154,820.5 | 15,623.6 | 2012 |
| Rhein-Pfalz Wohnen GmbH, Mainz | 100.00 | | 181,017.0 | 0.0 | 2012 |
| RMW Projekt GmbH, Frankfurt/Main | 100.00 | * | 16,238.3 | 0.0 | 2012 |
| Sanierungs- und Gewerbebau GmbH & Co. KG, Aachen | 100.00 | * | 1,134.9 | – 270.2 | 2012 |
| Seniorenresidenz "Am Lunapark" GmbH, Leipzig | 100.00 | * | 950.2 | 833.0 | 2012 |
| SGG Scharnweberstraße Grundstücks GmbH, Berlin | 100.00 | * | 25.0 | 16.9 | 2012 |
| Sophienstraße Aachen Vermögensverwaltungsgesellschaft mbH, Berlin | 100.00 | * | 2,193.0 | 0.0 | 2012 |
| Stadtentwicklungsgesellschaft Eldenaer Straße mbH i.L., Berlin | 50.00 | * | 246.1 | – 33.1 | 2011 |
| Wohn- und Pflegewelt Lahnblick GmbH, Bad Ems | 100.00 | * | 427.8 | 107.0 | 2012 |

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

## Appendix 2 to the Notes to the consolidated financial statements

# Consolidated segment reporting

for the financial year 2012

| in EUR m | External revenue | | Internal revenue | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **Segments** | | | | |
| Residential Property Management | 240.1 | 196.4 | 2.2 | 2.1 |
| Disposals | 167.8 | 150.6 | 9.7 | 11.2 |
| Nursing and Assisted Living | 42.0 | 40.1 | 0.0 | 0.0 |
| **Reconciliation with consolidated financial statement** | | | | |
| Central functions and other operational activities | 0.3 | 0.4 | 31.0 | 31.1 |
| Consolidations and other reconciliations | – 0.4 | – 0.4 | – 42.9 | – 44.4 |
| | **449.8** | **387.1** | **0.0** | **0.0** |

| Total revenue | | Segment earnings | | Assets | | Depreciation and amortisation | |
|---|---|---|---|---|---|---|---|
| 2012 | 2011 | 2012 | 2011 | 31/12/2012 | 31/12/2011 | 2012 | 2011 |
| | | | | | | | |
| 242.3 | 198.5 | 194.4 | 157.4 | 4,627.1 | 2,938.8 | 0.0 | 0.0 |
| 177.5 | 161.8 | 19.9 | 10.6 | 77.5 | 110.3 | 0.0 | 0.0 |
| 42.0 | 40.1 | 9.9 | 9.2 | 4.6 | 3.0 | – 0.6 | – 0.3 |
| | | | | | | | |
| 31.3 | 31.5 | – 27.7 | – 35.2 | 116.7 | 186.4 | – 2.5 | – 2.7 |
| – 43.3 | – 44.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **449.8** | **387.1** | **196.5** | **142.0** | **4,825.9** | **3,238.5** | **– 3.1** | **– 3.0** |

# Independent auditors' report

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by the Deutsche Wohnen AG, Frankfurt/Main, comprising the balance sheet, the profit and loss statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2012 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Berlin, February 25, 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Völker | Glöckner |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| [German public auditor] | [German public auditor] |

# Responsibility statement

"To the best of our knowledge, and in accordance with the applicable accounting standards, the consolidated financial statements as at 31 December 2012 give a true and fair view of the net assets, financial and earnings position of the Group and the Group's management report gives a true and fair view of the development of the business including the business result and the position of the Group and describes the main opportunities and risks associated with the Group's expected future development."

Frankfurt/Main, 25 February 2013

Deutsche Wohnen AG
Management Board

| | |
|---|---|
| Michael Zahn<br>Chief Executive Officer | Lars Wittan<br>Chief Financial Officer |

# Glossary

**Current gross rental income**
The current gross rent corresponds to the sum of the contractually agreed net cold rent payments for the areas let of the respective properties for the period under review or as of the reporting date in EUR million. On a per sqm basis, this is called "in-place rent".

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

**EBIT**
Earnings before interest and taxes.

**EBITDA**
Earning before interests, taxes, depreciation and amortisation.

**EBT**
Earnings before Taxes. The company discloses an adjusted EBT as well: EBT (as reported) is adjusted for the result of fair value adjustment of investment properties, the result of fair value adjustments to derivative financial instruments and other one-off effects.

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

**FFO**
Funds from Operations: From the company's point of view, an essential operational figure for property companies geared towards liquidity derived from the Group's profit and loss statement. Based on the net result for the period (profit/loss), adjustments for depreciation and amortisation, one-off effects as well as non-cash financial expenses/income and non-cash tax expenses/income, not affecting liquidity, are made. The FFO (incl. disposals) is adjusted for the earnings from disposals to determine the FFO (without disposals).

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

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

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

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

**Multiple (in-place rent)**
Net present value divided by the current gross rental income as at December 2012 multiplied by 12.

**Multiple (market rent)**
Net present value divided by the market rent as at December 2012 plus vacancy loss (i.e. potential gross rental income) multiplied by 12.

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

**Net operating income (NOI)**
The Net operating income (NOI) represents the operating earnings from residential property management after deduction of incurred personnel and G&A costs in this business segment.

**New-letting rent**
Deutsche Wohnen determines the new-letting rent by calculating the actual average agreed monthly net cold rent payments per sqm based on the new leases for units not subject to rent controls for the respective properties during the financial year.

**NAV**
Net asset value: Indicates the net asset value or intrinsic/inherent value of a property company. The EPRA NAV is calculated based on equity (before minorities) adjusted for the effect of the exercise of options, convertibles and other equity interests as well as adjustments of the market value of derivative financial instruments and deferred taxes (net of assets and liabilities), i.e. the adjustment of balance sheet items that have no impact on the Group's long-term performance.

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

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

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

# Quarterly overview
## for the financial year 2012

| PROFIT AND LOSS STATEMENT | | Q1 | Q2 | Q3 | Q4 | 2012 |
|---|---|---|---|---|---|---|
| Earnings from Residential Property Management | EUR m | 44.1 | 42.5 | 48.8 | 59.0 | 194.4 |
| Earnings from Disposals | EUR m | 3.8 | 5.3 | 5.5 | 5.3 | 19.9 |
| Earnings from Nursing and Assisted Living | EUR m | 2.6 | 2.3 | 2.8 | 2.2 | 9.9 |
| Corporate expenses | EUR m | – 7.7 | – 8.4 | – 9.1 | – 15.2 | – 40.4 |
| EBITDA | EUR m | 43.1 | 61.1 | 47.4 | 44.9 | 196.5 |
| EBT (adjusted) | EUR m | 19.6 | 17.7 | 22.9 | 18.3 | 78.5 |
| EBT (as reported) | EUR m | 19.5 | 33.9 | 19.1 | 133.1 | 205.6 |
| Group profit (after taxes) | EUR m | 14.4 | 22.5 | 13.9 | 94.7 | 145.5 |
| FFO (without disposals) | EUR m | 18.4 | 14.4 | 19.6 | 15.8 | 68.2 |
| FFO (incl. disposals) | EUR m | 22.2 | 19.7 | 25.1 | 21.1 | 88.1 |
| **BALANCE SHEET** | | **31/3** | **30/6** | **30/9** | **31/12** | **31/12** |
| Investment properties | EUR m | 2,981.0 | 2,983.7 | 4,275.0 | 4,614.6 | 4,614.6 |
| Current assets | EUR m | 275.0 | 702.6 | 256.6 | 188.5 | 188.5 |
| Equity | EUR m | 1,093.1 | 1,531.0 | 1,522.3 | 1,609.7 | 1,609.7 |
| Net financial liabilities | EUR m | 1,687.8 | 1,219.9 | 2,468.5 | 2,678.0 | 2,678.0 |
| Loan-to-Value Ratio (LTV) | % | 54.9 | 39.8 | 56.8 | 57.2 | 57.2 |
| Total assets | EUR m | 3,338.4 | 3,776.7 | 4,632.0 | 4,907.9 | 4,907.9 |
| **NET ASSET VALUE (NAV)** | | **31/3** | **30/6** | **30/9** | **31/12** | **31/12** |
| EPRA Net Asset Value | EUR m | 1,228.3 | 1,677.5 | 1,694.1 | 1,824.4 | 1,824.4 |
| **FAIR VALUES** | | **31/3** | **30/6** | **30/9** | **31/12** | **31/12** |
| Fair Value of real estate properties[1] | EUR m | 2,954 | 2,922 | 4,204 | 4,320 | 4,320 |
| Fair Value per sqm residential and commercial area[1] | EUR per sqm | 954 | 958 | 914 | 950 | 950 |

[1] Only comprises residential and commercial buildings

# Multi-year overview
## for the financial years 2010 – 2012

| PROFIT AND LOSS STATEMENT | | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| Earnings from Residential Property Management | EUR m | 150.9 | 157.4 | 194.4 |
| Earnings from Disposals | EUR m | 12.7 | 10.6 | 19.9 |
| Earnings from Nursing and Assisted Living | EUR m | 8.9 | 9.2 | 9.9 |
| Corporate expenses | EUR m | – 31.8 | – 32.9 | – 40.4 |
| EBITDA | EUR m | 136.1 | 142.0 | 196.5 |
| EBT (adjusted) | EUR m | 33.7 | 46.0 | 78.5 |
| EBT (as reported) | EUR m | 57.1 | 85.8 | 205.6 |
| Group profit (after taxes) | EUR m | 23.8 | 50.6 | 145.5 |
| FFO (without disposals) | EUR m | 33.1 | 47.5 | 68.2 |
| FFO (incl. disposals) | EUR m | 45.8 | 58.1 | 88.1 |
| **BALANCE SHEET** | | **31/12/10** | **31/12/11** | **31/12/12** |
| Investment properties | EUR m | 2,821.0 | 2,928.8 | 4,614.6 |
| Current assets | EUR m | 108.8 | 288.7 | 188.5 |
| Equity | EUR m | 889.9 | 1,083.4 | 1,609.7 |
| Net financial liabilities | EUR m | 1,738.5 | 1,666.9 | 2,678.0 |
| Loan-to-Value Ratio (LTV) | % | 60.6 | 55.0 | 57.2 |
| Total assets | EUR m | 3,038.2 | 3,302.2 | 4,907.9 |
| **Net Asset value (Nav)** | | **31/12/10** | **31/12/11** | **31/12/12** |
| EPRA Net Asset Value | EUR m | 964.0 | 1,211.3 | 1,824.4 |
| **Fair values** | | **31/12/10** | **31/12/11** | **31/12/12** |
| Fair Value of real estate properties[1] | EUR m | 2,672 | 2,899 | 4,320 |
| Fair Value per sqm residential and commercial area[1] | EUR per sqm | 926 | 946 | 950 |

[1] Only comprises residential and commercial buildings

# Contact

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## Financial calendar 2013

| | |
|---|---|
| **28/02/2013** | 8th HSBC Real Estate Conference, Frankfurt/Main |
| **07 – 08/03/2013** | Kempen & Co. European Property Seminar, New York |
| **26/03/2013** | Publication of Annual Report 2012 |
| **09/04/2013** | Commerzbank German Residential Event, London |
| **15 – 16/04/2013** | 9th Annual Deutsche GRI 2013, Frankfurt/Main |
| **14/05/2013** | Publication of Interim Report as at 31 March 2013 / 1st quarter |
| **28/05/2013** | Annual General Meeting 2013, Frankfurt/Main |
| **30/05/2013** | Kempen & Co. European Property Seminar, Amsterdam |
| **13/08/2013** | Publication of Interim Report as at 30 June 2013 / half-year |
| **05 – 06/09/2013** | EPRA Annual Conference, Paris |
| **11 – 12/09/2013** | Bank of America Merrill Lynch Global Real Estate Conference, New York |
| **07 – 09/10/2013** | Expo Real, Munich |
| **12/11/2013** | Publication of Interim Report as at 30 September 2013 / 1st – 3rd quarter |
| **03 – 04/12/2013** | UBS Global Real Estate Conference, London |

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