DEUTSCHE ANNINGTON

Annual Report 2004

Contents

Dear Sirs,

In the financial year 2004, Deutsche Annington Immobilien Group has successfully continued its business model. We can once again present a convincing performance in our three core business areas – housing management, sales and condominium facility management. This is also reflected in our operative results, which have improved once again.

The process of integrating the regional housing companies into a single group with uniform market presentation has gained a dynamic growth of its own, resulting in synergetic energies with a positive effect on results. The commercial and technical processes have been continuously improved. We have reinforced our portfolio by appropriate acquisitions, and made specific investments in modernization and maintenance of our own units. We have continued our option-to-buy scheme with great success: since the start of tenant privatization, more than 10,000 apartments have been sold, primarily to the current tenants.

We have also made further investment in our staff. A group-wide personnel development program has been implemented for further qualification of our senior executives. We now offer training opportunities to school leavers.

Another focal aspect over the last twelve months has been the development of new customer-oriented support and services for our tenants and owners. We are confident that we shall also continue to be successful in future when our customers are convinced of our services expertise. All employees in our Group are currently showing great commitment in working towards this aim.

Dr. Volker Riebel

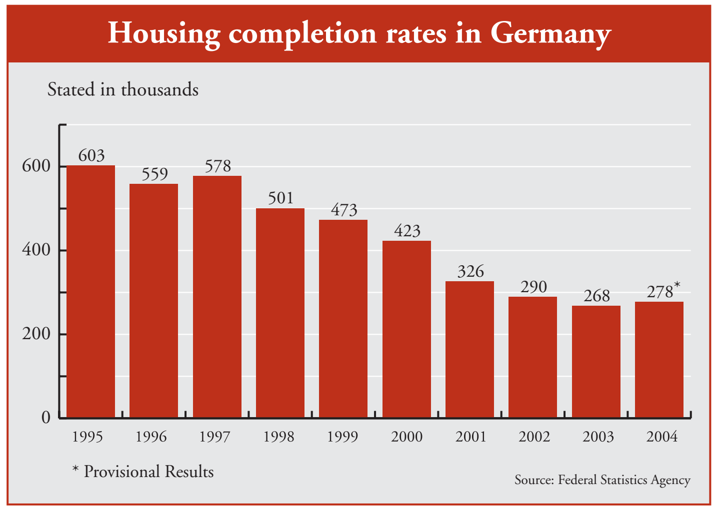
Chairman of the Management Board
Deutsche Annington Immobilien GmbH

General Economic Conditions

The German economy has revived slightly in 2004 following three years of stagnation, without seeing a sustained upswing. Growth remained way behind global economic recovery. Altogether the gross domestic product increased by 1.6 percent.

There is continued concern about the weak labor market and low level of private consumption. Nor have all branches and regions profited to the same extent from the positive development. The economic recovery was carried almost exclusively by the export sector, which contributed around three quarters of the growth rate.

The number of completed new housing units in Germany remained on the same low level as in the previous years. The housing market showed non-uniform development; in West Germany, it is the economically underdeveloped regions in



particular which are affected by vacant properties. By contrast, some conurbation areas saw a growth in demand for rented accommodation, so that the residential property market improved slightly compared to the previous year, without experiencing any comprehensive, sustained revival.

Deutsche Annington Immobilien Group

Deutsche Annington Immobilien Group has continued to consolidate its position on the German residential property market in the financial year 2004. We have pursued active portfolio management, continuously optimized the property-business processes in the company, and given the company a more distinct profile. Sales figures and results fulfilled our expectations.

Deutsche Annington Immobilien GmbH, Düsseldorf, manages the Group as strategic and operative management holding.

Our core business areas are:

+ Renting out residential and commercial property
+ Selling condominiums, mainly in the framework of tenant privatization
+ Management of residential property

Property portfolio and new purchases

At the end of the financial year, the regional operative housing companies in the Group were managing 70,773 rented units and 539 commercial units throughout Germany. As an addition to our portfolio in the commercially attractive greater Hamburg area, we acquired a residential complex from Allianz Lebensversicherungs-AG with 322 units. The apartments are well equipped, arranged in suitable designs for families and offer good traffic links to the city center. Management of the properties was transferred to Deutsche Annington Heimbau AG, Kiel, which has been part of our Group since 2003 and has further apartments and units in the catchment area of Hamburg.

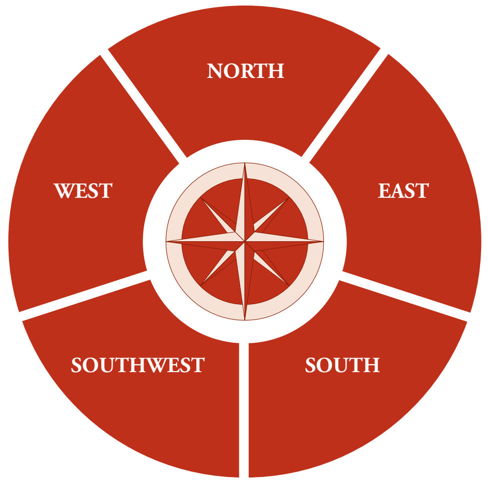
In the key residential market of North Rhine-Westphalia, we acquired around 4,500 residential units and 33 commercial units from the energy and water utility RWE. The units are located in Essen and Cologne. Most of the apartments were originally built between 1961 and 1970 to house employees of the RWE Group. Ownership was transferred in early 2005. Altogether, Deutsche Annington now therefore manages around 75,000 rented residential units throughout Germany.

These purchases fit in with our strategy of extending our portfolio by integrating property which is suitable for privatization; this is then efficiently managed and successively offered to the tenants, other owner-occupier users and capital investors for purchase, in full compliance with the statutory and additionally agreed tenant protection regulations.

Structure and organization

Our Group with its five regional units constitutes an nationwide organization offering us the specific benefits of being able to implement strategic and operative innovations swiftly while at the same time cultivating our closeness to the customer base. The units remain firmly anchored in local business, but profit from greater centralization of key business management functions, while at the same time making full use of synergetic energies and the development of centers of excellence for specific management functions. This increases efficiency in the Group and accelerates the integration of recent portfolio additions.

The corporate image elaborated together with the staff makes a prime contribution to integration and a uniform identity. The new Corporate Design (CD), which has been implemented through the company throughout the year, is an expression of the successful change processes in the company and a uniform market image.



National

Deutsche Annington Immobilien GmbH, Düsseldorf

Deutsche Annington Service GmbH, Erfurt

NORTH

Deutsche Annington Heimbau AG, Kiel

EAST

Deutsche Eisenbahn-Wohnungs-Gesellschaft mbH, Leipzig

BWG Bundesbahn-Wohnungsbaugesellschaft Kassel GmbH

SOUTH

SIEGAU Eisenbahn-Siedlungsgesellschaft Augsburg mbH

Baugesellschaft Bayern mbH, Munich

Eisenbahn-Wohnungsbaugesellschaft Nürnberg GmbH, Nuremberg

Bundesbahn-Wohnungsbaugesellschaft Regensburg mbH

SOUTHWEST

BWG Frankfurt am Main Bundesbahn-Wohnungsgesellschaft mbH

Eisenbahn-Wohnungsbau-Gesellschaft Karlsruhe GmbH

„Siege" Siedlungsgesellschaft für das Verkehrspersonal mbH Mainz

WEST

Wohnungsgesellschaft Ruhr-Niederrhein mbH Essen

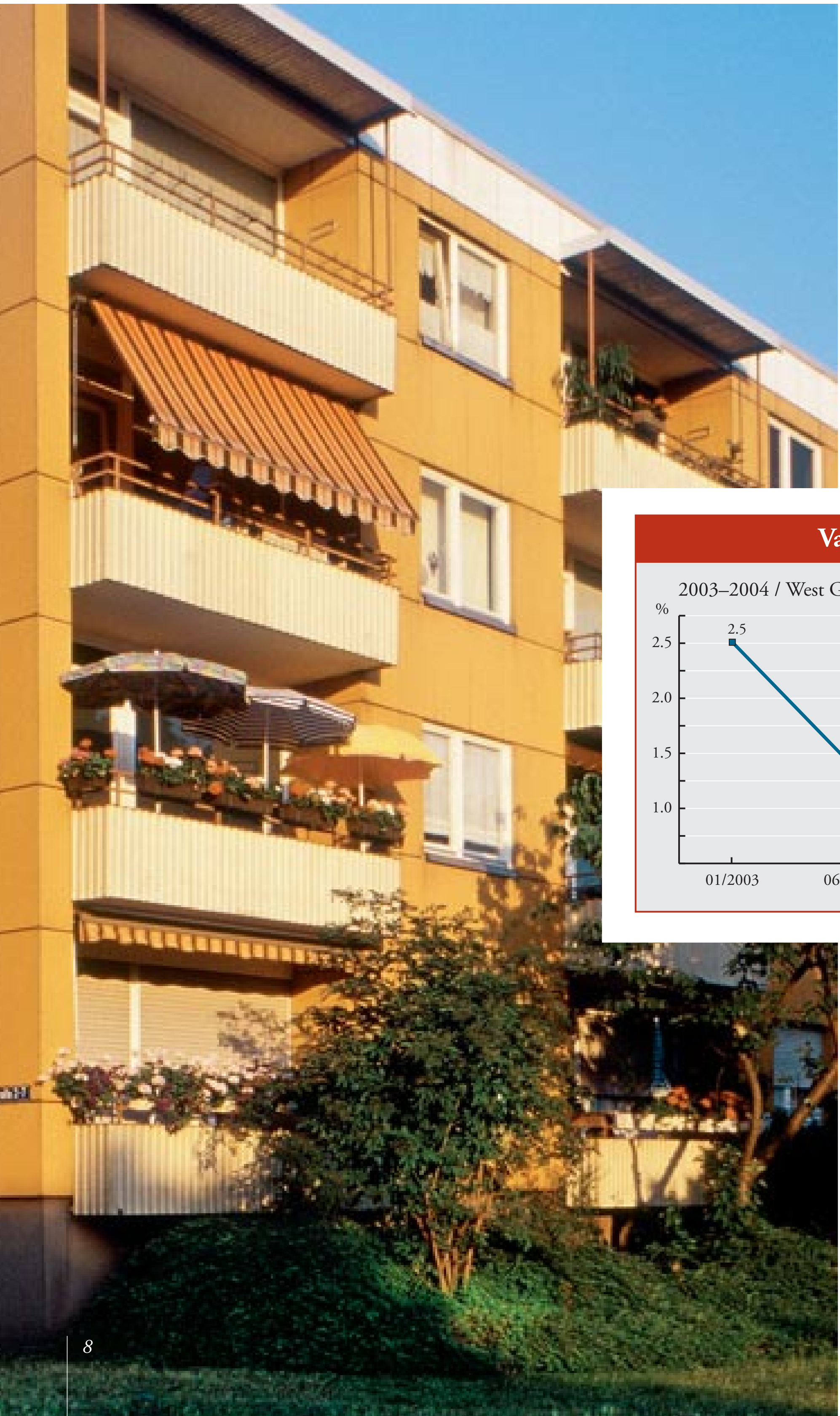
Deutsche Annington Rhein-Ruhr GmbH & Co. KG, Essen

Eisenbahn-Wohnungsbaugesellschaft Köln mbH, Cologne

Deutsche Annington Rheinland Immobiliengesellschaft mbH, Cologne

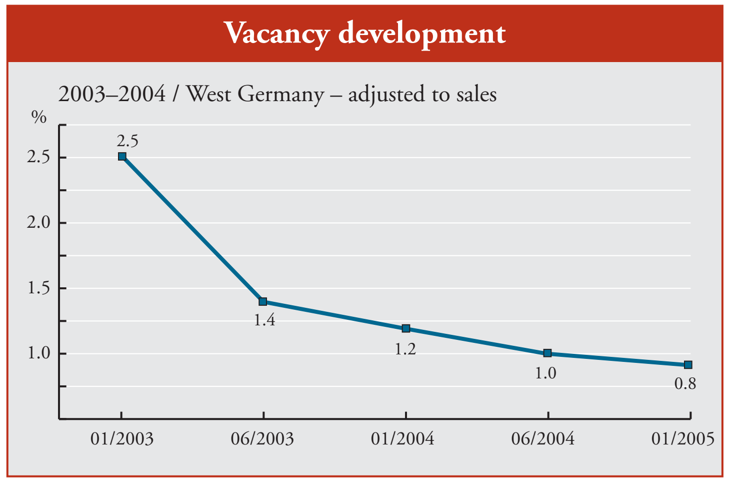
Deutsche Annington Fundus Immobiliengesellschaft mbH, Cologne

Housing Management



Positive rental situation

All Group companies increased occupancy levels in their rented units during 2004. Together with general market developments in many regions, this trend has also resulted from increased efforts in the regional companies. Incentive schemes have been set in place for senior executives and staff to accelerate the renting out of vacant properties. The regional companies also make active use of additional marketing instruments such as weekend viewing, service evenings, open days and participation in local property exchanges as well as regional property trade-fairs. All vacant apartments are also offered through the internet on Deutsche Annington's website. This also applies to condominiums and houses for sale.



The regional companies in the south and southwest of Germany report nearly full occupancy. In other regions, particularly the Rhine/Ruhr conurbation, the level of vacancies has continued to decrease and is below the market average. For the large part, the portfolios consist of marketable 3-room apartments with between 60 and 75 m² living space which are high in demand particularly when located in central areas or in residential areas close to the cities.

Increase in housing management earnings

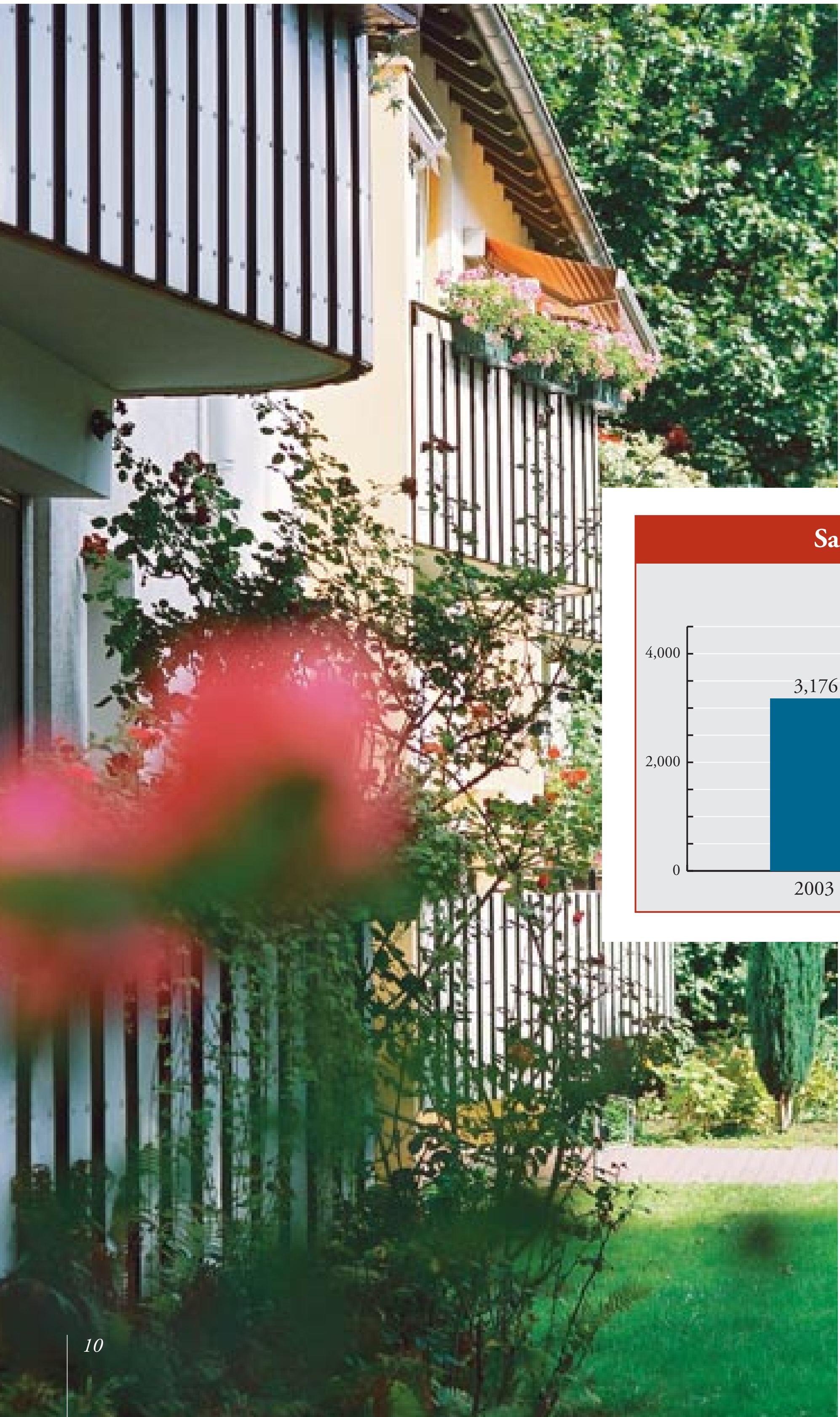
During the financial year, turnover and earnings from housing management increased by 15.8 % to EUR 309.5 million (last year: EUR 267.3 million). This increase is due primarily to the management earnings from the portfolio of Deutsche Annington Heimbau in Schleswig-Holstein, which affected sales for the first time in the financial year. In addition, in some regions we managed to implement a moderate increase in the cold net rent when concluding new rental agreements. As far as the remaining portfolio is concerned, existing rents were raised where tolerated by the market within the statutory extent and as permitted by the rental agreements, primarily after modernization work.

It was with concern that we watched the development of prices for the cold and hot operating costs, which are outside our influence as landlords. The increase in 2004 was way above the general price increase rate. In the interests of our customers, here we are making great efforts to open up potential saving possibilities, and at least to limit the increase in incidental rental costs. We have already achieved noticeable progress by means of cooperation agreements, contracting to cover large shares of the portfolio, and internal benchmarking.

Investment to save energy

In order to save heating costs, we plan to modernize an additional 660 apartments in Duisburg, Frankfurt, Kiel, Cologne and Munich during the financial year 2005 by using funds available from Kreditanstalt für Wiederaufbau (KfW – Reconstruction Loan Corporation). The measures focus on thermal insulation for the façades, insulation for the roof and basement, and the installation of central heating.

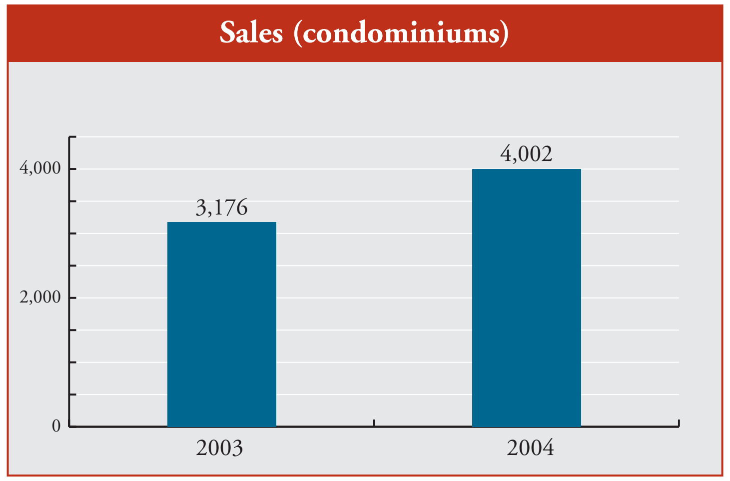
Sales and Facilities Management



Successful sales

The option-to-buy scheme has been continued with great corporate success in 2004, once again achieving the sales target. Notarized sales agreements were concluded for altogether 4,002 apartments (last year: 3,176), primarily with the previous tenants.

As a result, the number of apartments sold since tenant privatization began in 2002 has increased to altogether 9,505. Referred to the total number of 23,209 apartments offered for privatization from



our portfolio up to now, this corresponds to a privatization rate of 41 percent. We attribute the high acceptance of the option-to-buy program to thorough advice and counseling for the tenant households about the advantages of owning their own home, together with careful project planning of the resulting owners' associations. The purchase of owner-occupied or rented residential property is also acquiring considerably greater significance as a contribution to old-age provisions and to capital formation. We therefore presume that in future too the market will continue to provide purchasers for existing residential property in medium to good locations.

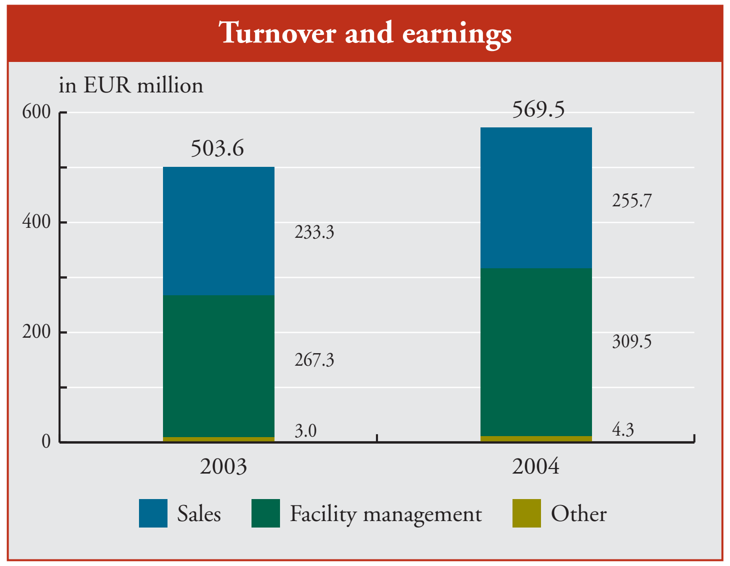
Deutsche Annington Service is growing

Professional management of the condominium complex has a major influence on how satisfied the former tenants are with their purchased property. The subsidiary Deutsche Annington Service GmbH (DASG), Erfurt, manages the shared property for condominium owners according to the German Condominium Act (Wohnungseigentumsgesetz – WEG). It is responsible for efficient management of the complex, implements resolutions taken by the owners' meeting and is contact partner for the owners at the interface between special and shared property. For capital investors, DASG offers complete management of the special property. It also provides a wide range of planning and technical services for condominium owners when it comes to maintenance and modernization of the special and shared property, through to individual modification of the condominium to new needs and requirements as the residents reach a more advanced age.

At the end of the financial year, DASG was already responsible for facility management for 570 (last year: 400)

owners' associations with altogether more than 13,000 condominium and part ownership units. In future, DASG will also be offering its services nationwide to condominium owners' associations which were not originally part of Deutsche Annington's portfolio.

Turnover and Earnings



In 2004, Deutsche Annington Immobilien GmbH generated Group turnover of EUR 569.5 million. This is an increase of EUR 65.8 million (+13.1 %) compared to last year. It results primarily from the management earnings from the new acquisitions in the portfolio of Deutsche Annington Heimbau and the renewed increase in earnings from the sale of condominiums, more than compensating for the lack of rental proceeds following sales out of the portfolio in the context of the tenant privatization program.

Improved operating results

The operating results improved from EUR 150.5 million to EUR 160.9 million (+6.9 %) in 2004. This is due primarily to proceeds from tenant privatization. The profit on sales of around 30 % is thus once again on the same high level as last year.

The parent company, Monterey Capital I S.à.r.l., Luxembourg, continues to grant the Group a long-term loan. The annual results before interest on this shareholder's loan amounted to EUR 65.8 million. After interest on the loan amounting to EUR 35.3 million and tax on income, the annual profits amount to EUR 30.5 million (previous year: EUR 16.9 million), including the contribution made by the holding and financial result which improved by around EUR 14 million.

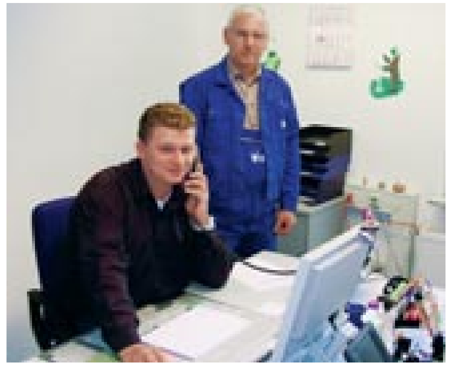
Service and tenant orientation is becoming increasingly significant for the market success of housing companies. Together with the housing unit as such and the price, the creation of long-term customer relations is playing an ever larger role at Deutsche Annington.

The satisfaction of tenants and owners with the company's services is an important prerequisite for sustained corporate success. This is why service and customer orientation have become firmly anchored in the corporate culture and corporate image.

We see ourselves as a modern services company which reinforces its competitive ability with innovative offers and comprehensive quality management.

Fast repair service

Small and mini repairs in the rented property can have a great effect. If they are performed quickly, reliably, efficiently and simply, the tenant feels that he is being taken seriously, and the customer relationship is consolidated. Our tenants can report their repair requests and technical emergencies in and around the building round the clock on 365 days a year regardless of business and opening hours, by placing a toll-free phone call in the regional Service Management Centers. The centers then commission specialized partner companies of skilled tra-



desmen to perform this unscheduled maintenance work quickly, usually within 24 hours. We use random surveys among our customers to control the efficiency and quality of the work that has been carried out.

This approach to technical facilities management offers us commercial advantages. The standardized, system-supported processes of order acceptance via order processing through to quality control and accounts with reference to standard service items result in considerable reductions in internal costs.

Complaints management

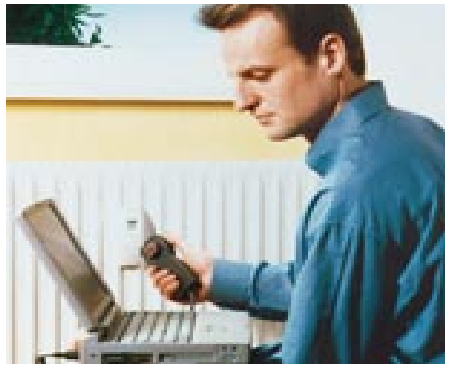
The significance of functioning complaints management for customer satisfaction and loyalty cannot be put high enough. This is why we do not consider complaints from our customers as a nuisance factor interrupting daily business. We see them as a chance to stabilize a jeopardized, difficult customer relationship again and to obtain input for the ongoing improvement of our quality management. A complaints manager has been appointed in every region who monitors local processing of incoming customer complaints. He reports to the

regional management and central complaints management. As an executive position, he is directly answerable to the Group management. Such active complaints management simplifies cooperation with the tenants, improves our image and thus makes a contribution to the success of the company. Satisfied tenants are less likely to feel the need to move and therefore more likely to be interested in purchasing their apartment.

In Focus: Services for Tenants and Owners

Incidental rental expenses

Incidental rental expenses are another area where our quality management is active. Public charges, costs for water supply and disposal, waste disposal fees, heating and electricity have all seen drastic price increases. In the interests of our customers, we make great efforts with innovative operating costs management at least to curb these price increases, for which we as housing company are not responsible. Detailed analysis, internal benchmarking, information and transparency help us to open up potential saving possibilities. We monitor contracts on a continuous basis and use our purchasing power to the best possible effect when services are being re-tendered.



As far as registering heating costs is concerned, we are currently converting to automatic radio-based meter reading procedures. Together with cost advantages, this offers the tenants far greater convenience. There is no longer any need to hang around waiting for the man to read the meter, the meters are read at far shorter intervals and the tenants can check their consumption levels themselves. In many residential complexes, we have outsourced high-cost waste disposal to service companies in order to achieve clear reductions in costs. The company supports our customers in separating and sorting waste, gives tips on avoiding waste and is responsible for cleaning the waste collection points.

Annington Wohnen Plus

We offer our older customers a model character customer loyalty service which meets with a great echo and broad acceptance. Most elderly people would like to spend their final years in the home and social neighborhood which has become so familiar to them over the decades. Relocating to a residential home is usually rejected. Preference is given to a self-determined, independent form of living which also helps to sustain physical and mental forces.

On the other hand, with increasing age there is frequently a need for assistance in daily routines or even for home care. But in many cases, the elderly do not claim these services because they and their family have no idea about what is available in the region, are put off by the bureaucratic procedures involved or simply do not know where to start. There are also information gaps referring to benefits under the care insurance. This is where the services offered by Annington Wohnen Plus come into play.

Our subsidiary Deutsche Annington Service GmbH (DASG) advises, informs, coordinates and mediates home helps and qualified home nursing and care services. In estates with a large share of senior citizens, special advice offices are set up with specially trained staff who are involved in establishing regional networks of these services. The services are selected according to quality criteria which have been developed by us together with the University of Witten/Herdecke. The advice service is free of charge for customers of Deutsche Annington.

After testing the Annington Wohnen Plus concept in the Duisburg advice center, it is now being implemented in Essen, Frankfurt, Geesthacht and Cologne. The Annington Wohnen Plus advice offices are also equipped as sample apartment. Here elderly customers coming to us for advice can see how even small technical adjustments and modifications such as a floor-level shower, additional handles, removal of barriers and stumbling edges or the installation of emergency call systems can contribute to a sustained improvement in the quality of life with advancing age. This service addresses in particular those customers purchasing apartments, where DASG plans and coordinates the modification work on request.

Deutsche Annington Immobilien GmbH
Group Management Report for Fiscal Year 2004

A. Background of the Group

Under the agreement dated December 14, 2000, Deutsche Annington Immobilien GmbH (hereinafter referred to as "DAIG" or the "Company") acquired between 94.1 % and 94.9 % of the shares in ten German Rail regional housing companies and 100 % of the shares in Deutsche Eisenbahn-Wohnungs-Gesellschaft mbH (hereinafter referred to as "DEWG" and with all subsidiaries collectively referred to as the "EWG housing companies") from Bundeseisenbahnvermögen (hereinafter referred to as "BEV"). After all prerequisites had been met, the purchase and assignment agreement became legally effective as of February 14, 2001. The basis for this privatization agreement includes, among other things, legal stipulations regarding the continued existence of the EWG housing companies as an operational welfare facility of BEV and regarding housing for rail workers. EWG Essen, Frankfurt, Kassel and Nuremberg also acquired land and housing in the new federal states from BEV.

In 2003, the Company indirectly acquired a majority shareholding in BIG-Heimbau AG, Kronshagen/Kiel, which manages some 10,000 apartments of its own in Schleswig-Holstein. The Company acquired around 4,500 rental apartments from RWE Systems Immobilien GmbH & Co. KG, Essen, at the end of 2004.

B. Business Activities of the Group

The Deutsche Annington Immobilien Group rents out residential and commercial property and with around 70,000 of its own units (incl. former RWE apartments), is one of the largest housing companies in Germany. In addition, the Company is actively promoting the option-to-buy scheme and manages residential properties in accordance with the German Condominium Act ["Wohnungseigentumsgesetz": WEG]. The Group is controlled by DAIG, which has established itself as the operating and strategic holding company for all group companies since fiscal year 2001. It advises and steers the course of the operating companies in operational, legal and residential facility management matters. In this regard, focus was placed on the introduction of a standard IT system, the design and establishment of the sales organization for the option-to-buy scheme, the development and implementation of the sales program, the setting up of group reporting and the preparation and introduction of group-wide procurement and maintenance guidelines as well as the harmonization of facility management standards and service functions.

C. Portfolio Management

The total number of the Group's own apartments, leased apartments, commercial units, garages and parking spaces as of December 31, 2004 is presented below:

	Apartments	Commercial units	Garages	Parking spaces	Other
Own units	64,966 *	458	6,580	9,890	1,593
Leased units	1,487	7	38	76	83
Rented units	171	0	171	0	20
Trust	4,149	74	138	251	481
TOTAL	**70,773**	**539**	**6,927**	**10,217**	**2,177**

* excluding RWE apartments

D. Rental Situation

The positive trend in the core rental business continued in 2004 with the number of vacant properties continuing to decrease. Almost full occupancy was achieved at the five regional companies in Augsburg, Frankfurt, Karlsruhe, Munich and Nuremberg. In other regions, in particular in the conurbation Rhein/Ruhr, the level of vacancies has continued to decrease and is below the market average. In addition, a program to prevent rent debts was successfully launched group-wide in the fiscal year.

E. Housing Management

Rent was increased to the extent permissible by law, primarily following modernization of housing whether or not subject to rent restrictions, and pursuant to Sec. 558 BGB ["Bürgerliches Gesetzbuch": German Civil Code]. In accordance with the current version of the Rental Reform Act [Mietrechtsreformgesetz], rent may only be increased by a maximum of 20 % over a period of three years up to the regular comparable rent.

Within the scope of the privatization agreement concluded with BEV, which also applies to the EWG housing companies, rent may only be increased by 3 % plus the cost-of-living index for tenants who are beneficiaries to the agreement.

F. Modernization and Maintenance

For building maintenance including modernization and decorative repairs, the Group spent a total of EUR 62.8m in 2004 including capitalizable development expenses. Based on the average total living space in 2004 of 4,291,148 m^2, this corresponds to a cost of EUR 14.63/m^2 (figures do not include the former RWE apartments).

The funds were used for individual and overall modernization measures. In Duisburg-Wedau, a multiple-family unit is being converted into 24 apartments geared toward the needs of pensioners. Full occupation was already secured prior to the completion of the modifications.

For 2005, ongoing maintenance and modernization of EUR 12.80/m^2 is planned for the residential properties in DAIG's own portfolio.

G. Organization and Personnel

The organizational restructuring at the EWG housing companies aimed at further centralization within the regions and the integration of Deutsche Annington Heimbau AG were continued in 2004.

Five regional organizational units have been established and the new portfolios purchased in the fiscal year will be integrated into these units. These units should optimize portfolio management and create more flexible and efficient structures.

- North (Kiel)
- East (Deutsche Eisenbahn-Wohnungs-Gesellschaft mbH Leipzig, Kassel)
- South (Munich, Nuremberg, Regensburg, Augsburg)
- Southwest (Mainz, Frankfurt, Karlsruhe)
- West (Cologne, Essen)

In fiscal year 2004, an annual average of 59 wage earners and 444 salaried staff were employed. Employees are remunerated in line with the collective agreement for salaried employees and wage earners in the housing industry.

As part of its group-wide personnel development program, DAIG invests in further training for its future generation of managers. To this end, it collaborates with Führungsakademie im Europäischen Bildungszentrum der Wohnungs- und Immobilienwirtschaft (FWI) in Bochum. Participants learn management skills and methods for structuring and tackling management tasks in a custom module-based program. In addition, all companies train staff in property and housing management and office communication.

H. Important Events in the Fiscal Year

On June 1, 2004, DAIG acquired 322 apartments in the Hamburg area from Allianz Lebensversicherungs-AG. Management of the properties was transferred to Deutsche Annington Heimbau AG; one third of its total portfolio of 10,000 apartments is also in the catchment area of Hamburg.

DAIG acquired around 4,500 apartments with total living space of around 30,000 m^2 from RWE Systems Immobilien GmbH & Co. KG, Essen, at the end of 2004. The risks and rewards associated with ownership were transferred at the beginning of 2005. Most of the apartments originally built to house employees of the RWE Group are in Cologne, the Cologne area and Essen.

I. Sales

The companies have been promoting the option-to-buy scheme since 2002 and are being supported by experienced sales partners. The privatization measures in the EWG housing companies have been approved by the bodies specified in the privatization agreement concluded with BEV.

By the end of 2004, a total of 9,505 apartments had been sold, mainly to tenants, since the time of the launch of the option-to-buy scheme. With 23,209 apartments offered for sale, this corresponds to a privatization ratio of 41%. In 2004, 4,002 apartments were sold.

Founded in 2003, Deutsche Annington Service GmbH (DASG), Erfurt, as the legally appointed administrator pursuant to the German Condominium Act ["Wohnungseigentumsgesetz": WEG], manages the new condominium associations Germany-wide. At the end of 2004, DASG managed around 570 condominium associations with more than 13,400 residential and partly owned units. Thus within two years of its foundation, DASG has managed to become a medium-sized facility management company for condominiums in Germany. It maintains ten regional offices and employs 49 staff. The Technical Services and Planning department offers the owners maintenance and modernization services for commonly owned property as well as services regarding modifications to individually owned property.

J. Economic Situation

The composition of assets, equity and liabilities as of December 31, 2004 is presented below:

a) Composition of Assets

Almost all of the Group's assets relate to land and properties of the subsidiaries. The start-up and business expansion expenses result from the fact that the parent company made use of the option pursuant to Sec. 269 HGB in 2001.

Composition of Assets	As of Dec. 31, 2004		As of Dec. 31, 2003	
	EUR k	%	EUR k	%
Start-up and business expansion expenses	6,283	0	12,554	0
Fixed assets				
Intangible assets	461	0	688	0
Property, plant and equipment	2,239,669	85	2,267,650	88
Financial assets	54,260	2	371	0
	2,294,390	**87**	**2,268,709**	**88**
Current assets	326,033	13	305,501	12
Prepaid expenses	333	0	674	0
TOTAL ASSETS	**2,627,039**	**100**	**2,587,438**	**100**

b) Composition of Equity and Liabilities

Fixed assets are mainly financed long-term by liabilities. Liabilities to banks contain a syndicated loan of EUR 692,462k under the management of Landesbank Hessen Thüringen (HeLaBa) and the Reconstruction Loan Company (KfW). The loan runs until 2017 and was used to finance the acquisition of shares in the EWG housing companies. In addition, the parent company of DAIG, Monterey Capital I S.à.r.l., Luxembourg, granted the Company a long-term loan of EUR 271,325k (as of December 31, 2004). This loan also runs until 2017.

With regard to the EWG housing companies, there are also numerous loans for property financing, mainly secured by mortgages.

As of December 31, 2004, the Group's equity totaled EUR 456,213k. The equity ratio is 17 %. Including the shareholder loan, the economic equity ratio is 28 %. The minority interests relate to the minority interests of the shareholders BEV and Sparda-Bank München e.G. in the EWG housing companies and the minority shareholders at Deutsche Annington Heimbau AG. The decrease in minority interests is largely due to the fact that almost all of the minority interests of Deutsche Annington Heimbau AG were bought out.

Composition of Equity and Liabilities	As of Dec. 31, 2004		As of Dec. 31, 2003	
	EUR k	%	EUR k	%
Subscribed capital	75	0	26	0
Capital reserve	201,745	7	125,000	5
Retained earnings	235,169	9	205,146	8
Minority interests	19,224	1	39,081	1
	456,213	**17**	**369,253**	**14**
Special item with an equity portion	141	0	187	0
Accruals	57,506	2	52,934	2
Liabilities to shareholders	271,325	11	336,822	13
Other liabilities	1,841,324	70	1,827,647	71
Deferred income	530	0	595	0
TOTAL LIABILITIES AND EQUITY	**2,627,039**	**100**	**2,587,438**	**100**

c) Profitability

With sales of EUR 569,497k, earnings before taxes came to EUR 150,925k (26.5 % return on sales). The economic result (=net result before interest on the shareholder loan) came to EUR 65,780k (11.6 % return on sales). After the deduction of EUR 35,271k for interest on the shareholder loan, net income for the year came to EUR 30,509k.

Profitability	2004	2003
	EUR k	EUR k
Sales	569,497	503,664
Operating result	150,925	152,201
Economic result (before shareholder interest)	**65,780**	**72,127**
NET INCOME FOR THE YEAR	**30,509**	**16,992**

d) Financial Position

The Group remained solvent at all times throughout fiscal year 2004. As of December 31, 2004, the Group had cash and cash equivalents of EUR 66,298k. The Group will again be able to meet its payment obligations at all times in 2005.

K. Anticipated Development and Risks to Future Development

No economic risks which would have a sustained negative effect on net assets, financial position and results of operations are evident at present. We are confident that the current excellent rental situation will continue. Our companies comply with the requirements of German Law on Control and Transparency in Business ["Gesetz zur Kontrolle und Transparenz im Unternehmensbereich": KonTraG].

The option-to-buy scheme is still enjoying successful results. Over 600 apartments were sold during the first three months of 2005. The option-to-buy scheme continues to be a vital factor for the Company's future success.

The Group plans to acquire additional housing portfolios in the future.

The anticipated inflow of funds from the option-to-buy scheme is expected to reduce debt. This will lead to an improvement in the financial result. The expected income from the option-to-buy scheme is also expected to contribute to the Group continuing to make a profit (after shareholder interest).

Düsseldorf, April 8, 2005

Deutsche Annington Immobilien GmbH

The Management

Deutsche Annington Immobilien GmbH, Düsseldorf
Consolidated Balance Sheet as of December 31, 2004

ASSETS

	Dec. 31, 2004 EUR k	Dec. 31, 2003 EUR k
A. BUSINESS START-UP AND EXPANSION EXPENSES	6,283	12,554
B. FIXED ASSETS		
I. Intangible assets		
1. Franchises, industrial rights and similar rights and assets and licenses in such rights and assets	251	460
2. Goodwill	210	228
	461	688
II. Property, plant and equipment		
1. Land and land rights with residential buildings	2,116,628	2,248,247
2. Land and land rights with commercial and other buildings	13,267	13,339
3. Land and land rights without buildings	742	480
4. Land with hereditary building rights of third parties	20	21
5. Buildings on third-party land	2,055	2,363
6. Technical equipment and machines	21	133
7. Other equipment, furniture and fixtures	3,249	2,877
8. Payments on account	103,608	0
9. Pre-construction expenses	79	190
	2,239,669	2,267,650
III. Financial assets		
1. Shares in affiliated companies	50	55
2. Equity investments	15	15
3. Long-term investments	52	63
4. Other loans	194	235
5. Payments on account on shares in affiliated companies	53,946	0
6. Other financial assets	3	3
	54,260	371
	2,294,390	2,268,709
C. CURRENT ASSETS		
I. Inventories		
1. Work in process	84,171	84,994
2. Other inventories	6,222	6,799
	90,393	91,793
II. Receivables and other assets		
1. Rent receivables	3,291	1,836
2. Receivables from third-party real estate management	244	398
3. Other trade receivables	267	304
4. Receivables from the sale of properties	140,179	176,739
5. Receivables from companies in which equity investments are held	393	0
6. Other assets	24,968	13,188
	169,342	192,465
III. Checks, cash on hand and bank balances	66,298	21,243
	326,033	305,501
D. PREPAID EXPENSES	333	674
TOTAL ASSETS	2,627,039	2,587,438

EQUITY AND LIABILITIES

	Dec. 31, 2004 EUR k	Dec. 31, 2003 EUR k
A. EQUITY		
I. Subscribed capital	75	26
II. Capital reserve	201,745	125,000
III. Retained earnings	235,169	205,146
IV. Minority interests	19,224	39,081
	456,213	369,253
B. SPECIAL ITEMS		
Special item for investment grants and allowances	141	187
C. ACCRUALS		
1. Accruals for pensions	25,931	26,057
2. Tax accruals	3,380	2,967
3. Other accruals	28,195	23,910
	57,506	52,934
D. LIABILITIES		
1. Liabilities to banks	1,615,657	1,594,499
2. Liabilities to other lenders	84,820	99,525
3. Payments received on account	87,858	86,331
4. Rent liabilities	3,774	2,080
5. Liabilities from third-party real estate management	5	5
6. Trade payables	26,398	15,700
7. Liabilities to shareholders	271,325	336,822
8. Other liabilities	22,812	29,507
	2,112,649	2,164,469
E. DEFERRED INCOME	530	595
TOTAL EQUITY AND LIABILITIES	2,627,039	2,587,438

Deutsche Annington Immobilien GmbH, Düsseldorf
Consolidated Income Statement for Fiscal Year 2004

	2004 EUR k	2003 EUR k
1. Sales		
a) from real estate management	309,495	267,255
b) from the sale of properties	255,698	233,254
c) from third-party real estate management	3,799	2,865
d) from other trade	505	290
	569,497	**503,664**
2. Decrease (prior year: increase) in work in process	-824	3,918
3. Own work capitalized	18	50
4. Other operating income	9,608	6,914
5. Cost of purchased goods and services		
a) Real estate management expenses	-156,374	-129,676
b) Cost of properties for sale	-23,146	-19,685
c) Cost of other goods and services	-113	-124
	-179,633	**-149,485**
6. Net book values of properties for sale	-134,556	-123,530
7. Personnel expenses		
a) Wages and salaries	-28,049	-24,416
b) Social security, pension and other benefit costs thereof for old-age pensions: EUR 3,766k (prior year: EUR 3,027k)	-8,300	-7,013
	-36,349	**-31,429**
8. Amortization and depreciation on intangible assets and property, plant and equipment as well as capitalized business start-up expenses	-40,153	-37,309
9. Other operating expenses	-36,683	-20,592
10. Income from equity investments	761	157
11. Income from other investments and long-term loans	12	32
12. Other interest and similar income	2,741	3,451
13. Interest and similar expenses	-122,530	-136,631
14. Result from ordinary activities	31,909	19,210
15. Income taxes	-1,351	-2,167
16. Other taxes	-49	-51
17. Net income for the year	30,509	16,992
18. Profit carryforward from prior year	205,146	188,490
19. Minority interests in income/loss	-486	-336
20. Retained earnings	**235,169**	**205,146**

Deutsche Annington Immobilien GmbH, Düsseldorf
Consolidated Cash Flow Statement for Fiscal Year 2004

	2004 EUR k	2003 EUR k
1. Cash flow from operating activities		
Net income for the period	30,509	16,992
Amortization and depreciation on fixed assets	33,882	31,038
Amortization of start-up expenses	6,271	6,271
Disposal of land for sale at net book value	134,556	123,530
Increase (+)/decrease (-) in accruals	4,572	-1,163
Increase (+)/decrease (-) in the special item	-46	187
Non-cash interest expenses	17,017	56,936
Payment of interest expenses deferred in prior years	-56,936	-105,084
Other non-cash income	-18	-50
Losses on the disposal of other fixed assets	120	54
Decrease (+)/increase (-) in inventories, trade receivables and other assets	-11,675	1,775
Decrease (+)/increase (-) in receivables from the sale of land	36,560	-66,745
Increase (+)/decrease (-) in trade payables and other liabilities	26,842	-17,692
Cash flow from operating activities	**221,654**	**46,049**
2. Cash flow from investing activities		
Cash received from disposals of other items of property, plant and equipment	55	57
Cash paid for investments in property, plant and equipment/intangible assets	-140,473	-4,868
Cash paid for the acquisition of consolidated companies	-19,612	-12,294
Cash received from disposals of financial assets	55	558
Cash paid for investments in financial assets	-53,949	-79
Cash flow from investing activities	**-213,924**	**-16,626**
3. Cash flow from financing activities		
Cash received from equity contributions	76,794	15,000
Cash paid to minority interests	-20,343	-171
Cash received from the raising of loans and short or long-term borrowings	235,474	82,623
Cash repayments of loans and short or long-term borrowings	-225,952	-230,671
Cash repayments of shareholder loans	-28,648	0
Cash flow from financing activities	**37,325**	**-133,219**
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents (subtotal of 1 to 3)	45,055	-103,796
Cash and cash equivalents at the beginning of the period	21,243	123,776
Cash and cash equivalents of the companies acquired at the time of acquisition	0	1,263
Cash and cash equivalents at the end of the period	**66,298**	**21,243**
5. Composition of cash and cash equivalents		
Cash and cash equivalents	66,298	21,243
Cash and cash equivalents at the end of the period	**66,298**	**21,243**

Analysis of Fixed Assets and Business Start-up Expenses for the Fiscal Year from January 1 to December 31, 2004

	ACQUISITION AND PRODUCTION COST					ACCUMULATED AMORTIZATION/DEPRECIATION				NET BOOK VALUES	
	Jan. 1, 2004 EUR k	Additions EUR k	Disposals EUR k	Reclassifications EUR k	Dec. 31, 2004 EUR k	Jan. 1, 2004 EUR k	Additions EUR k	Reversals EUR k	Dec. 31, 2004 EUR k	Dec. 31, 2004 EUR k	Dec. 31, 2003 EUR k
A. BUSINESS START-UP AND EXPANSION EXPENSES	25,085	0	0	0	25,085	12,531	6,271	0	18,802	6,283	12,554
B. FIXED ASSETS											
Intangible assets											
1. Franchises, industrial rights and similar rights and assets and licenses in such rights and assets	1,500	119	87	0	1,532	1,040	314	73	1,281	251	460
2. Goodwill	285	0	0	0	285	57	18	0	75	210	228
	1,785	119	87	0	1,817	1,097	332	73	1,356	461	688
Property, plant and equipment											
1. Land and land rights with residential buildings	2,331,669	33,851	140,247	-177	2,225,096	83,422	31,162	6,116	108,468	2,116,628	2,248,247
2. Land and land rights with commercial and other buildings	15,056	891	269	-9	15,669	1,717	735	50	2,402	13,267	13,339
3. Land and land rights without buildings	480	4	118	376	742	0	0	0	0	742	480
4. Land with hereditary building rights of third parties	21	0	1	0	20	0	0	0	0	20	21
5. Buildings on third-party land	3,163	0	300	0	2,863	800	221	213	808	2,055	2,363
6. Technical equipment and machines	192	13	117	0	88	59	8	0	67	21	133
7. Other equipment, furniture and fixtures	6,803	1,908	223	0	8,488	3,926	1,424	111	5,239	3,249	2,877
8. Payments on account	0	103,608	0	0	103,608	0	0	0	0	103,608	0
9. Pre-construction expenses	212	79	0	-190	101	22	0	0	22	79	190
	2,357,596	140,354	141,275	0	2,356,675	89,946	33,550	6,490	117,006	2,239,669	2,267,650
Financial assets											
1. Shares in affiliated companies	55	0	0	-5	50	0	0	0	0	50	55
2. Equity investments	15	0	0	0	15	0	0	0	0	15	15
3. Long-term investments	63	0	11	0	52	0	0	0	0	52	63
4. Other loans	260	3	44	0	219	25	0	0	25	194	235
5. Payments on account on shares in affiliated companies	0	53,946	0	0	53,946	0	0	0	0	53,946	0
6. Other financial assets	3	0	0	0	3	0	0	0	0	3	3
	396	53,949	55	-5	54,285	25	0	0	25	54,260	371
	2,359,777	**194,422**	**141,417**	**-5**	**2,412,777**	**91,068**	**33,882**	**6,563**	**118,387**	**2,294,390**	**2,268,709**

Schedule of Liabilities – Consolidated Financial Statements of Deutsche Annington Immobilien GmbH as of December 31, 2004

		Due in				thereof secured by mortgages
		up to 1 year EUR k	1 to 5 years EUR k	more than 5 years EUR k	Total EUR k	EUR k
Liabilities to banks		81,727	185,899	1,348,031	1,615,657	684,871
	Prior year:	152,661	240,100	1,201,738	1,594,499	775,348
Liabilities to other lenders		6,384	16,140	62,296	84,820	78,958
	Prior year:	6,196	17,022	76,307	99,525	91,361
Payments received on account		87,858	0	0	87,858	
	Prior year:	86,331	0	0	86,331	0
Rent liabilities		3,769	0	5	3,774	
	Prior year:	2,076	0	4	2,080	0
Liabilities from third-party real estate management		5	0	0	5	
	Prior year:	5	0	0	5	0
Trade payables		26,194	198	6	26,398	
	Prior year:	15,462	238	0	15,700	0
Liabilities to shareholders		61,619	0	209,706	271,325	
	Prior year:	62,252	0	274,570	336,822	0
Other liabilities		22,812	0	0	22,812	
	Prior year:	29,507	0	0	29,507	0
TOTAL		**290,368**	**202,237**	**1,620,044**	**2,112,649**	**763,829**
	Prior year:	354,490	257,360	1,552,619	2,164,469	866,709

Statement of Changes in Equity – Consolidated Financial Statements of Deutsche Annington Immobilien GmbH as of December 31, 2004

	Parent company				Minority interests	
	Subscribed capital EUR k	Capital reserve EUR k	Earned consolidated equity EUR k	Equity EUR k	Equity EUR k	Consolidated equity EUR k
Balance as of January 1, 2003	26	0	188,490	188,516	14,477	202,993
Contribution to the capital reserve		15,000		15,000		15,000
Shareholder's waiver of receivables		110,000		110,000		110,000
Dividend payment 2003					-171	-171
Minorities Kiel					24,439	24,439
Consolidated net income for the year			16,656	16,656	336	16,992
Balance as of December 31, 2003	**26**	**125,000**	**205,146**	**330,172**	**39,081**	**369,253**
Balance as of January 1, 2004	26	125,000	205,146	330,172	39,081	369,253
Capital increase	49			49		49
Contribution to the capital reserve		76,745		76,745		76,745
Dividend payment 2004					-24	-24
Acquisition of minority interests Sparda-Banken					-755	-755
Acquisition of minority interests Kiel					-19,564	-19,564
Consolidated net income for the year			30,023	30,023	486	30,509
Balance as of December 31, 2004	**75**	**201,745**	**235,169**	**436,989**	**19,224**	**456,213**

Deutsche Annington Immobilien GmbH
Notes to the Consolidated Financial Statements for Fiscal Year 2004

A. General Disclosures on the Consolidated Financial Statements and Explanations on the Accounting

Deutsche Annington Immobilien GmbH (hereinafter referred to as "DAIG" or the "Company") prepares consolidated financial statements in accordance with German accounting provisions pursuant to Secs. 290 et seq. HGB ["Handelsgesetzbuch": German Commercial Code]. The consolidated financial statements were voluntarily supplemented by a consolidated cash flow statement. The consolidated balance sheet and consolidated income statement are classified in accordance with the form prescribed for housing companies. The consolidated income statement has been prepared according to the cost-summary method. In order to improve the clarity of the financial statements, the items are summarized in the consolidated balance sheet and consolidated income statement and separately disclosed and explained in these notes to the consolidated financial statements.

The classification of the consolidated balance sheet has not changed over the prior year. The sales proceeds and expenses are presented in gross amounts as in the prior year; the corresponding items are "sales from the sale of properties", "net book values of the properties for sale" and "cost of properties for sale".

Business relations with the minority interests Bundeseisenbahnvermögen (BEV) and Sparda-Banken are presented in the notes to the consolidated financial statements; as a result, separate disclosure of the individual balance sheet items is not required.

B. Disclosures on the Group of Consolidated Companies and Investment Holdings

As of year-end, DAIG directly or indirectly held the following majority shareholdings; with the exception of two companies that were not consolidated due to their immateriality, all companies were fully consolidated.

	Equity as of Dec. 31, 2004	Result 2004	DAIG's share of capital stock	Consolidation
	EUR	EUR	%	
SIEGAU, Eisenbahn-Siedlungsgesellschaft Augsburg mbH, Augsburg	21,701,026.92	2,296,987.56	94.902	fully consolidated
Wohnungsgesellschaft Ruhr-Niederrhein mbH, Essen	101,251,488.87	17,551,809.89	94.910	fully consolidated
BWG Frankfurt am Main Bundesbahn-Wohnungsgesellschaft mbH, Frankfurt	76,824,969.90	24,635,527.58	94.901	fully consolidated
Eisenbahn-Wohnungsbau-Gesellschaft Karlsruhe GmbH, Karlsruhe	92,467,392.24	17,520,336.15	94.902	fully consolidated
Bundesbahn-Wohnungsbaugesellschaft Kassel mbH, Kassel	26,431,555.40	1,861,181.17	94.907	fully consolidated
Eisenbahn-Wohnungsbaugesellschaft Köln mbH, Cologne	62,627,335.02	13,651,075.80	94.911	fully consolidated
„Siege" Siedlungsgesellschaft für das Verkehrspersonal mbH, Mainz	57,066,350.86	8,585,509.39	94.940	fully consolidated
Baugesellschaft Bayern mbH, Munich	69,933,330.73	13,383,126.00	94.874	fully consolidated
Eisenbahn-Wohnungsbaugesellschaft Nürnberg GmbH, Nuremberg	49,706,275.11	7,057,416.65	94.907	fully consolidated
Bundesbahn-Wohnungsbaugesellschaft Regensburg mbH, Regensburg	38,746,580.94	5,681,256.50	94.904	fully consolidated
Deutsche Eisenbahn-Wohnungs-Gesellschaft mbH, Leipzig	2,556,459.41	0.00 [1)]	100.000	fully consolidated
Deutsche Annington Service GmbH, Erfurt	48,110.17	0.00 [2)]	100.000	fully consolidated
Deutsche Annington Haus GmbH, Kiel	2,045,167.52	0.00 [3)]	95.798 [5)]	fully consolidated
Deutsche Annington Heimbau Aktiengesellschaft, Kiel	42,679,937.13	7,951,083.95	95.798 [5)]	fully consolidated
HVG-HEIMBAU-Verwaltungsgesellschaft mbH, Kiel	20,790,356.55	0.00 [4)]	100.000 [5)]	fully consolidated
Deutsche Annington Erste Wohnungsbeteiligungs- und Verwaltungs GmbH & Co. KG, Essen	40,275,880.65	-3,949,145.28	100.000 [5)]	fully consolidated
Deutsche Annington Erste Beteiligungsgesellschaft mbH, Essen	13,478.00	-9,704.00	100.000	not consolidated
Deutsche Annington Zweite Wohnungsbeteiligungs- und Verwaltungs GmbH & Co. KG, Essen	7,499,969.08	501,008.37	100.000 [5)]	fully consolidated
Deutsche Annington Zweite Beteiligungsgesellschaft mbH, Essen	13,182.00	-10,271.00	100.000	not consolidated
Deutsche Annington Rhein-Ruhr GmbH & Co. KG, Essen	38,512,257.23	-1,487,742.77	100.000 [5)]	fully consolidated

1) After profit transfer of EUR 3.917.956,23
2) After loss absorption of EUR -199.220,50
3) After profit transfer of EUR 8.025,08
4) After loss absorption of EUR -3.561.270,99
5) Indirect equity investment (share estimated)

C. Consolidation Principles

In capital consolidation, the acquisition cost of the equity investments is offset against the book values of the Group's share in equity pursuant to Sec. 301 (1) Sentence 2 No. 1 HGB; the Heimbau Group was consolidated for the first time according to the purchase method of accounting as of December 31, 2003. Any remaining difference is allocated to assets provided that the book values of the respective assets deviate from their fair value at the time of acquisition. Any remaining debit difference is recognized as goodwill.

Receivables, liabilities, sales, expenses and income between the companies included in the consolidated financial statements are offset.

D. Notes to the Accounting and Valuation Methods

General

The consolidated financial statements combine the individual financial statements of the consolidated group companies in accordance with the housing classification provisions and with due regard to the provisions under German commercial law on consolidation.

If required, the financial statements of the subsidiaries are included following adjustment to uniform accounting and valuation principles stipulated by DAIG.

Accounting Options

Use was made of the accounting option of capitalizing "start-up expenses" in 2001. In this regard, Sec. 248 (1) HGB (prohibition of capitalizing formation costs) and Sec. 269 Sentence 2 HGB were observed. The capitalized expenses will be written off on a straight-line basis at a rate of 25 % from 2002 onward.

Tax deferrals were made pursuant to Sec. 306 HGB for consolidation entries which have an effect on income. Deferred tax liabilities arose due to the fact that the book values for land and buildings at some EWG housing companies as reported in the consolidated financial statements are higher than in the tax balance sheet and due to the release of reserves pursuant to Sec. 6b EStG ["Einkommenssteuergesetz": German Income Tax Act] in the consolidated financial statements. On the other hand, lower book values for land and buildings at a number of EWG housing companies in the consolidated financial statements as against the tax balance sheet and the existing tax losses carried forward would have resulted in considerable deferred tax assets. To remain consistent with the prior year, however, deferred tax assets were only recognized in the amount reported for deferred tax liabilities and were offset against this item.

Intangible Assets

All intangible assets acquired for a consideration (IT software) were carried at acquisition cost and, as in the prior year, amortized on a straight-line basis at a rate of 33.33 %. Goodwill is being amortized over a period of 15 years.

Property, Plant and Equipment

All property, plant and equipment with the exception of technical equipment and furniture and fixtures were revalued within the context of first-time consolidation and are subject to straight-line depreciation over their remaining useful lives. The maximum remaining useful life is 50 years.

Furniture and Fixtures

Furniture and fixtures are written off applying the straight-line depreciation method based on rates of between 10 % and 25 %.

Low-value assets were fully expensed in the year of acquisition and disclosed as disposals in the analysis of consolidated fixed assets.

Financial Assets

Long-term loans were valued on the basis of the nominal value of the residual amount outstanding.

Other financial assets were valued at acquisition cost.

Current Assets

Work in process was carried at the acquisition cost of the allocable operating expenses not yet invoiced. Heating and repair materials were valued at acquisition cost. Heating oil supplies were valued according to the LIFO method.

Receivables and other assets were stated at nominal value. Specific bad debt allowances were made to account for all recognizable risks.

Prepaid Expenses

Discounts are disclosed as prepaid expenses and released over the term of the loans.

Accruals

Pursuant to Sec. 253 (1) HGB, accruals take account of all recognizable risks and contingent liabilities according to prudent business judgment.

Accruals for pensions are valued on the basis of actuarial principles according to the "Teilwertverfahren", a method similar to the "entry age method", pursuant to Sec. 6a EStG using an interest rate of 6 % and the 1998 mortality tables by Dr. K. Heubeck.

Other accruals were recognized for contingent liabilities pursuant to Sec. 249 (1) HGB.

Liabilities

Liabilities are stated at the amount repayable. The residual terms of liabilities are shown on page 32 of the notes to the consolidated financial statements (Schedule of Liabilities).

E. Notes to the Consolidated Balance Sheet

Assets

The development of the individual fixed assets is shown on page 30/31 of the notes to the consolidated financial statements (Analysis of Fixed Assets).

Capitalized start-up expenses relate to money procurement expenses and legal and consulting fees incurred in connection with the commencement of the Group's operations.

The item "land and land rights with residential buildings" comprises the following:

Apartments	Commercial units	Garages	Parking spaces	Other
64,966 *	458	6,580	9,890	1,593

* excluding RWE apartments

Disposals of **"land and land rights with residential buildings"** are mainly due to the success of the current option-to-buy scheme.

Additions to assets are largely attributable to the acquisition of RWE units in Essen and Cologne, however, these units will not be contractually transferred until 2005. As a result, this addition is reported in payments on account. A smaller portfolio in the Hamburg area, which is managed by Deutsche Annington Heimbau AG, was purchased in the fiscal year and is reported under additions to assets.

The item **"work in process"** contains allocable operating and heating expenses yet to be invoiced and **"other inventories"** contain heating oil supplies and repair materials.

Specific bad debt allowances and individual write-downs were made on **"rent receivables"**. Specific bad debt allowances are assessed systematically via the tenants' accounts.

"Receivables from third party-real estate management" are chiefly due from the shareholder BEV for the trust-based management of housing portfolios in the new federal states.

The item **"other assets"** includes a tax refund claim of EUR 725k. This mainly results from the withholding taxes in connection with the distribution of dividends by subsidiaries to the parent company in fiscal year 2004.

Receivables break down as follows:

Receivables	Dec. 31, 2004 Total	Dec. 31, 2003 Total
	EUR k	EUR k
Rent receivables	3,291	1,836
Receivables from third-party real estate management	244	398
Other trade receivables	267	304
Receivables from the sale of properties	140,179	176,739
Receivables from companies in which equity investments are held	393	0
Other assets	24,968	13,188
TOTAL	**169,342**	**192,465**

As in the prior year, there were no receivables due in more than one year as of December 31, 2004.

Equity and Liabilities

Equity

Subscribed capital amounted to EUR 75k as of December 31, 2004 (prior year: EUR 26k).

By shareholder's resolution of June 23, 2004, capital was increased by EUR 24k and the shareholder contributed EUR 6,976k to the capital reserve.

By shareholder's resolution of September 28, 2004, capital was increased by a further EUR 25k and the shareholder contributed EUR 29,769k to the capital reserve.

On December 21, 2004, the shareholder made another contribution of EUR 40,000k to the capital reserve.

Minority interests in income/loss were, as in the prior year, calculated taking into account the contractual restrictions relating to dividend claims of a minority shareholder. The minority interest in income/loss amounts to EUR 486k for fiscal year 2004.

Special Items

The **special item for investment grants and allowances** includes EUR 141k for grants received for investments in the new federal states.

Accruals

As of December 31, 2004, **accruals for pensions** totaled EUR 25,931k. In 2004, EUR 3,081k was added, EUR 2,384k utilized and EUR 823k reversed.

Other accruals break down as follows:

	Dec. 31, 2004	Dec. 31, 2003
	EUR k	EUR k
Decorative repairs	9,018	9,716
Phased retirement	5,636	3,739
Outstanding invoices from real estate management	2,481	2,989
Management bonuses	2,247	1,972
Deferred maintenance	1,538	552
Accrued vacation	934	2,007
Other outstanding invoices	604	848
Audit of financial statements	471	528
Tax advisory services	178	146
Publication	64	57
Employer's liability insurance	48	45
Other	4,976	1,311
TOTAL	**28,195**	**23,910**

Liabilities

The composition of liabilities according to residual term and the securing mortgages are shown on page 32 of the notes to the consolidated financial statements **(Schedule of Liabilities)**.

Liabilities to banks contain a loan of EUR 692,462k (including accrued interest) granted by a banking syndicate under the management of Landesbank Hessen-Thüringen (HeLaBa) and the Reconstruction Loan Company (KfW). The remaining amount relates to numerous mortgage loans taken out in connection with the acquisition and development of land and buildings as part of operations.

Derivatives were concluded to secure medium and long-term liabilities. The fair values of these derivates as of the balance sheet date were as follows:

Bank	Type of derivative	Nominal amount	Fair value as of Dec. 31, 2004
		EUR	EUR
HSBC Trinkaus & Burkhardt	Floor	50,000,000.00	-20,305.04
HSBC Trinkaus & Burkhardt	Cap	50,000,000.00	42.18
HSBC Trinkaus & Burkhardt	FRA	100,000,000.00	-186,290.39
HeLaBa	Cap	50,000,000.00	0.02
HeLaBa	Floor	50,000,000.00	-78,276.97
HeLaBa	Swap	306,775,128.72	-24,380,020.28
Dresdner Bank AG	Floor	50,000,000.00	-189,168.00

The fair values were determined by the respective banks. The derivatives relate to the loan granted by the banking syndicate.

Liabilities to other lenders mainly relate to loans taken out by Bundeseisenbahnvermögen. These funds served to acquire, develop and overhaul land and buildings. In return, the lender was generally granted occupancy rights.

The loan from the parent company, Monterey Capital I S.à.r.l., plus accrued interest is disclosed under **liabilities to shareholders** (EUR 271,325k).

Providing that incidental expenses have not been invoiced, prepayments of operating expenses received from tenants are disclosed under **payments received on account.**

EUR 525k of **other liabilities** relates to tax on investment income payable in 2005 and which corresponds to the tax receivables for tax on investment income disclosed under other assets. EUR 4k (prior year: EUR 32k) relates to liabilities for social security.

Other business relations with the other shareholders exist for the balance sheet items listed below:

Balance sheet item	Book value 2004	Of which from/to the shareholder	Book value 2003	Of which from/to the shareholder
	EUR k	EUR k	EUR k	EUR k
Other financial assets/work in process	84,174		84,997	
of which from Sparda-Bank		0		11
of which from BEV		0		0
Receivables from third-party real estate management	244		398	
of which from Sparda-Bank		14		0
of which from BEV		77		5
Other assets	24,968		13,188	
of which from Sparda-Bank		0		0
of which from BEV		2,088		2,228
Checks, cash on hand and bank balances	66,298		21,243	
of which from Sparda-Bank		105		227
of which from BEV		0		0
Liabilities to banks	1,615,657		1,594,499	
of which from Sparda-Bank		41,712		108,514
of which from BEV		0		0
Liabilities to other lenders	84,820		99,525	
of which from Sparda-Bank		0		0
of which from BEV		39,225		45,424
Other liabilities/payments received on account	110,670		115,838	
of which from-Bank		218		9
of which from BEV		13,163		237

F. Consolidated Income Statement

Maintenance expenses of EUR 61,806k are disclosed under real estate management expenses. Allocable real estate tax of EUR 9,592k is also included in the real estate management expenses.

Other operating expenses include write-downs on rent and operating expenses (EUR 3,719k), IT services (EUR 3,577k) and legal and consulting fees (EUR 2,708k).

EUR 35,271k of interest and similar expenses relates to shareholder loans (prior year: EUR 55,134k).

For information on minority interests in profit/loss, we refer to the disclosures on equity.

G. Other Notes

Trust Assets and Liabilities

Trust assets and liabilities totaling EUR 13,291k result from the trust-based management of properties and rent deposits (prior year: EUR 11,684k).

Unrecognized Obligations

The following unrecognized obligations resulting from rent, leasing and license agreements exist:

Payable in 2005	EUR 2,355k
Payable between 2006 and 2009	EUR 4,131k

The amounts relate to leasing, license and maintenance agreements for IT.

Contingent Liabilities

As of the balance sheet date, a bank guarantee of EUR 56,330.07 had been issued by Dresdner Bank AG, Essen, to secure a rent deposit for offices. Due to possible utilization under bank guarantees, there are contingent liabilities of EUR 10,368k against the subsidiary Deutsche Annington Heimbau AG.

Employees

In fiscal year 2004, an annual average of 59 wage earners and 444 salaried staff were employed (prior year: 61 wage earners and 373 salaried employees).

Remuneration of Executive Bodies

Pursuant to Sec. 314 (1) No. 6 a) and b) HGB, the Company has elected not to disclose management remuneration pursuant to Sec. 286 (4) HGB.

Management

Dr. Volker Riebel	*Chairman*
David Pascall CBE	*General manager*
Dr. Ludwig Söhngen (since December 9, 2004)	*General manager*
Uwe Michalowski (since April 6, 2005)	*General manager*

Members of the Supervisory Board

Guy Hands (Chairman)	*Chief Executive Officer TFCP*
Fraser Duncan (Vice Chairman)	*Executive Vice President TFCP*
Sir Thomas McPherson	*Chairman of Annington UK*

Consolidated Financial Statements

The company which prepares the consolidated financial statements for the largest group of companies is Monterey Capital I S.à.r.l., Luxembourg. The company which prepares the consolidated financial statements for the smallest group of companies is Deutsche Annington Immobilien GmbH, Düsseldorf. The consolidated financial statements are available in Düsseldorf. Deutsche Annington Immobilien GmbH is registered under HRB No. 41246 in the Düsseldorf commercial register.

Düsseldorf, April 8, 2005

Deutsche Annington Immobilien GmbH

The Management

H. Audit Opinion

We have audited the consolidated financial statements and the group management report prepared by Deutsche Annington Immobilien GmbH, Düsseldorf, for the fiscal year from January 1 to December 31, 2004. The preparation of the consolidated financial statements and group management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with [German] principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with [German] principles of proper accounting. On the whole, the group management report provides a suitable understanding of the Group's position and suitably presents the risks to future development.

Eschborn/Frankfurt am Main, April 8, 2005

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Völker	Enzenhofer
Wirtschaftsprüfer	Wirtschaftsprüfer

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