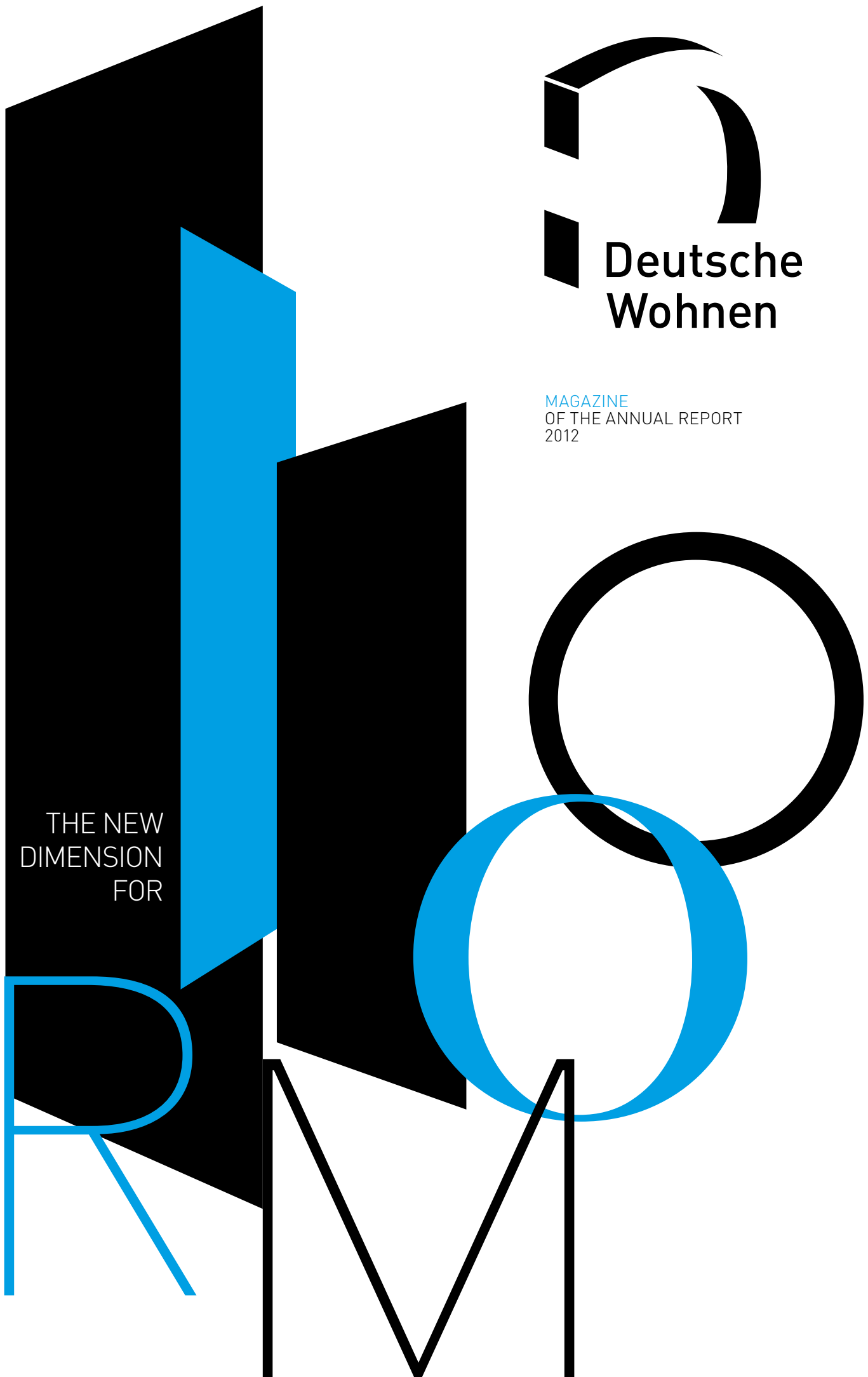




Deutsche
Wohnen

MAGAZINE
OF THE ANNUAL REPORT
2012

THE NEW
DIMENSION
FOR

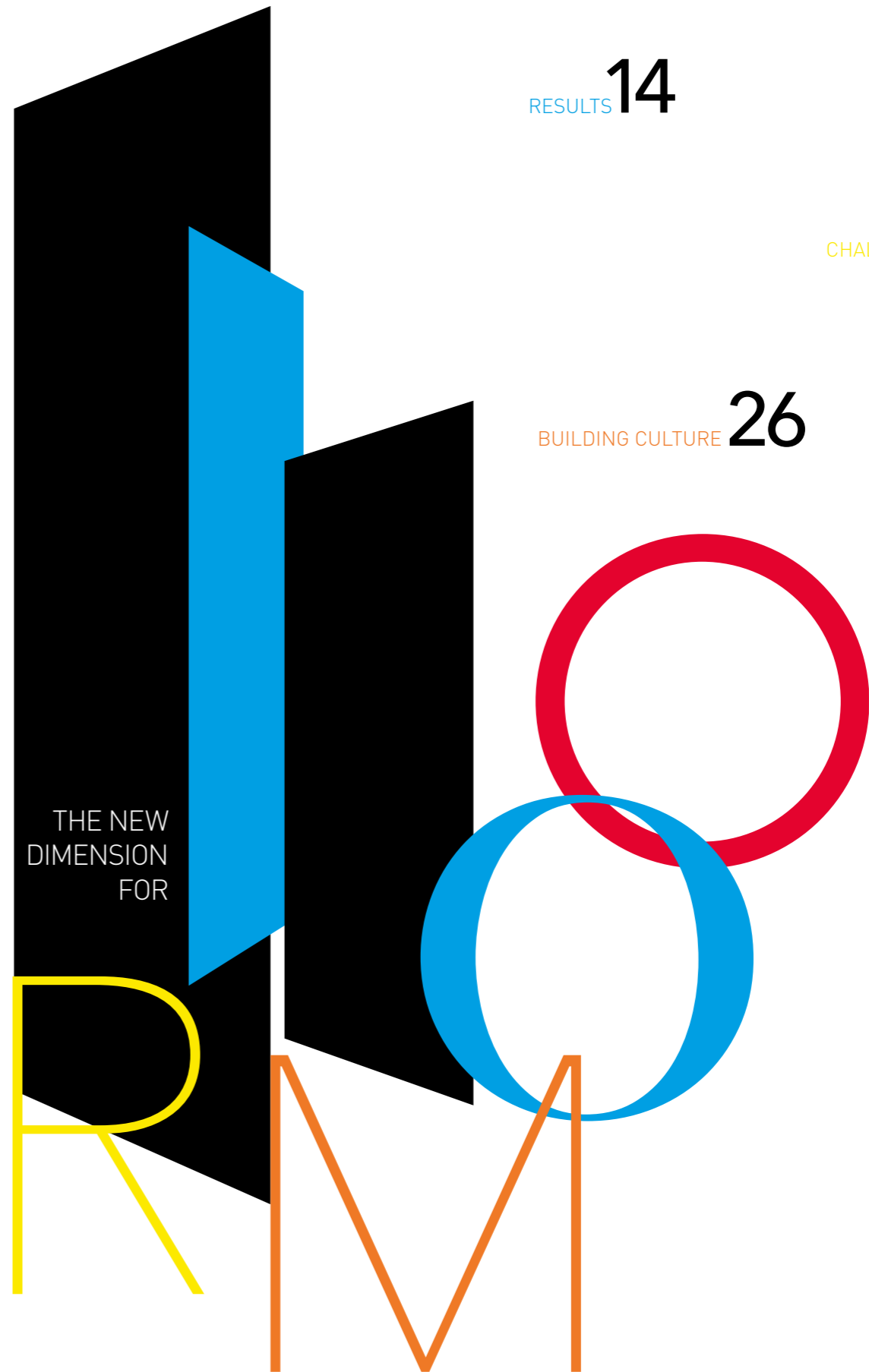


DEUTSCHE WOHNEN

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 since 2011 and have thus gained corresponding economies of scale. Furthermore, we have developed three new core regions with Rhineland, Hanover/Brunswick/Magdeburg and Central Germany.



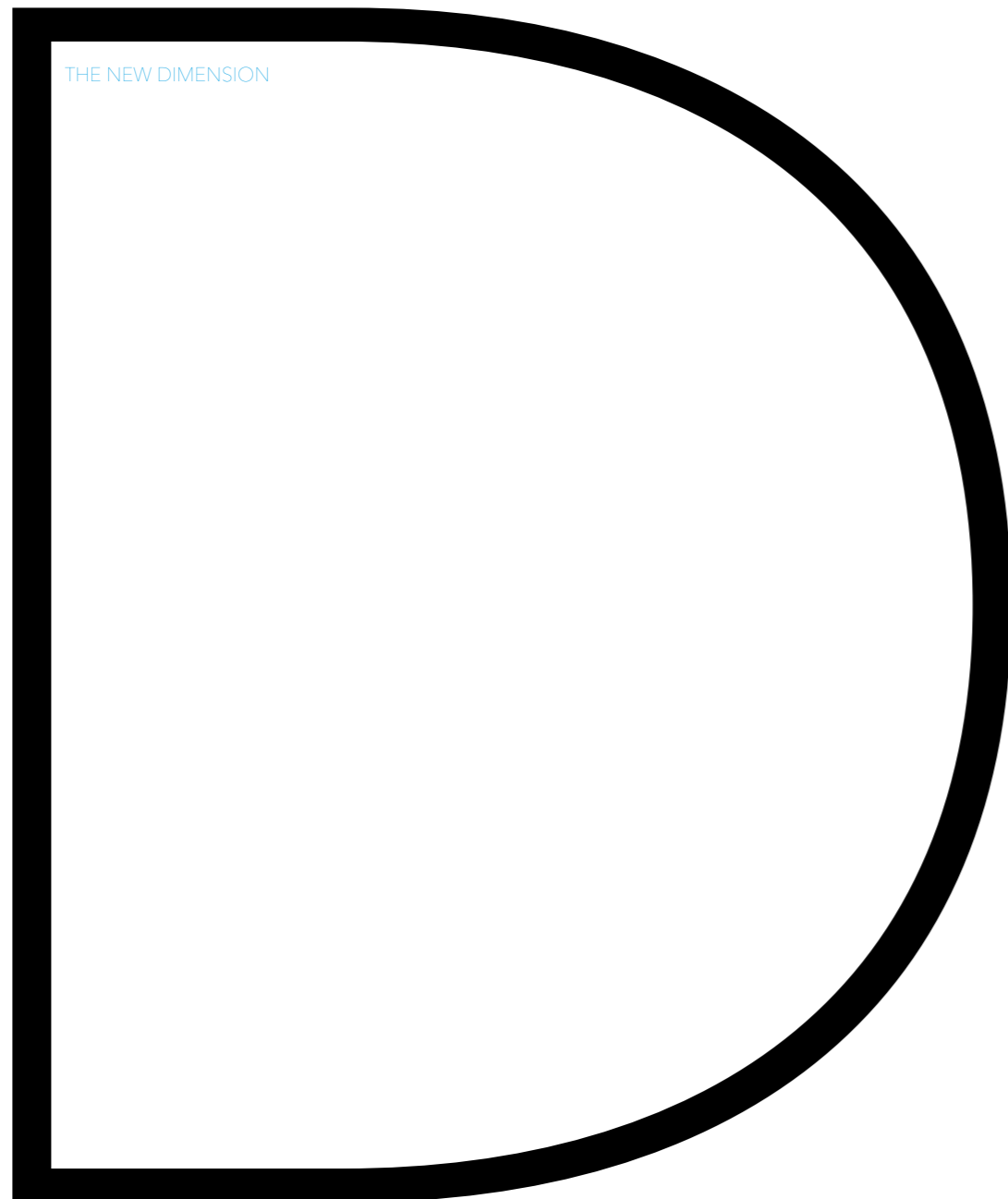
Dear Sir or Madam,
Dear Readers of the Annual Report of Deutsche Wohnen AG,

The Annual Report 2012, of which this is the magazine section, shows you in vivid text, images and design, why the previous year has been the most successful year in the company's history so far.

The Supervisory Board, Management Board, management team and employees not only proudly look back, but also look to the future with optimism and full of expectation. We will continue on the growth path that we have taken over the past two years. Here, we aim for sustainable growth, growth that will strengthen the substance and quality of the company – sheer growth is not our style.

We will use the good reputation that we have enjoyed in the real estate industry, on the capital market and in the public eye to strengthen our leading role in the German real estate industry. Our internal processes have been proven, and we can therefore set an example, define or formulate standards within the residential asset class.

THE NEW DIMENSION



Michael Zahn, Chief Executive Officer
of Deutsche Wohnen AG



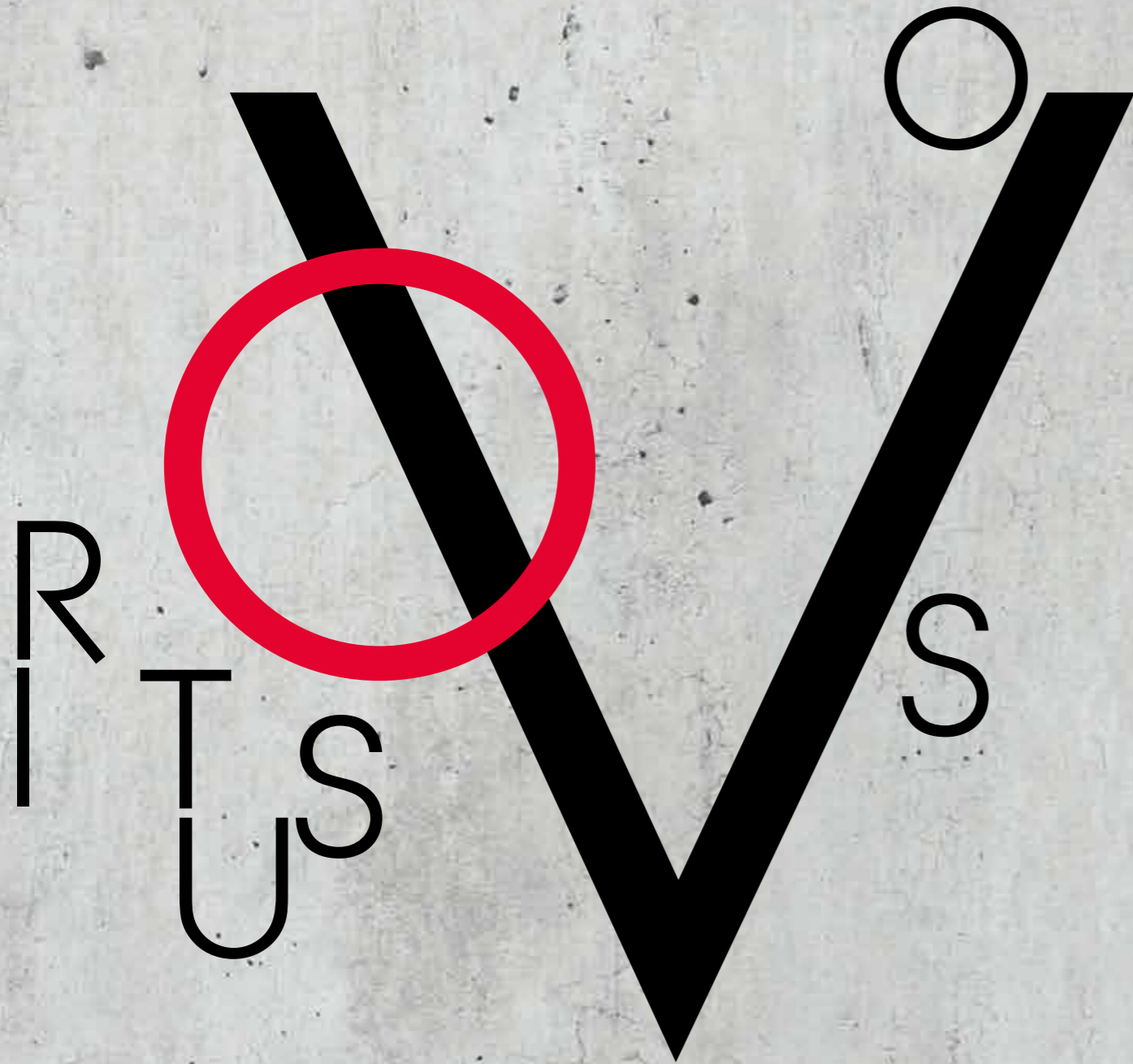
For 2013, we expect that the positive framework conditions for our business model shall remain in force: People will continue to pursue urban centres and thus require rented housing. Interest rates will be low and the German economy will continue to be stable – summa summarum.

In September 2013, a new Bundestag (German Federal Parliament) will be elected; the formation of a new government is expected in October 2013. Before that, we will have months of highly emotional discussions on the subject "Rent and Housing". There is already cross-party actionism with new proposals to moderate increasing rent. Here, policy currently diverts from the fact that, in the past 20 years, they have neglected to provide sufficient housing for certain vulnerable groups of society in booming cities. The now clearly visible difficulties in property supply in some cities are a social challenge and are not down to market failure. We are very confident that this knowledge will be realised and that the then key policymakers will keep their cool regarding rent and housing policy after the heated phase of the Bundestag election campaign.

We want to present to you everything we have achieved in 2012 in this report. We hope that reading it will awaken your desire for other "stories" from the Deutsche Wohnen Group. We will certainly make every effort to provide you with success stories in the future.

Happy reading!
Yours,

Michael Zahn



EACH PROPERTY IS DIFFERENT.

YET THEY ALL HAVE
ONE THING IN COMMON:
QUALITY.

SUCCESS STORY

The new dimension for room

1,417
employees work for the
success of the company.

Quality defines our operational business and provides room for individual development. Know-how and expertise are values by which we live and continue to develop. Our focus is on attractive residential properties in economically significant regions in Germany. In particular, our core regions are in Greater Berlin, in the Rhine-Main area, the Rhineland and in medium-sized German cities such as Hanover/Brunswick/Magdeburg.



1ST DIMENSION HEIGHT

WE'RE SETTING
HIGH QUALITY STANDARDS.

A new dimension

It has been an impressive development: In the past years Deutsche Wohnen has risen to become one of the largest publicly listed residential property company according to market capitalisation in Germany. Since 2010, the FFO (without disposals), has risen from EUR 33.1 million to EUR 68.2 million by more than 100%. The overall portfolio has grown by more than 60% to around 83,500 units today.



The new dimension in figures

1,417 employees work for Deutsche Wohnen in the areas Residential and Nursing and Assisted Living.

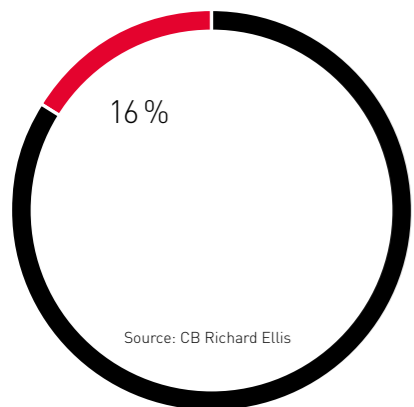
82,500 units include Deutsche Wohnen's residential portfolio – mainly in attractive, middle-class locations in medium-sized and large German cities.

"Wohnstadt Carl Legien" (Carl Legien Estate) was constructed by Bruno Taut from 1928 to 1930, commissioned by GEHAG. As part of the BauBeCon transaction, it was possible for the site to be regained by GEHAG's successor, Deutsche Wohnen.

Q

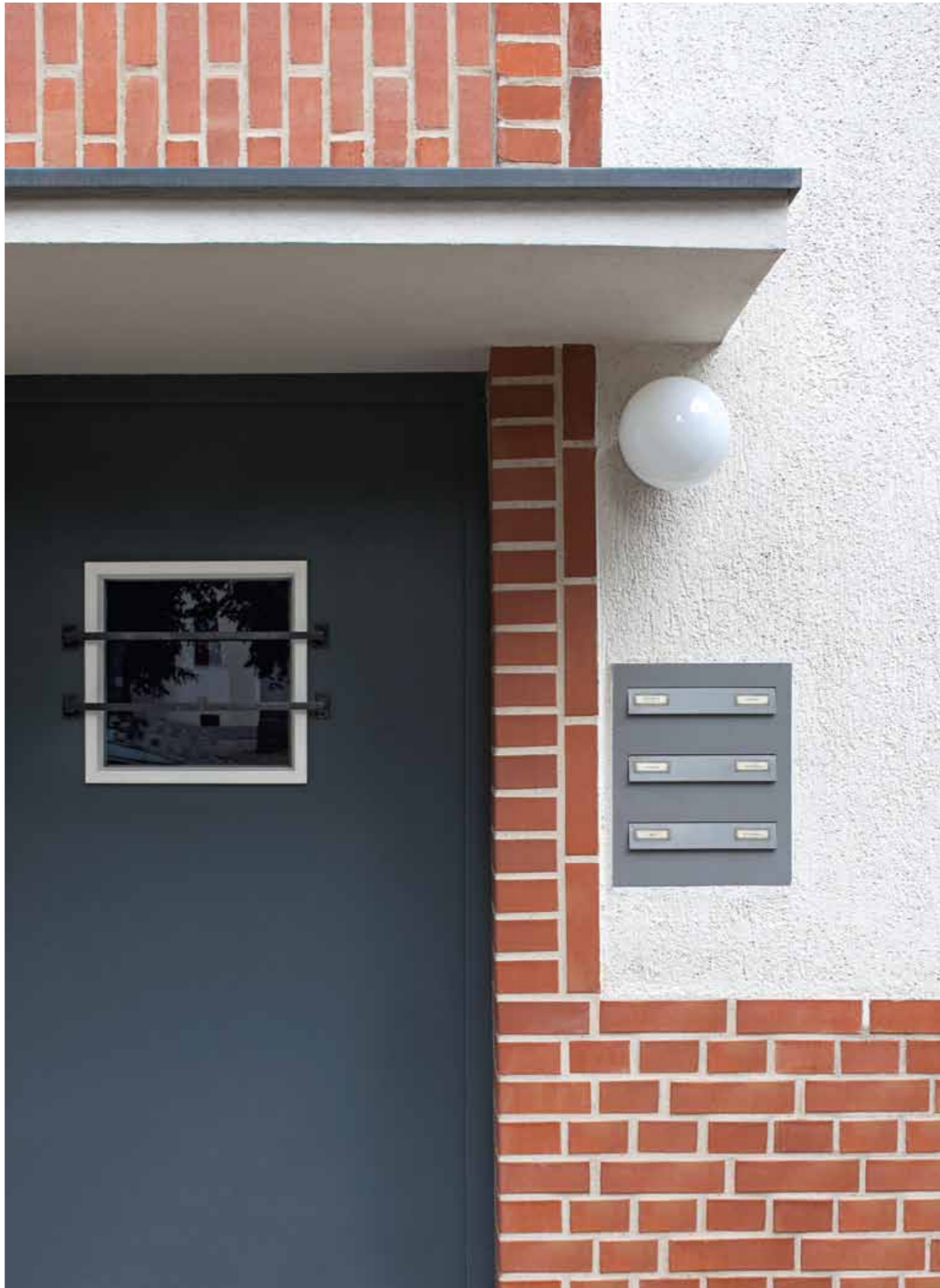
Residential ASSET CLASS with tailwind

Deutsche Wohnen has benefited from the high level of demand for residential property in Germany. Within the context of the continuing crisis in the eurozone and, at the same time, stable general economic conditions in Germany, the residential asset class continues to be seen as a safe harbour for national and international investors. As a result, the transaction volume for 2012 once again increased markedly in comparison to the previous year. According to analyses carried out by CB Richard Ellis, portfolio packages of more than 50 units were traded on the German market in 2012 with a transaction volume of EUR 11.25 billion. This represents almost double the figure for the previous year (2011: EUR 6.12 billion). Deutsche Wohnen's share of this transaction volume was almost 16%.



DEUTSCHE WOHNEN'S
PROPORTION OF
TRANSACTION VOLUME
German residential market 2012

Source: CB Richard Ellis



The Deutsche Wohnen team manages 2,100 residential units in Magdeburg.



The Rhineland with its capital city Dusseldorf is one of the strongest economic regions in Germany.

Growth-oriented strategy

The basis for this success is provided by the clearly focussed and systematically implemented growth strategy of Deutsche Wohnen. Thereby, growth is not a goal for its own sake. Growth is desirable if it sustainably enhances the value of the company. Within the context of our growth strategy we concentrate on the management of attractive residential properties in economically significant regions of Germany. In these regions we benefit from stable general economic conditions and rising demand.

In the management of our properties we increase the potential for value enhancement by managing our holdings almost entirely by ourselves. We can thus look back at almost 90 years of experience in residential property management. When developing our portfolio we avoid harply growth. Instead, we focus on holdings which are in close proximity to each other, which have a sufficient minimum size and which are located in our core regions. In this way we can exploit the potential to scale our business and can manage our holdings efficiently and cost-effectively.

Deutsche Wohnen feels a strong sense of obligation towards its holdings and for this reason invests extensively and sustainably in the quality of its portfolio. In 2012, almost EUR 68 million went into the maintenance and modernisation of our properties, that is EUR 19 per sqm.

Strong growth through successful acquisitions

Since the beginning of 2011, Deutsche Wohnen has acquired more than 41,000 residential units at a cost of almost EUR 2.1 billion.

In 2011, we were able to acquire around 4,300 units in the capital – mainly in the districts Neukölln, Reinickendorf and Tempelhof. A further 600 units were added to the portfolio in our core region Rhine-Main and Rhine Valley South.

With the acquisition of around 1,600 units in Dusseldorf and surroundings, we extended our existing core regions around the Rhineland. The economic development of the Rhineland is extraordinarily dynamic, and demand in the residential property market continues to be high. For this reason, the Rhineland belongs to our cluster core+, in which we group together our most dynamic markets with strong rental growth.

The year 2012 was overwhelmingly characterised by the acquisition of the BauBeCon portfolio from Barclays Bank. The 23,400 residential units of the portfolio are primarily located in urban conglomerates. Just under 30 % of the residential units are in Greater Berlin and thus strengthen our core portfolio. In addition, we were able to open up a new core region with the BauBeCon holdings in the region Hanover/Brunswick/Magdeburg, which because of its size, will be possible to manage efficiently and to anticipate a stable rental development. The BauBeCon portfolio also includes several high-quality residential estates from the 1920s and 1930s. These include the world-famous "Wohnstadt Carl Legien" (Carl Legien Estate) in Prenzlauer Berg, Berlin, which was created by Bruno Taut and is a UNESCO World Heritage site.

In addition, we have purchased further portfolios with around 11,700 residential units, which particularly strengthen our core regions of Greater Berlin and Hanover/Brunswick/Magdeburg.

CORE+
62%

Greater Berlin
49%

CORE
31%
Rhine-Main
11%

Hanover/
Brunswick/
Magdeburg
13%
Rhineland
2%

Rhine Valley South
6%

Rhine Valley North
4%

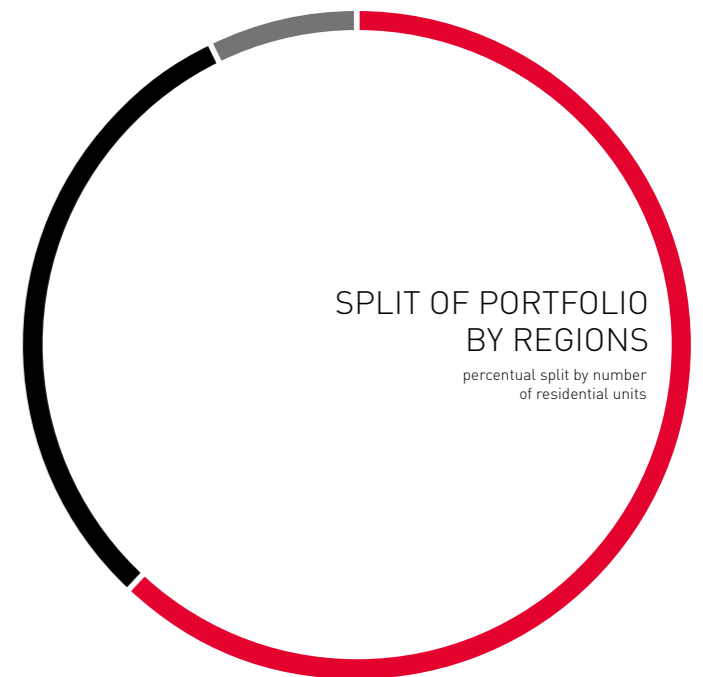
Central Germany
5%

Other
3%

NON-CORE
7%

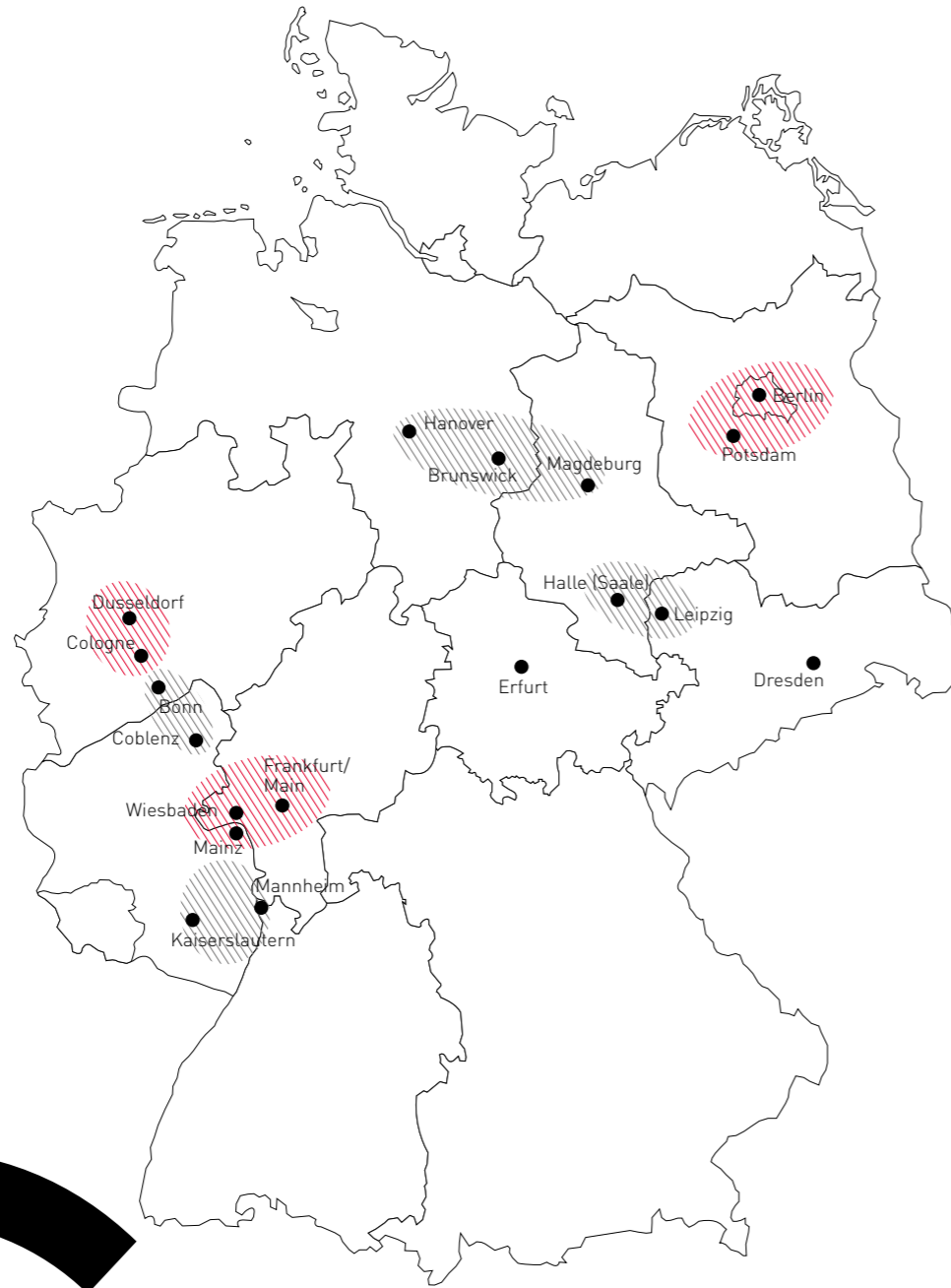
Disposal
3%

Other
4%

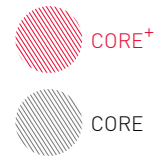


core+

51,587 RESIDENTIAL UNITS



Our CORE REGIONS



	NUMBER Apartments	VACANCY %	IN-PLACE RENT €/m ²	LIKE-FOR-LIKE DEVELOPMENT %
Greater Berlin	40,692	1.4	5.48	2.8
Berlin	37,789	1.3	5.49	2.8
Neukölln	8,257	0.9	5.18	2.3
Steglitz-Zehlendorf	5,599	1.7	5.81	3.9
Marzahn-Hellersdorf	5,209	2.5	4.67	*
Pankow	3,996	0.6	5.84	5.5
Charlottenburg-Wilmersdorf	3,287	0.9	6.57	2.3
Tempelhof-Schöneberg	2,880	0.9	5.51	2.1
Reinickendorf	2,602	1.2	5.21	2.7
Lichtenberg	2,322	0.7	5.88	2.3
Treptow-Köpenick	2,307	1.9	5.53	1.3
Spandau	663	1.9	4.69	0.9
Mitte	573	0.2	5.68	2.2
Friedrichshain-Kreuzberg	94	0.0	6.05	2.2
Brandenburg	2,903	3.8	5.38	3.1
Potsdam	1,214	2.7	5.72	3.0
Remainder Brandenburg	1,689	4.6	5.13	3.3
Rhineland	1,620	2.6	6.34	2.1
North Rhine-Westphalia	1,620	2.5	6.34	2.1
Dusseldorf	723	1.4	6.57	2.4
Cologne	315	5.1	6.95	*
Remainder North Rhine-Westphalia	582	2.1	5.75	1.8
Rhine-Main	9,275	3.3	6.71	2.4
Hesse	6,504	3.9	7.06	2.6
Frankfurt/Main	4,187	2.2	7.17	1.8
Remainder Hesse	2,317	7.2	6.85	4.7
Rhineland-Palatinate	2,771	1.8	5.96	1.8
Mainz	922	1.7	7.54	3.2
Remainder Rhineland-Palatinate	1,849	1.8	5.22	0.9

* No like-for-like development possible, as units only part of the portfolio for a short time

The Nursing and Assisted Living segment also developed positively and represents a stable pillar of our business model. As at 1 June 2012, the KATHARINENHOF® Group acquired two new facilities in Leipzig. In January 2013, four further nursing facilities in Berlin followed. So, the KATHARINENHOF® Group will therefore be excellently prepared in future to meet the rising demand in the care and nursing sector that is emerging against the background of demographic change.

Great confidence of banks and at the financial markets

The purchase of the BauBeCon Group by Deutsche Wohnen represented one of the greatest acquisition successes of the German residential property market in 2012. In the bidding process we were able to succeed in the face of strong national and international competition because we had put together an attractive and coherent offer which consisted of two key elements. Firstly, the purchase price of EUR 1.235 billion was both fair and appropriate to the value of BauBeCon's attractive portfolio, even though it was below its balance sheet value. Secondly, Deutsche Wohnen offered the vendor a financing package that was complete and sound – in terms of both debt and equity capital.

Despite the fact that the supply of debt capital has been tightening for years because far fewer banks are willing to support high-volume property transactions, we were able to secure the necessary debt capital in an amount of EUR 700 million at short notice and on favourable interest rate terms. The reason for this was not least our long-standing and trustful business relations with almost all of the banks involved in the BauBeCon acquisition.

We raised the equity capital share of EUR 430 million via a capital increase and secured the sum with the help of bridge financing. Our capital increase in June 2012 took place in a very tense political environment. Shortly before the election in Greece and against a background of great insecurity concerning future economic developments in Europe, we were able to place the new shares in a nervous capital market very successfully with a take-up quota of over 99%. The gross proceeds from the capital increase were around EUR 461 million and thus markedly higher than the advised EUR 450 million. The key factor in the great success of this capital increase was our exceptionally good reputation at the capital market. Deutsche Wohnen is characterised by its reasonable scale of acquisitions, its comprehensible and sustainable business model and its transparent and dialogue-oriented communication with the financial markets. Furthermore, our shareholders will have been pleased with the very positive development of the Deutsche Wohnen share – especially in 2012.



The new holdings in Magdeburg were acquired in November 2012 and successfully integrated into our portfolio.

Proof of our ability to integrate acquisitions

Over the last few years, Deutsche Wohnen has demonstrated its ability to integrate acquired holdings smoothly and in a way that enhances value. As a result, we can draw on valuable experience in our current efforts to integrate the BauBeCon portfolio. The necessary steps in this integration process were agreed upon in the context of a termination agreement with the previous manager of the BauBeCon holdings, the Prelios Group. We already took over the management of the 10,500 units in Berlin and Eastern Germany on 1 November 2012. Our existing service point network in Berlin and Potsdam is already managing the BauBeCon holdings in Greater Berlin. We opened a new office in Magdeburg in November 2012. Its staff now manages the holdings in Saxony and Saxony-Anhalt. From 1 February 2013, the holdings in Lower Saxony will be managed out of our new office in Hanover. In parallel to this, the portfolio is being integrated in terms of IT systems, administration and accounts. We are confident that we will manage successfully and on schedule the forthcoming steps in the process of integrating the BauBeCon holdings. As a result of the clear cost savings and improved operating processes, we are expecting the contribution to FFO from the BauBeCon holdings, following their complete integration, to increase by an additional EUR 10 million.

Processes as a success factor

A factor in the successful integration of the new holdings is the efficient and smooth-running organisational and process structure of the company. Clear processes have been put in place for routine operating activities in the management of our holdings. In addition, we have carried out a strategic separation of these management tasks into central and local functions. The best example of this is the central service centre in Berlin, which is available to our tenants as a point of first contact. Our central service centre operatives respond directly to general and standard enquiries. In doing so, they reduce the workload of their colleagues in the local service points who, in turn, deal with the individual enquiries and concerns of the tenants. In managing our portfolio – for example in the area of facility management – we rely on selected and long-standing cooperation partners who we involve closely in our processes. For instance, we can use joint SAP interfaces to administer and monitor work processes effectively. The growth in our holdings is also of benefit when it comes to acquisitions. Because of our size we can continue to acquire more efficiently and more cost-effectively.



The employees of the company are the basic foundation for the success of Deutsche Wohnen. With exceptional know-how, a lot of passion and great ambition they have written the success story of the company over the past few years. With their considerable expertise in residential property management they are driving forward the integration of our new holdings and expanding our current business operations.

The strong growth of the company has presented the employees with challenges but has also given them countless opportunities for their personal and professional development. With targeted support programmes, a remuneration system that is to a large extent performance-related, and an atmosphere that values the contribution of each individual, Deutsche Wohnen provides its employees with space to grow and shows its recognition of their achievements. In the area of Residential Property Management the company has grown to over 380 employees in 2012. Several more employees will be added in the course of integrating the new holdings. The new employees will add fresh impetus to the Deutsche Wohnen Group and will continue to drive growth. In the context of the future development of the company, Deutsche Wohnen is continuing to expand its management team as well.



Vigorous room for performance

WE DRAW OUR STRENGTH FROM BOTH
TARGETED SUCCESSES AND NEW CHALLENGES.

STRENGTH THAT WE USE EVERY DAY.

RESULTS

The new dimension for room

The performance of Deutsche Wohnen can be impressively demonstrated by important key figures. These key figures are indispensable for a publicly listed company. The transparency which they help to create is the basis for a working relationship with investors and analysts that is characterised by trust. We want to enable our partners in the capital markets to gain an insight into our company which allows them to understand and to evaluate our strategic business decisions. It is only in this way that we can lay the foundation for a working relationship based on trust.

2,461

Market capitalisation in EUR m

2ND DIMENSION LENGTH

GETTING BETTER IN THE LONG TERM.

Successful in all business segments

Good financial figures and a positive share price development are very important for a publicly listed company. A company is viable in the long term if its business segments are strategically harmonised and if they inter-connect operationally. So we are focussing, alongside the performance of the Deutsche Wohnen Group as a whole, on the vigorous developments in the segment "Nursing and Assisted Living".

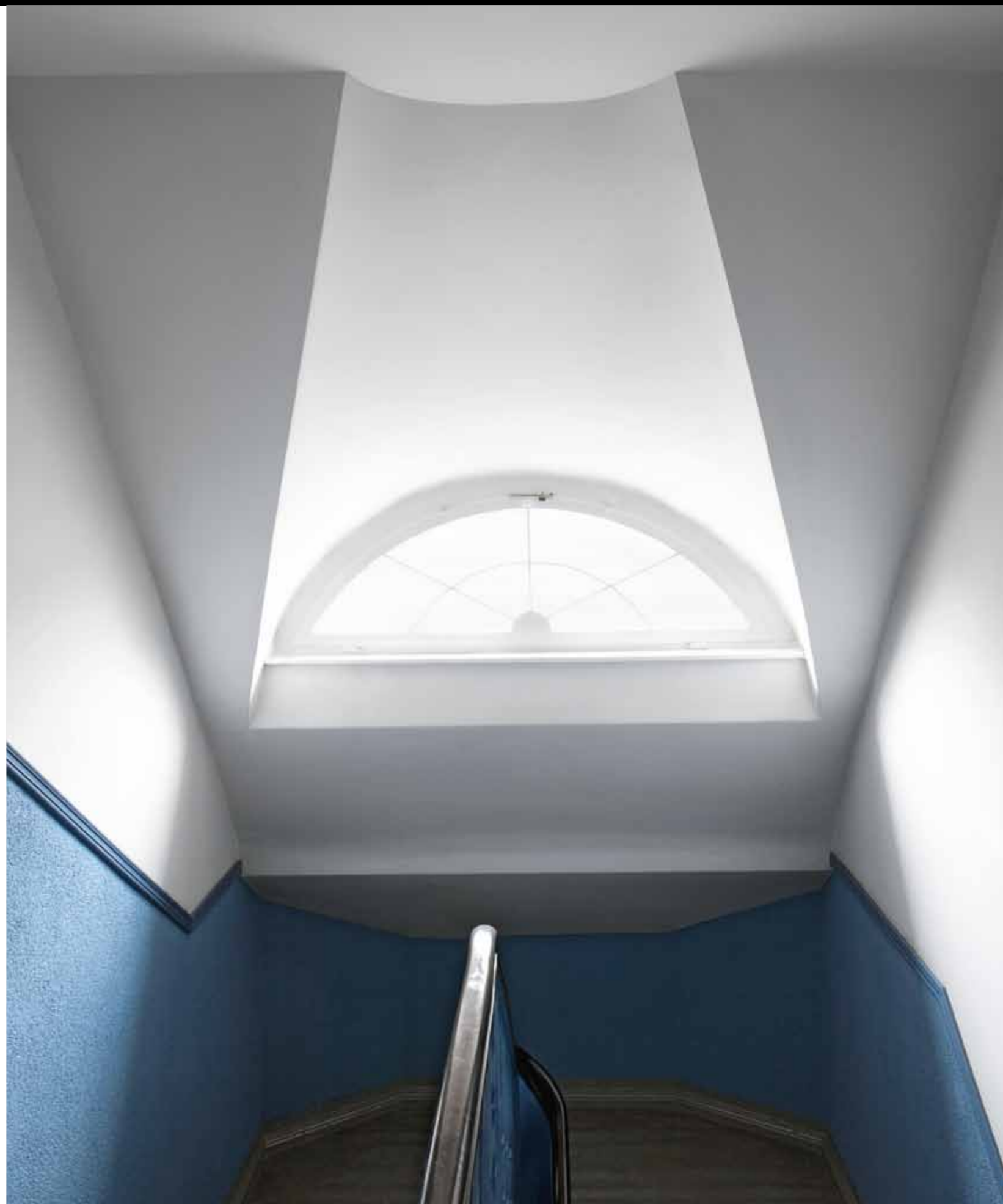


The new dimension in figures

According to our forecast, the FFO (without disposals) will be EUR 100 million by the end of 2013.

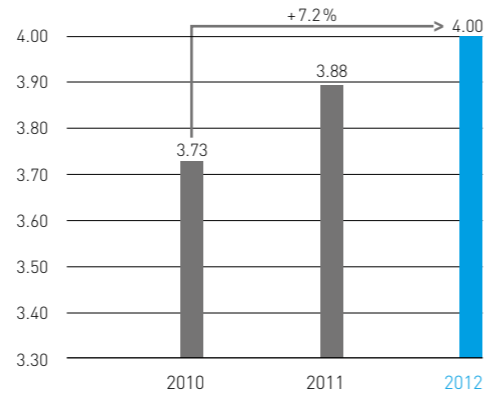
In 2012, the market capitalisation grew to over EUR 2 billion. This makes Deutsche Wohnen one of the largest publicly listed real estate companies in Germany.

The "Krankenhausviertel" (hospital district) in Berlin-Pankow has been part of the Deutsche Wohnen portfolio since 2006 and is in an extremely sought-after location in the leafy north-east of Berlin.



Net Operating Income (NOI)¹⁾

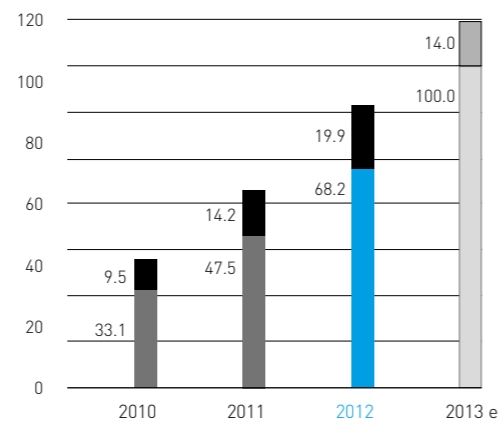
NOI in EUR per month per spm



¹⁾ based on the average floor space on a quarterly basis for the period under review (BauBeCon areas only included for one month in Q3 2012)

Funds from Operations (FFO)

in EUR m



■ FFO (without disposals)
■ FFO (from privatisation)
e: expected

Our success can be seen clearly by the development of the five key figures which are especially relevant to us: the return from residential property management (NOI – Net Operating Income), a strong, stable cash flow (FFO – Funds from Operations), the financing structure (LTV – Loan to Value), the net asset value (EPRA NAV) and the shareholder value (share price/market capitalisation).

The **Net Operating Income (NOI)**, the operating result from residential property management minus the staff and general and administration expenses which this activity incurs, improved during the last two years from EUR 3.73 per month per sqm to EUR 4.00 per month per sqm. This increase of 7.2% makes clear the enhanced profitability of our operating activities given our continuous maintenance expenditure of almost EUR 10.00 per sqm for each of the last three years. There are various reasons for this growing profitability: We were able to achieve economies of scale through acquisitions, at the same time, the successful streamlining of our holdings during the past years enabled us to optimise our portfolio. In future, we will continue to make full use of available yield potential by completely integrating both the BauBeCon holdings and the other portfolios we have acquired.

Funds from Operations (FFO) reflects the recurring cash flow of a real estate company or the recurring operating result. Our FFO (without disposals) has more than doubled over the past two years from EUR 33.1 million to EUR 68.2 million. This very positive performance is attributable to acquisitions of value and the further improved operational management of our holdings. For the financial year 2013, we are already forecasting a rise in recurring FFO – meaning FFO (without disposals) – to EUR 100 million.

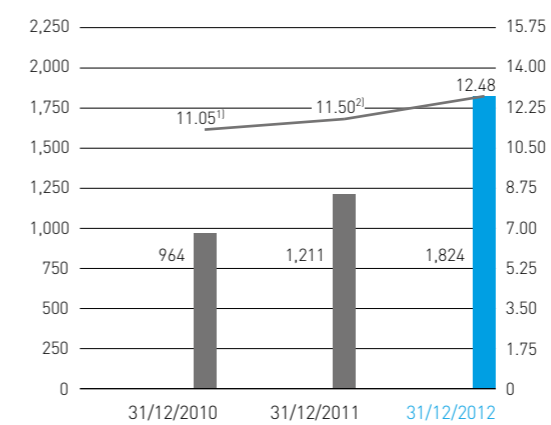
The FFO from privatisation has also doubled since 2010. With gross margins of around 34% we were able to take advantage – not only in terms of the volume of transactions – of the very good prevailing market conditions. The established business model of Deutsche Wohnen is a basis for the positive development both of our lettings and our privatisation operations.

There is no doubt that the financial structure or the level of indebtedness is important for the success of a real estate company. Over the past few years we have further improved the financing structure of the company by reducing its debt, i.e. its LTV, from 60.6% as at the end of 2010 to 57.2% as at the end of 2012, whilst maintaining the value of its assets. In future we are aiming to achieve a target of 55% in the medium term. Moreover, we were able to improve the average level of interest from over 4% p.a. to a current rate of 3.7% p.a.

EPRA NAV

in EUR m

in EUR



■ EPRA NAV in EUR m
— EPRA NAV in EUR per share

¹⁾ EPRA NAV per share adjusted for the so-called scrip adjustments of the capital increases in 2011 and 2012

²⁾ EPRA NAV per share adjusted for the so-called scrip adjustment of the capital increase in 2012

The **Net Asset Value (NAV)** represents the asset value or the “intrinsic value” of a real estate company. The EPRA NAV is used to emphasise the long-term fair value of the equity, i.e. adjusted for balance sheet items that have no influence on the long-term development of the group of companies (amongst others the market value of interest rate hedges or deferred taxes).

Within the past two years, the EPRA NAV has improved significantly, by around 13% from EUR 11.05 per share to EUR 12.48 per share. This development is attributable to the positive Group results that have been achieved. The dividend pay-outs that have already been made have been included in this calculation.

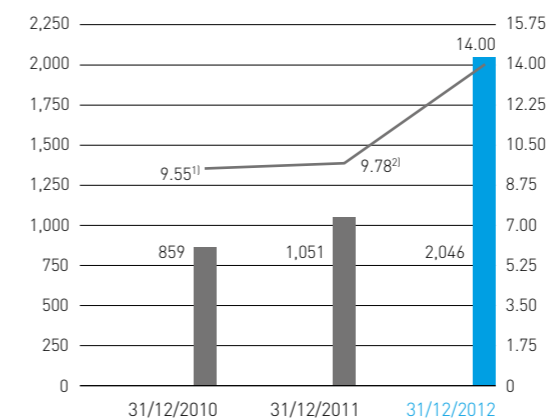
To reflect developments since the start of 2013, the net proceeds from the capital increase in 2013 can be taken as a basis in consideration of the increased number of shares already in existence as at 31 December 2012. Under this premise, the pro forma value of EPRA NAV at the end of 2012 amounts to EUR 12.55 per share.

With a **market capitalisation** of over EUR 2 billion, Deutsche Wohnen AG is one of the largest publicly listed real estate companies in Germany. From the end of 2010 to the end of 2012, our **share price** rose markedly by over 46% to EUR 14.00. Last year alone it was possible to achieve an increase in the share price of 43%. With this pleasing development the Deutsche Wohnen share is outperforming its benchmark indices. The share prices at the end of 2010 and 2011 show a discount on the EPRA NAV of up to 15%. Currently, the share is being traded at around 12% higher than the EPRA NAV. Moreover, in a direct comparison with competitors, this development clearly shows how positive the current assessment of our strategic and operational performance by the financial markets is.

Market capitalisation

in EUR m

in EUR



■ Market capitalisation in EUR m³⁾
— Share price in EUR

¹⁾ Price adjusted for capital increases and dividend payments in 2011 and 2012

²⁾ Price adjusted for capital increase and dividend payment in 2012

³⁾ Market capitalisation calculated on historic share prices as at the end of the year and the number of shares as at the reporting date

46

Share price increase since 2010
in percent

KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH

Even though share price, market capitalisation or other key figures are very important for a publicly listed company, there are other parameters too that characterise its success. Its long-term future viability is also shown by its ability to anticipate major societal trends in its business model. Transmitted to the residential asset class, this means, amongst other things, extending the value creation chain of letting apartments. For Deutsche Wohnen one answer to this challenge is to strengthen the business segment "Nursing Homes", i.e. Nursing and Assisted Living. Due to its growth, the importance of KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH for the Deutsche Wohnen Group rose in the financial year 2012 and in the early part of 2013.

Acquisitions strengthen segment

KATHARINENHOF® owns 20 facilities (status January 2013) in Berlin, Brandenburg, Lower Saxony, Saxony and the Rhineland-Palatinate. The range of services in the care and assisted living facilities extends from the provision of small, well-equipped apartments in top locations in Berlin to the in-patient care of people suffering from dementia. Overall, KATHARINENHOF® has over 1,928 residential and nursing places, of which 1,723 are for in-patient nursing care.

The aim for 2013 and beyond is to continue to grow. At the turn of the year 2012/2013, we were able to take over four facilities in Berlin from Lebenswerk GmbH. Since 2010, the number of places has risen from 1,349 to 1,925, and we succeeded in raising the average occupancy rate from 93.9% to 97.6%. The EBITDA contribution within the Deutsche Wohnen Group was EUR 10 million for 2012. We are expecting a figure of EUR 13 million for 2013 due to aforementioned acquisitions.

Best marks for care

KATHARINENHOF® also shows how important quality is to the business model: Together with its staff of more than 1,000, the committed management team has developed a day-to-day culture that creates a feeling of safety and security for the residents and values each of them as individuals. In addition to the high occupancy rate, the very good marks achieved during the quality audit conducted by the MDK (the medical service agency of the statutory health insurance companies) are clear evidence of the high quality of our facilities. School grades are awarded on the basis of 82 criteria, e.g. in the categories "Care and medical provision" or "Social support and daily routine". To date, all the KATHARINENHOF® facilities have been given marks of between 1.0 and 1.2.

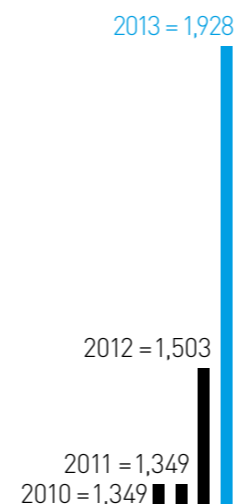
Deutsche Wohnen will continue to strengthen the segment "Nursing and Assisted Living" in future as well. After all, high-quality service provision in this area contributes to improvements in consolidated Group profit. However, the decision to grow the business of KATHARINENHOF® is also based on long-term, strategic considerations. The demographic development in Germany is such that more people are living longer and living alone. As a result, the need for care and assistance for the elderly is constantly rising.

With security and independence – living in old age

We firmly believe that spending the later stages of one's life in a very well-managed nursing facility or care home for the elderly with high standards of provision can be an option that offers a high quality of life. In our facilities we show that residential care combined with nursing support for the elderly has, over time, become a day-to-day reality free of anxiety. In our view, demographic change supports an economic development towards a high-quality and, at the same time, very varied provision of services in the area of nursing.

KATHARINENHOF® intends to be part of these developments and to support them by continuing to grow through acquisitions. It is our aim to become one of the top ten major German operators in the care for the elderly over the next few years. This means that we want to grow to a size of 4,000 to 5,000 care places. Because of our growth in the last 12 months, we are one of the 20 largest providers in the sector. In terms of quality we are already one of the best.

With our provision of residential care homes and nursing facilities for the elderly we are able to offer our current tenants something in the medium- and long-term which could possibly make their situation in life considerably easier. In locations where we have a significant number and variety of care places, for example in Berlin, tenants could transfer to one of our care facilities. It will be an important task in the coming years to strengthen the links between the two business segments "Residential" and "Nursing".



KATHARINENHOF®
Number of places, Nursing and Assisted Living



KATHARINENHOF® facility in Friedenau, Berlin

FLATE

CREATIVE ROOM for development

OUR MOTIVATION IS TO BE
AMONG THE BEST. OUR
STRENGTH IS A KEEN SENSE
OF BEING IN THE RIGHT
LOCATION AT THE RIGHT TIME.
OUR GOAL:
PROFITABLE GROWTH.

R

2010 47,688 2011 50,626

CHALLENGES

The new dimension for room

With the acquisition of BauBeCon, Deutsche Wohnen successfully mastered one of the largest transactions in the residential industry in 2012. This plus the acquisition of an additional approximate 11,700 units in an extremely strong year 2012 with respect to acquisitions, has led the company to a new dimension. We define our goals confidently and use the creative room for further developments.

2012

82,500

residential units
in possession
of Deutsche Wohnen



3RD DIMENSION BREADTH

WE ARE BROADLY POSITIONED.

Strong foundation for further growth

The high-quality growth achieved by Deutsche Wohnen in 2012 took the company into a whole new dimension. However, this significant step forward was only made possible by the developments of the company over the last three years. Deutsche Wohnen has not become what it is today on the basis of a sudden, spontaneous acquisition. Rather a consistent, long-term corporate strategy has brought the company into this new dimension. Now it is important to ask what development goals we are aiming for in future. How do we intend to use our newly acquired room to manoeuvre to develop further? How do we intend to stand out from our competitors?



The new dimension in figures

We have invested EUR 2.1 billion since 2011, of which EUR 1.235 billion went towards the acquisition of the BauBeCon portfolios.

Since 2011, around 41,000 new residential units have been acquired. Here, we developed three new core regions and strengthened existing core regions.

The red three-storey apartment buildings in the east of the Berlin "Hufeisensiedlung" (Horseshoe Estate) have colloquially been called the "Red Front" since the late 1920s.

In the right LOCATION
at the right time



"Hufeisensiedlung" (Horseshoe Estate)
apartment buildings in Berlin-Britz are captiv-
ating with their colour-accented elements.



15.9

POPULATION GROWTH IN
BERLIN UP TO 2030
PROGNOSIS IN PERCENT

This push forward into a new dimension was facilitated by favourable general conditions. Not only did the German economy as a whole prove to be remarkably robust, the residential asset class benefited from the flight of capital into so-called concrete gold. Furthermore, it was also evident that Deutsche Wohnen had adopted the right focus in geographical terms years before. For example, the population forecast in Berlin, our home market, was raised significantly by the federal state government in December 2012. By 2030, the population of Berlin is expected to grow by 275,000. So, with a share of 49% and/or 40,500 residential units of our overall portfolio in Greater Berlin, we have a strong presence in this booming market.

Small steps before a really big step

The purchase of various portfolios since 2010, each consisting of several hundred or more than a thousand units, was the perfect preparation for the major acquisition of 2012. Internal processes with regard to acquisitions and financing had run smoothly during this time and our reliability as a negotiation partner had already been demonstrated on a variety of occasions. These were important advantages when it came to achieving success with the BauBeCon acquisition. Now these tried and tested processes are proving to be an indispensable precondition for the successful integration of the more than 23,000 acquired units. At the beginning of 2013, Deutsche Wohnen is characterised by its proven experience of integrating acquired holdings, its stable and tried and tested internal processes, its established presence on the financial markets, its excellent contacts within the German residential property market and its very good reputation in public. Now Deutsche Wohnen has a solid basis for making decisions for the future in close cooperation with its Supervisory Board.

It will remain our goal to continue to improve the performance figures which we identified as relevant for the future. However, it is not necessary for the company to seize every opportunity for further external growth in order to achieve this goal. We have demonstrated to all relevant stakeholders that we are able to grow in small as well as large steps and at appropriate prices. Now it is important to define anew what future growth for our company will consist of.



Clear and distinctive corporate culture

Deutsche Wohnen, with its registered office in Frankfurt, its head office in Berlin and its large number of local service units, will experience significant growth in staff numbers in the months to come. The new employees will find a clearly visible corporate culture which can be experienced at first hand. This corporate culture is characterised by transparency, credibility and conduct on the basis of ethical principles.

Transparency is for us a self-evident requirement in our communication with the capital market. Within the German real estate industry we are pioneers in the disclosure of relevant company figures like rent potential, EPRA NAV or maintenance and modernisation costs. However, transparency is also a principle which guides our actions within the company itself: The executive managers regularly inform their staff in an open and comprehensible way, and cross-departmental cooperation is very much the norm in the company. In order to ensure that this transparency is maintained in a growing company, we will be testing new tools of internal communication in the months to come. This continued development of structures and processes which support transparency strengthens the credibility of Deutsche Wohnen both internally as an employer and externally in its communication with shareholders, tenants or the media.

The current growth in staff numbers, which is having a strong impact on the company – in 2013 we expect to employ more than 100 new employees in the segment residential – is based on ethical principles of personnel management. Recruitment, remuneration and promotion are all irrespective of the gender, age and origin of the employees. As a company that offers extensive training, we have established structures for the development and training of younger staff. We do not employ contract workers and interns working unpaid. Our work stations and offices are modern and contemporary. In order to make the best use of our scope for development in terms of personnel over the next few years, we will be working on developing intelligent part-time employment models in order, for example, to make it easier for mothers or fathers with childcare responsibilities to work in management positions as well.

2013 = 1,834 (planned)
 2012 = 1,417
 2011 = 1,199

NUMBER OF EMPLOYEES
 Deutsche Wohnen Group (business areas Residential and Nursing and Assisted Living)



Continuous EMPLOYEE growth



The Deutsche Wohnen head office in Berlin was built in the 30s of the 20th century and has already been used as the head office for GEHAG.

Sustainable growth through quality

As we are convinced that growth without quality cannot be sustainable, our quality standards with regard to our property holdings, our internal processes, our staff management and our relationships with tenants or buyers will continue to be high. These quality standards, which we clearly put into practice on a daily basis, are accompanied by our very firmly established drive for efficiency. We have always repeatedly subjected our processes – whether concerning the acquisition of debt capital, our cooperation with external service providers or our portfolio acquisitions – to critical scrutiny, with a view to making adaptations and improvements. For this reason, we are able to achieve growth cost-effectively and with an efficient deployment of resources. So that we can continue to stand apart as the best publicly listed company in the sector, we intend in future to further enhance the quality of these distinct efficiency characteristics.

KATHARINENHOF®, which is part of the Deutsche Wohnen Group, can also be regarded as a positive example for the property sector because it has succeeded in achieving high-quality growth over the past few years. The key factors for achieving success in the residential care and nursing home sector are personnel management and retention, an understanding of residents' interests and the benefit of an excellent public reputation. Within its sector, KATHARINENHOF® is already setting standards. Deutsche Wohnen AG wishes to set standards too within the German residential property sector.

Our scope for development includes identifying market opportunities for further external growth. We will take into consideration any interesting portfolio for sale in cities that are economically attractive and that fit the regional structure of our holdings. Accordingly, we will continue to grow in select locations and at prices which are appropriate to us. However, in doing so, we will not lose sight of our actual aim: to achieve sustainable, high-quality growth in a way that serves the interests of our employees, the shareholders and public opinion as well as the interests of tenants and buyers.



Cultural room for

BUILDING CULTURE

The new dimension for room

distinctiveness

WE ARE COMMITTED TO THE PRESERVATION OF
ARCHITECTURAL VALUE – BUILDING CULTURE
IS OUR RESPONSIBILITY.

Four out of six UNESCO World Heritage sites belong to Deutsche Wohnen. Decades of experience in the management and portfolio maintenance of large sites is what distinguishes us. Deutsche Wohnen maintains its portfolios with good judgment and intuition and shows that conservation and economic success do not have to be mutually exclusive. We are strongly committed to preserving World Heritage sites. This makes us unique among residential property companies.

4TH DIMENSION TIME

ALWAYS UP WITH THE TIMES.

A topic full of emotion

Housing, rent levels and rent policy are emotional topics in Germany. There were rent increases here in Germany in 2012 as well because of a clear inflow of population into economically prosperous cities and because of the tendency to smaller households. Deutsche Wohnen benefits from this development. And Deutsche Wohnen fully accepts the responsibility which this development places upon it. It is, after all, important to strike a balance between claims to comfortable housing at appropriate and reasonable rents, on the one hand, and our aim, on the other hand, to create and maintain value for our shareholders.



The new dimension in figures

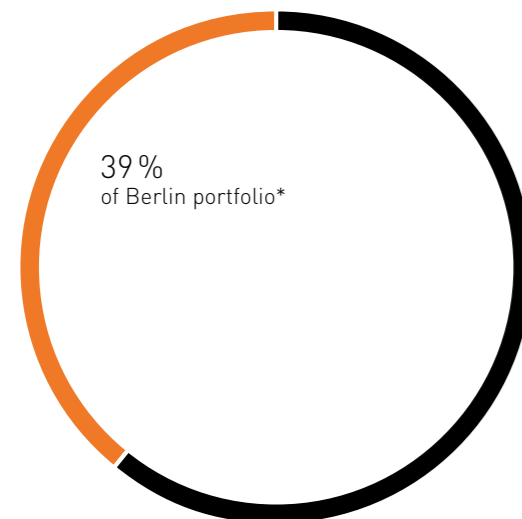
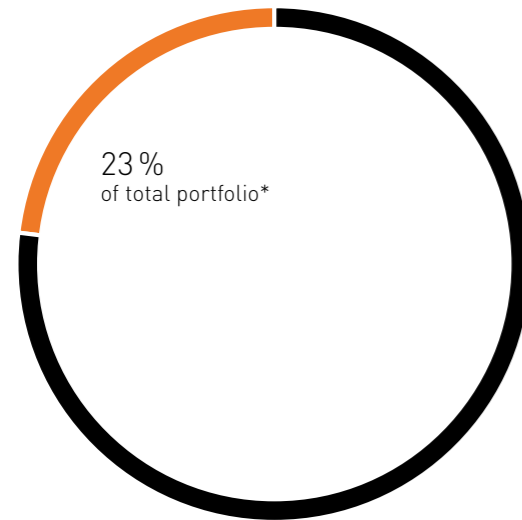
4 of the 6 Estates of Berlin Modernism (Siedlungen der Berliner Moderne) are owned by Deutsche Wohnen: "Hufeisensiedlung" (Horseshoe Estate), "Ringsiedlung Siemensstadt" (Siemensstadt Ring Estates), "Weiße Stadt" (White City) and, since 2012, "Wohnstadt Carl Legien" (Carl Legien Estate).

Since 2009, Deutsche Wohnen has invested EUR 26 million in the restoration of three sites from the old portfolio.

As a city architect, Bruno Taut created a general site plan for Magdeburg from 1921 to 1924, and shaped the architectural image of the "Siedlung Cracau" (Cracau Estate).



SPLIT OF LISTED RESIDENTIAL UNITS



*based on the total portfolio as at 30/9/2012,
i. e. 73,200 residential units

We are convinced that we are meeting these differing demands by taking our responsibility for the state of repair and care of our properties very seriously – and in doing so creating and maintaining value – and equally by being a fair partner to our tenants and buyers. Our commitment to conserve and care for our holdings is based on tradition. The almost 90-year history of GEHAG – the most important asset company within Deutsche Wohnen AG – is characterised by its outstanding relationship with architecture and building culture. Significant parts of our portfolio provide high-quality, historic architecture and, at the same time, modern, comfortable housing. In these residential quarters, which were built in the 1920s and 1930s and continue to represent functioning urban design, we have hardly any vacancies and achieve very good levels of rent. The reason for this is that today's tenants too value the quality of the apartments and are prepared to pay a fair price for them.

Listed buildings as distinction

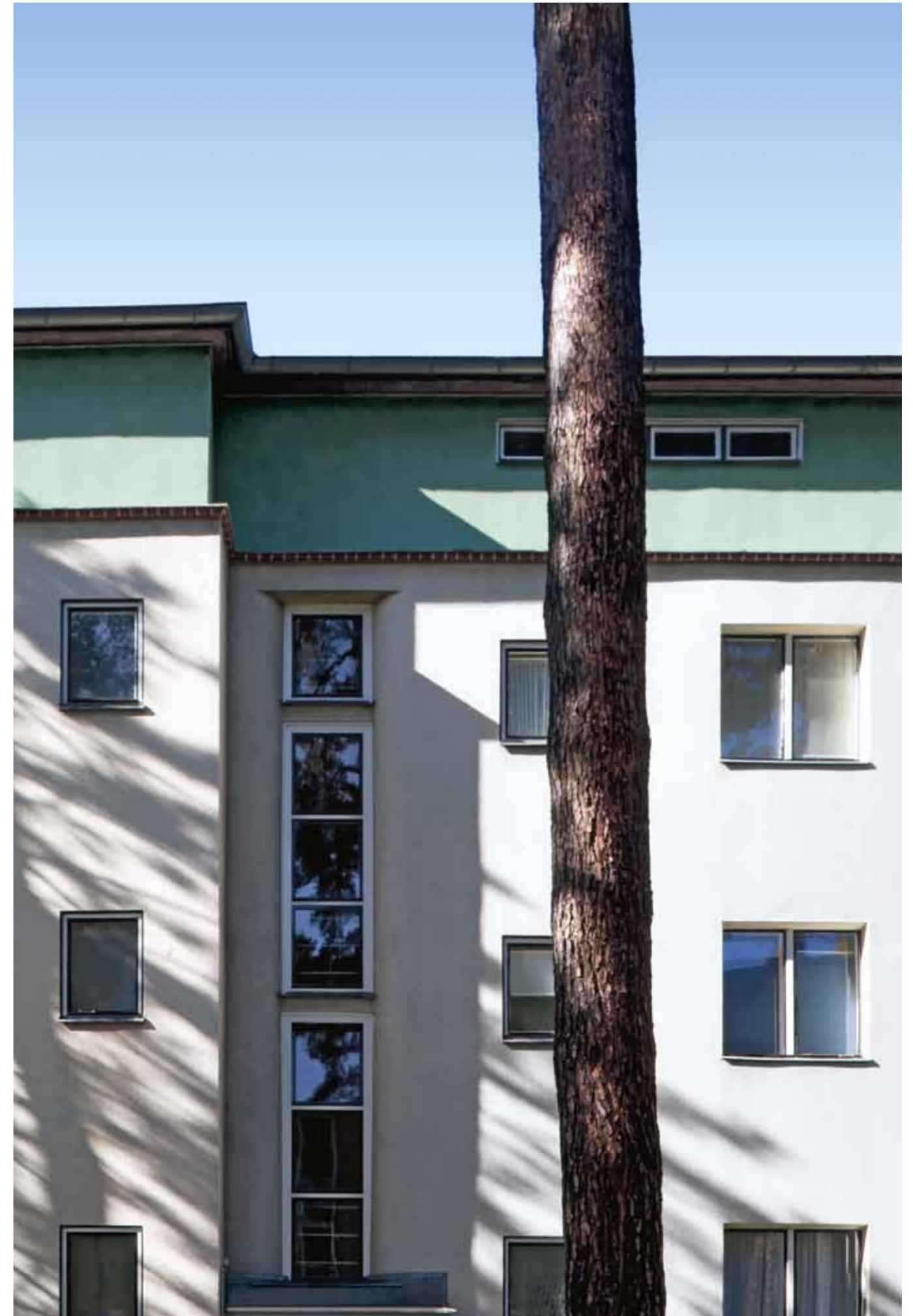
Deutsche Wohnen AG is the largest private owner of residential architectural monuments in Germany. Of our 82,500 residential units, around one quarter have listed building status. From our point of view, this listed building status is not a barrier to investment but a mark of distinction of the quality of our holdings. Through the acquisition of the BauBeCon companies, the "Wohnstadt Carl Legien" (Carl Legien Estate) in the Berlin district of Prenzlauer Berg is once again part of our portfolio. This means that we are now the owner of four of the six Classic Modernist residential estates (Siedlungen der klassischen Moderne) in Berlin which are listed as UNESCO World Heritage sites. This distinction that has been conferred on us as a private company is unique in Germany.

Bruno Taut – architect of GEHAG

The "Carl Legien Siedlung", which we have re-acquired, was also built by Bruno Taut between 1928 and 1930. Bruno Taut (1880-1938), the founder of the "Neues Bauen" (New Building) movement in Berlin, stands alongside architects like Walter Gropius, Mies van der Rohe or Hans Scharoun in his importance for urban development and architecture. From 1924, Taut was the chief architect of the newly founded GEHAG, the "Gemeinnützigen Heimstätten-, Spar- und Bau-Aktiengesellschaft" (a not-for-profit building society and housing cooperative). At a time of serious housing shortages in the 1920s in Berlin, young, ambitious architects worked in close cooperation with Martin Wagner, the city planning director in Berlin, to realise a house building programme unrivalled in its scope and quality. Between 1924 and 1932, more than 120,000 apartments were completed in Berlin. Bruno Taut created 12,000 of these apartments, for the most part on behalf of GEHAG.

Today the most important buildings of this exceptional and socially committed architect are owned by Deutsche Wohnen AG: the "Hufeisensiedlung" (Horseshoe Estate) in Berlin-Britz, the multi-story buildings in the "Waldsiedlung Onkel-Toms-Hütte" (Woodland Estate Uncle-Tom's-Cabin), the "Carl Legien Siedlung" and the residential development in Grellstraße, which is also in Prenzlauer Berg. The clear, structured appearance of all these residential estates together with the excellent layout of their mostly two- and two-and-a-half-room apartments continues to make a positive impression even more than 80 years after they were built. The vacancy rate in these residential developments is more or less zero.

"Waldsiedlung" (Forest Estate) in Berlin-Zehlendorf, built from 1926 to 1932 and of high architectural quality, is currently being restored.





But it is not only in Berlin that there are important holdings of Deutsche Wohnen AG which were inspired by Bruno Taut. From 1921 to 1924, this ambitious, avant-garde architect was the city planning director in Magdeburg. During this time he created an overall estate plan that influenced the face of Magdeburg for decades. Taut hired young, like-minded architects like Johannes Göderitz, Paul Wahlmann and Carl Krayl. In the part of the city that lies to the east of the River Elbe, they created the Cracau Estate in the 1920s and 1930s. Most of this listed estate, around 1,500 residential units, now also belongs to Deutsche Wohnen AG following the acquisition of BauBeCon.

The largest car-free estate in Germany

In Lutherstadt Wittenberg, an architectural monument which offers unusually high living conditions has also enriched the portfolio of Deutsche Wohnen since 2012. This is the car-free "Werkssiedlung Piesteritz" (Works Estate Piesteritz). This garden estate in the tourist attraction of Wittenberg, which lies just 100 km to the south-west of Berlin, was built between 1916 and 1919 according to the plans of Otto Rudolf Salvisberg. Salvisberg, who also built many parts of our "Siedlung Weiße Stadt" (White City Estate), which is also a UNESCO World Heritage site, created 363 terraced and detached houses. All the houses had their own bathroom – something which at that time was a spectacular and forward-looking development. The estate was also well maintained as a works estate under the GDR: It had not been damaged in the war and did not undergo any major architectural changes. The car-free estate was comprehensively refurbished as an Expo project in the year 2000 in accordance with its listed building status.

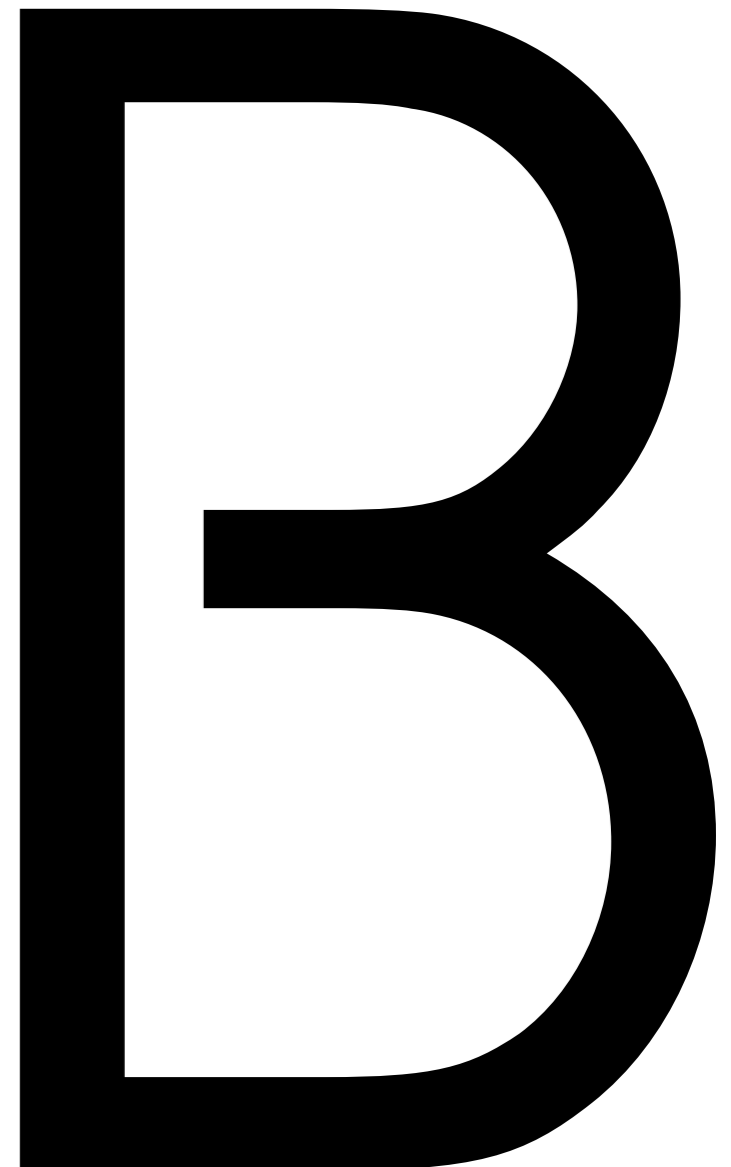
High level of technical know-how

Deutsche Wohnen employs its own highly qualified staff in order to carry out further high-quality development work on these holdings. Our technical department consists of engineers and architects who are able to manage complex refurbishment projects. It was a very conscious decision of ours to keep this technical and architectural know-how within the company, because by doing this we can guarantee a high quality of refurbishment. The word has gotten around about this exceptional expertise. Colleagues in the technical department are sought after guests at symposiums and specialist conferences on the subject of monument protection.

Important large-scale projects with an investment volume of EUR 30 million were implemented in 2012. Thereof, Deutsche Wohnen AG invested EUR 18 million in valuable historic buildings. These investments benefit our tenants – and people in neighbouring properties – as well as our investors. It is in the interests of every long-term oriented investor, every lending bank, every responsible tenant or every committed politician in urban development that the company maintains the value of its assets. Deutsche Wohnen makes use of the cultural area "architecture and building culture" to present itself as a unique housing company that combines economic success and a sense of responsibility.

{ "Werkssiedlung Piesteritz" (Works Estate Piesteritz), built from 1916 to 1919 in Lutherstadt Wittenberg, has been part of the Deutsche Wohnen portfolio since 2012.

Bruno Taut, founder of new BUILDING

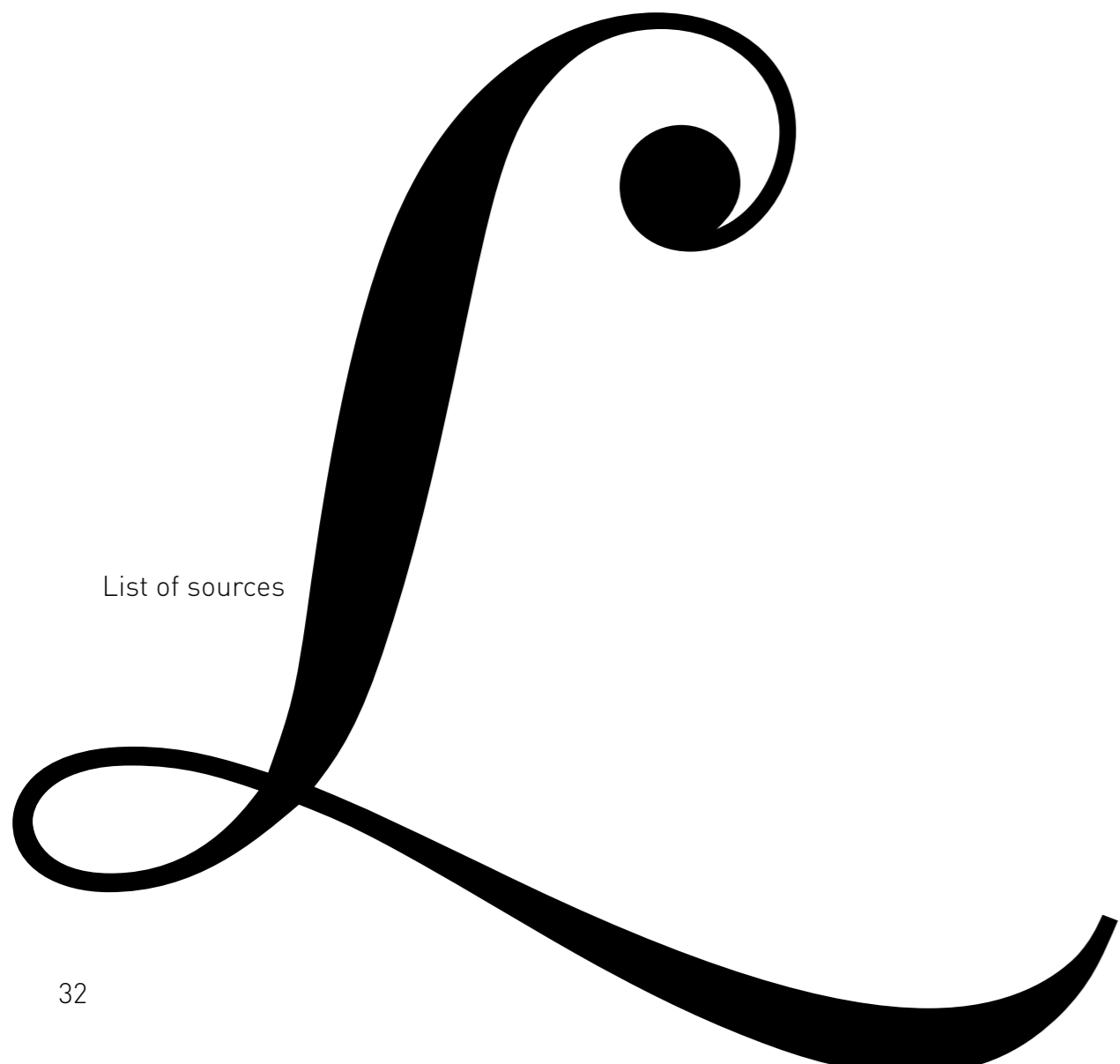


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as at 07/01/2013

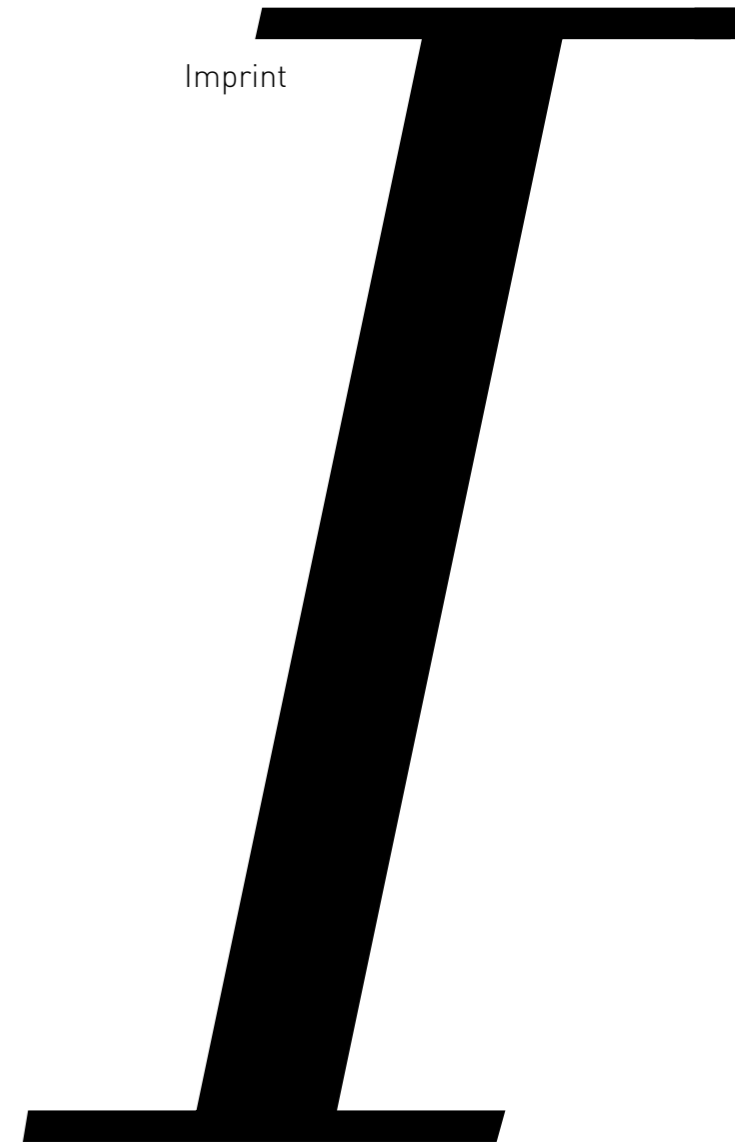
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