

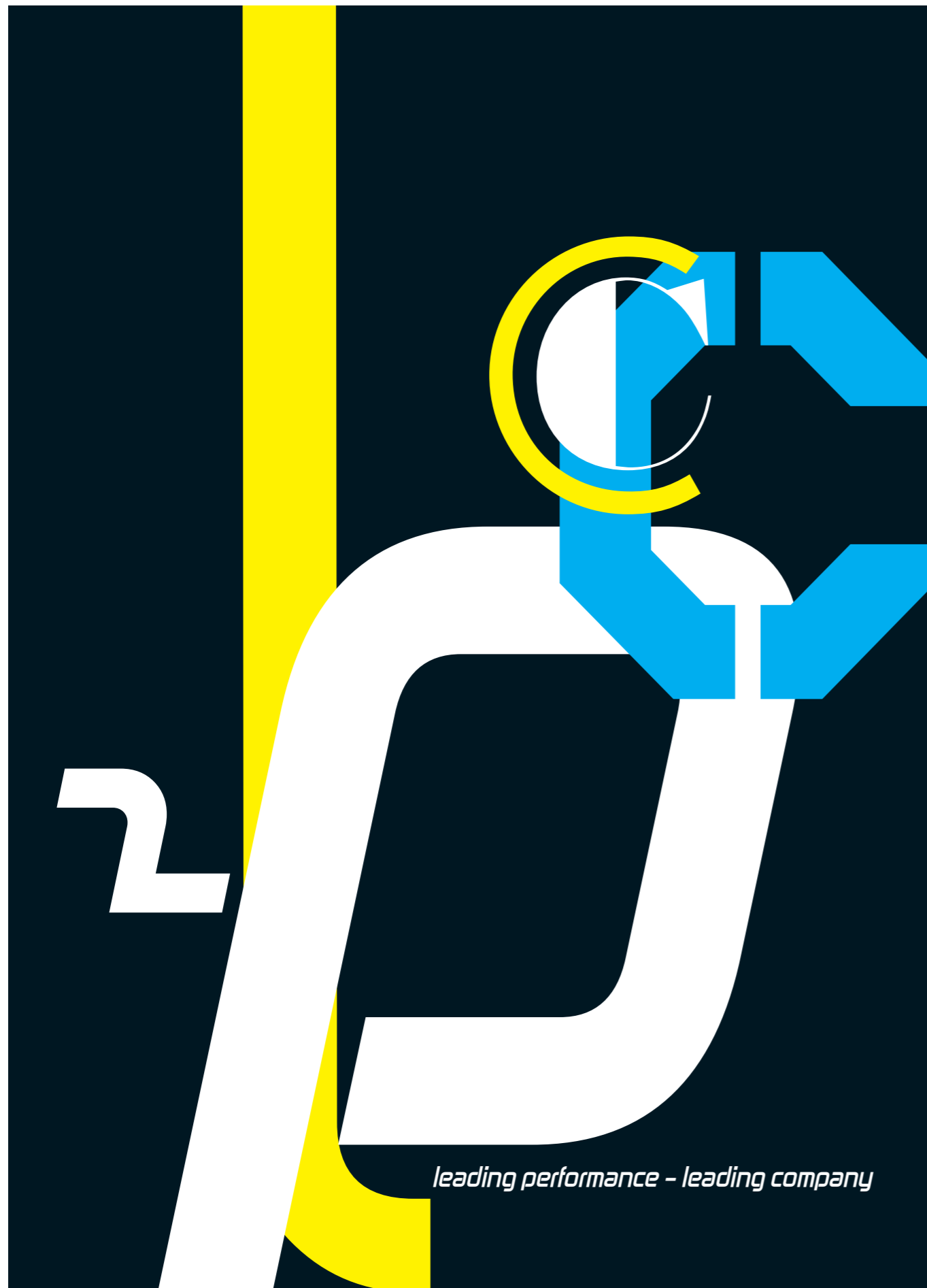


Deutsche
Wohnen

Leading and

MAGAZINE OF THE
ANNUAL REPORT 2013

performance



DEUTSCHE WOHNEN

Deutsche Wohnen is one of Europe's leading listed real estate companies in terms of market capitalisation. Our operational focus is on the management and development of our residential holdings. In addition, we are active in the business segment Nursing and Assisted Living – another dynamic market, which is benefitting from demographic developments. Over the last four years we have significantly increased the value of our portfolio by making investments in our core holdings and by means of both targeted acquisitions and portfolio-enhancing disposals. Today our portfolio comprises more than 152,000 units as well as around 2,200 nursing places and assisted living apartments. Our holdings are characterised by high quality and good locations: 98% of them are located in growth regions for which a particularly positive development is forecast. With its strong market position and successful strategic course Deutsche Wohnen will actively shape its future development and continue to set standards in the sector.

leading in
quality

STABLE FOUNDATIONS

Form is not the goal,
but the

RESULT.

Mies van der Rohe

Stable foundation

With its three-pronged business model, consisting of focused acquisitions, portfolio-enhancing disposals and targeted investments, Deutsche Wohnen attaches great importance to the value of its holdings. We have developed into one of the leading real estate companies in Germany and Europe and are one of the most successful players in the German transaction market. We are also setting standards in the area of nursing care and are regularly awarded top marks for our high quality standards.

85^{EUR million}

value-enhancing investments
over the last three years

 [More from page 2](#)

leading in
efficiency

We are making use of synergy effects
and strengthening our position as
COST LEADER.

Michael Zahn, CEO


Reduction of cost ratio in year-on-year
comparison from 16.8% to 13.6%

13.6%

Anticipated cost synergies of
EUR 25 million per year

Best in class

With its efficient processes and structures Deutsche Wohnen has set standards in the industry. A streamlined administration and modern IT systems ensure that the company is readily available and can respond quickly. By concentrating on growth regions the holdings can be managed more efficiently and corresponding economies of scale can be achieved. With a cost ratio of 13.6% we are the cost leader in the German residential property market.

 [More from page 12](#)

CORE

79%

of the portfolio
in CORE+ regions

leading in
strategy

4.0

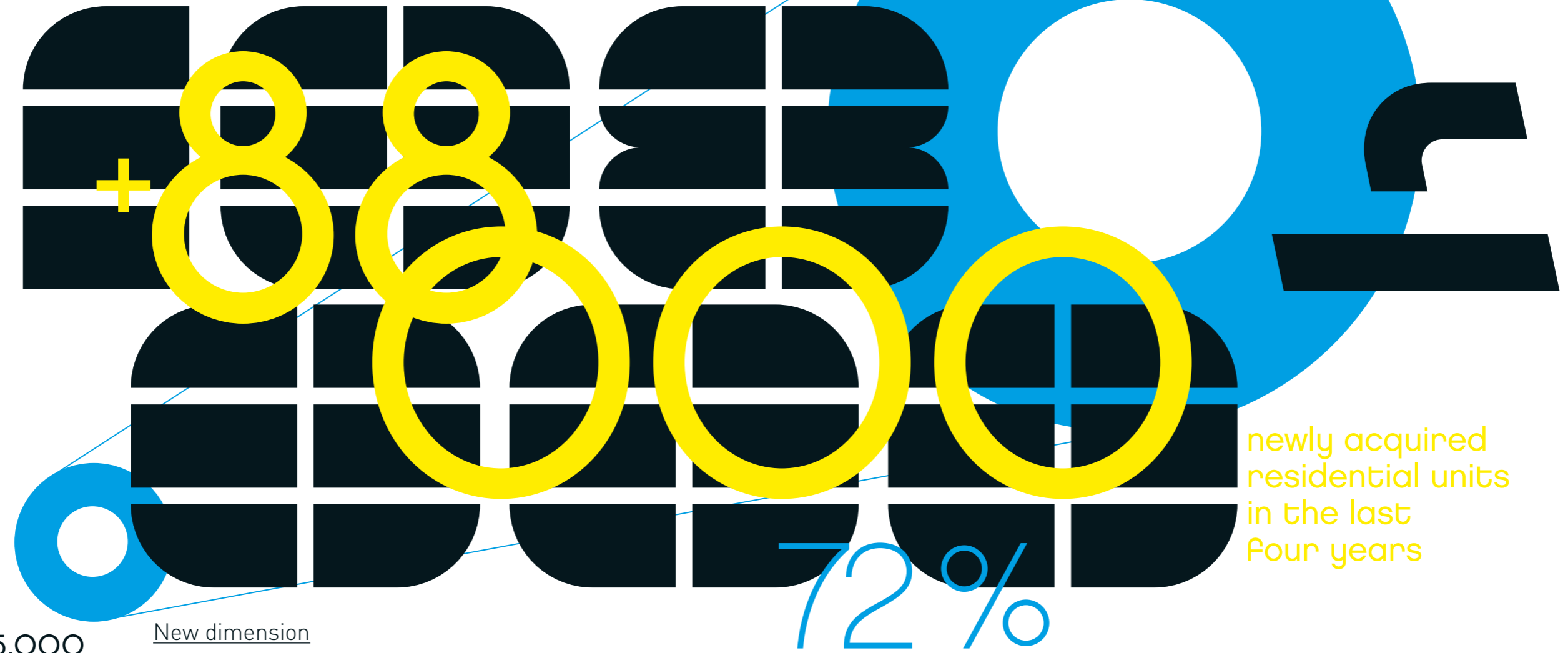
EUR billion
transaction volume

Focus

Deutsche Wohnen pursues its growth strategy consistently in line with its strategic guidelines. This means that the focus is on the acquisition and management of attractive residential properties and nursing care facilities in economically significant regions of Germany – so-called metropolitan and growth regions. We concentrate and extend our portfolio in these areas or break into new growth markets by making large-scale acquisitions.

leading in
Berlin

108,000
2013



25,000
2010

New dimension

Berlin is the most dynamic growth market in Germany with a high demand for housing, the highest rates of rent increase, rising prices for apartments and the highest transaction volume. We recognised the potential of the capital at an early stage and have continuously extended our market presence there. Today Deutsche Wohnen is one of the largest landlords in Berlin.

72%

of our holdings are located in the growth market Berlin

newly acquired residential units in the last four years

leading
company

Real Estate Group



9.0^{EUR billion}

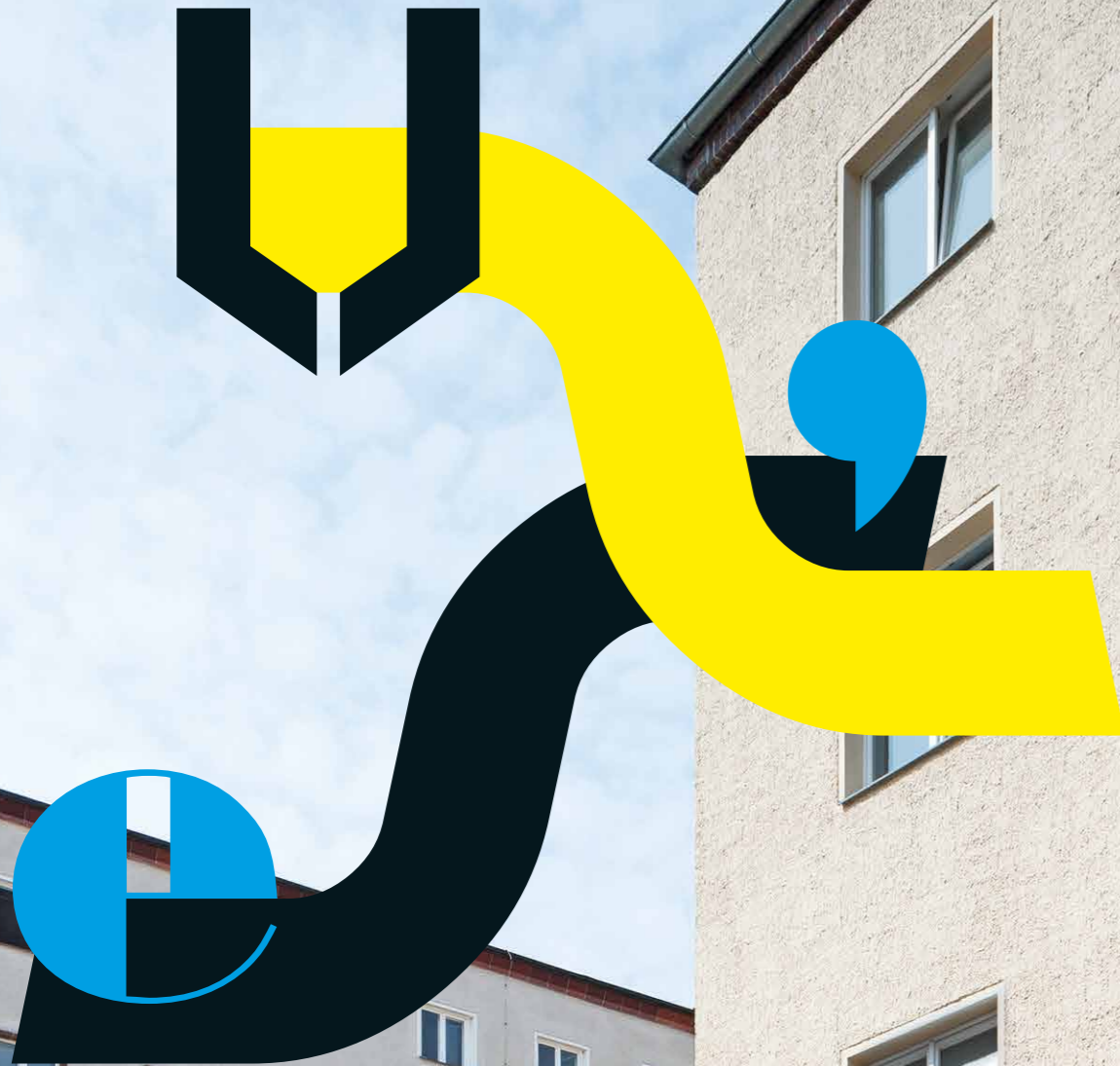
asset under management

Setting standards

With the takeover of GSW Deutsche Wohnen initiated the long-awaited consolidation of the German residential property market. We will consistently pursue our goals in future as well and continue our success story. We stay true to our values and intend in future to set standards on a European scale with regard to quality and efficiency.

 [More from page 26](#)

Stability, profitability, value creation. Our excellent fundamentals enable us to implement our growth strategy successfully.



In Berlin alone we have more than quadrupled our holdings. In addition, we have been able to enter dynamic markets like Potsdam, Dusseldorf and Dresden.

Berlin-Lichtenberg, part of our portfolio since 2012

LEADING IN QUALITY

Growth in accordance with strategic goals

In recent years Deutsche Wohnen has been able to write an impressive story of growth and to become one of the leading residential property companies in Europe. With its stable and sustainable three-pronged business model, consisting of strategic acquisitions, portfolio-enhancing disposals and targeted investments, the company has generated both organic and external growth.

Since the very beginning, our expansion course was clearly determined by strategic goals, and our focus was set on conurbations within Germany. Therefore we have significantly strengthened and expanded our holdings since 2010 with selective acquisitions. Overall, Deutsche Wohnen has acquired around 115,000 units during the past four years. In Berlin alone we have more than quadrupled our holdings to more than 108,000 units. In doing so, we achieved substantial economies of scale. In addition, we have also succeeded in breaking into attractive growth markets such as Potsdam, Dusseldorf and Dresden.

Largest takeover in the real estate sector for years

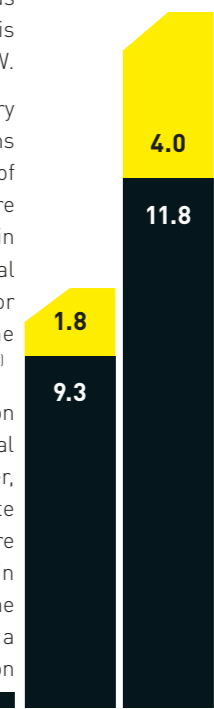
With its acquisition of GSW Immobilien AG (GSW) at the end of 2013, Deutsche Wohnen has achieved a new dimension in size and visibility. The takeover of this traditional Berlin residential company is the peak achievement in Deutsche Wohnen's growth history so far; at the same time, it is the largest takeover in the real estate sector for years. This step was absolutely logical with regards to the gradual and targeted expansion of our portfolio over the last few years. Moreover, it was to a very large extent in line with the expectations of the capital market, as was confirmed by the overwhelming approval given to this move by the shareholders of both Deutsche Wohnen and GSW.

The fact that the residential asset class continues to be very attractive is shown by the overall buoyant level of transactions on the market: In Germany, residential units with a value of EUR 15.8 million were traded in 2013 – an increase of more than 40% compared to the previous year. This means that in over 440 transactions a total of more than 236,000 residential units changed hands. As the most active corporate investor with investments of more than EUR 4.0 billion, Deutsche Wohnen contributed significantly to this transaction volume.¹¹

For years we have been one of the most successful players on the German transaction market. Our track record is substantial and is testimony to our high level of professionalism. Moreover, we already have demonstrated our competency to integrate new acquisitions on repeated occasions: new portfolios were incorporated into the structure of our holdings quickly and in an experienced process. The stability of the structures and the quality of the work processes which we have built up over a period of years make it possible for us to now be in a position to integrate a company as large as the GSW.

TRANSACTION VOLUME GERMANY

in EUR billion



■ Deutsche Wohnen
■ Germany, remainder

¹¹ Jones Lang LaSalle: Corporate Residential Real Estate Market with Transaction Volume at 10-year High, press information of 7/1/2014, as well as own calculations

EUR m

85

investments
in the modernisation
of holdings in our
core regions over the
past three years.

Disposals in structurally weak regions support our focusing approach

As part of its portfolio strategy Deutsche Wohnen aims not just for quantitative growth but for growth that is sustainable as well. In parallel with our value-enhancing acquisitions we have been disposing of holdings in structurally weak regions and in low-density locations since 2008. In this way we can improve the quality and value of our portfolio in the long term.

Over the past year we were able to make significant progress in the streamlining of our portfolio and were able to benefit from the current state of the market. We have disposed of about 2,200 units, thus about 40% of our Non-core portfolio per 31 December 2012. In the 2012 acquired BauBeCon portfolio, for example, we were able to dispose of around 43% of the Non-core portfolio. Furthermore, we were able to place units mainly from Rhineland-Palatinate and the so-called Riesling-Portfolio on the market and have thereby streamlined this portfolio almost entirely.

Value-enhancing investments strengthen our core regions

Alongside its strategic acquisitions and disposals Deutsche Wohnen invests with targeted measures in the quality of its holdings. In addition to ongoing maintenance work we have invested a total of about EUR 85 million in the modernisation of holdings mainly in our core regions in the past three years. In all of this, the energy-efficient refurbishment of the buildings plays an important role. Many of our holdings date back to the 1920s and 1930s and have considerable potential following their modernisation. The high percentage of listed buildings speaks for the high quality of our portfolio, while this presents us with particular challenges when it comes to their refurbishment.

During the past year we completed work in the Rhine-Main region, for example on the listed Dunlop Estate in Hanau and on our holdings in Eschborn. More than 450 residential units were comprehensively modernised at a cost of almost EUR 17 million.

By the end of 2015 we will have invested around EUR 11 million in the complete refurbishment of the historic Elstal Estate.

In November 2013 Deutsche Wohnen was also able to complete work on 185 residential units in Mainz, spending more than EUR 3.8 million. Over the past two years we also invested almost EUR 2 million in the Henkel Estate in Dusseldorf-Reisholz, which we acquired in 2012.

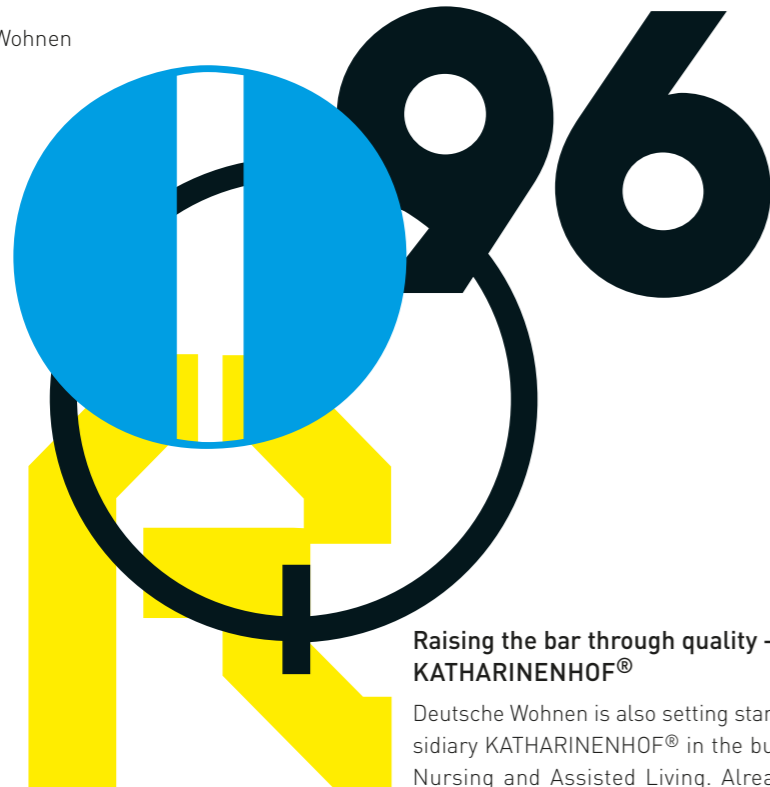
Since 2009 we have carried out particularly comprehensive and demanding construction work on our UNESCO World Cultural Heritage sites in Berlin. Up until 2013 we had invested around EUR 33 million in the refurbishment in accordance with the listed building status of these estates that had been built in the course of the housing reforms of the 1920s and 1930s.

In July 2013 a new project was initiated at the listed Railway Workers' Estate in Elstal. Deutsche Wohnen will be investing approximately EUR 11 million in the comprehensive refurbishment of this historic residential estate in the peripheral area of Berlin. Work is expected to continue until the end of 2015.

Deutsche Wohnen has been making above-average investments in its holdings for years. In doing so, we continuously enhance the value of our portfolio and offer our tenants a high standard of accommodation.



Elstal, near Berlin,
part of our portfolio
since 2006



**Raising the bar through quality –
KATHARINENHOF®**

Deutsche Wohnen is also setting standards with its subsidiary KATHARINENHOF® in the business segment of Nursing and Assisted Living. Already at a very early stage we specialised on the topic of dementia and are one of the leading care providers in this field in Germany. All 21 facilities provide a quality of service that is above average compared to other companies within this sector and offer their residents high standards of design, a creative programme of activities and an excellent cuisine. KATHARINENHOF® is also exploring new approaches in care with innovative ideas – for example, with the pilot project "Fairy tales and Dementia", a programme designed for those who suffer from dementia.

The high standards of quality at KATHARINENHOF® have also been confirmed by the Medical Service of the Health Insurance Industry: the facilities of KATHARINENHOF® were evaluated in 82 categories and solely achieved outstanding results between 1.0 and 1.2 (where 1.0 means "excellent"). With these results we were given third place in the final ratings list, which means we are one of the best providers in Germany.²¹ The successful care and assisted living concept at the KATHARINENHOF® facilities is reflected by the occupancy rate, which has been above average for years now. In 2013 the average occupancy rate was 96.1%.

Just like its parent company, KATHARINENHOF® follows the strategy of focusing its operations. As part of its growth strategy, KATHARINENHOF® pursues the goal of strengthening existing core regions with its acquisitions or of opening up new regions with an economically viable number of care places. In the last two years we have acquired seven facilities in Berlin and Leipzig and, in doing so, have increased the number of nursing places and assisted living apartments by more than 800 to approximately 2,200. We intend that KATHARINENHOF® should continue to grow with the help of further acquisitions over the next few years and that we should expand our presence in this viable, long-term market.

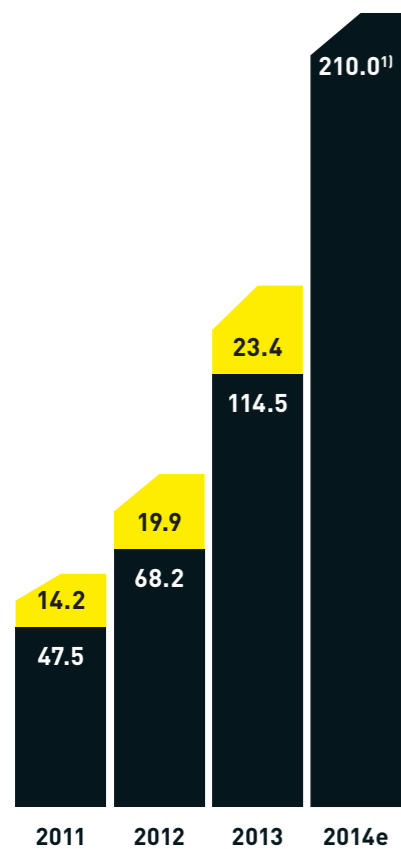
²¹ Avivre Consult GmbH, Analysis of MDK-rating sorted by providers, October 2013

KATHARINENHOF®
residential park in
Warmbad, Saxony,
part of our portfolio
since 2007



FUNDS FROM OPERATIONS (FFO)

in EUR m



■ FFO from privatisation
■ FFO without disposals
e expected

¹⁾ Not taking into account a minority shareholding of 8% in GSW Immobilien AG

Development of important key figures of the company is proof of successful strategy

Our key figures, which are of decisive importance to the capital markets, impressively demonstrate that our long-term growth and investment strategy is paying off: We have a strong and stable cash flow (FFO), a growing asset value (EPRA NAV) and a solid financing structure (LTV). The strong position of Deutsche Wohnen in the capital market emphasizes this development. By disclosing these corporate key figures we create a high degree of transparency and make it possible to understand our strategic decisions.

Increase in profitability

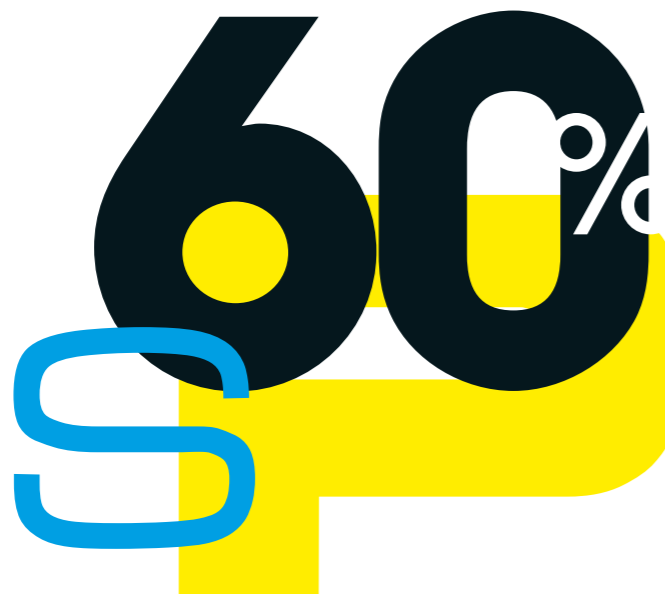
The Funds from Operations (FFO) reflects the recurring cash flow of a real estate company or more specifically its recurring operating result. During the past two years our FFO (without disposals) has more than doubled from EUR 47.5 million to EUR 114.5 million. Our FFO (without disposals) per share rose from EUR 0.54³⁾ in 2011 to EUR 0.65⁴⁾ in 2013. This impressive performance is based on acquisitions of value and on the further improved operational management of our holdings. Even today we are forecasting a rise in recurring FFO – i.e. FFO (without disposals) – to at least EUR 210 million for the financial year 2014. This forecast does not take into account a minority shareholding of 8% in GSW Immobilien AG.

The FFO from privatisations has also increased significantly since 2011. We are profiting from the very good situation on the housing market not only in terms of sales volumes but also in terms of gross margins of around 47%. The successful business model of Deutsche Wohnen will provide the basis for the positive development of our lettings and privatisation business in the future as well.

Because of our improved profitability the dividend planned for 2013 will also increase. As in previous years, we are planning to pay out half of the recurring FFO (without disposals). For the financial year 2014 we have already announced – in the context of the takeover of GSW Immobilien AG – the intended increase of the pay-out ratio to 60% to ensure that our shareholders have a greater share in the success of our company.

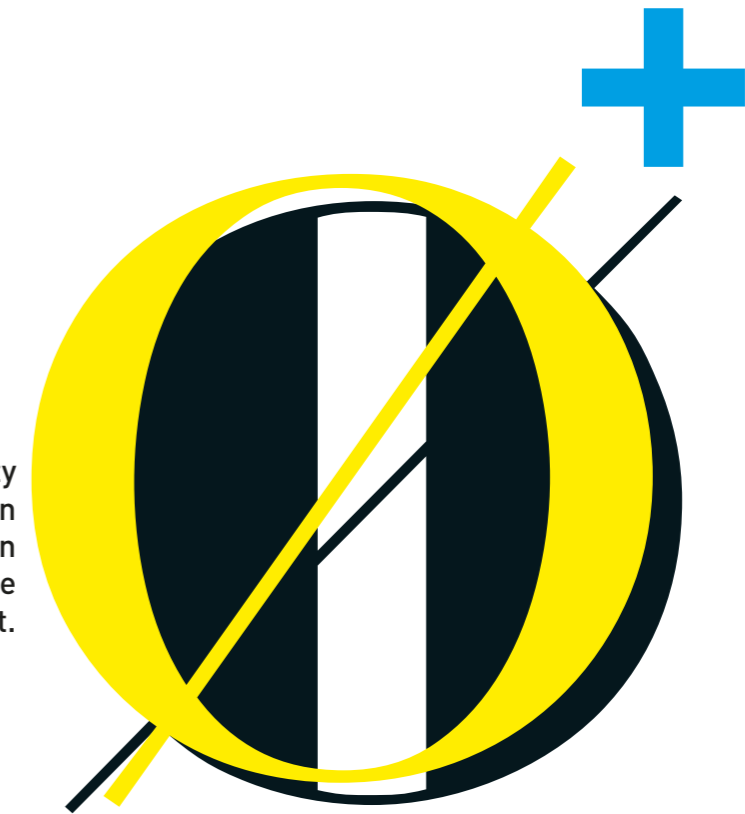
³⁾ Based on an average number of around 88.74 million issued shares in 2011, taking into consideration the effects of the capital increases in 2011 and 2012

⁴⁾ Based on an average number of around 175.27 million issued shares in 2013



Because of our improved profitability our shareholders will have a greater share in the success of our company.

Above-average quality and good locations in our portfolio strengthen our position on the financing market.

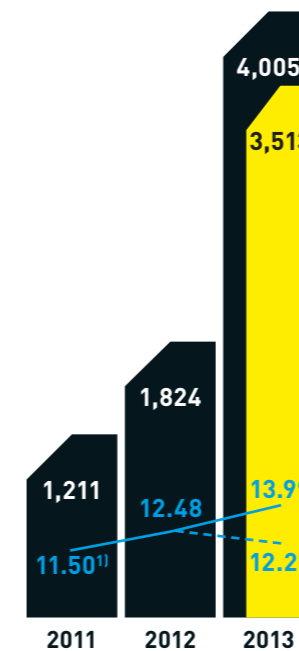


Positive development in value of company

The Net Asset Value (NAV) represents the intrinsic value of a real estate company. The EPRA NAV is used to show the long-term fair value of the equity, i.e. adjusted for items which have no influence on the long-term development of the company (among others, deferred taxes or the market values of interest rate hedging agreements).

NET ASSET VALUE (NAV)

in EUR m



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

¹⁾ EPRA NAV per share, including the so-called scrip adjustment from the capital increase of 2012

Within the past two years the EPRA NAV has increased significantly by around 22% from EUR 11.50¹⁾ to EUR 13.99 per share. This development is attributable to the Group's positive results. The EPRA NAV also takes into account the goodwill which resulted from, amongst other things, the premium contained in the exchange ratio of 51 Deutsche Wohnen shares for 20 GSW shares. This premium was based on the assumption that our joint platform will enable us to achieve annual cost savings of EUR 25 million within two years of the takeover. After taking into account transaction and integration costs, we valued these synergies at a net present value of EUR 430 million. To show how high the dilution would be without goodwill or without a valuation of the synergies, we have adjusted the EPRA NAV for goodwill – to arrive at the adjusted NAV. Accordingly, the dilution amounts to a mere 1.7% compared to 31 December 2012.

Strong position on the financing market

Deutsche Wohnen is well known for the high-level of quality and the good locations of its real estate portfolio. This makes the company interesting for many financiers. In addition, our low vacancy rates, our new-letting rents – which have been increasing for years – and our low collection risks put us in a strong position on the financing market. This means that we can take advantage of the competition to negotiate attractive conditions in respect of margins, fees and repayment terms. Furthermore, Deutsche Wohnen has various sources of finance at its disposal in terms of both equity capital and debt capital. In the past few years we have been able to implement a sound and efficient financing structure.

The Loan-to-Value Ratio (LTV) – the ratio of net financial liabilities to real estate assets – was 57.3% as at the reporting date and is therefore slightly above our medium-term target figure of 55%.

As at 31 December 2013 the average interest rate of Deutsche Wohnen was 3.5%. Moreover, the repayment terms of the loans are structured to prevent the concentration of risks.

²⁾ EPRA NAV per share, including the so-called scrip adjustment from the capital increase of 2012



cap

5

3.95

EUR billion

Berlin-Siemensstadt,
completely in our portfolio
since 2013

**The capital market
has confidence
in our strategy.**



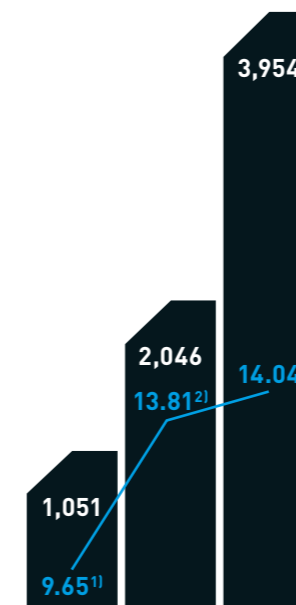
Great confidence with investors

With a market capitalisation of almost EUR 4 billion as at 31 December 2013, Deutsche Wohnen is one of the largest listed residential property companies in Germany and Europe. In the time frame of just two years Deutsche Wohnen has achieved impressive growth, and its market capitalisation has increased by more than 3.5 times since the end of 2011. This is mainly attributable to the capital increases in 2012 and 2013, which were used for the continuous, focused and – not least – value enhancing expansion of the portfolio through various acquisitions.

Our share price⁴⁾ rose markedly by over 45%⁷⁾ to EUR 14.04 between the end of 2011 and the end of 2013. In 2012 the Deutsche Wohnen share price demonstrated a strong performance with an appreciation of value of about 43%⁸⁾ and surpassed its benchmark indices considerably. The course of the year 2013 saw the development of the share according mostly to the benchmark EPRA Germany. Towards the end of the year, the Deutsche Wohnen share was able to outpace it slightly with a moderate capital gain of almost 2%⁹⁾ and featured a better performance than the benchmark index compared to the end of 2012. Initial public offerings and capital increases made by listed real estate companies were responsible for an increased supply of real estate shares on the capital markets in 2013.

**MARKET
CAPITALISATION**

As at 31 December 2013 the Deutsche Wohnen share was traded with a premium of around 14% on the Adjusted NAV. This depicts the considerable trust by the capital markets, rewarding our strategy.



31/12/2011 31/12/2012 31/12/2013

■ Market capitalisation in EUR m³⁾
■ Share price in EUR⁴⁾

First convertible bond successfully placed

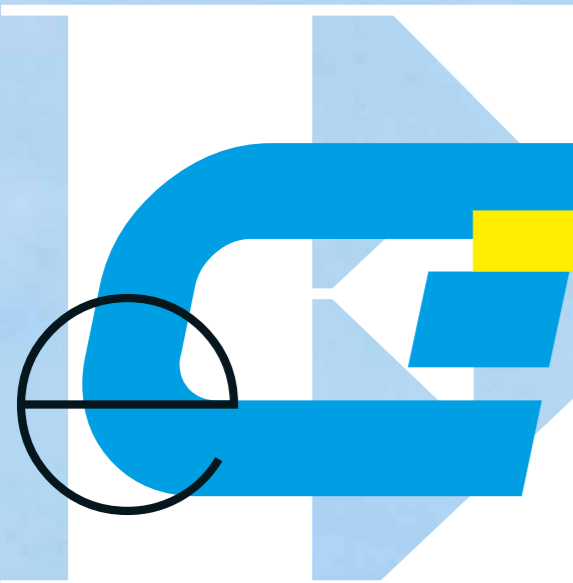
The high regard in which Deutsche Wohnen is held on the capital market became apparent also with the successful placement of a convertible bond with institutional investors – a first for our company – in November 2013. This is one of the largest convertible bonds with the best conditions from the issuer’s point of view on the European real estate market since the financial crisis.

The seven-year bond was able to be placed with a volume of EUR 250 million. It comes at an annual interest rate of just 0.5% and with a conversion premium of 30% above the reference price. This price represents a premium of around 15% on the net asset value (NAV) per share, resulting in an attractive – from the point of view of the issuer – effective conversion premium of around 45% on the NAV per share.

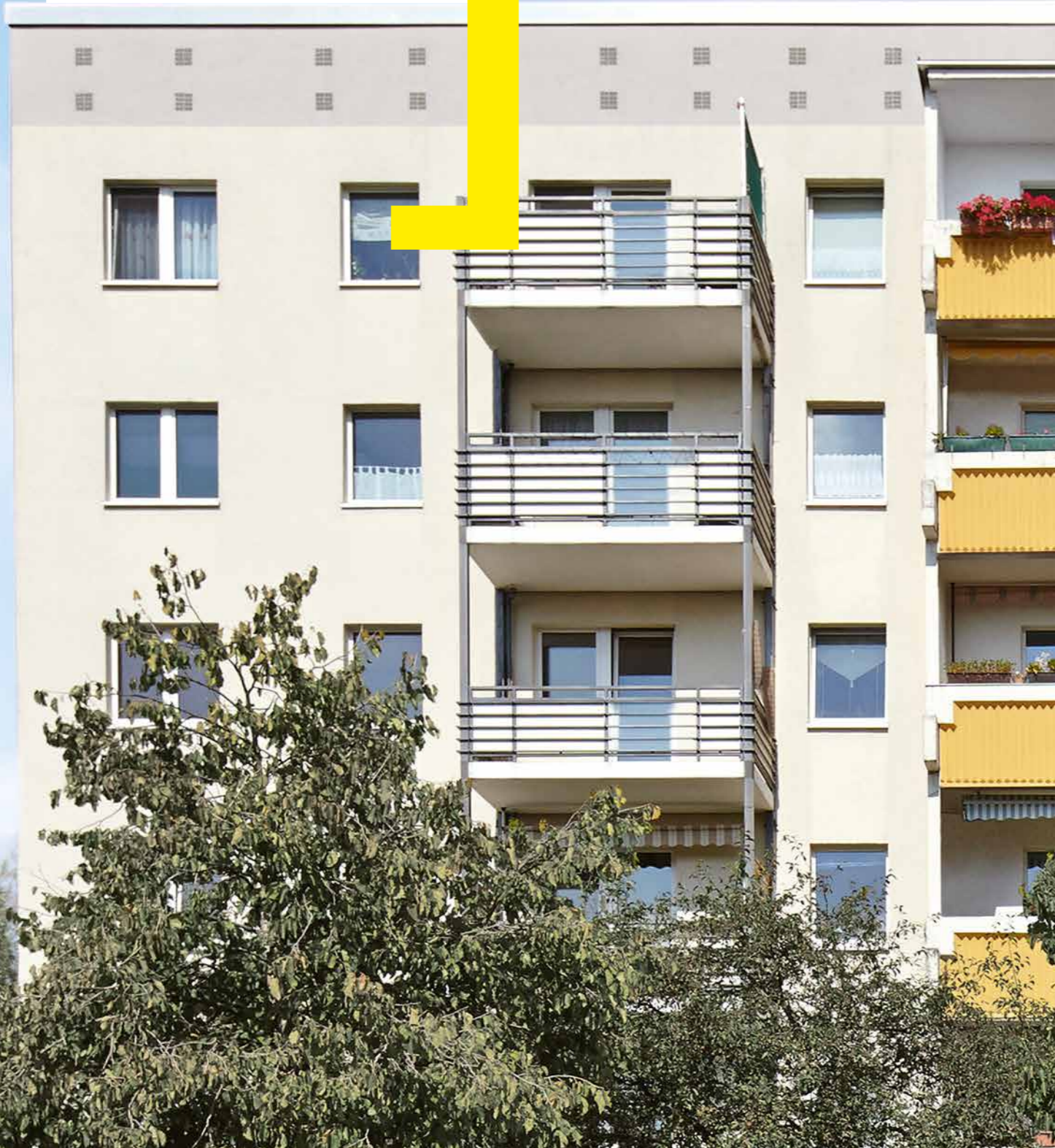
The conditions according to which the conversion bonds were issued also provide that – should the right to conversion be exercised – Deutsche Wohnen may meet the conversion claims of the creditors by issuing shares, making a cash payment or a combination of the two. Thus, we have in our hands an extremely flexible tool for managing our capital structure.

¹⁾ Price adjusted for capital increase in 2012 and dividend payments in 2012 and 2013
²⁾ Price adjusted for the dividend payment in 2013
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
⁴⁾ Price of the Deutsche Wohnen share with ISIN DE000A0HN5C6

⁵⁾ Price of the Deutsche Wohnen share with the International Securities Identification Number (ISIN) DE000A0HN5C6. Following the capital increase of November 2013 there is additionally a “new” bearer share (ISIN DE000A1X3R56) of Deutsche Wohnen AG, which is only entitled to dividend from 1/1/2014. For the purpose of comparison we are referring to the “old” bearer share.
⁶⁾ Price adjusted for capital increase in 2012 and dividend payments in 2012 and 2013
⁷⁾ Price adjusted for capital increase in 2012 and dividend payments in 2012 and 2013
⁸⁾ Price adjusted for capital increase in 2012 and dividend payments in 2012 and 2013
⁹⁾ Price adjusted for dividend payment in 2013



We create economies of scale and benefit from the efficient management of our holdings.



LEADING IN EFFICIENCY

We set standards in the industry

Whether in terms of the management of our holdings or the supply of power, we are setting standards in the industry with efficient processes and systems. We work to high professional standards and offer our employees a modern, performance-related work environment.

Ideal alignment of the property management

The core business of Deutsche Wohnen comprises the management of attractive residential properties in economically significant regions of Germany. We place great emphasis to holdings that are geographically clustered and have a sufficient minimum size. This means that we do not grow at random, but only where it is economically attractive and where our regional holdings can be complemented. In this way we create economies of scale, while benefiting from efficient management. The fact that we, almost without exception, manage our holdings ourselves brings further advantages: it enables us to realise possible potential for value enhancement and, at the same time, to be close to the customer.

As a result of the takeover of GSW we expect synergy effects of around EUR 25 million per year.

The critical size which we are reaching with the acquisition of GSW also makes it possible to achieve even more efficient administration processes, to bundle services and to realise opportunistic disposals. Furthermore, the growth in our holdings pays off in terms of procurement. Because of our size we can continue to procure goods and services in a way that is increasingly efficient and cost-effective. Overall, the anticipated synergy effects following the complete integration of GSW amount to around EUR 25 million per year.



Berlin-Hellersdorf, part of our portfolio since 2013

Efficient processes are decisive for the success of the company

We have an efficient and well-practised organisational and process structure. In the management of our holdings we have divided responsibilities into central and local functions in a way that is clear and makes sense. Thus, the central service centre in Berlin is available to tenants as a point of first contact. In case of general enquiries or enquiries capable of standardisation, e. g. tenancy agreement certificates, permits or tenant information, these are dealt with directly by the specialist staff at the service centre. This relieves the pressure on colleagues in the specialist departments and at the local service points. Further benefits of this division of responsibilities are a high level of accessibility, shorter response times and the efficient and targeted referral of enquiries.

The local service points are responsible for dealing with the individual enquiries of tenants. For example, the colleagues there provide information about lettings, and prospective tenants can look at offers or arrange viewings. Questions about a tenancy agreement or a possible change of residential apartments are also dealt with directly. In addition, the local commercial and technical service departments coordinate all issues related to living in that particular neighbourhood.

The expected synergies will strengthen our position as cost-leader.



At our local service points tenant enquiries are dealt with efficiently and unbureaucratically.

Specific partnerships complement our know-how

Deutsche Wohnen relies on its own know-how in its core business activities. So we can provide an excellent standard of service to our tenants and guarantee high quality in the management of our holdings. In addition, we enter into specific partnerships where this seems to make sense.

Accordingly, we concluded, for example, a strategic cooperation agreement with the energy supplier GETEC AG from Magdeburg last year. Together we want to redesign the energy-efficient management of our holdings and, in doing so, provide a first response as a group of companies to the energy policy challenges of the future. It is our specific goal to increase the energy efficiency of our properties. This concerns all our residential and commercial holdings as well as the facilities of KATHARINENHOF® for Nursing and Assisted Living.

We want to actively achieve new levels of value creation.

This cooperation is a fundamental component of our energy strategy. We want to consciously open new levels of value creation and, in doing so, generate growth from within – and this with a qualified partner at our side. In this way we can bundle our know-how and create added value not only for our company but also for the environment. At the same time, this strategic partnership gives Deutsche Wohnen a high degree of participation in decision-making but, equally, the flexibility to focus its own resources on its core business.

Berlin-Weißensee,
part of our portfolio
since 2012

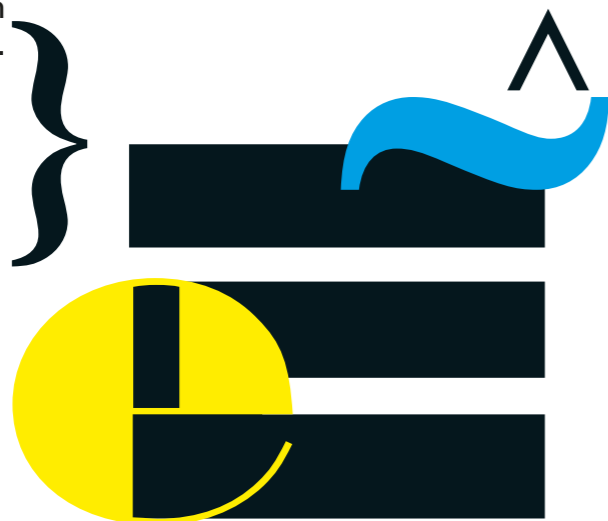


Energy efficiency of our holdings is to be increased

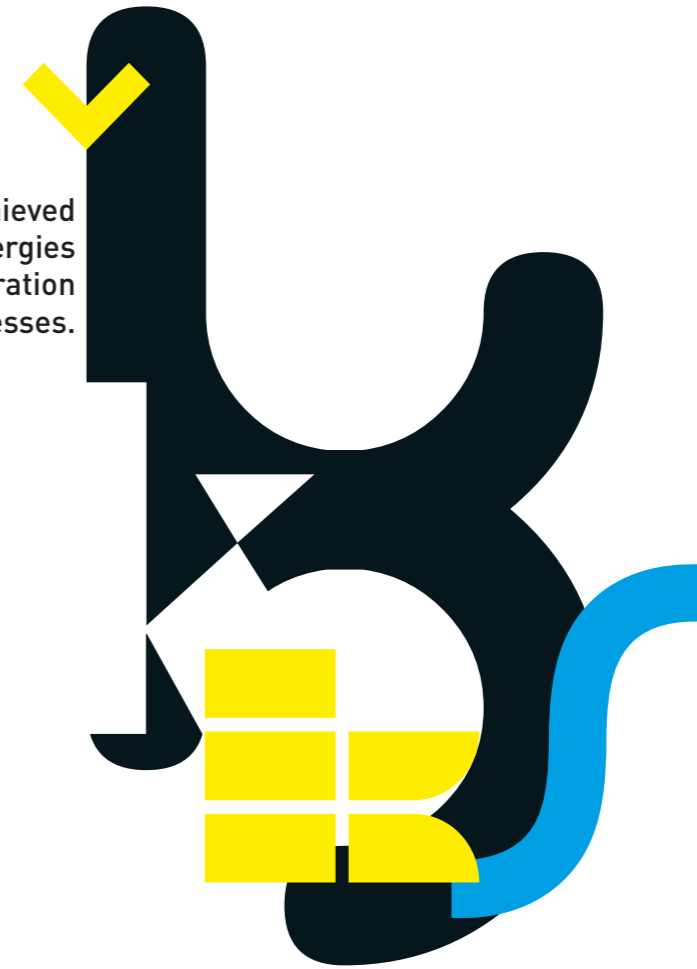
To help us to make the necessary investments we founded a joint enterprise G+D Gesellschaft für Energiemanagement mbH in September 2013 with its headquarters in Magdeburg. A fully researched energy efficiency analysis of the current supply structures in the portfolio of Deutsche Wohnen will provide the basis for individual energy supply solutions for given holdings. In the future, energy supply systems will be gradually modernised and, where necessary, replaced.

In all of this, particular attention is being paid to local electricity production by means of combined heat and power generation and the efficient heat supply. The use of renewable primary fuels like biogas or wood pellets is also examined. In this way, we want to counteract rising energy costs in order to remain competitive in future. Our tenants benefit from this directly. Through the joint enterprise G+D, it has already been possible to create a central platform for the purchase of gas and to achieve economies of scale. For the years 2014 and 2015 the demand for gas in our holdings and facilities – approximately 170 gigawatt hours for over 800 consumption points – has been met at much more favourable prices than in the past.

In the management
of our portfolio
we rely on specific,
long-term
partnerships.



We have achieved
attractive cost synergies
in our integration
processes.



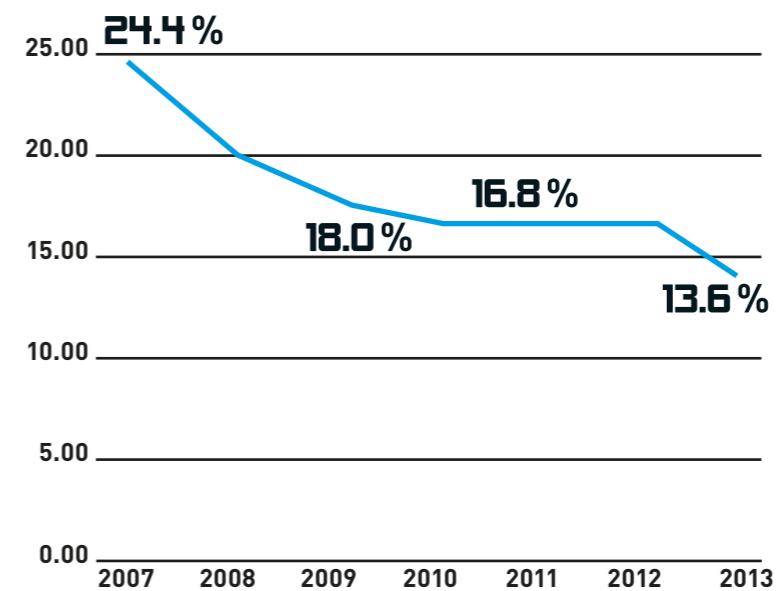
**Close cooperation with system providers
in specific areas**

In the management of our portfolio, for example in the area of facility management, we rely on select partners with whom we have worked for many years. We involve these partners closely in our processes and our strategic portfolio planning. With the help of shared SAP interfaces we are able to manage and check the work processes effectively. Our own quality management programme is used to monitor compliance with specially defined performance standards. In this way, the value of the portfolio is maintained.

Deutsche Wohnen with most efficient cost structure

Due to its efficient organisational processes, the highly focused nature of its holdings and its great expertise in integrating acquisitions, Deutsche Wohnen has been able to continuously improve its cost ratio, i.e. the proportion of staff and general and administrative expenses to gross rental income over the past few years. For example, in the course of the integration and restructuring phase following the takeover of GEHAG in 2007 we were able to cut down general and administrative costs significantly within a 24-month period and, in this way, to reduce the cost ratio from 24% to 18%.

In the years that followed we have achieved further economies of scale through extensive, value-enhancing acquisitions, with the result that the cost ratio is now 13,6%.¹⁰¹



COST RATIO

Staff and general and administrative expenses
in proportion to gross rental income

¹⁰¹ Cost ratio of Deutsche Wohnen AG, not taking into account GSW Immobilien AG



**LEADING
IN STRATEGY**

The large conurbations in which the availability of housing is decreasing year by year are at the centre of our strategy. 98% of our total portfolio is located in these attractive markets.

OUR FOCUS IS ON GERMAN METROPOLITAN AREAS



Deutsche Wohnen is consistent in the pursuit of its growth strategy. Herein, it focuses on the acquisition and management of attractive residential properties and nursing home facilities in economically significant regions of Germany – so-called metropolitan and growth areas.

The growing shortage in the supply of housing in these conurbations as a result of the continuing increase in the number of households will lead to further rent and price adjustments.

98% of the portfolio of Deutsche Wohnen is located in these attractive markets: 79% of all residential units are located in so-called core+ regions in Greater Berlin, the Rhine-Main area and the Rhineland, whilst 19% of the overall portfolio is located in core regions like Hanover, Brunswick and Magdeburg.

Berlin: The most dynamic growth market in Germany

Berlin stands out as one of the most attractive growth regions in Germany. In 2012 the economy of Berlin achieved the second highest growth rate of all German federal states. According to an initial forecast, the gross domestic product of Berlin increased by 1.2% in 2013 – much more than the average for the whole of Germany of 0.5%.¹¹¹

The residential property market of Germany's capital city continues to be characterised by a high demand for housing accompanied by relatively low levels of construction activity. As a result, the vacancy rate has recently fallen below 2%.¹²¹

¹¹¹ Senate Department for Economic Affairs, Technology and Research: Economic report. The Economic Situation in Berlin in the 3rd quarter of 2013
¹²¹ Jones Lang LaSalle: On Point: Residential City Profile Berlin, 1st half-year 2013



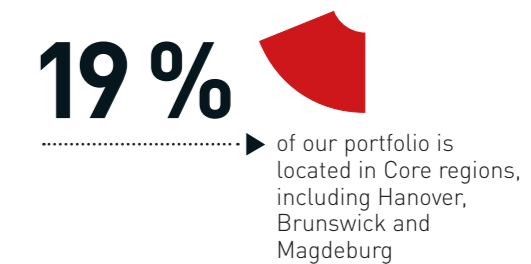
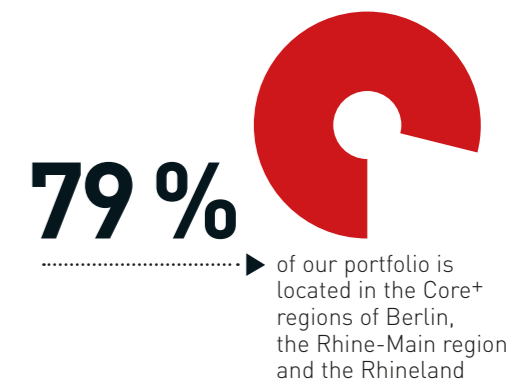
Berlin is growing faster than at any time in the last 20 years. The number of households in Germany's capital city has risen to just under two million – and is forecast to rise by a further 1.6% by 2030.

Rate of population growth has increased

Currently Berlin is experiencing its highest population growth for more than 20 years. This growth is primarily due to an influx from outside. The update of the Federal Statistical Office on the 2011 census assumes around 3.4 million inhabitants for the end of September 2013, which means an increase of 1.0% compared with the beginning of 2013. This positive development in population is mainly the result of a net influx of 31,400 persons.¹³¹

The number of households has risen to around 2 million. This means that the average household size in Germany's capital is 1.8 persons (Germany: 2.1 persons).¹⁴¹

For the years to come the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) is forecasting an annual population growth for Berlin of 0.7% up to 2030 (base year: 2010). The number of households is expected to rise by 1.6%, which means that the trend towards smaller households will continue.¹⁵¹



¹³¹ Statistical Office for Berlin-Brandenburg: Population Growth in Berlin at the End of the 3rd quarter 2013, press release of 11/2/2014

¹⁴¹ NAI apollo Report on Residential Property Market in Germany, 2012/2013

¹⁵¹ Federal Institute for Research on Building, Urban Affairs and Spatial Development, Regional Development Forecast 2030, Bonn 2012

Building completions cannot keep pace with high demand

Compared with these trends there is only a minimal rise in the figures for completed buildings on the Berlin housing market. According to the Statistical Office for Berlin-Brandenburg, the number of flats increased between 2011 and 2012 by a mere 0.3% to around 1.9 million.¹⁶⁾ This increase is even below the average for the whole of Germany of 0.4%.¹⁷⁾ Admittedly, the increase in construction activity is visible – which can also be seen from the clear increase in construction permits – but this increase is not yet reflected in the figures for building completions. Accordingly, only 5,400 new residential units were built in 2012, of which more than a third were condominiums.¹⁸⁾

The construction of new housing is far from being able to keep pace with the current demand. The Federal Institute for Research on Building, Urban Affairs and Spatial Development has calculated the need to build more than 16,000 residential units a year¹⁹⁾ – and this calculation has not yet even taken into consideration the accelerated growth in population. This means that available housing in Berlin will remain in short supply in the future as well.

¹⁶⁾ Statistical Office for Berlin-Brandenburg: Housing Stock in Berlin in 2012 above Equivalent Figure for the Previous Year – on the Basis of the New Census, press release of 5/12/2013
¹⁷⁾ Federal Statistical Office: Building Activity and Housing, series 5, r. 3, 2012
¹⁸⁾ Statistical Office for Berlin-Brandenburg: Website, Time series buildings and housing; accessed: 14/1/2014
¹⁹⁾ Federal Institute for Research on Building, Urban Affairs and Spatial Development: Housing market analysis 2025, Bonn 2011

8.2%

Berlin had the highest rent increases in 2013 of 8.2%.

Highest rental increases in Germany

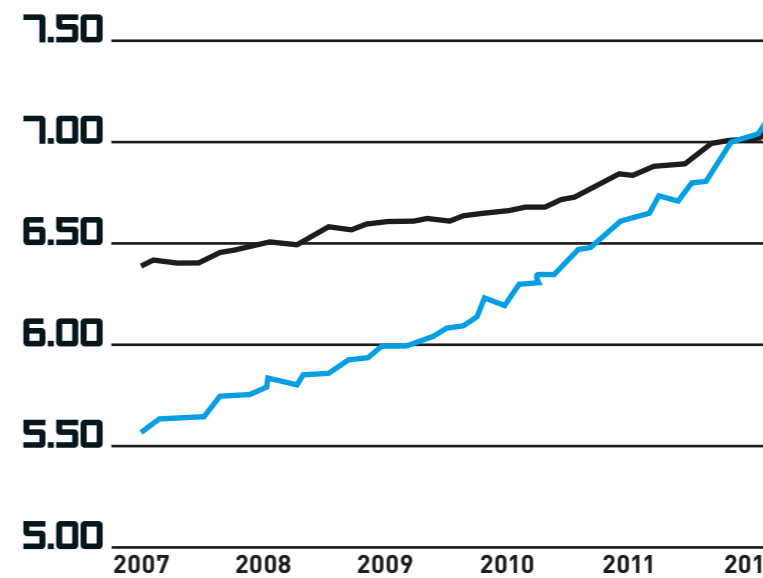
The average rate of growth in rents has increased markedly in Berlin during the past few years. In the period from 2007 to 2012 it amounted to 27.6% – by far the highest increase in a nationwide comparison. Hamburg and Frankfurt follow in second and third place with increases of 23.3% and 17.1%,²⁰⁾ respectively. This trend continued unabated in 2013 with an annual increase in rents of 6.9%. A medium-level new letting rent is now EUR 8.02 per sqm. Here, the highest rental increases are noted in the boroughs Mitte, Friedrichshain- Kreuzberg and Neukölln.²¹⁾ Here rent levels are being driven upwards by fashionable new locations as well, for example parts of Moabit, the southern part of Wedding and Gesundbrunnen or the Wilhelminian districts of Neukölln.²²⁾

In all probability this above-average dynamic will continue in the years to come because of the high demand. However, on the demand side the limiting factor of income could slow down the rate of rental price increases somewhat.

Prices for condominiums continue to rise

Prices for condominiums are also continuing to rise. On an annual basis they are increasing by 9.6%. Residential units for purchase are now offered on the market at an average price of EUR 2,474 per sqm. Currently, the borough that is most sought after is Lichtenberg, which has seen an increase in prices of 33% compared to the previous year, followed by Neukölln with a price increase of 22%.²³⁾ Overall, a visible dynamic can be seen regarding the prices of residential units for purchase since 2010. Since then they have risen by 45% and are thereby exceeding the rate of growth in rents significantly. However, in contrast to rents, the upward trend has diminished only in the first half-year of 2013, but remains at a much higher level.²⁴⁾

²⁰⁾ DIW, Weekly Report, no. 45, 2012
²¹⁾ GSW Housing Market Report Berlin 2014
²²⁾ Jones Lang LaSalle: On Point. Residential City Profile Berlin, 1st half-year 2013
²³⁾ GSW Housing Market Report Berlin 2014
²⁴⁾ Jones Lang LaSalle: On Point. Residential City Profile Berlin, 1st half-year 2013

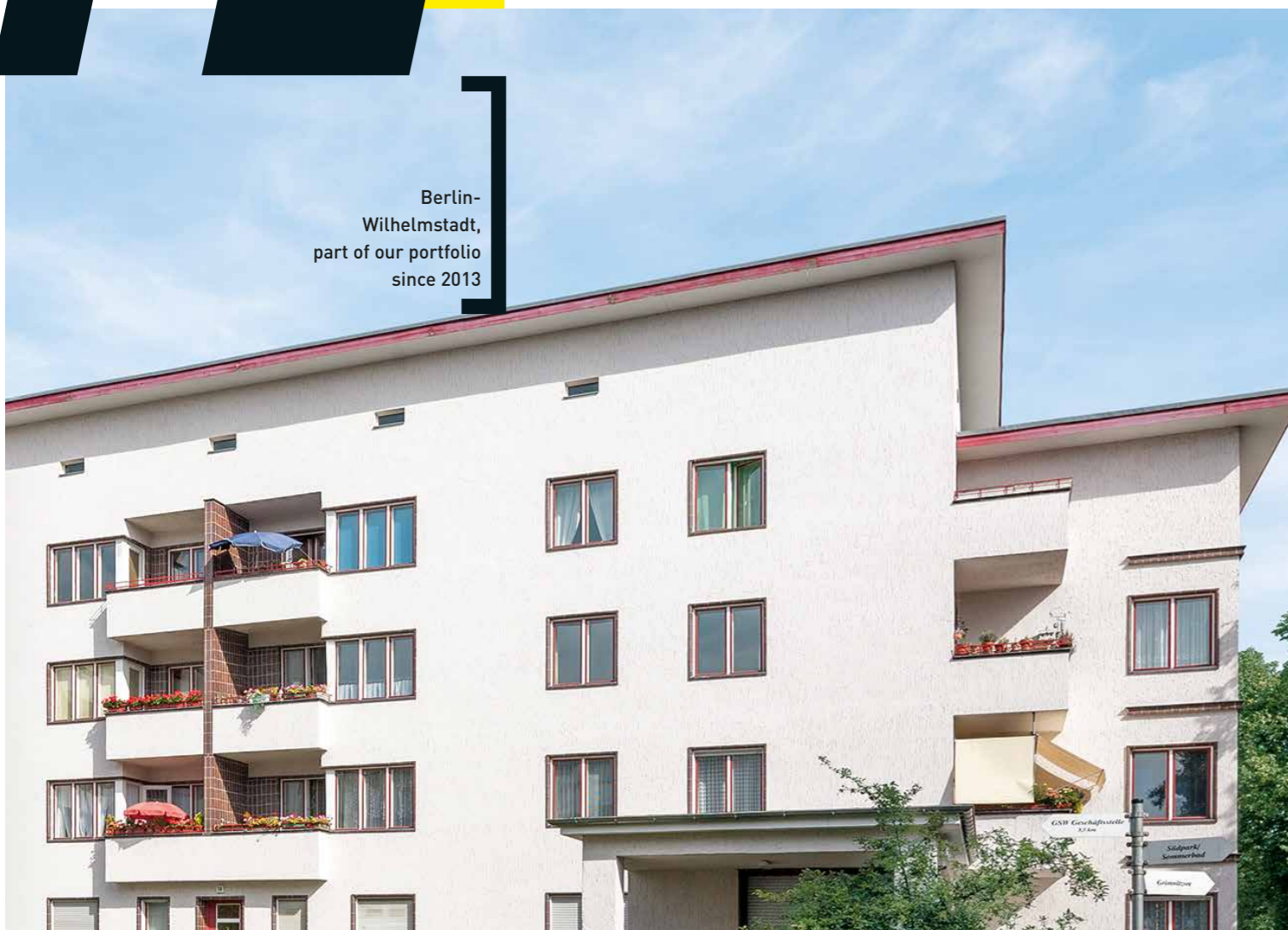


DEVELOPMENT OF RENTS

in EUR per sqm
 Berlin compared to the average of the top 25 towns and cities in Germany¹⁾

■ Berlin ■ Top 25 towns and cities

¹⁾ DIW, Weekly Report no. 45, 2012





72 % of our portfolio is located in the boom market of Berlin.

Berlin-Schmargendorf, part of our portfolio since 2013

High transaction volume in Berlin

The high demand for housing in this attractive market – traditionally the largest transaction market in Germany – is also evidenced by the volume of transactions. In 2013 around EUR 6.9 billion was invested in the Berlin housing market – four times as much as in the previous year. The largest driver here was the takeover of the GSW by Deutsche Wohnen for around EUR 3.4 billion, a sum which constitutes half of the entire investment volume last year. But even without this transaction Berlin would – with a transaction volume of EUR 3.5 billion – still be the market leader. This means that Germany’s capital city continues to be the most popular location for residential property investment in Germany. It is followed – at a great distance further back – by Frankfurt/Main (EUR 520 million) and Hamburg (EUR 426 million).²⁵⁾

Since 2010 we have acquired over 88,000 residential units in Berlin with a value of nearly EUR 5 billion.

Deutsche Wohnen – a strong presence in Berlin all along

With 72% of our total portfolio or 108,000 units in Greater Berlin we are extremely well positioned in this boom market. Deutsche Wohnen recognized the potential of Berlin at an early stage and has continuously expanded its market presence in the city. Since 2010 we have acquired over 88,000 units in Berlin with a value of almost EUR 5 billion.

OUR CURRENT PORTFOLIO

Residential units in Greater Berlin

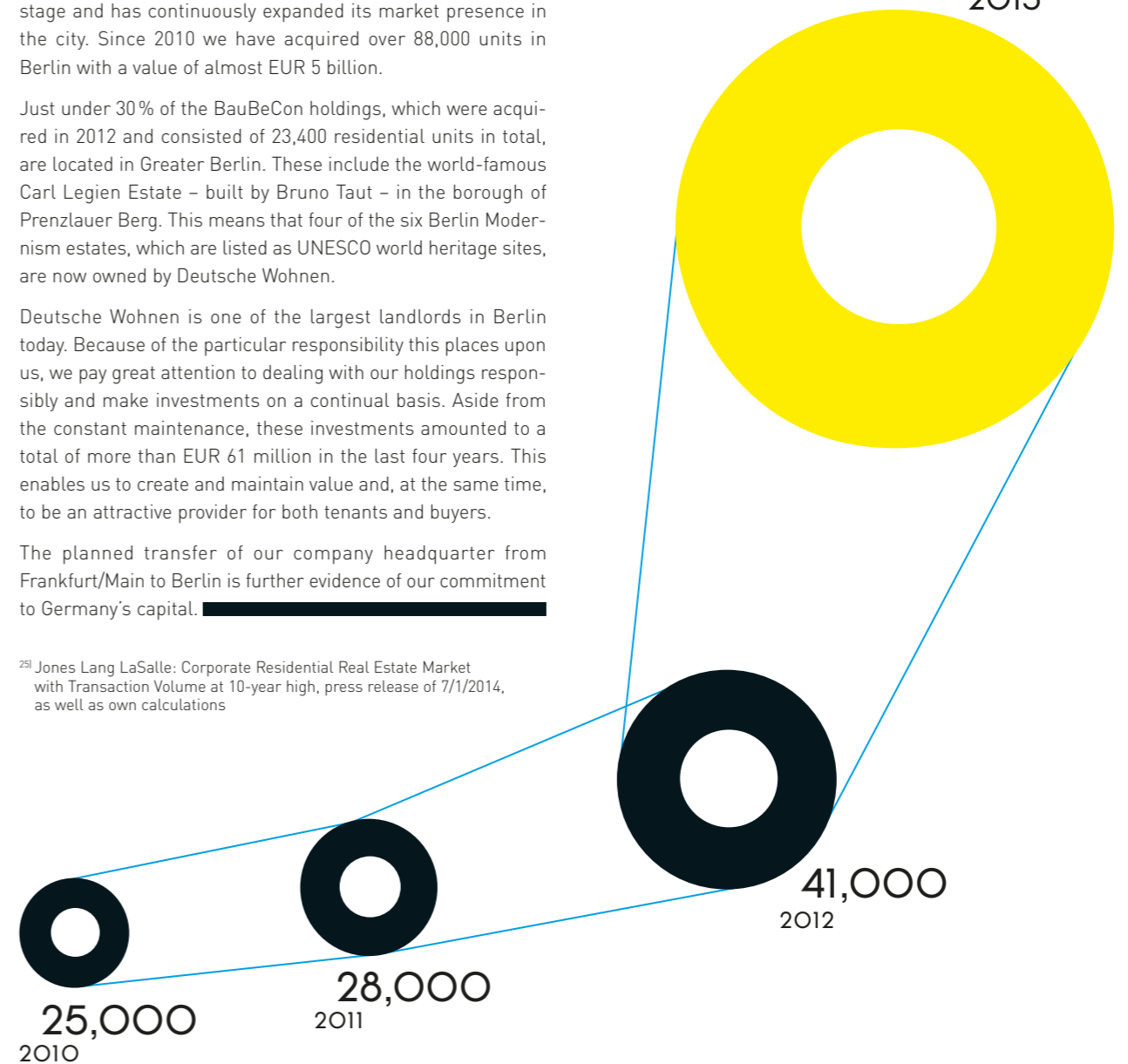
108,000
2013

Just under 30% of the BauBeCon holdings, which were acquired in 2012 and consisted of 23,400 residential units in total, are located in Greater Berlin. These include the world-famous Carl Legien Estate – built by Bruno Taut – in the borough of Prenzlauer Berg. This means that four of the six Berlin Modernism estates, which are listed as UNESCO world heritage sites, are now owned by Deutsche Wohnen.

Deutsche Wohnen is one of the largest landlords in Berlin today. Because of the particular responsibility this places upon us, we pay great attention to dealing with our holdings responsibly and make investments on a continual basis. Aside from the constant maintenance, these investments amounted to a total of more than EUR 61 million in the last four years. This enables us to create and maintain value and, at the same time, to be an attractive provider for both tenants and buyers.

The planned transfer of our company headquarter from Frankfurt/Main to Berlin is further evidence of our commitment to Germany’s capital.

²⁵⁾ Jones Lang LaSalle: Corporate Residential Real Estate Market with Transaction Volume at 10-year high, press release of 7/1/2014, as well as own calculations



RESIDENTIAL UNITS IN OUR PORTFOLIO

108,411

IN THE GROWTH MARKET OF BERLIN¹⁾

PANKOW

8,787

5.87 In-place rent (EUR per sqm)

0.8 Vacancy (%)

REINICKENDORF

11,986

5.34 In-place rent (EUR per sqm)

2.0 Vacancy (%)

LICHTENBERG

7,712

5.59 In-place rent (EUR per sqm)

1.2 Vacancy (%)

SPANDAU

15,173

5.18 In-place rent (EUR per sqm)

2.4 Vacancy (%)

MITTE

3,776

5.62 In-place rent (EUR per sqm)

1.2 Vacancy (%)

MARZAHN-HELLERSDORF

8,668

4.87 In-place rent (EUR per sqm)

2.8 Vacancy (%)

CHARLOTTENBURG-WILMERSDORF

8,001

6.19 In-place rent (EUR per sqm)

1.0 Vacancy (%)

FRIEDRICHSHAIN-KREUZBERG

7,983

5.53 In-place rent (EUR per sqm)

1.1 Vacancy (%)

TEMPELHOF-SCHÖNEBERG

6,130

5.41 In-place rent (EUR per sqm)

3.7 Vacancy (%)

TREPTOW-KÖPENICK

4,265

5.82 In-place rent (EUR per sqm)

2.2 Vacancy (%)

STEGLITZ-ZEHLENDORF

11,175

5.88 In-place rent (EUR per sqm)

1.7 Vacancy (%)

NEUKÖLLN

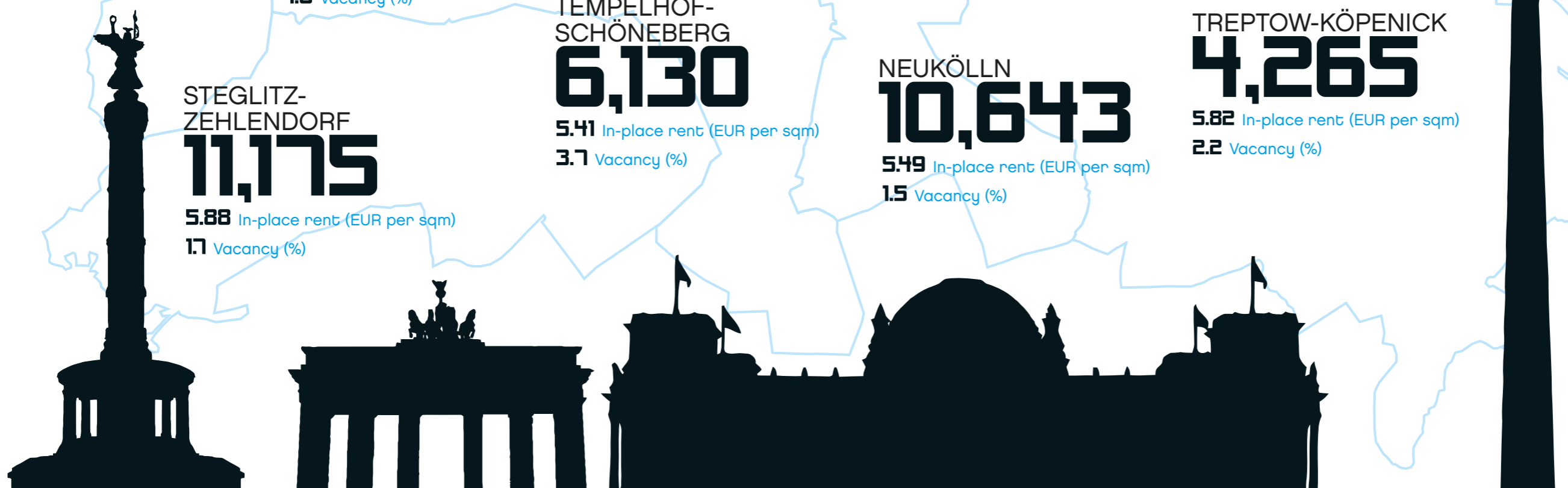
10,643

5.49 In-place rent (EUR per sqm)

1.5 Vacancy (%)

¹⁾ OUTSIDE BERLIN:

4,112



The merger with GSW has created one of Europe's leading real estate companies.

LEADING COMPANY

Deutsche Wohnen and GSW complement each other outstandingly

We have continued with the consistent pursuit of our focused growth strategy by acquiring GSW and, in doing so, by setting in motion the anticipated consolidation of the German residential property market. This amalgamation combines two highly complementary portfolios in an ideal way and creates a leading German residential property company, indeed a leading European one.

The Group comprises more than 152,000 residential and commercial units as well as about 2,200 nursing places and assisted living apartments with real estate assets of around EUR 9.0 billion.

Carl Legien Estate, Berlin, part of our portfolio since 2012

Focus on growth markets creates considerable potential

Deutsche Wohnen and GSW are an excellent strategic fit. They share the same business philosophy, with a focus on quality, efficiency and concentration. The successful growth strategy will be systematically continued in due consideration of the Core+ approach. Despite the fact that we have become a much bigger company, we will remain focused – with a concentration on the highly attractive market in Berlin. Our diversified and extensive portfolio in various Berlin boroughs will enable us in future to realise further rental increase potential.

Deutsche Wohnen and GSW share the same philosophy of focusing on quality, efficiency and concentration.

Significant synergy effects in administration, procurement and investment strategy

The amalgamation of the two companies will also see a standardisation of systems and processes. Overall, we anticipate synergies in an amount of approximately EUR 25 million a year. It is expected that the full amount of these synergies will be realised (with a full-year effect) following completion of the integration process, i.e. from the fiscal year 2016 onwards.

Above all, we see synergy potential in more efficient administrative processes and a joint procurement and investment strategy. In the previous year Deutsche Wohnen was able to significantly reduce its cost ratio from 16.8% to 13.6%²⁶¹ by making value-enhancing acquisitions and by achieving corresponding economies of scale. By making use of economies of scale in the context of the strong focus of our portfolio on Berlin we will continue to strengthen our position as the cost leader amongst listed residential property companies.

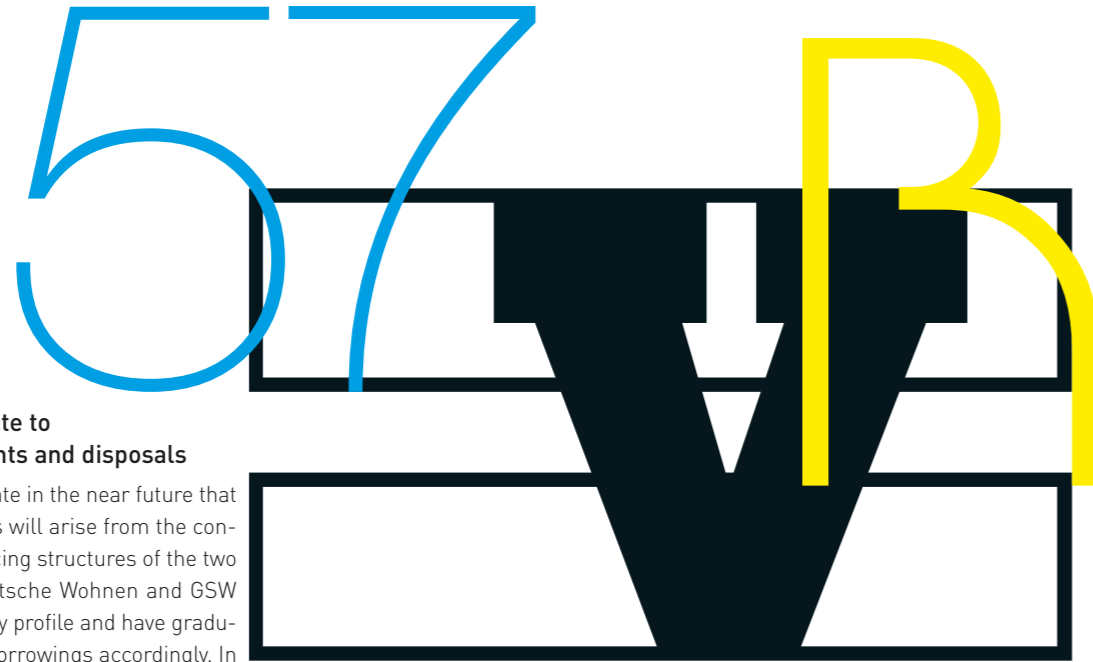
In procurement we will be in a stronger negotiating position in future because of our size and will be able to achieve reductions in further cost items. This will particularly affect contracts with power suppliers, insurance companies and system providers.

By adapting and optimising our operational processes and investment strategies against the background of a clearly focused business strategy it is intended that further synergy potential should be realised.

²⁶¹ Cost ratio of Deutsche Wohnen AG, not taking into account GSW Immobilien AG

Following the completion of the integration process it is anticipated that synergies of EUR 25 million a year will be achieved.

Berlin-Treptow,
part of our portfolio
since 2006

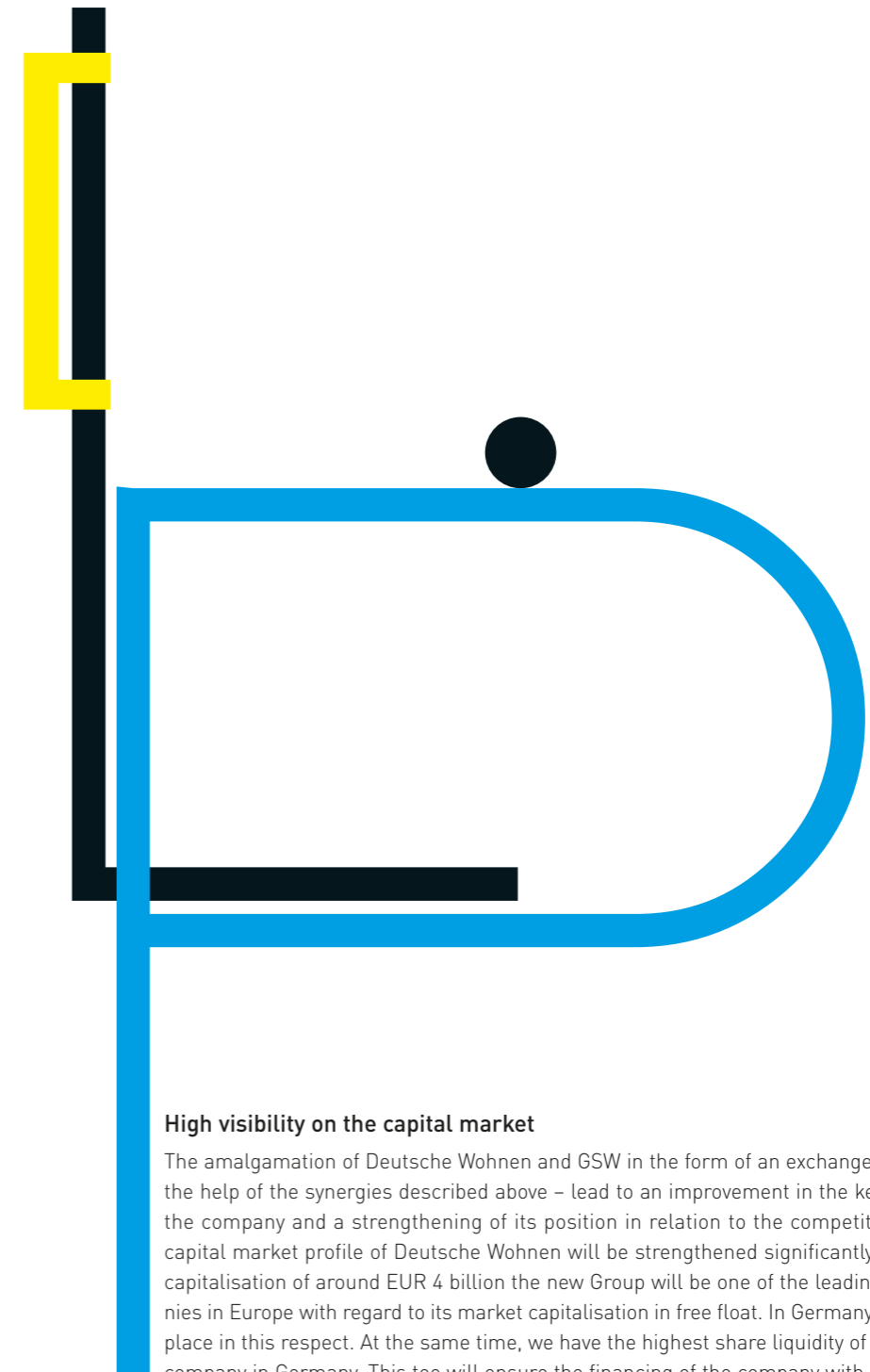


Further effects relate to financing instruments and disposals

In addition, we anticipate in the near future that further synergy effects will arise from the consolidation of the financing structures of the two companies. Both Deutsche Wohnen and GSW have a healthy maturity profile and have graduated periods of their borrowings accordingly. In view of the currently favourable interest rate conditions we assume that we will be able to further reduce the average interest burden on the Group when we negotiate the prolongations being due mainly from 2015, because in part these borrowings are today at a much higher rate of interest. Furthermore, it will be possible to shape the financing structure of the GSW more flexibly with future hedging rates of 80% to 85% – in line with Deutsche Wohnen – in order to benefit here as well from low, short-term interest rates and possibly to be able to make use of market opportunities on the real estate side. We also see the forthcoming prolongations as an opportunity to lower the – currently higher – repayment structures of the borrowings and to adapt them to current market conditions. An anticipated Loan-to-Value Ratio of around 57% is proof of the durability of our financing structure.

A Loan-to-Value Ratio of 57% is proof of the sustainability of our financing structure.

In the business area of disposals the critical mass of residential units, particularly in Berlin, makes it possible to carry out value-creating portfolio streamlining and opportunistic privatisations. Here we can benefit from the currently favourable prevailing market conditions. Furthermore, we will reduce our sales costs by achieving more efficient insourcing solutions.



High visibility on the capital market

The amalgamation of Deutsche Wohnen and GSW in the form of an exchange of shares will – with the help of the synergies described above – lead to an improvement in the key financial figures of the company and a strengthening of its position in relation to the competition. Accordingly, the capital market profile of Deutsche Wohnen will be strengthened significantly. With a joint market capitalisation of around EUR 4 billion the new Group will be one of the leading real estate companies in Europe with regard to its market capitalisation in free float. In Germany we already hold first place in this respect. At the same time, we have the highest share liquidity of any listed real estate company in Germany. This too will ensure the financing of the company with equity or loan capital under improved conditions in a highly competitive capital market environment.

Measured by our market capitalisation in free float we are already number 1 in Germany. In future we want to set standards as a leading real estate company in Europe as well.

Continuing the success story together
We will continue with our successful business philosophy in order to position ourselves permanently as a leader in quality on the German residential property market. Thereby our commitment to quality has to also be measured against efficiency standards. Our ability to strike a balance between these two defines our success and distinguishes us from our competitors. We will continue to make selective acquisitions and to invest in our holdings with a view to strengthening them sustainably over the long term and managing them responsibly.

Our strong market position and financial power are the prerequisites for us being extremely well positioned in the market also in the future. What is more, in the future we want to set standards in comparison also to other real estate companies in Europe in respect to quality and efficiency.

The foundation for this has been laid.



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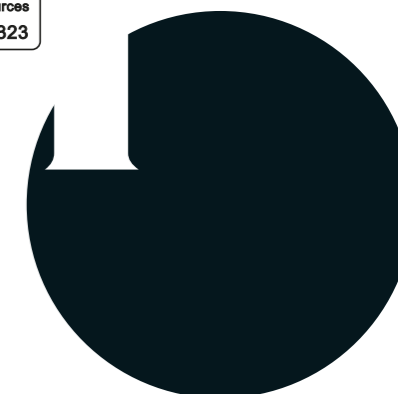
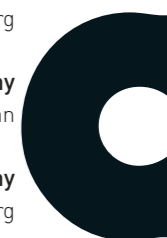
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