



January 1 – March 31, 2006 INTERIM REPORT





STRUCTURE

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Highlights in 2006 to date This interim report of Deutsche Wohnen AG is the first to be prepared in accordance with International Financial Reporting Standards (IFRSs). The level of transparency offered has increased substantially in keeping with the requirements of IFRSs. A statement of changes in equity, a cash flow statement and segment reporting have been added to the previous contents of interim reports.



| Housing Privatization

In the period between January 1 and March 31, 2006 128 housing sales (including a backlog of 113 from 2005) were reported in the balance sheet, an increase of 96 as against the prior-year period (32). In contrast, the number of privatizations recorded increased by around 20% to 193. However, these will only be recognized in the balance sheet later in the year.

Mainly due to the sharp increase in the number of sales, the gross profit from sales improved by EUR 2 million in the period under review, from EUR 0.7 million in Q1 2005 to EUR 2.7 million. Due to portfolio streamlining, a lower average selling price of EUR 896 per m² was generated (Q1 2005: EUR 1,006 per m²). At EUR 3.3 million, however, book gains were up EUR 2.2 million on the comparable period for 2005.



In the first quarter of 2006, the focus of Housing Privatization activities was on the Rhineland-Palatinate (around 68% of all privatizations). Almost half of all sales recorded in the balance sheet (46%) took place in the southwest and northwest of the Rhineland-Palatinate. This clearly shows once again that the more valuable part of the residential property portfolio in the Rhine-Main area has not been privatized more than average to date.

| Residential Property Management

Total estimated rental income and actual rental income (EUR 21.2 million and EUR 19.5 million respectively) declined by EUR 0.8 million and EUR 0.7 million respectively compared with the prior-year period (EUR 22.0 million and EUR 20.2 million) due to housing sales. This drop in rental income due to privatizations was partially offset by the ongoing optimization of property financing in particular.

At EUR 11.7 million, the result for Property Management was around EUR 0.5 million below the prior-year figure of EUR 12.2 million.

| Interim consolidated profit before and after tax

On the basis of these operating results, the above-mentioned housing privatization effects in particular led to an increase in profit before tax in the period under review of EUR 1.8 million to EUR 3.3 million (prior-year period: EUR 1.5 million). The consolidated profit after tax on March 31, 2006 amounted to EUR 3.1 million, an increase of EUR 2.3 million as against March 31, 2005 (EUR 0.8 million), following a drop in the current income tax expense of around EUR 0.5 million (from EUR 0.7 million to EUR 0.2 million).

| Other key Group figures

At EUR 9.3 million and EUR 12.8 million respectively, EBIT and EBITDA also rose as against the first quarter of 2005 by EUR 1.9 million (+26%) and EUR 1.7 million (+15%). Gross operating cash flow rose by EUR 4.9 million, from EUR 5.9 million at the end of the first quarter of 2005 to EUR 10.8 million as of March 31, 2006.

| Successful deconsolidation from Deutsche Bank Group

The Extraordinary General Meeting of Deutsche Wohnen AG on March 23, 2006 approved the termination of the control agreement with DB Real Estate Management GmbH (Deutsche Bank Group) by a majority of more than 99% of the capital present.

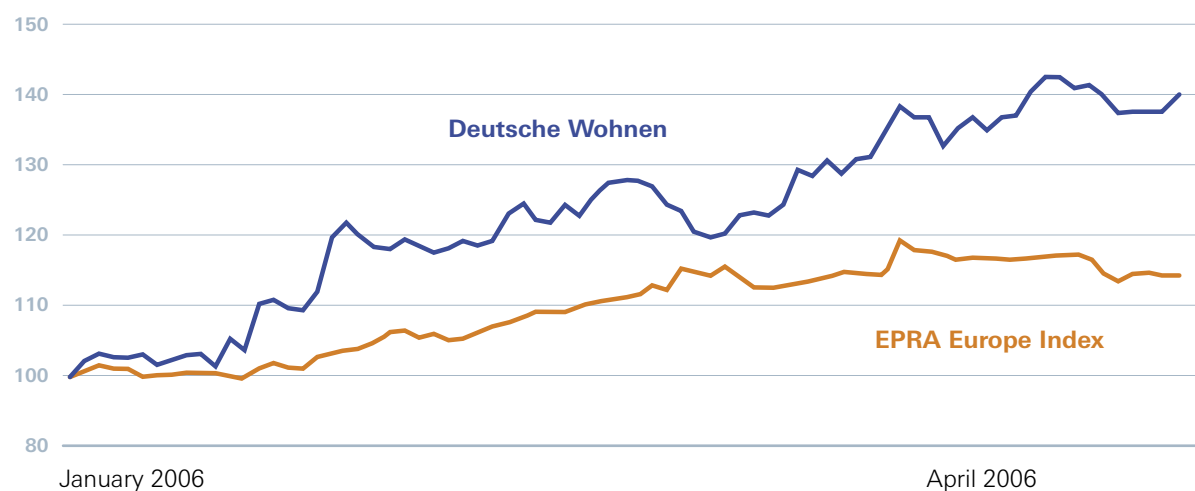
On May 9, 2006, Deutsche Wohnen announced "that the conditions for termination of the control agreement between DB Real Estate Management and Deutsche Wohnen had been satisfied".

The resulting deconsolidation from the Deutsche Bank Group will be implemented on registration of termination of the control agreement in the commercial register as of June 30, 2006.

On the basis of this new situation, Deutsche Wohnen intends to further extend its position on the German residential property market and to increase the Company's net asset value through portfolio additions. The German residential property market offers excellent opportunities for achieving this goal."

Deutsche Wohnen vs. EPRA Europe Index, January 1 to April 18, 2006

(indexed representation, basis = 100)



Deutsche Wohnen shares

Deutsche Wohnen's share price performance was largely dominated by the capital market's expectations that Deutsche Wohnen would be deconsolidated from the Deutsche Bank Group in the foreseeable future and that it would be able to begin its planned growth. On January 2006, the shares were quoted at around EUR 192, with the price rising by approximately 40% to EUR 270 by the middle of April 2006.

However, the share prices of the other major German listed real estate companies apart from Deutsche Wohnen were also clearly in positive territory. This is due to international institutional investors' continued interest in the German real estate market, with the key drivers being attractive interest rate levels and expectations of rising rents and selling prices in Germany.

Since March 27, 2006 the registered shares submitted for conversion into bearer shares (ISIN DE000A0HN5B8) have been quoted on the stock exchange alongside the registered shares listed since 1999 (ISIN DE0006283302). This share class is merely temporary;

it will be used solely for the process of converting the registered shares and will be deleted again after this.

The current registered shares in Deutsche Wohnen AG (ISIN DE0006283302) and the shares belonging to the temporary share class, i.e. the registered shares submitted for conversion into bearer shares (ISIN DE000A0HN5B8), grant identical rights as against Deutsche Wohnen.

Neither will there be any change in the legal position of shareholders as against Deutsche Wohnen following the conversion of the shares belonging to the temporary share class (ISIN DE000A0HN5B8) into bearer shares (ISIN DE000A0HN5C6).



| Outlook

Between 1,100 and 1,300 housing sales are planned for fiscal year 2006, as in the past. In addition, stable rental income in the Residential Property Management business area can be assumed. This means that the preconditions for a 2006 operating result that is on a par with the figure for fiscal 2005 (profit before tax of EUR 17.0 million) should be met.

Following Deutsche Wohnen's successful deconsolidation from the Deutsche Bank Group, the admission of the new bearer shares to the Official Market in Germany and their listing in the Prime Standard is planned for July 2006. Listing in the Prime Standard is the precondition for Deutsche Wohnen's potential subsequent inclusion in one of Deutsche Börse's premium indices.

The Ordinary General Meeting for 2006 will be held on August 10, 2006. The Meeting's agenda includes the creation of authorized capital and a share split, among other items. The dividend for fiscal year 2005 will be paid on August 11, 2006 (dividend proposed to the General Meeting: EUR 8.75 per share).

The Management Board has plans to acquire additional residential portfolios before the end of 2006. Future purchases may be financed either by raising additional debt, or by issuing new shares.

KEY FIGURES AS OF MARCH 31, 2006

	Jan 1 – Mar 31, 2006	Jan 1 – Mar 31, 2005	Jan 1 – Dec 31, 2005
Housing Privatization			
Number of housing units sold in the reporting period recorded in the balance sheet	128	32	1,177
Average selling price of recognized sales from the Rhine-Main/Rhineland-Palatinate core portfolio (EUR per m ²)	896	1,006	1,009
Tenant privatization rate (%)	33	49	61
Book gains from the sale of investment property (EUR m.)	3.3	1.1	36.4
Selling and pre-sale expenses	0.7	0.4	6.2
Gross profit from sales	2.7	0.7	29.9
Residential Property Management			
Residential stock (in units)	21,658	22,748	21,780
Total residential space (in millions of m ²)	1.38	1.45	1.39
Revenue from estimated rent (EUR m.)*	21.2	22.0	87.2
Revenue from estimated rent (EUR per m ²)*	4.97	4.92	5.01
Revenue from actual rent (EUR m.)*	19.5	20.2	79.9
Maintenance expenses (EUR m.)*	3.2	3.4	17.5
Maintenance expenses (EUR per m ²)*	2.42	2.15	13.80
Gross profit from residential property management	11.8	12.2	41.4

* Rhine-Main/Rhineland-Palatinate core portfolio.

	Jan 1 – Mar 31, 2006	Jan 1 – Mar 31, 2005	Jan 1 – Dec 31, 2005
Consolidated income statement			
Profit before tax (EUR m.)	3.3	1.5	17.0
Profit after tax (EUR m.)	3.1	0.8	16.0
Earnings per share (EUR)	0.78	0.20	4.00
EBIT	9.3	7.4	39.4
EBITDA	12.8	11.1	56.8
Gross operating cash flow	10.8	5.9	78.2
	Mar 31, 2006	Mar 31, 2005	Dec 31, 2005
Consolidated balance sheet			
Noncurrent assets	884.9	930.3	887.6
Current assets	128.3	178.1	125.9
Equity	419.9	436.8	416.9
Noncurrent and current liabilities	593.3	671.7	596.7
Total assets	1,013.3	1,108.4	1,013.5
Equity ratio	41.44 %	39.40 %	41.13 %
Return on equity	0.75 %	0.17 %	3.66 %
Asset cover ratio I	49.75 %	49.10 %	49.32 %
Asset cover ratio II	106.02 %	109.78 %	107.33 %
Liquidity ratio	110.58 %	137.20 %	120.43 %
Employees			
Employees	273	284	279
Trainees	11	19	14

CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2006

Assets in EUR	Mar 31, 2006	Mar 31, 2005
A. Noncurrent assets		
I. Investment property	813,693,290.29	863,159,048.81
II. Property, plant and equipment	4,156,721.15	4,453,370.90
III. Intangible assets	40,134.00	80,429.00
IV. Noncurrent financial assets	23,691,255.50	19,876,551.83
V. Noncurrent receivables and other noncurrent assets	2,514,013.79	1,887,842.00
VI. Deferred tax assets	40,840,000.00	40,857,000.00
Total noncurrent assets	884,935,414.73	930,314,242.54
B. Current assets		
I. Property held for sale and other inventories		
a) Land without buildings	2,636,372.66	3,259,349.17
b) Land with finished buildings	7,677,592.60	8,951,781.05
c) Work in progress, other inventories	30,079,996.97	32,749,335.52
	40,393,962.23	44,960,465.74
II. Current receivables and other current assets		
a) Receivables from rental activities	4,266,152.19	4,955,186.54
b) Receivables from property sales	3,258,227.06	7,599,101.58
c) Current tax receivables	1,802,732.41	2,759,553.80
d) Receivables and other current assets	14,808,386.08	14,609,953.08
e) Derivatives	5,635,000.00	5,415,500.00
	29,770,497.74	35,339,295.00
III. Cash and bank balances	55,410,386.45	96,254,363.03
C. Noncurrent assets held for sale	2,767,896.73	1,563,171.42
Total current assets	128,342,743.15	178,117,295.19
Total assets	1,013,278,157.88	1,108,431,537.73

Equity and Liabilities in EUR	Mar 31, 2006	Mar 31, 2005
A. Equity		
I. Subscribed capital	10,225,837.62	10,225,837.62
II. Capital reserves	228,340,307.30	274,552,273.71
III. Retained earnings	29,417,398.46	29,734,884.92
IV. Consolidated net retained profits	151,578,368.52	121,893,065.03
V. Minority interests	379,635.79	343,113.19
Total equity	419,941,547.69	436,749,174.47
B. Noncurrent liabilities		
I. Bank loans and overdrafts	400,261,688.65	438,529,361.83
II. Liabilities to other lenders	25,040,679.41	47,949,979.89
III. Post-employment benefit obligation	5,394,238.38	5,277,683.96
IV. Other noncurrent provisions	4,291,499.66	4,611,870.73
V. Other noncurrent liabilities	3,440,713.28	5,244,820.07
VI. Deferred tax liabilities	2,278,000.00	2,188,000.00
VII. Deferred income	36,561,671.11	38,058,883.41
Total noncurrent liabilities	477,268,490.49	541,860,599.89
C. Current liabilities		
I. Bank loans and overdrafts	19,096,215.62	21,664,950.03
II. Liabilities to other lenders	2,114,969.05	3,667,448.29
III. Provisions for taxes; current tax liabilities	6,232,484.11	10,983,951.29
IV. Other current provisions	8,762,178.95	7,451,069.82
V. Prepayments received	39,546,238.81	55,528,165.68
VI. Liabilities from rental activities	8,109,537.14	10,795,256.89
VII. Trade payables and other liabilities	25,649,746.02	11,455,671.37
VIII. Derivatives	6,556,750.00	8,275,250.00
Total current liabilities	116,068,119.70	129,821,763.37
Total equity and liabilities	1,013,278,157.88	1,108,431,537.73

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2006

in EUR	Mar 31, 2006	Mar 31, 2006	Mar 31, 2005
1. Revenue			
a) from property management	20,205,019.08		20,562,182.07
b) from property sales	100,000.00		140,000.00
c) from management activities	537,470.46		413,940.07
d) from other services	26,523.87		56,318.80
		20,869,013.41	21,172,440.94
2. Changes in inventories		5,404,654.18	6,293,509.00
3. Other operating income		4,372,970.79	1,560,191.63
4. Cost of purchased services			
a) Property management	10,327,138.34		10,986,475.06
b) Property sales	62,233.48		3,150.00
c) Other services	0.00		0.00
		10,389,371.82	10,989,625.06
Gross profit		20,257,266.56	18,036,516.51
5. Employee expenses		4,220,457.42	4,155,033.77
6. Depreciation, amortization and impairment losses		3,523,627.37	3,658,290.10
7. Other operating expenses		3,235,436.58	2,802,377.30
8. Income from financial assets	159,979.40		154,868.86
9. Other interest and similar income	226,800.66		283,955.53
10. Interest and similar expenses	6,245,329.01		7,026,086.96
11. Net finance costs		-5,858,548.95	-6,587,262.57
12. Gains and losses on financial derivatives		-86,000.00	623,250.00
13. Profit before tax		3,333,196.24	1,456,802.77
14. Income tax expense (income; previous year: expense)		203,000.00	670,000.00
15. Other taxes		18,700.91	26,283.89
16. Consolidated profit for the period		3,111,495.33	760,518.88
Attributable to:			
Shareholders of the parent:		3,122,402.90	767,350.38
Minority interests:		-10,907.57	-6,831.50
Earnings per share:		0.78	0.19



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In EUR	Subscribed capital	Capital reserves	Legal reserve	Reserve for treasury shares	SORIE
Balance at Dec 31, 2004 in accordance with IFRSs	10,225,837.62	274,612,130.35	1,022,583.76	0.00	-320,936.00
Distributions					
Profit for the period					
Change from repurchases of shares		-59,856.64			
Withdrawals					
Appropriations					
Correction of errors from prior years					
Adjustment from pensions					-29,067.75
Other changes					
Balance at Mar 31, 2005	10,225,837.62	274,552,273.71	1,022,583.76	0.00	-350,003.75
Distributions					
Profit for the period					
Change from repurchases of shares					
Withdrawals		-46,211,966.41			
Appropriations					
Correction of errors from prior years					
Adjustment from pensions					-62,203.25
Other changes					
Balance at Dec 31, 2005	10,225,837.62	228,340,307.30	1,022,583.76	0.00	-412,207.00
Distributions					
Profit for the period					
Change from repurchases of shares					
Withdrawals					
Appropriations					
Correction of errors from prior years					
Adjustment from pensions					-29,067.75
Other changes					
Balance at Mar 31, 2006	10,225,837.62	228,340,307.30	1,022,583.76	0.00	-441,274.75

Retained earnings		Consolidated net retained profits	Subtotal	Minority interests	Total
IAS/IFRS revaluation reserve	Correction of errors from prior years				
28,836,089.45	301,620.62	121,050,309.49	435,727,635.29	385,774.25	436,113,409.54
			0.00		0.00
		767,350.38	767,350.38	-6,831.50	760,518.88
			-59,856.64	-35,829.56	-95,686.20
			0.00		0.00
			0.00		0.00
			0.00		0.00
			-29,067.75		-29,067.75
			0.00		0.00
28,836,089.45	301,620.62	121,817,659.87	436,406,061.28	343,113.19	436,749,174.47
		-35,000,000.00	-35,000,000.00		-35,000,000.00
		15,124,304.84	15,124,304.84	82,985.62	15,207,290.46
			0.00	-34,049.97	-34,049.97
			-46,211,966.41		-46,211,966.41
		46,211,966.41	46,211,966.41		46,211,966.41
	-301,620.62	301,620.62	0.00		0.00
			-62,203.25		-62,203.25
		413.88	413.88	-1,505.48	-1,091.60
28,836,089.45	0.00	148,455,965.62	416,468,576.75	390,543.36	416,859,120.11
			0.00		0.00
		3,122,402.90	3,122,402.90	-10,907.57	3,111,495.33
			0.00		0.00
			0.00		0.00
			0.00	0.00	0.00
		0.00	0.00		0.00
	0.00		-29,067.75		-29,067.75
			0.00		0.00
28,836,089.45	0.00	151,578,368.52	419,561,911.90	379,635.79	419,941,547.69

CASH FLOW STATEMENT

In EUR thou.	Q1 2006	Q1 2005	Change
1. Consolidated profit for the period (including minority interests) before interest paid and received and income taxes	8,829	7,970	859
2. Consolidated profit for the period (including minority interests) before interest paid and received and income taxes	3,524	3,619	-95
3. Increase/decrease (-) in provisions	-678	-613	286
4. Net gains (-)/losses on disposal of investment property	-3,257	-726	-2,531
5. Interest paid (-)/received	-5,589	-6,309	720
6. Income taxes paid (-)/received	-129	-1,061	771
7. Increase (-)/decrease in deferred taxes	0	0	0
8. Increase (-)/decrease in inventories, trade receivables, derivatives and other assets that are not attributable to investing or financing activities	2,215	3,512	-1,297
9. Increase (-)/decrease in trade payables, derivatives and other liabilities that are not attributable to investing or financing activities	7,271	26,640	-19,720
10. Change in other balance sheet items	-29	-29	0
11. Cash flows from operating activities	12,157	33,164	-21,771

In EUR thou.	Q1 2006	Q1 2005	Change
12. Proceeds from disposal of investment property	7,355	2,216	5,139
13. Payments to acquire investment property	-1,392	-778	-614
14. Payments to acquire intangible assets	0	0	0
15. Proceeds from disposal of financial assets and capital repayments	0	0	0
16. Payments to acquire minority interests in consolidated companies	0	-96	96
17. Payments to acquire subsidiaries (purchase price)	0	0	0
18. Cash acquired with subsidiaries purchased	0	0	0
19. Payments to acquire financial assets	0	0	0
20. Cash flows from investing activities/housing sales	5,963	1,342	4,621
21. Payments to owners (dividend)	0	0	0
22. Proceeds from issuance of loans	0	0	0
23. Repayments of loans	-9,913	-4,306	-5,607
24. Cash flows from financing activities	-9,913	-4,306	-5,607
25. Net change in cash and cash equivalents	8,207	30,200	-22,757
26. Cash and cash equivalents at beginning of period	47,203	66,054	-18,851
27. Cash and cash equivalents at end of period	55,410	96,254	-41,608

SEGMENT REPORTING

In EUR m.	Mar 31, 2006	Mar 31, 2005
Revenue from estimated rent	21.2	22.0
Revenue from actual rent	19.5	20.2
Revenue from operating cost allocations	5.9	6.4
= Revenue from property management	25.3	26.5
Expenses from operating costs	6.6	7.0
Maintenance expenses	3.2	3.4
Other expenses from property management	0.3	0.3
Depreciation, amortization and impairment losses on noncurrent assets	3.5	3.7
= Expenses from property management	13.6	14.4
Segment result – Residential Property Management	11.7	12.2
Sales revenue	7.4	2.2
Disposal of consolidated carrying amounts	4.0	1.4
= Consolidated book gains	3.3	0.8
Selling and pre-sale expenses	0.7	0.4
= Segment result from sales activity in Rhine-Main/ Rhineland-Palatinate core portfolio	2.7	0.4
Result from privatization of other development properties	0.0	0.2
Net selling proceeds from North Hesse portfolio	0.1	0.1
Segment result – Housing Privatization	2.7	0.7

In EUR m.	Mar 31, 2006	Mar 31, 2005
Income from management activities	0.5	0.4
Other income	1.0	0.8
Write-downs of receivables	0.4	0.4
Employee expenses	4.2	4.2
Administrative expenses	2.0	2.0
EBDIT	12.8	11.1
EBIT	9.3	7.4
Interest income	0.4	0.4
Interest expense	6.3	7.0
= Net finance costs	-5.9	-6.6
Profit before tax	3.3	1.5
Income tax expense	0.2	0.7
Consolidated profit for the period	3.1	0.8



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The interim financial statements of the Deutsche Wohnen Group are in accordance with International Financial Reporting Standards (IFRSs). The consolidated financial statements were not reviewed by an auditor. The financial statements give a true and fair view of the results of operations of the Group.

The interim financial statements of the companies included are based on uniform accounting policies. The consolidation methods and accounting policies are unchanged as against the 2005 consolidated financial statements and are presented in Deutsche Wohnen's 2005 Annual Report.

ADDITIONAL INFORMATION

MANAGEMENT BOARD

(as of May 2006)

Andreas Lehner (Chairman)
Michael Neubürger

SUPERVISORY BOARD

(as of May 2006)

Helmut Ullrich (Chairman)
Dr. Michael Gellen (Deputy Chairman)
Matthias Hünlein
Hans Werner Jacob
Dr. Andreas Kretschmer
Dr. Florian Stetter

FINANCIAL CALENDAR

May 31, 2006	Deutsche Bank German Corporate Conference in Frankfurt am Main
June 1, 2006	Kempen conference in Amsterdam
June 15/16, 2006	Morgan Stanley conference in London
August 10, 2006	2006 Ordinary General Meeting in Frankfurt am Main
August 11, 2006	Dividend payment
September 7/8, 2006	EPRA conference in Budapest
September 13/14, 2006	UBS conference in New York
September 26, 2006	HVB conference in Munich



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The shares of Deutsche Wohnen AG are officially listed on the stock exchange in Luxembourg and are traded in XETRA and on the unofficial markets at the stock exchanges in Frankfurt am Main, Düsseldorf, Stuttgart and Berlin/Bremen.

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Deutsche Wohnen AG

Getty Images



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