Our Annual Report 2009

» Standards for tomorrow

Operational figures Deutsche Wohnen AG Annual Financial Statement		12/31/2008	12/31/2009
Balance sheet			
Fixed assets	EUR m	291.3	291.7
Current assets	EUR m	423.3	377.3
Equity	EUR m	296.5	500.3
Dept capital	EUR m	418.1	168.7
Total assets	EUR m	714.6	669.0
Profit and loss statement		2008	2009
Earnings before and after tax	EUR m	–80.3	–45.6
Balanc sheet profit	EUR m	0.0	–45.6

Operational figures Deutsche Wohnen AG Consolidated Financial Statement		2008	2009
Result from rental business	EUR m	147.8	151.0
Result from privatisation business	EUR m	13.2	9.7
Administration expenses	EUR m	–39.1	–36.3
Non-core businesses	EUR m	8.7	9.1
EBITDA (adjusted)	EUR m	130.6	125.7
EBIT (adjusted)	EUR m	–147.7	130.7
EBT	EUR m	–328.8	3.4
Profit after tax	EUR m	–255.9	–13.3
Profit after tax per share	EUR per share	–9.69	–0.34
FFO EUR	EUR m	26.1	34.8
FFO per share	EUR per share	0.99	0.43

Operational figures Deutsche Wohnen AG Consolidated Balance Sheet		12/31/2008	12/31/2009
Investment Properties	EUR m	2,900.7	2,835.5
Current assets	EUR m	110.4	123.1
Equity	EUR m	649.3	862.0
Financial liabilities	EUR m	2,089.2	1,802.7
Total assets	EUR m	3,126.7	3,079.3

Share		12/31/2008	12/31/2009
Share price as of 12/31/2008	EUR	9.49	6.70
Number of shares	Mio.	26.4	81.8
Market capitalisation as of 12/31/2008	EUR m	251	548

Net Asset Value		12/31/2008	12/31/2009
Net Net Asset Value Group	EUR m	646.6	870.3
Net Net Asset Value per share	EUR per share	24.49	10.63

Market value		12/31/2008	12/31/2009
Fair Value properties	EUR m	2,793.2	2,749.8
Fair Value per m² residential space	EUR per m²	881	895

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Rent increase by 3.1 %
compared with the previous year

Reduction of the
debt position to 61.5 %

Dear shareholders,

2009 was a very special year for Deutsche Wohnen in many ways. We were able to successfully finalise the restructuring initiated after the acquisition of the GEHAG Group by realising considerable synergy and earnings potentials. With the funds from the capital increase, we have significantly reduced the debt position (Loan to value ratio) to 61.5%, while re-negotiating bank loans amounting to EUR 900 million. The business model of Deutsche Wohnen has recently proved to be strong in a very tense market situation.

I will address the individual points in more detail later on. To begin with, however, I would like to present to you the most important figures of the past fiscal year and show you that your company has accomplished something special.

Excellent operative results

In the fiscal year 2009, Deutsche Wohnen was able to improve all essential key figures in comparison with the previous year, even against the backdrop of an unusually severe economic crisis.

The rental business was able to overcompensate for the reduction of assets resulting from disposals. With a rent increase of 3.1 % and a vacancy rate reduction by 34 % compared with the previous year, we are clearly ahead of the competition. These achievements are especially impressive against the backdrop of intense cost savings realised in the asset management of EUR 25.0 million compared to the previous year. In the sales business, we are far ahead of our own targets with gross proceeds of just under EUR 86.0 million and a gross margin of 22.8 % (previous year: 17 %). The debt redemption of the Group initiated in 2008 resulted in a discharge on the interest side of EUR 9.0 million. Altogether, the turn-around has been successfully completed, i. e. taking into account one-off expenses, the negative net result for the period in the amount of EUR 13.3 million is almost in balance.

The key indicator "Funds from Operations" (FFO), which is important for the evaluation of the earning power of a property company and reflects the recurring, sustainable business results, could be clearly increased by almost one-third from EUR 0.99 per share in 2008 to EUR 1.32 per share in 2009 (or EUR 0.43 per share based on the outstanding number of new shares of 81.8 million after the increase in capital).

The increase in capital carried out in October of 2009, which generated gross issue proceeds of just under EUR 250.0 million, played a decisive role for the improvements. We are proud that in an environment of turbulent stock markets, the share issue was clearly oversubscribed with 132 % – a clear confirmation of our efforts from you, our shareholders.

Strategy of sustainability

The strategic corporate governance of the Deutsche Wohnen Group is based on competence, transparency, and sustainability. This shows in many of our activities. In the area Investor Relations, for example, we count on continuous investor care and high transparency in communication. Our operative activities are characterised by continuity and sustainability. The development and promotion of the next generation plays an important role in our personnel policy - quite a number of our former trainees work in leading positions for Deutsche Wohnen today.

We hope to have taken another step towards improving the transparency and readability with this financial report, which we present as a two-part report this year – the financial part on the one hand, and a magazine part on the other hand.

Taking advantage of growth opportunities

Ladies and gentlemen, as you can see, we have mastered a demanding year. We are confident that we will successfully meet the challenges lying before us and make optimal use of the opportunities.

The housing sector is facing great demographic and ecological challenges. The necessary investments in the energetic building rehabilitation and in barrier-free living require immense investments, which our industry cannot provide by its own means. Increased equity requirements combined with more restrictive bank lending will reinforce the competition for equity resources.

EUR 249.5 million gross issue proceeds through capital increase

The financial basis of the company was significantly improved through the successful procurement of gross funds of EUR 249.5 million. The repayment of loans in the amount of almost EUR 300 million and the restructuring of another EUR 900 million created a very sound financing structure. We have reached our operative goals in the last two years; strategically, we were able to considerably stabilise the dependence of the profit development on disposals in favour of a business model focused more strongly on the management of the holdings.

We have created an integrated, efficient, and highly innovative group and thus proved our competitiveness. In summary, we see ourselves well positioned on the market in order to continue to generate sustainable growth. In this process, we will act very selectively: Growth is to be realised especially in our current core markets, but also in new prospering markets, as far as a minimum volume is attainable.

The property features must guarantee sustainable and economic generation of rent. An acquisition must improve the profitability and the cash flow profile of the company. In this process, we want to stabilise the debt ratio on the current level.

The capital market increasingly recognises our efforts. In the past year, the price of your share increased by 29% and thus more strongly than comparable indices (SDAX, EPRA Germany, EPRA Europe).

We are convinced that the market will reward our performance in the long term.

I would like to thank you, our shareholders, for your confidence.
Please accompany us further on our exciting growth path – it is worth it!

Sincerely,

Michael Zahn
Chief Executive Officer

Increase of the share price by 29 %

SHARE

The share of Deutsche Wohnen AG has altogether developed positively in the financial year 2009 and increased in price by 29%. The market capitalisation amounted to EUR 548 million at the end of the year.

TURBULENT TRADING YEAR 2009

The trading year 2009 was characterised by strong turbulence. The global economic and financial crisis caused further downturns on the worldwide stock markets in the first two months. However, following comprehensive economic programs and the resulting hope for a recovery of the economic situation, an improvement became gradually visible in the middle of March. Particularly in April and July of 2009, share prices worldwide gained significantly.

The German key index DAX marked its lowest recorded level in the financial crisis on 6 March with 3,666 points. Since its highest level with 8,105 points in the middle of 2007, it had lost more than 50 percent. However, at the end of December 2009, it exceeded the mark of 6,000 points again - an increase of more than 60%. An increase of 20% with 5,957 points as of 31 December 2009 results for the whole year. The other indices were also able to gain considerably: the MDAX gained 30% in value, the SDAX 25%.

The real property values also benefited from the general recovery: the EPRA Europe index, which included 79 European companies as of 31 December 2009, grew by 22% in the previous financial year. However, this did not approach the level on which it had been prior to the US real property crisis. The German sub-index EPRA Germany gained about 7% in 2009, after losing 55% in 2008.

POSITIVE DEVELOPMENT OF OUR SHARE

The share of Deutsche Wohnen AG has altogether developed positively in 2009. With a closing share price of EUR 6.70 per share at the end of the year, the share recorded an increase in value of 29 % throughout the financial year and outperformed the benchmark indices SDAX, EPRA Europe, and EPRA Germany.

The performance of our share in 2009 was mostly parallel to the rates on the worldwide stock markets. At the end of February, the Deutsche Wohnen share recorded its annual low of EUR 4.45. However, from the beginning of March, a steep upwards movement started, which was also supported by the announcement of good figures for the financial year 2008 at the end of March. This way, the share reached its annual high of EUR 9.80 at the end of April. By the middle of July, however, it dropped again to a level around EUR 5.00. In the second half of the year, its value increased again continuously. This can be attributed among other things to the positive reception of the capital increase for subscription rights of Deutsche Wohnen on the part of our investors in October and to the good interim results of the financial year and the related positive estimation of analysts. This resulted in the closing share price finally being at EUR 6.70 per share at the end of 2009.

Annual high of the Deutsche Wohnen share
at EUR 9.80

Performance of the share in 2009

Operational figures of the share		
	2009	2008
Number of shares	81,840,000	26,400,000
Share price at the end of the year in EUR	6.70	9.49 (5.54)[1]
Market capitalisation in EUR m	548	251
Peak price in EUR	9.80[1]	24.77 (14.46)[1]
Lowest price in EUR	4.45	3.87 (2.26)[1]
Average daily turnover	190,258	103,002

The trading volume in 2009 was at approximately 50.4 million shares (previous year: 46.4 million shares). In the MDAX ranking of Deutschen Börse AG, Deutsche Wohnen AG thus was on 43rd position for free-float market capitalisation and 47rd position for stock exchange turnover in December of 2009, thus qualifying for a possible rise to the MDax. The average daily turnover of the Deutsche Wohnen shares amounted to 190,258 shares in 2009, compared to 103,002 shares in 2008. Designated sponsors continually ensured sufficient liquidity and fungibility of our share.

[1] Prices adjusted to reflect the capital increase

EUR 548 million market capitalisation
as of the end of the year

Based on the price gains and the capital increase, our market capitalisation increased significantly in the reporting year: As of end of the year, it amounted to EUR 548 million compared to EUR 251 million at the end of the previous year.

CAPITAL INCREASE COMPLETED SUCCESSFULLY

The number of outstanding shares was at 81,840,000 shares in the financial year 2009 and thus clearly higher than in the previous year. This is due to the successful capital increase for subscription rights of Deutsche Wohnen AG on 6 October 2009. Overall, 55,440,000 new shares were issued at a price of EUR 4.50 per share, resulting in gross issue proceeds of EUR 249.5 million. With 132 %, the capital increase was clearly oversubscribed – which can be attributed to the great demand from investors. Overall, 99.9 % of the subscription rights were exercised, basically also by all major shareholders.

ANALYST ESTIMATION POSITIVE

Currently, twelve analyst companies are regularly observing the share of Deutsche Wohnen AG. This way we were able to further expand the amount of capital market analysts who deal with us intensively, as planned. At the beginning of 2010, six analysts were added to the valuation of buy/outperform and five to the valuation of hold/neutral. The average price target is at EUR 8.26. The share price at the end of the year was at EUR 6.70, resulting in an upside of about 23 %. Compared to the NNAV per share of EUR 10.63, the share shows a reduction of 37 % against the share price at the end of the year.

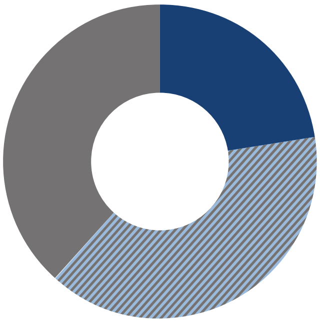
SHAREHOLDER STRUCTURE ALMOST UNCHANGED

The funds advised by the US private equity firm Oaktree Capital Management, L.P. still hold 22.7 % of our shares. This makes them still the largest shareholder of Deutsche Wohnen AG, thus ensuring long-term continuity.

About 39 % are held by seven other larger investors, both national and international, with each more than 3 % of the entire share capital. Since 2008, Asset Value Investors Ltd. has been the second largest shareholder with a little over 10 % of the shares. With this, altogether about 62 % of the entire share capital are in the hands of investors oriented towards the long-term, which translates into a stable basis for our company. We demand and promote the active support by our major shareholders for achieving our goals, and are in permanent, close communication with them. The remaining ca. 38 % of the shares are distributed among national and international private persons and institutional investors who are not subject to reporting obligations.

Issue of 55,440,000 new shares

Shareholder structure



Shareholder	Assigned share in case of more than 3 %	12/31/2009[1]
Oaktree	OCM Funds	22.70 %
Asset Value Investors Ltd.	British Empire (AVI)	9.99 %
Deutsche Asset Management	Zürich Deutscher Herold Lebensversicherung AG (ZDHL)	5.75 %
First Eagle Investment Management, LLC	First Eagle Overseas Fund	5.24 %
Sun Life Financial	MFS Investment Management	5.03 %
Deutsche Bank AG	DWS Investment GmbH	3.70 %
Ärzteversorgung Westfalen-Lippe	Feri Finance AG	3.33 %
Cohen & Steers	Cohen & Steers, Inc.	3.12 %
	Cohen & Steers, Capital Management, Inc.	3.02 %
Total		61.88 %
Free float		38.12 %

COMPREHENSIVE, PROMPT, AND TRANSPARENT INVESTOR RELATIONS

All participants in the capital market receive from us transparent, prompt, and detailed information on the current business developments. It is especially important to us to present our business model and the peculiarities of Deutsche Wohnen in a comprehensible manner to the market. It is our goal to win the lasting trust of the shareholders and to further expand it. With this in mind, we continued to intensify our investor relation activities also in 2009. In numerous individual conversations with analysts as well as existing and potential investors both in Germany and abroad, we introduced our company in detail. We want to especially highlight the participation in road shows and conferences during the time of the capital increase in this context. The positive response was also reflected in the clear over-subscription during the capital increase for subscription rights.

[1] Based on Securities Trading Act (WpHG); Oaktree: data from the company

According to the fair disclosure requirement, we treat all target groups the same regarding the information communicated by us. An important medium for this is the internet. On our homepage **www.deutsche-wohnen.com**, we give an overview of the current activities based on our financial calendar in the section Investor relations. Our corporate figures are published promptly and explained in live events or via telephone conferences to analysts, investors, and journalists. You can also find for example presentations, current analyst estimations, and corporate news in addition to the management and quarterly reports on our website. Also available are news about share transactions by the management (Directors' Dealings), ad-hoc and press releases, voting results from General Meetings, and the interactive management report. In addition, we introduced the "Letter to Shareholders", through which we informed our shareholders regarding the current developments in the company three times in 2009.

We held two General Meetings in the past year. The Annual General Meeting took place at the InterContinental hotel in Berlin on 16 June 2009 with a participation of 65.32 % of the voting capital. On 7 August 2009, the Extraordinary General Meeting in Frankfurt resolved on the capital increase for subscription rights. It is important to us to maintain close contact with all owners of Deutsche Wohnen AG and to thus achieve a large support for important strategic decisions in the shareholder base.

You can find further information in the area Investor relations on our homepage **www.deutsche-wohnen.com**.

Indices

- » CDAX
- » Classic All Share
- » EPRA/NAREIT
- » GPR 250
- » MSCI Small Cap
- » Prime All Share
- » SDAX

Reference data of the share	
ISIN	DE000A0HN5C6
WKN	A0HN5C
Share category	Bearer share
Reuters	DWNG.DE
Bloomberg	DWNI
Stock exchanges	XETRA, Frankfurt, Stuttgart, Munich, Hamburg/Hanover, Düsseldorf, Berlin
Stock exchange segment	Prime Standard
Index	SDAX
Number of shares in circulation	81,840,000

CORPORATE GOVERNANCE

For Deutsche Wohnen AG, good corporate governance is a central component of managing the company. To us this means responsible management and control of the company directed towards long-term value creation.

The Management Board and the Supervisory Board of Deutsche Wohnen AG are committed to good corporate governance; this is the guiding principle for all divisions of our company. The management and control of the Deutsche Wohnen Group is therefore not only determined by the compliance with laws, but moreover also by the substantial compliance with generally acknowledged standards and recommendations. Our focus is on values such as competence, transparency, and sustainability.

In accordance with section 3.10 of the German Corporate Governance Code, the Management Board and the Supervisory Board report together on the corporate governance of Deutsche Wohnen AG. In the following, we describe the principles of the management and control structures as well as the essential rights of our shareholders.

You can also find comprehensive information on the subject on our web page **www.deutsche-wohnen.com**. The declarations of conformity of the last years are also available there.

CLOSE COOPERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Deutsche Wohnen AG has the following executive bodies: the Management Board, the Supervisory Board, and the General Meeting. The competences of these executive bodies are specified in the German Stock Corporation Act, the articles of incorporation, and the standard operating procedures for the Management Board and the Supervisory Board. The Management Board and the Supervisory Board of Deutsche Wohnen work together in close and faithful cooperation.

As in previous years, in the past financial year, the Management Board and the Supervisory Board jointly agreed on the strategic orientation of the Group and the implementation thereof at regular intervals. The Management Board regularly informed the Supervisory Board on all issues related to planning, business development, the risk situation, risk management, and compliance of relevance to the company and the Group in a comprehensive and timely fashion. In addition, the Management Board routinely reported to the Supervisory Board on the current business development; deviations from plans and goals were always discussed in detail. Approvals were obtained from the Supervisory Board for any transactions requiring approval in accordance with the articles of incorporation.

The Management Board of Deutsche Wohnen AG, consisting of two members, is responsible for the management of the company and is committed to acting in the best interest of the company. Its activities aim to increase the lasting company value and to develop, adjust, and implement the strategic orientation of the company. In addition, the Management Board of Deutsche Wohnen AG ensures compliance with legal provisions and internal corporate guidelines and works towards ensuring compliance by Group companies as well. The Management Board is also responsible for the continued development of risk management and risk controlling.

In accordance with § 7 para. 1 of the articles of incorporation, the Supervisory Board consists of six members. It is not subject to employee participation. Members are elected as shareholder representatives in the General Meeting. The Supervisory Board advises and monitors the Management Board in managing the company. The Supervisory Board is involved in all decisions of fundamental importance to the company and reviews and approves the annual financial statements. In addition, the Supervisory Board appoints the members of the Management Board and is entitled to dismiss them for important reasons.

EFFICIENT COMMITTEE WORK

During the reporting year, five committees existed for a more efficient work of the Supervisory Board.

» The **General Committee** continually advises the Management Board. It prepares the Supervisory Board meetings, if this is necessary due to the magnitude and importance of the meeting topics, and negotiates Management Board contracts. Another task is the deliberation and resolution on special, urgent matters.

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

» The **Audit Committee** is concerned in particular with issues such as accounting, the efficacy of the internal control system of the risk management, the internal revision system and compliance, required auditor independence, awarding audit contracts to auditors, determining core audit areas, and the fee agreement. The members of the Audit Committee are experts in the areas accounting and auditing, and their majority meets all stipulations on independence in accordance with the EU recommendation concerning the tasks of Supervisory Board members (OJ. EC 2005 No. L 52 as of 02/25/2005, p. 1) and the recommendation of the German Corporate Governance Code.

» The **"Capital Markets and Communications"** Committee advises on the development of the share price and the shareholder structure of the company, other important capital market issues, and the company's communications policy.

» The **Nominations Committee** prepares the nomination of candidates by the Supervisory Board for the Annual General Meeting.

SHAREHOLDERS AND GENERAL MEETING

The General Meeting is a central executive body of Deutsche Wohnen AG. Through it, our shareholders are able to implement their rights and exercise their voting rights. Deutsche Wohnen AG invites its shareholders to participate in the General Meeting in due time. Here, important decisions like the discharge of the Management Board and the Supervisory Board, the election of the Supervisory Board and of the auditor, changes in the articles of incorporation, and capital measures are made. The shareholders also resolve on the application of profits. The General Meeting offers us a good opportunity to directly get in contact with shareholders and to arrange the further company development together with them.

At the Annual General Meeting on 16 June 2009, 65,32 % of the voting capital were present, at the Extraordinary General Meeting on 7 August 2009, it was 67,42 %. This represents a relatively high participation and an increase from the previous year. The shareholders have the option of voting in the General Meeting either themselves, through an authorised third party, or through a voting representative of the company bound by instructions. At this time, the option of a live broadcast of the General Meeting using modern communication media such as the internet, as set out in the articles of incorporation, is not being considered. Further information, including the invitations, agendas, and decisions of our Annual General Meetings and the voting results, are available on our homepage in the section Investor relations.

TRANSPARENT INFORMATION FOR SHAREHOLDERS AND THE PUBLIC

In the context of the current investor relations activities, all the dates that are important for our shareholders, investors, and analysts, are published in a calendar at the beginning of the year for the duration of the financial year, which is continuously updated. The "Financial calender" is also available on the website of Deutsche Wohnen AG. A summary of the main information published in the financial year 2008 can be found in the annual document in accordance with § 10 WpPG (German Sales Prospectus Act), which is also available on the website.

The company informs shareholders, analysts, and journalists according to uniform criteria. The information is transparent and consistent for all participants in the capital market. Ad-hoc news and press releases, as well as presentations of press and analyst conferences and road shows are immediately published on our website.

Insider information (ad-hoc disclosure), voting notifications as well as securities transactions by members of the Management Board and the Supervisory Board and affiliated persons (Directors' Dealings) are also promptly published by Deutsche Wohnen AG in accordance with statutory regulations.

COMPLIANCE AS AN IMPORTANT MANAGEMENT TASK

Deutsche Wohnen AG has appointed a compliance officer to oversee compliance with statutory provisions and with the standards and norms of conduct specified in the German Corporate Governance Code. This officer maintains an insider directory and informs management, employees, and business partners of relevant legal framework conditions as well as the consequences of violations of the rules against insider trading.

The Management Board and the Supervisory Board were informed by the compliance officer of the latest development in corporate governance in the year under review, in particular the new provisions of the German Corporate Governance Code in its version dated 18 June 2009. They have dealt with the implementation of the recommendations by the company in detail. Based on these discussions, the Management Board and the Supervisory Board gave a joint declaration of conformity according to § 161 of the German Stock Corporation Act in June of 2009 and March of 2010 for the year under review. The exact wording can be found on the website of the company under **www.deutsche-wohnen.com** and is also available for download there (see also page 16).

APPROPRIATE OPPORTUNITY AND RISK MANAGEMENT

It is an important goal for our company to deal with opportunities and risks in a responsible manner. We guarantee this through an extensive opportunity and risk management, which identifies and monitors the essential opportunities and risks. This system is continuously being developed further and adapted to changing general conditions.

The risk management of Deutsche Wohnen AG is introduced in the risk report on page 54. Opportunities concerning company strategy are described in the outlook of the management report (page 57). Information on the company's accounting procedures are found in the Notes to the financial statements.

DIRECTORS' DEALINGS

Members of the Management Board and the Supervisory Board and affiliated individuals are obligated under § 15a Wertpapierhandelsgesetz (German Securities Trading Act) to disclose transactions in shares of Deutsche Wohnen AG or related financial instruments. Deutsche Wohnen AG publishes these transactions as soon as it has received the information. The following transactions were reported in the financial year 2009:

Date of the transaction	Name	Function	Type and place of the transaction	Number of shares	Rate / Price EUR	Total volume EUR
10/02/2009	Silvia Kretschmer	Spouse of the Deputy Chairman of the Supervisory Board	Sale of subscription rights	463	6.02	2,770.95
10/05/2009	Dr. Florian Stetter	Member of the Supervisory Board	Sale of subscription rights	3,207	6.71	21,518.97
10/09/2009	Helmut Ullrich	Member of the Management Board	Purchase of bearer shares	9,450	4.50	42,525.00
10/09/2009	Jutta Flach	Spouse of a member of the Supervisory Board	Purchase of bearer shares	4,200	4.50	18,900.00
10/09/2009	Silvia Kretschmer	Spouse of the Deputy Chairman of the Supervisory Board	Purchase of bearer shares	1,470	4.50	6,681.15
10/09/2009	Uwe E. Flach	Member of the Supervisory Board	Purchase of bearer shares	8,400	4.50	37,800.00

SHAREHOLDINGS BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

As of 31 December 2009, Chief Financial Officer Helmut Ullrich held 13,950 shares of Deutsche Wohnen AG. This corresponded to approximately 0.02 % of the 81.84 million shares issued. The Supervisory Board members Uwe E. Flach and Dr. Florian Stetter held 12,400 and 3,207 shares respectively of Deutsche Wohnen AG as of the end of the year. The spouse of the Deputy Chairman of the Supervisory Board Dr. Andreas Kretschmer held 2,633 shares of Deutsche Wohnen AG at that time, and the spouse of the member of the Supervisory Board Uwe E. Flach 4,200 shares. Other members of the Supervisory Board and the Chief Executive Officer Michael Zahn did not hold any shares of Deutsche Wohnen AG as of 31 December 2009.

This means that the total holdings of shares of Deutsche Wohnen AG of all members of the Management Board and of the Supervisory Board were less than 1 % of the shares issued by the company as of 31 December 2009.

The other mandates of the members of the Management Board and of the Supervisory Board are listed in the Notes on pages 121–122.

REPORT ON COMPENSATION

The report on compensation of Deutsche Wohnen AG for the past financial year is located in the management report on page 59.

FINAL AUDIT BY ERNST & YOUNG

Ernst & Young Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft was elected again as independent auditor by the Annual General Meeting in 2009. The auditors reviewed the annual financial statements and the consolidated financial statements of Deutsche Wohnen AG, as well as the summarised management report, and provided an unqualified audit opinion on 5 March 2010.

Prior to the selection of Ernst & Young Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft in the Annual General Meeting, the Audit Committee obtained a statement from the proposed auditors that there were no business, financial, personal, or other relationships between the auditor, its executive bodies and head auditors on the one hand and the company and members of its executive bodies on the other hand that could call its independence into question.

COMPLIANCE STATEMENT

The Management Board and the Supervisory Board of Deutsche Wohnen AG have dealt with the fulfilment of the Standards of the German Corporate Governance Code in detail. Based on these discussions, they determined the following declaration of conformity according to § 161 para. 1 of the German Stock Corporation Act in March of 2010: The Management Board and the Supervisory Board of Deutsche Wohnen declare in accordance with § 161 para. 1 of the German Stock Corporation Act:
Since the last declaration of conformity in June 2009, Deutsche Wohnen AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code (taking into account the German Corporate Governance Code in its version dated 18 June 2009) with the following exceptions:

» A directors and officers group insurance policy without deductible continued to be available for members of the Management Board and the Supervisory Board (Code Item 3.8 Sentences 4 and 5). The current employment contracts for the Management Board included a directors and officers group insurance policy without deductible. Regarding the insurance of Supervisory Board members, the company is of the opinion that the liability risks linked with a deductible could interfere with the goal of Deutsche Wohnen AG to attract especially qualified persons for the Supervisory Board, since a deductible is largely unusual internationally.

- The articles of incorporation lay down fixed compensation for members of the Supervisory Board and not performance-based compensation. Membership in and chairmanship of committees of the Supervisory Board are not taken into account in determining the compensation. The compensation of Supervisory Board members is not stated individualised in the Corporate Governance Report (Code Item 5.4.6 Sentences 3, 4 and 6). Deutsche Wohnen AG considers it preferable to have a fixed compensation for the Supervisory Board in view of its monitoring function in order to guarantee the required independence in the Board's supervisory function. The German Corporate Governance Code recommends that chairmanship and membership in committees of the Supervisory Board should be taken into account in defining compensation for the Supervisory Board, but this recommendation has not been adopted since in the view of the company, the existing compensation sufficiently compensates for these responsibilities. The company finally forewent to state compensation of the members of the Supervisory Board individualised in the Corporate Governance Report, since the transparent regulations of the articles of incorporation would not gain additional insight from individualised data.

- Consolidated annual financial statements and interim reports were publicly available within statutorily fixed periods and not within 90 days from the end of the financial year or 45 days after end of the reporting period (Code Item 7.1.2 Sentence 4). It was not possible to publish these earlier due to the need for due care in preparing the financial statements and company reports.

Deutsche Wohnen will comply with the recommendations of the Government Commission on the German Corporate Governance Code (in its version dated 18 June 2009) in the future with the following exceptions:

- A current directors and officers group insurance policy without deductible is presently available for members of the Management Board and the Supervisory Board (Code Item 3.8 Sentences 4 and 5). The directors and officers group insurance policy will be adjusted regarding the deductible within the legal period and according to the requirements of item 3.8.

- The articles of incorporation lay down fixed compensation for members of the Supervisory Board and not performance-based compensation. Chairmanship and membership in committees of the Supervisory Board are not taken into account in calculating compensation (Code item 5.4.6 sentences 3 and 4). Deutsche Wohnen AG considers it preferable to have a fixed compensation for the Supervisory Board in view of its monitoring function in order to guarantee the required independence in the Board's supervisory function. The German Corporate Governance Code recommends that membership in and chairmanship of committees of the Supervisory Board should be taken into account in defining compensation for the Supervisory Board, but this recommendation has not been adopted, since in the view of the company, the existing compensation sufficiently compensates for these responsibilities.

» The consolidated annual financial statements and interim reports are publicly available within statutorily fixed periods and not within 90 days from the end of the financial year or 45 days after end of the reporting period (Code Item 7.1.2 Sentence 4). It is not possible to publish these earlier due to the need for due care in preparing the financial statements and company reports.

Frankfurt/Main, March 2010

The Management Board
The Supervisory Board

D & O GROUP INSURANCE

A group insurance policy for directors and officers is available to members of the Management Board and the Supervisory Board. As a continuing insurance, the policy does not include a deductible, the recommendations of the German Corporate Governance Code notwithstanding. The company was of the opinion that at the time of signing the employment contracts with the members of the Management Board, a deductible was still largely unusual internationally. We additionally feared at the time that due to the liability risks linked with a deductible we would not have been able to attract especially qualified persons for the Management Board and the Supervisory Board. Furthermore, the group insurance policy is a policy for a variety of executive officers, and it would have been inappropriate to differentiate between members of the Supervisory Board and the Management Board and other executive officers. However, the company will comply with the legal provisions and introduce a deductible in the directors and officers group insurance policy in a timely manner.

REPORT OF THE SUPERVISORY BOARD

For Deutsche Wohnen AG, the financial year 2009 was initially characterised by the completion of the reorganisation of the Group and by the implementation of the migration of the IT systems. In the second half of the year, the company carried out a capital increase for subscription rights, which increased the share capital by EUR 55.44 million to EUR 81.84 million. The Supervisory Board and its committees have supported the Management Board in these measures through numerous extraordinary meetings as well as through continuous advice.

FAITHFUL COOPERATION WITH THE MANAGEMENT BOARD

The Supervisory Board assumed its responsibilities under the law and under the articles of incorporation with diligence also in the financial year 2009. It regularly advised the Management Board in the management of the company and supervised its work. The Supervisory Board was directly involved in all decisions of fundamental importance to the company at an early stage. The Management Board reported to us both in writing as well as verbally regularly and comprehensively and in a timely fashion on corporate planning and strategy, the position of the company, the course of the business, the risk position, and risk management. The Management Board coordinated strategic decisions with the Supervisory Board. Deviations of the course of business from plans and targets were comprehensively explained and discussed. The Supervisory Board was thus informed continuously and promptly of all business transactions essential to the company throughout the reporting year.

Apart from meetings of the Supervisory Board and its committees, the Chairman of the Supervisory Board and other members of the Supervisory Board were in regular contact with the Management Board to stay apprised of essential business transactions and to support the Management Board in an advisory capacity.

SIX SUPERVISORY BOARD MEETINGS WITH KEY DECISIONS

In the financial year 2009, the Supervisory Board held six Supervisory Board meetings and additionally took several decisions outside of meetings. All members of the Supervisory Board attended more than half of the meetings in the year under review. In urgent cases, the Supervisory Board passed resolutions in writing in consultation with the Chairman of the Supervisory Board.

Key areas of the discussion of the Supervisory Board in the reporting year were the capital increase for subscription rights, the continuation and finalisation of the reorganisation of the Group, the business planning, and the implementation of the migration of the IT systems. Other regular items of discussion were business development in leasing and sales, sales projects, and the Group's financial and liquidity position.

In the ordinary meeting on 31 March 2009, the Supervisory Board concentrated on the reports from the Supervisory Board committees, the development of the financial year 2008, the financial statements 2008, the preparation of the ordinary Annual General Meeting 2009, and the migration of the IT systems. The board also discussed the status of the redress procedure against the EK 02 compulsory taxation introduced by the annual tax law 2008. Representatives of the auditor of the company were present during the discussions on the annual financial statements 2008 and commented on the items and estimates in the company and Group consolidated financial statements.

In the first extraordinary meeting on 28 April 2009, the improvement of the capital structure and in particular the operating cash flow and rent development in view of the current portfolio structure were under discussion. There was also a debate about a possible increase in the authorised capital by decision of the Annual General Meeting 2009. The Supervisory Board approved the agenda to be presented at the Annual General Meeting 2009 in the meeting.

The second regular meeting took place on 16 June 2009 before and after the Annual General Meeting. We discussed here above all the recommendation to the Annual General Meeting on the adjustments of the authorised capital and generally on the Annual General Meeting 2009 and on the revised standard operating procedures for the Management Board and the Supervisory Board. In addition, possibilities for strengthening the equity for investment projects such as the implementation of a capital increase for subscription rights in the second half of 2009 were discussed.

Based on this, we discussed specifically the implementation of a capital increase for subscription rights and possible framework conditions in this context in the second extraordinary meeting on 23 June 2009. On 24/25 June 2009, we decided by way of circulation to propose the resolution of a capital increase for subscription rights to an Extraordinary General Meeting.

In the third regular meeting of the Supervisory Board on 15 September 2009, we discussed the status of the preparation and implementation of the capital increase for subscription rights, particularly in terms of the pricing, in great detail. The Management Board also reported on the business development of the year under review. In a decision taken by telephone on 21 September 2009, the Supervisory Board approved setting the strike price for the capital increase for subscription rights to EUR 4.50 per share.

In the fourth regular meeting on 10 December 2009, the Management Board reported extensively to the Supervisory Board on the business development in 2009, and presented and explained the business plan 2010 to the Supervisory Board. The Supervisory Board discussed both intensively. We received moreover information on the current status of the reviews regarding the commitments toward DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG. The Supervisory Board discussed the status of compliance in the Group based on the draft of the declaration of conformity presented to the Management Board. The release of the declaration of conformity in its published form was decided by way of circulation.

EFFICIENT WORK IN FIVE SUPERVISORY BOARD COMMITTEES

In order to discharge its duties efficiently, the Supervisory Board has set up committees and regularly assesses their needs and their work during the year under review.

The following five committees existed during the year under review:

- General Committee,
- Acquisition Committee,
- Audit Committee,
- "Capital Markets and Communications" Committee,
- Nominations Committee.

Their tasks are explained in more detail in the Corporate Governance Report on page 11.

The committees generally prepare the resolutions of the Supervisory Board and the topics to be dealt with by the full assembly of the Supervisory Board. As far as legally admissible, decision-making rights were granted to the various committees in individual cases by the standard operating procedures or by Supervisory Board decisions. The chairmen of the committees reported regularly and in detail on the subject matter and outcomes of committee meetings in Supervisory Board meetings.

The General Committee is responsible for deliberation and resolutions on especially urgent matters, as far as legally admissible; in addition, it continually advises the Management Board. The General Committee did not meet in the year under review. Issues were submitted to the Supervisory Board by the Management Board in each case in such a timely manner, that resolutions could be passed in the full assembly, in some cases also in writing.

The Acquisition Committee prepares the decisions of the Supervisory Board on corporate and/or portfolio acquisitions. This committee did not meet in the year under review.

The Audit Committee met four times in the year under review, each time prior to the publication of the corporate figures. It is concerned, in particular, with issues such as accounting, the efficacy of the internal control system, the risk management, the internal revision system, and compliance, as well as the final audit. It hereby deals particularly with the independence of the auditor, the issuing of the audit mandate to the auditor, the fee agreement, and the determination of focus areas for the audit. In the presence of representatives of the company and Group auditor as well as the Management Board, the Audit Committee primarily discussed the annual and consolidated financial statements and the risk management system in its first meeting. In its three other meetings, the Audit Committee moreover discussed in detail with the Management Board the quarterly, half-year and nine-months results to be published together. It recommended an auditor for the financial year 2009 to the Supervisory Board, and oversaw the independence of the auditor. A statement of independence was obtained from the auditor.

The Audit Committee is comprised of three (since March 2010: four) members of the Supervisory Board who have the necessary expertise in the areas of accounting and auditing. The chairman of the committee, Uwe E. Flach, fulfils all stipulations of § 100 para. 5 of the German Stock Corporation Act.

The "Capital Markets and Communications" Committee met once during the year under review. In this meeting, it dealt intensively with the share price development, the share price movements and shareholder structure, and with the current activities of the company in the area Capital market/IR. The Committee also discussed the status of the communications policy of the company and the future communications strategy, particularly towards potential new investors.

The Nominations Committee did not meet during the year under review, since no replacements were necessary.

CORPORATE GOVERNANCE STANDARDS FURTHER DEVELOPED

The Supervisory Board continually monitored and discussed the development of corporate governance standards within the company. The management report 2009 contains detailed information about corporate governance in the company and the compensation amounts and the structure for the Supervisory Board and the Management Board.

In their meeting on 10 December 2009, the Management Board and the Supervisory Board discussed in detail the requirements of the current German Corporate Governance Code and its implementation. The Management Board and the Supervisory Board issued an updated joint declaration of conformity in accordance with § 161 of the German Stock Corporation Act in March of 2010. The declaration of conformity is permanently available to the shareholders in its current version on the website **(www.deutsche-wohnen.com)**.

There existed a consulting agreement, which was cancelled as of the end of the reporting year, between Deutsche Wohnen and the Oaktree Group, whose German Managing Director is the Chief Executive Officer, Mr. Hermann T. Dambach. The Supervisory Board had agreed to the contract with abstention by Mr. Hermann T. Dambach in accordance with § 114 of the German Stock Corporation Act. No consulting services were provided during the reporting year under the consulting agreement.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS DISCUSSED IN DETAIL

The Annual General Meeting on 16 June 2009 selected Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (now: Ernst & Young GmbH) as auditor for the financial year 2009. The auditor reviewed the annual financial statements and the management report including the accounts, and the consolidated financial statements and the Group management report, and has provided an unqualified audit opinion. The reports and financial statements were sent to all members of the Supervisory Board in due time. They were extensively discussed by the Audit Committee in its meeting on 23 March 2010 and by the Supervisory Board in its meeting on 25 March 2010. The auditor provided the Audit Committee as well as the full assembly of the Supervisory Board a detailed report on the essential results of the audit and was available for questions and additional information.

The chairman of the Audit Committee provided the Supervisory Board a comprehensive report on the annual financial statements and the final audit in its meeting on 25 March 2010. For its part, the Supervisory Board independently reviewed the annual financial statements, the management report, the consolidated financial statements, the Group management report, as well as the audit reports from the auditor. On the basis of this review and in accordance with the recommendation of the Audit Committee, the Supervisory Board approved the annual and consolidated financial statements prepared by the Management Board. The annual financial statements are thus approved. The approved annual financial statements show a balance sheet loss for the year. The agenda of the ordinary Annual General Meeting will therefore not include a decision on the distribution of a dividend.

NO CHANGES IN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

There were no personnel changes in the Supervisory Board or in the Management Board in the year under review compared with the previous year. On 29/30 January 2010, Mr. Helmut Ullrich was appointed by way of circulation as a member of the Management Board for another year, i.e. until 31 December 2011.

The Supervisory Board expresses its gratitude and appreciation to all members of the Management Board and to the employees of all Group companies of the Deutsche Wohnen Group for their services in the year under review.

Frankfurt, March 2010
For the Supervisory Board

Hermann T. Dambach

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» CAPITAL INCREASE CONSUMMATED SUCCESSFULLY

» EBT INCREASED FROM EUR –328.8 MILLION TO EUR 3.4 MILLION

» FFO RAISED BY 33.4 % TO EUR 0.43 PER SHARE

» FINANCIAL STRUCTURE SUBSTANTIALLY IMPROVED

» RENT PER M² INCREASED, VACANCY RATE SIGNIFICANTLY REDUCED

» PORTFOLIO RESTRUCTURED AND VALUES STABILISED

GROUP MANAGEMENT REPORT

1 BUSINESS AND GENERAL CONDITIONS

1.1 ORGANISATION AND CORPORATE STRUCTURE

Deutsche Wohnen AG and its subsidiaries (hereinafter referred to as "Deutsche Wohnen" or "Group") is currently the second largest listed German residential property corporation, measured by market capitalisation and its property portfolio of 49,496 units, of which 49,026 are housing units and 470 commercial units. Within the business strategy, our focus is on attractive residential property in the economically significant core regions Berlin and Frankfurt/Rhine-Main.

With the finalisation of the restructuring measures, we were able to achieve a clear separation between management and asset companies, along with cost savings. The management companies can be clearly assigned to the respective segments, as the graphic below shows. Deutsche Wohnen AG is assigned all classic functions of a holding company with the areas communication, legal, personnel, financing/accounting/controlling. In addition, the processes and IT of Deutsche Wohnen and the GEHAG Group have been standardised. This allows for the transparent and efficient management of our business processes - from accounting and management of master data to the rent management and the cooperation with our system providers.

Deutsche Wohnen AG
Management and Central Units

RESIDENTIAL PROPERTY				NURSING AND RESIDENTIAL CARE HOMES	
Deutsche Wohnen Management GmbH		**Deutsche Wohnen Corporate Real Estate GmbH**		**KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH**	
Operational figures[1]		Operational figures[1]		Operational figures[1]	
Gross rental income	190.6 EUR m	Revenue from sales	85.7 EUR m	Sales turnover	38.7 EUR m
Residential	49,026	Sales volume	1,573 units	Capacity	1,350 units
Staff	226	Staff	29	Staff	935
ASSET COMPANIES					

[1] as of 12/31/2009

Restructuring results in cost savings and clear organisational separation of management and asset companies

Deutsche Wohnen Management GmbH

Deutsche Wohnen Management GmbH is responsible for the development and management of the property portfolio, the core business of Deutsche Wohnen. The company combines all activities in the context of the management and administration of residential property, the management of rental agreements, and the care of the tenants. The strategic goal of Deutsche Wohnen in this business segment is the preservation and optimisation of the rental revenues. Through the gradual development of our holdings, we can utilise existing rent increase potential and reduce the vacancy rate. We moreover ensure efficient management of residential property in cooperation with qualified system providers. With the introduction of a specially designed quality management for the facility management, we are able to check the specifically defined performance standards and ensure the value of our portfolio.

Deutsche Wohnen Corporate Real Estate GmbH

Deutsche Wohnen Corporate Real Estate GmbH combines the responsibilities for disposals and acquisitions, as well as the portfolio management. The housing units, which Deutsche Wohnen has up for sale, are divided into single privatisation, which is geared primarily towards occupants desirous of becoming owners, and bloc sales to institutional investors. All sales activities are aimed specifically at the optimisation and concentration of the portfolio and take place on a continuous yet successive basis. We plan to acquire additional holdings in the core regions Berlin and Frankfurt/Rhine-Main in the context of our portfolio strategy. Another focus of future acquisitions is on the development of new sites and is being pursued by the Deutsche Wohnen Management Board in close cooperation with the portfolio management. The portfolio management forms the basis for the strategic orientation of the property portfolio with detailed market and holding analyses.

KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH

The segment nursing and residential care homes is covered by the label KATHARINENHOF®. The business philosophy is aimed at activating and supporting those in need of care in the context of in-patient care while maintaining a maximum of independence. In addition, Deutsche Wohnen offers senior citizens residential care homes with an additional offer of extensive services appropriate for the elderly.

1.2 LEGAL CORPORATE STRUCTURE

Registered Capital and Shares

The registered capital of Deutsche Wohnen AG amounts to EUR 81.84 million and is divided into 81.84 no-par value shares with a notional share of the registered capital of EUR 1.00 per share. As of 31 December 2009, about 99.75 % of the shares are bearer shares (81,631,350 shares), while the remaining 0.25 % of the shares are registered shares (208,650 shares). The same rights and duties apply to all shares. Each share grants one vote in the General Meeting and is normative for the share of the shareholders in the profit of the company. The rights and duties of the shareholders is governed by the regulations of the German Stock Corporation Act, especially by §§ 12, 53a and the following, 118 and the following, and 186 of the said Act.

No restrictions regarding the voting rights or the transfer of shares are known to Management Board of Deutsche Wohnen AG.

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

The Management Board is authorised, with the consent of the Supervisory Board, to increase the registered capital of eth company on one or several occasions in the period until 9 August 2011, by up to an aggregate of EUR 3.6 million by issuing up to 3.6 million new ordinary bearer shares against cash or non-cash contributions (authorised capital). The originally authorised capital amounted to EUR 10.0 million.

The registered capital is conditionally increased by up to further EUR 10.0 million through issue of no-par value bearer shares carrying dividend rights from the beginning of the financial year in which they were issued (contingent capital I).

The contingent capital increase serves shares to the owners or creditors of options or convertible bonds and of profit participation rights with conversion or option rights. These can be issued by the company or by a company which is 100 % directly or indirectly affiliated with the company during the period until 9 August 2011, in accordance with the authorisation of the General Meeting on 10 August 2006, provided that the issue is against cash. The contingent capital increase will only be carried out if rights related to the previously mentioned bonds with option rights or convertible bonds or convertible bonds or profit participation rights are exercised or the conversion rights from such debt securities are met and insofar as own shares are not used for this purpose.

The registered capital is conditionally increased by up to further EUR 2.7 million through issue of 2.7 million no-par value bearer shares carrying dividend rights from the beginning of the financial year in which they were issued (contingent capital II).

The contingent capital increase serves to grant shares to the owners or creditors of options or convertible bonds and of profit participation rights with conversion or option rights. These can be issued by the company or by a company which is controlled in accordance with the authorisation of the General Meeting on 17 June 2008, provided that the issue is against cash. The contingent capital increase will only be carried out if rights related to the previously mentioned bonds with option right or convertible bonds and/or profit participation rights with option or conversion rights are exercised or conversion obligations from such bonds are fulfilled, and insofar as own shares are not used for this purpose.

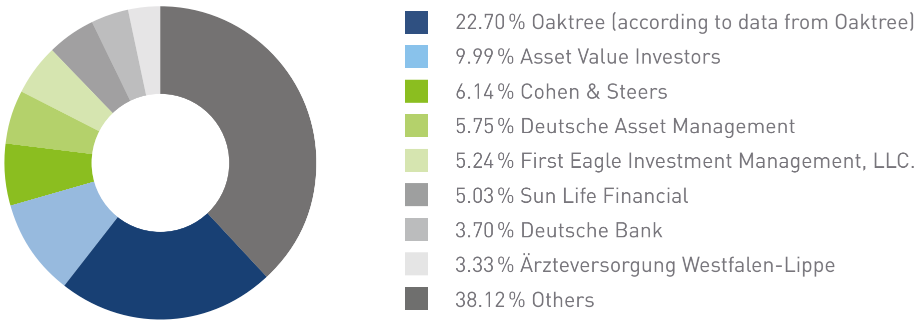
The registered capital is conditionally increased by up to EUR 100,000 with the issue of up to 100,000 no-par value bearer shares (contingent capital III). The conditional increase in capital is only implemented so far as the proprietors of the subscription rights, which are granted on the authority of the decision taken on point 12 of the agenda of the Annual General Meeting on 17 June 2008 regarding persons entitled to new shares, exercise these subscription rights. The new shares participate in profit sharing from the beginning of the financial year in which they originate through the exercising of the subscription rights.

Stocks with special rights that grant controlling authority do not exist.

If employees of Deutsche Wohnen AG should hold an interest in Deutsche Wohnen AG, they will have no controlling authority towards the Management Board.

Major interests

The following graph shows our shareholder structure as of 31 December 2009 (based on WpHG):



Appointment and removal of the members of the Management Board and changes to the articles of incorporation

Members of the Management Board are appointed and dismissed according to § 84 and § 85 of the German Stock Corporation Act. The Supervisory Board appoints members of the Management Board for a maximum period of five years. It is allowed to re-instate an appointee or to prolong the term of office, however, only for a maximum period of five years. The articles of incorporation of Deutsche Wohnen AG add a supplement in this regard in § 5, namely that the Management Board consists of at least two members, but that otherwise the Supervisory Board determines the number of members of the Management Board. The Supervisory Board can appoint deputy members of the Management Board and also nominate a member of the Management Board as Chief Executive Officer or as Speaker of the Management Board.

The General Meeting resolves on changes in the articles of incorporation, according to § 119 para. 1 item 5 of the German Stock Corporation Act. Changes to the articles of incorporation that concern only the wording can be made by the Supervisory Board as per § 11 para. 5 of the articles of incorporation. According to § 11 para. 3 of the articles of incorporation, resolutions of the Annual General Meeting are taken with a simple majority of votes and, in so far as a capital majority is required, by a simple capital majority, except where the law or the articles of incorporation determine otherwise. According to § 4 para. 4 of the articles of incorporation, changes to the articles of incorporation, which result in the immediate conversion of bearer shares into registered shares, or which can result in this conversion after a previous request by the shareholders in accordance with § 24 of the German Stock Corporation Act, require a resolution by the General Meeting with a majority of 95.0 % of the registered capital represented. § 4 para. 4 expired on 1 January 2010.

2 CORPORATE STRATEGY AND GROUP MANAGEMENT

Competitive strengths and corporate strategy

The size and quality of our property portfolio, the concentration on core and growth regions, and the quality of the management and staff ensure a good market position for us. This results on the one hand in a sustained increase in value from the existing property portfolios. On the other hand, we want to increase our holdings through selective acquisitions.

Some of the competitive advantages of Deutsche Wohnen AG are:

- an attractive property portfolio with strong rental income in two fast-growing core regions in Germany: Berlin and Frankfurt / Rhine-Main,
- competence, experience, and market knowledge of the management teams and staff,
- access to the various potential sellers of residential property and new property portfolios,
- integration competence and scalability of the company platform,
- realisation of increases in rental income through strategic asset and portfolio management.

A comprehensive restructuring phase followed the acquisition of the GEHAG Group, in the context of which we created a competitive and scalable platform. In addition, we were able to substantially reduce the debt position of the Group.

The focus of the next step will be on growth and increase in value. Deutsche Wohnen sees itself as an active manager of residential units ranging from the middle to the upper price segments, situated at economically attractive locations with above-average rent development potential of the current gross rent. Our business strategy aims to make use of this potential, and thus increase the value of the company. For example, we raise the rent in the context of adjustments to the rent index, new leases at market rents, or through modernisation measures in the core portfolio. The implementation of this strategy is strongly determined by the portfolio structure (location, condition, share of price-free holdings, year of construction, etc.) and the resulting guiding principles.

Growth and increase in value are the focus of the company strategy

In this context, we count on:

- the focus on the residential property management of our own holdings in growth regions in Germany
- realisation of the rent developmental potential of the current gross rent and vacancy rate reduction in the core portfolio
- growth through targeted acquisitions
- single privatisation and portfolio adjustment geared towards value
- Optimisation of the financing structure specifically by reducing financial liabilities

In addition, we continuously review our process and cost structures in order to increase profitability.

Group Management

It is the top company objective of Deutsche Wohnen to optimise the shareholder value and generate a strong cash flow. The central planning and controlling systems of the company are constructed and aligned accordingly.

Group management takes place taking the respective special characteristics of our segments into account. In the residential property management segment, the key performance indicators for management are the development of the rent per m^2 and of the vacancy rate, differentiated according to portfolios and/or regions. This also includes the size and result of the new leases and the development of the costs related to leasing such as maintenance, marketing and operating costs, and rental shortfall. All parameters are evaluated weekly and/or monthly and compared with detailed budget estimates. This allows the development of measures and/or strategies that increase rental income potentials within controlled expenditure development and thus result in a constant improvement of the operative results. This established system makes it possible to identify property portfolios with less development potential for disposals, but also to determine short-term potentials for the company from portfolio acquisitions.

In the disposals segment, we regulate the number of units to be sold via the average sales prices per square meter and the margin as difference between book value and average sales price. In this process, the determined values are matched with the target figures.

Within the framework of regular reporting, the portfolio management reports to the Management Board on the development of the essential parameters in comparison with the targeted figure, according to locations and/or subsidiaries.

The other operative expenditures such as personnel expenses and general and administration expenses and the non-operative magnitudes such as financial expenses and taxes are also part of the central planning and controlling system together with the monthly report to the Management Board. Here, the current development is drawn up to be compared with the targeted figures, as well.

The financial expenditures have considerable significance, because they have fundamental influence on the Group results as well as on the cash flow development. The control of the financial expenses is the responsibility of the treasury division within the holding. It is directly responsible to the Management Board. An active and up-to-date management of the loan liabilities, connected with permanent market monitoring, makes a constant optimisation of the financial earnings possible. The cash is planned in a rolling 18-month cycle and arranged and controlled on a daily basis.

In the segment nursing and residential care homes, we generate internal growth primarily through increases in rent and reductions in vacancy levels and/or new leases (in the residences/residential care business) and through increases in accommodation and treatment charges and in occupancy (in the area of in-patient care facilities). Rents and care payments in all KATHARINENHOF® facilities range in the upper third of the regional market average. Reporting to the Management Board also takes place monthly.

In order to measure the cash flow obtained through the operative business activity and to align it with the plan, we use the adjusted profit before tax (EBT) and the funds from operations (FFO) as parameters. In this process, the Group's EBIT presents the initial value for determining the FFO, which is increased or reduced by financial expenses/returns that do not affect liquidity, and tax expenses /returns.

By means of the monthly reporting, the Management Board and the speciality departments can evaluate the economic development of the Group and compare it to the values of the previous month and the previous year and the targeted figures in a timely manner. Furthermore, the expected development is thus determined on the basis of a projected forecast. Opportunities, but also negative developments, can thus be identified in the short term and measures for the utilisation and/or preventative steps can be deduced.

Sustainability

Against the backdrop of a lasting business policy, Deutsche Wohnen is involved on various levels: in social projects in the estates, in the cultural area for the Bruno Taut heritage, and with ecological measures in the holdings.

In the context of our involvement, we promote social initiatives and projects in our holdings. With our support, the German aid organisation Malteser Hilfsdienst, for example, opened a neighbourhood centre in Berlin's Gropiusstadt. For the day-care centre "Kiddies Daycare", we restored a former commercial property in the housing estate Waldsiedlung in a comprehensive manner

EBT and FFO as central key performance indicators appropriate for children. With these measures, we want to contribute to making the living environment more attractive for our tenants.

We maintain our cultural roots with the traditional GEHAG Forum. Since 1988, 140 artists have already presented their works here. In addition, as owner of three of the UNESCO world heritage estates, we advocate their preservation and modernisation according to standards for the protection and preservation of historic monuments.

Last but not least, we also make an ecological contribution with the energetic rehabilitation of our holdings. In the sense of the long-term value increase of our portfolio, we check on an on-going basis which ecological measures can be implemented under the aspects of environmental protection and economic viability.

We continued our efforts to increase the energy efficiency in the holdings further also in 2009. For example, several inefficient heating systems were replaced by modern combined heat and power district heating connections. Through this, we make a sustainable contribution to the protection of the environment. The Federal High Court of Justice also confirms our efforts in a decree. In it, projects that lead to primary energy savings are recognised as modernisation measures. Based on these positive experiences, we will continue our commitment also in the coming years.

3 FUNDAMENTAL LEGAL AND ECONOMIC INDICATORS

3.1 ECONOMIC PARAMETERS AND CONDITIONS

World Economy
In the last months of 2008 and in the beginning of 2009, the world economy faced one of the worst crises of the postwar era. However, through extensive support measures of the central banks and governments worldwide, the foundation for a recovery was laid. In 2009, the global economic output is estimated to have decreased by 0.8 %.[1]

In spite of the improved expectations, the economic recovery of the global economy will probably only develop slight momentum in 2010. Positive impulses should continue to emerge through the global economic stimulus programmes and the strong development of emerging countries. The IFW assumes global growth of 3.6 % for 2010 and of 3.9 % for 2011.

Development in Germany
In Germany, the worldwide decline in demand led to a decline in exports and equipment investments at the beginning of 2009. In spite of a slight economic improvement in the second half of the year, the aggregate production dropped by 4.8 % in the yearly average. However, the expansive fiscal and monetary measures, together with elements stabilising the labour market, were able to prevent an even greater slump. The stability of the labour market was above all due to the increased use of short-time work and the greater flexibility in the collective agreement provisions compared to earlier cycles.[2]

[1] World Economic Outlook of the IFW, 26 January 2010
[2] Council of Experts, Annual Expert Report 2009/2010

Expansion of combined heat and power

Lack of momentum of the world economy in 2010

3.2 GERMAN HOUSING MARKET

Demographic Change and Housing Demand

The Federal Institute for Research on Building, Urban Affairs and Spatial Development estimates the number of persons living in Germany to just under 80.8 million in 2025. The 11th coordinated population estimate of the Federal Office for Statistics assumes that this number will decrease to about 68.7 million persons by 2050. In this process, a regional differentiation between areas with growing and shrinking populations can be observed. Above-average population growth is concentrated above all in Bavaria and Baden-Württemberg, in regions along the Rhine river and in the Northwest of Germany, as well as in the surrounding areas of the metropolises Hamburg and Berlin.

The development of the households is instrumental for the demand for housing units. In 2005, there were 39.7 million households in Germany. For 2025, an increase to 41.6 million is predicted in this area. This growth is essentially due to the increasing number of single and two-person households, while less and less people live in multi-person households.[3] In the course of the demographic development, the regionalisation of the housing markets will further increase. For example, Berlin and its direct surrounding areas still report growth.

Of the 39.6 million housing units available in Germany in 2006, 3.1 million were vacant. The structure of the vacancy rate shows clear regional differences. For example, the vacancy rate in the structurally weak areas is considerably higher than in the large metropolitan areas. The magnitude of the new construction activity has currently reached its limits of what is required to balance the lease decreases and the demographic development. The demand for new construction is estimated today at 3.4 million housing units by the year 2020.

The maintenance and modernisation of existing housing units as well as their adapting to modern housing needs, the adjustment of the real property in a manner appropriate for senior citizens, as well as the requirements for saving energy and protecting the climate continue to be the focus of the housing construction activities. Currently, investments into existing structures make up already nearly 75.0 % of the investments in housing construction and will also be the focal point of construction activity in the future.

Rent Development

In the period from 2000 to 2009, the net cold rents rose nationwide on average by 11.0 % and thus less strongly than the general rate of price increase of 16.0 %. In 2008, the average net cold rent amounted to EUR 6.07 per m² on average.[4]

The rents deviate locally from the federal average. Analyses of low-priced rents show a different picture of the regional development of new and renewed leases. For example, the low-priced rents in growing regions of Western part of Germany dropped especially from 2003 to 2005. Strong business locations in the new Länder, on the other hand, reported slight increases in rents.

[3] Federal Office for Architecture and Regional Development, Regional Development Forecast 2025

[4] GdW, Housing Data and Trends 2009/2010

Growth in the housing market
in Berlin and surroundings

Formation of Residential Property
The residential property rate was at 43.2 % in 2008 (random income and consumption samples). It further increased slightly in the last years; in 1993, it was still at 39.0 %. The trend towards residential property is thus continuing in Germany. Since the reunification, a strong process to catch up has taken place above all in the former East Germany. The residential property rate also increases with the age of the main earner. It is becoming apparent in this process that the formation of residential property is strongly increasing in the age group between 30 and 40.

3.3 LOCATION BERLIN

Berlin as business and scientific location
Berlin is in the middle of economic structural change. The shares of industry and construction have noticeably decreased in favour of a stronger emphasis on services. In order to be able to compete as a business location in the long run, Berlin must above all distinguish itself in the areas of the future. The preconditions to do so are good. As positive heritage of the years of the division, Berlin has an exceptional scientific, research, and development landscape because both the earlier governments of the former West Germany and East Germany concentrated efforts on the scientific potential of Berlin for political reasons. For example, Berlin has several renowned universities and numerous research institutes.

Demographic development in Berlin
Berlin suffered population losses after the reunification. This trend reversed itself in 2005. Since then, Berlin has recorded a net immigration from foreign countries and the rest of Germany, and consequently the population has increased. Still more interesting is the forecast for the number of households, which is expected to increase by 5.7 % from 2007 to 2020.[5]

Housing market Berlin
Berlin still offers low-priced rents in comparison with other cities – especially also with regard to purchasing power. According to Berlin's rental table 2009, the average net cold rents in the residential holdings are between EUR 4.57 per m² in basic locations and EUR 5.34 per m² in good locations. The margin of the net cold rents in Berlin is much greater; the average net cold rents are between EUR 1.85 per m² minimum and EUR 11.54 per m² maximum. The rents of new leases are between EUR 1.07 per m² and EUR 11.77 per m². Compared to other German metropolitan areas, Berlin thus has a high rent increase potential.[6]

[5] BBU, Metropolis Comparison Germany 2009
[6] BBU, Metropolis Comparison Germany 2009

Relatively high
rent increase potential in Berlin

3.4 LOCATION FRANKFURT / MAIN

Frankfurt / Main as business location
Frankfurt / Main is among the most important business locations in Germany. The bank city is the headquarter of numerous national and international groups. These appreciate above all the global orientation of the metropolis on the Main river as well as the outstanding infrastructure with the largest German airport and a very good connection to the motorway network and high-speed railway. With the headquarters of the ECB, the Deutsche Börse, and of about 300 credit institutions, the city is in direct competition with the most important finance locations worldwide.

The metropolis places one emphasis on the service markets geared towards the future with high qualification requirements. A large number of educational and research institutions substantially contribute to Frankfurt's innovation potential.

Demographic development in Frankfurt / Main
Frankfurt / Main has been reporting a clear population increase for years. This is due to an excess of births as well as the positive migration balance. In addition, the number of households increased by 4.7 % from 1999 to 2008.[7] Based on the increased demand for single and two-person households, the number of Frankfurt's households will continue to grow in the future.

Housing Market Frankfurt / Main
The market for rental flats in Frankfurt / Main is characterised by a relatively high level of the net cold rent. This is above all due to the great economic strength of the city. Since 2002, the rental prices have been mostly steady while demand fluctuated. The average net rent is at EUR 8.90 per m^2, for new buildings even at EUR 10.50 per m^2. The prices vary depending on the location. While rents in the west of the city are at ca. EUR 8.00 per m^2, leases in the inner city are at EUR 13.23 per m^2 on average.[8] We expect the rents to increase slightly in the next years.

[7] IHK-Forum Rhine-Main, The Construction and Property Industry in Frankfurt Rhine-Main 2009.
[8] CB Richard Ellis, Frankfurt (Main) Residential City Report 2010.

High level of net cold rents
in Frankfurt / Main

4 BUSINESS DEVELOPMENT OF THE SEGMENTS

The business activity of Deutsche Wohnen predominantly consists of the leasing and management of its own properties (results from residential property management), the sale of housing units to occupants desirous of becoming owners and institutional investors (results from disposals), as well as the operation of in-patient care facilities and senior residences (results from nursing and residential care homes). The following is an overview of the individual segment profit or loss for the year 2009 compared to 2008:

	2009	2008
	EUR m	EUR m
Results from residential property management	151.0	147.8
Results from disposals	9.7	13.2
Results from nursing and residential care homes	9.1	8.7
Contribution margin for the segments	**169.8**	**169.7**
Corporate expenses	– 34.6	– 38.9
Other operative income and expenses	– 1.7	– 0.2
Operating result without restructuring	**133.5**	**130.6**

We were able to improve the operating results adjusted for restructuring costs by 2.3 % against the previous year, in spite of the disposals of 199,358 m² living space (3,371 housing units) in the two previous years.

4.1 RESULT FROM RESIDENTIAL PROPERTY MANAGEMENT

The following overview shows important operational figures as of the reporting dates:

	12/31/2009	12/31/2008
Housing units	49,026	50,489
thereof DB 14	2,622	2,622
Living space and usable space	3,085,713	3,184,411
Fair value per m² living space and usable space in EUR	894.7	881.0
thereof DB 14	912.9	907.5
Debt position per m² living space and usable space in EUR	561.6	633.4
thereof DB 14	855.7	873.6
Rent per m² in EUR	5.26	5.10
thereof DB 14	5.51	5.41
Vacancy rate in %	4.2	5.9
thereof DB 14	4.3	5.5
Maintenance and service charges per m² / year in EUR	9.74	11.56
Capex per m² / year in EUR	4.29	8.97

Increase of the operating result by 2.3 %

The portfolio of Deutsche Wohnen includes 49,026 housing units, 470 business units, and 15,553 garages / parking places. Deutsche Wohnen holds a 34.0 % share of DB 14. These properties are to be fully consolidated on the basis of extensive guarantee promises with respect to the fund:

	Residential				Commercial		Parking
	Units	m² k	Rent EUR / m²	Vacany rate	Units	m² k	Units
Core portfolio	**37,546**	**2,264**	**5.33**	**2.7 %**	**380**	**68**	**9,842**
thereof Berlin	21,908	1,312	5.23	1.5 %	250	35	1,847
thereof Frankfurt / Main	3,658	217	6.83	2.0 %	44	16	1,808
Disposal	**8,858**	**562**	**4.89**	**10.3 %**	**61**	**5**	**3,096**
Single privatisation	4,347	288	5.43	8.3 %	16	2	1,655
Adjustment	4,511	274	4.32	12.9 %	45	4	1,441
Own properties	**46,404**	**2,826**	**5.24**	**4.1 %**	**441**	**73**	**12,938**
DB 14	2,622	179	5.51	4.3 %	29	8	2,615
Total properties	**49,026**	**3,004**	**5.26**	**4.2 %**	**470**	**81**	**15,553**

Our **core portfolio** (80 % of own properties) is located in the metropolitan areas Berlin and Frankfurt / Main as well as in the regions Rhine-Main, Koblenz and surrounding area, Rheintal-Süd, and Brandenburg. In the course of the tenant turnover, we realise partly significant rent increases, especially in Berlin and Frankfurt / Main, but also in the Rhine-Main area. We therefore focus on these markets regarding acquisitions.

The remaining residential areas of the core portfolio provide solid results; these structures are characterised by high lease rates with comparatively low potential for rent increases.

The **disposal property** includes all housing units that are sold individually predominantly to occupants desirous of becoming owners (4,347 housing units), and the holdings that are offered on the market strategically in small packages (4,511 housing units).

From leasing of the holdings, we generated a contribution margin amounting to EUR 151.0 million (previous year: EUR 147.8 million):

	2009	2008
	EUR m	EUR m
Potential gross rental income	205.1	208.9
Vacancy loss etc.	– 14.5	– 17.0
Gross rental income	**190.6**	**191.9**
Non-recoverable expenses	– 6.5	– 3.4
Maintenance	– 30.1	– 36.8
Marketing	– 0.8	– 0.5
Others	– 2.2	– 3.3
Contribution margin	**151.0**	**147.8**

In spite of asset erosion due to sell-offs, we were able to increase the results through an improved earnings and cost structure. In the last 24 months, we lost current gross rent in the amount of EUR 8.3 million (annualised) due to disposals. We were able to overcompensate them through rent increases of EUR 10.1 million (annualised).

The potential gross rental income comprises the following:

	2009	2008
	EUR m	EUR m
Residential rents	190.6	193.7
Commercial rents	5.9	6.0
Garages / parking places	4.7	5.0
Current subsidies	3.9	4.1
	205.1	**208.9**

Just under 93 % of our rental income results from the leasing of housing units. As of the reporting date, the average residential rent is at EUR 5.26 per m² (2008: EUR 5.10 per m²), i.e. we were able to raise it by 3.1 % compared to the previous year. In 2009, we generated rent increases especially on the basis of index adjustments (1.4 %) and tenant turnover (1.0 %).

Increase of average residential rent by 3.1%

Broken down into the portfolio clusters, this looks as follows:

	Rent EUR/m²		
	12/31/2009	12/31/2008	Development
Total	5.26	5.10	3.1 %
Core portfolio	5.33	5.16	3.3 %
of which Berlin	5.23	5.02	4.2 %
of which Frankfurt	6.86	6.71	2.2 %
Disposal	4.89	4.80	2.0 %
DB14	5.51	5.41	1.9 %

Berlin stands out with a rent increase of 4.2 % and a share in the total growth of just under 75 %. Berlin also takes an exceptional position in the rent increases resulting from the tenant turnover:

Amount of lease contracts becoming effective 2009						
	Units	Rent EUR/m²			Potential against	
		Ø total	Ø previous lease	Ø new lease	Total	Previous lease
Total	5,023	5.26	5.32	5.85	11.2 %	10.0 %
thereof price-free	4,117	5.31	5.42	6.09	14.7 %	12.4 %
thereof price-free Berlin	2,304	5.16	5.05	5.84	13.2 %	15.6 %

In the course of follow-up leases, we consistently make use of the available market potentials. The average rent from new leases in the price-free holdings at EUR 6.09 per m² exceeded that under the previous tenancy agreements by 12.4 % - in Berlin even 15.6 %.

We were able to reduce the losses from vacancy loss etc by 15 % from EUR 17.0 million to EUR 14.5 million compared to the previous year:

	2009	2008
	EUR m	EUR m
Vacancy loss	12.4	15.1
Depreciation, amortisation and impairment losses from rental claims	1.7	1.6
(in % of current gross rents)	0.6 %	0.6 %
Reduced rent	0.3	0.3
	14.5	17.0

The write-off on rental claims (rent plus unsettled additional expenses) remain at a very low level and losses are unchanged at 0.6 %.

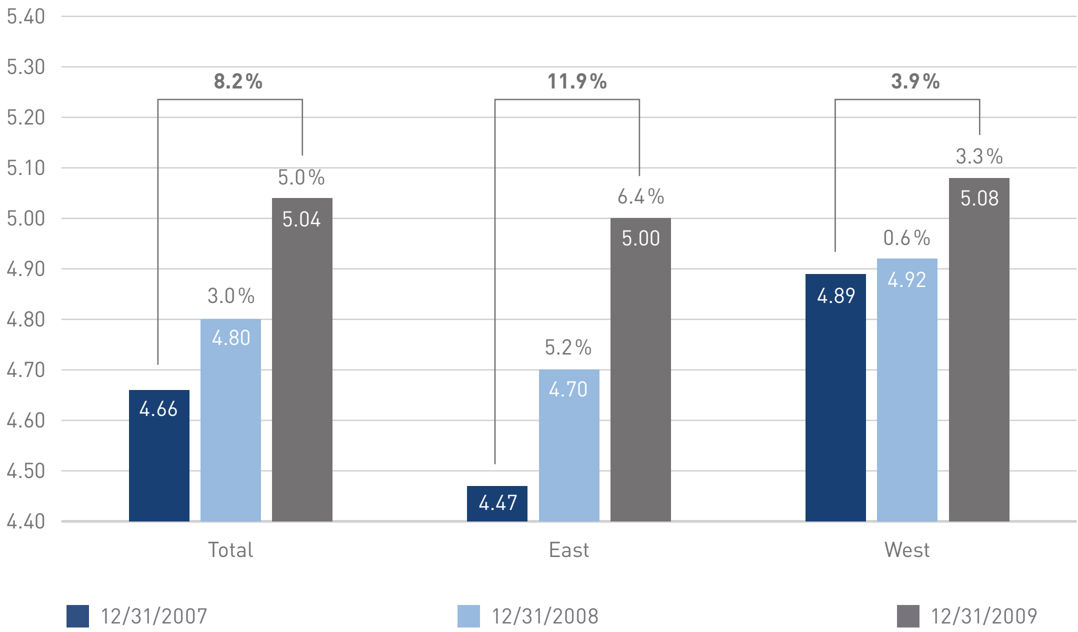
Average rent of new leases
EUR 6.09 per m²

We improved the vacancy rate in the past financial year to 4.1 % and thus by 30 % compared to December 2008:

	12/31/2009	12/31/2008	Development
Total	4.1 %	5.9 %	– 29.9 %
Core portfolio	2.7 %	4.2 %	– 35.3 %
of which Berlin	1.5 %	2.8 %	– 45.1 %
of which Frankfurt	2.3 %	4.4 %	– 46.7 %
Disposal	10.3 %	12.8 %	– 19.4 %
DB14	4.3 %	5.5 %	– 21.7 %

Especially in the two most important markets Berlin and Frankfurt / Main (68 % of the core portfolio), the vacancy rate has reached full occupancy level with 1.5 % and 2.3 % respectively. But also the structural vacancy rate, above all in the free float property in Brandenburg and Rhineland-Palatinate, is declining. The share of housing units that have been vacant for longer than 12 months was reduced by 408 to 1,290 units. Taking into account the rent increases and/or reductions in the vacancy rate carried out in the last two years, we were able to increase the current gross rents in the total properties by 8.2 %, in Berlin by 12.1 %:

Development of the current gross rent



Calculation: (potential gross rent - vacancy loss)/total living space

Improvement of the vacancy rate by 30 %

Increase of the current gross rents by 8.2 %

The maintenance and service charges of EUR 30.1 million comprise the following:

	EUR m	EUR/m²
Maintenance below EUR 1,000 (system providers)	10.3	3.33
Repairs	9.2	2.96
Residential Property Act provisions	2.1	0.70
Consecutive tenant change	8.5	2.75

In the past year, we spent on average EUR 9.74 per m² p.a. for the current management and thus reduced the costs by EUR 6.7 million or 18 % compared to the previous year. The combination and central awarding of services to five partner companies operating nationwide (system providers) contributed substantially to the increase in efficiency of the organisational processes. In line with our philosophy, we reduced the current expenses in favour of lasting investments (improvements of housing value).

4.2 RESULT FROM DISPOSALS

In the disposals segment, we sold a total of 1,573 housing units (previous year: 1,798). We generated a contribution margin amounting to EUR 79.4 million with a transaction volume of EUR 85.7 million and sales costs of EUR 6.2 million. Taking into account the carrying amounts of assets disposed, the resulting profit amounts to EUR 9.7 million. After repayments of loans, a net liquidity of EUR 42.3 million remains, i.e. 49 % of the sales proceeds.

The following shows the essential operational figures and results broken down into housing privatisation and institutional sales.

Housing Privatisation

	2009	2008
	EUR m	EUR m
Revenue from sales	**57.6**	**61.0**
Average sales price per m²	1,201	1,378
Volume in housing units	675	573
Cost of sales	– 4.9	– 3.7
Net sales proceeds	**52.6**	**57.3**
Carrying amounts of assets disposed	– 42.8	– 45.1
Gross margin in %	34.3 %	35.1 %
Result	**9.9**	**12.2**
+ book value	42.8	45.1
./. Loan repayment	– 17.8	– 18.0
Liquidity contribution	**34.9**	**39.3**

Management costs:
EUR 9.74 per m²

In the segment housing privatisation, we were able again to exceed our targets. With a gross margin (average sales price/fair value) of 34.3 %, we reached approximately the same level as in the previous year although we disposed of property in structurally weak regions with lower average sales prices per m². In 2009, we sold again, only housing units which were defined as disposal property in previous years. The sales ratio of these privatisation holdings is today at 59.3 %.

Institutional Sales

	2009	2008
	EUR m	EUR m
Revenue from sales	**28.1**	**58.7**
Average sales price per m²	488	741
Volume in housing units	898	1,225
Cost of sales	– 1.3	– 0.5
Net sales proceeds	**26.8**	**58.2**
Carrying amounts of assets disposed	– 27.0	– 57.2
Gross margin in %	4.6 %	2.8 %
Result	**– 0.2**	**1.0**
+ Book value	27.0	57.2
./. Loan repayment	– 19.2	– 32.4
Liquidity contribution	**7.6**	**25.8**

In the past year, the focus of the sales activities was on the adjustment for difficult free floats in Brandenburg and Rhineland-Palatinate. This is why a lower average sales price per m² took effect. We were able to place these institutional sales on the market with a slight gross margin of 4.6 %, but above the book value.

4.3 RESULT FROM NURSING AND RESIDENTIAL CARE HOMES

The segment Nursing and residential care homes is operated by the KATHARINENHOF® Group. The company is concentrated primarily on the operation of high-quality housing and care facilities in the five Länder Berlin, Brandenburg, Saxony, Lower Saxony, and Rhineland-Palatinate. The senior residences are predominantly owned by the Deutsche Wohnen Group. Overall, KATHARINENHOF® operates 1,125 beds and 229 apartments in the area Residential care homes. The fair value of the property utilised by the KATHARINENHOF® Group amounts to EUR 78.4 million.

Adjustment of the portfolio
for free float

Altogether the KATHARINENHOF® Group was able to increase the EBITDA 2009 compared to the previous year, in spite of more intense socio-political and market-related general conditions.

	2009	2008
	EUR m	EUR m
Revenue		
Nursing	32.2	32.2
Residential property	2.9	2.8
Others	3.7	3.6
	38.8	**38.6**
Expenses		
Nursing and corporate expenses	11.2	11.6
Personnel expenses	18.5	18.3
	29.7	**29.9**
Result (EBITDA)	**9.1**	**8.7**

We were able to increase the EBITDA return from 10.8 % to 11.2 % compared to the previous year by increasing the occupancy rate from 90.1 % in 2008 to 93.7 % in 2009 and by optimising the care level management. Taking into account the debt position in the amount of EUR 63.7 million, the returns on equity rose from 33.5 % to 38.2 %.

The competition and the demand in the care division were influenced significantly by the introduction of annual, external quality controls, starting in the beginning of 2009. The results of the legally regulated controls are published on the website of the leading association of the statutory health insurances. The quality grades (from 1 - excellent to 6 - fail) are therefore turning into an important marketing element. The KATHARINENHOF® Group was, over lengthy period, able to successfully prepare for these strategically important quality controls. By the end of 2009, seven KATHARINENHOF® facilities had been audited by the responsible external authority. In this process, they received quality grades between 1.1 and 1.5; one facility received 2.3 - overall all far better than the national average.

We will be able to generate internal growth also in the future in the segment of senior residences and care facilities, above all through the value motors rent increase and reduction of vacancy rate / new leases (in the area of residential care homes) as well as by increasing the accommodation and treatment charges and the occupancy rate (in the area of in-patient care facilities). Rents and care payments in all KATHARINENHOF® facilities range in the upper third of the regional market average.

Improvement of the EBITDA
return to 11.2 %

4.4 CORPORATE EXPENSES

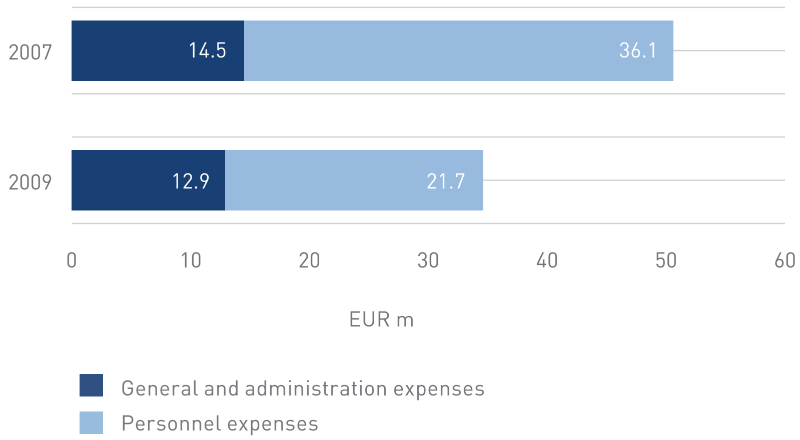
The corporate expenses, excluding the area nursing and residential care homes, comprise the following:

	2009	2008
	EUR m	EUR m
Personnel expenses	21.7	24.4
General and administration expenses	12.9	14.5
	34.6	38.9

The corporate expenses in 2009 account for residential property management in the amount of EUR 18.6 million, for the area disposals in the amount of EUR 4.1 million, and for the holding in the amount of EUR 11.9 million. The costs per unit in the residential property management amount to EUR 376.

In the course of the restructuring and integration of the whole Group, we were able to realise savings of EUR 16.0 million in personnel and general and administration expenses over the years from 2007 to 2009.

Personnel and General and Administration Expenses



Savings of EUR 16.0 million
Corporate expenses

5 NOTES ON THE ASSET, FINANCIAL AND EARNINGS POSITION

5.1 EARNINGS POSITION

Selected items in the Group profit and loss statement:

	2009	2008
	EUR m	EUR m
Revenue	306.3	315.5
Results from disposals before expenses	15.9	17.4
Expenses related to goods and services received	– 134.8	– 139.1
Personnel expenses including nursing and residential care homes	– 40.2	– 43.5
Other operating expenses/earnings	– 13.8	– 19.7
Adjusted operating results	**133.5**	**130.6**
Depreciation, amortisation and impairment losses	– 2.8	– 1.8
Restructuring costs	– 7.8	– 24.1
Adjustment of the market values of the investment properties	0.0	– 276.5
Financial earnings	– 119.6	– 156.9
Profit before tax	**3.4**	**– 328.8**
Income taxes	– 16.6	56.5
Discontinued business divisions	0.0	16.4
Group profit or loss	**– 13.3**	**– 255.9**

The Group profit and loss 2009 is affected by the one-time restructuring and integration costs (EUR 14.0 million), as in the previous year. In addition, a one-off effect result from the adjustment of market values (EUR 1.2 million). The profit before tax adjusted for these items looks as follows compared to the previous year:

	2009	2008
	EUR m	EUR m
Profit before tax	**3.4**	**– 328.8**
Restructuring and reorganisation expenses	7.8	24.1
Profit from fair value adjustment of investment properties	0.0	276.5
Result from the market value adjustment of derivative financial instruments	1.2	32.2
Costs from extraordinary repayments of loans	6.2	0.0
Special payout DB 14	0.0	5.7
Adjusted profit before tax	**18.5**	**9.7**

The adjusted profit before tax improved by EUR 8.8 million. This development is essentially due to an optimised return and cost structure of the segments and lower interest expenses.

Regarding the operative developments, we refer to the chapter Segment profit or loss, where we give a detailed insight into the profit development of the individual segments.

The restructuring costs of altogether EUR 7.8 million are essentially due to the staff reduction measures (EUR 3.6 million) and the commissioning of SAP (EUR 2.0 million).

The financial earnings comprise the following:

	2009	2008
	EUR m	EUR m
Current interest expenses	97.8	107.3
Accrued interest on liabilities and pensions	15.3	14.3
Costs from extraordinary repayments of loans	6.2	0.0
Special payout DB 14	0.0	5.7
Market value adjustment of the derivative financial instruments	1.2	32.2
Subtotal	**120.5**	**159.5**
Interest income	–0.9	–2.5
Financial earnings	**119.6**	**157.0**

The debt relief of the Group resulted in the first significant savings of approximately EUR 10.0 million in the interest expenses.

Accrued interests that do not affect liquidity apply to low-interest loans with EUR 6.5 million, liabilities from taxes (EK 02: EUR 3.3 million), sale options of limited partners (DB 14: EUR 2.2), provisions for pensions (EUR 2.2 million), and the accrued interest of the convertible bond (EUR 1.1 million).

The income tax essentially includes expenses not affecting liquidity (EUR 14.8 million), of which deferred taxes in the amount of EUR 11.1 million.

Improvement of the adjusted profit before tax by EUR 8.8 million

Significant reduction of the debt position

5.2 FINANCIAL POSITION

Selected operational figures of the consolidated balance sheet:

	2009		2008	
	EUR m	%	EUR m	%
Investment properties	2,835.5	92	2,900.7	93
Other non-current assets	120.8	4	115.6	4
	2,956.3	96	3,016.3	97
Current assets	66.0	2	68.4	2
Cash and cash equivalents	57.1	2	42.0	1
	123.1	4	110.4	3
	3,079.3	100	3,126.7	100
Equity	**862.0**	**28**	**649.3**	**21**
Financial liabilities	1,802.7	59	2,089.2	67
Tax liabilities	84.1	3	82.3	3
Liabilities to fund limited partners	49.1	2	48.0	2
Pensions	41.5	1	39.3	1
Other liabilities	239.9	8	218.7	7
	2,217.3	72	2,477.4	79
	3,079.3	100	3,126.7	100

The investment properties (EUR 2,835.5 million) represent the essential asset item of Deutsche Wohnen with 92 % and include all non-current investment properties with exception of those that are used by the Group. The valuation has been confirmed by CB Richard Ellis.

In the following, we show the results of the valuation as of 12/31/2009 based on the portfolio of the residential and commercial property as well as the essential operational figures:

	Fair value	Fair value	Multiplier	
	EUR m	per m^2	ACTUAL	TARGET
Core portfolio	2,187.8	943.1	14.6	14.1
Disposal	391.7	690.1	12.5	11.5
DB 14	170.3	912.9	13.6	12.9
	2,749.8	**894.7**	**14.2**	**13.5**

The fair value amounting to EUR 2,749.8 million is reported under the investment properties (EUR 2,724.7 million) and the current assets (EUR 25.1 million). The senior residences (EUR 78.4 million) and land without buildings, as well as facilities under construction (EUR 32.4 million) are also reported under the investment properties.

Fair value
in the amount of EUR 2,749.8 million

In addition to the cash and cash equivalents reported as of the reporting date, the Group has additional current callable credit lines amounting to EUR 134.0 million.

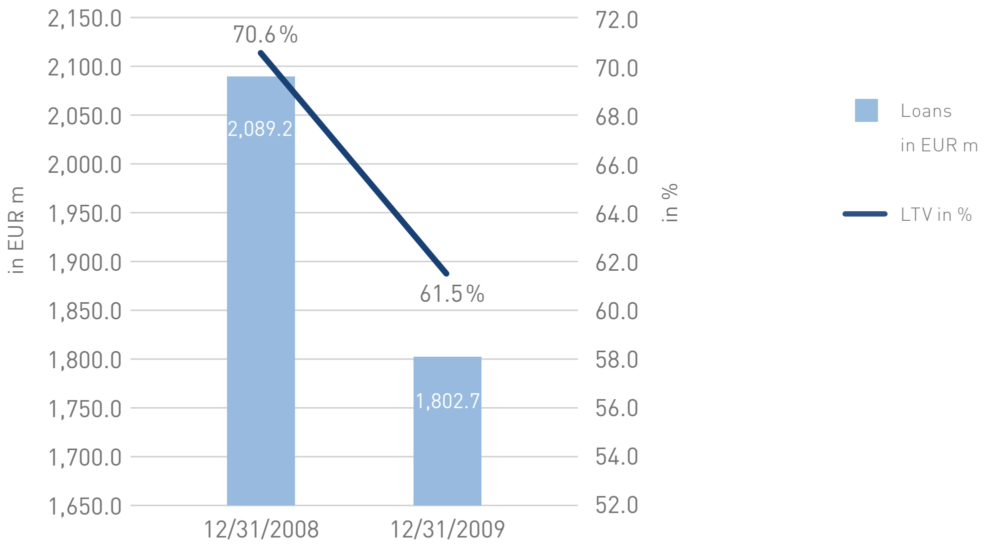
The equity ratio of 28 % has significantly improved as a result of the capital increase in 2009. The same applies to the Net Net Asset Value (NNAV), which increased from EUR 646.6 million as of 31 December 2008 to EUR 870.3 million. Based on the issued shares, a NNAV of EUR 10.63 per share results as of 31 December 2009.

We were able to significantly lower the financial liabilities from EUR 2,089.0 million to EUR 1,803.0 million.

	2009	2008
	EUR m	EUR m
Financial liabilities	1,802.7	2,089.2
Convertible bonds	26.6	25.4
	1,829.3	2,114.6
Cash and cash equivalents	– 57.1	– 42.0
Net financial liabilities	1,772.2	2,072.6
Investment properties	2,835.5	2,900.7
Non-current assets held for sale	25.1	17.7
Land and buildings held for sale	18.4	19.4
	2,879.0	2,937.7
Loan-to-value ratio	61.5 %	70.6 %

As a consequence, the ratio of the net financial liabilities to the real property (loan-to-value ratio) improved from 70.6 % to 61.5 %.

Loans / Loan-to-value ratio



Improvement of the equity ratio by 28 %

In the context of the reorganisation of the financial liabilities, overall loans with a volume of ca. EUR 900,0 million were restructured. The goal of the restructuring was the harmonisation of credit agreements and key financial figures as well as the optimisation of the repayment structures. The borrowing arrangements include only key financial figures that refer to the capacity to meet capital service (DSCR/ISCR) as well as to the debt-to-equity ratio depending on the rental income (multiplier). We were able to eliminate operational figures depending on valuations, such as LTV and loan to mortgage bank values, from the credit agreements. Through the new credit agreements, the scheduled repayment is reduced by EUR 7.8 million to EUR 34.8 million, thus strengthening the current liquidity situation of Deutsche Wohnen.

In the coming two business years, the volume of extensions amounts to only EUR 37.5 million. This corresponds to ca. 2 % of the total liabilities and emphasises the solid financing structure of the Group. The extension structure of the subsequent years is as follows:

	2010	2011	2012	2013	≥ 2014
	EUR m	EUR m	EUR m	EUR m	EUR m
Extensions	32.2	5.3	426.8	26.7	1,311.7

The average interest rate of the credit portfolio amounts to ca. 4.24 % p.a.

The tax liabilities affect essentially obligations from the flat-rate taxation of EK 02 holdings. We have initiated legal action against the taxation.

Cash Flow Statement

The following is a short overview of the cash flows in the previous financial year.

	2009	2008
	EUR m	EUR m
Cash flow from operating activities	3.3	– 10.4
Cash flow from investment activities	74.3	88.8
Cash flow from financing activities	– 62.5	– 84.3
Net changes in cash	15.1	– 5.9

The improved operating cash flow is the result of an optimised return and cost structure and significantly lower interest payments.

The cash flow from investment activities essentially includes earnings from disposals (EUR 88.9 million) and money spent on investments in the owned property portfolio (EUR – 13.2 million).

The repayment of loan liabilities in the amount of EUR 295.3 million and the net deposit of EUR 237.8 million from the capital increase resulted essentially in a cash outflow in the cash flow due to the financing activity of EUR 62.5 million.

Liquidity situation of Deutsche Wohnen strengthened

Improved operating cash flow

Funds from Operations (FFO)

The very good operative performance, the cost savings as well as the reduction of the current interest expenses also led to an improved FFO:

	12/31/2009	12/31/2008
	EUR m	EUR m
Net result for the period	– 13.3	– 255.9
Depreciation, amortisation and impairment losses	2.8	1.8
Value adjustment of investment properties	0.0	276.5
Result from discontinued business divisions	0.0	– 16.4
Value adjustment of derivatives	1.2	32.2
Financial expenses not affecting liquidity	15.3	14.3
Prepayment penalty	6.2	0.0
Special distribution DB 14	0.0	5.7
Deferred taxes	11.1	– 56.2
Tax benefit from capital increase costs	3.7	0.0
Restructuring costs	7.8	24.1
FFO	34.8	26.1
FFO per share		
previous number of shares (26.40 million)	1.32	0.99
new number of shares (81.84 million)	0.43	0.32

6 SUPPLEMENTARY REPORT

Significant occurrences after the deadline are not known to us.

7 RISK AND OPPORTUNITIES REPORT

7.1 RISK MANAGEMENT

Deutsche Wohnen AG continuously investigates possible opportunities through which the further development and growth of the Group can be secured. In order to be able to utilise such opportunities, it may be necessary to also take risks. It is therefore of utmost importance to know, evaluate, and control all essential aspects. Only this way can risks be dealt with professionally. For this reason, Deutsche Wohnen implemented a central risk management system with the goal to identify, measure, control, and monitor every part of the Group regarding essential risks. A central element of this system is detailed reporting. This establishes a connection to the identified risk areas on the basis of relevant operational figures and key financial figures. It is subject to continuous monitoring and further development. We focus here especially on the operational figures for the development of the leases and the residential privatisations, the cash flow, liquidity, and the operational figures of the balance sheet.

Through an intensive communication within the management of the Group, all decision makers always have up-to-date information of all relevant developments in the company. Deviating developments or emerging risks that could be potentially dangerous to the holdings, are uncovered at an early stage and corresponding counter measures are initiated.

Information originating from risk management is documented on a quarterly basis and made available to all decision makers. The Supervisory Board receives extensive information on all relevant questions and developments of the Group for each of its meetings. In addition, the internal risk management handbook is updated once every year.

The risk management system is part of the internal control system with regard to the accounting process.

The essential characteristics of the internal control system at Deutsche Wohnen and the risk management system with regard to the (Group) accounting process can be described as follows:

- Deutsche Wohnen is characterised by clear organisational, corporate, control and monitoring structures.
- Group-wide harmonised planning, reporting, controlling, and early-warning systems and processes exist for the integrated analysis and control of risk factors relevant to profit and of risks potentially dangerous to the holdings.
- The functions in all areas of the accounting process (for example financial accounting, controlling) are explicitly assigned.
- The EDP systems used in accounting are protected against unauthorised access.
- We use predominantly standard software in the area of the implemented financial systems.
- Appropriate internal guidelines (among others consisting of a risk management guideline which applies Group-wide) have been set up, which are adapted as required.
- The departments involved in the accounting process fulfil the quantitative and qualitative requirements.
- Both completeness and correctness of accounting data are regularly reviewed on the basis of random samples and plausibilities both through manual inspections and through the software in use.
- Essential processes relevant to accounting are subject to regular analytical reviews. The existing company-wide risk management system is continuously adjusted to current developments and constantly reviewed regarding its efficiency.
- We consistently use the principle of dual control for all processes relevant to accounting.
- The Supervisory Board is, among other things, involved in essential questions of accounting, risk management, and the audit assignment and its key aspects.

The internal control and risk managements system ensures with regard to the accounting process, the essential characteristics of which were described above, that corporate data is reported, processed, and acknowledged correctly in terms of the balance-sheet and thus carried over into external accounting.

The clear organisational, corporate, control, and monitoring structures as well as the adequate equipment of accounting regarding personnel and material are the foundation for the efficient work of the departments involved in the accounting process. Clear legal and internal regulations and guidelines provide for a unified and proper accounting process.

The internal control and risk management systems of Deutsche Wohnen ensure that accounting at Deutsche Wohnen AG as well as in all companies included in the Group's consolidated financial statements takes place uniformly and in line with the judicial and legal regulations as well as the internal guidelines.

7.2 RISK REPORT

Risks from the financial crisis

In the financial year 2009, especially the risks which emerged due to the financial crisis were recorded in the context of risk management and appropriate measures initiated. From a financial crisis such as this, Deutsche Wohnen will have to face risks on both corporate level and on individual company portfolio level.

On Group level, especially the following risks can arise:

Financing risks: Banks could no longer be in a position or have the will to extend expiring credit facilities. It cannot be excluded that refinancing will be more expensive and that future contractual negotiations will take much more time. The refinancing volume of Deutsche Wohnen until 2011 inclusively is at EUR 37.5 million as of 12/31/2009, of which EUR 32.2 million are apportioned to 2010. The credit agreements include financial covenants, which could lead to extraordinary terminations by banks due to non-compliance. At Deutsche Wohnen, these are key financial figures that refer to the capacity to meet capital service [Debt Service Cover Ratio (DSCR) / Interest Service Cover Ratio (ISCR)] as well as to the debt-to-equity ratio depending on the rental income (multiplier). From the current point of view, we will be able to comply with these figures.

Shortfalls in rental payments: In the current economic situation, it cannot be ruled out that increasingly jobs will be cut. This may result in the loss of regular income of tenants and consequent failure to pay rents at all or when due. Management has added the tag of medium probability to the manifestation of this specific risk. Seen in advance, this risk can be met by initiating an immediate contact with the tenants as well as an early recognition system concerning lurking financial problems. Tenants could then be offered smaller and more affordable residential units from the diversified portfolio of Deutsche Wohnen.

Downward trend in buying interest: Both individual privatisations and bloc sales face the risk that the investments of potential buyers could be placed on hold, which would seriously hamper the sales strategy of Deutsche Wohnen.

Strategic Risks

Risk based on trend ignorance: When market developments or trends are not recognised, risks may result which threaten the very existence of the company. In order to decrease these risks, all segments are sensitised on a regular basis to carefully observe developments in their sectors and to bring changes to the attention of the risk management in a timely manner. They then launch further measures.

Legal and Corporate Risks

Legal risks that could lead to losses for the company, occur through non-compliance of legal regulations, failure to implement new or changed laws, lack of comprehensive provisions in signed contracts, or lacking management by the insurance companies.

Building decrees to stop construction work and even inadequate building permits can also have a negative effect because both may lead to unexpected costs and a delay in building construction work. Disposing of contaminates and the implementation of changed legal bases could cause an aftermath of increased expenditures.

Corporate risks: Furthermore, risks may occur due to realised or future business combinations. In order to take action against these risks, the Management Board in certain events orders thorough analyses to gain a comprehensive overview and to receive proper recommendations on how to deal with the identified risks. Besides, the Management Board invites advice from the internal Corporate Law division, as well as from external attorneys from well-known law firms, even before specific negotiations start. The Management Board is aware that strategic external growth is not to be pursued under all circumstances.

IT Risks

On 1 January 2009, Deutsche Wohnen AG introduced SAP as new Group-wide IT application after nearly one year of preparations and tests.

In principle, there is a risk of a total breakdown of the application, which could lead to considerable interruptions to the ordinary course of business of the company. For this reason, Deutsche Wohnen entered into contract with its IT service provider for functional business processes, maintenance processes, and administration processes as well as effective monitoring mechanisms in order to anticipate and to prevent such a risk which could imply loss of data.

Human Resource Risks

A decisive factor for the business success of Deutsche Wohnen AG are the employees with their knowledge and their special skills. The risk always remains, however, that Deutsche Wohnen could fail to retain the best-qualified and most suitable employees. We try to address this by securing a motivating working environment and by offering financial and non-financial incentives. We consider Deutsche Wohnen to be one of the most attractive employers in its branch.

Market risks
Market risks in the rental market could emerge if the economic climate in Germany continues its downward trend, which could cause the market gross rental incomes to stagnate or to drop. In addition, it may come to the point in a stagnating or shrinking economy that unemployment increases, which restricts the financial options of the tenants. Moreover, a decline in the available net income of people, be it because of unemployment, tax increases or adaptations, or utility expense increases, means the business development of Deutsche Wohnen will be influenced negatively by a decrease in new rentals, lower new leases, and an increasing vacancy rate.

Property Risks
Property risks may emerge for individual property, the portfolio, and the location of the property. On the level of the individual property, property risks have to do especially with maintenance neglect, damages to buildings, insufficient fire protection, or damage to / wear and tear of property by the tenants. Furthermore, risks may occur due to contaminated sites including burdens of war, soil condition, and pollutant in the building material as well as possible violations of building requirements. On the portfolio level, risks from a concentration in the structure of the holdings occur, which include e.g. increased maintenance and rehabilitation expenses and the aggravated non-rentability of housing units.

Financial Risks
In the case of a variety of shareholdings and a complex shareholder structure, increased transparency and enhanced control are necessary to prevent negative effects on the business development of the Group. Additionally, there is an increased dependence on commercial and taxational parameters. Inadequate planning and controlling, as well as insufficient control over equity earnings could cause a drop in revenue.

The fundamental change of taxational parameters (deduction limitations, EK02) can lead to financial risks.

Part of the financial risks for Deutsche Wohnen can also be a delayed cash flow in revenue and lending, as well as incidentals that lead to liquidity problems. Moreover, fluctuations in the appraising of property (IAS 40) through the negative development of the residential property market and in derivatives can lead to annual corrections affecting net income.

In the case of a comprehensive tender of fund interests by limited partners of DB 14, Deutsche Wohnen would be burdened with an additional liquidity requirement in the amount of EUR 49.0 million. This liquidity would have to be provided through financing or additional disposals. In the past, the limited partners tendered between 2.0 % to 6.0 % of the entire interests per year. These risks are being met through continuous monitoring and liquidity planning.

The essential risks to the Group relating to the financial instruments consist of interest-induced risk to the cash flow, liquidity risks, and default risks. Management prepares and monitors guidelines for the risk management of each of these risks. Default risk, or the risk that a contractual partner does not meet his payment obligations, is controlled by using borrowing limits and control procedures. There is no significant default risk for Deutsche Wohnen in relation to any individual contractual partner or a group of similar contractual partners. The Group daily monitors the risk of a liquidity squeeze by employing a liquidity planning tool. Deutsche Wohnen aims to have sufficient liquidity to meet future obligations at all times. The risk of changes in interest rates to which the Group is exposed, is mainly due to non-current liabilities with variable interest rates, which is essentially hedged through interest derivatives.

Investment Risks

The selection and planning of large-scale restoration measures may lead to an incorrect allocation of investment resources. It is also possible that the purchase of additional units does not live up to the return expectations. This could have a negative influence on the business development of the corporation. Moreover, incomplete declarations in Due Diligence reports and analyses as well as non-transparent allocation decisions and the non-observance of allocation directives (for example by claiming public subsidies with repayment consequence) can result in risks.

Further risk factors that are directly related to investments by the Group are those where the planned costs are exceeded, where deadlines are not observed, or facility standards are undercut. This can create additional expenditure for the company. Delayed commissioning, rental shortfall (in some case reduced rent), or insufficient defect tracking can also lead to an increase in expenditure. To minimise these risks, Deutsche Wohnen uses external and internal specialists as well as continuous project controlling.

7.3 OPPORTUNITIES FOR FUTURE DEVELOPMENT

Deutsche Wohnen consolidated its position as the second largest German property company listed on the stock market and provided proof of its integration capacity with the take-over of GEHAG. This process led to a gain in experience for employees and management, which can be used to add value to future integrations. Thus Deutsche Wohnen is now set up as a consolidating platform in order to use the market opportunities on offer and to actively contribute to the consolidation of the market.

In the current portfolio, the main locations Berlin and Frankfurt/Main continue to provide good growth prospects. Compared to other large urban areas, they are in the leading group. A good blend of the portfolio regarding the residential unit sizes and micro locations within the metropolitan areas and an intensive tenant care service offer the opportunity to generate constant returns from the portfolio even in a difficult economic environment.

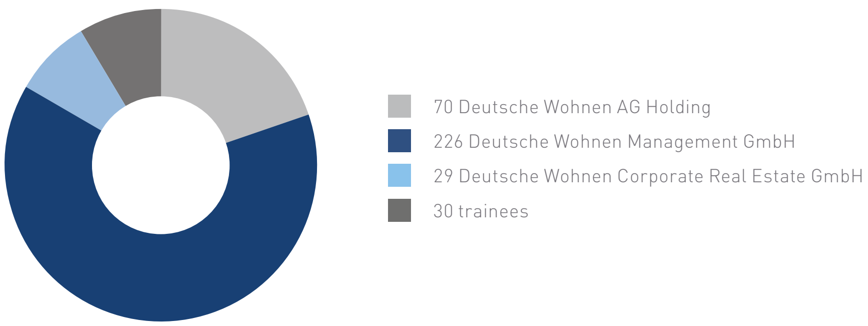
The usage of the IT platform SAP in many ways opened up opportunities for the future: on the one hand, SAP allows an even stricter monitoring of all operational figures. Defective development and setbacks can be identified/recognised more quickly and counter measures initialised. On the other hand, work flow routines can become even more efficient, and should lead to further cost savings. Even more, SAP offers the possibility to quickly integrate properties that are new additions to the portfolio - be they acquisitions or mergers - and to manage them efficiently.

8 EMPLOYEES AND ORGANISATION

The business success of Deutsche Wohnen is significantly due to our employees. Only with their motivation, commitment, and expertise is it possible to successfully implement the company strategy and to promote the planned growth of the company.

In addition to the Management Board, the management holding Deutsche Wohnen AG has staff members employed in the central divisions personnel, legal, financing/controlling/accounting, communication, investor relations, and marketing. There are 70 staff members employed in these non-operative divisions. In the operative core divisions residential property management and disposals, a total of 255 staff members were employed at the end of 2009.

Staff Numbers



An additional 935 staff members there of 52 apprentice are employed in the area Nursing and residential care homes as of the end of the 2009.

9 CORPORATE GOVERNANCE

We have published the information according to § 289a German Commercial Code on our homepage **(www.deutsche-wohnen.com)**.

10 REPORT ON COMPENSATION

The Supervisory Board determines the total compensation and the compensation structure for members of the Management Board and regularly reviews it for reasonableness. In the context of the decision-making process of the Supervisory Board, the General Committee is responsible for the negotiation and content of the service contracts of the members of the Management Board. The compensation of the members of the Management Board is determined by the size, the industry, and the orientation of the company, its economical and financial position, the duties of the respective members of the Management Board, as well as the amount and structure of similar packages of similar companies. The compensation is allocated in such a way that it is competitive both internationally and nationally in order to offer an incentive for committed and successful work.

The compensation of the Management Board is performance-related; it consists of success-independent and success-related components as well as of components with long-term incentive effect and risk character. Success-independent components are the fixed allowance (basic salary) and fringe benefits. The basic salary is paid monthly as a salary. Fringe benefits consist primarily of company car usage and subsidies for insurance policies.

The Management Board is entitled to an annual bonus and a share-based compensation component as performance-related components that can be formulated on assessment basis over several years.

The annual bonus is decided upon by the Supervisory Board in due discretion on the basis of the business development of the company. The amount is determined by the degree to which previously specified targets have been met or exceeded.

In view of the share-based compensation component, the Annual General Meeting in 2008 resolved on the Performance Share Program under which members of the Management Board and other executive officers can be granted subscription rights to shares. Subscription rights under the Performance Share Program have not been granted so far, however, and share-based compensation components have yet to be implemented.

No benefits were promised to the members of the Management Board in the case of premature or regular termination of their activities. A compensation agreement exists between a member of the Management Board and two shareholders for the case that such shareholders sell their shares wholly or in part.

The following expenses which are due in the short-term were incurred for the compensation of the Management Board:

2009	Fixed compensation	Incidental benefits	Variable compensation	Total
	k EUR	k EUR	k EUR	k EUR
Michael Zahn	300	12	250	562
Helmut Ullrich	300	15	150	465
	600	27	400	1,027

There are no provisions for pensions for active members or members who have left the Management Board or Supervisory Board of Deutsche Wohnen AG. No loans were made to members of the Management Board of Deutsche Wohnen AG in the financial year 2009.

11 FORECAST REPORT

Future Alignment of the Company and the Business Activity

We significantly increased our competitiveness with the successful and speedy integration of Deutsche Wohnen and GEHAG and placed the profitability of the company on a solid foundation. Our managed assets developed very well overall so that further value corrections are not necessary from our current point of view. The debt relief policy initiated in 2008 was accelerated through the income from the capital increase. Today, the debt position is within the margin targeted by us. Loans of overall EUR 900.0 million were renegotiated; the balance-sheet optimisation is thus mostly finalised.

It is now imperative to stabilise the positive developments and to scale the business model. This means on the one hand to systematically utilise the available growth potentials, and on the other hand to generate lasting, external growth in the core regions.

In this respect, there are two goals on which to focus in 2010:

» We want to continue to improve operationally, leave the years of losses behind, and reinforce the dividend capacity.
» We want to grow and thus permanently establish ourselves among the large listed companies in Germany.

We have made the following assumptions for the 2010 and 2011 forecasts:

In the 2009 Annual Expert Report of the Council of Experts, an increase of the gross domestic product of 1.6 % is expected for 2010[9], other forecasts mention a margin of 1.2 % to 1.9 %. For 2011, growth rates of 1.2 % to 2.0 % are published. On this basis, we expect a further consolidation of the economy. In this context, the interest level will also rise again.

In the segment residential property management, we expect increasing rental income and less impact of the vacancy rate so that the rental shortfalls are to be mostly compensated again by the disposals.

In the area of disposals, the privatisation goal of 500 housing units remains unchanged.

The loan repayments will show full effect in 2010 so that the interest charge once again decreases significantly.

Due to the absence of further restructuring costs, we should be able to achieve a balanced and/or slightly positive overall result for the first time in 2010. In 2011, we expect a positive overall result.

For 2010, we anticipate a clear increase of the FFO of more than 10 % from currently EUR 0.43 per share to ca. EUR 0.48 per share. We estimate a comparable level in 2011.

The earnings contributions from the valuation, bloc sales, and/or acquisitions are excluded hereby.

Frankfurt / Main, 3 March 2010

Deutsche Wohnen AG

Michael Zahn
Chief Executive Officer

Helmut Ullrich
Chief Financial Officer

[9] Council of Experts, Annual Expert Report 2009/2010

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEET

Deutsche Wohnen AG, Frankfurt / Main Consolidated balance sheet as of 31 December 2009		12/31/2009	12/31/2008
	Note	k EUR	k EUR
Assets			
Investment properties	D.1	2,835,483	2,900,673
Property, plant and equipment	D.2	17,401	17,745
Intangible assets	D.3	4,558	4,652
Other non-current assets		400	198
Shares in affiliated companies	D.4	0	495
Deferred tax assets	D.16	98,428	92,559
Non-current assets		2,956,270	3,016,322
Land and buildings held for sale	D.5	18,358	19,355
Other inventories		2,284	1,908
Trade receivables	D.6	14,543	21,202
Current tax receivables		2,468	5,479
Other current assets		3,182	2,796
Cash and cash equivalents	D.8	57,095	41,974
Subtotal current assets		97,930	92,714
Non-current assets held for sale	C.10	25,125	17,696
Current assets		123,055	110,410
Total assets		3,079,324	3,126,733

CONSOLIDATED BALANCE SHEET

Deutsche Wohnen AG, Frankfurt / Main Consolidated balance sheet as of 31 December 2009		12/31/2009	12/31/2008
	Note	k EUR	k EUR
Equity and Liabilities			
Equity allocated to shareholders of the parent company			
Subscribed capital	D.9	81,840	26,400
Capital reserves	D.9	455,761	269,677
Accumulated consolidated profit	D.9	324,068	352,913
		861,669	648,990
Minority shareholdings		302	302
Total equity		861,971	649,292
Non-current financial liabilities	D.10	1,722,044	1,991,077
Convertible bonds	D.11	0	25,430
Provisions for pensions	D.12	41,529	39,300
Liabilities to fund limited partners	D.13	40,791	48,006
Tax liabilities	D.15	55,486	60,652
Derivatives	D.7	37,185	32,570
Other provisions	D.14	10,107	12,506
Deferred tax liabilities	D.16	81,412	71,660
Total non-current liabilities		1,988,554	2,281,200
Current financial liabilities	D.10	80,673	98,096
Convertible bonds	D.11	26,567	0
Trade payables		23,182	22,800
Liabilities to fund limited partners	D.13	8,334	0
Other provisions	D.14	6,396	10,296
Derivatives	D.7	33,282	16,779
Tax liabilities	D.15	28,642	21,629
Other liabilities		21,723	26,640
Total current liabilities		228,799	196,240
Total equity and liabilities		3,079,324	3,126,733

GROUP PROFIT AND LOSS STATEMENT

Deutsche Wohnen AG, Frankfurt / Main Group Profit and Loss Statement for the period from 1 January to 31 December 2009		2009	2008
		k EUR	k EUR
Revenue	E.18	306,331	315,512
Result from disposals			
Revenue from sales		85,677	119,710
Carrying amounts of assets disposed		– 69,748	– 102,301
		15,930	17,409
Other operating income		12,699	11,423
Total income		334,959	344,344
Expenses related to goods and services received	E.19	– 134,774	– 139,085
Personnel expenses	E.20	– 40,204	– 43,541
Other operating expenses	E.21	– 26,488	– 31,222
Restructuring and reorganisation expenses	E.22	– 7,784	– 24,092
Total expenses		– 209,249	– 237,940
Interim result		125,710	106,404
Result from the fair value adjustment of investment properties	D.1	0	-276,528
Depreciation, amortisation and impairment losses	D.2/3	– 2,780	– 1,794
Profit from affiliated companies	D.4	0	60
Earnings before interest and tax (EBIT)		122,929	– 171,859
Financial income		868	2,540
Result from the market value adjustment of derivative financial instruments	D.7	– 1,203	– 32,197
Financial expenses	E.23	– 119,242	– 127,281
Profit before tax		3,352	– 328,796
Income taxes	E.24	– 16,630	56,471
Result of continuing business divisions		– 13,277	– 272,326
Result from discontinued business divisions		0	16,421
Net result for the period		– 13,277	– 255,905
Of which apportioned to:			
Shareholders in the parent company		– 13,277	– 255,905
Minority shareholdings		0	0
		– 13,277	– 255,905
Earnings per share in EUR			
basic		– 0,34	– 9,69
diluted		– 0,34	– 9,69

STATEMENT OF INCOME AND ACCUMULATED EARNINGS

Deutsche Wohnen AG, Frankfurt/Main Statement of Income and Accumulated Earnings from 1 January to 31 December 2009	2009	2008
	k EUR	k EUR
Net result for the period	–13,277	–255,905
Other results		
Net losses from derivatives	–19,916	–45,302
Income tax effects	6,361	14,052
	–13,555	–31,250
Net profit/losses from pensions	–2,865	457
Income tax effects	854	–136
	–2,011	321
Other profit after tax	–15,566	–30,929
Profit or loss for the period after tax	–28,843	–286,834
Of which apportioned to:		
Shareholders in the parent company	–28,843	–286,834
Minority shareholdings	0	0

GROUP CASH FLOW STATEMENT

Deutsche Wohnen AG, Frankfurt / Main Group Cash Flow Statement for the period from 1 January to 31 December 2009		2009	2008
	Note	k EUR	k EUR
Operating activities			
Net result for the period from continuing business divisions		– 13,277	– 272,326
Financial income		– 868	– 2,540
Financial expenses		119,242	127,281
Income taxes		16,630	– 56,471
Result for the period before interest and tax		121,727	– 204,056
Result from discontinued business divisions		0	16,421
Non-cash expenses/income			
Fair value adjustment of investment properties	D.1	0	276,528
Depreciation, amortisation and impairment losses		2,780	1,794
Adjustment of interest rate swaps	D.7	1,203	32,197
Other non-cash expenses/income		– 24,693	– 17,246
Change in net working capital			
Changes in receivables, inventories and other current assets		5,723	– 5,248
Change in operating liabilities		– 2,796	– 1,345
Operating cash flow		**103,945**	**99,046**
Interest paid		– 96,740	– 109,577
Interest received		868	2,540
Tax paid		– 4,779	– 2,350
Cash flow from operating activities		**3,294**	**– 10,342**

GROUP CASH FLOW STATEMENT

Deutsche Wohnen AG, Frankfurt / Main Group Cash Flow Statement for the period from 1 January to 31 December 2009		2009	2008
	Note	k EUR	k EUR
Investment activities			
Proceeds from sales		88,870	104,684
Payments made to acquire investment properties		– 13,250	– 28,578
Payments received from the sale of subsidiaries		0	18,770
Payments made to fund limited partners		– 1,322	– 6,117
Cash flow from investment activities		74,298	88,759
Financing activities			
Proceeds from taking on loans		1,243	82,032
Repayment of loans		– 295,263	– 166,348
Prepayment penalty made		– 6,231	0
Income from capital increase		249,480	0
Expenses from capital increase		– 11,700	0
Cash flow from financing activities		– 62,471	– 84,316
Net changes in cash		15,121	– 5,899
Cash and cash equivalents at the start of the period		41,974	47,874
Cash and cash equivalents at the end of the period		57,095	41,974

GROUP STATEMENT OF CHANGES IN EQUITY

Deutsche Wohnen AG, Frankfurt / Main
Consolidated statement of changes in equity as of 31 December 2009

			Accumulated consolidated profit		
	Registered capital	Capital reserves	Pensions	Cash flow hedge Reserve	Other Reserves
	k EUR	k EUR	k EUR	k EUR	k EUR
Equity as of 1 January 2008	**26,400**	**349,521**	**1,894**	**0**	**558,008**
Net result for the period					–255,905
Other results			321	–31,250	
Profit or loss for the period			**321**	**–31,250**	**–255,905**
Withdrawal from capital reserves		–79,844			79,844
Equity as of 12/31/2008	**26,400**	**269,677**	**2,215**	**–31,250**	**381,947**
Equity as of 1 January 2009	**26,400**	**269,677**	**2,215**	**–31,250**	**381,947**
Net result for the period					–13,277
Other results			–2,011	–13,555	
Profit or loss for the period			**–2,011**	**–13,555**	**–13,277**
Capital increase	55,440	194,040			
Capital increase costs minus tax effect		–7,956			
Equity as of 12/31/2009	**81,840**	**455,761**	**204**	**–44,805**	**368,670**

GROUP STATEMENT OF CHANGES IN EQUITY

Deutsche Wohnen AG, Frankfurt / Main
Consolidated statement of changes in equity as of 31 December 2009

	Sub-total	Minority shareholdings	Equity
	k EUR	k EUR	k EUR
Equity as of 1 January 2008	935,823	302	936,125
Net result for the period	– 255,905		– 255,905
Other results	– 30,929		– 30,929
Profit or loss for the period	**– 286,834**	**0**	**– 286,834**
Withdrawal from capital reserves	0		0
Equity as of 12/31/2008	648,989	302	649,292
Equity as of 1 January 2009	648,989	302	649,292
Net result for the period	– 13,277	0	– 13,277
Other results	– 15,566		– 15,566
Profit or loss for the period	**– 28,843**	**0**	**– 28,843**
Capital increase	249,480		249,480
Capital increase costs minus tax effect	– 7,956		– 7,956
Equity as of 12/31/2009	861,670	302	861,972

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

A GENERAL INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE DEUTSCHE WOHNEN GROUP

1 Deutsche Wohnen Group

The consolidated financial statements of Deutsche Wohnen AG ("Deutsche Wohnen") as of 31 December 2009 were prepared by the Management Board on 3 March 2010. The Supervisory Board is expected to approve the consolidated financial statements in its meeting on 26 March 2010. Deutsche Wohnen is a nationally operating property company based in Germany whose registered office is at Pfaffenwiese 300, Frankfurt/Main, and that is registered in the commercial register of the Frankfurt am Main Local Court under the number HRB 42388.

Deutsche Wohnen AG's business activities are restricted exclusively to its role as the holding company for the companies included in the Group. This includes especially legal, personnel, financing/controlling/accounting, as well as communication/marketing and investor relations. The operations of the subsidiaries focus on residential property management and the sale of the property which is mainly located in Berlin and in the Rhine-Main/Rhineland Palatinate areas, as well as nursing and residential care homes.

The consolidated financial statements have been prepared in Euros. Unless otherwise stated, all figures are rounded to thousand (k EUR). Slight mathematical rounding differences may be reflected in the tables and references.

2 Consolidated Financial Statements

The consolidated financial statements of Deutsche Wohnen and its subsidiaries were prepared in line with the International Financial Reporting Standards (IFRS) as they apply in the EU.

The consolidated financial statements have generally been prepared using the historical cost approach, with the exception of in particular investment properties and derivatives, which are valued at fair value.

The consolidated financial statements comprise the financial statements of Deutsche Wohnen and its subsidiaries as of 31 December of a given financial year. The annual financial statements of the subsidiaries are prepared using standard accounting policies as of the same balance sheet date as the annual financial statements of the parent company.

3 Application of IFRS in the financial year

With the exception of new and revised standards and interpretations in the previous financial year, the same accounting policies as in the consolidated financial statements as of 31 December 2008 were used. Deutsche Wohnen applied the new and revised IFRS standards and interpretations listed below for the financial year 2009. No significant effects on the asset, financial and earnings position resulted from the application of these revised standards and interpretations. However, they resulted in part in additional statements as well as in some cases in changes of the accounting policies. The essential effects of these changes are as follows:

» IFRS 2 Share-based compensation:

In January 2008, the IASB published a change of IFRS 2 in which exercise conditions are precisely defined and the balance-sheet treatment of cancelled commitments is regulated. The Group has applied this change as of 1 January 2009. It has no impact on the Group's asset, financial and earnings position.

» IFRS 7 Financial instruments:

The revised standard provides additional information on the determination of the fair value and the liquidity risk. The change calls for a quantitative analysis of the determination of the fair value based on a three-step hierarchy for each class of financial instruments that are recorded for the fair value. In addition, a transition between starting and closing balance as well as the statement of essential reclassification between the steps of the determination hierarchy is required for the evaluations to the fair value of step 3. The change moreover clarifies the requirements on the statements on the liquidity risk with regard to hedging and assets that are used for liquidity management. The application of the changed standard resulted in additional statements in the annual financial statements of the Group.

» IFRS 8 Operating segments:

This standard requires the Group to report information concerning the operating segments of the Group and replaces the obligation to determine primary (operating segments) and secondary (geographical segments) segment reporting formats for the Group. Deutsche Wohnen has been applying IFRS 8 since 1 January 2009. No significant effects on the Group's asset, financial and earnings position resulted from the first application of the standard. The required explanatory notes, including the adjusted comparative figures for the previous year, can be found under F Segment Reporting.

» IAS 1 Presentation of the annual financial statements (revised):

The revised standard requires separate presentations for changes in equity that result from transactions with shareholders in their capacity as equity suppliers, and other changes in equity. The statement of changes in equity therefore only includes details to business transactions with shareholders, while all remaining changes in equity are represented in a single line. Moreover, the standard introduces a presentation of the result for the entire period in which all earnings and expense items recorded in the profit and loss statement as well as all components of financial performance recognised directly in the equity are represented either in a single list or in two linked lists. Deutsche Wohnen decided to present two lists.

» IAS 23 Borrowing costs (with changes):

The changed standard requires borrowing costs that can be attributed to a qualified asset to be capitalised. The Group applies this change prospectively in accordance with the standard's transitional regulations. Borrowing costs will therefore be capitalised to qualified assets starting 1 January 2009. There will be no changes for previously incurred borrowing costs which were recognised immediately. There were no qualified assets in the previous financial year.

» Change to IAS 32 Financial Instruments:

Presentation and IAS 1 presentation of the financial statements - terminable financial instruments and obligations arising from liquidation: This change to IAS 32 and IAS 1 was published in February 2008 and is to be applied for the first time in financial years which start on or after 1 January 2009. To a certain extent, the change permits exceptions that allow the classification of callable financial instruments as equity, as far as they fulfil certain criteria. The Group has applied this change as from 1 January 2009.

» Improvements of the IFRS:

In May of 2008, the IASB published a collection of standards to change various IFRS with the primary goal to remove inconsistencies and to clarify wording. Separate transition regulations exist for every standard. Deutsche Wohnen applied these adjustments for every single standard without essential effects on the presentation of the asset, financial and earnings position.

We expect no effects on the asset, financial and earnings position to result from the application of standards and interpretations that have been published but are not yet mandatory.

4 Material Judgements, Estimates and Assumptions

In the preparation of the consolidated financial statements, discretionary judgements, estimates, and assumptions are made by the management which have an impact on the level of income, expenses, assets, and liabilities reported on the balance sheet date and the reporting of contingent liabilities. Due to the uncertainty associated with these assumptions and estimates, results may emerge which in future may lead to considerable adjustments being made to the book value or to the statement of the assets or liabilities concerned.

Discretionary judgements

The management made the following discretionary judgements in applying the accounting policies, which materially affected the amounts in the financial statements. This does not include decisions involving estimates:

» Obligations under operating leases - Group as lessor

The Group has concluded lease agreements to lease its investment properties. It was determined - based on an analysis of the contract terms and conditions - that all significant risks and rewards of the properties leased under operating leases remain with the Group, which reports these contracts as operating leases. The book value of the investment properties amounts to EUR 2,835.5 million (previous year: EUR 2,900.7 million).

Estimates and assumptions

The key forward-looking assumptions and other significant sources of uncertainty which existed for estimates as of the reporting date - which indicate that there is a considerable risk that a significant adjustment of book values of assets and liabilities will be necessary in the coming financial year - are explained in the following.

» Fair value of investment properties

The fair value of investment properties was determined based on a portfolio evaluation as of 31 December 2009. The properties are divided into clusters dependent upon their location and their quality. On the basis of these clusters, assumptions are made on the development of rent, vacancy rates, vacancy loss, maintenance and service charges, and discount rates. These valuation assumptions are subject to uncertainties due to their long-term nature which could in future result in positive or negative changes in value. The global crisis of the financial system has caused a high degree of uncertainty in the European real property market. In this environment, it is possible that the fair values are subject to volatility. The book value of the investment properties amounts to EUR 2,835.5 million (previous year: EUR 2,900.7 million).

» Minority shareholdings

The minority shareholdings (in Eisenbahn-Siedlungsgesellschaft mbH, Berlin) have been calculated based on the regulations in the articles of association. In accordance with this, the minority partner is, in the case of a distribution, only entitled to a dividend in the amount of 4 % of the capital he holds.

» Pensions and other post-employment benefits

The expense from post-employment defined benefit plans is determined based on actuarial calculations. The actuarial valuation is based on assumptions relating to discount rates, future wage and salary increases, mortality rates, and future pension increases. Such estimates are subject to considerable uncertainty because of the long-term nature of these plans. As of 31 December 2009, the provisions for pensions obligations amount to EUR 41.5 million (previous year: EUR 39.3 million).

» Liabilities to fund limited partners

The limited partners of DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co.KG, Eschborn (from here on "DB 14") have the opportunity to tender their limited partnership interests until 2019. For the valuation of the liability it is assumed that the interests will be fully tendered. As of 31 December 2009, the liabilities amount to EUR 49.1 million (previous year: EUR 48.0 million).

B CONSOLIDATED COMPANIES AND CONSOLIDATION METHODS

1 Consolidated companies

The consolidated financial statements include Deutsche Wohnen AG and the subsidiaries under its control from the time of acquisition, i.e. from the time that the Group took over control. Inclusion in the consolidated financial statements ends as soon as the parent company no longer has control. The composition of Deutsche Wohnen is in accordance with the list of shareholdings attached as Appendix 1.

There were no changes in the consolidated companies in 2009.

In 2008, shares in the AKF - Telekabel TV und Datennetze GmbH and its subsidiaries (in the following "AKF Group") were sold at a cash purchase price of EUR 19.9 million with purchase agreement from 13/18 June 2008. Effective date of the transfer was 3 July 2008. An earnings contribution of EUR 16.4 million before and after taxes resulted from the deconsolidation of the AKF Group. Altogether, the AKF Group had an income in the amount of EUR 4.5 million and expenses in the amount of EUR 5.0 million, so that a profit before and after taxes (profit and loss transfer agreement) of EUR -0.5 million occured in the financial year 2008. With the disposal, cash and cash equivalents in the amount of EUR 0.2 million were divested. Furthermore, property, plant and equipment in the amount of EUR 12.8 million, current assets in the amount of EUR 1.1 million, financial liabilities in the amount of EUR 9.9 million, and current liabilities in the amount of EUR 1.6 million were divested. Only insignificant cash flows were earned from the discontinued division.

2 Consolidation methods

The annual financial statements of the subsidiaries are prepared using standard accounting policies as of the same balance sheet date as the annual financial statements of the parent company. Subsidiaries are fully consolidated from the time of the acquisition, i.e., from the time when the Group had control. Inclusion in the consolidated financial statements ends as soon as the parent company no longer has control.The capital consolidation takes place according to the acquisition method (IFRS 3); this nets the cost of the acquisition at the time of the acquisition with the net assets corresponding to the amount of the shareholding, assessed at fair value. If the share of net assets acquired exceeds the cost of acquisition of the shareholding, the amount of the cost of acquisition and the amount of the net assets are reviewed again in accordance with IFRS 3. The income-related difference remaining after this is immediately recognised in the income statement.
All inter-company balances, transactions, revenues, expenses, profits and losses from inter-company transactions which are included in the book value of assets are eliminated in full.

Minority shares represent the share of the profit and the net assets which is not to be assigned to the Group. Minority shares are reported separately in the Group's profit and loss statement and in the consolidated balance sheet. This is reported in the consolidated balance sheet under equity, separate from the equity allocated to the shareholders of the parent company.

C ACCOUNTING POLICIES

1 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation and not for owner occupancy or for sale as part of normal business activities. The investment properties include land with residential and commercial buildings, land without buildings, and land with heritable third-party building rights.

At the initial recognition, investment properties are measured using the cost method including incidental expenses. After initial recognition, the investment properties are measured at fair value. Profits or losses from the adjustment are recognised in the consolidated profit as revenue or expense.

An internal valuation took place as of 31 December 2008 and 2009. At the same time, the holdings were valued by CB Richard Ellis as 31 December 2009 who confirmed the total value. The value deviations for the individual properties are less than + /- 10 %. Overall, CB Richard Ellis deviates by 0.2 % from the internal valuation.

The valuation had the following procedure in both financial years. The properties were assigned to clusters. Homogeneous groups (clusters) were formed, which differed from each other in respect to the location and quality of the administrative units and therefore their respective risk.

The cluster formation was in line with the following schema:

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

These clusters were then classified by regions as follows: Berlin, Brandenburg, Rhine-Main/ Rheintal-Süd, the rest of Rhineland-Palatinate, and the remaining property.

An investment property is de-recognised on its sale or permanent withdrawal from use and when no future economic benefits are expected from its disposal. Profits or losses arising from the retirement or disposal of investment properties are recognised in the income statement in the year the properties were retired or disposed of.

A property is transferred from the stock of investment properties when there is a change in its utilisation which is due at the beginning of owner occupancy or the commencement of the selling process.

When an investment property is transferred to the stock of owner-occupied property, the historical cost of the property for the following valuation corresponds with the fair value at the time of the change of utilisation.

2 Property, plant and equipment

Property, plant and equipment are recognised at acquisition or manufacturing cost less accumulated scheduled depreciation and accumulated impairment losses. Subsequent costs are only recognised if it is probable that a future economic benefit associated with the property, plant and equipment will flow to the company.

Property, plant and equipment are measured at amortised cost. The straight-line depreciation is based on the estimated useful life of the assets. The useful life of land and buildings is 50 years. For moveable fixed assets, the useful life is four to ten years.

The book values of property, plant and equipment are checked for impairment as soon as there are indications that the book value of an asset exceeds its recoverable amount.

An item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses relating to the asset's disposal are recognised in the profit or loss calculation as the difference between the net disposal proceeds and the book value of the asset when the item is de-recognised.

Net book values related to the assets, useful lives and depreciation methods are reviewed at the end of each financial year and adjusted where necessary.

3 Intangible assets

Only purchased intangible assets are reported in Deutsche Wohnen. These are measured at cost and systematically amortised using the straight-line method over the respective useful life of the asset. The useful life is between three to five years.

4 Shares in affiliated companies

Shares in affiliated companies are reported in accordance with the equity method. An affiliated company is a company in which the Group has a significant influence and which is neither a subsidiary nor a joint venture.

In accordance with the equity method, shares in associated companies are recognised in the balance sheet at cost and including changes of the Group's share in the net assets of the company that take place after the acquisition. With the application of the equity method, the Group establishes whether it is necessary to consider an additional impairment loss with respect to the net investment of the Group in the affiliated company. The income statement includes the share of the Group in the profits of the affiliated company. The balance sheet date and the accounting policies for similar business transactions and events of the affiliated company are consistent with those of the Group.

5 Borrowing costs

Interest on borrowing costs is recognised as an expense in the period in which it is incurred. The application of the revised IAS 23 had no effects since the relevant assets (properties) are recognised already at their current market value.

6 Impairment of non-financial assets

The Group examines whether there are indications that an asset could be impaired at each balance sheet date. If such indications exist, the Group makes an estimate of the recoverable amount of the respective asset. The recoverable amount of an asset is the higher of the two amounts - the fair value of an asset or a cash-generating unit less selling costs and rental value. The recoverable amount is to be determined for each individual asset, unless an asset does not produce any cash flows that are largely independent of those of other assets or other Groups of assets. If the book value exceeds its recoverable amount, the asset is impaired and is depreciated to its recoverable amount.

Impairment losses are recognised in profit or loss in the expense categories which correspond to the function of the impaired asset in the company.

Assets are examined as of every balance sheet date to determine whether the indications for a previously recognised impairment loss no longer exist or have lessened. If such indications exist, the Group makes an estimate of the recoverable amount. A previously registered impairment loss is only reversed if since its last entry there has been a change in the estimates, which were drawn upon when determining the recoverable amount. If this is the case, the book value of the asset is increased to its recoverable amount. This amount, however, may not exceed the book value which would result from a scheduled depreciation if no impairment losses were registered for the asset in previous years. An upward revaluation is registered in the profit for the period.

7 Financial assets

Financial assets in terms of IAS 39 are classified by Deutsche Wohnen either

- as financial assets that are measured in the profit or loss at fair value,
- as loans and receivables,
- as financial assets available for sale, or
- as derivatives that fulfil the requirements of an effective hedging.

At initial recognition, financial assets are measured at fair value. In the case of other financial investments which are classified as measurable at fair value on the profit and loss account, transaction costs which are to be assigned directly to the acquisition of the asset are also considered. The financial assets are designated to evaluation categories at initial recognition. Reclassifications are made at the end of the financial year, provided that they are permitted and necessary.

Except for derivatives (interest rate swaps), no financial assets held for commercial purposes and financial investments held until final maturity have been reported in Deutsche Wohnen so far.

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

Impairment of receivables from rental activities is recorded on the basis of empirical values. For other receivables and assets, appropriate value adjustments are made on a case-by-case basis.

The interest rate swaps are valuated at fair value on the basis of a mark-to-market method, independently of whether they are classified as non-effective or effective hedging instruments.

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is de-recognised if no contractual rights on cash flow from a financial asset exist.

8 Inventories

Inventories include land held for sale with finished and unfinished buildings, work in progress, and other inventories.

The initial valuation is at cost. As of the balance sheet date, the valuation is at the lower value of the two figures - cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated necessary sales costs.

9 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in hand, bank balances, and current investments with original maturities of less than three months.

10 Assets held for sale

The Deutsche Wohnen Group reports investment properties as assets held for sale where notarised purchase contracts exist on the balance sheet date, but the transfer of ownership is taking place later. The evaluation is at the lower value of the two amounts - the book value or the fair value. In the case of owner-occupied property (IAS 16), depreciation is discontinued from the date of reclassification. The property is allocated to the housing privatisation segment.

11 Financial liabilities

Financial liabilities in terms of IAS 39 are classified by Deutsche Wohnen either

- as other financial liabilities, measured at amortised cost, or
- as derivative financial liabilities that fulfil the requirements of an effective hedging.

Financial liabilities

At initial recognition, loans are measured at fair value, less the transaction costs which are directly associated with the borrowing. After initial recognition, the interest loans are subsequently measured at amortised cost using the effective interest method. Profits and losses are recognised in the profit and loss statement for the period when the debts are de-recognised or when amortisation takes place.

Profit participation rights

The employees of GEHAG have the opportunity of taking a share in GEHAG in the form of profit participation rights as silent partners. These profit participation rights are acquired at a nominal amount and provide for an entitlement to a share in the profits. After eight years, the employee has the right to cancel the profit participation rights agreement. When exercising the right of cancellation, the accumulated balance of the capital account is paid out (nominal value + profit share ./. loss share). There is no obligation to make an additional payment. Profit participation rights are reported as non-current debt capital (EUR 0.2 million) under financial liabilities.

Convertible bonds

Convertible bonds were issued as part of the acquisition of the GEHAG Group. Convertible bonds are viewed as compound financial instruments which consist of liability and equity components. The liability component as of the issue date is measured with a discount of future payments at the appropriate interest rate customary for the market.

The equity and liability components were assessed by means of an independent expert as of the effective issue date. The total of both components represents the total value of the convertible bonds.

Trade payables and other liabilities

At initial recognition, the liabilities are measured at fair value. After initial recognition, the liabilities are subsequently measured at amortised cost using the effective interest method. Profits and losses are recognised in the profit and loss statement for the period when the debts are derecognised or when amortisation takes place.

Liabilities to limited partners from funds

In accordance with IAS 32 (rev 2003), the cancellation options of the limited partner are an important criterion for the separation of equity and debt capital. Financial instruments, which grant the holder (here: limited partner) the right of return to the issuer against payment of a sum of money, represent a financial liability. Due to the existing rights of cancellation of the limited partners, the limited partner ship interest and the "net assets of the shareholders" are to be included in the reported debt capital. In accordance with IAS 32.35 (rev 2003), the shares of the limited partners and minority shareholders in the profits are to be reported as financial expenditure.

The net assets of the limited partners have to be recognised as of the end of the financial year at the fair value amount of a possible repayment amount. Thus, increases in value are recognised as a financing expense and impairments as a financing revenue in the income statement. The amount of the repayment obligation is in accordance with the articles of association.

Within Deutsche Wohnen, liabilities to fund limited partners total k EUR 49,125 (previous year: k EUR 48,006).

A financial liability is de-recognised when the obligation upon which this liability is based is met, cancelled, or has expired. If an existing financial liability is exchanged for another financial liability with the same lender at substantially different contract terms and conditions or if the terms and conditions of an existing liability are changed significantly, such an exchange or change is treated as a de-recognition of the original liability and the entry of a new liability. The difference between the respective book values is recognised in the profit and loss statement for the period.

12 Pensions and other post-employment benefits

Provisions for pensions are formed for obligations (pension, invalidity, widow/widower pension and orphan pension benefits) from deferred benefits and from current benefits to entitled active and former employees and their surviving dependants.

The expenses for the benefits granted as part of the defined benefit plans are established using the projected unit credit method. Actuarial profits and losses are recognised directly in retained earnings in the statement of recognised income and expense.

Deutsche Wohnen pays contributions from defined contribution plans based on legal requirements to state pension fund providers. The current contribution payments are reported as social security under personnel expenses. There are no further benefit obligations for the Group with the payment of the contributions.

There are also pension plans in accordance with the regulations governing public sector supplementary pensions. This is based on the membership of a Group company in the Bayerische Versorgungskammer (BVK—Bavarian pension fund for professional groups). This supplementary pension comprises a partial or full pension for reduced earnings capacity and an old-age pension as a full pension or a surviving dependant's pension. The charge levied by the BVK is determined as the portion of the employee's compensation used to calculate the supplementary pension contribution.

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

No concrete information is known about any overfunding or underfunding of the plan or the related future effects on the Deutsche Wohnen Group. In future, increasing/decreasing payments of premiums by Deutsche Wohnen to the BVK may result from possible surpluses or deficits.

13 Provisions

A provision is set if the Group has a current (legal or factual) obligation based on a past event, if the outflow of resources embodying economic benefits is probable, and a reliable estimate of the amount of the obligation is possible. If the Group expects at least in part restitution of a provision recognised as a liability (for example in connection with an insurance policy), the restitution is only recognised as a separate asset if the restitution is as good as certain. The expense for creating the provision is reported in the income statement after deduction of the restitution. If the impact of the interest rate is significant, provisions are discounted at an interest rate before tax, which reflects the specific risks of the liability, if applicable. In the case of a discount, the increase in provisions necessary over time is recognised as financial expenditure.

14 Leases

Leasing transactions are divided into financing leases and operating leases. Contractual regulations, which transfer all significant opportunities and risks associated with the ownership of an asset to the lessee, are reported as financing leases. The leasing object is recorded as an asset with the lessee, and the corresponding obligations are recorded as liabilities. All other leasing transactions are reported as operating leases. Payments from operating leases are on principle recorded as expense on a straight-line basis over the contract period.

15 Income recognition

Income is recognised when it is probable that the economic benefits will flow to the Group and the amount of the income can be reliably determined. In addition, the following criteria have to be met when realising income:

» Rental income
Rental income from investment properties is recognised monthly over the period of the lease in accordance with the tenancy agreement.

» Disposal of property
Income is recognised when the significant risks and opportunities associated with the ownership of the sold property have been transferred to the buyer.

» Services
Income is recognised in accordance with the performance of the service.

» Interest income
Income is recognised when the interest occurred (using the effective interest method, i.e., the discount rate with which the estimated future cash flows over the expected term of the financial instrument are discounted to the net book value of the financial asset).

16 Government grants

Government grants are recognised when there is sufficient certainty that the grants will be awarded and the company meets the associated conditions. In the case of grants related to expenditure, these are scheduled over the period which is required in order to set them off against the appropriate expenses which they shall compensate.

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

Redemption subsidies, in the form of rent subsidies, are recognised in the income statement. This is recognised in the revenue from residential property management.

The redemption and interest-subsidised loans are project-related loans and are reported as financial liabilities. Both offer benefits compared to loans at market conditions such as lower interest rates or interest-free and redemption-free periods. The loans have been measured at fair value and are subsequently measured at amortised cost. However, they are to be seen in conjunction with restrictions in the property's rent development, which were considered in the fair value valuation. The financial position was not affected by the changed consideration of interest-rate advantages for extended loans from 1 January 2009, since no new promotional loans were received.

17 Tax

Current tax refund claims and tax liabilities

The current tax refund claims and tax liabilities for the current period and for previous periods are to be measured at the amount at which a refund from the tax authorities or a payment to the tax authorities is expected. The calculation of the amount is based on the tax rates and tax laws which apply on the balance sheet date.

Deferred taxes

The formation of deferred taxes uses the asset and liability method for all temporary differences on the balance sheet date between the valuation of an asset or liability in the balance sheet and the tax value. Deferred tax liabilities are recognised for all temporary differences which are to be taxed, with the exception of the following: the deferred tax liability from taxable temporary differences which are associated with interests in subsidiaries, affiliated companies and shares in joint ventures, is not recognised, if the reversal of the temporary differences is manageable over the course of time and if it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carry-forwards and unused income tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the unused loss carry-forwards and income tax credits can be offset. The exceptions to this are as follows:

» Deferred tax assets from deductible temporary differences, which arise from the initial recognition of an asset or a liability in a business transaction, which is not a company merger and which at the time of the business transaction does not have an impact on the profit and loss for the period pursuant to commercial law nor the taxable profit and loss, may not be recognised.

» Current deferred taxes from taxable temporary differences which are associated with shareholdings in subsidiaries, affiliated companies and shares in joint ventures, may only be recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and sufficient taxable profit will be available against which the temporary differences can be offset.

The book value for deferred tax assets is reviewed as of every balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be offset at least in part. Deferred tax assets which are not recognised are reviewed as of every balance sheet date and recognised to the extent that it has become probable that a future taxable profit allows the deferred tax asset to be realised.

Current and non-current deferred taxes are measured on the basis of tax rates which are expected to apply for the period in which an asset is realised or a liability is met. This is based on the tax rates (and tax regulations) which apply or are announced as of the balance sheet date.

Income tax related to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset against each other if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and if they relate to income tax levied against the same taxable entity by the same taxation authority.

Value-added tax

Revenue, expenses and assets are recognised after the deduction of value added tax. The exceptions to this are as follows:

- if value added tax on the purchase of assets or services cannot be recovered from the tax authority, it is recognised as part of the production cost of the asset or as part of the expenses; and
- receivables and liabilities are recognised together with the amount of value added tax contained therein.

The amount of the value added tax recoverable from or payable to the taxation authority is reported in the consolidated balance sheet under receivables or liabilities.

18 Derivatives and hedgings

The Group uses derivatives (interest rate swaps) to hedge against interest rate risks. These derivatives are recognised at fair value when the respective agreement is entered into and subsequently valuated at fair value. Derivatives are recognised as assets if their fair value is positive, and as liabilities if their fair value is negative. The valuation is based on the mark-to-market method.

Deutsche Wohnen reports finalised interest rate swaps in the balance sheet on the basis of the Hedge Accounting regulations of IAS 39. In addition to the existing documentation of the hedging correlation between hedging and underlying transaction, a requirement for hedge accounting is the proof of the effectiveness of the hedging correlation between hedging and underlying transaction. If an effective correlation exists, the effective part of the changes in value of the hedging is directly recognised in equity. The non-effective part is directly recognised in the profit and loss statement. As far as the requirements for hedge accounting existed, the fair values of the hedging instruments were classified as long-term assets/debts. Deutsche Wohnen has tested the effectiveness of the finalised interest-rate hedges on prospective (Critical Terms Method) and retrospective basis. For derivatives which do not meet the criteria for hedge accounting, profits or losses from changes in the fair value are immediately recognised in profit or loss.

The Deutsche Wohnen Group only hedges cash flows which relate to future interest payments.

D CONSOLIDATED BALANCE SHEET DISCLOSURES

Non-current assets

1 Investment properties

Investment properties are measured at fair value. The fair value has developed as follows in the financial year:

	12/31/2009	12/31/2008
	k EUR	k EUR
Start of period	2,900,673	3,271,205
Other additions	10,848	21,268
Disposals due to disposals	–63,009	–95,727
Adjustment of fair value	0	–276,528
Transfer	–13,029	–19,545
End of period	2,835,483	2,900,673

The following principles were used for the valuation as of 31 December 2009:

The following were derived based on the clusters:
» derivation of annual rates of increase in rent (-0.25 % to 2.20 %)
» derivation of target vacancy rates in a period of 1.0 to 4.5 years (2.00 % to 11.00 %)
» derivation of capitalisation interest rates and discount interest rates.

The following were derived based on the property:
» establishment of the market rent as of the balance sheet date,
» development of rent per m² of lettable area relating to the adjustment of market rent and current gross rent,
» development of costs (maintenance, administration, rent loss risk and non-apportionable operating costs, interest on heritable building rights if relevant),
» determination of cash flow from annual proceeds and payments and the terminal value at the end of year 10, based on the stabilised cash flow expected in year 11, or an expected sales price less sales expenses,
» calculation of a fair value based on the administrative unit as of the balance sheet date.

The capitalisation and discount interest rates were derived based on risk-free interest (10-year average of net yields of federal bonds: 3.3%) and property-specific risk estimates. In this process, discount rates between 6.10% and 8.35% were used. The weighted average of the discount rates comes to 6.77%. The capitalisation interest rates are between 4.75% and 7.50%. A discount rate shift of 0.1% causes a value adjustment of EUR 50.0 million.

This results in an average value of EUR 896.00 per m² and a multiplier of 13.5 based on the potential gross rent as of 31 December 2009 and/or a multiplier of 14.2 based on the current gross rent.

The following principles were used for the valuation as of 31 December 2008:

The following were derived based on the clusters:

- derivation of annual rates of increase in rent (-0.25% to 2.20%)
- derivation of target vacancy rates in a period of 1.0 to 4.5 years (2.00% to 11.00%)
- derivation of capitalisation interest rates and discount interest rates.

The following were derived based on the property:

- establishment of the market rent as of the balance sheet date,
- development of rent per m² of lettable area relating to the adjustment of market rent and current gross rent,
- development of costs (maintenance, administration, rent loss risk and non-apportionable operating costs, interest on heritable building rights if relevant),
- determination of cash flow from annual proceeds and payments and the terminal value at the end of year 10, based on the stabilised cash flow expected in year 11, or an expected sales price less sales expenses,
- calculation of a fair value based on the administrative unit as of the balance sheet date.

The capitalisation and discount interest rates were derived based on risk-free interest (10-year average of net yields of federal bonds: 3.0%) and property-specific risk estimates. In this process, discount rates between 6.10% and 8.35% were used. The weighted average of the discount rates comes to 6.79%. The capitalisation interest rates are between 4.75% and 7.50%. A discount rate shift of 0.1% causes a value adjustment of EUR 49 million.

This results in an average value of EUR 881 per m² and a multiplier of 13.7 based on the potential gross rent as of 31 December 2008 and/or a multiplier of 14.7 based on the current gross rent.

The investment properties essentially serve as collateral for the loans.

Insofar as no significant deviations from the current market value determined as of the reporting date resulted from the valuation of the properties according to the parameters and assumptions shown above, the current market value from the previous year was carried forward. For this reason, a revaluation in the amount of EUR 0.9 million was not realised in 2009.

All of the Group's investment properties are leased under operating leases. The related rental income amounted to EUR 206.4 million (previous year: EUR 210.3 million). The expenditure directly associated with the investment properties was EUR 123.9 million (previous year: EUR 127.7 million).

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

2 Property, plant and equipment

In accordance with IAS 16, classified land and buildings, technical equipment and operating and office equipment are reported under this item. The development in the financial year was as follows:

	12/31/2009	12/31/2008
	k EUR	k EUR
purchase costs		
Start of period	24,166	31,927
Changes in the consolidated companies	0	– 12,824
Additions	1,433	2,695
Disposals	– 2,063	– 466
Transfers	0	2,834
End of period	23,536	24,166
Accumulated depreciation, amortisation and impairment losses		
Start of period	6,421	3,979
Changes in the consolidated companies	0	974
Additions	1,515	1,560
Disposals	– 1,801	– 92
End of period	6,135	6,421
Remaining book values	**17,401**	**17,745**

The land and buildings included in tangible assets (EUR 9.1 million, previous year : EUR 9.0 million) are essentially secured by property collateral.

3 Intangible assets

Intangible assets have developed as follows:

	12/31/2009	12/31/2008
	k EUR	k EUR
purchase costs		
Start of period	5,716	1,200
Changes in the consolidated companies	0	– 54
Additions	1,171	4,570
End of period	**6,887**	**5,716**
Accumulated depreciation, amortisation and impairment losses		
Start of period	1,064	830
Additions	1,265	234
End of period	**2,329**	**1,064**
Remaining book values	**4,558**	**4,652**

4 Shares in associated companies

The associated companies included in the consolidated financial statements as of 31 December 2008 were reclassified into financial assets in the financial year 2009. No effects in the Group profit and loss statement resulted due to the reclassification.

The following companies were included at equity in the consolidated financial statements as of 31 December 2008:

	Share	12/31/2008
	%	k EUR
SES Stadtentwicklungsgesellschaft Eldenaer Straße mbH	50.00	165
GbR Fernheizung Gropiusstadt	44.26	330
		495

The following table shows the summarised information for the reported affiliated companies:

	12/31/2008
	k EUR
Share in the balance of associated companies	
Current assets	745
Non-current assets	0
Non-current liabilities	135
Equity	610
Revenue and profit contributed by the associated companies	
Revenue	255
Result	60

5 Land and buildings held for sale

In the financial year 2009, revenue totalling k EUR 1,391 (previous year: k EUR 2,455) was generated. These are shown in the segment reporting according to the presentation in the internal reporting as revenue. At the same time, there were reductions in the book value totalling k EUR 1,138 (previous year: k EUR 1,977).

6 Trade receivables

Trade receivables are composed as follows:

	12/31/2009	12/31/2008
	k EUR	k EUR
Receivables from rental activities	5,105	14,809
Receivables from property sales	8,081	4,888
Other trade receivables	1,357	1,505
	14,543	21,202

Receivables from rental activity are interest-free and are always overdue. The valuation allowances are formed on the basis of the age structure and are dependent upon whether the tenants are active or former tenants. Based upon this procedure, the extent of overdue, non-impaired trade receivables is very low.

In the financial year 2009, rental claims totalling EUR 1.6 million (previous year: EUR 1.9 million) were written off, against payments on written-off rental claims in the amount of EUR 0.2 million (previous year: EUR 0.2 million). The value adjustment for receivables amounted to EUR 4.5 million as of 31 December 2009 (previous year: EUR 4.4 million).

Receivables from property sales are interest-free and are in principle due between 1 and 90 days.

The non-impaired receivables from property sales are due as follows:

	As of the balance sheet date neither impaired nor overdue	As of the balance sheet date not impaired and overdue in the following time periods			
	k EUR	k EUR	k EUR	k EUR	k EUR
		Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	More than 91 days
2009	7,805	115	3	95	63
2008	2,804	1,591	0	0	493

The other receivables are interest-free and are on principle due between 1 and 90 days.

7 Derivatives

Deutsche Wohnen has concluded several interest rate hedges. The following overview represents the essential contract terms:

Nominal amount				12/31/2009	12/31/2008
k EUR	Strike	Term from	Maturity	k EUR	k EUR
230,000	3.90 %	07/01/2003	07/01/2013	– 11,969	– 7,549
172,000	4.74 %	09/20/2007	12/29/2017	– 18,259	– 15,897
122,250	3.40 %	04/10/2006	12/31/2015	– 3,224	– 268
108,370	4.10 %	12/08/2006	12/30/2016	– 6,363	– 4,368
78,000	4.74 %	09/20/2007	12/29/2017	– 8,280	– 7,209
72,500	3.24 %	04/10/2006	12/31/2012	– 2,045	– 468
48,200	4.18 %	01/18/2007	12/30/2016	– 2,891	– 2,160
50,000	4.09 %	04/10/2007	12/30/2016	– 3,107	– 2,169
50,000	4.68 %	03/20/2008	12/29/2017	– 5,090	– 4,385
50,000	3.89 %	07/21/2008	12/31/2013	– 2,100	– 1,357
45,000	3.88 %	07/10/2008	06/28/2013	– 1,670	– 1,072
30,000	3.47 %	06/30/2003	06/30/2013	– 630	– 182
33,500	3.38 %	04/10/2006	12/31/2015	– 861	– 42
23,175	3.50 % - 4.50 %	07/29/2005	12/30/2016	– 1,264	– 896
30,000	3.45 %	04/10/2006	12/31/2015	– 900	– 122
25,000	4.06 %	04/10/2008	12/31/2015	– 1,610	– 1,069
2,540	5.00 %	10/02/2006	10/03/2016	– 204	– 136
1,170,535				**– 70,467**	**– 49,349**

There are no significant credit risks as the interest rate swaps were concluded with major banks. If the interest rate level changes, the market value changes accordingly. Returns and expenses are recognised in the equity for the effective part of the hedging, the non-effective part is recognised in the current profit. If the interest rate level should rise/fall by 50 basis points, the fair value of the interest rate swap rises/falls by approximately EUR 28.6 million (previous year: EUR 31.6 million).

8 Cash and cash equivalents

The cash and cash equivalents of EUR 57.1 million (previous year: EUR 42.0 million) consists mainly of bank balances, cheques, and cash in hand. Credit balances at banks are on-call deposits and earn interest at varying rates. Current investments are for varying periods of between one day and three months according to the requirements of the company. As at the balance sheet date, the Deutsche Wohnen Group had cash and cash equivalents amounting to EUR 11.8 million (previous year: EUR 14.7 million) which were not freely available. This was in essence the cash equivalent of DB 14 and rental security deposits.

9 Equity

Concerning the development of equity, we refer to the statement concerning changes in the Group's equity.

a) Registered capital

The registered capital amounts to EUR 81.8 million (previous year: EUR 26.4 million). The registered capital comprises 81,840,000 no-par value shares (previous year: 26,400,000 no-par value shares) with a notional share of EUR 1.00 per share. The shares have been issued completely and paid in full. By decision of the Annual General Meeting on 7 August 2009, the registered capital of the company was increased through issue of 55,440,000 new no-par value shares. Cash contributions in the amount of EUR 4.50 per share (altogether k EUR 249,480) were made on the newly issued shares. The capital increase was registered in the commercial register.

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

When capital increases take place, the new shares are issued as bearer shares.

The Management Board is authorised, with the consent of the Supervisory Board, to increase the registered capital on one or several occasions during the period until 9 August 2011, by up to an aggregate of EUR 3,600,000 by issuing up to 3,600,000 new ordinary bearer shares against cash or non-cash contributions (authorised capital). The originally authorised capital amounted to EUR 10,000,000.

The registered capital is contingently increased by up to a further EUR 10,000,000.00 through the issue of no-par value bearer shares carrying dividend rights from the beginning of the financial year in which they were issued (contingent capital I).

The contingent capital increase serves to grant shares to creditors or holders of bonds with rights or convertible bonds, or profit participation rights with conversion or subscription rights, which in accordance with the authorisation of the Annual General Meeting on 10 August 2006 will be issued by the company or by a company which is 100 % directly or indirectly affiliated with the company during the period until 9 August 2011, provided that the issue is against cash. The capital increase will only be carried out if rights related to the previously mentioned bonds with warrants or convertible bonds or profit participation rights are exercised or the conversion rights from such debt securities are met and if own shares are not used for this purpose.

The registered capital is contingently increased by up to a further EUR 2,700,000 due to expenses of the issue of 2,700,000 no-par value bearer shares carrying dividend rights from the beginning of the financial year in which they were issued (contingent capital II).

The contingent capital increase serves to grant shares to creditors or holders of bonds with warrants or convertible bonds, or profit participation rights with conversion or subscription rights, which in accordance with the authorisation of the Annual General Meeting on 17 June 2008 will be issued by the company or by a company which is controlled or majority-owned by the company during the period until 16 June 2013, provided that the issue is against cash. The capital increase will only be carried out if rights related to the previously mentioned bonds with option right or convertible bonds and/or profit participation rights with option or conversion rights are exercised or conversion obligations from such bonds are fulfilled, and insofar as own shares are not used for this purpose.

The registered capital is contingently increased by up to EUR 10,000,000.00 with the issue of up to 10,000,000.00 no-par value bearer shares (contingent capital III). The conditional increase in capital is only implemented so far as the proprietors of the subscription rights, which are granted on the authority of the decision taken on point 12 of the agenda of the Annual General Meeting on 17 June 2008 regarding persons entitled to new shares, exercise these subscription rights. The new shares participate in profit sharing from the beginning of the financial year in which they originate through the exercising of the subscription rights.

b) Capital reserves

In 2009, the capital reserves increased by EUR 194.0 million due to the premium payments in the context of the capital increase. The costs incurred due to the capital increase in the amount of k EUR 11,700 as well as the income tax effects applicable to these costs (k EUR 3,744) were set off against the premium payments.

In the financial year 2008, EUR 79.8 million were withdrawn from the capital reserve.

c) Accumulated consolidated profit

The accumulated consolidated profit includes the retained earnings of Deutsche Wohnen as well as the accumulated profit/loss carried forward.

The legal reserve is mandatory for corporations. According to § 150 para. (2) of the German Stock Corporation Act, an amount of 5 % of the net income for the year is to be retained. The legal reserve has an upper limit of 10 % of the registered capital. In this process, existing capital reserves are to be considered in accordance with § 272 para. (2) no. 1-3 of the German Commercial Code in a manner which reduces the required provision to the legal reserve correspondingly. This is measured on the basis of the registered capital which exists and is legally effective on the reporting date and which is to be reported in this amount in the respective annual balance sheet. The legal reserve remains unchanged at EUR 1.0 million.

d) Minority shareholdings

The minority shareholdings are in the GEHAG Group.

Non-current Liabilities

10 Financial liabilities

The company has taken on bank loans in particular to finance the property and company transactions and for the purchase of property.

The financial liabilities are composed as follows:

	12/31/2009	12/31/2008
	EUR m	EUR m
Transaction financing	1,241.4	1,474.7
Property financing	561.1	614.3
Profit participation rights	0.2	0.2
	1,802.7	2,089.2
of which non-current	1,722.0	1,991.1
of which current	80.7	98.1
	1,802.7	2,089.2

The financing for transactions was raised in the context of company and portfolio acquisitions. These loans have variable interest rates and a remaining term of between 4 and 8 years. The risk of changes in interest rates of these loans is hedged through interest derivatives.

The following overview lists the loans greater than EUR 15.0 million:

	Nominal amount	12/31/2009	Remaining balance 12/31/2008	Term	Swap hedging	Interest rate
Syndicated loan	440,000	373,688	399,233	12/31/2012	96 %	EURIBOR + margin
Acquisition of GEHAG	410,000	-	405,000	12/31/2017		
Loan A						
Loan tranche (a)	127,823	-	121,432	05/06/2014		
Loan tranche (b)	51,129	-	48,573	05/06/2009		
Loan tranche (c)	71,837	-	68,245	05/06/2014		
Loan 1						
Facility A	48,573	0	-	-	-	-
Facility B	64,653	1,534	-	05/06/2014	None	5.74 %
Facility C	108,160	108,160	-	05/06/2014	None	5.79 %
Facility D	373,093	323,093	-	12/31/2017	99 %	EURIBOR + margin
Facility E	30,000	30,000	-	12/31/2017	89 %	EURIBOR + margin
Purchase loan 1	183,000	163,000	163,500	12/31/2015	100 %	EURIBOR + margin
Purchase loan 2	230,000	184,792	209,083	12/31/2016	100 %	EURIBOR + margin
Purchase loan 3	45,000	40,125	41,625	12/31/2015	82 %	EURIBOR + margin
Purchase loan 4	19,000	17,040	17,966	12/31/2013	89 %	EURIBOR + margin
	1,951,479	1,241,431	1,474,657			

As part of a down-stream merger in 2002, GEHAG has taken over loans totalling EUR 421 million. With the credit agreement from 15 October 2003, the borrowings and other financial liabilities taken on were converted into long-term project financing (syndicate loan of EUR 440.0 million). The syndicated loan is used as roll-over credit and the interest rate is based on EURIBOR plus a margin. The credit period is limited to 31 December 2012. Land charges, personally enforceable promises to pay, assignment of rights and claims from rent and lease agreements, and purchase contracts serve as collateral.

The acquisition loan for the GEHAG Group and loan A, which was taken on as part of the disengagement of the Deutsche Bank Group and the associated restructuring of financing, were combined into one loan agreement (loan 1) of altogether five loan facilities in September of 2009. The term and interest rate conditions have not changed. The financial covenants for this loan have been standardised to the two key indicators Debt Service Cover Ratio and Exit Yield. Partial amounts of the loan were paid off in the financial year.

Purchase loans 1 and 2 can be used either as short-term or long-term loans. As of the balance sheet date, funds were only taken on as short-term EURIBOR loans. The terms of the purchase loans end on 31 December 2015/2016.

Purchase loans 3 and 4 are related to the financing of the property utilised by the segment nursing and residential care homes.

The property loans are loans which can be directly allocated to property. These were taken up in the past primarily for acquisitions or modernisation purposes. The average interest rates of the loans are between 0.0 % and 7.5 %. The loans with no or low interest rates - for which in return rent is granted at conditions below the market rent - are measured at amortised cost.

The future extension structure based on the current outstanding liability is as follows:

	2010	2011	2012	2013	≥ 2014
	EUR m	EUR m	EUR m	EUR m	EUR m
Extension structure 2009	32.2	5.3	426.8	26.7	1,311.7
Extension structure 2008	65.9	10.4	452.5	21.2	1,454.7

The liabilities are secured in full by property collateral (previous year: EUR 1,577 million).

11 Convertible bonds

The convertible bonds were issued as part of the GEHAG acquisition on 31 July 2007. They can be converted at any time between the day of issue and the date of repayment into shares of the company. At the time of issue, the convertible bonds were convertible at a conversion price of EUR 45.00 / share. The nominal amount of the convertible bonds amounts to EUR 25.0 million, the equity component to EUR 1.1 million.

The debt component has developed as follows:

	12/31/2009	12/31/2008
	k EUR	k EUR
Debt component at the start of the period	25,430	24,339
Deferred interest	1,137	1,091
Debt component at the end of the period	26,567	25,430

If the convertible bonds are not converted into ordinary shares, they will be taken back on 31 July 2010 at par multiplied by 109 %. No interest is paid until the settlement date.

The revenue from the issue of the convertible bonds was divided into debt and equity components. The equity component reflects the value of the options in connection with the right to convert the bond into equity.

The fair value of the convertible bonds basically corresponds with the book value due to the short remaining term and the basically unchanged market parameters since their issue. The convertible bonds mature on 31 July 2010 and are reported as non-current liability.

12 Provisions for pensions

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

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

The level of the provisions for pensions (net present value of the projected benefit of the pension commitment) was calculated in accordance with actuarial methods on the basis of an external expert and the following factors:

	12/31/2009	12/31/2008
	%	%
Discount factor	5.20	5.90
Salary dynamics	2.00	2.00
Pension trend	1.75	1.75
Increase in the income threshold for contribution assessment	2.00	2.00
Mortality tables	R 05G	R 05G

The salary trend includes expected future salary increases. This is estimated and depends among other things on the inflation rate and the length of service in the company.

The net pension expenditures/revenue comprise the following:

	12/31/2009	12/31/2008
	k EUR	k EUR
Interest expense	–2,235	–2,127
Service period expense	–227	–400
Liquidation	376	1,023
	–2,086	**–1,504**

The following overview shows the development of the provisions for pensions:

	12/31/2009	12/31/2008
	k EUR	k EUR
Provisions for pensions, start of period	39,300	41,562
Pension payments	–2,722	–2,171
Changes in the consolidated companies	0	–1,177
Interest expense	2,235	2,127
Service period expense	227	400
Liquidation	–376	–1,023
Adjustment of current pensions	0	36
Actuarial profits/losses	2,865	–454
Provisions for pensions, end of period	**41,529**	**39,300**

The pension commitments extend to old-age, disability, widow/widower, and orphan pensions. The reference base is the final fixed annual gross salary. Depending on the position in the company, there are different benefit plans.

Interest cost is recognised ratably as an expense under the accrued interest expenses item in the income statement, while current pension payments, service costs, and adjustments of current pensions are recognised in the item personnel expenses.

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

	12/31/2009	12/31/2008	12/31/2007	12/31/2006	06/30/2006
	k EUR	k EUR	k EUR	k EUR	k EUR
Performance-related obligation	41,529	39,300	41,562	5,084	5,121
Experience-based adjustments	228	–874	–174	–30	n/a

For defined contribution pensions, expenditure totalling EUR 3.3 million (previous year: EUR 3.9 million) was incurred. The total expenses for retirement provisions (defined benefit and defined contribution) thus amount to EUR 3.5 million. For 2010, based on the current number of employees, expenses totalling EUR 3.0 million will be recognised.

13 Liabilities to fund limited partners

On the basis of individual agreements, Rhein-Pfalz Wohnen GmbH has granted the limited partners of DB 14 the right to sell back the limited partnership interests from 2005 to 2019. Under these agreements, the Group is obliged to acquire the interests initially (in 2005) at 105 % of the paid-in capital on request. From 2005, the agreed purchase price for the interests increases by five percentage points per annum. Furthermore, outstanding dividend payments are considered for limited partnership interests that were sold back.

The liabilities have developed as follows in the financial year:

	12/31/2009	12/31/2008
	k EUR	k EUR
Liabilities at the start of the period	**48,006**	**46,631**
Payment for tender	– 930	– 439
Distributions	– 393	0
Accrued interest	2,442	1,814
Liabilities at the end of the period	**49,125**	**48,006**

The statement of the liabilities to fund limited partners as of 31 December 2009 takes place in the amount of EUR 8.3 million as current, since the payments for the tender of 2009 have not yet been made.

Liabilities to fund limited partners were reported under non-current liabilities in 2008, because no further limited partners had exercised their option to sell as of 31 December 2008. The estimated dates of tenders may change due to the actual exercise of the option to sell shares.

14 Other provisions

Accrued liabilities are composed as follows:

	Revitalisation	Restructuring	Others	Total
	k EUR	k EUR	k EUR	k EUR
Start of period	12,206	6,240	4,359	22,805
Utilisation	– 3,092	– 4,779	– 1,026	– 8,897
Liquidation	0	0	– 38	– 38
Additions	771	323	1,541	2,635
End of period	**9,884**	**1,784**	**4,836**	**16,504**
Non-current	9,884	0	224	10,107
Current	0	1,784	4,612	6,396

The provision for revitalisation (k EUR 9,884; previous year: k EUR 12,206) relates to the privatisation agreement between the Land Berlin and GEHAG. According to this agreement, GEHAG is committed to invest a total of originally k EUR 25,565 for improving housing conditions. There are no provisions in the agreement concerning the time period. The calculation assumes a period until 2017 and an interest rate of 5%. The additions concern the accrued interest effect of the provision.

The restructuring provision takes into account obligations from a social compensation plan, severance payments, and salaries for released employees.

15 Tax liabilities

The current and non-current tax liabilities (EUR 84.1 million; previous year: EUR 82.3 million) essentially include the cash value from the settlement of the EK 02 holdings (EUR 80.1 million; previous year: EUR 80.7 million) in the Deutsche Wohnen Group. In accordance with the Annual Tax Law 2008, the previous regulation concerning the treatment of EK02 stocks was abolished and instead a flat-rate payment is being introduced that is compulsory for us. In accordance with this, the closing balance of EK02 as of 31 December 2006, is taxed flat-rate at 3%, regardless of the utilisation. Remaining stock is not applicable and triggers no further increases in corporation tax. The resultant tax amount is to be paid either within a period of 10 years from 2008 to 2017 in ten equal annual instalments or at present value in a one-off amount. The whole EK02 holding of the Deutsche Wohnen Group amounts to EUR 3.2 billion. The valuation was based on an interest rate of 4.2%. Furthermore, it was assumed that the payment will be in 10 annual instalments and not in a one-off payment at present value.

16 Deferred taxes

Deferred taxes comprise the following:

	12/31/2009	Change	12/31/2008
	k EUR	k EUR	k EUR
Deferred tax assets			
Property	51,933	–3,440	55,373
Pensions	2,593	855	1,738
Prepayment penalty	837	–292	1,129
Loss carry-forwards	18,033	3,081	14,952
Provisions	3,103	–907	4,010
SWAP	21,928	6,572	15,356
	98,428	**5,869**	**92,559**
Deferred tax liabilities			
Loans	27,023	1,909	28,932
Property	53,397	–11,697	41,700
Special items	991	36	1,027
	81,412	**–9,752**	**71,660**
Deferred taxes - net	**17,016**	**–3,883**	**20,899**
of which			
Recognised directly in equity	7,215		13,919
Recognised in the profit and loss statement	–11,098		56,200
	–3,883		**70,119**

The actuarial profits and losses from the pensions and the changes in the current market value of the effective hedging are recognised directly in the equity. The resulting deferred taxes are also recognised directly and amount to EUR 0.9 million (previous year: EUR 0.1 million) for the actuarial profits and losses, and to EUR 6.3 million (previous year: EUR 14.0 million) for the changes in the current market value of the effective hedging.

Deutsche Wohnen has corporation tax loss carry-forwards totalling EUR 1.2 billion (previous year: EUR 1.0 billion) and trade tax loss carry-forwards totalling EUR 1.0 billion (previous year: EUR 1.0 billion). Corporation tax loss carry-forwards that were not activated amount to ca. EUR 1.1 billion, trade tax loss carry-forwards to ca. EUR 1.0 billion. On principle, loss carry-forwards do not forfeit. Deferred tax assets were capitalised to tax loss carry-forwards only to the value of existing deferred tax liabilities.

17 Leases

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

In 2009, Deutsche Wohnen will receive minimum lease payments totalling ca. EUR 51.0 million (previous year: EUR 51.0 million) from existing operating lease agreements with third parties (implied legal period of notice three months) and with the current property portfolio. Deutsche Wohnen will furthermore receive minimum lease payments totalling EUR 34.0 million (previous year: EUR 31.0 million) in 2010, between one and five years totalling ca. EUR 136.0 million (previous year: EUR 121.0 million), and more than five years totalling ca. EUR 170.0 million (previous year: EUR 155.0 million) from the property connected with nursing and residential care homes. In the process, a remaining lease of 5 years after the fifth year was assumed. The tenancy agreements are on principle indefinite and end with the passing of the tenants or, if there is a default of payments, cancellation on the part of the landlord is possible.

E GROUP PROFIT AND LOSS STATEMENT DISCLOSURES

The Group profit and loss statement is prepared using the total cost approach.

18 Revenue

Revenue comprises the following:

	2009	2008
	k EUR	k EUR
Residential property management	270,096	277,351
Nursing and residential care homes	34,160	33,117
Other services	2,074	5,044
	306,331	315,512

The revenue from residential property management comprises the following:

	2009	2008
	k EUR	k EUR
Estimated rent and other income	206,403	210,274
Vacancy loss	– 12,446	– 15,103
Current gross rents and other income	193,958	195,171
Revenue from billing of cost allocations	76,138	82,180
	270,096	277,351

19 Expenses related to goods and services received

The expenses related to goods and services received comprise the following:

	2009	2008
	k EUR	k EUR
Expenses for residential property management	123,921	127,708
Expenses for nursing and residential care homes	9,161	9,031
Other income and expenses	1,692	2,346
	134,774	139,085

The expenses for residential property management comprise the following:

	2009	2008
	k EUR	k EUR
Operating costs	82,678	83,536
Maintenance and service charges	30,080	36,842
Other income and expenses	11,163	7,330
	123,921	127,708

20 Personnel expenses

Deutsche Wohnen Group employed on average 1,288 employees (previous year: 1,396 employees) in the financial year.

	2009	2008
	Employees	Employees
Residential (including holding functions)	364	458
Nursing and residential care homes	924	938
	1,288	1,396

There were two employees employed in the associated companies in 2008.

Personnel expenses are composed as follows:

	2009	2008
	k EUR	k EUR
Residential property	21,752	25,277
Nursing and residential care homes	18,452	18,264
	40,204	43,541

21 Other operating expenses

Other operating expenses comprise the following:

	2009	2008
	k EUR	k EUR
Cost of data processing and communications	4,771	4,753
Legal, consultancy, and audit costs	1,355	2,809
Value adjustments for receivables	2,493	2,663
Cost of sales	2,960	4,164
Cost of office space	1,928	2,578
Vehicle and travel costs	1,252	1,203
Insurances	391	474
Administrative and miscellaneous costs	11,337	12,578
	26,488	31,222

22 Restructuring and reorganisation expenses

The restructuring and reorganisation expenses primarily include personnel expenses (EUR 3.4 million, previous year: EUR 13.2 million) for severance payments and salary payments to released or retired employees, as well as expenses associated with integration and reorganisation (EUR 4.4 million, previous year: EUR 10.9 million).

23 Financial expenses

The financial expenses are composed as follows:

	2009	2008
	k EUR	k EUR
Current interest	97,736	107,274
Accrued interest on liabilities and pensions	15,275	14,329
Prepayment penalty	6,231	0
Others	0	5,678
	119,242	127,281

24 Income taxes

For companies resident in Germany with the legal form of a corporation of limited company, corporation tax of 15 % (previous year: 15 %) as well as a solidarity surcharge of 5.5 % (2009 and 2008) of the corporation tax due are accrued. These entities are also subject to trade tax, the amount depending on tax rates set by local authorities. Companies in the legal form of a partnership are only subject to trade tax. The profit less trade tax is assigned to the partner for corporation tax purposes. Limited use of the corporation and trade tax loss carry-forwards is to be considered as from the assessment period 2004. As a result, a positive tax assessment basis up to EUR 1.0 million may be reduced by an existing loss carry-forward without limitation; amounts beyond EUR 1 million may only be reduced up to 60 % by an existing loss carry-forward.

The 2008 Corporate Tax Reform Act was passed by a resolution of the Bundesrat (Federal Council of Germany) on 6 July 2007. The law primarily aims at a reduction in tax rates and, for counter-financing purposes, a broadening of the assessment basis; the deductibility of interest payable is limited to 30 % of the taxable EBITDA, the trade tax will in the future no longer represent a tax deductible expense. The expected income tax rate for 2009 for the Group's parent company Deutsche Wohnen AG will nominally amount to 31.93 %. This tax rate was already used for the calculation of deferred tax as of 31 December 2009 and 2008.

The income tax expense/return is composed as follows:

	2009	2008
	k EUR	k EUR
Current tax expense		
Current income tax	– 1,788	271
Tax benefit from capital increase costs	– 3,744	0
	– 5,532	**271**
Deferred tax expense		
Property	– 15,137	62,893
Loss carry-forwards	3,081	– 15,802
Loans	1,909	521
Other provisions	– 907	116
Interest rate swaps	211	9,773
Pensions	0	– 412
Others	– 255	– 889
	– 11,098	**56,200**
	– 16,630	**56,471**

For the financial year 2009, the current income tax takes into account expenses relating to other periods totalling EUR 0.9 million (previous year: income EUR 0.9 million).

The change in the tax expense/return can be seen in the following overview:

	2009	2008
	k EUR	k EUR
Consolidated profit before tax	3,352	– 328,797
Applicable tax rate	31.93 %	31.93 %
Expected tax expense/income	**– 1,070**	**104,985**
Not-activated fiscal losses, write-offs on activated loss carry-forwards from previous years, as well as changes in the tax balance sheet	– 11,523	– 44,253
Tax benefit from capital increase costs	– 3,744	0
Non-taxable expenses	0	– 1,813
Other effects	– 292	– 2,448
	– 16,630	**56,471**

F SEGMENT REPORTING

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

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

Residential property management

The essence of Deutsche Wohnen's business activity consists of the management of residential properties in the context of an active asset management. The asset management includes the modernisation and maintenance of the property portfolio of Deutsche Wohnen, the management of tenancy agreements, support for tenants, and the marketing of property. The focus of property management is on the optimisation of rental income. Therefore, against the backdrop of structural maintenance, the rental increase potentials are examined on an ongoing basis, tenant change is used as an opportunity for value increases, and utilities are acquired on the basis of best-available prices for real savings and passed on to the tenant.

Disposal

The disposal segment is another pillar of Deutsche Wohnen Group's operational business. Privatisation can be in the form of individual privatisation, i.e. by selling an individual residential unit (e.g. to tenants), or it can also be in the form of bloc sales.

The disposal segment comprises all aspects of the preparation and execution of the sale of residential units of the owned property portfolio as part of the ongoing portfolio optimisation and adjustment process.

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

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

Nursing and residential care homes

The segment nursing and residential care homes is run by KATHARINENHOF® Seniorenwohn- und Pflegeanlagen Betriebs-GmbH (KATHARINENHOF®) and includes the marketing and management of nursing and residential care homes as well as services for the care of the senior citizens who live in these homes.

Inter-company transactions primarily concern agency agreements which are carried out at arm's length conditions.

The segment reporting is attached as Appendix 1 in the Notes to the financial statements.

The transition from the segment assets or segment liabilities to the consolidated balance sheet can be see in the following table:

	12/31/2009	12/31/2008
	EUR m	EUR m
Segment assets	2,978.4	3,028.7
Deferred taxes	98.4	92.5
Current tax receivables	2.5	5.5
	3,079.3	3,126.7

G CASH FLOW STATEMENT DISCLOSURES

The cash flow statement shows the changes in the Group's cash funds due to cash inflows and cash outflows in the course of the financial year. In accordance with IAS 7 (Cash Flow Statements), a distinction is made between cash flows from operating, investing, and financing activities.

Altogether EUR 11.5 million (previous year: EUR 14.7 million) were not freely available to the Group. This concerns the cash and cash equivalents for DB 14 and rental deposits held in trust. A maturity of up to three months results from the contractual conditions of this cash and cash equivalents.

The Group has at its disposal funds amounting to EUR 133.8 million (previous year: EUR 49.4 million) from financing commitments that had not been utilised as of the balance sheet date.

Cash flows from investment and financing activities are determined when payments are made. The cash flow from operating activities, on the other hand, is indirectly derived from the consolidated profit for the year.

H EARNINGS PER SHARE

In the calculation of the basic earnings per share, the consolidated profit is divided by the weighted number of shares in circulation in the financial year.

In the calculation of the diluted earnings per share, the consolidated profit is adjusted for the interest related to the convertible bonds and divided by the weighted number of shares in circulation in the financial year, including the shares which would result from the conversion.

The following tables contain the amounts upon which the calculations of the basic and diluted earnings per share are based:

	2009	2008
	k EUR	k EUR
Consolidated profit for the calculation of basic earnings per share	– 13,277	– 255,905
./. Convertible bond interest (after tax)	1,137	1,091
Adjusted consolidated profit for the calculation of basic earnings per share	**– 12,140**	**– 254,814**
Shares issued, start of period	26,400	26,400
Shares issued as of 6 October 2009	55,440	0
Shares issued, end of period	81,840	26,400
Average shares issued, basic	**39,463**	**26,400**
+ conversion rights	556	556
Average shares issued, diluted	**40,018**	**26,956**
Earnings per share in EUR		
basic	– 0.34	– 9.69
diluted	– 0.34	– 9.69

The elimination of interest from the convertible bond results in the protection against dilution. Accordingly, the diluted earnings per share are to be reported in the same amount as the basic earnings per share, in accordance with IAS 33.43.

The earnings per share for the divisions to be continued amount to:

	2009	2008
Earnings per share in EUR		
basic	– 0.34	– 10.32
diluted	– 0.34	– 10.32

No dividends were distributed in 2008 and 2009.

I OTHER DISCLOSURES

Risk management

General information on risk management

The risk management system (RMS) is an instrument for achieving the central goal of the company, i.e. to develop into a profitable and sustainable property company, which mainly concentrates on the management and development of its own housing property. It provides the foundation for active risk control and serves as a basis for information for the Management Board and the Supervisory Board concerning the current risk situation of the company.

Risk management is a continual process which is divided into the following phases:

- Establishing the standards
- Risk identification and analysis
- Risk regulation
- Reporting
- Risk controlling

Risks are monitored in accordance with the risk management guidelines established by management in a qualified and timely manner. The risk management guidelines establish the roles and responsibilities, set the basic principles of the RMS, and define the framework for the evaluation and regulation of risk. Risk is pro-actively managed by using the early warning system.

In the following, the measures relating to financial risk management are described:

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

The Group also carries out derivative transactions in the form of interest rate swaps. The purpose of these derivatives is the management of interest risks which relate to the Group's business activities and its sources of finance. There has been no trading of interest rate swaps and this will not take place in the future, either.

The following table shows the division of the financial instruments in the appropriate classes in accordance with IFRS 7.6 and the allocation of the evaluation categories in accordance with IAS 39:

			Balance sheet valuation in accordance with IAS 39		
	Valuation category in accordance with IAS 39	Book value 12/31/2009	Continued purchase costs	Fair value, recognised in profit or loss	Fair value 12/31/2009
		k EUR	k EUR	k EUR	k EUR
Assets					
Trade receivables Services	(1)	14,543	14,543		14,543
Other current assets	(1)	3,182	3,182		3,182
Cash and cash equivalents	(1)	57,095	57,095		57,095
Liabilities					
Liabilities	(2)	1,802,717	1,802,717		1,802,717
Convertible bonds	(2)	26,567	26,567		26,567
Liabilities to fund limited partners	(3)	49,125		49,125	49,125
Trade payables	(2)	23,182	23,182		23,182
Other liabilities	(2)	21,723	21,723		21,723
Derivatives	(4)	70,467			70,467
(1) Loans and receivables		74,820			
(2) Liabilities recognised at amortised cost		1,874,189			
(3) Assets recognised at fair value in the income Liabilities		49,125			
(4) Not assigned to a category		70,467			

Balance sheet valuation in accordance with IAS 39					
	Valuation category in accordance with IAS 39	Book value 12/31/2008	Continued purchase costs	Fair value, recognised in profit or loss	Fair value 12/31/2008
		k EUR	k EUR	k EUR	k EUR
Assets					
Trade receivables Services	(1)	21,202	21,202		21,202
Other Assets	(1)	2,796	2,796		2,796
Cash and cash equivalents	(1)	41,974	41,974		41,974
Liabilities					
Liabilities	(2)	2,089,173	2,089,173		2,089,173
Convertible bonds	(2)	25,430	25,430		25,430
Liabilities to fund limited partners	(3)	48,006		48,006	48,006
Trade payables	(2)	22,800	22,800		22,800
Others Liabilities	(2)	26,640	26,640		26,640
Derivatives	(4)	49,349			49,349
(1) Loans and receivables		65,972			
(2) Liabilities recognised at amortised cost		2,164,043			
(3) Assets recognised at fair value in the income Liabilities		48,006			
(4) Not assigned to a category		49,349			

For the evaluation of interest swaps and liabilities to fund limited partners, a determination of the current market value takes place based on estimation methods with which all input parameters that materially affect the fair value can be monitored either directly or indirectly.

The following overview shows the contractual payments (not discounted interest payments and scheduled redemption payments) from the year 2010:

	Book value 12/31/2009	2010	2011	2012	≥ 2013
	EUR m	EUR m	EUR m	EUR m	EUR m
Financial liabilities	1,802.7	92.3	102.5	113.8	1,494.1
Convertible bonds	26.6	27.3			
Liabilities to fund limited partners [1]	49.1	49.1			
Liabilities from taxes	84.5	29.0	9.6	9.6	36.3
Trade payables	23.1	23.1			
Other liabilities	21.7	21.7			

	Book value 12/31/2008	2009	2010	2011	≤ 2012
	EUR m	EUR m	EUR m	EUR m	EUR m
Financial liabilities	2,089.2	201.1	147.1	133.7	1,607.3
Convertible bonds	25.4		27.3		
Liabilities to fund limited partners [1]	48.0	48.0			
Liabilities from taxes	82.3	21.6	9.6	9.6	41.5
Trade payables	22.8	22.6			
Other liabilities	26.6	26.6			

[1] The actual payments depend on the actual exercise of the option to sell shares by the limited partner; the estimate of the payment is therefore uncertain

	Interest	Value adjust-ment	Fair value	Net loss
2009	k EUR	k EUR	k EUR	k EUR
Loans and receivables		1,577		1,577
Assets recognised at fair value in the income statement			1,203	1,203
Liabilities recognised at amortised cost	105,062			105,062
Liabilities recognised at fair value in the income statement	2,442			2,442
	107,504	1,577	1,203	110,284

	Interest	Value adjust-ment	Fair value	Net loss
2008	k EUR	k EUR	k EUR	k EUR
Loans and receivables		1,923		1,923
Assets recognised at fair value in the income statement			32,197	32,197
Liabilities recognised at amortised cost	114,025			114,025
Liabilities recognised at fair value in the income statement	1,814			1,814
	115,839	1,923	32,197	149,959

The significant risks to the Group relating to the financial instruments consist of interest-induced risks to the cash flow, liquidity risks, default risks, and market price risks. The company management prepares and monitors guidelines for the risk management of each of these risks, which are described as follows:

Default risk

Default risk, or the risk that a contractual partner does not meet his payment obligations, is controlled by using borrowing limits and control procedures. If appropriate, the company acquires collateral. There is no significant default risk for Deutsche Wohnen in relation to any individual contractual partner or a group of similar contractual partners. The maximum default risk is the book value of the financial assets reported in the balance sheet.

Liquidity risk

The Group daily monitors the risk of a liquidity squeeze by employing a liquidity planning tool. This tool takes into account the receipts and payments from operational business and the payment of financial liabilities.

Deutsche Wohnen aims to have sufficient liquidity to meet future obligations at all times. Deutsche Wohnen currently has a debt capital ratio of approximately 72.0 % (previous year: 79.2 %)

and a loan-to-value ratio (= total of financial liabilities divided by investment properties) of 61.5 % (previous year: 70.6 %).

Interest-induced cash flow risks
The risk of changes in interest rates, to which the Group is exposed, is mainly due to non-current liabilities with variable interest rates.

The Group's interest expenditure is controlled by a combination of fixed-interest and variable-interest-based debt capital. In order to construct this combination of fixed-interest and variable-interest-based debt capital in a cost-efficient manner, the Group concludes interest rate swap agreements. At specified intervals and based on an agreed nominal amount, the Group accordingly exchanges the difference between fixed-interest and variable-interest amounts with the contractual partner. These interest rate swaps hedge the underlying debt capital. Accordingly, the risk of an interest rate change exists only for financial liabilities with a floating rate that are not protected by interest rate swaps. Applied to these financial obligations, an increase/reduction of the interest rate by 1 % would have led to an increase/a reduction of the interest expense by EUR 0.6 million (previous year: EUR 1.5 million).

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

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

Fair value risks can primarily result from fixed-rate loans. A large part of the bank loans and overdrafts of Deutsche Wohnen is at fixed rate, so that the impact of fluctuations in interest rates can be estimated for the medium term.

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

The management of the capital structure takes into account bank loans and overdrafts and convertible bonds. This is based on the remaining balance.

Important figures for capital management are:

» the equity/debt capital ratio and the debt-to-equity ratio

The Group aims to achieve an equity ratio of 30 %. Future investments will therefore be made against a backdrop of balanced financing, among other things. The current equity ratio amounts to 28% (previous year: 21 %).

» Loan-to-Value ratio

The ratio of financial liabilities to the value of investment properties is called the loan-to-value ratio.

	2009	2008
	EUR m	EUR m
Financial liabilities	1,802.2	2,089.2
Convertible bonds	26.6	25.4
	1,828.8	**2,114.6**
Cash and cash equivalents	– 57.1	– 42.0
Net financial liabilities	**1,771.7**	**2,072.6**
Investment properties	2,835.5	2,900.7
Non-current assets held for sale	25.1	17.7
Land and buildings held for sale	18.4	19.3
	2,879.0	**2,937.7**
Loan-to-value ratio	61.5 %	70.6 %

Hedge accounting
As of 31 December 2008 and 31 December 2009, there are various interest rate hedges (payer swaps), through which variable interest rate conditions can be exchanged against fixed interest rate conditions.

Events after the balance sheet date
The company had no knowledge of any important events after the balance sheet date.

Other financial obligations and contingent liabilities
Financial obligations relating to heritable building right contracts totalled EUR 1.1 million (previous year: EUR 1.1 million).

Other financial obligations relating to agency agreements concerning IT services totalled EUR 12.9 million (previous year: EUR 3.1 million).

A Group company (Rhein-Pfalz Wohnen GmbH) has been certified as development and redevelopment agency (§§ 158 and 167 of the Baugesetzbuch [Federal Building Code]). Rhein-Pfalz Wohnen GmbH performs assignments delegated by local authorities as their trustee.

As of 31 December 2009, the company holds bank balances amounting to EUR 3.3 million (previous year: EUR 3.2 million) in trust relating to property renovation and development measures. The tasks for which Rhein-Pfalz Wohnen GmbH is responsible as trustee have been transferred to the development company Rhein-Pfalz GmbH & Co. KG under the terms of the agency agreement entered into with this company as of 30 June 2001.

Leases

Payments from leasing agreements of up to one year amount to EUR 2.6 million (previous year: EUR 1.9 million), of one up to five years EUR 4.1 million (previous year: EUR 3.7 million), and of more than five years EUR 0.6 million (previous year: EUR 0.0 million).

Auditors' services

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

	2009	2008
	k EUR	k EUR
Annual audit	431	483
Other confirmation and valuation services	1,291	0
Tax advice	226	0
Other services	955	263
	2,903	746

The expenses for other confirmation and valuation services apply to services rendered in the context of the capital increase. These expenses contain only the confirmation services and the insurance premium. The other services include essentially project-related audits in the context of the introduction of SAP in 2009 and 2008.

Disclosures concerning related parties

Companies and persons who have the possibility of controlling or exercising a significant influence on the financial and business policy of the Deutsche Wohnen Group are considered to be related parties. When defining the significant influence which Deutsche Wohnen's related parties have on the financial and business policy, the existing control relationships were taken into account.

» Related companies

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

Service and cash management agreements exist within the Group. The services between the companies are eliminated in the consolidation.

» Related persons

The following persons are to be considered related persons:

Name	Memberships in supervisory boards and other supervisory committees within the meaning of § 125 para. 1 P. 5 German Stock Corporation Act
Michael Zahn, Economist, Chief Executive Officer	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Chairman of the Supervisory Board) Sanierungs- und Gewerbebau-AG, Aachen (Chairman of the Supervisory Board) Haus und Heim Wohnungsbau-AG, Berlin (Member of the Supervisory Board)
Helmut Ullrich, Assessor, Chief Financial Officer	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Member of the Supervisory Board)

» Members of the Supervisory Board of Deutsche Wohnen AG

The Supervisory Board is composed as follows:

Name	Profession	Memberships in supervisory boards and other supervisory committees within the meaning of §125 para. 1 P. 5 German Stock Corporation Act
Hermann T. Dambach, Chairman	Managing Director, Oaktree GmbH, Frankfurt / Main	GEHAG GmbH, Berlin (Member of the Supervisory Board) Nordenia International AG, Greven (Deputy Chairman of the Supervisory Board) Sanierungs- und Gewerbebau-AG, Aachen (Member of the Supervisory Board) R&R Ice Cream Ltd., North Yorkshire, Great Britain (Board Member) OCM German Real Estate Holding AG, Hamburg (Deputy Chairman of the Supervisory Board)
Dr. rer. pol. Andreas Kretschmer, Chairman	General Manager of Ärzteversorgung Westfalen-Lippe Institution of the Ärztekammer Westfalen-Lippe – KöR, Münster	BIOCEUTICALS Arzneimittel AG, Bad Vilbel (Chairman of the Supervisory Board) IVG Institutional Funds GmbH, Wiesbaden (Member of the Supervisory Board) Private Life Biomed AG, Hamburg (Chairman of the Supervisory Board) Biofrontera AG, Leverkusen (Deputy Chairman of the Supervisory Board) TRITON, St. Helier/Jersey (Advisory Committee) GEHAG GmbH, Berlin (Member of the Supervisory Board)
Dr. Jens Bernhardt	Managing Partner, Bernhardt Advisory GmbH, Bad Homburg	GEHAG GmbH, Berlin (Member of the Supervisory Board)
Matthias Hünlein	Managing Director, Tishman Speyer Properties Deutschland GmbH, Frankfurt / Main	A.A.A. Aktiengesellschaft Allgemeine Anlagenverwaltung, Frankfurt / Main (Member of the Supervisory Board)
Dr. Florian Stetter	Managing Director, STRABAG Property and Facility Services GmbH, Frankfurt / Main	GEHAG GmbH, Berlin (Member of the Supervisory Board)
Uwe E. Flach	Senior Advisor, Oaktree GmbH, Frankfurt / Main	Nordenia International AG, Greven (Chairman of the Supervisory Board) STADA Arzneimittel AG, Bad Vilbel (Member of the Supervisory Board until 09/24/2009) Haus und Heim Wohnungsbau-AG, Berlin (Chairman of the Supervisory Board) GEHAG GmbH, Berlin (Chairman of the Supervisory Board) OCM German Real Estate Holding AG, Hamburg (Chairman of the Supervisory Board) Versatel AG (Member of the Supervisory Board since 11 February 2009)

Transactions with related persons

In the financial year 2008, the Director Helmut Ullrich acquired an on-sale apartment of GEHAG GmbH at the list price and at usual market terms, of which the Supervisory Board was informed. Otherwise, no business transactions took place between the related persons and Deutsche Wohnen in the financial year.

A consultancy agreement exists between Oaktree GmbH and Deutsche Wohnen AG. The agreement can be cancelled with a period of one month to the end of the month. Compensation is dependent upon the services performed and is limited to k EUR 300 p.a. plus value added tax. Any travel costs are reimbursed separately. No services were rendered or billed in 2009 and 2008.

Compensation for the Management Board and the Supervisory Board

The following expenses which are due in the short-term were incurred for the compensation of the Management Board:

	Fixed compensation	Incidental benefits	Variable compensation	Total
	k EUR	k EUR	k EUR	k EUR
2009				
Michael Zahn	300	12	250	562
Helmut Ullrich	300	15	150	465
	600	27	400	1,027
2008				
Michael Zahn	300	13	200	513
Helmut Ullrich	300	11	200	511
	600	24	400	1,024

There are no provisions for pensions for active members or members who have left the Management Board or Supervisory Board.

The Supervisory Board compensation was amended by resolution of the Annual General Meeting on 17 June 2008. Accordingly, each Member of the Supervisory Board receives a fixed compensation of EUR 20,000.00, the Chairman of the Supervisory Board double that amount, and a Deputy Chairman one and a half times the amount of compensation. The compensations granted to the Supervisory Board in the financial year amount to k EUR 150, i.e. k EUR 174 with value added tax. Furthermore, expenses in the amount of k EUR 32 were reimbursed to the members of the Supervisory Board.

Corporate Governance

The Management Board and the Supervisory Board have issued the declaration of conformity to the German Corporate Governance Code required in accordance with § 161 of the German Stock Corporation Act, which has been made permanently available to shareholders online **(www.deutsche-wohnen.com)**.

Frankfurt/Main, 3 March 2010

Michael Zahn	Helmut Ullrich
Chief Executive Officer	Chief Financial Officer

GROUP SEGMENT REPORTING

ANNEX 1

TO THE NOTES TO THE FINANCIAL STATEMENTS

Deutsche Wohnen AG, Frankfurt / Main
Group segment reporting for the financial year 2009

	External turnover		Internal turnover		Total turnover	
	2009	2008	2009	2008	2009	2008
Segments						
Residential property management	272.2	282.4	2.1	1.4	274.3	283.8
Disposal	85.7	119.7	0.0	0.0	85.7	119.7
Nursing and residential care homes	38.8	38.6	0.0	0.0	38.8	38.6
Transition to consolidated financial statements						
Central function and other operative activities	0.0	0.0	49.3	44.3	49.3	44.3
Consolidations and other transition	– 90.3	– 125.2	– 51.4	– 45.7	– 141.7	– 170.9
	306.3	**315.5**	**0.0**	**0.0**	**306.3**	**315.5**

	Result[1]		Assets		Depreciation, amortisation and impairment losses	
	2009	2008	12/31/2009	12/31/2008	2009	2008
Segments						
Residential property management	151.0	147.8	2,840.6	2,915.5	0.0	0.0
Disposal	9.7	13.2	51.6	42.0	0.0	0.0
Nursing and residential care homes	9.1	8.7	2.1	4.3	– 0.4	– 0.4
Transition to consolidated financial statements						
Central function and other operative activities	– 36.3	– 39.1	84.1	67.0	– 2.4	– 1.4
Consolidations and other transition	0.0	0.0	0.0	0.0	0.0	0.0
	133.5	**130.6**	**2,978.4**	**3,028.7**	**– 2.8**	**– 1.8**

[1] The result corresponds to the interim result before restructuring.

SHARE PROPERTY

ANNEX 2

TO THE NOTES TO THE FINANCIAL STATEMENTS

Deutsche Wohnen AG, Frankfurt/Main Share property as of 31 December 2009	Share in assets		Equity	Result	Reporting date
	%		k EUR	k EUR	
Company and headquarters					
Aufbau-Gesellschaft of GEHAG mbH, Berlin	100.00	1	1,528.0	589.6	2009
AVUS Immobilien Treuhand GmbH & Co. KG, Berlin	100.00	1	426.7	428.6	2008
DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn	34.03	1	30,739.9	– 601.2	2008
Deutsche Wohnen Asset Immobilien GmbH, Frankfurt/Main	100.00	1	25.0	1.1	2009
Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt/Main	100.00	1	– 904.6	0.0	2009
Deutsche Wohnen Corporate property GmbH, Frankfurt/Main	100.00		25.0	7.5	2009
Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt/Main	100.00	1	– 99,556.0	– 397.6	2009
Deutsche Wohnen Kundenbetreuung GmbH, Berlin	100.00	1	25.0	0.0	2009
Deutsche Wohnen Management GmbH, Frankfurt/Main	100.00	1	25.0	0.0	2009
Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main	100.00		25.6	0.0	2009
Deutsche Wohnen Service GmbH, Berlin	100.00	1	25.0	0.0	2009
Deutsche Wohnen Technik GmbH, Berlin	100.00	1	25.0	0.0	2009
Deutsche Wohnen Vertrieb GmbH, Berlin	100.00	1	17.7	0.0	2009
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung, Berlin	94.90	1	10,332.9	9,313.5	2009
ESG Grundwert Beteiligungs GmbH, Berlin	94.90	1	14.3	– 4.1	2009
Fortimo GmbH, Berlin	100.00	1	6,127.2	0.0	2009
GbR Fernheizung Gropiusstadt, Berlin	44.25	1	568.6	– 87.0	2009
GEHAG Akquisition Co. GmbH, Berlin	100.00	1	1,153.9	– 155.1	2009

[1] indirect shareholding

SHARE PROPERTY

ANNEX 2

TO THE NOTES TO THE FINANCIAL STATEMENTS

Deutsche Wohnen AG, Frankfurt/Main Share property as of 31 December 2009	Share in assets		Equity	Result	Reporting date
	%		k EUR	k EUR	
Company and headquarters					
GEHAG Erste Beteiligungs GmbH, Berlin	100.00	1	13.6	–3.6	2009
GEHAG Erwerbs GmbH & Co. KG, Berlin	99.99	1	20,387.6	–6.4	2009
GEHAG GmbH, Berlin	100.00	1	84,919.4	12,543.8	2009
GEHAG Immobilien Management GmbH, Berlin	100.00	1	19.2	0.0	2009
GEHAG Zweite Beteiligungs GmbH, Berlin	100.00	1	4,262.4	3,768.4	2009
Haus und Heim Wohnungsbau-AG, Berlin	92.45	1	2,798.7	1,910.5	2009
HESIONE Vermögensverwaltungsgesellschaft mbH, Frankfurt am Main	100.00	1	23.4	0.6	2009
KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin	100.00		1,950.0	0.0	2009
KATHARINENHOF® Service GmbH, Berlin	100.00	1	25.0	0.0	2009
Main-Taunus Wohnen GmbH & Co. KG, Eschborn	99.99	2	9,588.8	5,242.7	2009
Rhein-Main Wohnen GmbH, Frankfurt/Main	100.00	1	181,499.3	1,194.3	2009
Rhein-Mosel Wohnen GmbH, Mainz	100.00		110,996.7	13,080.6	2009
Rhein-Pfalz Wohnen GmbH, Mainz	100.00	1	31,017.0	0.0	2009
RMW Projekt GmbH, Frankfurt/Main	100.00		16,230.6	0.0	2009
Sanierungs- und Gewerbebau-AG, Aachen	100.00	1	2,193.0	0.0	2009
Sanierungs- und Gewerbebau-AG & Co. KG, Aachen	100.00	1	1,405.0	256.7	2009
Seniorenstift Zeuthen GmbH, Berlin	100.00	1	25.0	0.0	2009
Stadtentwicklungsgesellschaft Eldenaer Straße mbH i.L., Berlin	50.00	1	711.6	60.0	2008
Wohn- und Pflegewelt Lahnblick GmbH, Bad Ems	100.00	1	237.2	61.7	2009

[1] indirect shareholding

[2] direct and indirect shareholding

[3] In addition, the company is indirectly involved in working groups.

AUDITOR'S OPINION

We have audited the consolidated financial statements, consisting of the balance sheet, the profit and loss statement, the statement of income and accumulated earnings, the statement of comprehensive income, the cash flow statement, and the statement of changes in equity, the notes to the financial statement and the Group management report for the financial year from 1 January to 31 December 2009. The bookkeeping and the preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as they are applicable in the EU, and the regulations according to § 315a para. 1 of the German Commercial Code are the responsibility of the legal representatives of the company. Our task is to evaluate the consolidated financial statements and the Group management report based on the audit performed by us.

We have carried out our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code, taking into account the established German principles for proper and orderly reporting relating to audits of financial statements by the Institute of German Auditors (Institut der Wirtschaftsprüfer, IDW). Accordingly, the audit is to be planned and realised in such a way that inaccuracies and violations, which essentially affect the presentation of the asset, financial and earnings position as stated by the consolidated financial statements with respect to the generally accepted accounting principles and by the Group management report, can be recognised with sufficient certainty. When determining the audit procedures, the knowledge of the business activity and of the economic and legal environment of the Group, as well as the expectations regarding possible errors are taken into account.

In the context of the audit, the effectiveness of the internal control system regarding accounting, and verification of the data in the consolidated financial statements and the Group management report are evaluated mainly on the basis of samples.

The audit includes the assessment of the annual financial statements of the companies included in the consolidated financial statements, the separation of the consolidated companies, the accounting and consolidation principles applied, and the essential estimates of the legal representatives, as well as the assessment of the overall view of the consolidated financial statements and the Group management report. We are of the view that our audit constitutes a sufficiently firm basis for our assessment.

Our audit has not resulted in any objections.

According to our assessment - based on the knowledge obtained during the audit -, the consolidated financial statements take into account the principles of proper and orderly bookkeeping according to IFRS as they apply in the EU, and comply with the regulations according to § 315a para. 1 of the German Commercial Code and convey a true and fair view of the asset, financial and earnings position of the company that corresponds to the actual circumstances. The Group management report is in line with the consolidated financial statements, gives overall an accurate description of the position of the Group, and accurately presents the opportunities and risks of the future development.

Berlin, 5 March 2010

Ernst & Young GmbH
Auditing company

Völker
Auditor

Glöckner
Auditor

ASSURANCE OF THE LEGAL REPRESENTATIVES

"We assure to the best of our knowledge that in accordance with the applicable financial accounting principles the consolidated financial statements convey a true and fair view of the revenue, financial and asset position of the Group, which corresponds with the actual circumstances, and that in the Group financial report the business performance including the financial earnings and the position of the Group is portrayed in a manner that the significant opportunities and risks of the company's likely development are depicted."

Frankfurt/Main, 3 March 2010

Deutsche Wohnen AG

Michael Zahn Chief Executive Officer	Helmut Ullrich Chief Financial Officer

GLOSSARY

D&O (directors and officers) Group insurance
Insurance coverage in favour of corporate bodies in case of utilisation on the basis of losses they caused through a neglect of duty and for which they in addition must vouch personally.

Discounted cash flow method
Procedure for the (DCF method) value assessment, especially for business valuation and to determine the current market value of property based on the discounting of free cash flow.

DSCR
Debt Service Cover Ratio: ratio between the net rental income and the financial servicing.

EBIT
Earnings before interest and taxes.

EBITDA
Earning before interests, taxes, depreciations and amortization. The company determines this operational figure as adjusted EBITDA starting from the earnings before interest and taxes (EBIT), adjusted for the profit from the fair value adjustment of investment properties, the depreciation and amortisation expenses, the profit from affiliated companies, and the restructuring and reorganisation expenses.

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

EURIBOR
Euro Interbank Offered Rate.

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

FFO
Funds From Operations: From the company's point of view, an operational figure geared towards liquidity instrumental for property companies derived from the Group profit and loss statement. Based on the net result for the period, adjustments for effects not affecting liquidity and one-off expenses are made.

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

ISCR
Interest service coverage ratio, ratio between EBIT and interest expenses.

Current gross rent
The current gross rent corresponds to the sum of the contractually agreed net cold rent payments for the rented areas of the last referred property for the review period or as of the reporting date.

Vacancy rate
The vacancy rate describes the ratio between the vacancy loss and the potential gross rent, as of the respective reporting date.

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

Market rent
Deutsche Wohnen determines the market rent by calculating the average agreed monthly net cold rent payments per m² based on the new leases for the respective property referred to during the period preceding the respective reporting date (i.e. the first half of 2009 and/or the years 2008 and 2007).

Multiplier (actual)
Net capital value divided by the current gross rent as of 12/31/2009 multiplied by 12.

Multiplier (target)
Net capital value divided by the current gross rent as of 12/31/2009 plus vacancy loss multiplied by 12.

Modernisation measures
Typical modernisation measures are the renovation of the baths, the installation of new doors and windows, the reconditioning or retrofitting of balconies, as well as the implementation of energy saving measures such as the installation of insulating glass windows and thermal insulation measures.

NAV
Net asset value: Indicates the net asset value or inner value of a property company. It is the sum of all assets minus liabilities (= equity) and is adjusted for deferred taxes related to property. The deferred taxes related to property apply here to the deferred tax assets and liabilities from the investment properties, deferred tax assets from loss carry-forwards as far as these are offset by deferred tax liabilities related to property, deferred tax liabilities from loans related to property, as well as deferred tax assets from provisions related to property and deferred tax liabilities from received investment subsidies. In international usage, the NAV corresponds to the Net Net Asset Value because at Deutsche Wohnen, the equity has already been corrected by the deferred taxes related to property.

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

Potential gross rent
The potential gross rent is the sum of current gross rents and vacancy loss.

Potential gross rent per m²
The potential gross rent per m² corresponds to the potential gross rent calculated for the reporting date, divided by the lettable area of the respective referred property.

* The labelled concepts are not used by the company, but only by CB Richard Ellis in their valuation for the determination of the fair value of the property holdings of the Deutsche Wohnen Group in accordance with IAS 40 as of the reporting date 30 June 2009. The concepts used in the description do therefore not necessarily have the importance which the company attaches to them or to similar concepts.

MANAGEMENT BOARD

As of April 2010

Michael Zahn
Chief Executive Officer, Berlin

Helmut Ullrich
Chief Financial Officer, Berlin

SUPERVISORY BOARD

As of April 2010

Hermann T. Dambach
Chairman, Bad Homburg

Dr. rer. pol. Andreas Kretschmer
Deputy Chairman
Düsseldorf

Dr. Jens Bernhardt
Oberursel

Uwe E. Flach
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22 February 2010
DVFA Real Estate Conference, Frankfurt/Main

11 – 12 March 2010
Kempen & Co "European Property Seminar", New York

26 March 2010
Conference Call, Results of the Financial Year 2009

15 April 2010
Publication of Annual Report 2009

20 – 21 April 2010
Credit Suisse Global Real Estate Conference, London

27 April 2010
Merrill Lynch Small Mid Cap Conference, London

31 May 2010
Publication of Interim Report as of 31 March 2010 / 1st quarter

15 June 2010
Annual General Meeting 2010, Frankfurt/Main

30 August 2010
Publication of Interim Report as of 30 June 2010 / Half-year results

28 – 29 September 2010
Merrill Lynch Global Real Estate Conference, New York

4 – 6 October 2010
Expo Real, Munich

19 October 2010
IIA – 10th Initiative Immobilien-Aktie, Frankfurt/Main

17 – 18 November 2010
WestLB Germany Conference, Frankfurt/Main

22 – 24 November 2010
Eigenkapitalforum Deutsche Börse, Frankfurt/Main

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