

January 1 – September 30, 2006 INTERIM REPORT



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For the Deutsche Wohnen Group, 2006 consists of two short fiscal years. The first short fiscal year ended on June 30, 2006. The before- and after-tax figures reported in the consolidated income statement are therefore based on the results of operations for a three-month period and are not comparable with the prior-year results as of September 30, i.e. a nine-month period.

For this reason, the statements made in this interim report relate to the nine-month period from January 1 to September 30, 2006, i.e. including the first short fiscal year 2006. This allows comparisons to be made with the nine-month results for the previous year and earlier fiscal years.





## SUMMARY

- | Profit before and after tax of EUR 7.0 million and EUR 5.5 million respectively, representing a sharp year-on-year rise (67% and 90% respectively) after adjustment for one-time tax factors.
- | EBIT up approximately 5% year-on-year at EUR 24.6 million (EBITDA down a slight 3% as against 2005).
- | At EUR 35.4 million, residential property management generates an almost constant segment result year-on-year; drop in rental income of approximately 4% due to privatization.
- | Housing Privatization improves substantially year-on-year. Segment result up approximately 91% as against the previous year to EUR 6.1 million.
- | Net finance costs reduced by a substantial EUR 2.2 million year-on-year to EUR 17.1 million, due to optimized loan management.
- | Increased administrative and employee expenses due to the deconsolidation of Deutsche Wohnen from Deutsche Bank Group and to preparations for growth.

## RESULTS AND CORE DATA

### | Residential Property Management

Total estimated rental income and actual rental income (EUR 63.0 million and EUR 57.9 million respectively) declined by 4% and 3.7% respectively (prior-year period: EUR 65.6 million and EUR 60.1 million) due to housing sales. This effect was almost fully offset by a decline in the depreciation and amortization expense, which totaled EUR 10.6 million (previous year: EUR 12.9 million). The segment result for residential property management, at EUR 35.4 million, thus remained almost constant (previous year: EUR 35.7 million).

### | Housing Privatization

565 housing sales were reported on the balance sheet in the period up to September 30, 2006. This represents an increase of approximately 44% as against the previous year (393 sales). A total of 739 sales were recorded in the period up to September 30, 2006. At EUR 1,011 per m<sup>2</sup>, the average selling price for the privatizations reported on the balance sheet also increased year-on-year (previous year: EUR 941 per m<sup>2</sup>). This led to a substantial increase in sales

proceeds for the core portfolio to EUR 31.2 million (previous year: EUR 24.8 million), plus book gains of EUR 13.2 million (previous year: EUR 9.7 million). With selling expenses rising only slightly, the Housing Privatization segment result improved to EUR 6.1 million (previous year: EUR 3.2 million), a rise of almost 100%.

### | Other core Group data

Employee and administrative expenses for the first nine months of 2006 amounted to EUR 16.9 million after adjustment for other income (thereof employee expenses: EUR 12.9 million). This represents an increase of EUR 1.6 million as against the prior-year period (EUR 15.3 million). The rise is primarily the result of one-time expenses relating to the deconsolidation of Deutsche Wohnen from Deutsche Bank Group (total: EUR 1.2 million) and to preparations for growth.



Thanks to the redemption and restructuring of loans in 2005, consolidated interest expenses declined by EUR 2.3 million, from EUR 20.9 million to EUR 18.6 million. As a result, net finance costs improved by EUR 2.3 million, from EUR 19.4 million to EUR 17.1 million.

Consolidated EBIT increased by EUR 1.1 million to EUR 24.6 million. By contrast, EBITDA declined by EUR 1.2 million to EUR 35.2 million due to a decline in depreciation and amortization expense.

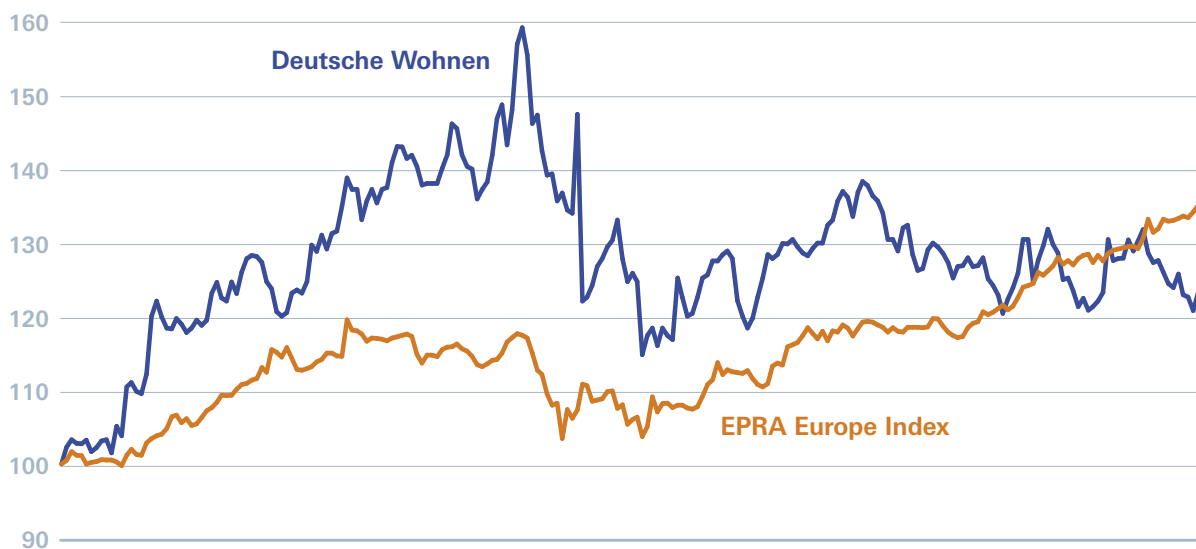
Thanks to the operating performance outlined above, profit before tax improved by 67% to EUR 7.0 million (previous year: EUR 4.2 million).

Income tax expense on operating activities amounted to EUR 1.5 million (previous year: EUR 1.3 million). This again shows the positive effects of the tax optimization measures implemented in the previous year.

The Deutsche Wohnen Group generated profit after tax of EUR 5.5 million between January 1 and September 30, 2006. This represents an increase of approximately 90% over the prior-year figure of EUR 2.9 million after adjustment for one-time tax effects (unadjusted loss after tax as of September 30, 2005: EUR 6.6 million).

## Share price performance, January 1 to November 17, 2006

(indexed representation, basis = 100)



### Deutsche Wohnen shares

At present (as of November 2006), 95% of all 20 million outstanding shares have been converted from registered shares to bearer shares (the conversion process is continuing). Since July 2006, Deutsche Wohnen AG's bearer and registered shares have been listed on the stock exchange. The liquidity of the bearer shares, which have been included in the SDAX since mid-September 2006, is considerably higher than the stock exchange liquidity of the remaining registered shares.

Deutsche Wohnen's share price rose by approximately 18% in the period from January to mid-November 2006. A slight correction was experienced in mid-year, in line with the capital market. Since September of this year, the share price has fluctuated between EUR 46 and EUR 51 per share. The share price was undoubtedly influenced by the prospects of substantial growth in the form of portfolio acquisitions about which Deutsche Wohnen has informed the capital markets, as well as the IPOs of other residential property companies.

The General Meeting on August 10, 2006 resolved a share split of 1 for 5; this was implemented in October 2006.



## | Outlook

In the course of the current fiscal year 2006, Deutsche Wohnen acquired approximately 1,000 residential units in Hanau, Mannheim and Kandel (transfer of title by the end of 2006). These units, which are located in the area covered by the core Rhine-Main/Rhineland-Palatinate portfolio, will be integrated with Deutsche Wohnen's existing property management and privatization strategies. The stocks offers potentials for enhancement, which can be leveraged over relatively limited periods of time given reasonable purchase prices.

From an operational perspective, profit before tax of approximately EUR 20 million and profit after tax of approximately EUR 17 million are forecast for the 12-month period ending at the end of 2006.

In the course of fiscal year 2007, the Management Board of Deutsche Wohnen is planning substantial

portfolio acquisitions. The financial preconditions for this exist in view of the Company's low level of gearing (loan to value ratio currently 40%) and a number of options for capital increases. Reasonable purchase prices and the ability to add value in the area of residential property management can then help improve the Group's Net Asset Value.

The maxim for the Management Board of Deutsche Wohnen is: profitability before quantity. Overhasty and too expensive acquisitions would bring, that the expectations of the capital market to Deutsche Wohnen regarding Net Asset Value and an internal rate of return between 8% and 15% (after tax on basis of a 75% leverage) could not be fulfilled.

Nevertheless basing on current economic developments there are positive impulses for the residential property market. Deutsche Wohnen will adjust acquisitions behavior to this also.





## KEY FIGURES AS OF SEPTEMBER 30, 2006

	Jan 1 – Sept 30, 2006	Jan 1 – Sept 30, 2005	Jan 1 – Dec 31, 2005
<b>Consolidated Income Statement</b>			
Profit before tax (EUR m)	7.0	4.2	17.0
Profit after tax (EUR m)	5.5	2.9*	16.0
EBIT (EUR m)	24.6	23.5	39.4
EBITDA (EUR m)	35.2	36.4	56.8
Gross operating cash flow (EUR m)	35.1	21.7	78.2
* not including adjustment for one-time effects of EUR –6.6 million			
<b>Housing Privatization</b>			
Number of housing units sold in the reporting period reported on the balance sheet (in units)	565	393	1,177
Average selling price of reported sales from the Rhine-Main/Rhineland-Palatinate core portfolio (EUR per m <sup>2</sup> )	1,011	941	1,009
Book gains from the sale of investment property (EUR m)	13.2	9.7	36.4
Selling and pre-sale expenses (EUR m)	4.2	4.0	6.2
Gross profit from sales (EUR m)	6.1	3.2	29.9
<b>Residential Property Management</b>			
Residential stock (in units)	21,247	22,378	21,780
Total residential space (in millions of m <sup>2</sup> )	1.35	1.43	1.39
Revenue from estimated rent (EUR m)*	63.0	65.6	89.1
Revenue from estimated rent (EUR per m <sup>2</sup> )*	4.97	4.95	5.01
Revenue from actual rent (EUR m)*	57.9	60.1	81.0
Maintenance expenses (EUR m)*	– 12.8	– 12.3	–17.5
Maintenance expenses (EUR per m <sup>2</sup> )*	9.63	8.87	13.80
Gross profit from residential property management (EUR m)*	35.4	35.7	41.4
* not including North Hessen portfolio (acquired in 2004)			

CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2006

Assets in EUR	Sept 30, 2006	Sept 30, 2005	Dec 31, 2005
<b>A. Noncurrent assets</b>			
I. Investment property	791,253,053.44	835,030,016.69	816,699,039.23
II. Property, plant and equipment	4,140,253.24	4,407,774.66	4,235,153.45
III. Intangible assets	212,465.00	59,105.00	48,646.00
IV. Noncurrent financial assets	24,007,365.55	19,880,820.90	23,627,737.80
V. Noncurrent receivables and other noncurrent assets	2,478,943.95	2,005,695.67	2,168,219.04
VI. Deferred tax assets	40,417,000.00	40,849,000.00	40,840,000.00
<b>Total noncurrent assets</b>	<b>862,509,081.18</b>	<b>902,232,412.92</b>	<b>887,618,795.52</b>
<b>B. Current assets</b>			
I. Properties held for sale and other inventories			
a) Land without buildings	2,479,658.26	3,009,349.10	2,636,372.66
b) Land with finished buildings	6,933,994.86	8,689,330.69	7,732,095.47
c) Work in progress, other inventories	31,893,142.03	35,872,582.46	24,707,927.79
	<b>41,306,795.15</b>	<b>47,571,262.25</b>	<b>35,076,395.92</b>
II. Current receivables and other current assets			
a) Receivables from rental activities	3,959,698.21	1,489,864.85	4,315,194.43
b) Receivables from property sales	3,344,254.49	3,308,201.30	13,626,804.40
c) Current tax receivables	1,747,107.18	1,987,155.00	1,673,543.08
d) Current receivables and other current assets	17,173,860.47	16,671,342.86	12,320,313.85
e) Derivatives	6,070,000.00	5,272,500.00	5,713,000.00
	<b>32,294,920.35</b>	<b>28,729,064.01</b>	<b>37,648,855.76</b>
III. Cash and bank balances	23,592,028.74	51,960,805.76	47,202,985.07
<b>C. Noncurrent assets held for sale</b>	<b>8,861,839.81</b>	<b>10,491,360.00</b>	<b>5,961,958.41</b>
<b>Total current assets</b>	<b>106,055,584.05</b>	<b>138,752,492.02</b>	<b>125,890,195.16</b>
<b>Total assets</b>	<b>968,564,665.23</b>	<b>1,040,984,904.94</b>	<b>1,013,508,990.68</b>

<b>Equity and Liabilities in EUR</b>	<b>Sept 30, 2006</b>	<b>Sept 30, 2005</b>	<b>Dec 31, 2005</b>
<b>A. Equity</b>			
I. Subscribed capital	20,000,000.00	10,225,837.62	10,225,837.62
II. Capital reserves	197,278,172.79	274,552,273.71	228,340,307.30
III. Retained earnings	29,641,084.21	29,764,654.58	29,446,466.21
IV. Consolidated net retained profits	140,606,551.04	79,484,910.75	148,455,965.62
V. Minority interests	0.00	307,496.60	390,543.36
<b>Total equity</b>	<b>387,525,808.04</b>	<b>394,335,173.26</b>	<b>416,859,120.11</b>
<b>B. Noncurrent liabilities</b>			
I. Bank loans and overdrafts	406,418,728.55	421,198,703.12	410,333,959.34
II. Liabilities to other lenders	19,645,542.78	43,291,381.63	27,526,020.27
III. Post-employment benefit obligation	5,124,926.73	5,309,868.95	5,354,675.00
IV. Other noncurrent provisions	4,129,487.07	4,491,175.28	4,343,507.45
V. Other noncurrent liabilities	5,341,389.79	5,300,539.70	5,349,399.27
VI. Deferred tax liabilities	2,190,000.00	2,233,000.00	2,278,000.00
VII. Deferred income	35,818,259.81	37,308,545.64	36,933,376.76
<b>Total noncurrent liabilities</b>	<b>478,668,334.72</b>	<b>519,133,214.32</b>	<b>492,118,938.09</b>
<b>C. Current liabilities</b>			
I. Bank loans and overdrafts	7,922,987.52	14,310,946.56	16,143,663.27
II. Liabilities to other lenders	1,712,674.33	3,080,889.47	2,045,507.41
III. Provisions for taxes; current tax liabilities	5,489,522.54	17,427,996.42	6,029,484.11
IV. Other current provisions	8,807,874.98	6,797,462.47	9,631,136.10
V. Prepayments received	41,094,134.37	54,831,432.05	30,186,651.70
VI. Liabilities from rental activities	7,791,074.25	11,387,367.96	11,289,212.83
VII. Trade payables and other liabilities	22,348,254.48	11,254,672.43	22,690,277.06
VIII. Derivatives	7,204,000.00	8,425,750.00	6,515,000.00
<b>Total current liabilities</b>	<b>102,370,522.47</b>	<b>127,516,517.36</b>	<b>104,530,932.48</b>
<b>Total equity and liabilities</b>	<b>968,564,665.23</b>	<b>1,040,984,904.94</b>	<b>1,013,508,990.68</b>

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM JULY 1 TO SEPTEMBER 30, 2006

In EUR	July 1 – Sept 30, 2006	July 1 – Sept 30, 2006
1. Revenue		
a) from property management	25,858,440.86	
b) from property sales	1,063,888.00	
c) from management activities	557,939.42	
d) from other services	10,884.68	
		27,491,152.96
2. Changes in inventories		1,149,983.05
3. Other operating income		6,589,074.27
4. Cost of purchased services		
a) Property management	12,520,773.86	
b) Property sales	646,063.27	
c) Other services	0.00	
		13,166,837.13
<b>Gross profit</b>		<b>22,063,373.15</b>
5. Employee expenses		3,889,876.16
6. Depreciation, amortization and impairment losses		3,466,973.23
7. Other operating expenses		4,358,774.92
8. Income from financial assets	158,920.31	
9. Other interest and similar income	220,464.03	
10. Impairment losses on financial assets	0.00	
11. Interest and similar expenses	6,194,713.42	
<b>12. Net finance costs</b>		<b>-5,815,329.08</b>
13. Gains and losses on financial derivatives <i>(loss; previous year: gain)</i>		165,000.00
<b>14. Profit before tax</b>		<b>4,367,419.77</b>
15. Income tax expense <i>(expense; previous year: income)</i>		574,900.00
16. Other taxes		16,202.25
<b>17. Consolidated profit for the year</b>		<b>3,776,317.52</b>
Attributable to:		
Shareholders of the parent		3,776,317.52
Minority interests		0.00
Earnings per share		0.19

Jan 1 – Dec 31, 2005	Jan 1 – Sep 30, 2005	Jan 1 – Sep 30, 2005
110,440,760.32	72,499,836.74	
3,290,009.00	1,050,400.00	
2,058,148.51	1,422,977.15	
117,219.29	101,933.84	
115,906,137.12		75,075,207.73
-1,267,506.03		10,273,712.02
44,276,266.06		13,854,359.75
49,857,080.95	37,482,736.20	
1,907,621.06	551,901.79	
0.00	0.00	
51,764,702.01		38,034,637.99
<b>107,150,195.14</b>		<b>61,168,641.51</b>
16,793,200.31		12,118,817.46
17,423,248.24		13,021,027.42
33,486,780.40		12,557,586.55
646,683.74	486,634.80	
5,105,890.03	1,093,560.80	
795,387.66	15,493.90	
29,945,911.28	20,936,699.81	
<b>-24,988,725.17</b>		<b>-19,371,998.11</b>
2,493,000.00		141,750.00
<b>16,951,241.02</b>		<b>4,240,961.97</b>
11,896,433.60		3,063,508.64
12,879,865.28		13,875,172.39
<b>15,967,809.34</b>		<b>-6,570,701.78</b>
15,891,655.22		-6,588,797.26
76,154.12		18,095.48
0.79		-0.33

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In EUR	Subscribed capital	Capital reserves	Other retained earnings	SORIE
<b>Balance at Jan. 1, 2005 in accordance with IFRSs</b>	<b>10,225,837.62</b>	<b>274,612,130.35</b>	<b>28,836,089.45</b>	<b>-320,936.00</b>
Distributions				
Consolidated profit for the year				
Change from repurchase of shares		- 59,856.64		
Withdrawals		- 46,211,966.41		
Appropriations				
Adjustment from pensions				- 91,271.00
Other changes				
<b>Balance at Dec. 31, 2005 in accordance with IFRSs</b>	<b>10,225,837.62</b>	<b>228,340,307.30</b>	<b>28,836,089.45</b>	<b>-412,207.00</b>
Distributions				
Consolidated profit for the year				
Change from repurchase of shares		380,543.36		
Withdrawals		- 21,668,291.09		
Appropriations				
Adjustment from pensions			0.00	107,412.00
Other changes				
<b>Balance at June 30, 2006 in accordance with IFRSs</b>	<b>10,225,837.62</b>	<b>207,052,559.57</b>	<b>28,836,089.45</b>	<b>- 304,795.00</b>
Distributions				
Consolidated profit for the year				
Change from repurchase of shares		- 224.40		
Withdrawals		- 9,774,162.38		
Appropriations	9,774,162.38			
Adjustment from pensions				87,206.00
Other changes				
<b>Balance at Sept. 30, 2006 in accordance with IFRSs</b>	<b>20,000,000.00</b>	<b>197,278,172.79</b>	<b>28,836,089.45</b>	<b>-217,589.00</b>

Statutory retained earnings	Consolidated net retained profits	Subtotal	Minority interests	Total
<b>1,022,583.76</b>	<b>121,351,930.11</b>	<b>435,727,635.29</b>	<b>385,774.25</b>	<b>436,113,409.54</b>
	- 35,000,000.00	- 35,000,000.00		- 35,000,000.00
	15,891,655.22	15,891,655.22	76,154.12	15,967,809.34
		- 59,856.64	- 69,879.53	- 129,736.17
		- 46,211,966.41		- 46,211,966.41
	46,211,966.41	46,211,966.41		46,211,966.41
				- 91,271.00
	413.88	413.88	- 1,505.48	- 1,091.60
<b>1,022,583.76</b>	<b>148,455,965.62</b>	<b>416,468,576.75</b>	<b>390,543.36</b>	<b>416,859,120.11</b>
		0.00		0.00
	1,705,976.81	1,705,976.81	0.00	1,705,976.81
		380,543.36	- 380,543.36	0.00
		- 21,668,291.09		- 21,668,291.09
	21,668,291.09	21,668,291.09		21,668,291.09
		107,412.00		107,412.00
		0.00		0.00
<b>1,022,583.76</b>	<b>171,830,233.52</b>	<b>418,662,508.92</b>	<b>10,000.00</b>	<b>418,672,508.92</b>
	- 35,000,000.00	- 35,000,000.00		- 35,000,000.00
	3,776,317.52	3,776,317.52	0.00	3,776,317.52
		- 224.40	0.00	- 224.40
		- 9,774,162.38		- 9,774,162.38
		9,774,162.38		9,774,162.38
		87,206.00		87,206.00
		0.00		0.00
<b>1,022,583.76</b>	<b>140,606,551.04</b>	<b>387,525,808.04</b>	<b>10,000.00</b>	<b>387,535,808.04</b>

## CASH FLOW STATEMENT FOR THE PERIOD FROM JULY 1 TO SEPTEMBER 30, 2006

In EUR thou.	July 1 – Sep 30, 2006	July 1 – Sep 30, 2005
1. Consolidated profit (including minority interests) before interest paid and received and income taxes (insofar as recognized in the income statement for the reporting period)	13,164	12,061
2. Depreciation and amortization expense	3,712	5,696
3. Increase/decrease (–) in provisions	–3,901	–911
4. Net gains (–)/losses on disposal of investment property	–5,680	–6,737
5. Interest paid(–)/received incl. previous year’s deferred interest	–2,075	–11,045
6. Income taxes paid(–)/received	–575	65
7. Increase(–)/decrease in deferred taxes	0	0
8. Increase(–)/decrease in inventories, trade receivables, derivatives and other assets that are not attributable to investing or financing activities	–960	10,585
9. Increase/decrease (–) in trade payables, derivatives and other liabilities that are not attributable to investing or financing activities	–7,733	–9,324
10. Change in other balance sheet items	88	–29
<b>11. Cash flows from operating activities</b>	<b>–3,960</b>	<b>361</b>



<b>In EUR thou.</b>	<b>July 1 – Sep 30, 2006</b>	<b>July 1 – Sep 30, 2005</b>
12. Proceeds from disposal of investment property	12,484	13,789
13. Payments to acquire investment property	– 2,019	– 1,386
14. Payments to acquire intangible assets	0	0
15. Proceeds from disposal of financial assets and capital repayments	0	0
16. Payments to acquire minority interests in consolidated companies	0	–1
17. Payments to acquire subsidiaries (purchase price)	0	0
18. Cash acquired with subsidiaries purchased	0	0
19. Payments to acquire financial assets	0	0
<b>20. Cash flows from investing activities/housing sales</b>	<b>10,465</b>	<b>12,402</b>
21. Payments to owners (dividend)	– 35,000	– 35,000
22. Proceeds from issuance of loans	0	0
23. Repayments of loans	– 2,269	– 5,137
<b>24. Cash flows from financing activities</b>	<b>– 37,269</b>	<b>– 40,137</b>
<b>25. Net change in cash and cash equivalents</b>	<b>– 30,764</b>	<b>– 27,374</b>
26. Cash and cash equivalents at beginning of period	54,356	79,334
<b>27. Cash and cash equivalents at end of period</b>	<b>23,592</b>	<b>51,960</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of the Deutsche Wohnen Group as of September 30, 2006 were prepared 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 Group's results of operations for the period from July 1 to September 30, 2006.

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 November 2006)

Andreas Lehner (Chairman)  
Michael Neubürger

### SUPERVISORY BOARD

(as of November 2006)

Helmut Ullrich (Chairman)  
Dr. Andreas Kretschmer (Deputy Chairman)  
Jens Bernhardt  
Matthias Hünlein  
Hans-Werner Jacob  
Dr. Florian Stetter

### FINANCIAL CALENDAR

November 28, 2006	Publication of the Interim Report as of September 30, 2006
November 29, 2006	UBS Conference in London
December 7, 2006	General Meeting in Frankfurt
December 8, 2006	Dividend payment for the short fiscal year January 1 to June 30, 2006
December 13, 2006	Sal. Oppenheim Conference in New York



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## ACKNOWLEDGEMENTS

| **Published by**

Deutsche Wohnen AG

| **Design and Production**

von Oertzen GmbH & Co. KG

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