

Simply

better

Our year
2010



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The new Deutsche Annington

Simple.

Good.

Structured

for the future.

“We can be proud of what we have **achieved together.**”

Interview with Wijnand Donkers



YOU MENTION THE NEW ORGANISATION. WHAT BENEFITS HAS IT BROUGHT?

> Well, at the beginning, the new structure brought us a lot of work. After all, you can never make such big changes without encountering problems. But our customers supported our company's learning process. The tenant associations and politicians also made a valuable contribution. However, it was our employees who were decisive in making the whole thing a success. For many years now, they have been successfully adapting to changes in the housing market, optimising processes on their own initiative while remaining friendly and obliging to the customers, even under high stress. Our employees are what set us apart from our competitors, not our apartments.

customers. They are in direct contact with the customer centre and handle up to 1,100 orders every day. Never before have we visited our customers so often. To put it in a nutshell: today, we are much better than we were just two years ago.

TO WHAT EXTENT IS THIS ALSO REFLECTED IN THE COMPANY'S EARNINGS?

> Our unconditional focus on our customers and properties also increases our earning power. Adjusted EBITDA topped the 500 million euro mark for the first time despite higher financing costs. And FFO rose by almost 10% to EUR 227 million. With this earning power, we can compete with the big names in other industries.

WHAT WAS THE GREATEST CHALLENGE INVOLVED IN INTRODUCING THE NEW ORGANISATION?

> First of all, such a fundamental reorganisation is a highly complex process which has to be well prepared. And you don't get anything for nothing. So in the last two years we have invested a total of EUR 60 million to create the new Deutsche Annington world. However, the most important thing was to get our employees fully behind the project. After all, in the end it is they who fill the new processes with life and make for satisfied customers. Particularly in view of the fast pace of change we, the managing directors, very much appreciate the great commitment and dedication which our employees have shown in the past two years.

We are very pleased that, with the restructuring of numerous processes, a large number of employees have taken on new responsibilities. Many of them are young and personify the fresh spirit with which we are looking ahead. Naturally, we also need the knowledge of our experienced employees who know all the ins and outs of the housing industry.

THE NEW ORGANISATION HAS NOW BEEN COMPLETED. THE NEW PROCESSES HAVE NOW BEEN SUCCESSFULLY INTRODUCED. WHAT COMES NEXT?

> In the last two years, we have achieved a great deal – for our customers and for our company. We have successfully changed from a property manager into a customer-focused service company. That took a lot of effort and so we can be rightly proud of what we have achieved.

We now want to make our services more tangible for our customers. This includes gearing our range of services even more to the sometimes very different wishes of our customers. Our housing districts are not all the same. Some are in need of more attention than others.

Alongside its own employees, Deutsche Annington also hires contractors such as craftsmen, cleaning companies and gardeners to perform on-site work. In future, we will be making the associated work processes even more customer-friendly. In this connection, we are currently testing the deployment of our own caretakers in six pilot projects. Furthermore, we have started regularly conducting customer surveys. Our customers' suggestions and criticisms give us important indications for channelling and prioritising our next moves.

THE PAST TEN YEARS HAVE BEEN A STORY OF GROWTH FOR DEUTSCHE ANNINGTON. IS THAT GROWTH TO CONTINUE?

> Yes, we also intend to grow further – organically through the continued development of our range of products and services but also through the selective acquisition of attractive residential portfolios as soon as the right opportunities present themselves.

On the property management side, we will be focusing on increasing revenue and achieving even greater customer proximity. For example, we aim to boost our rental income, among other things, by steadily reducing the number of vacant units. At the same time, we want to cut ancillary costs further for our tenants by getting the best deals possible with utilities and other service providers. We are also on the lookout for new ideas. As a landlord of large housing estates which are often situated close to each other, we have the opportunity to be creative in offering our residents further product-related local services. We still have quite a few plans in this direction.

WHAT DOES ALL THIS MEAN IN RELATION TO THE NUMBERS?

We want to continue our successful course of previous years. Adjusted EBITDA should exceed the high level of 2010 while we are expecting FFO to be just short of last year's high figure.

MR DONKERS, WHEN YOU LOOK BACK ON THE PAST YEAR, HOW WOULD YOU RATE 2010?

> We can be pleased with a successful financial year! The results of the past year prove that it is also possible in the housing industry to increase customer proximity and, at the same time, sensibly simplify standard processes. We have geared our structures to meet the needs of our customers just as successful service providers in other industries have long since done. At the same time, we have substantially improved our performance and efficiency. This shows we have definitely set the right course and can look forward to the future with great confidence.

Today, Deutsche Annington is an efficient company with highly transparent, top-quality processes. We focus on our customers and their satisfaction. Thanks to the use of cutting-edge technology, our data and processes have the greatest possible transparency. As a result, we are getting to know our customers better every day and can optimally steer our company. There has never been anything quite like this before in the housing industry.

HOW HAS THE CHANGE AFFECTED DAILY WORKING LIFE?

> Today, our more than 2,800 employees and contract workers focus on two things: the customers and the properties. In our customer centre, the employees handle about 3,400 calls a day. What's more, up to 2,400 queries from tenants also reach us by fax, e-mail or through our new Internet customer portal. That is an average of 5,800 inquiries which we deal with every day – by the way, we are receiving more and more inquiries via the Internet. The telephone availability rate of the customer centre now averages over 80%. On average, a caller does not have to wait more than two minutes. And our local field service workers are also closer to our

Simply **better**

Two years ago, we launched the **biggest project in the history of our company**: we set out to create structures and workflows which, in terms of customer focus and performance, put us on the road to becoming the best residential real estate company in our industry.

We've done it! Together with our employees, customers and partners, we have transformed a container ship into a speed boat. Today, things are simpler. And they are better. This success strengthens us to achieve even more in the future. And it motivates us to reach the other milestones. After all, we do not intend to stand still but want to be even better in future – and therefore **increase our head start in the market.**



Strong services and sound earnings

Our company is working in a new era. By optimising our structures and processes, we have been able to decisively improve our performance, efficiency and customer satisfaction. That is reflected in the economic results. Year One after the reorganisation of the business processes shows the new business model is sustainable and we are on the right course.

We set standards in the German real estate industry

In the past one-and-a-half years, we have created an **optimum balance** between centralised recording of customer inquiries and local closeness to our tenants. Anyone who wants to contact us today can reach us more easily and better than ever before. And if a tenant has a problem with his apartment, we solve it quickly and effectively. Today, we know where our customers' problems lie because we use information better and draw conclusions from it in a more targeted manner – always with a view to how we can satisfy our customers' needs even better in future.

What we have achieved was preceded by a comprehensive and challenging **transformation process** in which a number of hurdles had to be overcome. Before introducing the new processes, we took a lot of time to analyse, work out a concept and prepare the change-over. And we also trained our employees. After the new processes had started in the summer of 2009, we set about overcoming the usual teething problems as quickly as possible. 2010 was then the year of the change in culture. It was all about internalising the new processes and developing routines. Now, in 2011, we are embarking on the phase in which we will realise our full potential.

A strong combination of tradition, ideas and technology

The new Deutsche Annington combines tradition with modernity. Our employees draw on the experience of 100 years' history from ten companies. And over all the years we have also managed to keep attracting new, well-qualified recruits who have brought in fresh ideas. Our employees stay with us for an average of 13 years, which is well above the German average of 10.8 years. That means our people identify with their job and enjoy working for Deutsche Annington.

We are good today because we also integrate technology optimally in our processes. Today, we manage our customers' data using digital tenant files. So our staff always access information from one single, reliable source. And when a customer would like to call us, he just needs to remember one phone number wherever he is phoning from in Germany. He can reach us at this number 54 hours a week. And if customers need somebody to come out to them, digital networking with the field service and dynamic route planning make sure that a field worker is soon at the door.

Reorganisation of the business processes

Performance record for 2010

Rents increased above inflation rate

+ 1.5 %

At EUR 502 million, adjusted EBITDA tops the ½ billion euro mark

+ 5 %

Average increase in number of new lets a week

+ 23 %

FFO increased despite higher financing costs

+ 10 %

Some 22,000 new lets

+ 41 %

2,584 housing units sold

+ 37 %

Fewer tenants giving notice within a year

- 30 %

Again considerable investments in our housing stock

EUR
172 million

Our success can be measured by the company's figures

As our new processes take effect, we can also report pleasing figures: our two most important performance indicators, adjusted EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) and FFO (Funds from Operations) were both well above the high level of the previous year; adjusted EBITDA rose by 4.7% to EUR 501.9 million. Thus, we managed to top the half a billion euro mark for the first time with this key performance indicator. And Funds from Operations (FFO), our cash-flow-based performance indicator, also increased by just under 10% to EUR 227.0 million despite the fact that our interest payments rose as expected as part of securitisation.

The positive development of business demonstrates that, with the new business processes and the much **stronger financial and earning power**, our company has a stable and promising foundation. Our real estate management is based on a long-term, risk-minimising business model. It promises – if professionally applied – steady income over a long period.

Rental income increased, vacancy rate reduced

In 2010, we raised our rents by 1.5%, among other things, due to rent increases within the statutory limits and as a result of modernisation work. And rental income rose by EUR 8.0 million from EUR 716.0 million to EUR 724.0 million. At the same time, we managed to considerably reduce the vacancy rate from 5.9% to 5.1%. We achieved this positive development above all thanks to our improved business processes: with more than 15,000 inquiries from prospective tenants a week, we continuously increased the letting rate over the course of the year. An average of up to 517 new rental contracts were signed every week in 2010.

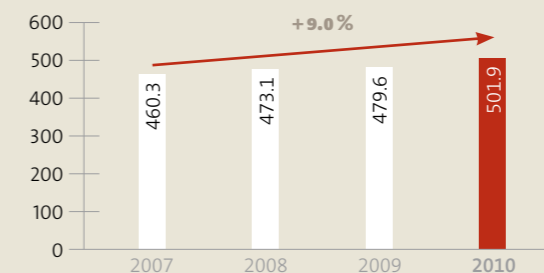
And here is another fact which also shows that our **letting performance has improved**. Since the beginning of 2009, both the overall number of tenants terminating their rental contracts and the number terminating within a year of the start of the contract have fallen – the latter even by 30%.

Sales processes optimised, number of sales significantly increased

To complement our property management business, we successfully continued our strategy of selective sales: in 2010, we sold a total of 2,584 residential units (2009: 1,880) throughout Germany, including 2,164 apartments (2009: 1,620) to individual buyers. This rise was made possible thanks to the effective **further development of our sales activities** and our improved workflows which led, among other things, to accelerated sales processes so that the number of units sold jumped sharply, particularly in the second half of 2010, and was well above budget at year-end. Compared with the increased sales (+37.4%), income from the sale of properties rose from EUR 149.6 million to EUR 224.9 million (+50.3%).

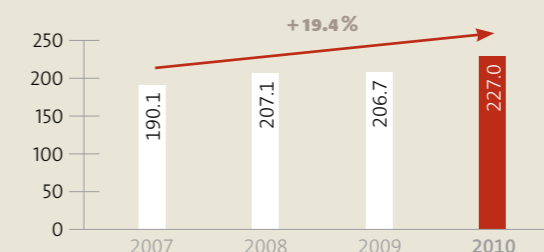
Development of adjusted EBITDA

EUR million



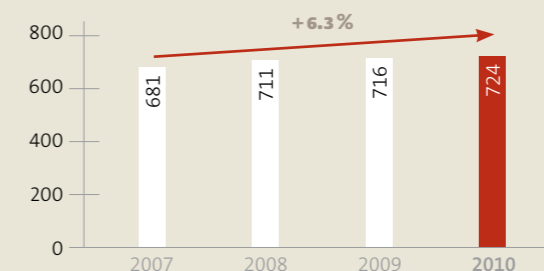
Development of FFO

EUR million



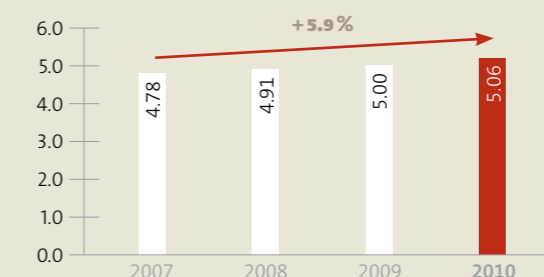
Rental income

EUR million



Development of rents

EUR/m²/month



Availability optimised, speed increased, service improved

With our modern customer centre, we can now handle about 3,400 calls a day. In addition, some 2,400 customer inquiries and questions reach us by fax, e-mail or through our new Internet customer portal. The telephone availability rate averages over 80%, with a waiting time of up to two minutes. We answer some 85% of the phone inquiries immediately and/or take suitable action directly. The customer centre can be reached six days a week for a total of 54 hours – the repair hotline is even available 24/7. And our customers can also reach us at any time using the Internet portal.

Today, we handle things faster and better. Whereas in 2009 less than 20% of the inquiries or orders were dealt with in the first three days, in 2010, we managed to increase the figure to 40%. That is twice as much as before the new organisation. Questions that the customer centre staff cannot answer on the phone are passed on to our field service workers who go out to the customers. Every day, they make up to 1,100 local visits at some 610 locations throughout Germany.

In 2010, we also continued to work on our service so our tenants can feel that we **look after them well**. For example, we further extended our energy procurement competence by setting up an energy management department in our company. Its job is to negotiate regional framework agreements for our tenants, for example for the supply of gas, electricity and oil. In 2010, we already successfully negotiated advantageous conditions for several locations. We also managed to achieve price advantages for our tenants over our competitors of up to 30% in other fields by bundling the purchase of services.

Customer satisfaction increased

We want to know what our tenants think. That's why last year we started conducting regular tenant surveys. The results show that we are on the right track: 80% of our new customers are satisfied with us overall, and 89% said they would recommend us. With our customers who have been with us for more than two years, satisfaction is currently still below this figure at 61%. With this group of customers we aim in future to prove ourselves with every customer contact. The assessment of repairs is better: 78% of our customers are satisfied with our repair service, 92% with the quality of the repairs. Regular feedback from our customers also shows us where to start making improvements in future.

The new model works

The fundamental change-over of our structures and processes has paid off! Today, we focus on our customers and their satisfaction in all we do. And they are optimally looked after by our central customer centre. Regional thinking and actions at different performance levels are a thing of the past. Now, we look to find the best possible solutions to the tasks our customers set us – and we will continue to do this. Overall, the performance and cost efficiency of Deutsche Annington have been significantly enhanced. And we haven't finished yet.

**“Thanks to the great motivation and huge efforts of our employees,
 we have managed to increase our performance as a whole.**

We have succeeded in doing this because we deploy our staff where their strengths lie.

That is already paying off now. We are on the right track.”

Klaus Freiberg, Managing Director of Deutsche Annington Immobilien GmbH

OUR NEW PROCESSES

CUSTOMER INQUIRIES

-  Telephone
-  E-mail
- Inquiries (2.4 million in 2010)**
-  Letter/Fax
-  Customer portal

CUSTOMER CENTRE

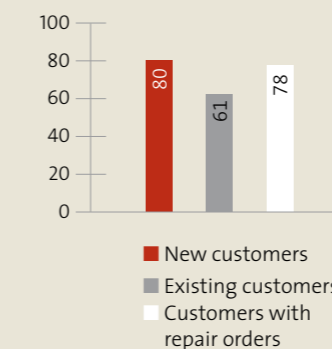
- > 240 jobs
- > 6 languages
- > Experienced real estate staff

APPOINTMENTS WITH CUSTOMERS

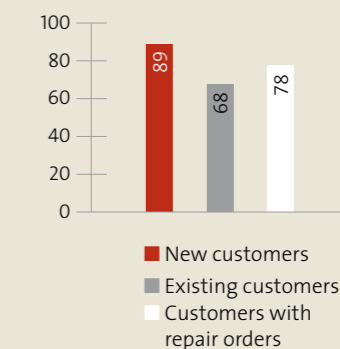
-  Letting
-  Technical support
- Orders (0.2 million in 2010)**
-  Selling
-  Advice

CUSTOMER SATISFACTION

Overall satisfaction
 in %



Recommendations
 in %



Simply at home



“Half a century of family history connects us with this house.”

Ernst Zaunbauer (right) with his children, Edith and Horst.

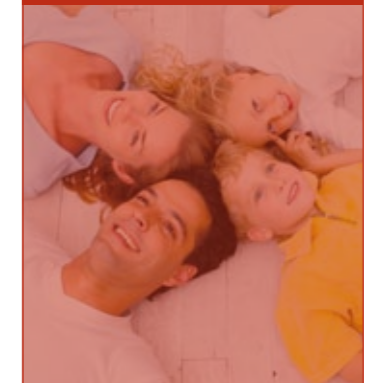
Tenants from Mühldorf am Inn

People like you and me live in our properties. Little ones who dream of growing up, grown-ups who want to be successful in their daily lives and the elderly who wish to be healthy and have a useful place in life. They all get up in the morning thinking about the things awaiting them that day – at school, at work and wherever their paths may lead. For all of them it is good to know they have a home, their little castle, where they can feel safe and sound and to which they can return home every evening.

The Deutsche Annington tenants live for 15 years and therefore an above-average length of time in their apartments. To ensure it stays that way, we support our tenants with a large number of housing-related services. But there are also plenty of other things which make the atmosphere in our residential estates very special. Our tenants live alongside each other – far enough away from each other to enjoy privacy but near enough to each other to build up a strong social network so they can rely on each other.

At a glance

- > Many housing-related services
- > Lower ancillary costs thanks to energy management
- > Up to 1,100 on-site visits to customers every day
- > 1,500 children's playgrounds in our residential estates



Simply responsible



“It is amazing how much good comes out of pooling resources.”

**Frank Schmidt-Kamann,
headmaster at the
Max-Wittmann school in Dortmund**

The people on our residential estates can sense that they are important to us. For we continue helping them beyond just renting them an apartment. Through our foundations and also directly, we are continually looking for new ways to be there for them when they need us – whether in old age, in an emergency or when it is a question of overcoming language barriers and creating good neighbourhood structures. We have many possibilities of making a contribution.

In doing so, we take advantage of the fact that we are big and can achieve a lot with our strength. For example, in the field of education we work together with the “Reading Foundation” and offer young people on our residential estates material for developing language and reading skills in the family from a child’s first year of age. Foreign families receive the information material also in Turkish and Russian. At the same time, Deutsche Annington and Auslandsgesellschaft Deutschland e.V. have joined forces and are offering German courses free of charge on several estates as part of the “Living and Learning” project. In many schools such as the Max-Wittmann school in Dortmund, support with comparatively modest means is sometimes enough. With our donation for the purchase of books and interactive learning media, this school was able to update the material in its library.



At a glance

- > Two foundations with foundation capital of some EUR 6 million
- > Promotion of counselling and care offerings through urban district management
- > Development of language and reading skills on our residential estates



Simply good for the climate



“Since the new insulation has been put on the outside walls, heating costs have fallen considerably.”
Ingeborg Hanke from Dortmund

It's not just the sun that beams when ancillary cost bills are low. And the ancillary costs are low when we make our apartments energy-efficient. These calculations pay off for three parties alike. For nature because lower energy consumption improves the CO₂ balance. For the customers because their ancillary costs are cut. And also for Deutsche Annington because we have satisfied tenants living in a sustainably sound housing stock. It's great to have a situation where there are only winners.

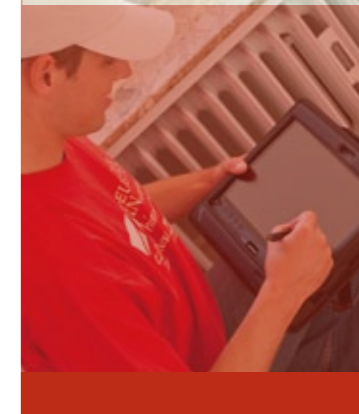
In 2010, we continued our maintenance and modernisation programmes. We carried out 130 modernisation projects, involving a total of 2,040 units as well as a large amount of maintenance work throughout Germany. With each of these refurbishment projects, we gain important experience from which we can already benefit in the next project. And so, step by step, we make our properties state-of-the-art energy-wise and help to maintain the value of our portfolio.



At a glance

- > Some EUR 172 million invested in maintenance and modernisation projects
- > Energy management cuts CO₂ emissions and the tenants' energy costs
- > Improvements in the quality of the housing and value of the portfolio

Simply **sorted out**



At a glance

- > Customer centre can be reached 54 hours a week at one number
- > Telephone availability rate now averages 80% with a wait of less than two minutes
- > 24-hour emergency repair service
- > Customer Internet portal provides extended service offering

**“Thanks to our dedicated staff,
we have raised our service to a new level.”**

**Dr Karsten Rech,
Head of Property Management**

Yesterday things were complicated. Today we make quick work of every job. That works so well because, at Deutsche Annington, all strands of information come together at one point – at our customer centre in Bochum. Here we can be reached at any time – as before by phone or fax, or now conveniently by Internet or e-mail. We either solve our customers’ problems and concerns immediately or we get things moving with the next step. So the matter is sorted out quickly.

After the first full year in the new structures, the processes have now really got up and running. Everybody knows exactly what they have to do. And our customers notice that. The high efficiency not only satisfies our customers but also us. With the aid of clear workflows and the latest technology, we can reliably make sensible decisions and soon find solutions. Every case which we solve to the satisfaction of our customers brings Deutsche Annington a step forward. We know that and it motivates us.

Simply Deutsche Annington



“Tomorrow yet more new tasks will be waiting for us. We are preparing ourselves for them.”

**Dr Oliver Emmert,
Head of Business Development Services**

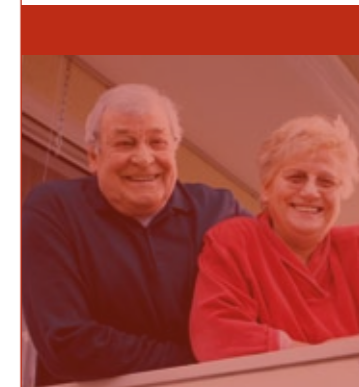
It is fun to achieve something special. For achievement makes people satisfied and creates a positive atmosphere which radiates far outside the company. And a good connection to our customers and partners is important to us. As Deutsche Annington employees, we spend a large part of our lives in our company. So it is nice to be able to be proud of what we do ... and to be able to say: “It’s all working! And what’s not quite working 100%, we’ll tackle first thing tomorrow!”

Our aim is to set sustainable standards in the residential real estate industry. That’s why we have plenty of plans for the future. For example, we want to understand our customers even better. Therefore, in future we will be asking their opinion directly and regularly. We want to increase our economic success. Therefore, we keep subjecting our processes to the acid test and looking to see where we can make them more efficient. And we want to make things even simpler for our customers in future. What can we do so a problem doesn’t occur in the first place? It’s the answer to this question which will take us forward.



At a glance

- > Review workflows and further improve processes
- > Ask customers their opinion and understand them better
- > Build up customer proximity and start new projects
- > Increase identification and win 1,100 employees as best customer partners



Our portfolio

Affordable apartments for broad sections of the population

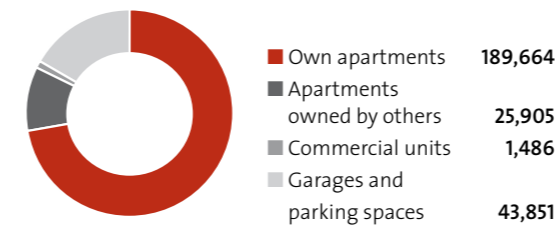
Today, the Deutsche Annington Real Estate Group is the largest private housing company in Germany. In total, we manage 189,664 apartments of our own, 43,851 garages, parking spaces and other units as well as 1,486 commercial units. What's more, we also manage 25,905 apartments for other owners. We offer reasonably priced apartments for long lets to broad sections of the population and provide additional services for our customers. With this offering, we satisfy the needs of customers who are looking for affordable housing and, at the same time, want to make use of the advantages a large landlord offers.

In past years, we have further developed our portfolio step by step through acquisitions, maintenance programmes and sales. Today, we have a largely sound portfolio and are present throughout Germany in all important regions.

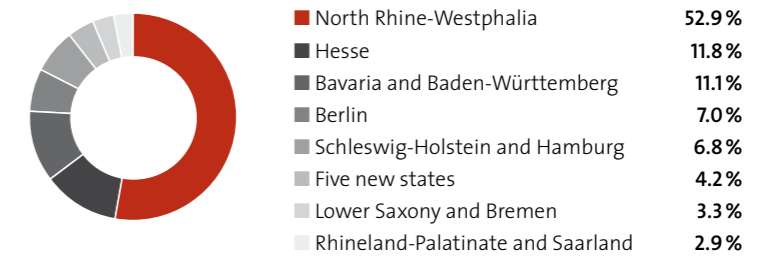
“Our portfolio strategy combines the objective of the long-term optimisation of our portfolio through targeted investments and sales with systematic concentration on our customers’ wishes.”

Dr Wolfgang Beck, Head of Business and Portfolio Management

Units managed by the Deutsche Annington Real Estate Group (as at December 31, 2010)



Structure of the Deutsche Annington residential portfolio by German states

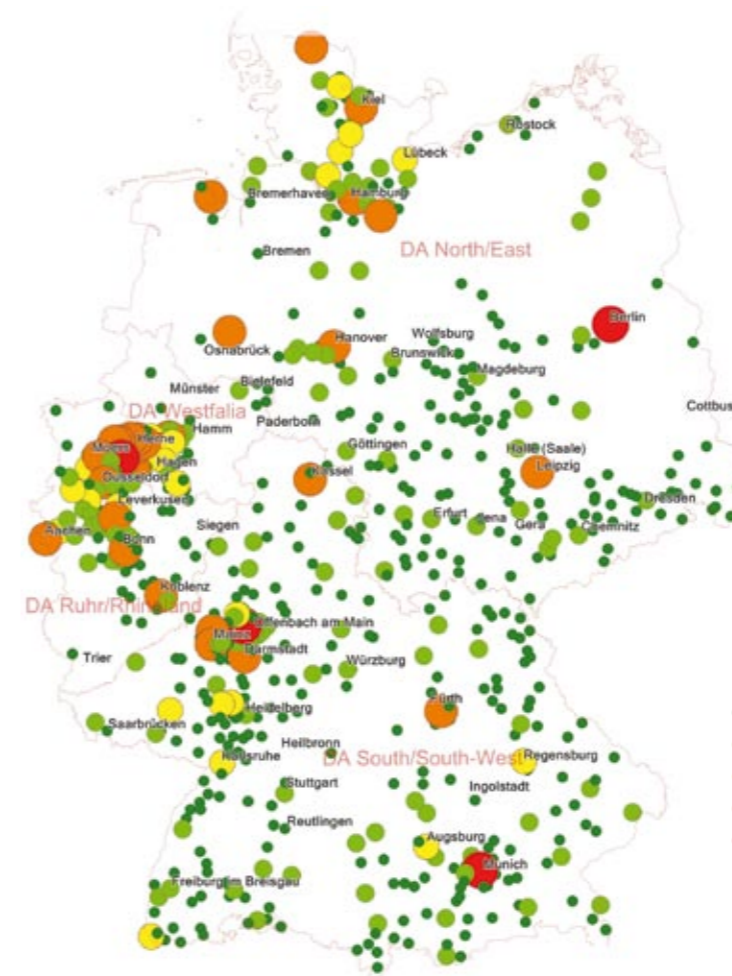


Our housing portfolio is spread all over Germany. Operations are run by four business units.

Business unit	Share in %	No. of units	Living area in million m ²
North/East	21.3	40,303	2.6
Westphalia	22.5	42,735	2.6
Ruhr/Rhineland	31.3	59,453	3.8
South/Southwest	24.9	47,173	3.1
Total	100	189,664	12.1

Our portfolio is spread over 610 cities and towns

- > 190,000 apartments of our own
- > Fair value just under EUR 10 billion
- > More than 450,000 tenants



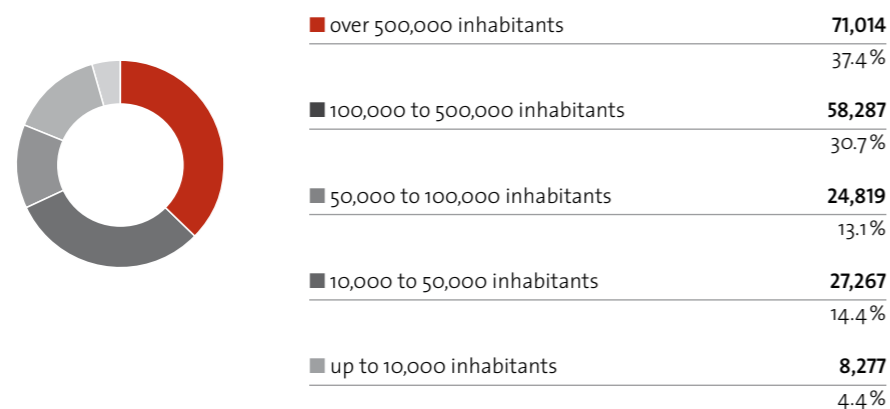
Our portfolio

Regional focuses are NRW, Berlin and southwest Germany

Approx. 61% of our portfolio is concentrated in 20 major cities and towns in which we have between 2,000 and 18,000 residential units. The focus is on the Ruhr area, Berlin, the Rhine-Main region and southwest Germany. The four biggest locations are Dortmund, Berlin, Frankfurt am Main and Essen.

The vast majority of our housing stocks (95.8%) are situated in the states of former West Germany (including Berlin). 52.9% are in North Rhine-Westphalia. Therefore, by far the largest proportion of our residential portfolio is located in the most highly populated German state.

Number of units by size of town



Some 61% of our portfolio is concentrated in 20 major cities and towns



- > Average apartment size 63 m²
- > Lowest vacancy rate in Frankfurt am Main at 1.2%
- > Highest average net rent in Wiesbaden at EUR 6.90/m²

Overview of the residential portfolio data of the Deutsche Annington Real Estate Group

Portfolio as at Dec. 31, 2010	Units	Share in %	Living area in m ²	Average living area per unit in m ²	Annualised net rent* in EUR million	Share in %	Monthly net rent per m ² ** in EUR	Vacancy rate* in %
20 largest locations								
Dortmund	17,951	9.5	1,094,753	61	59.0	8.0	4.48	5.0
Berlin	13,289	7.0	856,411	64	56.0	7.6	5.41	2.9
Essen	10,540	5.6	651,096	62	39.4	5.3	5.02	7.3
Frankfurt am Main	10,497	5.5	652,431	62	51.5	7.0	6.53	1.2
Gelsenkirchen	8,891	4.7	536,710	60	28.2	3.8	4.37	7.2
Bochum	7,790	4.1	451,485	58	26.4	3.6	4.86	2.8
Munich	5,139	2.7	341,035	66	25.2	3.4	6.08	1.8
Duisburg	4,950	2.6	295,061	60	16.8	2.3	4.70	6.0
Herne	4,679	2.5	286,748	61	15.4	2.1	4.45	5.7
Bonn	4,571	2.4	321,248	70	22.4	3.0	5.77	3.2
Cologne	4,558	2.4	297,753	65	21.1	2.9	5.86	3.7
Gladbeck	3,471	1.8	213,533	62	12.0	1.6	4.68	8.7
Herten	2,897	1.5	187,324	65	9.8	1.3	4.34	5.2
Düsseldorf	2,650	1.4	173,046	65	13.2	1.8	6.32	2.4
Marl	2,579	1.3	173,127	67	10.7	1.4	5.13	9.2
Aachen	2,259	1.2	150,280	67	8.9	1.2	4.94	1.9
Bottrop	2,104	1.1	132,429	63	7.8	1.1	4.82	3.8
Bergkamen	2,027	1.1	134,185	66	7.2	1.0	4.46	10.0
Geesthacht	2,006	1.1	114,489	57	7.3	1.0	5.32	5.4
Wiesbaden	1,989	1.0	129,056	65	10.8	1.5	6.90	3.6
Sub-total for 20 largest locations	114,837	60.5	7,192,201	63	448.9	60.6	5.17	4.6
Other locations	74,827	39.5	4,934,205	66	291.4	39.4	4.90	5.9
Total	189,664	100.0	12,126,407	64	740.3	100	5.06	5.1

* as at beginning of December 2010

Our portfolio

Tenants live for an above-average length of time in a Deutsche Annington apartment

A look at the length of tenancy shows that our tenants feel at home with us. After all, they stay an above-average length of time with us. On average, a tenant lives for about 15 years in a Deutsche Annington apartment; that is much longer than the national average of about nine years. Over 60% of our tenants live for more than five years in their apartments. Just under a third even live for more than 20 years in our residential units. This high tenancy stability also pays off in economic terms: it means vacancy periods tend to be shorter and transaction costs for reletting lower.

Length of tenancy in years



< 1 year	12%
1-2 years	7%
3-5 years	18%
6-10 years	16%
11-20 years	18%
> 20 years	29%

Tenants by age

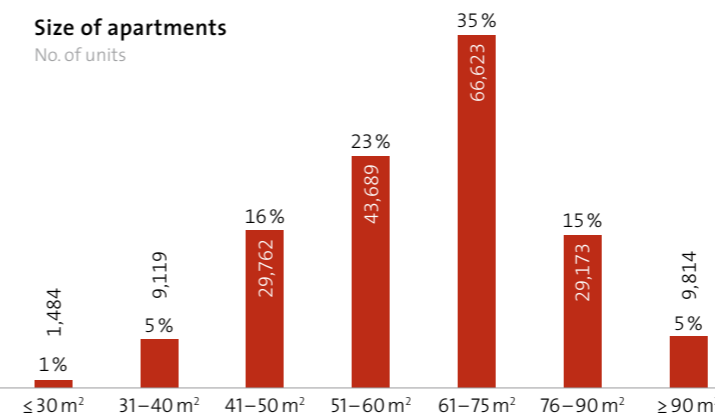


> 60 years old	40%
50-60 years old	11%
40-50 years old	18%
30-40 years old	17%
< 30 years old	14%

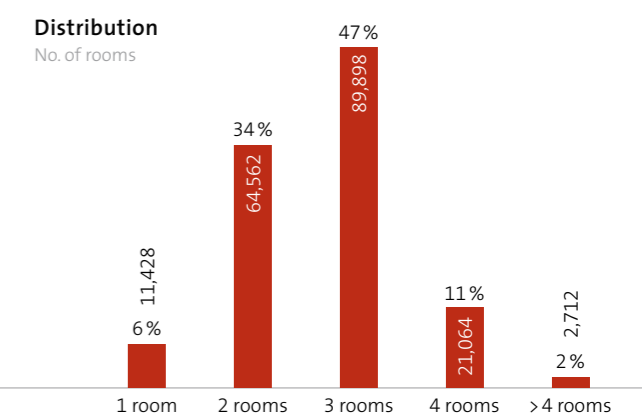
Most of the apartments in our portfolio have two to three rooms

Most of the residential units in our housing portfolio are medium-sized, i.e. apartments with between 41 and 90 m² of living area. That means they have two to three rooms. The proportion of small (< 40 m²) and large apartments (> 90 m²) is comparatively small at approx. 5% in both cases. Only 1% of the apartments have more than five rooms. The distribution of apartment sizes is similar in all four business units. Therefore, the Deutsche Annington residential real estate portfolio is mainly geared to medium-sized households of two to three people.

Size of apartments
No. of units



Distribution
No. of rooms



Just under 50% of the tenants are younger than 50 when they sign the rental contract and 40% are older than 60. Even though just under a third of the tenants are younger than 40 when they sign the rental contract, it can be seen that our tenants tend to be older. One advantage of having a tenant structure with a relatively high percentage of older tenants is that the older they get, the more loyal tenants tend to be to their landlord. And older tenants also tend to be more interested in additional service offers.



Our portfolio

We invest in the sustainability of our housing stock

We would like our tenants to continue to feel at home with us. This we achieve above all with a housing portfolio which meets modern standards. Through targeted maintenance and modernisation measures, Deutsche Annington continuously invests in improving the quality of its properties. In 2010, we carried out 130 modernisation projects involving a total of 2,040 units as well as a large amount of maintenance work throughout Germany. The total cost of this work was EUR 171.8 million.

Thanks to our size, we can achieve price advantages of up to 30% when buying in materials and services – an advantage which our customers also benefit from. Last year, most of our investments went into energy-saving measures (insulation of façades and roofs etc.) as well as into improving the quality of the housing (e.g. by adding balconies).

Investments in the future

EUR million	2007	2008	2009	2010
Maintenance and modernisation	129.6	184.6	155.5	171.8



With our modernisation work we are actively practising environmental protection

Energy consumption falls significantly in the modernised residential estates, which in turn reduces emissions of climate-damaging CO₂. An annual reduction of CO₂ emissions of about 50 kilograms per square metre of living area can be expected in a modernised apartment. For the units we modernised in 2010 that means annual CO₂ emissions are reduced by about 6.2 million kilograms.

The lower energy consumption not only benefits the environment but also our tenants in the form of lower ancillary costs. At the same time, with these investments we increase the attractiveness of our residential units and therefore ultimately ensure sustained rental income.

Energy management leads to lower ancillary costs for tenants

Alongside the energy-saving measures performed as part of our modernisation projects, we have intensified energy management in recent years. Energy management is the active control of all processes involved in the procurement and consumption of energy. Here, we see a further opportunity to cut energy costs in our residential units.

In the interests of our tenants, we also extended our energy procurement competence in 2010 as part of energy management. We are increasingly negotiating regional framework agreements for our tenants for the supply of gas, electricity and oil. In 2010, we managed to achieve significant cost benefits for our tenants by signing new energy supply contracts. For example, some 10,000 tenants in Dortmund will be saving another roughly 15% this year thanks to a new gas supply contract after already jointly saving on paper a high six-figure amount the previous year by changing suppliers.

- > Heat insulation according to the latest standards, e.g. through
 - façade insulation
 - cellar ceiling insulation
 - installation of heat-insulated windows
- > Cooperation with Innotec Abfall-Management GmbH
 - Advice to tenants on avoiding waste
 - Savings of EUR 2.5 million for 15,500 households since 2002
- > In-house energy manager
 - Use of the open energy market
 - Negotiation of new energy supply contracts
- > Reduction of CO₂ emissions

Our social involvement

Assuming responsibility: active involvement as a socially responsible landlord

As a socially responsible private landlord, we are not only interested in the well-being of our tenants but also in a functioning living environment as a whole. Therefore, for many years now, we have been contributing to improving the living environment by getting involved in a wide variety of projects – as an opinion leader as well as a sponsor and supporter of social projects.

In 2010, we were again involved in many social projects. Through our two non-profit foundations and our sponsoring, we donated some EUR 200,000 last year. As always, our focus is on helping in cases of personal hardship and sponsoring projects dealing with the major socio-political topics of the future “living in old age” and “education”.

A helping hand in life: creating advice centres and meeting places



In 2009, Deutsche Annington launched a project in cooperation with the charity, Caritas, in Gelsenkirchen. When modernising a multi-family house, we set up a disabled-friendly advice centre with a café-cum-meeting place for tenants. Out of two ground-floor apartments, we made one handicapped-accessible unit. The specially converted rooms are being provided for Caritas rent-free, initially for two years.

As part of a project in cooperation with **Johanniter-Unfall-Hilfe e.V.** in Dortmund, a disabled-friendly advice centre and meeting place was also opened on one of our residential estates in June 2010, on a similar line to the Caritas project. Deutsche Annington is providing specially converted rooms for Johanniter-Unfall-Hilfe rent-free, initially for two years. The charity also received a donation from the Deutsche Annington Foundation for the interior furnishings.

In view of the positive response to the new advice offerings, we are now planning similar projects at other locations in the near future. For example, in cooperation with the Duisburg branch of the **German Red Cross** as our partner, an advice centre is to be set up in the Duisburg district of Wedau. This centre is to serve as an open meeting place for young and old residents alike. The aim of the project is to offer all residents comprehensive help and services in all situations in life. Deutsche Annington will be making appropriately converted rooms available rent-free for three years.

Trägerwerk Soziale Dienste in Berlin und Brandenburg gGmbH (TWSO gGmbH) is planning to set up an advice and support centre in our residential estate in the Berlin district Mitte. In addition to Deutsche Annington, the cooperation project is supported by the German government's initiative “At home rather than in a home”, Bundestag member Silvia Schmidt, Berliner Mieterverein e.V. and health and nursing care insurance companies. The advice is to be primarily offered to tenants of Deutsche Annington as well as all local residents. As a cooperation partner, Deutsche Annington is supporting the project in the first three years by providing a specially converted apartment with barrier-free access rent-free as well as part of the project funding.

Growing together: actively promoting integration

From 2011, Deutsche Annington will be supporting the integration initiative IFAK in Bochum. This organisation operates various facilities including kindergartens and further training centres for migrants in Bochum and the surrounding area. In addition to cash donations for children's facilities, we are also providing IFAK with funds for a two-year social counselling project in Bochum-Stahlhausen.

Support in daily life: offer of domestic services

Deutsche Annington has been a cooperation partner of Johanniter-Unfall-Hilfe since March 2011. As part of the cooperation, we can offer our tenants care and domestic services as well as advice on attractive conditions. At the same time, our vacant apartment offers appear in the member publications of Johanniter-Unfall-Hilfe.



“Living and Learning” project: free German courses to local residents

Deutsche Annington and Auslandsgesellschaft Deutschland e.V. have joined forces and adopted a new approach in several residential estates in Dortmund and Bergkamen. As part of the “Living and Learning” project, the residents of our estates are being offered German courses free of charge. Deutsche Annington is providing the rooms rent-free and also funding the first language course. With this project, Deutsche Annington wants to help overcome language barriers and create good neighbourhood structures. In view of the positive response, we are planning more projects at various locations.



ZEUS school project: increasing media skills

Since 2009, Deutsche Annington has been supporting the media educational school project “Newspaper and School” (ZEUS) set up by the WAZ media group. With it, we want to make a contribution towards children's education and media competence through newspapers and the Internet.



Cooperation with the “Reading Foundation”: developing skills at an early age

In North Rhine-Westphalia, Deutsche Annington has entered into a special partnership. In order to improve the educational opportunities of the young people on our residential estates, together with the “Reading Foundation”, we offer our tenants material for developing language and reading skills in the family before they start school. To make it easier for foreign families to help their children, the information material is also available in both Turkish and Russian.



Saving lives with a donor card: supporting the “Pro Organspende” campaign

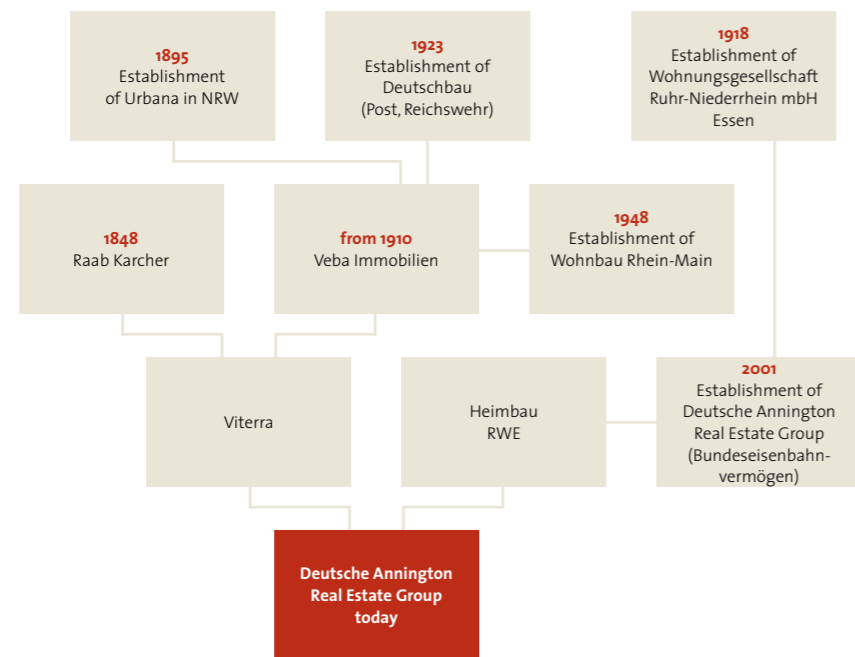
Every year, over 1,000 people in our country die due to a shortage of donor organs. The initiator of this campaign, Deutsches Herzzentrum in Berlin, is being supported by Deutsche Annington together with the BILD newspaper, Deutsche Telekom, Bahn and other sponsors in its efforts to encourage people to be more willing to become a registered organ donor.

Our **success story**

2001 to 2011: advance to become the largest private-sector residential real estate company in Germany

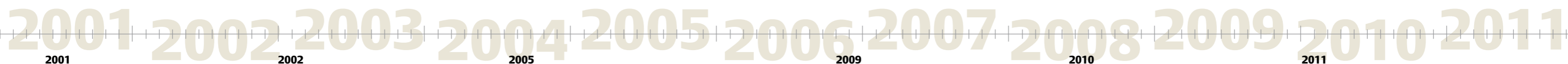
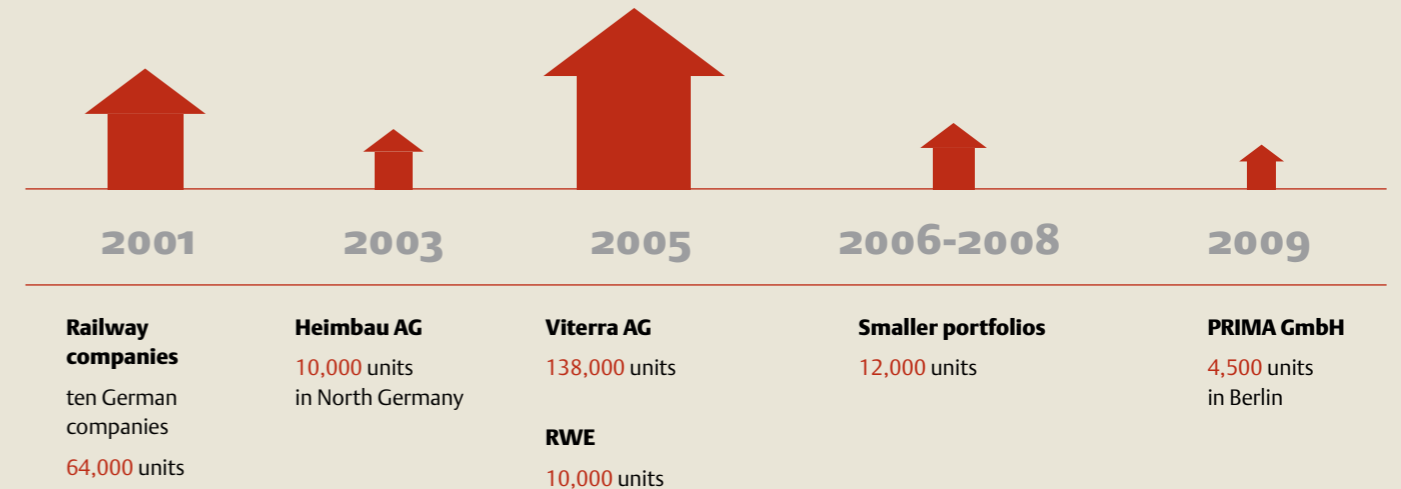
Deutsche Annington was established in 2001 when railway housing companies were acquired. Its origins were the housing companies and cooperatives which built affordable accommodation for blue and white-collar workers and civil servants of the German Railway, then called Reichsbahn. Many of these housing estates were showpieces at the time and are now listed buildings. The oldest of these railway housing companies is nearly 100 years old. As housing ceased to be in such short supply over the years, non-railway staff were also allowed to rent the flats.

The company grew considerably through acquisitions in the years that followed. In 2005, Deutsche Annington advanced to become the largest German residential real estate company with the acquisition of Viterra. Today, Deutsche Annington pools the experience and know-how of ten companies with over one hundred years of history.



Our growth story:

successful acquisition and integration of 238,500 residential units



2001

Public to private

- > Establishment of DAIG from ten railway housing companies

2002

The year of tenant privatisation

- > 2,336 units sold to tenants

2005

The year of integration

- > Acquisition of Viterra
- > Largest German housing company is formed
- > Represented throughout Germany
- > Set-up of SAP IT platform

2009

The year of reorganisation

- > New structure with focus on customers
- > EUR 60 million invested in the innovation project
- > Best practice from other sectors

2010

The year of consolidation

- > Exact analysis of data
- > Adjustment of business processes and systems

2011

The year of the customer

- > Understanding the customer even better
- > Further efficiency enhancements
- > Simplification of the business processes
- > New housing-related offerings

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