PROSPECTUS
DATED NOVEMBER 14, 2011

NOT FOR DISTRIBUTION IN THE
UNITED STATES OF AMERICA

Prospectus

for the public offering

in Germany and Luxembourg

of

20,460,000 new ordinary bearer shares with no par value (no par value bearer shares) from the capital increase against contribution in cash resolved by the management board on November 14, 2011, approved by the supervisory board on the same day, utilizing the authorized capital resolved by the ordinary meeting of the shareholders on May 31, 2011 with subscription rights for existing shareholders of Deutsche Wohnen AG

and

for admission to the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange

of

up to 20,460,000 new ordinary bearer shares with no par value (no par value bearer shares) from the above mentioned capital increase

— each such share representing a notional value of €1.00
and full dividend entitlement from, and including, the fiscal year starting January 1, 2011 —

of

Deutsche Wohnen AG

Frankfurt am Main, Germany

Subscription price: to be determined

International Securities Identification Number (ISIN) (bearer shares): DE000A0HN5C6

German Securities Code (Wertpapierkennnummer) WKN (bearer shares): A0HN5C

Trading Symbol (bearer shares): DWNI

Joint Global Coordinators & Joint Bookrunners

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SUMMARY

*The following summary is intended to be read as an introduction to this Prospectus (the "**Prospectus**"). It summarizes information contained in this Prospectus and is supplemented by more detailed information contained elsewhere in this Prospectus. Investors should base their investment decision with respect to the shares of Deutsche Wohnen AG described herein on an examination of the entire Prospectus given the considerably more detailed information in other parts of the Prospectus.*

*Deutsche Wohnen AG, Frankfurt am Main, Germany (the "**Company**," and together with its subsidiaries, "**we**," "**our Group**," "**Deutsche Wohnen**" or the "**Deutsche Wohnen Group**"), along with Credit Suisse Securities (Europe) Limited, London, United Kingdom ("**Credit Suisse**"), Morgan Stanley Bank AG, Frankfurt am Main, Germany ("**Morgan Stanley**") and UBS Limited, London, United Kingdom ("**UBS**," and, together with Credit Suisse and Morgan Stanley, the "**Joint Global Coordinators**" or "**Joint Bookrunners**"), assume responsibility for the content of this summary and its translation pursuant to Section 5(2) Sentence 3, No. 4 of the German Securities Prospectus Act (Wertpapierprospektgesetz). They can be held liable for this summary's content, but only if it is misleading, inaccurate or contradictory when read in conjunction with the other parts of this Prospectus. If an investor files claims in court on the basis of the information contained in this Prospectus, the plaintiff investor may be required by the laws of the individual member states of the European Economic Area ("**EEA**") to bear the cost of translating the Prospectus before the proceedings begin.*

Summary of the Business of Deutsche Wohnen

Deutsche Wohnen is one of Germany's largest publicly traded residential real estate companies, measured in terms of both market capitalization of approximately €875 million as of October 31, 2011 (based on XETRA closing price) and entire portfolio value (including residential and commercial properties, as well as nursing and assisted living facilities) of €2.9 billion as of September 30, 2011. We are active in residential property management, including, in particular, the letting of our own residential units and the management of our residential portfolio, as well as sales of selected residential units. We also operate nursing homes and assisted living units for elderly people through an indirect subsidiary. Our investment strategy focuses on residential real estate in German metropolitan areas ("**German Metropolitan Areas**"), currently mainly in two of the top five most populated German Metropolitan Areas: Berlin/Brandenburg and Frankfurt/Rhine-Main.

As of September 30, 2011, our total residential portfolio consisted of approximately 49,700 residential units with a total residential floor area of 3.0 million square meters (based on the residential floor area listed in the rental contracts). Also as of September 30, 2011, the current monthly in-place rent of our total residential portfolio amounted to €5.51 per square meter, the average unit size was 61 square meters, and the vacancy rate was 2.9%. In addition to residential properties, as of September 30, 2011 our total portfolio included 448 commercial units with floor space totaling 80 thousand square meters (based on the commercial floor space listed in the rental contracts), and a total of 14 nursing and assisted living facilities (10 nursing care facilities, three assisted living facilities and one combined facility). These facilities provide space for 1,134 nursing care residents and 215 apartments for assisted living. Of the 14 facilities, two are not owned by us. On September 30, 2011, we had a total staff of 1,233 employees, 895 of whom worked in the Nursing and Assisted Living segment.

For purposes of the property appraisal report from the independent appraiser CB Richard Ellis GmbH (the "**Property Appraisal Report**"), the facilities for nursing care and assisted living owned by us were grouped into a total of ten nursing and assisted living facilities. According to the Property Appraisal Report, the total market value (IAS 40) of our entire real estate portfolio (including residential and commercial properties, as well as nursing and assisted living facilities), was €2,794 million as of June 30, 2011. As of the same reporting date, we valued our entire real estate portfolio at €2,781 million (September 30, 2011: €2,856 million) (including residential and commercial properties, as well as nursing and assisted living facilities) and, as of June 30, 2011, additionally €66 million for a portfolio acquired in 2011, which holds properties for sale (IAS 2).

In our total residential portfolio we distinguish between properties located in "core regions" (*Kernregionen*) and in "disposal regions" (*Verkaufsregionen*):

- As of September 30, 2011, 92% of the units in our residential property was located in core regions. These are regions that demonstrate a positive dynamic market development and, hence, in which we believe there is an upside potential in the letting business as well as a positive market environment for disposals (*i.e.*, single-unit sales, which we also call "privatizations"). The current focus of our business is on two of the top five most populated German Metropolitan Areas: Berlin/Brandenburg and Frankfurt/Rhine-Main.

The core regions in which we operate can be further subdivided into (i) Greater Berlin, (ii) Frankfurt/Main, (iii) Rhine-Main, (iv) Rhine Valley North, and (v) Rhine Valley South. Our residential portfolio in these core regions includes both units belonging to our letting portfolio and units belonging to our privatization portfolio (*i.e.*, our portfolio for single-unit sales (privatizations)).

- We define disposal regions as geographic regions that are stagnating or show a negative market trend. These are mainly located in rural areas in Rhineland-Palatinate and Brandenburg. The disposal regions in our residential portfolio are further subdivided into two clusters: "portfolio adjustment" and "other disposal holdings." Residential holdings within the "portfolio adjustment" cluster generally are characterized by properties being in below-average condition or having a less-attractive location. As of September 30, 2011, the number of units in the "portfolio adjustment" cluster was 1,990, or approximately 4% of our total residential portfolio. Residential holdings within the "other disposal holdings" cluster are those that are less affected by such structural issues, but nevertheless generally do not fit into our business and portfolio strategy.

Our strategy is based on active asset and portfolio management focusing on long-term real estate value creation. For the upcoming years, we intend to pursue a growth strategy, which is based on selective investments focused on portfolios in attractive metropolitan areas and value enhancing capex measures. Acquisitions can either lead to a swift increase in funds from operations ("**FFO**") per share or offer the opportunity to undertake asset management or asset repositioning initiatives that are expected to lead to an increase in FFO per share and/or the net asset value according to the definition recommended by the European Public Real Estate Association ("**EPRA NAV**") per share over time. The Company's management believes that the German residential real estate market also offers attractive investment opportunities beyond traditional asset/portfolio acquisitions as the Company actively demonstrated via the corporate acquisition of GEHAG GmbH ("**GEHAG**" and, together with its subsidiaries, the "**GEHAG Group**") in August 2007. As such, we will, on an ongoing basis, consider the acquisition of assets and indirect residential investments with asset and portfolio management potential (*i.e.*, for vacancy reduction, rent increase) in order to maximize long-term shareholder value creation.

We have established our organizational structure alongside the growth strategy referred to above and have divided it into three segments:

- Residential Property Management;
- Disposals (comprising block sales and single-unit sales (privatizations)); and
- Nursing and Assisted Living.

The Residential Property Management segment is the centerpiece and focus of our business. It includes all activities relating to residential property management, lease management and tenant assistance. Our strategic goal in this segment is to maintain and optimize our FFO (without disposals). We aim to accomplish this by focusing on (i) realization of existing rent increase potential, (ii) vacancy reduction by maintaining and increasing the attractiveness of our total residential portfolio through focused investments (*e.g.*, by maintaining and modernizing our rental stock), (iii) ensuring efficient management of our residential properties through an ongoing review of possible management alternatives in the regional property groupings or clusters, and (iv) acquiring and integrating new portfolios. We have demonstrated over the last three years that by focusing our residential portfolio on core regions and continually optimizing our residential portfolio we can generate organic growth and hence improve our FFO (without disposals).

The Disposals segment includes all activities relating to the sale of residential units, buildings and land. Our residential holdings intended for sale can be divided into block sales and single-unit sales (privatizations). The residential portfolio for block sales comprises residential units in our disposal regions that no longer fit our business strategy. Some units in these locations are part of our residential portfolio because they were acquired as part of larger portfolio acquisitions. These mainly include residential units and buildings in rural areas and single buildings in and outside of the core regions (known as "scattered holdings"). Generally, the majority of these properties are sold to institutional investors, at or above fair value, although, at times, below fair value in order to focus on the residential portfolio in our core regions. For single-unit sales (privatizations), our objective is to sell predominantly to owner-occupants, at prices exceeding their fair value. All sales of residential units are intended to optimize and consolidate our total residential portfolio and occur on an ongoing, but staggered basis.

Our Nursing and Assisted Living segment manages and markets nursing and residential care facilities for elderly people, the vast majority of which we own, under the KATHARINENHOF® brand. These facilities provide full inpatient care with the aim of promoting an active lifestyle for nursing care patients while preserving their independence as much as possible. Our assisted living facilities provide elderly people with rental apartments along with an extensive range of services tailored to their needs.

Summary of the Competitive Strengths and Strategy of Deutsche Wohnen

Summary of our Competitive Strengths

Based on the size and quality of our total residential portfolio, the focus on strong-performing German Metropolitan Areas, and the quality of our real estate platform with highly trained and qualified employees, we believe that we are favorably positioned (i) to participate in growth in the key German Metropolitan Areas (mainly in Berlin/Brandenburg and Frankfurt/Rhine-Main) to extract sustained value growth from our existing total residential portfolio, and (ii) to be in a position to grow the Company further via selective value enhancing portfolio acquisitions.

We believe that the following competitive strengths have been the primary drivers of our past success and will continue to set us apart from our competitors in the future:

- Exposure to attractive German residential properties as a resilient investment class;
- Attractive, well-maintained residential portfolio with strong rental income development in two of the top five most populated German Metropolitan Areas (Berlin/Brandenburg and Frankfurt/Rhine-Main);
- Proven asset and portfolio management track record as basis for continuous operational performance improvements;
- Strong portfolio acquisition capabilities with access to various potential sellers of residential property portfolios and corporate residential platforms;
- Proven platform integration excellence, as shown subsequent to the GEHAG acquisition in 2007;
- Highly experienced management team with longstanding real estate experience as basis for the Company's strategy;
- Solid balance sheet and ability to access sustainable financing sources; and
- Strong acquisition pipeline for residential property portfolios.

Exposure to attractive German residential properties as a resilient investment class

Our business activities are entirely located in Germany with a diversified rental income from more than 50,000 individual tenants across attractive German Metropolitan Areas and benefit from both our regional focus on Germany and our residential property portfolio as a resilient investment class.

In comparison to residential real estate in other European countries, residential real estate in Germany has been more resilient to recession and economically adverse conditions. Between 2007 and 2010, house price growth p.a. in nominal terms was recorded between +0.6% and +2.3% (CAGR 0.9%) for Germany whereas UK prices moved with a growth rate of between -7.8% and +10.9% (CAGR -0.5%); France -7.1% to +6.6% (CAGR 0.0%); Italy -3.7% to +5.2% (CAGR -0.7%) (Data only available for 2007-2009) (Source: OECD Economic Outlook No. 89). Especially well-located residential real estate in Germany has proven to be among the most resilient investments. As such, Germany has experienced only limited movements in real estate valuations compared to other European countries in the past, in particular with regards to residential property portfolios. This is partially based on favorable market trends such as the increased attractiveness of and the significant migration towards large cities within Germany (resulting in an above average population growth in these areas). Other factors that influence the favourable valuation of residential real estate in Germany and that lead to growing demand for residential real estate are the continuing increase of the number of private households in Germany, especially the increase of one-person households, as well as a declining rate of apartment completions due to a lack of new construction activities largely attributable to high construction costs, the scarcity of land and attractive locations available for construction, low risk-adjusted returns for real estate developers and strict building regulations (Sources: CB Richard Ellis, Special Report, Residential Market Germany, 2010/2011; German Federal Statistical Office *(Statistisches Bundesamt),* Statistical Yearbook 2010).

Due to an exclusive focus on Germany we are less susceptible to unfavorable financial and economic conditions in other European countries. Throughout the unfavorable market conditions in 2008 and 2009, Deutsche Wohnen's business model has proven its resilience exemplified by continuously improving our monthly in-place rent in the letting portfolio in our core regions from €5.21 per square meter as of December 31, 2008 to €5.59 per square meter as of September 30, 2011.

Attractive, well-maintained residential portfolio with strong rental income development in two of the top five most populated German Metropolitan Areas (Berlin/Brandenburg and Frankfurt/Rhine-Main)

As of September 30, 2011, our total residential portfolio, (*i.e.*, the sum of the residential holdings in core regions and disposal regions) consisted of approximately 49,700 residential units, 73% of which are located in two of the top five most populated German Metropolitan Areas: Berlin/Brandenburg and the Frankfurt/Rhine-Main area. Our residential holdings in the three geographic sub-areas of (i) Greater Berlin, (ii) Frankfurt/Main and (iii) Rhine-Main, comprise high-quality residential portfolios. As of September 30, 2011, our vacancy rate was on average 1.7% in the letting portfolio in our core regions. Therefore, unlike to other competitors that have a higher vacancy rate for their portfolio, the favorable supply and demand situation to us means that we can rather target tenants willing to accept higher rents. As of September 30, 2011, our letting portfolios in Greater Berlin and Frankfurt/Main had a vacancy rate of 1.3% and 0.9%, respectively, providing a solid combination of long-term rental income reliability and microeconomic growth. The vacancy rate in our Rhine-Main letting portfolio of 4.2% as of September 30, 2011 is substantially triggered by ongoing, comprehensive modernization work. The vacancy rate in our Rhine-Main letting portfolio, adjusted for these currently not-lettable units, amounts to 1.4%, showing significant vacancy reduction potential for the period following the expected completion of this modernization work.

The Berlin region features a relatively low-average monthly in-place rent level in the letting portfolio of €5.44 per square meter, but benefits from a population that has been growing for years due to immigration, and an increasing number of households due to the increasing proportion of one-person households, leading to an overall strong demand for residential space. Due to the above-average percentage of highly qualified workers compared to Germany as a whole, the Berlin region offers strong innovation potential and dynamic economic development.

The Frankfurt/Rhine-Main area is characterized by a population with above-average income and stronger purchasing power compared to the German average. Rent levels are comparatively high in the Frankfurt/Rhine-Main area, with monthly in-place rent levels of €7.07 per square meter in our Frankfurt/Main letting portfolio and €6.10 per square meter in our Rhine-Main letting portfolio. We anticipate that economic growth will result in an increase in the number of households, greater stability of rent levels, lower vacancy rates and a reduction in risk with respect to our rental income.

Management sees significant rent potential (defined as the monthly new-letting rent for units not subject to rent control effective in 2011 compared to the monthly in-place rent) for units not subject to rent control of 17.5% in the Berlin/Brandenburg letting portfolio, of 20.4% in the Frankfurt/Main letting portfolio, 24.5% in the Rhine-Main letting portfolio, and 12.5% in the Rhine Valley South letting portfolio as of September 30, 2011. Overall, our letting portfolio in our core regions has a rent increase potential of approximately 20.4% based on the actually achieved new-letting rents effective in 2011 for units not subject to rent control of €6.73 per square meter. The general tenant turnover (fluctuation rate) of approximately 10% per year based on the total residential portfolio is one of the factors relevant for achieving this rent increase potential.

We focus on the properties in our core regions and target block sales of residential units, which no longer fit our strategy. The Company aims to sell its portfolio in its disposal regions, while at the same time also driving operational improvement of that portfolio. The portfolio in our disposal regions has been enlarged by approximately 1,500 units following a strategic review in 2011. By selling 2,764 residential units since the end of 2008 in block sales, the disposal portfolio has been reduced by over one third from 6,977 residential units as of December 31, 2008 to 6,208 residential units as of December 31, 2009, to 4,943 residential units as of December 31, 2010 and to 4,213 residential units as of September 30, 2011. Through the sell-off and a continued focus on operational improvements of the remaining disposal portfolio, the operational metrics of the disposal portfolio were improved. While the monthly in-place rent of the disposal portfolio is lower than the average monthly in-place rent of €5.51 per square meter of the total residential portfolio as of September 30, 2011, the monthly in-place rent of the disposal portfolio has improved by a total of 2.4% from €4.51 per square meter as of December 31, 2008 to €4.53 per square meter as of December 31, 2009 and December 31, 2010 and to €4.62 per square meter as of September 30, 2011. In addition, the vacancy rate has improved from 14.3% as of December 31, 2008 to 11.4% as of December 31, 2009 to 11.6% as of December 31, 2010 to 10.8% as of September 30, 2011. Management has demonstrated its ability to decidedly pursue a clean-up of the total portfolio while simultaneously driving rental contribution through growth and vacancy reduction.

Proven asset and portfolio management track record as basis for continuous operational performance improvements

Deutsche Wohnen is a fully internalized residential real estate manager and investor with an established track record in all relevant areas of the residential real estate value chain. The Company benefits in day-to-day operations from its platform of professionals with in-depth knowledge of the Group's portfolio and the German residential real estate market overall. We consider this knowledge, along with the general business expertise developed by the key managers of the Group and the Company's focused approach, to be a key competitive advantage in our ongoing asset and portfolio management activities. We generally follow a buy-and-manage approach, engaging in selective disposals of non-strategic properties and single-unit sales (privatizations).

The operational performance process includes active rental and vacancy management (including modernization, revitalization) and cost assessment and improvements (like integration/efficiency measures and overhead management). Due to our asset and portfolio management activities, we were able to

- increase the monthly in-place rent in our letting portfolio in our core regions from €5.21 per square meter as of December 31, 2008 to €5.37 per square meter as of December 31, 2009, to €5.46 per square meter as of December 31, 2010, and to €5.59 per square meter as of September 30, 2011; and
- reduce the vacancy rate in our letting portfolio in our core regions from 4.0% as of December 31, 2008, to 2.7% as of December 31, 2009, to 2.0% as of December 31, 2010, and to 1.7% as of September 30, 2011.

Additionally, we improved the operating performance of our residential portfolio in our disposal regions due to our active asset and portfolio management. We were able to

- increase the monthly in-place rent in our residential portfolio in our disposal regions from €4.51 per square meter as of December 31, 2008 to €4.53 per square meter as of December 31, 2009, to €4.53 per square meter as of December 31, 2010, and to €4.62 per square meter as of September 30, 2011; and
- reduce the vacancy rate in our residential portfolio in our disposal regions from 14.3% as of December 31, 2008, to 11.4% as of December 31, 2009, to 11.6% as of December 31, 2010, and to 10.8% as of September 30, 2011.

Overall, we improved FFO (without disposals) (and FFO (without disposals) per share) from €12.9 million (€0.49) in 2008 to €25.1 million (€0.31) in 2009, to €33.1 million (€0.40) in 2010, and from €28.9 million (€0.35) in the nine-month period ended September 30, 2010 to €40.1 million (€0.49) in the nine-month period ended September 30, 2011. Our FFO (and FFO per share) improved from €26.1 million (€0.99) in 2008 to €34.8 million (€0.43) in 2009 to €45.8 million (€0.56) in 2010, and from €37.7 million (€0.46) in the nine-month period ended September 30, 2010 to €47.3 million (€0.58) in the nine-month period ended September 30, 2011.

Strong portfolio acquisition capabilities with access to various potential sellers of residential property portfolios and corporate residential platforms

We believe that our existing residential portfolio constitutes a strong platform for selective synergistic acquisitions of additional property portfolios.

Deutsche Wohnen has a consistent track record of continuous evaluation and consideration of potential acquisition opportunities. After the successful completion of our rights issue in October 2009, our management announced plans to pursue growth opportunities and reinitiated active acquisitions in the second half of 2010, when market conditions began to offer more attractive risk/return profiles.

The Company established a unique, wide-ranging network of contacts in the residential real estate industry and developed an excellent reputation in the market. Our network enables us to obtain timely information regarding property portfolios that are for sale, and therefore, to efficiently manage contacts with sellers of property portfolios. Due to our network, our brand name and the broad market knowledge of our management team and employees in the acquisition of small- and large-scale residential property portfolios and corporate platforms, we believe that we are in the position to invest in high-income, high-growth property portfolios. Between January 1, 2010 and October 31, 2011, the Company received offers from third parties for the purchase of portfolios containing a total amount of approximately 175,000 units. We have reviewed approximately 57,000 of these units on offer and submitted indicative bids for approximately 27,100 units. Further due diligence was undertaken for approximately 16,000 units resulting in selective acquisitions of 7,937 units since July 1, 2010.

The Company's most recent acquisitions of a total of 7,937 units, which were announced in November 2010, March 2011, May 2011, August 2011 and October 2011, exemplify our strategy which is based on selective investments focused on portfolios in attractive metropolitan areas and value enhancing capex measures. Acquisitions can either lead to an increase in FFO per share or offer the opportunity to undertake asset management or asset repositioning initiatives that are expected to lead to an increase in FFO per share and/or EPRA NAV per share over time. In 2010, the Company entered into property portfolio acquisitions of 1,808 residential units in Berlin, Potsdam and Mainz for a net purchase price of €81.9 million. We consider these property portfolios to be additional investments in property in our core regions, with a monthly in-place rent of €5.24 per square meter, and a vacancy rate of 1.5%. In 2011 so far, Deutsche Wohnen acquired 6,129 units in Berlin, the Rhine-Main area, the Rhine Valley North area and the Rhine Valley South area with partially significant rental increase potential based on a monthly in-place rent of €5.19 per square meter and a vacancy rate of 4.1%.

Proven platform integration excellence, as shown subsequent to the GEHAG acquisition in 2007

Today's Deutsche Wohnen business organization is set up efficiently and allows both scalability of portfolios in our core regions as well as the expansion into new German Metropolitan Areas. Our organizational structure is set up to expand our existing total residential portfolio through the purchase of smaller-scale property portfolios without incurring substantial additional fixed costs. The size of our business enables us to minimize incremental general and administrative expense and provides us with cost savings in the purchase of goods and services and cost efficiencies with respect to our corporate functions. We have demonstrated in various transactions that our Company is in position to quickly and efficiently optimize the cost structures of newly acquired property portfolios as well as for platform acquisitions. For example, after the acquisition of GEHAG in 2007, operating expenses were reduced by 17% (in the first six months of 2009, compared with the first six months of 2008) due to the efficient and rapid implementation of cost optimization and restructuring measures, particularly the downsizing of personnel and streamlining of administration. As a result, we were able to increase our FFO from €10.9 million in the first six months of 2008 to €17.8 million in the first six months of 2009.

Highly experienced management team with longstanding real estate experience as basis for the Company's strategy

Deutsche Wohnen's management team benefits from an in-depth knowledge of the Group's total portfolio, as it had a primary role in most acquisitions, both before and after the GEHAG integration. This in-depth knowledge of the existing total portfolio, combined with the management's general business expertise and the Company's focused approach are considered a key operating advantage to support Deutsche Wohnen's ongoing access to investors and business opportunities as well as for portfolio management activities.

The current management team was involved in the acquisition and integration of the GEHAG Group in August 2007 and successfully integrated several smaller property portfolios between 2003 and 2011. The management team is supported in all aspects of the business by an experienced and skilled managerial staff. The leasing of residential units or their sale as part of single-unit sales (privatizations) projects is also handled internally by our own experienced and skilled employees. Due to their long-standing experience in the residential real estate sector, both our management team and staff possess extensive knowledge of the German residential property market, including the special characteristics of the relevant regions.

Solid balance sheet and ability to access sustainable financing sources

We have been successful in refinancing key debt maturities on a corporate level, as well as in efficiently financing our selected acquisitions. Based on our experience in structuring financing and because of our positive track record with our financing partners, we believe we have demonstrated our ability to efficiently access the capital markets to fulfill our financing needs. This was evidenced by our successful €249.5 million rights issue in October 2009, when the Company – despite a volatile and weak financing market environment – placed 55.4 million new shares, largely to institutional investors. Based on an improved Loan-to-value ratio ("**LTV ratio**") of 61.5% as of December 31, 2009, the Company further managed to significantly enhance its overall debt maturity profile via the refinancing of €516 million in bank loans in 2010, with the result that the Company currently has no major loan maturities before the end of 2015.

Strong acquisition pipeline for residential property portfolios

Through systematic review of a large number of potential portfolios for further acquisitions (*e.g.*, 57,000 residential units between January 1, 2010 and October 31, 2011), we were able to build-up a sizeable acquisition pipeline, which management intends to closely monitor and pursue within the targeted leverage level and by raising fresh capital. Management continues to evaluate the potential acquisitions with respect to overall fit with the portfolio and final ability to execute such transactions with the respective sellers. It can, under no circumstance, be considered certain that such transactions will actually materialize. The probability of closing such acquisitions can be classified in two groups: (i) signed acquisitions awaiting closing (approximately 2,300 residential units in five portfolios with an acquisition value of approximately €150 million), and (ii) envisaged acquisitions of further portfolios with approximately 16,000 residential units in aggregate. In respect of approximately 5,000 of such units with an estimated gross asset value in the range of €300 million to €350 million we completed the due diligence to our satisfaction and started initial negotiations. For the residual approximately 11,000 residential units with an aggregate gross asset value in the range of €700 million to €800 million (according to preliminary Company estimates based on experience from previous transactions) we are in preliminary discussions and/or currently conducting due diligence. Management expects that (ii) will only be realized in part as the outcome of negotiations and/or due diligence may not be acceptable to the Company. In addition to the existing pipeline of bolt-on acquisitions, we continue to look for opportunities for further growth through the acquisition of portfolios or through strategic co-operations that fit into our overall strategy and consider offers for new investments on an ongoing basis. All portfolios in the acquisition pipeline represent a fit with the current residential portfolio in our core regions and thus would mainly enlarge our presence in our core regions. All those portfolios in the pipeline offer attractive acquisitions, which allow for potential FFO and/or EPRA NAV accretion or constitute attractive future upside from applying the Company's asset and portfolio management skills.

Summary of our Strategy

The focus of our business is to enhance shareholder value.

As an active manager of good quality residential units in economically attractive locations, we continue to see considerable rent increase potential in our existing total residential portfolio. We also actively manage our newly acquired property portfolios to pursue value creation opportunities, especially through optimizations geared to fully realizing rent increase potential. In addition, we seek to grow further through acquisitions, both in our existing core regions and in further metropolitan areas in Germany. Our strategy features the following growth elements alongside the residential value chain:

- Focus on residential real estate in key German Metropolitan Areas;
- Realizing rent increase potential in the current residential portfolio in our core regions;
- Selective accretive acquisitions;
- Value-oriented disposals;
- Optimizing our financing structure, particularly by reducing financial liabilities; and
- Growth through further selective acquisitions.

Focus on residential real estate in key German Metropolitan Areas

We aim to concentrate our efforts on residential property management in German Metropolitan Areas. Given our experience in Berlin/Brandenburg and Frankfurt/Rhine-Main, two of the top five most populated German Metropolitan Areas, we are confident that the fundamental economic growth and migration patterns of these areas will provide a very good basis to constantly achieve strong rental cash flows and value-add opportunities. Therefore, we are planning to maintain a focused regional approach and concentrate on managing a compact residential portfolio in our core regions. In addition to our current focus areas Berlin/Brandenburg and Frankfurt/Rhine-Main, we are also looking at opportunities to expand our total residential portfolio into other German Metropolitan Areas, which are accretive to FFO per share and/or EPRA NAV per share or provide for upside potential over time.

Realizing rent increase potential in the current residential portfolio in our core regions

We further aim to increase our FFO profile via ongoing active asset and portfolio management measures. Since current monthly in-place rent in our core regions on average is below normal market rent, we see FFO improvement mainly driven by in-place rent improvement measures. Key in-place rent drivers will be modernization/capex measures in selected properties; ongoing maintenance measures to maintain a high-quality tenant structure; targeted tenant turnover to naturally turn in-place rents into market rent levels. We believe we can achieve additional operational efficiencies via sales of residential units to owner-occupiers and block sales to institutional investors. Our recent re-letting successes exemplify the additional rent potential in our existing letting portfolio in our core regions. For example, re-letting of 2,823 non-rent-controlled units effective in 2011 in the letting portfolio in our core regions as of September 30, 2011 generated an average monthly in-place rent of €6.73 per square meter. Hence, our residential holdings in our letting portfolio in our core regions demonstrate a rent increase potential of approximately 20.4%, based on the current monthly in-place rent of our letting portfolio in our core regions of €5.59 per square meter.

Selective accretive acquisitions

Since July 1, 2010, we have bought 7,937 residential units mainly in Berlin. The net average purchase price per square meter amounted to €818, and the net initial yield amounted to 7.0%. Within our core regions, we consider property portfolio acquisitions smaller than 1,500 units that match our geographic, FFO per share and/or NAV per share accretion criteria. We have the operational capability and capacity to integrate and operate efficiently both large and small residential property acquisitions at low marginal costs and to realize sustainable ongoing cost savings. In general we focus on investments in residential properties in attractive metropolitan locations whose acquisition can either immediately lead to an increase in FFO per share or offer the opportunity to undertake asset management or asset repositioning initiatives expected to lead to either an increase in FFO per share and/or EPRA NAV per share over time.

Value-oriented disposals

We are aiming to further drive shareholder value via value oriented single-unit sales (privatizations) and continuous streamlining of the total residential portfolio via block sales. Our residential portfolio intended for sale can be broken down into units to be sold individually and into block sales. In single-unit sales (privatizations), our objective is to sell apartments, mainly to owner-occupiers, at prices exceeding fair value. Approximately 5,100 units are intended for single-unit sales (privatizations), of which approximately 500 residential units are earmarked for single-unit sales (privatizations) each year. As of September 30, 2011, we had already officially recorded 642 contracts of sale for the current fiscal year 2011; this represents 128% of our target for 2011. The single-unit sales (privatizations) were carried out at an average gross margin of 37% above December 31, 2010 International Financial Reporting Standards as adopted by the European Union ("**IFRS**") valuation levels. The residential portfolio in our disposal regions (*i.e.,* the residential portfolio for block sales) comprises apartments in locations that no longer fit into our business strategy. The majority of these properties are sold to institutional investors, generally at least at fair value, although, at times, below fair value in order to adjust the total residential portfolio. In the course of future property portfolio acquisitions, properties acquired may have a subset of residential units that do not fit into our business strategy, and we would plan to sell these blocks to optimize our total residential portfolio.

Optimizing our financing structure, particularly by reducing financial liabilities

We seek to optimize our current financing structure. Our goal is to repay financial liabilities that become due and to reduce our debt ratio and interest payments on the one hand and to optimize our debt service and financing structure on the other. The stability of residential real estate as an asset class, our access to low-cost, long-term fixed-rate debt financing, and our access to funding from the capital markets together provide us with attractive opportunities to use financial leverage to enhance our return-on-equity, our earnings per share and our FFO per share, as we aim for the yield on our asset portfolio to exceed our cost of capital. We currently target an LTV ratio of approximately 60% in the medium-term, subject to short- to medium-term increases due to debt incurred in connection with acquisitions (as management may deem appropriate).

Growth through further selective acquisitions

Deutsche Wohnen is established as a residential real estate "consolidation platform". We are in the position to integrate new property portfolios into existing organizational structures at low marginal costs and can take advantage of economies of scale. As part of our growth strategy, we aim to expand our existing total residential portfolio through further selective acquisitions of predominantly small and mid-sized property portfolios in our core regions. However, we do not rule out to consider future acquisitions of larger portfolios and platforms of a minimum size of 1,500 units, *e.g.*, for an effective entry into new metropolitan areas outside Berlin/Brandenburg and Frankfurt/Rhine-Main, provided that they will be accretive to our FFO and/or EPRA NAV, allow scalability potential for our existing platform and/or allow us to improve cash flow and earnings through integration and realization of synergies. A number of criteria are considered for future acquisitions such as location, the development of the relevant regional market environment that influences our ability to generate stable, long-term cash flows from the letting and sale of apartments, the potential to increase rents, the proportion of publicly subsidized residential units, infrastructure and tenant structure. We also contemplate pursuing growth opportunities in the form of strategic co-operations (including structures where we would only hold a minority stake in such co-operation) in the future whereby we contribute our experience and know-how while at the same time limiting our financial exposure.

Summary of Key Information Regarding the Company

Commercial register record, registered office and fiscal year	The Company is registered with the commercial register maintained by the Local Court (*Amtsgericht*) of Frankfurt am Main, Germany, under docket number HRB 42388. The Company's registered office is at Pfaffenwiese 300, 65929 Frankfurt am Main, Germany. The Company's telephone number is +49 (0)69 97 69 700. The Company's fiscal year is the calendar year.
Share capital and shares (prior to completion of the offering)	The Company's current share capital is €81,840,000 and is divided into 81,840,000 ordinary shares, with no par value (*Stückaktien*), each such share representing a notional value of €1.00. The Company's shares are divided into registered shares and bearer shares. Of the Company's 81,840,000 total shares, 81,732,423 (approximately 99.87%) are bearer shares, and 107,577 (approximately 0.13%) are registered shares.
Management Board and senior management	The Company's Management Board consists of three members, Mr. Michael Zahn (CEO), Mr. Helmut Ullrich (CFO) and Mr. Lars Wittan. Mrs. Dr. Kathrin Wolff acts as General Representative (*Generalbevollmächtigte*) of the Company (senior management).
Supervisory Board	The Company's Supervisory Board consists of the following six members: Mr. Uwe E. Flach (chairman), Mr. Dr. Andreas Kretschmer, Mr. Dr. h.c. Wolfgang Clement, Mr. Matthias Hünlein, Mr. Dr. Michael Leinwand and Mr. Dr. Florian Stetter.
Principal shareholders	Based on the notices received by the Company pursuant to the German Securities Trading Act (*Wertpapierhandelsgesetz*) and according to the information of the respective shareholders, the following shareholders hold significant amounts of the stock of Deutsche Wohnen AG: Cohen & Steers Inc.[1] 9.91% Zurich Deutscher Herold Lebensversicherung AG 5.75% First Eagle Overseas Fund 5.24% Sun Life Financial Inc.[1] 5.03% Asset Value Investors Ltd.[2] 4.94% Ärzteversorgung Westfalen-Lippe[3] 3.33% BlackRock, Inc.[1] 3.06% Other shareholders, including those shareholders whose shareholdings represent less than 3% of the total voting rights in Deutsche Wohnen AG, hold the remaining 62.74% of the shares of Deutsche Wohnen AG.

1) *Attribution pursuant to Section 22(1) Sentence 1 No. 6 in connection with Section 22(1), Sentence 2 of the German Securities Trading Act.*

2) *Attribution pursuant to Section 22(1) Sentence 1 No. 6 of the German Securities Trading Act.*

3) *Attribution pursuant to Section 22(1) Sentence 1 No. 1 of the German Securities Trading Act.*

Auditor . . . . The auditor of the Company's consolidated financial statements and unconsolidated annual financial statements for the current fiscal year 2011 and for the fiscal years ended December 31, 2010 and December 31, 2009 is Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, office Berlin, Friedrichstraße 140, 10117 Berlin, Germany, and for the fiscal year ended December 31, 2008 Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, office Eschborn/Frankfurt/Main, Mergenthalerallee 3-5, 65760 Eschborn/Frankfurt/Main, Germany.

Appraisers . . . . The Company has asked CB Richard Ellis GmbH, Hausvogteiplatz 11a, 10117 Berlin, Germany, to act as appraisers and to prepare a condensed report on the fair value of the Deutsche Wohnen Group's housing stock as of June 30, 2011 pursuant to IAS 40, which is reprinted in this Prospectus on pages E-1 *et seq*.

Employees . . . . Deutsche Wohnen Group employed a total of 1,233 people as of September 30, 2011.

Summary of the Offering

Subscription offer . . . . The "**Subscription Offer**" relates to 20,460,000 new ordinary bearer shares with no par value (**Stückaktien**), each such share representing a notional value of €1.00 and full dividend entitlement from January 1, 2011 (the "**New Shares**").

The New Shares come from the capital increase with indirect subscription rights for the Company's shareholders against cash contributions utilizing the Company's authorized capital resolved by the ordinary meeting of the Company's shareholders on May 31, 2011 (the "**Authorized Capital 2011**"). The resolution on the Authorized Capital 2011 was recorded in the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, on July 12, 2011.

The Subscription Offer to the Company's shareholders is expected to be published in the electronic version of the German Federal Gazette (*elektronischer Bundesanzeiger*) on November 14, 2011 and in the financial newspaper *Börsenzeitung* on November 15, 2011.

The implementation of the capital increase is expected to be recorded in the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, on November 30, 2011.

Admission to trading . . . . The application for admission of the New Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange is expected to be filed on or about November 15, 2011. A decision on admission is expected on or about November 30, 2011.

Start of trading . . . . Trading in the New Shares is expected to begin on December 1, 2011. The New Shares will be included in the existing quotation for the Company's bearer shares on that day.

Exercise of subscription rights . . . . To avoid exclusion from the exercise of their subscription rights, we request that our shareholders exercise their subscription rights in the New Shares during the period from November 15, 2011 up to and including November 28, 2011 through their custodian bank at the subscription agent listed below during regular banking hours (the "**Subscription Period**"). Subscription rights that are not exercised in

	a timely manner will lapse and be of no value. No compensation will be payable for subscription rights not exercised.
Subscription ratio	The subscription ratio is 4:1, that is, four existing shares entitle their holder to subscribe for one New Share.
Subscription price	The subscription price per New Share is expected to be set on November 24, 2011, taking into account the volume-weighted average price for one bearer share of the Company on the electronic trading system XETRA on the Frankfurt Stock Exchange from the beginning of the Subscription Period on November 15, 2011, until close of trading on November 24, 2011, as shown on the financial information service Reuters (the "**VWAP**"), less a discount to be determined by the Management Board of the Company with the approval of the Supervisory Board of the Company. The size of the discount will take into consideration an estimate of the volatility of the price of the Company's shares at the time of pricing, as well as market risks specific to the Company. The maximum subscription price will be €12.00 per New Share. The subscription price will be published immediately after pricing in an ad hoc release over an electronic information system and on the Company's website, as well as on the following business day in the electronic version of the Federal Gazette (*Elektronischer Bundesanzeiger*) and on November 26, 2011 in the *Börsenzeitung*.
Subscription agent	The subscription agent is Morgan Stanley Bank AG (the "**Subscription Agent**").
Subscription rights trading	The subscription rights (ISIN DE000A1K03C7/WKN A1K03C) for the New Shares will be traded during the period from November 15, 2011 up to and including November 24, 2011 on the regulated market (*regulierter Markt*) (XETRA and XETRA Frankfurt Specialist) of the Frankfurt Stock Exchange. As from November 15, 2011, the Company's existing shares will be quoted on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange ex-subscription rights (*ex Bezugsrecht*). Morgan Stanley may affect transactions on behalf of the Joint Bookrunners to provide liquidity for fair and orderly subscription rights trading and other measures customarily undertaken in this regard, such as, in particular, purchasing and selling subscription rights to New Shares or undertaking hedging transactions in the Company's shares or corresponding derivatives.
Delivery and settlement of subscribed shares	The subscription price for each New Share subscribed for is due and payable no later than November 28, 2011. The New Shares subscribed for as part of the Subscription Offer are expected to be made available by credit to the collective securities account from December 1, 2011.
Stabilization	In connection with the offering of New Shares, stabilization measures may be undertaken to the extent permitted by law.
Placement of unsubscribed shares . .	The Joint Bookrunners will offer any New Shares not subscribed for as part of the Subscription Offer in a private placement to qualified investors in Germany and other countries, including to qualified institutional buyers in the United States in accordance with Rule 144A under the U.S. Securities Act of 1933, as amended, (the "**Securities Act**") and outside of the United States in reliance on Regulation S of the Securities Act.
Lock-up agreements	To the extent permitted by law, the Company has agreed with the Joint Bookrunners, for a period of six months after the inclusion of

the New Shares in the current listing of Deutsche Wohnen AG's bearer shares not to directly or indirectly issue, sell, offer, commit to sell, or otherwise transfer or dispose of any of the Company's shares, options on such shares, or securities that can be converted into or exchanged for such shares or that carry rights to acquire such shares, and further not to announce any capital increase from authorized capital or to initiate a capital increase and for purposes of issuing shares (i) as part of its or its subsidiaries' existing employee participation plans, (ii) based on a capital increase from Company funds, (iii) in connection with a capital increase by way of contribution in kind, to the extent that the buyer assumes the aforementioned obligations) or to enter into other transactions (including transactions concerning derivative instruments), the economic effect of which would be similar to that of the measures described above, without the prior consent of the Joint Global Coordinators, which consent may not be unreasonably withheld or delayed.

Selling restrictions .... The New Shares and the subscription rights have not been and will not be registered under the Securities Act or with the securities regulatory authorities of any state of the United States and may not be offered, sold, exercised, pledged, transferred or delivered directly or indirectly to, the United States, except pursuant to an exemption from the registration requirements of the Securities Act.

Costs of the offering and net issue proceeds .... The total issue costs, including commissions for the Joint Bookrunners, are expected to be approximately €8 million at the mid-point of the targeted gross proceeds depending on the subscription price and the number of New Shares actually placed.

The Company is targeting gross issue proceeds from the capital increase in an amount between €150 million and €200 million. The actual amount of the net issue proceeds will depend on the actual subscription price and the number of New Shares placed by the Joint Bookrunners.

Use of net issue proceeds .... The net proceeds will be used for selective acquisitions in our existing core regions or in German Metropolitan Areas. A €130 million portion of the net proceeds will be used in the short term for the repayment of credit lines utilized in past portfolio acquisitions and the financing of already signed acquisitions. After the repayment, the credit lines will be available for further potential acquisitions. Subject to a continued favorable market environment for acquisitions, we expect to invest the total net proceeds within the next 12 to 15 months.

Representation/delivery .... The New Shares of the Company (ISIN DE000A0HN5C6/WKN A0HN5C) will be evidenced by a global share certificate deposited for collective custody with Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany.

Pursuant to Article 4(4) Sentence 2 of the Company's Articles of Association, the Company's shareholders are not entitled to have their shares evidenced by individual share certificates. Unless the Subscription Period is extended or the offering called off, the New Shares are expected to be made available by credit to the collective securities account by December 1, 2011 in the case of shares subscribed for as part of the Subscription Offer and by December 1 or 2, 2011, that is, the date of closing of the private placement, for those acquired in the private placement.

ISIN, WKN and ticker symbol of the shares	The International Securities Identification Number ("**ISIN**") for the Company's bearer shares is DE000A0HN5C6. Their German securities identification number (*Wertpapierkennnummer*) ("**WKN**") is A0HN5C. Their ticker symbol is DWNI. The ISIN for the Company's registered shares is DE0006283302. Their WKN is 628330, and their ticker symbol is DWN.
ISIN and WKN of the subscription rights	The ISIN for the subscription rights is DE000A1K03C7. Their WKN is A1K03C.
Designated sponsors	Close Brothers Seydler Bank AG and WestLB AG have assumed the role of designated sponsor of the Company's shares traded on the Frankfurt Stock Exchange and are entitled to designate an appropriately admitted third party to perform these functions.
Paying agent and registrar	The paying agent and registrar is Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, Germany.

Summary of the Consolidated Financial Information

The following tables contain key consolidated financial information under IFRS (as defined below), with the exception of the indicators presented under "—Summary Other Financial and Operating Data," for the nine months ended September 30, 2011 and September 30, 2010, and the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008 of our Group. The consolidated financial information was taken or derived from the unaudited condensed consolidated interim financial statements of Deutsche Wohnen AG as of and for the nine months ended September 30, 2011 (with comparative figures for the nine months ended September 30, 2010) and the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008. The audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008 were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The unaudited condensed consolidated interim financial statements of Deutsche Wohnen AG as of and for the nine months ended September 30, 2011 were prepared in accordance with IFRS for interim financial reporting (IAS 34). Some of the other financial and operating data reproduced below were taken from the Company's accounting records or the internal management reporting systems.

Where financial data in the following tables is labeled "audited," this means that it was taken or derived from the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008. The label "unaudited" is used in the following tables to indicate financial data that was taken or derived from the unaudited condensed consolidated interim financial statements of Deutsche Wohnen AG as of and for the nine months ended September 30, 2011, as well as from the Company's accounting records or internal management reporting systems. The consolidated financial information presented in the following tables represents a selection of the financial data contained in our consolidated financial statements and is shown in thousands and millions of euro (€ thousand and € million) commercially rounded to the nearest whole thousand or million euro, respectively. Due to rounding, some of the figures in the tables do not add up exactly to the total figures shown, and some of the percentages do not add up exactly to 100%.

The following consolidated financial information represents a summary of the financial information contained in this Prospectus. Due to changes in segment reporting and in the presentation of non-current and current derivate financial instruments in the consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal year ended December 31, 2009 in this respect, financial information as of and for the fiscal year ended December 31, 2008 is based on the consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal year ended December 31, 2009. Investors should base their investment decisions on a review of the complete Prospectus.

Summary Data from the Consolidated Profit and Loss Statement

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
			(In € thousand)		
Revenue	226,250	224,782	297,811	306,331	315,512
Gains/losses from disposals	12,628	13,163	19,566	15,930	17,409
Sales proceeds	*85,721*	*91,400*	*171,682*	*85,677*	*119,710*
Carrying amounts of assets sold	*(73,093)*	*(78,237)*	*(152,116)*	*(69,748)*	*(102,301)*
Other operating income	6,599	5,343	9,618	12,699	11,423
Total income	**245,477**	**243,288**	**326,995**	**334,959**	**344,344**
Expenses for purchased goods and services	(89,681)	(92,255)	(122,589)	(134,774)	(139,085)
Staff expenses	(28,702)	(27,924)	(39,157)	(40,204)	(43,541)
Other operating expenses	(18,291)	(18,535)	(29,130)	(26,488)	(31,222)
Restructuring and reorganization expenses	—	—	—	(7,784)	(24,092)
Total expenses	**(136,674)**	**(138,714)**	**(190,876)**	**(209,249)**	**(237,940)**
Subtotal	**108,803**	**104,574**	**136,119**	**125,710**	**106,404**
Gains/losses from fair value adjustments of investment properties	—	—	47,178	—	(276,528)
Depreciation and amortization	(2,462)	(2,377)	(3,044)	(2,780)	(1,794)
Share of profit of associated companies	—	—	—	—	60
Earnings before interest and taxes (EBIT)	**106,341**	**102,197**	**180,253**	**122,929**	**(171,859)**
Finance income	390	395	848	868	2,540
Gains/losses from fair value adjustments of derivative financial instruments	(179)	(2,357)	(234)	(1,203)	(32,197)
Finance expense	(69,128)	(75,721)	(123,728)	(119,242)	(127,281)
Profit/loss before taxes	**37,424**	**24,514**	**57,139**	**3,352**	**(328,796)**
Income taxes	(17,695)	(14,393)	(33,334)	(16,630)	56,471
Profit/loss from continuing operations	**19,729**	**10,121**	**23,805**	**(13,277)**	**(272,326)**
Profit/loss from discontinued operations	—	—	—	—	16,421
Profit/loss for the period	**19,729**	**10,121**	**23,805**	**(13,277)**	**(255,905)**

Summary Data from the Consolidated Balance Sheet

	As of September 30, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
	(unaudited)	(audited)	(audited)	(audited)
		(In € thousand)		
Assets				
Non-current assets	**2,990,203**	**2,929,331**	**2,956,270**	**3,016,322**
thereof:				
Investment properties	2,895,693	2,820,952	2,835,483	2,900,673
Property, plant and equipment	17,116	16,536	17,401	17,745
Intangible assets	2,758	3,483	4,558	4,652
Deferred tax assets	74,078	78,651	98,428	92,559
Current assets	**164,778**	**108,849**	**123,055**	**110,410**
thereof:				
Cash and cash equivalents	42,057	46,016	57,095	41,974
Total assets	**3,154,981**	**3,038,180**	**3,079,324**	**3,126,733**
Equity and liabilities				
Total equity	**878,200**	**889,872**	**861,971**	**649,292**
Total non-current liabilities	**2,065,878**	**1,578,405**	**1,988,554**	**2,281,200**[1)]
thereof:				
Non-current financial liabilities	1,816,985	1,338,954	1,722,044	1,991,077
Convertible bonds	—	—	—	25,430
Employee benefit liability	42,105	44,747	41,529	39,300
Liabilities to limited partners in funds	—	476	40,791	48,006
Tax liabilities	40,799	48,496	55,486	60,652
Derivative financial instruments	60,967	43,922	37,185	32,570[1)]
Deferred tax liabilities	96,247	92,021	81,412	71,660
Total current liabilities	**210,903**	**569,903**	**228,799**	**196,240**[1)]
Total equity and liabilities	**3,154,981**	**3,038,180**	**3,079,324**	**3,126,733**

1) *Adjusted prior year comparative figures as of December 31, 2008 with respect to the presentation of non-current and current derivate financial instruments derived from the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal year ended December 31, 2009.*

Summary Data from the Consolidated Statement of Cash Flows

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
			(In € thousand)		
Net cash flows from operating activities	28,112	598	9,859	3,294	(10,342)
Net cash flows from investing activities	(133,180)	121,074	68,730	74,298	88,759
Net cash flows from financing activities	101,109	(113,550)	(89,668)	(62,471)	(84,316)
Net change in cash and cash equivalents	**(3,959)**	**8,122**	**(11,079)**	**15,121**	**(5,900)**
Closing balance cash and cash equivalents	**42,057**	**65,217**	**46,016**	**57,095**	**41,974**

Summary Other Financial and Operating Data[1)]

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited, unless otherwise indicated)				
EBITDA (adjusted)[2)] in € million	108.8	104.6	136.1	133.5	130.6
EBT (adjusted)[3)] in € million	37.6	26.9	33.7	18.6	9.7
Net operating income (NOI) Residential Property Management[4)] in € million	106.2	101.4	133.9	132.4	126.9
Monthly in-place rent[5)] in the letting portfolio in our core regions in € per square meter and month (end of period)	5.59	N/A	5.46	5.37	5.21
Monthly in-place rent[5)] in the total residential portfolio in € per square meter and month (end of period)	5.51	N/A	5.38	5.29	5.14
Vacancy rate[6)] in the letting portfolio in our core regions in % (end of period)	1.7	N/A	2.0	2.7	4.0
Vacancy rate[6)] in the total residential portfolio in % (end of period)	2.9	N/A	3.3	4.2	5.9
EPRA NAV in € million[7)] (end of period)	985.6	N/A	964.0	915.2	677.5
EPRA NAV per share in €[7)] (end of period)	12.04	N/A	11.78	11.18	25.66
Loan-to-value ratio in %[8)] (end of period)	62.1	N/A	60.6[*)]	61.5[*)]	70.6[*)]
FFO (without disposals)[9)] in € million	40.1	28.9	33.1	25.1	12.9
FFO (without disposals) per share in €	0.49	0.35	0.40	0.31	0.49
FFO[9)] in € million	47.3	37.7	45.8	34.8	26.1
FFO per share in €	0.58	0.46	0.56	0.43	0.99

*) *Audited.*

1) *In our view, the other financial and operating data described in this section constitute the most important measures for measuring the operating and financial performance of our business. Each performance indicator is explained in the following tables and footnotes in terms of what it expresses for business purposes and how it is calculated. The other financial and operating data described in this section are not recognized under IFRS or HGB and should not be considered a substitute for profit and loss statement or statement of cash flows data, as determined in accordance with IFRS or HGB. They do not necessarily indicate whether cash flow will be sufficient or available for our cash requirements, nor are they necessarily indicative of our historical or future operating results. Because not all companies define these measures in the same way, our presentation of these performance indicators is not necessarily comparable to similarly-titled performance indicators used by other companies.*

2) *We calculate this performance indicator by taking earnings before interest and taxes (“**EBIT**”), which is adjusted for the gains/ losses from fair value adjustments of investment properties, depreciation and amortization, share of profit from associated companies and restructuring and reorganization expenses. Adjusted earnings before interest, taxes, depreciation, and amortization (“**EBITDA (adjusted)**”) corresponds to the total of the segment profits and losses of Deutsche Wohnen. We use EBITDA*

(adjusted) as an indicator to measure operating performance. The following table shows the calculation of the EBITDA (adjusted) for the nine months ended September 30, 2011 and September 30, 2010, and for the 2010, 2009 and 2008 fiscal years:

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	(unaudited)	(audited) (In € million)	(audited)	(audited)
Earnings before interest and taxes (EBIT)	106.3	102.2	180.3	122.9	(171.9)
Gains/losses from fair value adjustments of investment properties	—	—	(47.2)	—	276.5
Depreciation and amortization	2.5	2.4	3.0	2.8	1.8
Share of profit of associated companies	—	—	—	—	(0.1)
Subtotal	108.8	104.6	136.1*)	125.7*)	106.4*)
Restructuring and reorganization expenses	—	—	—	7.8	24.1
EBITDA (adjusted)	108.8	104.6	136.1*)	133.5*)	130.6*)

**) Unaudited.*

3) *We calculate adjusted earnings before taxes ("**EBT (adjusted)**") from profit/loss before taxes, which is adjusted for restructuring and reorganization expenses, gains/losses from fair value adjustments of investment properties, gains/losses from fair value adjustments of derivative financial instruments and prepayment penalties and for 2008 also adjusted for special DB 14 payout relating to DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG ("**DB 14**"). We use EBT (adjusted) as an indicator to measure operating performance. The following table shows the calculation of the EBT (adjusted) for the nine months ended September 30, 2011 and September 30, 2010, and for the 2010, 2009 and 2008 fiscal years:*

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	(unaudited)	(audited) (In € million)	(audited)	(audited)
Profit/loss before taxes	37.4	24.5	57.1	3.4	(328.8)
Restructuring and reorganization expenses	—	—	—	7.8	24.1
Gains/losses from fair value adjustments of investment properties	—	—	(47.2)	—	276.5
Gains/losses from fair value adjustments of derivative financial instruments	0.2	2.4	0.2	1.2	32.2
Prepayment penalties	—	—	23.6	6.2	—
Special DB 14 payout	—	—	—	—	5.7*)
EBT (adjusted)	37.6	26.9	33.7*)	18.6*)	9.7*)

**) Unaudited.*

4) *We define the net operating income ("**NOI**") as the segment profit/loss of the Residential Property Management segment less attributable administration costs. The administration costs are the sum of additional staff expenses and general and administrative expenses, which were allocated indirectly. To arrive at the NOI per square meter and month, the NOI is divided by the average square meters (on a quarterly basis) in the relevant period and divided by the number of months in such period. The following table shows the calculation of the NOI and the NOI per square meter and month for the nine months ended September 30, 2011 and September 30, 2010, and for the 2010, 2009 and 2008 fiscal years:*

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited and in € million, unless otherwise indicated)				
Residential Property Management segment profit	118.4	113.4	150.9*)	151.0*)	147.8*)
Staff expenses, general and administrative expenses	(12.2)	(12.0)	(17.0)	(18.6)	(20.9)
Net operating income (NOI) Residential Property Management	106.2	101.4	133.9	132.4	126.9
NOI in € per square meter and month	3.94	3.73	3.73	3.51	3.25

*) Audited

5) *The in-place rent is the contractually owed net cold rent from the rented apartments per month divided by the rented area. Our business activities are focused on increasing the in-place rent while, at the same time, minimizing vacancies. We are aiming to achieve this increase in the in-place rent through the use of adjustments to the rent index, through targeted modernization measures that can be charged to tenants, and through vacancy reduction.*

6) *The vacancy rate is the ratio of vacancy loss to the potential gross rental income, as of the respective reporting date. Referring to the potential gross rental income ensures that the size and actual expense of the individual units is adequately represented in the vacancy rate. One of our strategic aims, along with focusing on ongoing increases in rent, is vacancy reduction. Through vacancy reduction, the vacancy loss and the result of operating costs can be positively affected.*

7) *We believe that the net asset value ("**NAV**") is an important indicator of the intrinsic value of a real estate company. According to the definition recommended by the European Public Real Estate Association ("**EPRA**"), it is the sum of total assets less total liabilities and non-controlling interests and is adjusted for net total of deferred tax assets and liabilities and for net total of derivative financial instruments (assets and liabilities). Prospective investors should note, however, that the EPRA NAV per share is not an indication of the future performance of the shares of Deutsche Wohnen AG. We calculated the NAV as of December 31, 2008 and December 31, 2009 using a different method than applied as of December 31, 2010 and as of September 30, 2011. In order to ensure comparability of the figures for these balance sheet dates, the EPRA NAV as of December 31, 2008 and December 31, 2009 as presented in this Prospectus has been re-calculated using the same method applied as of December 31, 2010 and as of September 30, 2011:*

	As of September 30, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
	(unaudited and in € million, unless otherwise indicated)			
Equity (before non-controlling interests)*)	877.9	889.6**)	861.7**)	649.0**)
Fair value of derivative financial instruments (net total of assets and liabilities)	85.6	61.1**)	70.5**)	49.4**)
Deferred taxes (net total of deferred tax assets and liabilities)	22.1	13.3**)	(17.0)**)	(20.9)**)
EPRA NAV	**985.6**	**964.0**	**915.2**	**677.5**
Number of shares (in millions)	81.84	81.84	81.84	26.40
EPRA NAV per share in €	**12.04**	**11.78**	**11.18**	**25.66**

*) *Equity (before non-controlling interests) adjusted for the effects from the exercise of convertible bond conversion rights corresponds to diluted NAV. Diluted NAV disregards effects from the conversion of convertible bonds issued as part of the GEHAG acquisition, as due to the underlying conversion price a conversion of the convertible bonds was not to be expected and a conversion did actually not take place; the convertible bonds were fully repaid in 2010.*

**) *Audited.*

8) *The LTV Ratio is the ratio of total net financial liabilities to the value of investment properties plus non-current assets held for sale and land and buildings held for sale. We believe that the LTV Ratio is an important indicator of capital structure. We use the LTV Ratio to indicate room for optimization of cost of capital, for possible acquisitions and necessary financing measures. We are aiming at maintaining our LTV Ratio below our target of 60% in the medium term, subject to short- to medium-term increases due to debt incurred in connection with acquisitions. The following table shows how the LTV Ratio was calculated as of September 30, 2011, December 31, 2010, December 31, 2009 and December 31, 2008.*

	As of September 30, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
	(unaudited)	(audited)	(audited)	(audited)
	(In € million, unless otherwise indicated)			
Financial liabilities	1,909.4	1,784.5	1,802.7	2,089.2
Convertible bonds	—	—	26.6	25.4
—Cash and cash equivalents	(42.1)	(46.0)	(57.1)	(42.0)
Net financial liabilities	**1,867.3**	**1,738.5**	**1,772.2**	**2,072.6**
Investment properties	2,895.7	2,821.0	2,835.5	2,900.7
Non-current assets held for sale	34.0	34.3	25.1	17.7
Land and buildings held for sale	77.9	15.2	18.4	19.3
Total real estate holdings	**3,007.6**	**2,870.4**	**2,879.0**	**2,937.7**
Loan-to-value ratio (in %)	**62.1**	**60.6**	**61.5**	**70.6**

9) *We believe that FFO, which is derived from the consolidated profit and loss statement, is an important liquidity indicator for real estate companies. We differentiate between FFO (without disposals) and FFO. FFO (without disposals) is defined as profit/loss for the period adjusted for gains/losses from disposals (net of cost of sales), depreciation and amortization, gains/losses from fair value adjustments of investment properties, profit/loss for the period from discontinued operations, gains/losses from fair value adjustments of derivative financial instruments, accrued interest on liabilities and pensions, prepayment penalties, restructuring and reorganization expenses and deferred taxes (tax expense/income) and for 2009 also adjusted for the tax advantage from capital increase costs and for 2008 also adjusted for the special DB 14 payout. FFO is calculated by adding the gains/losses from*

disposals (after deduction of the corresponding cost of sales) to the FFO (without disposals). While FFO is influenced by cyclical fluctuations of the market environment, FFO (without disposals) is a relatively more stable measure of our ability to make loan payments, investments (for example, the acquisition of new properties) and dividend payments. The following table shows, step-by-step, how we calculated our FFO for the nine months ended September 30, 2011 and September 30, 2010, and for the 2010, 2009 and 2008 fiscal years.

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)		**(audited, unless otherwise indicated)**		
	(In € million, unless otherwise indicated)				
Profit/loss for the period	**19.7**	**10.1**	**23.8**	**(13.3)**	**(255.9)**
Gains/losses from disposals (net of cost of sales) (unaudited)	(7.2)	(8.8)	(12.7)	(9.7)	(13.2)
Depreciation and amortization	2.5	2.4	3.0	2.8	1.8
Gains/losses from fair value adjustments of investment properties	—	—	(47.2)	—	276.5
Profit for the period from discontinued operations	—	—	—	—	(16.4)
Gains/losses from fair value adjustments of derivative financial instruments	0.2	2.4	0.2	1.2	32.2
Accrued interest on liabilities and pensions	9.3	11.2	13.9	15.3	14.3
Prepayment penalties	—	—	23.6	6.2	—
Special DB 14 payout (unaudited)	—	—	—	—	5.7
Deferred taxes	15.6	11.6	28.5	11.1	(56.2)
Restructuring and reorganization expenses	—	—	—	7.8	24.1
Tax advantage from capital increase costs	—	—	—	3.7	—
FFO (without disposals) (unaudited)	**40.1**	**28.9**	**33.1**	**25.1**	**12.9**
Number of shares (in millions, end of period)	81.84	81.84	81.84	81.84	26.40
FFO (without disposals) per share in € (unaudited)	**0.49**	**0.35**	**0.40**	**0.31**	**0.49**
FFO (unaudited)	**47.3**	**37.7**	**45.8**	**34.8**	**26.1**
Number of shares (in millions, end of period)	81.84	81.84	81.84	81.84	26.40
FFO per share in € (unaudited)	**0.58**	**0.46**	**0.56**	**0.43**	**0.99**

Segment Data

In accordance with IFRS 8, we divide our business operations into three business segments: Residential Property Management, Disposals, and Nursing and Assisted Living. With the application of the provisions of IFRS 8 "Operating Segments," we adapted the definition of our segment profit or loss to the internal reporting of our Group in 2009. According to our internal reporting approach pursuant to IFRS 8 "Operating Segments," the segment profit or loss comprises the EBITDA adjusted for restructuring and reorganization expenses. We also adjusted the segment revenue for our Disposals segment. This segment revenue now shows the revenue from the sale of units without deduction of the carrying amount of the properties sold. No changes were made to the way the segments we report are divided. Therefore, the segment data for the fiscal year ended December 31, 2008 have been derived from the adjusted prior year comparative figures for 2008 of the segment reporting in the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal year ended December 31, 2009.

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
			(In € million)		
Residential Property Management					
Segment revenue (total revenue)	202.5	201.3	266.2	274.3	283.8
Segment profit/loss	118.4	113.4	150.9	151.0	147.8
Disposals					
Segment revenue (total revenue)	91.9	93.2	179.3	85.7	119.7
Segment profit/loss	7.2	8.8	12.7	9.7	13.2
Nursing and Assisted Living					
Segment revenue (total revenue)	25.2	24.7	40.6	38.8	38.6
Segment profit/loss	7.3	7.1	8.9	9.1	8.7

Summary of Risk Factors

Market and competition risks

- The German real estate market and our business are affected by changes in general economic and business conditions, such as the recent financial and economic crisis. The sovereign debt crises and the recent turmoil in the financial markets could lead to a slowdown or even a reversal of the economic recovery and could have a detrimental effect on the German real estate market and on our business.
- It could become more difficult, for various reasons, for us to acquire properties on attractive terms, which would impair the future performance and particularly the growth of our business. We may not be able to materialize the potential acquisitions in our acquisition pipeline.
- We are dependent on regional market developments.
- The forecast with respect to the funds from operations for Deutsche Wohnen Group may differ materially from actual future cash flows or revenue and earnings of Deutsche Wohnen Group.
- Sales prices of our residential properties could come under pressure from competition and other factors.
- Our investments are predominantly investments in real estate. Due to the potentially illiquid nature of the real estate market we may not be able to sell any portion of our total portfolio on favorable terms or at all.

Risks related to our business

- The loss of in-place rent, rent reductions, higher vacancy rates and our inability to charge economically reasonable in-place rent levels could have a detrimental effect on our revenue and earnings in the Residential Property Management Segment.
- If we are unable to generate positive cash flows from our operating activities, we could be forced to sell properties or borrow money on financially unfavorable terms.
- Our level of debt and the terms of current and future borrowings we have entered into could increase our financing costs and related expenses. If we breach conditions of our loan agreements, we could be required to repay the loans before they ordinarily would become due. If we fail to make payments on our loans when due, our creditors could dispose of the significant collateral we furnished to secure the loans.
- A rise in general interest rate levels could increase our financing costs.
- In the event of a downturn in the real estate market, the fair value model could require us to adjust current fair values of our investment properties (such as in the case of a change in interest rate levels or a deterioration of the market), which could have adverse effects on our consolidated balance sheet and our consolidated profit and loss statement.
- There is a risk that we could incorrectly appraise the value of acquired properties or property portfolios or real estate companies; single-unit sales (privatizations), additional property portfolio purchases and attainable in-place rent could develop differently than we expect.
- The Property Appraisal Report included in this Prospectus and/or existing or future financial information contained in this Prospectus could incorrectly assess the value of our properties.
- We are exposed to risks related to the structural condition of the properties and their maintenance and repair.
- Unscheduled sales of residential units and longer than anticipated preparation and modernization measures relating to the sales could result in increased costs or delayed realization of revenue and earnings in the Disposals segment.
- The acquisition of real estate involves risks such as missing building permits, licenses and certificates that cannot be avoided on the basis of legal, tax and economic due diligence.
- We are subject to numerous legal requirements that limit our economic freedom of action in connection with the acquisition and management of property portfolios and companies previously held by government entities.
- We could be subject to liability claims for several years after selling properties.
- Our cash flow and possible future dividend payments are dependent on the profitability of our subsidiaries or must be augmented by borrowed capital.

- We bear risks in connection with possible acquisitions and investments such as greater indebtedness, higher interest expenses, challenges in the integration of the business and in achieving the anticipated synergies.
- The current number of employees in central functions and the small number of management executives could impair our development.
- We could be subject to additional claims for pension and benefits obligations.
- Our use of standardized contracts could multiply the risks as compared with the use of individual contracts.
- We could sustain substantial losses from damage not covered by, or exceeding the coverage limits of, our insurance policies.
- We could be exposed to risks from residual pollution including wartime ordnance, soil conditions and contaminants in building materials, as well as from possible building code violations.
- Our business is subject to the general legal and tax environment in Germany. Any disadvantageous changes to the legal environment, such as an expansion of tenant protection laws or more restrictive environmental laws, could have a significant adverse effect on our net assets, financial condition and results of operations.
- We could be required to pay additional taxes following tax audits of our Group and our Group companies.
- We might not be in a position to take tax deductions for our interest payments which may result in a higher tax burden.
- There are uncertainties with respect to the amount of tax-loss carry-forwards and interest carry-forwards.
- Our computer systems could malfunction or become impaired.
- We could be subject to potential financial risks from the GEHAG Group's former activities in real estate investment funds.
- The exercise of the right of sell-out held by the limited partners of DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG could impair our profitability and negatively impact our liquidity.
- Our inability to increase prices as economically necessary in the Nursing and Assisted Living segment could have an adverse effect on the revenue and earnings development of that segment.
- The Nursing and Assisted Living segment could be subject to greater regulatory constraints as a consequence of legal reforms.
- Our ability to dispose of certain senior homes is constrained by conditions imposed as a consequence of our having received public subsidies.
- Our ability to increase certain rents could be limited by rent restrictions.

Risks related to shares and the offering

- Any future sales of our shares by our largest shareholders could depress the market price of our shares.
- The market price of our shares has been volatile and might continue to be volatile.
- Future capitalization measures could lead to substantial dilution, i.e., a reduction in the value of the shares and the control rights, of existing shareholders' interests in the Company.
- The holdings of shareholders who do not participate in the offering will be substantially diluted, i.e., the value of their shares and their control rights will be negatively impacted.
- Active trading in the subscription rights might not develop, and the subscription rights could be subject to greater price fluctuations than our shares.
- The offering may expire and the subscription rights may become worthless if the Joint Bookrunners terminate the placement agreement for the New Shares or the Company withdraws from the subscription offer. In such a case, we could receive lower issue proceeds than expected or receive none at all. In addition, we may not be able to place all offered shares which may result in substantially lower proceeds.

ZUSAMMENFASSUNG

Die folgende Zusammenfassung ist als Einführung zu diesem Prospekt zu verstehen. Sie fasst Informationen, die in diesem Prospekt beinhaltet sind, zusammen und wird durch detaillierte Informationen, die an anderer Stelle in diesem Projekt enthalten sind, ergänzt. Anleger sollten wegen der wesentlich detaillierteren Informationen in anderen Teilen des Prospekts ihre Anlageentscheidungen auf die Prüfung des gesamten Prospekts stützen.

*Die Deutsche Wohnen AG, Frankfurt am Main (die „**Gesellschaft**", und zusammen mit ihren Tochtergesellschaften, „**wir**", „**unsere Gesellschaft**", „**Deutsche Wohnen**", oder die „**Deutsche Wohnen Gruppe**"), gemeinsam mit Credit Suisse Securities (Europe) Limited, London, Großbritannien („**Credit Suisse**"), Morgan Stanley Bank AG, Frankfurt am Main, Deutschland („**Morgan Stanley**") und UBS Limited, London, Großbritannien („**UBS**" und zusammen mit Credit Suisse und Morgan Stanley, die „**Globalen Koordinatoren**" oder „**Konsortialbanken**"), übernehmen gemäß § 5 Abs. 2 Satz 3 Nr. 4 Wertpapierprospektgesetz die Verantwortung für den Inhalt dieser Zusammenfassung und ihrer Übersetzung. Sie können für den Inhalt dieser Zusammenfassung haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig, oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung einzelstaatlicher Rechtsvorschriften der Staaten des Europäischen Wirtschaftsraums die Kosten für die Übersetzung des Prospekts vor Prozessbegin zu tragen haben.*

Zusammenfassung der Geschäftstätigkeit der Deutsche Wohnen

Die Deutsche Wohnen ist eine von Deutschlands größten börsennotierten Wohnimmobiliengesellschaften, gemessen an der Marktkapitalisierung von etwa € 875 Mio. zum 31. Oktober 2011 (basierend auf dem XETRA-Schlusskurs) und einem Gesamtwert ihres Immobilienbestands von € 2,9 Mrd. zum 30. September 2011 (einschließlich Wohn- und Gewerbeimmobilien sowie Einrichtungen für Pflege und betreutes Wohnen). Wir sind in der Wohnungsbewirtschaftung tätig, insbesondere in der Vermietung eigener Wohneinheiten und der Verwaltung unseres Wohnungsbestandes, sowie dem Verkauf von ausgewählten Wohnimmobilien. Außerdem betreiben wir auch Pflegeheime und betreute Wohneinheiten für ältere Menschen durch eine indirekte Tochtergesellschaft. Unsere Investitionsstrategie konzentriert sich auf attraktive Wohnimmobilien in deutschen Metropolregionen („**Deutsche Metropolregionen**"), zum gegenwärtigen Zeitpunkt hauptsächlich auf zwei der fünf bevölkerungsreichsten Metropolregionen: Berlin/Brandenburg und Frankfurt/Rhein-Main.

Zum 30. September 2011 bestand unser Wohnimmobilienportfolio aus etwa 49.700 Einheiten mit einer Gesamtmietfläche von 3,0 Mio. Quadratmetern (basierend auf der Gesamtmietfläche, die in den Mietverträgen angegeben ist). Zum gleichen Datum betrug die laufende monatliche Vertragsmiete unseres gesamten Wohnimmobilienportfolios € 5,51 pro Quadratmeter, die durchschnittliche Wohnungsgröße betrug 61 Quadratmeter und die Leerstandsquote lag bei 2,9 %. Zusätzlich zu den Wohnimmobilien beinhaltete das Immobilienportfolio der Deutsche Wohnen zum 30. September 2011 448 Gewerbeeinheiten mit einer Gesamtfläche von 80.000 Quadratmetern (basierend auf den gesamten, in den Mietverträgen angeführten Gewerbeflächen) und insgesamt 14 Einrichtungen für Pflege und betreutes Wohnen, darunter zehn Einrichtungen für Pflege, drei für betreutes Wohnen und eine kombinierte Einrichtung. Diese Einrichtungen bieten Platz für 1.134 Pflegepatienten und 215 Wohnungen für betreutes Wohnen. Von den 14 Einrichtungen sind zwei nicht im Eigentum der Deutsche Wohnen. Zum 30. September 2011 hatte die Deutsche Wohnen 1.233 Mitarbeiter, von denen 895 in dem Segment Pflege und Betreutes Wohnen arbeiteten.

Für Zwecke des Immobilienwertgutachtens des unabhängigen Gutachters CB Richard Ellis GmbH (das „**Immobilienwertgutachten**") wurden die Einrichtungen für das Segment Pflege und Betreutes Wohnen, die im Eigentum der Gesellschaft stehen, in zehn Einrichtungen für Pflege und betreutes Wohnen zusammengefasst. Dem Immobilienwertgutachten zufolge betrug der Marktwert (IAS 40) des Gesamtimmobilienbestands der Deutsche Wohnen (inklusive Wohn- und Gewerbeimmobilien, sowie Einrichtungen für Pflege und betreutes Wohnen) zum 30. Juni 2011 € 2.794 Mio. Zum selben Stichtag bewertete die Gesellschaft ihr Immobilienportfolio mit € 2.781 Mio. (30. September 2011: € 2.856 Mio.) (einschließlich Wohn- und Gewerbeimmobilien sowie Einrichtungen für Pflege und betreutes Wohnen) sowie ein weiteres 2011 erworbenes Portfolio zum 30. Juni 2011 mit € 66 Mio., das Immobilien enthält, die zum Verkauf vorgesehen sind (IAS 2).

In unserem Wohnimmobilienbestand unterscheiden wir zwischen Liegenschaften in den Kernregionen und in den Verkaufsregionen:

- Zum 30. September 2011 befanden sich 92 % der Wohneinheiten unseres Wohnimmobilienportfolios in den Kernregionen. Dies sind Regionen mit einer positiven dynamischen Marktentwicklung. Deshalb rechnen wir in diesen mit weiterem Potential für das Vermietungsgeschäft sowie einem positiven Marktumfeld für den Verkauf einzelner Wohneinheiten (sog. Privatisierungen). Aktueller Schwerpunkt unseres Geschäfts sind zwei der fünf bevölkerungsreichsten Metropolregionen Deutschlands: Berlin/Brandenburg und Frankfurt/Rhein-Main. Die Kernregionen, in denen wir tätig sind, können weiter in den (i) Großraum Berlin, (ii) Frankfurt/Main, (iii) Rhein-Main, (iv) Rheintal Nord und (v) Rheintal Süd unterteilt werden. Unser Wohnimmobilienbestand in diesen Kernregionen umfasst sowohl Einheiten, die zu unserem Mietportfolio gehören, als auch Einheiten, die zu unserem Privatisierungsportfolio (d.h., das Portfolio mit Einheiten für den Abverkauf) gehören.

- Wir definieren Verkaufsregionen als diejenigen geografischen Gebiete, in denen der Markt stagniert oder einen negativen Trend aufzeigt. Diese sind meist in ländlichen Gebieten (in Rheinland-Pfalz und Brandenburg) gelegen. Die Verkaufsregionen in unserem Portfolio sind in zwei Kategorien unterteilt: „Bereinigung" und „Sonstiger Verkaufsbestand". Wohneinheiten in der Kategorie „Bereinigung" weisen generell einen unterdurchschnittlichen Bauzustand oder eine weniger attraktive Lage auf. Zum 30. September 2011 betrug die Anzahl der Einheiten in der Kategorie „Bereinigung" lediglich 1.990, was ungefähr 4 % des Gesamtportfolios entspricht. Wohneinheiten in der Kategorie „Sonstiger Verkaufsbestand" sind diejenigen verbleibenden, die weniger Nachteile aufweisen, aber generell nicht in unsere Geschäfts- und Portfolio-Strategie passen.

Unsere Strategie basiert auf aktivem Asset- und Portfoliomanagement, mit Fokus auf langfristigem Wertzuwachs der Immobilien. In den nächsten Jahren wollen wir eine Wachstumsstrategie verfolgen, die auf selektiven und auf attraktive Portfolios in Metropolregionen ausgerichteten Zukäufen sowie wertsteigernden Investitionsmaßnahmen basiert. Akquisitionen können entweder zu einer zügigen Erhöhung der operativen Mittelzuflüsse (*Funds from Operations*) („**FFO**") je Aktie führen oder die Möglichkeit bieten, Initiativen zur Bestandsverwaltung oder Vermögensneupositionierung durchzuführen, die entweder eine Erhöhung des FFO je Aktie und/oder eine Erhöhung des Substanzwerts (*Net Asset Value*) gemäß der Empfehlungen zum bestmöglichen Verfahren (*Best Practice Recommendations*) der European Public Real Estate Association („**EPRA NAV**") je Aktie im Laufe der Zeit erwarten lassen. Das Management der Gesellschaft ist der Auffassung, dass der deutsche Immobilienmarkt auch attraktive indirekte Investitionsmöglichkeiten bietet, die über traditionelle Einzelimmobilien- bzw. Portfoliokäufe hinausgehen, wie die Gesellschaft mit dem Erwerb der GEHAG GmbH („**GEHAG**" und, zusammen mit ihren Tochtergesellschaften, die „**GEHAG-Gruppe**") im August 2007 demonstrierte. In dieser Hinsicht werden wir auf fortlaufender Basis den Erwerb von Immobilien und indirekten Wohninvestitionen mit Asset- und Portfoliomanagementpotenzial (d.h. mit Potenzial zum Leerstandsabbau und zur Mieterhöhung) erwägen, um den langfristigen Unternehmenswert zu maximieren.

Wir haben unsere Organisationsstruktur passend zu der oben genannten Wachstumsstrategie aufgebaut und in drei Segmente unterteilt:

- Wohnungsbewirtschaftung;

- Verkauf (umfasst Blockverkäufe und Einzelverkäufe (Privatisierungen)); und

- Pflege und Betreutes Wohnen.

Das Segment Wohnungsbewirtschaftung, das Kernstück und Schwerpunkt unserer Geschäftstätigkeit ist, beinhaltet alle Aktivitäten der Wohnungsbewirtschaftung, des Managements der Mietverträge und der Betreuung der Mieter. Das strategische Ziel in diesem Segment ist die Erhaltung und Optimierung des FFO (ohne Verkauf). Dieses Ziel soll erreicht werden durch Fokussierung auf (i) die Ausnutzung von vorhandenem Mietsteigerungspotenzial, (ii) Leerstandsabbau durch Erhalt und Erhöhung der Attraktivität des Wohnimmobilienportfolios durch gezielte Investitionen (beispielsweise durch Erhalt und Modernisierung der Wohnimmobilien); (iii) die Sicherstellung einer effizienten Verwaltung der Wohnimmobilien (durch kontinuierliche Überprüfung möglicher Bewirtschaftungsalternativen anhand der regionalen Gruppierungen, den sog. Clustern) und (iv) den Zukauf und Integration neuer Immobilienportfolios. Wir haben über die letzten drei Jahre durch die Fokussierung auf Kernregionen und kontinuierliche Optimierung des FFO (ohne Verkauf) unseres Wohnimmobilienbestands unter Beweis gestellt, dass wir organisches Wachstum generieren und so unser FFO (ohne Verkauf) verbessern können.

Zum Segment Verkauf gehören alle Tätigkeiten des Verkaufs von Wohneinheiten, Gebäuden und Grundstücken. Unser zum Verkauf stehender Wohnungsbestand gliedert sich in Blockverkäufe sowie Einzelverkäufe (Privatisierungen). Das Wohnimmobilienportfolio für Blockverkäufe besteht aus Wohneinheiten in unseren Verkaufsregionen, die nicht mehr zu unserer Geschäftsstrategie passen. Manche dieser Einheiten sind Teil unseres Wohnimmobilienportfolios, da sie als Teil einer größeren Portfolioakquisition erworben wurden. Darunter fallen im Wesentlichen Wohneinheiten und Gebäude in ländlichen Gebieten und einzelne Häuser innerhalb und außerhalb der Kernregionen (sog. Streubesitz). Die Mehrzahl dieser Immobilien wird grundsätzlich zum beizulegenden Zeitwert (*Fair Value*) oder höheren Preisen an institutionelle Investoren verkauft, wobei in Einzelfällen auch ein Verkauf unter dem beizulegenden Zeitwert erfolgen kann, um eine Fokussierung auf das Wohnimmobilienportfolio in unseren Kernregionen zu erreichen. Das Ziel der Einzelverkäufe (Privatisierungen) ist der Verkauf überwiegend an Eigennutzer und zu Preisen, die über dem beizulegenden Zeitwert liegen. Alle Verkäufe von Wohneinheiten zielen insbesondere auf die Optimierung des Wohnimmobilienbestands und erfolgen auf kontinuierlicher, aber zeitlich gestaffelter Basis.

Im Segment Pflege und Betreutes Wohnen bewirtschaften und vermarkten wir Alten- und Pflegeeinrichtungen für ältere Menschen, die zum größten Teil im Eigentum der Deutsche Wohnen stehen, unter der Marke KATHARINENHOF®. Diese Einrichtungen bieten volle stationäre Pflege mit dem Ziel, einen aktiven Lebensstil und die Eigenständigkeit der Patienten im größtmöglichen Maße zu erhalten. Daneben bieten wir im Rahmen des betreuten Wohnens älteren Menschen zusätzlich zu den Wohnungen umfangreiche, seniorengerechte Service- und Dienstleistungen an.

Zusammenfassung der Wettbewerbsstärken und Strategie der Deutsche Wohnen

Zusammenfassung der Wettbewerbsstärken

Basierend auf der Größe und Qualität des Wohnimmobilienportfolios, dem Fokus auf leistungsstarke Deutsche Metropolregionen und der Qualität der Immobilienplattform mit sehr gut ausgebildeten und qualifizierten Mitarbeitern, glauben wir, dass wir gut aufgestellt sind, (i) um am Wachstum in den Deutschen Metropolregionen (überwiegend in Berlin/Brandenburg und Frankfurt/Rhein-Main) teilzuhaben und um nachhaltiges Wertwachstum in unserem bestehenden Wohnimmobilienportfolio zu erreichen sowie (ii) weiter über selektive wertsteigernde Portfolio-Akquisitionen zu wachsen.

Wir sind der Meinung, dass die folgenden kompetitiven Stärken die Hauptfaktoren für unseren vergangenen Erfolg waren und uns weiterhin von unseren Wettbewerbern absetzen werden:

- Zugang zu attraktiven deutschen Immobilien als eine robuste Anlageform;
- Ein attraktives Wohnimmobilienportfolio in gutem Instandhaltungszustand und mit starker Mietentwicklung in zwei der fünf bevölkerungsreichsten Deutschen Metropolregionen, Berlin/Brandenburg und Frankfurt/Rhein-Main;
- Erwiesene strategische Asset- und Portfoliomanagementerfolge als Grundlage für kontinuierliche operative Performanceverbesserungen;
- Starke Fähigkeiten im Zukauf von Immobilien mit Zugang zu verschiedenen potenziellen Verkäufern von Wohnimmobilienportfolios und Wohnimmobiliengesellschaften;
- Erwiesene Integrationsexpertise, wie nach der GEHAG Übernahme im Jahr 2007 gezeigt;
- Sehr erfahrenes Managementteam mit langjähriger Erfahrung im Immobilienbereich als Basis für die Strategie der Gesellschaft;
- Solide Bilanzstruktur und die Fähigkeit, tragfähige Finanzierung zu erhalten; und
- Starke Pipeline für weitere Erwerbe von Wohnimmobilienportfolios.

Zugang zu attraktiven deutschen Immobilien als eine robuste Anlageform

Unsere Geschäftstätigkeit beschränkt sich ausschließlich auf Deutschland, erzielt einen auf einer breiten Basis beruhenden Mietertrag von über 50.000 Mietern in attraktiven Deutschen Metropolregionen und profitiert sowohl von unserem regionalen Fokus auf Deutschland als auch Wohnimmobilien als eine robuste Anlageform.

Im Vergleich zu Wohnimmobilien in anderen Ländern zeigen sich Wohnimmobilien in Deutschland robuster gegenüber Rezessionen und wirtschaftlich ungünstigen Rahmenbedingungen als Wohnimmobilien in anderen europäischen Ländern. Zwischen 2007 und 2010 wurde in Deutschland ein jährlicher nominaler Anstieg der Hauspreise zwischen +0,6 % und +2,3 % (die durchschnittliche jährliche Wachstumsrate (*Compound Annual Growth Rate*) („**CAGR**") betrug 0,9 %) verzeichnet. In Großbritannien hingegen schwankte die Wachstumsrate für den gleichen Zeitraum zwischen -7,8 % und +10,9 % (CAGR -0,5 %) und in Frankreich zwischen -7,1 % und +6,6 % (CAGR 0,0 %). In Italien variierte die Wachstumsrate für den Zeitraum von 2007 bis 2009, für den Daten verfügbar sind, zwischen -3,7 % und +5,2 % (CAGR -0,7 %) (Quelle: OECD Economic Outlook No. 89). Insbesondere Wohnimmobilien in guten Lagen in Deutschland haben bewiesen, dass sie zu den robustesten Anlageformen zählen. So hat Deutschland in der Vergangenheit im Vergleich zu anderen europäischen Ländern nur geringe Schwankungen in der Bewertung von Immobilien erfahren, insbesondere in Bezug auf Wohnimmobilien. Dies liegt teilweise an günstigen Markttrends wie etwa der steigenden Anziehungskraft von und der beträchtlichen Zuwanderung in größere Städte in Deutschland (was zu überdurchschnittlichem Bevölkerungswachstum in diesen Regionen führt). Andere Faktoren, die die Bewertung von Wohnimmobilien in Deutschland günstig beeinflussen und die zu einer wachsenden Nachfrage nach Wohnimmobilien führen, sind die weiterhin steigende Anzahl privater Haushalte in Deutschland, besonders der Zuwachs an Einpersonenhaushalten, sowie die fallende Anzahl an fertiggestellten Wohnungsneubauten aufgrund mangelnder Bauaktivität, die hauptsächlich in hohen Baukosten, der Knappheit an Baugrund und attraktiven Neubaugebieten, niedrigen risikobereinigten Renditen für Immobilienentwickler und strengen Bauvorschriften begründet ist (Quellen: CB Richard Ellis, Special Report, Residential Market Germany, 2010/2011; Statistisches Bundesamt, Statistisches Jahrbuch 2010).

Aufgrund des ausschließlichen Fokus auf Deutschland sind wir gegenüber nachteiligen Finanz- und Wirtschaftsbedingungen in anderen europäischen Ländern weniger anfällig. Im schwierigen Marktumfeld der Jahre 2008 und 2009 hat sich das Geschäftsmodell der Deutsche Wohnen als robust erwiesen; dies zeigt sich am stetigen Anstieg der monatlich laufenden Vertragsmiete im Vermietungsbestand in den Kernregionen von € 5,21 pro Quadratmeter zum 31. Dezember 2008 auf € 5,59 pro Quadratmeter zum 30. September 2011.

Ein attraktives Wohnimmobilienportfolio in gutem Instandhaltungszustand und mit starker Mietentwicklung in zwei der fünf bevölkerungsreichsten Deutschen Metropolregionen, Berlin/Brandenburg und Frankfurt/Rhein-Main

Zum 30. September 2011 umfasste das Wohnimmobilienportfolio etwa 49.700 Wohneinheiten (d.h. die Summe der Wohnimmobilien in Kern- und Verkaufsregionen), 73 % davon liegen in zwei der fünf bevölkerungsreichsten Deutschen Metropolregionen: Berlin/Brandenburg und Frankfurt/Rhein-Main. Unsere Wohnimmobilien in den drei geografischen Teilregionen (i) Großraum Berlin, (ii) Frankfurt/Main und (iii) Rhein-Main, umfassen qualitativ hochwertige Wohnimmobilienportfolios. Die Leerstandsquote im Vermietungsbestand unserer Kernregionen betrug zum 30. September 2011 im Durchschnitt 1,7 %. Deshalb ermöglicht uns das günstige Verhältnis von Angebot und Nachfrage im Gegensatz zu anderen Wettbewerbern, die einen höheren Leerstand haben, besonders Mieter in den Blick zu nehmen, die bereit sind, höhere Mieten zu zahlen. Unser Vermietungsbestand im Großraum Berlin und Frankfurt/Main wies zum 30. September 2011 einen Leerstand von 1,3 % bzw. 0,9% auf und bietet eine solide Kombination von zuverlässigen langfristigen Mieterträgen und mikroökonomischem Wachstum. Der Leerstand in unserem Vermietungsbestand in der Rhein-Main Region in Höhe von 4,2 % zum 30. September 2011 ist im Wesentlichen durch laufende umfassende Modernisierungsarbeiten verursacht. Bereinigt um diese derzeit nicht vermietbaren Einheiten in unserem Vermietungsportfolio in der Rhein-Main Region beträgt der Leerstand 1,4 %. Dies zeigt das signifikante Potenzial zur Verringerung des Leerstands nach Abschluss der Modernisierungsarbeiten.

Der Großraum Berlin weist relativ niedrige Vertragsmieten im Vermietungsbestand von € 5,44 pro Quadratmeter auf, profitiert aber von einer Bevölkerung, die seit Jahren durch Immigration stetig wächst, und einer wachsenden Zahl an Haushalten aufgrund des hohen Anteils an Einpersonenhaushalten, woraus eine hohe Gesamtnachfrage für Wohnungen resultiert. Durch den überdurchschnittlich hohen Anteil hochqualifizierter Arbeitskräfte im Vergleich zum deutschlandweiten Durchschnitt, bietet der Großraum Berlin ein starkes Innovationspotenzial und eine dynamische wirtschaftliche Entwicklung.

Die Region Frankfurt/Rhein-Main weist eine Bevölkerung mit überdurchschnittlich hohem Einkommen und einer höheren Kaufkraft im Vergleich zum deutschlandweiten Durchschnitt auf. Die Höhe der Mieten ist vergleichsweise hoch, mit monatlichen Vertragsmieten von € 7,07 pro Quadratmeter im Vermietungsbestand in Frankfurt/Main und € 6,10 pro Quadratmeter im Vermietungsbestand in der Region Rhein-Main. Wir erwarten, dass das Wirtschaftswachstum zu einer steigenden Anzahl von Haushalten, größerer Stabilität der Miethöhe, weniger Leerstand und einer Reduktion der Risiken für unsere Mieteinnahmen führen wird.

Das Management sieht erhebliche Wachstumsmöglichkeiten durch die Ausnutzung von Mietsteigerungspotenzial (monatliche Neuvermietungsmiete für vermietete Wohneinheiten im preisfreien Bereich, die in 2011 wirksam wurden/werden, im Vergleich zur monatlichen Vertragsmiete) durch Mieterhöhungen bei Neuvermietungen von Wohneinheiten im preisfreien Bereich zum 30. September 2011 von 17,5 % im Vermietungsbestand in Berlin/Brandenburg, 20,4 % im Vermietungsbestand in Frankfurt/Main, 24,5 % im Vermietungsbestand in der Region Rhein-Main und 12,5% im Vermietungsbestand in der Region Rheintal Süd. Insgesamt hat unser Vermietungsbestand in den Kernregionen ein Mietpotenzial von ungefähr 20,4 %, basierend auf den tatsächlich erreichten Neuvermietungsmieten von € 6,73 pro Quadratmeter in 2011 für Wohneinheiten im preisfreien Bereich. Die allgemeine Mieterfluktuation von jährlich rund 10 % auf Grundlage des Wohnimmobilienportfolios ist einer der Umstände, der bei der Realisierung des Mietsteigerungspotenzials genutzt werden kann.

Wir konzentrieren uns auf Immobilien in unseren Kernregionen und auf Blockverkäufe von Wohneinheiten, die nicht mehr zu unserer Strategie passen. Die Gesellschaft strebt einen Abverkauf des Portfolios in den Verkaufsregionen an bei gleichzeitiger Verfolgung operativer Verbesserungen in diesem Portfolio. Das Portfolio in den Verkaufsregionen wurde nach einer strategischen Überprüfung um etwa 1.500 Einheiten vergrößert. Durch den Verkauf von 2.764 Wohneinheiten seit Ende 2008 in Form von Blockverkäufen wurde das Verkaufsportfolio um über ein Drittel von 6.977 Wohneinheiten zum 31. Dezember 2008 auf 6.208 Wohneinheiten zum 31. Dezember 2009, 4.943 Wohneinheiten zum 31. Dezember 2010 und 4.213 Wohneinheiten zum 30. September 2011 verkleinert. Durch diese Verkäufe und den fortgesetzten Fokus auf operative Verbesserungen im verbleibenden Verkaufsportfolio wurden die operativen Kennzahlen des Verkaufsportfolios optimiert. Obwohl die durchschnittliche Miete des Verkaufsportfolios unter derjenigen des gesamten Wohnimmobilienbestands von € 5,51 je Quadratmeter zum 30. September 2011 blieb, stieg die monatliche Vertragsmiete des Verkaufsportfolios um insgesamt 2,4 % von € 4,51 je Quadratmeter zum 31. Dezember 2008 auf € 4,53 pro Quadratmeter zum 31. Dezember 2009 und zum 31. Dezember 2010 und € 4,62 je Quadratmeter zum 30. September 2011. Darüber hinaus verbesserte sich die Leerstandsrate von 14,3 % zum 31. Dezember 2008, 11,4 % zum 31. Dezember 2009, 11,6 % zum 31. Dezember 2010 und 10,8 % zum 30. September 2011. Das Management hat damit seine Fähigkeit einer entschiedenen Bereinigung des Immobilienbestands bei gleichzeitiger Erhöhung des Mietbeitrags durch Wachstum und Leerstandsreduktion unter Beweis gestellt.

Erwiesene Asset- und Portfoliomanagementerfolge als Grundlage für kontinuierliche operative Performanceverbesserungen

Deutsche Wohnen ist ein vollständig integrierter Wohnimmobilienmanager und Investor mit einer Erfolgsbilanz in allen relevanten Bereichen der Wohnimmobilien-Wertschöpfungskette. Die Gesellschaft profitiert in ihrem täglichen Geschäft von ihrer Plattform von Fachleuten mit fundiertem Wissen über das Portfolio des Konzerns und den deutschen Wohnimmobilienmarkt im Ganzen. Wir erachten dieses Wissen, zusammen mit der allgemeinen Geschäftserfahrung, die durch die Führungskräfte des Konzerns gesammelt wurde, sowie den fokussierten Ansatz der Gesellschaft, als einen entscheidenden Wettbewerbsvorteil in unseren laufenden Asset- und Portfoliomanagementaktivitäten. Wir verfolgen hauptsächlich einen Buy-and-Manage-Ansatz und beteiligen uns an selektiven Verkäufen von nicht-strategischen Immobilien und Einzelverkäufen (Privatisierungen).

Der operative Prozess der Wertentwicklung beinhaltet aktives Miet- und Leerstandsmanagement (einschließlich Modernisierung und Revitalisierung) und Kostenabschätzung und Verbesserungen (wie Integrationsmaßnahmen zur Effizienzsteigerung sowie Overhead-Management). Aufgrund unserer Asset- und Portfoliomanagementaktivitäten konnten wir

- die monatlichen Vertragsmieten in unserem Vermietungsbestand in den Kernregionen von € 5,21 pro Quadratmeter zum 31. Dezember 2008 auf € 5,37 pro Quadratmeter zum 31. Dezember 2009, € 5,46 pro Quadratmeter zum 31. Dezember 2010 und € 5,59 pro Quadratmeter zum 30. September 2011 erhöhen; und

- die Leerstandsquote in unserem Vermietungsbestand in den Kernregionen von 4,0 % zum 31. Dezember 2008, auf 2,7 % zum 31. Dezember 2009, 2,0 % zum 31. Dezember 2010 und 1.7 % zum 30. September 2011 reduzieren.

Zusätzlich haben wir die operative Leistung in unseren Verkaufsregionen durch unser aktives Asset- und Portfoliomanagement verbessert. Wir konnten:

- die monatliche Vertragsmiete in unseren Verkaufsregionen von € 4,51 pro Quadratmeter zum 31. Dezember 2008 auf € 4,53 pro Quadratmeter zum 31. Dezember 2009, € 4,53 pro Quadratmeter zum 31. Dezember 2010 und auf € 4,62 pro Quadratmeter zum 30. September 2011 erhöhen; und

- die Leerstandsquote in unseren Verkaufsregionen von 14,3 % zum 31. Dezember 2008 auf 11,4 % zum 31. Dezember 2009, 11,6 % zum 31. Dezember 2010 und auf 10,8 % zum 30. September 2011 verringern.

Insgesamt verbesserten wir den FFO (ohne Verkauf) (und den FFO (ohne Verkauf) je Aktie) von € 12,9 Mio. (€ 0,49) im Jahr 2008 auf € 25,1 Mio. (€ 0,31) im Jahr 2009, auf € 33,1 Mio. (€ 0,40) im Jahr 2010, auf € 28,9 Mio. (€ 0,35) in den ersten neun Monaten 2010 und auf € 40,1 Mio. (€ 0,49) in den ersten neun Monaten 2011. Unser FFO (und der FFO je Aktie) verbesserte sich von € 26,1 Mio. (€ 0,99) im Jahr 2008 auf € 34,8 Mio. (€ 0,43) im Jahr 2009, auf € 45,8 Mio. (€ 0,56) im Jahr 2010, und von € 37,7 Mio. (€ 0,46) in den ersten neun Monaten 2010 auf € 47,3 Mio. (€ 0,58) in den ersten neun Monaten 2011.

Starke Fähigkeiten im Zukauf von Immobilien mit Zugang zu verschiedenen potenziellen Verkäufern von Wohnimmobilienportfolios und Wohnimmobiliengesellschaften

Desweiteren sind wir der Überzeugung, dass unser bestehendes Wohnimmobilienportfolio eine starke Plattform für selektive Akquisitionen von weiteren Immobilienportfolios bildet.

Die Deutsche Wohnen hat eine durchgängige Erfolgsbilanz in der kontinuierlichen Evaluierung und Prüfung potenzieller Akquisitionsmöglichkeiten. Nach der Kapitalerhöhung im Oktober 2009 teilte das Management Pläne mit, um das Portfolio des Unternehmens zu erweitern und Wachstumschancen zu verfolgen und begann neue Akquisitionen im zweiten Halbjahr 2010, als die Marksituation attraktivere Risiko-Rendite Profile bot.

Das Unternehmen hat ein weitreichendes Netzwerk an Kontakten in der Wohnimmobilienbranche geknüpft und genießt einen ausgezeichneten Ruf im Markt. Unser Netzwerk ermöglicht es uns, aktuelle Informationen über Immobilienportfolios, die zum Verkauf stehen, zu erhalten, und daher Kontakte mit Verkäufern von Wohnungsbeständen effizient zu nutzen. Aufgrund unseres Netzwerks, unserer Marke und die umfangreiche Marktkenntnis unseres Managementteams sowie der Mitarbeiter im Hinblick auf Akquisitionen von kleinen und großen Immobilienportfolios und Corporate-Plattformen, sind wir der Überzeugung, dass wir in der Lage sind, in ertrags- und wachstumsstarke Portfolios zu investieren. Zwischen dem 1. Januar 2010 und dem 31. Oktober 2011 hat die Gesellschaft Angebote von Dritten für den Kauf von rund 175.000 Wohneinheiten erhalten. Wir haben etwa 57.000 dieser angebotenen Wohneinheiten gesichtet und unverbindliche Angebote für rund 27.100 Einheiten abgegeben. Ein Due-Diligence-Prozess wurde für rund 16.000 Wohneinheiten durchgeführt, der seit dem 1. Juli 2010 zu ausgewählten Zukäufen von insgesamt 7.937 Wohneinheiten führte.

Die jüngsten Akquisitionen der Gesellschaft von 7.937 Wohneinheiten, die im November 2010, März 2011, Mai 2011, August 2011 und Oktober 2011 bekannt gegeben wurden, sind ein Beispiel für unsere Strategie, die auf selektiven und auf attraktive Portfolios in Metropolregionen ausgerichteten Investitionen sowie wertsteigernden Kapitalaufwendungen basiert. Akquisitionen können entweder zu einer zügigen Erhöhung des FFO je Aktie führen oder die Möglichkeit bieten, Initiativen zur Bestandsverwaltung oder Vermögensneupositionierung durchzuführen, die entweder eine Erhöhung des FFO je Aktie und/oder eine Erhöhung des EPRA NAV je Aktie im Laufe der Zeit erwarten lassen. Im Jahr 2010 erwarb die Gesellschaft Portfolios für einen Nettokaufpreis von € 81,9 Mio., die 1.808 Wohneinheiten in Berlin, Potsdam und Mainz umfassten. Wir sehen diese Portfolios als ergänzende Investitionen in Immobilien in unserem Kernbestand an, mit monatlichen Vertragsmieten von € 5,24 pro Quadratmeter und einer Leerstandsquote von 1,5 %. Im Jahr 2011 erwarb die Gesellschaft bisher 6.129 Wohneinheiten in Berlin, im Rhein-Main-Gebiet, im Rheintal Nord sowie im Rheintal Süd mit teilweise erheblichem Mietsteigerungspotential auf Grundlage einer monatlichen Vertragsmiete von € 5,19 pro Quadratmeter und einer Leerstandsquote von 4,1 %.

Erwiesene Integrationsexpertise, wie nach der GEHAG Übernahme im Jahr 2007 gezeigt

Die heutige Unternehmensorganisation der Gesellschaft ist effizient aufgebaut und ermöglicht sowohl die Vergrößerung unseres Portfolios in unseren Kernregionen sowie die Expansion in neue Deutsche Metropolregionen. Unsere Organisationsstruktur ist dahingehend ausgelegt, bestehende Portfolios durch Zukäufe von kleineren Portfolios zu erweitern, ohne erhebliche zusätzliche Fixkosten zu verursachen. Die Größe des Unternehmens ermöglicht es uns, zusätzliche Personal- und Sachkosten zu minimieren, und ermöglicht Kosteneinsparungen bei der Beschaffung von Gütern und Dienstleistungen sowie Kosteneffizienz im Hinblick auf die zentralen Funktionen. Wir haben in verschiedenen Transaktionen gezeigt, dass unser Unternehmen in der Lage ist, schnell und effizient die Kostenstrukturen neu erworbener Portfolios sowie Plattformen nach der Akquisition zu optimieren. Beispielsweise ging der Geschäftsaufwand nach dem Erwerb der GEHAG im Jahr 2007 durch die effiziente und schnelle Umsetzung von Kostenoptimierungen und Restrukturierungsmaßnahmen um 17 % (im ersten Halbjahr 2009 im Vergleich zum ersten Halbjahr

2008) zurück, insbesondere durch die Verkleinerung des Personals und Straffung der Verwaltung. Als Ergebnis konnten wir unseren FFO von € 10,9 Mio. in den ersten sechs Monaten des Jahres 2008 auf € 17,8 Mio. in den ersten sechs Monaten des Jahres 2009 steigern.

Sehr erfahrenes Managementteam mit langjähriger Erfahrung im Immobilienbereich als Basis für die Strategie der Gesellschaft

Das Deutsche Wohnen Managementteam profitiert von einer grundlegenden Kenntnis des Konzern-Portfolios, da es eine wesentliche Rolle bei den meisten Akquisitionen spielte (sowohl vor als auch nach der GEHAG-Integration). Diese umfassende Kenntnis des bestehenden Portfolios, kombiniert mit dem allgemeinen Geschäfts-Know-how des Managements und dem fokussierten Ansatz der Deutsche Wohnen Gruppe, sind wichtige operative Vorteile zur Unterstützung des fortlaufenden Zugangs der Gesellschaft zu Investoren und Geschäftsmöglichkeiten sowie für die Aktivitäten im Portfoliomanagement.

Das derzeitige Managementteam des Unternehmens war in den Erwerb und die Integration der GEHAG Gruppe im August 2007 involviert und hat mehrere kleinere Immobilienportfolios zwischen 2003 und 2011 erfolgreich in die Gesellschaft integriert. Das Managementteam wird in allen Aspekten des Geschäfts von einem erfahrenen und kompetenten Führungsteam und Mitarbeitern unterstützt. Das Vermieten von Wohnimmobilien oder deren Verkauf als Teil eines Einzelverkaufs (Privatisierung) wird auch intern von erfahrenen und kompetenten Führungskräften des Unternehmens gehandhabt. Aufgrund der langjährigen Erfahrung in der Immobilienbranche besitzen sowohl das Managementteam als auch die Angestellten umfangreiches Wissen über den deutschen Wohnimmobilienmarkt, einschließlich der speziellen Wesensmerkmale der relevanten Regionen.

Solide Bilanzstruktur und die Fähigkeit, tragfähige Finanzierungen zu erhalten

Wir waren bislang bei der Refinanzierung wichtiger Prolongationen auf Unternehmensebene als auch bei der effizienten Finanzierung unserer ausgewählten Zukäufe erfolgreich. Auf der Grundlage unserer Erfahrung in der Strukturierung der Finanzierung und aufgrund unserer positiven Erfolgsbilanz mit unseren Finanzierungspartnern glauben wir, unsere Fähigkeit zu einem effizienten Zugang zu den Kapitalmärkten bewiesen zu haben. Dies wurde durch unsere erfolgreiche Kapitalerhöhung in Höhe von € 249,5 Mio. im Oktober 2009 verdeutlicht, als die Gesellschaft — trotz volatiler und schwacher Finanzierungsmarktsituation — 55,4 Mio. neue Aktien überwiegend an institutionelle Anleger platzierte. Auf Grundlage eines verbesserten Verschuldungsgrads (*Loan to Value Ratio*) („**LTV-Ratio**") von 61,5 % zum 31. Dezember 2009 gelang es uns ferner, unser Fälligkeitsprofil der Fremdfinanzierung über die Refinanzierung eines Kreditvolumens von € 516 Mio. im Jahr 2010 erheblich zu verbessern, mit dem Ergebnis, dass keine größeren Kredite vor Ende des Jahres 2015 fällig werden.

Starke Pipeline für weitere Erwerbe von Wohnimmobilienportfolios

Durch systematische Prüfung einer großen Anzahl von potenziellen Portfolios für weitere Erwerbe (rund 57.000 Wohneinheiten zwischen dem 1. Januar 2010 und dem 31. Oktober 2011) waren wir in der Lage, eine große Pipeline für Ankäufe aufzubauen, die das Management im Blick behalten bzw. im Rahmen des anvisierten Verschuldungsgrades sowie mittels Beschaffung neuen Fremdkapitals weiter verfolgen wird. Das Management evaluiert weiterhin mögliche Ankäufe unter der Maßgabe ihrer generellen Eignung für das bestehende Portfolio sowie der Fähigkeit, derartige Transaktionen mit den jeweiligen Verkäufern durchzuführen. Es kann jedoch unter keinerlei Umständen als gesichert angesehen werden, dass diese Transaktionen auch tatsächlich stattfinden werden. Die Wahrscheinlichkeit, dass diese Erwerbe vollzogen werden, kann in zwei Gruppen aufgeteilt werden: (i) Erwerbe, bei denen ein Kaufvertrag unterzeichnet wurde und deren Vollzug noch aussteht (ungefähr 2.300 Wohneinheiten in fünf Portfolios mit einem Gesamtwert von ungefähr € 150 Mio.), und (ii) geplante Erwerbe weiterer Portfolios mit insgesamt etwa 16.000 Wohneinheiten. In Bezug auf etwa 5.000 dieser Wohneinheiten mit einem geschätzten Bruttovermögenswert im Bereich von € 300 Mio. bis € 350 Mio. haben wir die Due Diligence zu unserer Zufriedenheit abgeschlossen und erste Verhandlungen aufgenommen. In Bezug auf die übrigen 11.000 Wohneinheiten mit einem Bruttovermögenswert im Bereich von insgesamt € 700 Mio. bis € 800 Mio. (basierend auf vorläufigen Schätzungen der Gesellschaft, die auf der Erfahrung aus früheren Transaktionen beruhen), befinden wir uns in ersten Gespächen und/oder führen gerade Due Diligence durch. Das Management geht davon aus, dass die unter (ii) erwogenen Erwerbe nur teilweise umgesetzt werden, da das Ergebnis der Verhandlungen und/oder der Due Diligence für die Gesellschaft nicht zufriedenstellend ausfallen könnten. Zusätzlich zu den bereits existierenden porfolioergänzenden Investitionen suchen wir weiterhin nach weiteren Wachstumsmöglichkeiten durch die Übernahme von Portfolios oder durch strategische Kooperationen, die in unsere allgemeine Strategie passen, und ziehen laufend Angebote für neue Investitionen in Betracht. Alle sich in der Pipeline befindlichen Portfolios für mögliche Zukäufe passen zu dem gegenwärtigen Kernportfolio der Gesellschaft und würden daher hauptsächlich die Präsenz der Gesellschaft in ihren Kernregionen erhöhen. Außerdem stellen alle sich in der Pipeline befindlichen Portfolios attraktive Zukäufe dar, die einen potenziellen FFO- und/oder EPRA NAV-Zuwachs erlauben oder künftige attraktive Vorteile bei entsprechender Nutzung der Asset- und Portfoliomanagementfähigkeiten der Gesellschaft mit sich bringen.

Zusammenfassung der Strategie

Die Steigerung des Unternehmenswertes steht im Mittelpunkt unserer Aktivitäten.

Als aktiver Bewirtschafter von Wohnungen mit guter Qualität in wirtschaftlich attraktiven Lagen sehen wir noch immer beachtliches Mietsteigerungspotenzial in unserem bestehenden Wohnimmobilienportfolio. Ebenso bewirtschaften wir aktiv unsere neu hinzuerworbenen Portfolios mit dem Ziel, Möglichkeiten zur weiteren Wertschaffung zu verfolgen, insbesondere durch Optimierungen, die darauf abzielen, eine vollständige Realisierung des Mietsteigerungspotenzials zu erreichen. Zusätzlich dazu wollen wir weiterhin durch Zukäufe sowohl in unseren bestehenden Kernregionen als auch in weiteren Deutschen Metropolregionen wachsen.

Kernelemente unserer Wachstumsstrategie entlang der Wertschöpfungskette im Wohnimmobilienbereich sind dabei:

- Fokussierung auf Wohnimmobilien in wichtigen Deutschen Metropolregionen;
- Realisierung des Mietsteigerungspotenzials des gegenwärtigen Wohnimmobilienportfolios in unseren Kernregionen;
- Ausgewählte wachstumsteigernde Zukäufe;
- Wertorientierte Verkäufe;
- Optimierung unserer Finanzierungsstruktur, insbesondere durch die Rückführung unserer Finanzverbindlichkeiten; und
- Wachstum durch weitere selektive Zukäufe.

Fokussierung auf Wohnimmobilien in wichtigen Deutschen Metropolregionen

Wir haben vor, uns auf Wohnimmobilien in Deutschen Metropolregionen zu konzentrieren. Aufgrund unserer Erfahrung in Berlin/Brandenburg und Frankfurt/Rhein-Main, zwei der fünf bevölkerungsreichsten Deutschen Metropolregionen, sind wir zuversichtlich, dass die fundamentalen wirtschaftlichen Wachstumsdaten und Migrationsströme dieser Regionen eine sehr gute Basis bieten, um starke stabile Cashflows aus der Vermietung zu erzielen und Möglichkeiten zur Wertschaffung zu nutzen. Deshalb planen wir, weiterhin einen fokussierten regionalen Ansatz zu verfolgen und uns auf die Bewirtschaftung eines gebündelten Portfolios in unseren Kernregionen zu konzentrieren. Zusätzlich zu den derzeit bestehenden Schwerpunktgebieten Berlin/Brandenburg und Frankfurt/Rhein-Main schauen wir uns auch nach Möglichkeiten um, unser Wohnimmobilienportfolio in andere Deutsche Metropolregionen auszudehnen, die einen Zuwachs des FFO je Aktie und/oder EPRA NAV je Aktie oder das Potenzial für längerfristige Vorteile bieten.

Realisierung des Mietsteigerungspotenzials des gegenwärtigen Wohnimmobilienportfolios in unseren Kernregionen

Wir streben desweiteren an, unser FFO-Profil durch laufende, aktive Asset- und Portfoliomanagementmaßnahmen zu verbessern. Da die laufende monatliche Vertragsmiete in unseren Kernregionen im Durchschnitt unter den marktüblichen Mieten liegt, sehen wir die Möglichkeit der Verbesserung des FFO hauptsächlich durch die Durchführung von Maßnahmen zur Verbesserung der monatlichen Vertragsmiete. Schlüsselfaktoren sind hier Modernisierungs-/Investitionsmaßnahmen in ausgewählten Liegenschaften, laufende Instandhaltungsmaßnahmen, um eine hohe Qualität der Mieterstruktur beizubehalten, und gezielte Nutzung von Mieterwechseln, um die aktuellen Mieten den Marktmietniveaus natürlich anzugleichen. Zusätzlich gehen wir davon aus, weitere operationelle Effizienzen durch den Verkauf von Wohneinheiten an Bewohner sowie durch Blockverkäufe an institutionelle Investoren zu erzielen. Unsere jüngsten Erfolge bei der Neuvermietung unterstreichen das zusätzliche Mietpotenzial des bestehenden Vermietungsportfolios in unseren Kernregionen. So hat beispielsweise die Neuvermietung von 2.823 keinen Mietbeschränkungen unterliegenden Einheiten aus dem Vermietungsportfolio in unseren Kernregionen für 2011 vor dem 30. September 2011 eine durchschnittliche monatliche Vertragsmiete von € 6,73 pro Quadratmeter erzielt. Somit zeigt sich für die Wohnbestände in unserem Vermietungsportfolio in den Kernregionen ein

Mietsteigerungspotenzial von etwa 20,4 %, basierend auf der aktuellen monatlichen Vertragsmiete in unserem Vermietungsportfolio in unseren Kernregionen von € 5,59 pro Quadratmeter.

Ausgewählte wachstumssteigernde Zukäufe

Seit 1. Juli 2010 haben wir 7.937 überwiegend in Berlin gelegene Wohneinheiten erworben. Der durchschnittliche Nettokaufpreis pro Quadratmeter betrug € 818 und die Nettoanfangsrendite 7,0 %. In unseren Kernregionen ziehen wir den Erwerb kleinerer Portfolios mit weniger als 1.500 Einheiten in Betracht, die sowohl unsere Anforderungen an Lage als auch an einen Zuwachs des FFO je Aktie und/oder EPRA NAV je Aktie erfüllen. Wir haben die operationelle Leistungsfähigkeit und Kapazität in effizienter Form sowohl größere als auch kleinere Wohnimmobilienzukäufe zu geringen Grenzkosten zu integrieren und nachhaltig Kosteneinsparungen zu realisieren. Generell konzentrieren wir uns auf Investitionen in Wohnimmobilien in attraktiven Metropolregionen, deren Zukauf entweder unmittelbar zu einem Zuwachs des FFO je Aktie führt oder die Möglichkeit bietet, durch Assetmanagement oder Initiativen zur Vermögensrepositionierung des FFO je Aktie oder den EPRA NAV je Aktie im Laufe der Zeit zu steigern.

Wertorientierte Verkäufe

Wir beabsichtigen die Schaffung weiteren Unternehmenswertes durch wertorientierte Einzelverkäufe (Privatisierungen) und die laufende Anpassung des Portfolios durch Blockverkäufe. Unser Wohnimmobilienportfolio, das für den Verkauf vorgesehene Liegenschaften umfasst, unterteilt sich in Wohneinheiten, die einzeln verkauft werden sollen, und solche, die über Blockverkäufe abgegeben werden sollen. In Einzelverkäufen (Privatisierungen) zielen wir darauf ab, Wohneinheiten hauptsächlich an Bewohner zu Preisen über dem beizulegenden Zeitwert (*Fair Value*) zu verkaufen. Ungefähr 5.100 Einheiten sind für Einzelverkäufe (Privatisierungen) vorgesehen, wobei etwa 500 Wohneinheiten pro Jahr für den Verkauf vorgesehen sind. Zum 30. September 2011 hatten wir bereits 642 Verträge für den Verkauf im laufenden Geschäftsjahr 2011 unterzeichnet. Dieses entspricht 128 % unseres Ziels für das Gesamtjahr 2011. Die Einzelverkäufe wurden mit einer durchschnittlichen Bruttomarge von 37 % über dem zum 31. Dezember 2010 nach den *International Financial Reporting Standards,* wie sie in der EU anzuwenden sind („**IFRS**") ermittelten Wert ausgeführt. Das Wohnimmobilienportfolio in unseren Verkaufsregionen (d.h. das Wohnimmobilienportfolio für Blockverkäufe und Bereinigungen) besteht aus Wohneinheiten in Lagen, die nicht mehr in unsere Geschäftsstrategie passen. Die Mehrzahl dieser Immobilien wird an institutionelle Investoren verkauft, im Allgemeinen zumindest zum beizulegenden Zeitwert, allerdings gelegentlich auch darunter, um das Portfolio entsprechend anzupassen. Im Zuge künftiger Portfoliozukäufe kann es vorkommen, dass Teile eines erworbenen Portfolios nicht in unsere Geschäftsstrategie passen und wir würden solche Teile im Rahmen von Blockverkäufen abverkaufen, um unser Portfolio zu optimieren.

Optimierung unserer Finanzierungsstruktur, insbesondere durch die Rückführung unserer Finanzverbindlichkeiten

Wir sind bestrebt unsere gegenwärtige Finanzierungsstruktur zu optimieren. Unser Ziel ist es, bestimmte Finanzverbindlichkeiten zurückzuführen, um so einerseits die Fremdkapitalquote und die Zinszahlungen zu reduzieren und andererseits den Schuldendienst und die Finanzierungsstruktur zu optimieren. Die Beständigkeit von Wohnimmobilien als Vermögenswerte zusammen mit unserem Zugang zu langfristiger festverzinslicher Fremdfinanzierung zu niedrigen Kosten sowie unser Zugang zu Finanzierungsmöglichkeiten über den Kapitalmarkt bieten uns attraktive Möglichkeiten, um Fremdkapital zur Verbesserung unserer Eigenkapital- und Aktienrendite sowie unseres FFO je Aktie einzusetzen, da wir einen Ertrag unseres Portfolios anstreben, der unsere Kapitalkosten übersteigt. Darüber hinaus streben wir derzeit mittelfristig eine LTV-Ratio von unter 60 % an, wobei kurz- bis mittelfristig durch strategische Zukäufe eine höhere LTV-Ratio auftreten kann, soweit dies vom Management als angemessen erachtet wird.

Wachstum durch weitere selektive Zukäufe

Die Deutsche Wohnen versteht sich als Konsolidierungsplattform im Wohnimmobilienbereich. Wir sind in der Lage, neu erworbene Portfolien zu geringen Grenzkosten in die bestehenden Organisationsstrukturen einzubinden und einen Vorteil aus Skaleneffekten zu generieren. Als Teil unserer Wachstumsstrategie sind wir bestrebt, das bestehende Portfolio durch ausgewählte Zukäufe von kleineren und mittelgroßen Immobilienportfolien in unseren Kernregionen zu erweitern. Auch größere Portfolien oder Plattformen mit mindestens 1.500 Einheiten sind als Erwerbsobjekte denkbar, etwa für einen effizienten Markteintritt in neue Metropolregionen außerhalb von Berlin/Brandenburg und Frankfurt/Rhein-Main, sofern sie unser FFO und/oder unseren EPRA NAV steigern, Skalierungspotential für unsere bestehenden Plattformen erlauben und/oder eine Verbesserung des Cashflows und der Erträge durch die Integration und die Realisierung von Synergien erlauben. Im Rahmen von künftigen Zukäufen werden eine Vielzahl von

Kriterien berücksichtigt, wie etwa die Lage, die Entwicklung des relevanten regionalen Marktumfelds, welches die Möglichkeit zur Erzielung langfristiger stabiler Cashflows aus der Vermietung und dem Verkauf von Wohnungen beeinflusst, das Potenzial zur Anhebung der monatlichen Vertragsmiete, die Anzahl von öffentlich geförderten Wohneinheiten, Infrastruktur und Mieterstruktur. Darüber hinaus ziehen wir künftig Wachstumschancen in Form von strategischen Kooperationen in Betracht (einschließlich Strukturen, bei denen wir lediglich einen Minderheitsanteil im Rahmen einer derartigen Kooperation halten), wobei wir hierzu unsere Erfahrung und unser Know-how einbringen, jedoch gleichzeitig unseren finanziellen Aufwand begrenzen.

Zusammenfassung wesentlicher Angaben der Deutsche Wohnen AG

Registereintragung, Sitz und Geschäftsjahr . . . . Die Gesellschaft ist in das Handelsregister des Amtsgerichts Frankfurt am Main, Deutschland, unter der Nummer HRB 42388 eingetragen.

Der Sitz der Gesellschaft ist in der Pfaffenwiese 300, 65929 Frankfurt am Main, Deutschland. Die Gesellschaft ist telefonisch unter der Nummer +49 (0)69 97 69 700 erreichbar.

Das Geschäftsjahr der Gesellschaft ist das Kalenderjahr.

Grundkapital und Aktien (vor Durchführung des Angebots) . . . . . Das Grundkapital der Gesellschaft beträgt gegenwärtig € 81.840.000. Es ist eingeteilt in 81.840.000 Stammaktien ohne Nennbetrag (Stückaktien) mit einem anteiligen Betrag am Grundkapital von jeweils € 1,00 je Stückaktie.

Die Aktien der Gesellschaft sind in Namens- und Inhaberaktien unterteilt.

Von den insgesamt 81.840.000 Aktien sind 81.732.423 (rund 99,87 %) als Inhaberaktien und 107.577 (rund 0,13 %) als Namensaktien verbrieft.

Vorstand und oberes Management . . Der Vorstand der Gesellschaft besteht aus drei Mitgliedern: Herrn Michael Zahn (Vorstandsvorsitzender), Herrn Helmut Ullrich (Finanzvorstand) und Herrn Lars Wittan. Frau Dr. Kathrin Wolff ist Generalbevollmächtigte der Gesellschaft (oberes Management).

Aufsichtsrat . . . . Der Aufsichtsrat der Gesellschaft besteht aus den folgenden sechs Mitgliedern: Herr Uwe E. Flach (Vorsitzender), Herr Dr. Andreas Kretschmer, Herr Dr. h.c. Wolfgang Clement, Herr Matthias Hünlein, Herr Dr. Michael Leinwand und Herr Dr. Florian Stetter.

Hauptaktionäre . . . . Auf Grundlage der bei der Gesellschaft nach dem Wertpapierhandelsgesetz („**WpHG**") eingegangenen Mitteilungen sowie nach Angaben der jeweiligen Aktionäre halten die folgenden Aktionäre wesentliche Aktienbestände der Deutsche Wohnen AG:

Cohen & Steers Inc.[1]	9,91 %
Zurich Deutscher Herold Lebensversicherung AG	5,75 %
First Eagle Overseas Fund	5,24 %
Sun Life Financial Inc.[1]	5,03 %
Asset Value Investors Ltd.[2]	4,94 %
Ärzteversorgung Westfalen-Lippe[3]	3,33 %
BlackRock, Inc.[1]	3,06 %

Andere Aktionäre, einschließlich der Aktionäre, deren Anteile weniger als 3 % der Stimmrechte an der Deutsche Wohnen AG repräsentieren, halten die restlichen 62,74 % der Aktien der Deutsche Wohnen AG.

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1) *Zurechnung nach § 22 Abs. 1, Satz 1, Nr. 6 in Verbindung mit § 22 Abs. 1, Satz 2 WpHG.*

2) *Zurechnung nach § 22 Abs. 1, Satz 1, Nr. 6 WpHG.*

3) *Zurechnung nach § 22 Abs. 1, Satz 1, Nr. 1 WpHG.*

Abschlussprüfer . . . . Abschlussprüfer der Konzernabschlüsse und Jahresabschlüsse der Gesellschaft für das laufende Geschäftsjahr 2011, für die Geschäftsjahre 2010 und 2009 ist die Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Niederlassung Berlin, Friedrichstraße 140, 10117 Berlin, Deutschland, und für das Geschäftsjahr 2008 die Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Niederlassung Eschborn/Frankfurt am Main, Mergenthalerallee 3-5, 65760 Eschborn/Frankfurt am Main, Deutschland.

Immobilienwertgutachter . . . . CB Richard Ellis GmbH, Hausvogteiplatz 10, 10117 Berlin, Deutschland, wurde von der Gesellschaft beauftragt, als Immobiliengutachter zu fungieren, und hat ein Immobilienwertgutachten für die Immobilien des Deutsche Wohnen Konzerns gemäß IAS 40 zum 30. Juni 2011 erstellt, das auf Seiten E-1 ff. dieses Prospekts abgedruckt ist.

Mitarbeiter . . . . Die Deutsche Wohnen beschäftigte zum 30. September 2011 insgesamt 1.233 Mitarbeiter.

Zusammenfassung des Angebotes

Bezugsangebot . . . . Das Bezugsangebot („**Angebot**") umfasst 20.460.000 neue, auf den Inhaber lautende Stammaktien ohne Nennbetrag (Stückaktien) mit einem anteiligen Betrag am Grundkapital von jeweils € 1,00 und mit voller Gewinnanteilberechtigung ab dem 1. Januar 2011 (die „**Neuen Aktien**").

Die Neuen Aktien stammen aus einer Kapitalerhöhung gegen Bareinlagen mit mittelbarem Bezugsrecht für die Aktionäre der Gesellschaft unter Ausnutzung des genehmigten Kapitals der Gesellschaft, das auf der Hauptversammlung der Gesellschaft am 31. Mai 2011 beschlossen wurde („**Genehmigtes Kapital 2011**"). Der Beschluss über das Genehmigte Kapital 2011 wurde am 12. Juli 2011 im Handelsregister des Amtsgerichts Frankfurt am Main, Deutschland, eingetragen.

Das Angebot an die Aktionäre der Gesellschaft wird voraussichtlich am 14. November 2011 im elektronischen Bundesanzeiger und am 15. November 2011 in der Börsenzeitung veröffentlicht werden.

Die Durchführung der Kapitalerhöhung wird voraussichtlich im Handelsregister des Amtsgerichts Frankfurt am Main, Deutschland, am 30. November 2011 eingetragen werden.

Börsenzulassung . . . . Die Zulassung der Neuen Aktien zum regulierten Markt mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) an der Frankfurter Wertpapierbörse wird voraussichtlich am oder um den 15. November 2011 beantragt. Der Zulassungsbeschluss wird voraussichtlich am oder um den 30. November 2011 gefasst werden.

Notierungsaufnahme . . . . Der Handel der Neuen Aktien wird voraussichtlich am 1. Dezember 2011 aufgenommen. Die Neuen Aktien werden an diesem Tag in die bestehende Preisfeststellung der Inhaberaktien der Gesellschaft einbezogen.

Ausübung des Bezugsrechts . . . . . . Um einen Ausschluss der Ausübung des Bezugsrechts zu vermeiden, fordert die Gesellschaft ihre Aktionäre auf, ihre Bezugsrechte für die Neuen Aktien im Zeitraum vom 15. November 2011 bis einschließlich 28. November 2011 durch ihre Depotbank an der unten

	angeführten Bezugsstelle während der regulären Banköffnungszeiten (die „**Bezugsfrist**“), auszuüben. Bezugsrechte, die nicht innerhalb dieser Frist ausgeübt werden, verfallen wertlos. Es wird keine Entschädigung für nicht ausgeübte Bezugsrechte gezahlt.
Bezugsverhältnis	Das Bezugsverhältnis ist 4:1, d.h. vier bestehende Aktien berechtigen zum Bezug von einer Neuen Aktie.
Bezugspreis	Der Bezugspreis pro Neuer Aktie wird, voraussichtlich am 24. November 2011 nach Handelsschluss, unter Berücksichtigung des volumengewichteten Durchschnittskurses für die Inhaberaktie der Gesellschaft im elektronischen Handelssystem XETRA der Frankfurter Wertpapierbörse vom Beginn der Bezugsfrist am 15. November 2011 bis zum Handelsschluss am 24. November 2011, wie im Finanzinformationsdienst Reuters dargestellt (der „**VWAP**“), abzüglich eines vom Vorstand der Gesellschaft mit Zustimmung des Aufsichtsrats der Gesellschaft festzusetzenden Abschlages festgelegt werden. Die Festsetzung der Höhe des Abschlages wird unter Berücksichtigung einer zum Zeitpunkt der Preisfestsetzung vorzunehmenden Einschätzung der Volatilität des Kurses der Inhaberaktien der Gesellschaft sowie für die Gesellschaft spezifischer Marktrisiken erfolgen. Der Bezugspreis beträgt höchstens € 12,00 je Neuer Aktie. Der Bezugspreis wird unmittelbar nach Preisfeststellung in einer Adhoc-Mitteilung über ein elektronisches Informationssystem und auf der Website der Gesellschaft sowie am darauffolgenden Werktag im elektronischen Bundesanzeiger und am 26. November 2011 in der Börsenzeitung veröffentlicht werden.
Bezugsstelle	Bezugsstelle ist die Morgan Stanley Bank AG („**Bezugsstelle**“).
Bezugsrechtshandel	Die Bezugsrechte (ISIN DE000A1K03C7/WKN A1K03C) für die Neuen Aktien werden in der Zeit vom 15. November 2011 bis 24. November 2011 (jeweils einschließlich) im regulierten Markt (XETRA und XETRA Frankfurt Specialist) an der Frankfurter Wertpapierbörse gehandelt. Ab dem 15. November 2011 werden alle von der Gesellschaft bereits ausgegebenen Aktien im regulierten Markt der Frankfurter Wertpapierbörse „ex-Bezugsrecht“ notiert. Morgan Stanley kann für Rechnung der Konsortialbanken geeignete Maßnahmen ergreifen, um für einen geordneten Bezugsrechtshandel Liquidität zur Verfügung zu stellen, bzw. sonstige in diesem Zusammenhang übliche Tätigkeiten durchführen, wie z.B. den Kauf und Verkauf von Bezugsrechten für Neue Aktien oder die Vornahme von Absicherungsgeschäften in Aktien der Gesellschaft oder entsprechenden Derivaten.
Lieferung und Abrechnung der Bezugsaktien	Der Bezugspreis je bezogener Neuer Aktie ist spätestens am 28. November 2011 fällig und zu entrichten. Die im Rahmen des Angebots bezogenen Neuen Aktien werden voraussichtlich am 1. Dezember 2011 durch Girosammeldepotgutschrift zur Verfügung gestellt.
Stabilisierung	Im Zusammenhang mit dem Angebot der Neuen Aktien können Stabilisierungsmaßnahmen im Rahmen des rechtlich Zulässigen vorgenommen werden.
Verwertung nicht bezogener Aktien	Etwaige aufgrund des Angebots nicht bezogene Neue Aktien werden durch die Konsortialbanken im Rahmen einer Privatplatzierung qualifizierten Anlegern in Deutschland und anderen Ländern (an qualifizierte institutionelle Anleger in den Vereinigten Staaten in

	Übereinstimmung mit Rule 144A des U.S. Securities Act von 1933 in der jeweils gültigen Fassung (der „**Securities Act**“) und außerhalb der Vereinigten Staaten in Übereinstimmung mit der Regulation S des Securities Act) zum Erwerb angeboten.
Marktschutzvereinbarungen	Die Deutsche Wohnen AG hat sich gegenüber den Konsortialbanken verpflichtet, im Rahmen des rechtlich Zulässigen ohne Zustimmung der Globalen Koordinatoren, die nicht unbillig verweigert oder verzögert werden darf, innerhalb eines Zeitraums von sechs Monaten nach Einbeziehung der Neuen Aktien in die bestehende Notierung der Inhaberaktie der Deutsche Wohnen AG, keine Aktien der Gesellschaft, Optionen auf solche Aktien oder Wertpapiere, die in solche Aktien gewandelt oder getauscht werden können oder mit Rechten zum Erwerb von solchen Aktien ausgestattet sind, direkt oder indirekt auszugeben, zu verkaufen, anzubieten, sich zu ihrem Verkauf zu verpflichten, anderweitig zu übertragen oder zu veräußern, und keine Kapitalerhöhung aus genehmigtem Kapital anzukündigen, keine Kapitalerhöhung einzuleiten und für Zwecke der Ausgabe von Aktien (i) im Rahmen bestehender Mitarbeiterbeteiligungsprogramme der Gesellschaft oder ihrer Tochterunternehmen, (ii) aufgrund einer Kapitalerhöhung aus Gesellschaftsmitteln, (iii) im Zusammenhang mit einer Sachkapitalerhöhung, sofern der Erwerber die vorgenannten Verpflichtungen übernimmt) und keine sonstigen Geschäfte (einschließlich Geschäften in Derivaten) abzuschließen, deren wirtschaftlicher Effekt den oben beschriebenen Maßnahmen gleichkommt.
Verkaufsbeschränkungen	Die Neuen Aktien und die Bezugsrechte sind und werden weder nach den Vorschriften des Securities Act noch bei den Wertpapieraufsichtsbehörden von Einzelstaaten der USA registriert. Die Neuen Aktien und die Bezugsrechte dürfen in den USA weder angeboten noch verkauft oder direkt oder indirekt dorthin geliefert werden, außer in Ausnahmefällen aufgrund einer Befreiung von den Registrierungserfordernissen des Securities Act.
Kosten des Angebots und Nettoemissionserlös	Die Gesamtkosten des Angebots, einschließlich der Provisionen der Konsortialbanken, werden voraussichtlich € 8 Mio. von dem Mittelwert des angestrebten Bruttoemissionserlös betragen abhängig vom Bezugspreis und der tatsächlich platzierten Anzahl Neuer Aktien. Die Gesellschaft strebt einen Bruttoemissionserlös aus der Kapitalerhöhung von € 150 Mio. bis € 200 Mio. an. Die tatsächliche Höhe des Nettoemissionserlöses hängt vom Bezugspreis und der Anzahl der von den Konsortialbanken platzierten Neuen Aktien ab.
Verwendung des Nettoemissionserlöses	Der Nettoemissionserlös soll für selektive Zukäufe in unseren bestehenden Kernregionen bzw. in Deutschen Metropolregionen verwendet werden. Einen Teilbetrag von € 130 Mio. des Nettoemissionserlöses werden wir kurzfristig für die Rückführung von in vergangenen Portfolio-Akquisitionen in Anspruch genommenen Kreditlinien und zur Kaufpreisfinanzierung bereits protokollierter Akquisitionen verwenden. Die Kreditlinien werden uns nach ihrer Rückführung für weitere potentielle Akquisitionen zur Verfügung stehen. Bei einem anhaltend positiven Marktumfeld für Akquisitionen erwarten wir eine Investition des gesamten Nettoemissionserlöses innerhalb der nächsten 12 bis 15 Monate.
Verbriefung/Lieferung	Die Neue Aktien der Gesellschaft (ISIN DE 000A0HN5C6/ WKN A0HN5C) werden in einer Globalurkunde verbrieft, die bei

der Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Deutschland, zur Girosammelverwahrung hinterlegt wird.

Der Anspruch der Aktionäre der Gesellschaft auf Verbriefung ihres Anteils ist nach § 4 Abs. 4 Satz 2 der Satzung der Gesellschaft ausgeschlossen. Die im Rahmen des Angebots bezogenen Neuen Aktien werden voraussichtlich ab 1. Dezember 2011 und die im Rahmen der Privatplatzierung erworbenen Neuen Aktien nach Abschluss der Privatplatzierung voraussichtlich ab 1. oder 2. Dezember 2011 durch Girosammeldepotgutschrift zur Verfügung gestellt, es sei denn, die Bezugsfrist wurde verlängert oder das Angebot abgebrochen.

ISIN, WKN, Börsenkürzel der bezugsberechtigten Aktien . . . . Die International Securities Identification Number („**ISIN**") für die Inhaberaktien der Gesellschaft lautet DE000A0HN5C6, die Wertpapierkennnummer („**WKN**") A0HN5C. Das Börsenkürzel ist DWNI.

Die ISIN für die Namensaktien der Gesellschaft lautet DE0006283302, die WKN ist 628330. Das Börsenkürzel ist DWN.

ISIN und WKN der Bezugsrechte . . Die ISIN für die Bezugsrechte lautet DE 000A1K03C7, die WKN A1K03C.

Designated Sponsor . . . . Die Close Brothers Seydler Bank AG und die WestLB AG haben die Funktion des Designated Sponsors der an der Frankfurter Wertpapierbörse gehandelten Aktien der Gesellschaft übernommen und sind berechtigt, einen entsprechenden zugelassenen Dritten mit der Wahrnehmung dieser Aufgabe zu betrauen.

Zahl- und Anmeldestelle . . . . Zahl- und Anmeldestelle ist die Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, Deutschland.

Zusammenfassung der Konzernfinanzinformationen

Die nachfolgenden Tabellen enthalten wesentliche Konzernfinanzinformationen – mit Ausnahme der sonstigen Finanz- und operativen Kennzahlen – nach IFRS (wie unten definiert) für die zum 30. September 2011 und 30. September 2010 endenden Neunmonatszeiträume und die zum 31. Dezember 2010, 31. Dezember 2009 und 31. Dezember 2008 endenden Geschäftsjahre der Deutsche Wohnen. Die Konzernfinanzinformationen sind dem ungeprüften verkürzten Konzern-Zwischenabschluss der Deutsche Wohnen AG für den zum 30. September 2011 endenden Neunmonatszeitraum (mit Vergleichszahlen für den zum 30. September 2010 endenden Neunmonatszeitraum) und den geprüften Konzernabschlüssen der Deutsche Wohnen AG für die zum 31. Dezember 2010, 31. Dezember 2009 und 31. Dezember 2008 endenden Geschäftsjahre entnommen oder daraus abgeleitet worden. Die geprüften Konzernabschlüsse der Deutsche Wohnen AG für die zum 31. Dezember 2010, 31. Dezember 2009 und 31. Dezember 2008 endenden Geschäftsjahre wurden auf der Grundlage der International Financial Reporting Standards, wie sie in der EU anzuwenden sind (IFRS), erstellt. Der ungeprüfte verkürzte Konzern-Zwischenabschluss der Deutsche Wohnen AG zum 30. September 2011 wurde auf der Grundlage der IFRS für Zwischenberichte (IAS 34) erstellt. Einige der unten abgebildeten sonstigen Finanz- und operativen Kennzahlen sind dem Rechnungswesen oder der internen Managementberichterstattung der Gesellschaft entnommen.

Sind Finanzinformationen in den nachstehenden Tabellen als „geprüft" gekennzeichnet, so bedeutet dies, dass sie den geprüften Konzernabschlüssen der Deutsche Wohnen AG für die zum 31. Dezember 2010, 31. Dezember 2009 und 31. Dezember 2008 endenden Geschäftsjahre entnommen oder daraus abgeleitet wurden. Die Kennzeichnung „ungeprüft" wird in den nachstehenden Tabellen zur Kenntlichmachung von Finanzinformationen verwendet, die dem ungeprüften verkürzten Konzern-Zwischenabschluss der Deutsche Wohnen AG zum 30. September 2011 oder dem Rechnungswesen oder der internen Managementberichterstattung der Gesellschaft entnommen oder daraus abgeleitet wurden. Die in den nachfolgenden Tabellen dargestellten Konzernfinanzinformationen stellen eine Auswahl aus den in den Abschlüssen enthaltenen Finanzinformationen der Deutsche Wohnen dar und sind in tausend Euro (€ tausend) bzw. in Millionen Euro (€ Mio.) angegeben und dementsprechend auf volle € tausend bzw. auf volle € Mio. kaufmännisch gerundet. Aufgrund der Rundungen addieren sich die in den Tabellen aufgeführten Zahlen teilweise nicht exakt zur jeweils angegebenen Gesamtsumme und die Prozentzahlen teilweise nicht exakt zu 100 % auf.

Die nachstehend dargestellten Konzernfinanzinformationen stellen eine Zusammenfassung der in diesem Prospekt enthaltenen Finanzinformationen dar. Aufgrund von Änderungen in der Segmentberichterstattung und bei der Darstellung der lang- und kurzfristigen derivativen Finanzinstrumente im Konzernabschluss der Deutsche Wohnen AG für das zum 31. Dezember 2009 endende Geschäftsjahr wurden die Finanzinformationen für das zum 31. Dezember 2008 endende Geschäftsjahr insoweit dem Konzernabschluss der Deutsche Wohnen AG für das zum 31. Dezember 2009 endende Geschäftsjahr entnommen. Anleger sollten ihre Anlageentscheidung auf die Prüfung des gesamten Prospekts stützen.

Zusammenfassung der Daten aus der Konzern-Gewinn- und Verlustrechnung

	1. Januar – 30. September 2011	1. Januar – 30. September 2010	1. Januar – 31. Dezember 2010	1. Januar – 31. Dezember 2009	1. Januar – 31. Dezember 2008
	(ungeprüft)	(ungeprüft)	(geprüft) (in € tausend)	(geprüft)	(geprüft)
Umsatzerlöse	226.250	224.782	297.811	306.331	315.512
Ergebnis aus Verkauf	12.628	13.163	19.566	15.930	17.409
Verkaufserlöse	*85.721*	*91.400*	*171.682*	*85.677*	*119.710*
Buchwertabgänge	*(73.093)*	*(78.237)*	*(152.116)*	*(69.748)*	*(102.301)*
Sonstige betriebliche Erträge	6.599	5.343	9.618	12.699	11.423
Summe Erträge	**245.477**	**243.288**	**326.995**	**334.959**	**344.344**
Aufwendungen für bezogene Lieferungen und Leistungen	(89.681)	(92.255)	(122.589)	(134.774)	(139.085)
Personalaufwand	(28.702)	(27.924)	(39.157)	(40.204)	(43.541)
Sonstige betriebliche Aufwendungen	(18.291)	(18.535)	(29.130)	(26.488)	(31.222)
Restrukturierungs- und Reorganisationsaufwendungen	—	—	—	(7.784)	(24.092)
Summe Aufwendungen	**(136.674)**	**(138.714)**	**(190.876)**	**(209.249)**	**(237.940)**
Zwischenergebnis	**108.803**	**104.574**	**136.119**	**125.710**	**106.404**
Ergebnis aus der Fair Value Anpassung der als Finanzinvestition gehaltenen Immobilien	—	—	47.178	—	(276.528)
Abschreibungen	(2.462)	(2.377)	(3.044)	(2.780)	(1.794)
Ergebnis aus assoziierten Unternehmen	—	—	—	—	60
Ergebnis vor Steuern und Zinsen (EBIT)	**106.341**	**102.197**	**180.253**	**122.929**	**(171.859)**
Finanzerträge	390	395	848	868	2.540
Ergebnis aus der Marktwertanpassung derivativer Finanzinstrumente	(179)	(2.357)	(234)	(1.203)	(32.197)
Finanzaufwendungen	(69.128)	(75.721)	(123.728)	(119.242)	(127.281)
Ergebnis vor Steuern	**37.424**	**24.514**	**57.139**	**3.352**	**(328.796)**
Ertragsteuern	(17.695)	(14.393)	(33.334)	(16.630)	56.471
Ergebnis aus fortzuführenden Geschäftsbereichen	**19.729**	**10.121**	**23.805**	**(13.277)**	**(272.326)**
Ergebnis aus aufgegebenen Geschäftsbereichen	—	—	—	—	16.421
Periodenergebnis	**19.729**	**10.121**	**23.805**	**(13.277)**	**(255.905)**

Zusammenfassung der Daten aus der Konzern-Bilanz

	30. September 2011	31. Dezember 2010	31. Dezember 2009	31. Dezember 2008
	(ungeprüft)	(geprüft)	(geprüft)	(geprüft)
		(in € tausend)		
Aktiva				
Langfristige Vermögenswerte	**2.990.203**	**2.929.331**	**2.956.270**	**3.016.322**
davon:				
Als Finanzinvestition gehaltene Immobilien	2.895.693	2.820.952	2.835.483	2.900.673
Sachanlagen	17.116	16.536	17.401	17.745
Immaterielle Vermögenswerte	2.758	3.483	4.558	4.652
Aktive latente Steuern	74.078	78.651	98.428	92.559
Kurzfristige Vermögenswerte	**164.778**	**108.849**	**123.055**	**110.410**
davon:				
Zahlungsmittel	42.057	46.016	57.095	41.974
Summe Aktiva	**3.154.981**	**3.038.180**	**3.079.324**	**3.126.733**
Passiva				
Summe Eigenkapital	**878.200**	**889.872**	**861.971**	**649.292**
Summe langfristige Verbindlichkeiten	**2.065.878**	**1.578.405**	**1.988.554**	**2.281.200**[1)]
davon:				
Langfristige Finanzverbindlichkeiten . .	1.816.985	1.338.954	1.722.044	1.991.077
Wandelschuldverschreibungen	—	—	—	25.430
Pensionsverpflichtungen	42.105	44.747	41.529	39.300
Verbindlichkeiten gegenüber Fonds-Kommanditisten	—	476	40.791	48.006
Steuerschulden	40.799	48.496	55.486	60.652
Derivative Finanzinstrumente	60.967	43.922	37.185	32.570[1)]
Passive latente Steuern.	96.247	92.021	81.412	71.660
Summe kurzfristige Verbindlichkeiten	**210.903**	**569.903**	**228.799**	**196.240**[1)]
Summe Passiva.	**3.154.981**	**3.038.180**	**3.079.324**	**3.126.733**

1) *Dem geprüften Konzernabschluss der Deutsche Wohnen AG für das zum 31. Dezember 2009 endende Geschäftsjahr entnommene und hinsichtlich der Darstellung der lang- und kurzfristigen derivativen Finanzinstrumente angepasste Vorjahrsvergleichszahlen für das zum 31. Dezember 2008 endende Geschäftsjahr.*

Zusammenfassung der Daten aus der Konzern-Kapitalflussrechnung

	1. Januar – 30. September 2011	1. Januar – 30. September 2010	1. Januar – 31. Dezember 2010	1. Januar – 31. Dezember 2009	1. Januar – 31. Dezember 2008
	(ungeprüft)	(ungeprüft)	(geprüft)	(geprüft)	(geprüft)
			(in € tausend)		
Cashflow aus betrieblicher Geschäftstätigkeit	28.112	598	9.859	3.294	(10.342)
Cashflow aus Investitionstätigkeit	(133.180)	121.074	68.730	74.298	88.759
Cashflow aus Finanzierungstätigkeit	101.109	(113.550)	(89.668)	(62.471)	(84.316)
Nettoveränderung der Zahlungsmittel	**(3.959)**	**8.122**	**(11.079)**	**15.121**	**(5.900)**
Zahlungsmittel am Ende der Periode	**42.057**	**65.217**	**46.016**	**57.095**	**41.974**

Zusammenfassung sonstiger Finanz- und operativer Kennzahlen[1)]

	1. Januar – 30. September 2011	1. Januar – 30. September 2010	1. Januar – 31. Dezember 2010	1. Januar – 31. Dezember 2009	1. Januar – 31. Dezember 2008
	(ungeprüft, soweit nicht anderweitig angegeben)				
EBITDA (bereinigt)[2)] in € Mio	108,8	104,6	136,1	133,5	130,6
EBT (bereinigt)[3)]	37,6	26,9	33,7	18,6	9,7
Operatives Ergebnis (NOI) Wohnungsbewirtschaftung[4)] in € Mio.	106,2	101,4	133,9	132,4	126,9
Vertragsmiete[5)] im Vermietungsbestand in den Kernregionen € pro Quadratmeter und Monat (zum Periodenende)	5,59	N/A	5,46	5,37	5,21
Vertragsmiete[5)] im Gesamtwohnungsbestand in € pro Quadratmeter und Monat (zum Periodenende)	5,51	N/A	5,38	5,29	5,14
Leerstandsquote im Vermietungsbestand in den Kernregionen in % (zum Periodenende)	1,7	N/A	2,0	2,7	4,0
Leerstandsquote im Gesamtwohnungsbestand in % (zum Periodenende)	2,9	N/A	3,3	4,2	5,9
EPRA NAV in € Mio.[7)] (zum Periodenende)	985,6	N/A	964,0	915,2	677,5
EPRA NAV je Aktie in €[7)] (zum Periodenende)	12,04	N/A	11,78	11,18	25,66
Loan-to-value ratio in %[8)](zum Periodenende)	62,1	N/A	60,6[*)]	61,5[*)]	70,6[*)]
FFO (ohne Verkauf)[9)] in € Mio.	40,1	28,9	33,1	25,1	12,9
FFO (ohne Verkauf) je Aktie in €	0,49	0,35	0,40	0,31	0,49
FFO[9)] in € Mio.	47,3	37,7	45,8	34,8	26,1
FFO je Aktie in €	0,58	0,46	0,56	0,43	0,99

*) *Geprüft.*

1) *Wir sind der Auffassung, dass die in diesem Abschnitt dargestellten sonstigen Finanz- und operativen Kennzahlen die wichtigsten Kennzahlen für die Messung der operativen und finanziellen Leistung unserer Geschäftstätigkeit darstellen. Jede Kennzahl wird im Hinblick darauf, was sie für Zwecke der Geschäftstätigkeit bedeutet und wie sie berechnet wird, in den nachfolgenden Tabellen und den Fußnoten erläutert. Die anderen sonstigen Finanz- und operativen Kennzahlen, die in diesem Abschnitt beschrieben werden, sind keine Kennzahlen nach IFRS oder HGB und sollten nicht als Ersatz für Daten der Gewinn- und Verlustrechnung oder Kapitalflussrechnung betrachtet werden, die nach IFRS oder HGB ermittelt werden. Die Kennzahlen geben nicht unbedingt an, ob der Cashflow ausreichen wird oder verfügbar ist, um unseren Liquiditätsbedarf zu decken. Außerdem sind sie nicht unbedingt ein Indikator für vergangene oder zukünftige operative Ergebnisse. Da nicht alle Unternehmen diese Kennzahlen gleich definieren, ist unsere Präsentation dieser Kennzahlen nicht unbedingt mit ähnlich betitelten Leistungsindikatoren anderer Unternehmen vergleichbar.*

2) *Wir berechnen diese Kennzahl, indem wir das Ergebnis vor Zinsen und Steuern („**EBIT**") um das Ergebnis aus der Fair Value Anpassung der als Finanzinvestition gehaltenen Immobilien, Abschreibungen, Ergebnis aus assoziierten Unternehmen und Restrukturierungs- und Reorganisationsaufwendungen bereinigen. Das bereinigte Ergebnis vor Zinsen, Steuern und Abschreibungen („**EBITDA (bereinigt)**") entspricht der Summe der Segmentergebnisse der Deutsche Wohnen. Wir nutzen EBITDA (bereinigt) um die operative Leistung des Unternehmens zu messen. Die nachfolgende Tabelle stellt die Berechnung des EBITDA (bereinigt) für die zum 30. September 2011 und 30. September 2010 endenden Neunmonatszeiträume und für die Geschäftsjahre 2010, 2009 und 2008 dar.*

	1. Januar – 30. September 2011	1. Januar – 30. September 2010	1. Januar – 31. Dezember 2010	1. Januar – 31. Dezember 2009	1. Januar – 31. Dezember 2008
	(ungeprüft)	(ungeprüft)	(geprüft) (in € Mio.)	(geprüft)	(geprüft)
Ergebnis vor Steuern und Zinsen (EBIT)	106,3	102,2	180,3	122,9	(171,9)
Ergebnis aus der Fair Value Anpassung der als Finanzinvestition gehaltenen Immobilien . . .	—	—	(47,2)	—	276,5
Abschreibungen	2,5	2,4	3,0	2,8	1,8
Ergebnis aus assoziierten Unternehmen	—	—	—	—	(0,1)
Zwischenergebnis	108,8	104,6	136,1*)	125,7*)	106,4*)
Restrukturierungs- und Reorganisationsaufwendungen	—	—	—	7,8	24,1
EBITDA (bereinigt)	108,8	104,6	136,1*)	133,5*)	130,6*)

**) Ungeprüft.*

3) *Wir berechnen das bereinigte Ergebnis vor Steuern („**EBT (bereinigt)**“) ausgehend von dem Ergebnis vor Steuern und bereinigen dieses um Restrukturierungs- und Reorganisationsaufwendungen, das Ergebnis aus der Fair Value Anpassung der als Finanzinvestition gehaltenen Immobilien, das Ergebnis aus der Marktwertanpassung derivativer Finanzinstrumente und Vorfälligkeitsentschädigungen und für 2008 auch bereinigt um die Sonderausschüttung DB 14 betreffend die DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG („**DB 14**“). Wir verwenden das EBT (bereinigt) als Indikator um die operative Leistung zu messen. Die folgende Tabelle zeigt die Berechnung des EBT (bereinigt) für die zum 30. September 2011 und 30. September 2010 endenden Neunmonatszeiträume und für die Geschäftsjahre 2010, 2009 und 2008:*

	1. Januar – 30. September 2011	1. Januar – 30. September 2010	1. Januar – 31. Dezember 2010	1. Januar – 31. Dezember 2009	1. Januar – 31. Dezember 2008
	(ungeprüft)	(ungeprüft)	(geprüft) (in € Mio.)	(geprüft)	(geprüft)
Ergebnis vor Steuern	37,4	24,5	57,1	3,4	(328,8)
Restrukturierungs- und Reorganisationsaufwendungen	—	—	—	7,8	24,1
Ergebnis aus der Fair Value Anpassung der als Finanzinvestition gehaltenen Immobilien	—	—	(47,2)	—	276,5
Ergebnis aus der Marktwertanpassung derivativer Finanzinstrumente	0,2	2,4	0,2	1,2	32,2
Vorfälligkeitsentschädigungen	—	—	23,6	6,2	—
Sonderausschüttung DB 14 . .	—	—	—	—	5,7*)
EBT (bereinigt)	37,6	26,9	33,7*)	18,6*)	9,7*)

**) Ungeprüft.*

4) *Wir definieren das operative Ergebnis (Net Operating Income – „**NOI**“) als das Segmentergebnis der Wohnungsbewirtschaftung abzüglich zurechenbarer Verwaltungskosten. Die Verwaltungskosten bestehen aus den zusätzlich indirekt zurechenbaren Personal- und Sachkosten. Zur Ermittlung des NOI pro Quadratmeter und Monat wird der NOI durch die durchschnittlichen Quadratmeter (auf Quartalsbasis) in der relevanten Periode und dann durch die jeweilige Anzahl von Monaten in dieser Periode geteilt. Die nachfolgende Tabelle zeigt die Berechnung des NOI und des NOI pro Quadratmeter und Monat für die zum 30. September 2011 und 30. September 2010 endenden Neunmonatszeiträume sowie die Geschäftsjahre 2010, 2009 und 2008.*

	1. Januar – 30. September 2011	1. Januar – 30. September 2010	1. Januar – 31. Dezember 2010	1. Januar – 31. Dezember 2009	1. Januar – 31. Dezember 2008
	(ungeprüft und in € Mio., soweit nicht anderweitig angegeben)				
Ergebnis aus der Wohnungsbewirtschaftung	118,4	113,4	150,9*)	151,0*)	147,8*)
Personal- und Sachkosten	(12,2)	(12,0)	(17,0)	(18,6)	20,9
Operatives Ergebnis (NOI) Wohnungsbewirtschaftung	**106,2**	**101,4**	**133,9**	**132,4**	**126,9**
NOI in € pro Quadratmeter und Monat	**3,94**	**3,73**	**3,73**	**3,51**	**3,25**

**) Geprüft.*

5) *Die Vertragsmiete ist die vertraglich geschuldete Nettokaltmiete der vermieteten Wohnungen pro Monat geteilt durch die vermietete Fläche. Der Fokus unserer Geschäftstätigkeit liegt darauf, die Vertragsmiete zu erhöhen und gleichzeitig die Leerstandsquote zu minimieren. Wir wollen dies durch Anpassungen des Mietspiegels, gezielte auf den Mieter umlegbare Modernisierungsmaßnahmen, und durch Leerstandsabbau erreichen.*

6) *Die Leerstandsquote ist das Verhältnis der Erlösschmälerungen zur Sollmiete zum jeweiligen Stichtag. Durch die Bezugnahme auf die Sollmiete wird gewährleistet, dass die Wohnungsgröße und der tatsächliche Kostenaufwand adäquat in der Leerstandsquote repräsentiert werden. Eines unserer strategischen Ziele, zusammen mit der kontinuierlichen Erhöhung der Miete, ist der Leerstandsabbau. Durch den Abbau von Leerständen können die Erlösschmälerungen und das Betriebskostenergebnis positiv beeinflusst werden.*

7) *Wir glauben, dass der Net Asset Value („**NAV**") ein wichtiger Indikator des inneren Wertes einer Immobiliengesellschaft ist. Nach der von der European Public Real Estate Association („**EPRA**") empfohlenen Definition ist er die Summe der gesamten Vermögenswerte abzüglich der Summe der Verbindlichkeiten und Minderheitsanteile und ist um den Saldo aus aktiven und passiven latenten Steuern und den Saldo aus aktiven und passiven derivativen Finanzinstrumenten bereinigt. Potentielle Investoren sollten beachten, dass der EPRA NAV je Aktie kein Indikator für die zukünftige Aktienkursentwicklung der Deutsche Wohnen AG ist. Wir haben den NAV zum 31. Dezember 2008 und 31. Dezember 2009 auf Basis einer anderen Methode berechnet als zum 31. Dezember 2010 und zum 30. September 2011. Um die Vergleichbarkeit über diesen Zeitraum zu gewährleisten, wurde der in diesem Prospekt dargestellte EPRA NAV zum 31. Dezember 2008 und 31. Dezember 2009 mit der gleichen Methode, die zum 31. Dezember 2010 und 30. September 2011 angewandt wurde, neu berechnet.*

	30. September 2011	31. Dezember 2010	31. Dezember 2009	31. Dezember 2008
	(ungeprüft und in € Mio., soweit nicht anderweitig angegeben)			
Eigenkapital (vor Minderheitsanteilen)*)	877,9	889,6**)	861,7**)	649,0**)
Marktwerte derivativer Finanzinstrumente (Saldo aus aktiven und passiven derivativen Finanzinstrumenten)	85,6	61,1**)	70,5**)	49,4**)
Latente Steuern (netto, Saldo aus aktiven und passiven latenten Steuern)	22,1	13,3**)	(17,0)**)	(20,9)**)
EPRA NAV	**985,6**	**964,0**	**915,2**	**677,5**
Anzahl Aktien (in Mio.)	81,84	81,84	81,84	26,40
EPRA NAV je Aktie in €	**12,04**	**11,78**	**11,18**	**25,66**

**) Das Eigenkapital (vor Minderheitsanteilen) bereinigt um die Effekte aus der Ausübung von Wandlungsrechten aus Wandelschuldverschreibungen entspricht dem verwässerten NAV. Der verwässerte NAV berücksichtigt Effekte aus der Wandlung von Wandelschuldverschreibungen nicht, die im Zusammenhang mit dem GEHAG Kauf begeben wurden, da beim zugrunde gelegten Wandlungspreis der Wandelschuldverschreibungen nicht von einer Wandlung auszugehen war und auch tatsächlich nicht gewandelt wurde; die Wandelschuldverschreibungen wurden in 2010 vollständig zurückgezahlt.*

***) Geprüft.*

8) *Die LTV Ratio beschreibt das Verhältnis von Nettofinanzverbindlichkeiten zum Wert der als Finanzinvestition gehaltenen Immobilien zuzüglich der zur Veräußerung gehaltenen langfristigen Vermögenswerte und der zum Verkauf bestimmten Grundstücke und Gebäude. Wir glauben, dass die LTV Ratio ein wichtiger Indikator der Kapitalstruktur ist. Wir benutzen die LTV Ratio um den Spielraum zur Optimierung von Kapitalkosten, für mögliche Akquisitionen und notwendige Finanzierungsmaßnahmen kenntlich zu machen. Unser Ziel ist es, die LTV Ratio unter unserem mittelfristigen Ziel von 60 % zu halten, abhängig von kurz- bis mittelfristigen Steigerungen aufgrund von Finanzverbindlichkeiten, die im Zusammenhang mit Akquisitionen eingegangen werden. Die nachfolgende Tabelle zeigt die Berechnung der LTV Ratio zum 30. September 2011, 31. Dezember 2010, 31. Dezember 2009 und 31. Dezember 2008.*

	Zum 30. September 2011	Zum 31. Dezember 2010	Zum 31. Dezember 2009	Zum 31. Dezember 2008
	(ungeprüft)	(geprüft)	(geprüft)	(geprüft)
	(in € Mio., soweit nicht anderweitig angegeben)			
Finanzverbindlichkeiten	1.909,4	1.784,5	1.802,7	2.089,2
Wandelschuldverschreibungen. . . .	—	—	26,6	25,4
—Zahlungsmittel	(42,1)	(46,0)	(57,1)	(42,0)
Nettofinanzverbindlichkeiten	**1.867,3**	**1.738,5**	**1.772,2**	**2.072,6**
Als Finanzinvestition gehaltene Immobilien	2.895,7	2.821,0	2.835,5	2.900,7
Zur Veräußerung gehaltene langfristige Vermögenswerte . . .	34,0	34,3	25,1	17,7
Zum Verkauf bestimmte Grundstücke und Gebäude	77,9	15,2	18,4	19,3
Summe Immobilienbestände	**3.007,6**	**2.870,4**	**2.879,0**	**2.937,7**
Loan-to-value ratio (in %)	**62,1**	**60,6**	**61,5**	**70,6**

9) *Aus Sicht der Gesellschaft ist FFO ein wichtiger aus der Konzern-Gewinn- und Verlustrechnung abgeleiteter Indikator für Immobiliengesellschaften. Wir differenzieren zwischen FFO (ohne Verkauf) und FFO. Der FFO (ohne Verkauf) ist definiert als Periodenergebnis bereinigt um das Ergebnis aus Verkauf (abzüglich Verkaufskosten), Abschreibungen, das Ergebnis aus der Fair Value Anpassung der als Finanzinvestition gehaltenen Immobilien, das Ergebnis aus aufgegebenen Geschäftsbereichen, das Ergebnis aus der Marktwertanpassung derivativer Finanzinstrumente, die Aufzinsung von Verbindlichkeiten und Pensionen, Vorfälligkeitsentschädigungen, Restrukturierungs- und Reorganisationsaufwendungen sowie Latente Steuern und für 2009 auch bereinigt um den Steuervorteil aus Kapitalerhöhungskosten und für 2008 auch bereinigt um die Sonderausschüttung DB 14. Der FFO wird berechnet indem das Ergebnis aus Verkauf (nach Abzug der entsprechenden Verkaufskosten) zum FFO (ohne Verkauf) addiert werden. Während der FFO von zyklischen Schwankungen auf dem Markt beeinflusst wird, ist der FFO (ohne Verkauf) das vergleichsweise stabilere Maß unserer Fähigkeit, Kreditzahlungen, Investitionen (z.B. die Akquisition von neuen Immobilien) und Dividendenzahlung zu tätigen. Die nachfolgende Tabelle zeigt schrittweise, wie der FFO für die zum 30. September 2011 und 2010 endenden Neunmonatszeiträume, sowie für die Geschäftsjahre 2010, 2009 und 2008, berechnet wurde.*

	1. Januar – 30. September 2011	1. Januar – 30. September 2010	1. Januar – 31. Dezember 2010	1. Januar – 31. Dezember 2009	1. Januar – 31. Dezember 2008
	(ungeprüft)		(geprüft, soweit nicht anderweitig angegeben)		
	(in € Mio., soweit nicht anderweitig angegeben)				
Periodenergebnis	19,7	10,1	23,8	(13,3)	(255,9)
Ergebnis aus Verkauf (abzüglich Verkaufskosten) (ungeprüft)	(7,2)	(8,8)	(12,7)	(9,7)	(13,2)
Abschreibungen	2,5	2,4	3,0	2,8	1,8
Ergebnis aus der Fair Value Anpassung der als Finanzinvestition gehaltenen Immobilien . . .	—	—	(47,2)	—	276,5
Ergebnis aus aufgegebenen Geschäftsbereichen.	—	—	—	—	(16,4)
Ergebnis aus der Marktwertanpassung derivativer Finanzinstrumente	0,2	2,4	0,2	1,2	32,2
Aufzinsung von Verbindlichkeiten und Pensionen.	9,3	11,2	13,9	15,3	14,3
Vorfälligkeitsentschädigung. .	—	—	23,6	6,2	—
Sonderausschüttung DB 14 (ungeprüft)	—	—	—	—	5,7
Latente Steuern	15,6	11,6	28,5	11,1	(56,2)
Restrukturierungs- und Reorganisationsaufwendungen	—	—	—	7,8	24,1
Steuervorteil aus Kapitalerhöhungskosten . .	—	—	—	3,7	—
FFO (ohne Verkauf) (ungeprüft)	40,1	28,9	33,1	25,1	12,9

	1. Januar – 30. September 2011	1. Januar – 30. September 2010	1. Januar – 31. Dezember 2010	1. Januar – 31. Dezember 2009	1. Januar – 31. Dezember 2008
	(ungeprüft)		(geprüft, soweit nicht anderweitig angegeben)		
	(in € Mio., soweit nicht anderweitig angegeben)				
Anzahl Aktien (in Mio., zum Periodenende)	81,84	81,84	81,84	81,84	26,40
FFO (ohne Verkauf) je Aktie in € (ungeprüft)	**0,49**	**0,35**	**0,40**	**0,31**	**0,49**
FFO (ungeprüft)	**47,3**	**37,7**	**45,8**	**34,8**	**26,1**
Anzahl Aktien (in Mio., zum Periodenende)	81,84	81,84	81,84	81,84	26,40
FFO je Aktie in € (ungeprüft)	**0,58**	**0,46**	**0,56**	**0,43**	**0,99**

Angaben aus den Segmenten

In Übereinstimmung mit IFRS 8 teilen wir unsere betriebliche Geschäftstätigkeit in drei Geschäftsfelder: Wohnungsbewirtschaftung, Verkauf und Dienstleistungen. Mit der Anwendung der Vorschriften des IFRS 8 „Geschäftssegmente“ haben wir die Definition von unserem Segmentergebnis der internen Berichterstattung unseres Konzerns in 2009 angepasst. Entsprechend dem Ansatz auf Grundlage unserer internen Berichterstattung gemäß IFRS 8 „Geschäftssegmente“ umfasst das Segmentergebnis das um Restrukturierungs- und Reorganisationsaufwendungen bereinigte EBITDA. Wir haben auch den Segmentumsatz für unser Verkaufssegment angepasst. Dieser Segmentumsatz zeigt nun die Erlöse aus dem Verkauf von Einheiten ohne Abzug des Buchwerts der verkauften Immobilien. Es wurden keine Änderungen an der Art wie die Segmente unterteilt werden vorgenommen. Daher sind die Segmentangaben für das zum 31. Dezember 2008 endende Geschäftsjahr den angepassten Vorjahresvergleichszahlen für 2008 der Segmentberichterstattung im geprüften Konzernabschluss der Deutsche Wohnen AG für das zum 31. Dezember 2009 endende Geschäftsjahr entnommen.

	1. Januar – 30. September 2011	1. Januar – 30. September 2010	1. Januar – 31. Dezember 2010	1. Januar – 31. Dezember 2009	1. Januar – 31. Dezember 2008
	(ungeprüft)	(ungeprüft)	(geprüft) (in € Mio.)	(geprüft)	(geprüft)
Wohnungsbewirtschaftung					
Segmentumsatz	202,5	201,3	266,2	274,3	283,8
Segmentergebnis.	118,4	113,4	150,9	151,0	147,8
Verkauf					
Segmentumsatz	91,9	93,2	179,3	85,7	119,7
Segmentergebnis.	7,2	8,8	12,7	9,7	13,2
Pflege und Betreutes Wohnen					
Segmentumsatz	25,2	24,7	40,6	38,8	38,6
Segmentergebnis.	7,3	7,1	8,9	9,1	8,7

Zusammenfassung der Risikofaktoren

Markt- und wettbewerbsbezogene Risiken

- Der deutsche Immobilienmarkt sowie unsere Geschäftstätigkeit werden von Änderungen der allgemeinen wirtschaftlichen und konjunkturellen Rahmenbedingungen, wie etwa der jüngsten Wirtschaftskrise, beeinflusst. Staatsschuldenkrisen und die jüngsten Turbulenzen in den Finanzmärkten könnten zu einer Verlangsamung oder sogar zu einer Umkehr der wirtschaftlichen Erholung führen und könnten einen negativen Einfluss auf den deutschen Immobilienmarkt sowie unsere Geschäftstätigkeit haben.
- Der Erwerb von Immobilien durch die Deutsche Wohnen zu attraktiven Konditionen könnte aus verschiedenen Gründen schwieriger werden, was die zukünftige Entwicklung, insbesondere das Wachstum der Deutsche Wohnen, beeinträchtigen würde. Es wird uns möglicherweise nicht gelingen, die Zukäufe auf unserer Zukaufsliste durchzuführen.
- Die Gesellschaft ist von regionalen Marktentwicklungen abhängig.
- Die Prognose betreffend die Funds from Operations der Deutsche Wohnen AG könnte erheblich von den tatsächlichen zukünftigen Cashflows oder den Umsatzerlösen und den Einnahmen des Deutsche Wohnen Konzerns abweichen.
- Die Verkaufspreise für Wohnimmobilien der Deutsche Wohnen könnten durch Wettbewerb oder andere Faktoren unter Druck geraten.
- Unsere Investitionen sind hauptächlich solche im Immobilienbereich. Aufgrund der potenziellen Illiquidität des Immobilienmarkts kann es uns nicht zu günstigen Bedigungen oder gar nicht gelingen, einen Teil unseres Portfolios zu verkaufen.

Risiken im Zusammenhang mit der Geschäftstätigkeit des Deutsche Wohnen Konzerns

- Die Nichtdurchsetzbarkeit einer wirtschaftlich angemessenen Vertragsmiete, der Ausfall von Vertragsmieten, Mietpreisminderungen sowie höhere Leerstandsquoten könnten sich nachteilig auf die Umsatz- und Ertragssituation im Segment Wohnungsbewirtschaftung auswirken.
- Sollte es uns nicht gelingen, positive Cashflows aus betrieblicher Geschäftstätigkeit zu erzielen, könnten wir zu Verkäufen oder Fremdkapitalaufnahmen zu wirtschaftlich ungünstigen Konditionen gezwungen sein.
- Unser hoher Verschuldungsgrad, die Konditionen der bestehenden und zukünftigen Darlehen sowie die erfolgten Absicherungsgeschäfte könnten unsere Fremdfinanzierungs- sowie damit im Zusammenhang stehende Kosten erhöhen. Bei einem Verstoß gegen Auflagen in den Kreditverträgen könnten die Darlehen fällig gestellt werden. Bei nicht rechtzeitiger Rückführung der Darlehen könnten die Kreditgeber umfangreiche Sicherheiten verwerten.
- Eine Erhöhung des allgemeinen Zinsniveaus könnte unsere Finanzierungskosten erhöhen.
- Die Anpassung der beizulegenden Zeitwerte der als Finanzinvestition gehaltenen Immobilien nach dem so genannten „Fair-Value Modell" (z.B. durch eine Veränderung des Zinsniveaus oder eine Verschlechterung des Marktes) kann bei negativer Entwicklung des Immobilienmarkts zu nachteiligen Auswirkungen auf unsere Konzernbilanz und Konzern-Gewinn- und Verlustrechnung führen.
- Es besteht das Risiko der Fehleinschätzung im Hinblick auf den Wert von erworbenen Immobilien bzw. Immobilienportfolios oder Immobiliengesellschaften; Privatisierungen und Portfoliozukäufe, und die erzielbaren Vertragsmieten können sich anders entwickeln als von uns erwartet.
- Das in diesem Prospekt enthaltene Wertgutachten und/oder vorhandene oder künftige Finanzinformationen aus diesem Prospekt könnten den Wert unserer Immobilien falsch einschätzen.
- Wir unterliegen Risiken aufgrund des baulichen Zustands der Immobilien sowie im Zusammenhang mit der Instandhaltung und -setzung von Immobilien.
- Nicht planmäßige Verkäufe von Wohneinheiten sowie länger als geplant dauernde Vorbereitungs- und Modernisierungsmaßnahmen hinsichtlich des Abverkaufs können zu erhöhten Kosten oder zu einer verzögerten Realisierung von Umsätzen und Ergebnisbeiträgen im Segment Verkauf führen

- Der Erwerb von Immobilien ist mit Risiken, wie etwa fehlenden Baugenehmigungen, Lizenzen und Bescheinigungen, verbunden, die auf der Grundlage rechtlicher, steuerlicher und wirtschaftlicher Untersuchungen nicht ausgeschlossen werden können.
- Die Deutsche Wohnen unterliegt beim Erwerb und der Bewirtschaftung von Wohnimmobilienportfolios und Immobiliengesellschaften aus öffentlicher Hand verschiedenen Vorgaben, die unsere wirtschaftliche Handlungsfreiheit einschränken.
- Wir könnten nach dem Verkauf von Immobilien Haftungsansprüchen mit mehrjährigen Laufzeiten ausgesetzt sein.
- Unser Cashflow und mögliche zukünftige Dividendenzahlungen sind vom wirtschaftlichen Erfolg unserer Tochtergesellschaften abhängig oder müssen durch Fremdkapital ergänzt werden.
- Es bestehen Risiken im Zusammenhang mit möglichen Akquisitionen und Beteiligungen, wie etwa höhere Verschuldung, gestiegener Zinsaufwand, Schwierigkeiten in der Integration des Zukaufs und in der Erreichung der angestrebten Synergien.
- Die gegenwärtige Mitarbeiterzahl in Zentralfunktionen und die geringe Anzahl von Führungskräften könnte zu einer Beeinträchtigung unserer Entwicklung führen.
- Auf uns könnten Nachforderungen aus Pensions- und Versorgungsverpflichtungen zukommen.
- Die Verwendung standardisierter Verträge könnte im Vergleich zur Verwendung von Einzelverträgen zu einer Vervielfachung der Vertragsrisiken führen.
- Durch Schäden, die nicht von unserer Versicherung gedeckt sind bzw. den Versicherungsumfang übersteigen, könnten wir erhebliche Verluste erleiden.
- Es könnten Risiken aus Altlasten einschließlich Kriegslasten, Bodenbeschaffenheit und Schadstoffen im Baumaterial sowie aus etwaigen Verstößen gegen baurechtliche Anforderungen bestehen.
- Unsere Geschäftstätigkeit ist von den allgemeinen rechtlichen und steuerlichen Rahmenbedingungen in Deutschland abhängig. Jede nachteilige Veränderung der rechtlichen Rahmenbedingungen, wie etwa eine Ausweitung des Mieterschutzes oder strengere Umweltschutzbestimmungen, kann sich erheblich nachteilig auf unsere Vermögens-, Finanz- und Ertragslage auswirken.
- Steuerliche Außenprüfungen des Deutsche Wohnen-Konzerns und seiner Konzerngesellschaften könnten zu Nachzahlungsverpflichtungen führen.
- Wir könnten nicht in der Lage sein, unsere Zinsaufwendungen steuerlich abzusetzen, woraus eine höhere Steuerlast resultieren kann.
- Es bestehen Unsicherheiten hinsichtlich der Höhe der steuerlichen Verlustvorträge und Zinsvorträge.
- Es könnte zu Störungen oder Beeinträchtigungen unserer EDV-Systeme kommen.
- Die Deutsche Wohnen könnte potenziellen finanziellen Risiken durch die Beteiligung der GEHAG-Gruppe an Fonds-Gesellschaften ausgesetzt sein.
- Aus der Ausübung des Andienungsrechts, das Fonds-Kommanditisten des DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG eingeräumt wurde, könnte eine Beeinträchtigung unserer Liquidität und Profitabilität resultieren.
- Die Nichtdurchsetzbarkeit betriebswirtschaftlich notwendiger Entgelterhöhungen im Segment Pflege und Betreutes Wohnen könnte sich nachteilig auf die Umsatz- und Ergebnisentwicklung dieses Segments auswirken.
- Das Segment Pflege und Betreutes Wohnen könnte aufgrund gesetzlicher Reformen stärkeren Regulierungszwängen ausgesetzt sein.
- Die Verfügung über bestimmte Senioreneinrichtungen ist durch Förderauflagen beschränkt.
- Die Erhöhung bestimmter Mieten könnte durch Mietrestriktionen limitiert werden.

Risiken im Hinblick auf die Aktien und das Angebot

- Jeder zukünftige Verkauf von Anteilen der Großaktionäre der Gesellschaft könnte den Markpreis für Aktien der Deutsche Wohnen AG schwächen.

- Der Kurs der Deutsche Wohnen AG Aktien war volatil und wird möglicherweise wieder volatil sein.
- Zukünftige Kapitalmaßnahmen könnten zu einer erheblichen Verwässerung, d.h. einem Wert- und Kontrollrechtsverlust, der Beteiligung unserer Aktionäre führen.
- Die Beteiligung von Aktionären, die nicht an diesem Angebot teilnehmen, wird erheblich verwässert werden, d.h. einen Wert- und Kontrollrechtsverlust erleiden.
- Es ist nicht sicher, dass sich ein Bezugsrechtshandel entwickelt, oder, dass die Bezugsrechte nicht stärkeren Kursschwankungen als die Aktien der Deutsche Wohnen AG unterliegen.
- Das Angebot könnte ablaufen und die Bezugsrechte wertlos werden, falls die Vereinbarung zur Platzierung der Neuen Aktien von den Kosortialbanken beendet wird oder die Gesellschaft das Bezugsangebot abbricht. In diesem Fall würden wir einen niedrigeren oder gar keinen Emissionserlös erhalten. Überdies können möglicherweise nicht alle angebotenen Aktien platziert werden, woraus erheblich geringere Erlöse resultieren können.

RISK FACTORS

*Before deciding to purchase shares of Deutsche Wohnen AG (the "**Company**" or "**we,**" and together with its subsidiaries, "**our Group,**" "**Deutsche Wohnen Group**" or "**Deutsche Wohnen**"), prospective investors should carefully review and consider the following risk factors and the other information contained in this prospectus (the "**Prospectus**"). The occurrence of one or more of these risks alone or in combination with other circumstances could have material adverse effects on our net assets, financial condition and results of operations. The market price of our shares could fall if any of these risks were to materialize, in which case investors could lose all or part of their investments. The risks described below might, in retrospect, prove to be incomplete and therefore might not be the only risks to which we are exposed. Additional risks and uncertainties of which we are currently unaware or which we do not consider to be significant could also have material adverse effects on our net assets, financial condition and results of operations. The selected order of presentation is neither a statement of the likelihood of realization, nor the extent of the economic implications or significance of the risk factors described below.*

Market and Competition Risks

The German real estate market and our business are affected by changes in general economic and business conditions, such as the recent financial and economic crisis. The sovereign debt crises and the recent turmoil in the financial markets could lead to a slowdown or even a reversal of the economic recovery and could have a detrimental effect on the German real estate market and on our business.

Our core business is the management of residential properties and the sale of individual apartments. Accordingly, we rely significantly on rental income. Our performance, therefore, depends largely on the amount of current gross rental income generated or capable of being generated, the expenses we incur in generating such rents, the proceeds generated or capable of being generated, and the value of the properties. These performance factors and the value of the properties are subject to general economic and business conditions.

The global financial and economic crisis, triggered by the mortgage crisis in the United States and other factors, forced banks to take extraordinarily large asset write-downs on their balance sheets and led to a substantial increase in loan spreads in the financial markets. As a consequence, banks' refinancing costs increased significantly. This triggered a worldwide economic crisis that expanded to essentially all business sectors, particularly manufacturing. Although many economies largely recovered from the economic crisis, the outlook has distinctly worsened recently and the economic environment may deteriorate again, for example, on the basis of the sovereign debt crises or the recent turmoil in the financial markets. As a result, the real estate sector would be significantly affected. This could lead to insolvencies among our business partners (including financial institutions that serve as hedge counterparties) and thus, result in us facing difficulties to obtain further financing or the effectiveness of our hedges. Furthermore, the creditworthiness of tenants and potential real estate purchasers could deteriorate. When tenants' creditworthiness deteriorates, such as when jobs are lost, tenants may be unable to meet their payment obligations of the in-place rent plus the agreed incidental costs or will be forced to terminate their leases with us, which could result in us receiving less in-place rent. Moreover, it is possible that if the economy in Germany again faces a downturn, and consequently, the unemployment rate increases again, real incomes could stagnate or decline and come under additional pressure through increases in taxes, energy prices and the cost of living and, consequently, demand from potential tenants and purchasers of residential properties could decline. Additionally, demographic developments or local employment conditions in certain core regions could affect the real estate market, particularly the demand for housing. In addition to the loss of in-place rent, we could also experience increased vacancies. In that case, it is possible that we will not be able to re-let the apartments on the original terms, or might be able to do so only after making additional investment to maintain the attractiveness of the property.

The key interest rate level is currently relatively low. It is possible that the interest rate for real estate loans in Germany and elsewhere will increase significantly in the future. Any such development could negatively affect the willingness of potential buyers to make real estate purchases, could require property portfolio value adjustments and could therefore constrain our sales of apartments. Additionally, due to the recent developments in the financial markets, financial institutions could require that borrowers in Germany meet more stringent qualifications. This could lead to potential buyers of residential properties refraining from the purchase of a property due to worsened financing terms or even the unavailability of credit. A significant increase in loan interest rates and more stringent borrower qualification requirements could also impair our ability to finance property portfolio acquisitions through debt, and our ability and that of our competitors generally to refinance for some time. Consequently, we and our competitors could be forced to sell property portfolios at substantial discounts, due in large part to the difficult financing conditions experienced by buyers. As a result, we could be exposed to the risk of diminution in the fair value of our total portfolio and could be required to recognize the corresponding losses from the resulting fair value adjustments of our investment properties.

Worsening business and general economic conditions could impair the future performance of our property management business, single-unit sales (privatizations) business and our acquisitions, and have significant adverse effects on our net assets, financial condition and results of operations.

It could become more difficult, for various reasons, for us to acquire properties on attractive terms, which would impair the future performance and particularly the growth of our business. We may not be able to materialize the potential acquisitions in our acquisition pipeline.

Our commercial success depends, among other things, on our ability to continue to acquire residential property portfolios and properties with appreciation potential and/or rent increase potential in economically attractive regions at reasonable prices, with good tenant structure, in high-quality locations and at favorable occupancy rates, with sustainably high in-place rent or rent increase potential. Additionally, the success of our business model depends on our being able to integrate and successfully market newly acquired properties in our total residential portfolio. Management believes that Deutsche Wohnen currently has a sizeable acquisition pipeline. We may, however, not be able to materialize the transactions in our acquisition pipeline, for example due to financing shortages or the failure to reach mutually agreeable terms. In addition, it could become more difficult, for various reasons, for us to acquire properties at attractive prices.

For one thing, the German real estate market has been characterized in recent years by a high level of buyer interest because German property prices were considered relatively attractive when compared with properties in other countries, and investors were thus able to achieve relatively attractive returns. Thus, many investors, including foreign financial investors, bought German residential real estate. As a rule, such investors acquire large property portfolios that are offered through auctions or tenders in which we also participate. Foreign investors, in particular, sometimes have considerable financial resources that allow them to submit high bids for property portfolios. In the past, the increased presence of foreign investors, as well as the generally high level of investor interest in German real estate, has caused residential property prices to increase.

Additionally, real estate inventories held by municipalities and the states have been privatized in Germany in recent years, especially prior to 2007. Our real estate inventory was also partially assembled through such privatizations. With respect to the decision to sell their real estate holdings, the states and municipalities are influenced by public opinion of such privatizations. If, in the future, public opinion in municipalities and states should increasingly turn against privatization, or if privatization activities are scaled back due to other political considerations, municipalities and states could cancel current privatization activities and refrain from initiating further privatizations. This could lead to a constriction of supply and an increase in prices of residential properties on the German market, which in turn could result in our having fewer or no properties available for acquisition, or our having to pay higher prices due to the limited supply.

If we are unable to acquire suitable properties on attractive terms in the future, this could limit our future growth. If there are only a few or no new properties available for acquisition, our earnings from the sale of a decreasing number of properties for disposal and/or our earnings from residential property management of a decreasing number of residential properties would decline. This could have a significant adverse effect on our net assets, financial condition and results of operations.

Our acquisition of additional property portfolios can be financed not only by taking on additional debt, but also by issuing and offering new shares in the capital markets. If we are unable to obtain the necessary capital on the capital markets on reasonable terms, we might be unable to make further acquisitions, or might be able to do so only to a limited extent or, if debt financing is available, only by taking on additional debt. In addition, any additional debt incurred in connection with future acquisitions could significantly negatively impact our loan-to-value ratio. If we are no longer able to obtain the debt or equity financing we need to acquire additional property portfolios, or if we are able to do so only on onerous terms, our further business development and competitiveness could be severely constrained.

We are dependent on regional market developments.

Our real estate inventories are concentrated in Berlin and the Frankfurt/Rhine-Main area (Frankfurt am Main, Wiesbaden and Mainz). Accordingly, we are dependent on market trends in Germany and, in particular, trends in these regional markets. The general conditions in, and the development of, the regional markets are important to our success. The key factors affecting performance and valuation also flow from the economic environment of these regional real estate markets. Performance and valuation are dependent on various factors, including demand, tenant creditworthiness, purchasing power of the population, attractiveness of the particular locations, the labor market situation, infrastructure, social structure, demographic developments, changes in household size and other factors influencing supply and demand for real estate in the respective locations and markets.

Because regional markets within Germany do not develop uniformly, our dependence on only a few regional markets can adversely affect our earnings targets in the event of a decline in the attractiveness of the respective markets; this can put us at a disadvantage as compared with competitors who have a more diversified property portfolio. Additionally, negative developments in our core regions would affect not only individual properties, but the total residential portfolio in the relevant core region.

The factors described above could lead to a downturn in the regional markets in which we own real estate. This could have a significant adverse effect on our net assets, financial condition and results of operations.

The forecast with respect to the funds from operations for Deutsche Wohnen Group may differ materially from actual future cash flows or revenue and earnings of Deutsche Wohnen Group.

This Prospectus contains forecasts and other forward-looking information relating to specific measures, including funds from operations of Deutsche Wohnen. Funds from operations is calculated by taking the profit for the period and adjusting it for gains/losses from disposals (net of cost of sales), restructuring and reorganization expenses, gains/losses from fair value adjustments of investment properties, depreciation and amortization, gains/losses from fair value adjustments of derivative financial instruments, accrued interest on liabilities and pensions, prepayment penalties and deferred tax expense/income and for 2009 also adjusted for the tax advantage from capital increase costs and for 2008 also adjusted for the profit for the period from discontinued operations and special DB 14 payout. In arriving at a forecast for funds from operations, our management makes certain assumptions regarding unforeseen events such as force majeure, legislative and other regulatory measures, the economic development of the real estate industry, the interest rate development, the development of the total portfolio and of some performance indicators (current gross rental income, vacancies and rental loss), expenses (real estate operating expenses, administrative expenses, staff expenses, and other operating income and expenses), the Nursing and Assisted Living segment, the financial market and the expenses spent during the re-letting process. Although management believes these assumptions are reasonable in the current environment, there can be no assurance that these assumptions will be consistent with actual future developments. Even if these assumptions are currently reasonable, they may be incorrect or inaccurate, since they relate to factors on which the Company has no or very limited influence. Should one or more of these assumptions prove to be incorrect or inaccurate, the subsequent funds from operations could differ materially from the forecast of the Company or of Deutsche Wohnen Group, particularly if interest rates change significantly.

Sales prices of our residential properties could come under pressure from competition and other factors.

Our Disposals segment can only be successful in the market if we succeed in selling the inventories of our total residential portfolio that are earmarked for sale at a profit. This depends primarily on the prices we can achieve in the residential real estate market, which are affected by various supply and demand factors.

Government bodies or industrial companies that own residential real estate could increasingly seek to sell apartments to tenants, owners and investors, as well as to financial investors. For example, considerable housing inventories have been privatized in Germany in recent years. An increase in the supply of residential properties could put pressure on sales prices, particularly in the local markets in which we own residential property. In addition to increased supply, pressure on sales prices could also occur through a decline in demand or a combination of the two factors. As investment in housing in Germany has become an increasingly important element of retirement planning, private individual real estate acquisition has increased. If real estate becomes less popular as a retirement planning tool in the future, the demand for residential property could decrease, and, consequently, apartments could be sold only at lower prices. As a whole, lower sales prices for our apartments would reduce our earnings or even cause us to sustain losses.

Lower sales prices could also result in our being required, for the respective accounting period, to adjust the fair value of our total portfolio on our consolidated balance sheet, and to record losses on our consolidated profit and loss statement from the resulting fair value adjustments of our investment properties. Moreover, the absence of a liquid real estate market could temporarily make the sale of properties entirely impossible. Increases in the property transfer tax could also have a negative effect on the liquidity of, and demand for, real estate. In addition, low sales prices for real estate or a decline in sales would also lead to lower cash receipts, which could adversely affect our financial condition and results of operations.

We operate in a highly competitive market (including rentals and sales) in Germany in the field of residential real estate, commercial property to a lesser extent and senior homes. While most of our competitors are domestic, foreign competitors may try to enter the German real estate market and increase competition. The consequences of increased competition could be lower sales proceeds, lower margins, lower in-place rent and increased acquisition prices for property portfolios. Some of our current competitors could have a broader customer base to which they can sell properties or significantly greater financial resources than we do, and could build on these strengths by engaging in more aggressive pricing.

All of these factors could have a significant adverse effect on our net assets, financial condition and results of operations.

Our investments are predominantly investments in real estate. Due to the potentially illiquid nature of the real estate market we may not be able to sell any portion of our total portfolio on favorable terms or at all.

Our investments are predominantly investments in real estate for which there is a market with limited liquidity. If we were required to liquidate parts of our total portfolio, in particular on short notice for any reason, including raising cash to support our operations, there is no guarantee that we would be able to sell any portion of our total portfolio on favorable terms or at all. The general ability to sell parts of our total portfolio depends on the investment markets which may lack liquidity. In the case of forced sale, there would likely be a significant shortfall between the fair value of a property or a property portfolio and the price that we would be able to achieve upon the sale of such property or property portfolio, and there can be no guarantee that the price thus obtained would even cover the carrying amount of the property sold. Any such shortfall could have a material adverse effect on our net assets, financial condition and results of operations.

Risks Related to Our Business

The loss of in-place rent, rent reductions, higher vacancy rates and our inability to charge economically reasonable in-place rent levels could have a detrimental effect on our revenue and earnings in the Residential Property Management Segment.

Our commercial success depends significantly on our ability to maintain and increase our rental income. This involves various risks.

Low demand for housing generally, or at a particular location due to the economic, social or other conditions may lead to higher vacancies and result in lower current gross rental income. Vacancies resulting in diminished current gross rental income also occur when apartments must or should be refurbished and thus cannot be rented out. Low demand for housing could also force us to lease our apartments on less than favorable terms, or to tenants who pose a greater risk of rent losses due to reduced creditworthiness.

If tenants fail to meet their rent payment obligations in whole or in part (*e.g.*, due to a deterioration of their economic situation, perhaps because of a job loss), or if larger numbers of tenants give notice of termination without our being able to re-let the property within a reasonably short time period, we could sustain losses in current gross rental income, which could have a significant adverse effect on our results of operations. To the extent that we are able to re-let an apartment, there is a risk that we might no longer be able to do so on the original terms, or might be able to do so only after making an additional investment to maintain the attractiveness of the property.

The amount of current gross rental income we can generate and our ability to increase our current gross rental income from existing tenants depend on several factors. These factors include, in particular, the demand for housing, the local market rent, the condition and location of the apartment, modernization measures undertaken and their scope, and tenant turnover. Moreover, in setting the in-place rent levels for our residential properties, we are subject to the restrictions of the German landlord-tenant laws, as well as, where applicable, conditions imposed as a consequence of our having received public subsidies, or restrictions under privatization agreements. As a consequence, we might not be able to fix or increase in-place rent in a manner or to the extent that would be in our economic interest. Even if increased maintenance costs would merit higher net in-place rent as a business matter, we are subject to certain limits in our ability to increase in-place rent.

We could also experience loss of in-place rent, rent reductions and increased vacancies in situations where, for example, the properties are situated at undesirable locations (such as due to social or economic conditions) or where there is only limited demand for housing because of local market conditions, resulting in a decline in total current gross rental income. We also are required to conduct our property management business in such a manner that the properties are maintained in the condition as required by the leases and by law. If this is not possible and if the required maintenance measures are not performed on time or at all, this could lead to a reduction in in-place rent. Additionally, we could experience vacancy income shortfall through a planned vacancy when we decide to refurbish a property.

All of these factors, individually or collectively, could have a significant adverse effect on our revenue and earnings situation and thus have a significant adverse effect on our net assets, financial condition and results of operations.

If we are unable to generate positive cash flows from our operating activities, we could be forced to sell properties or borrow money on financially unfavorable terms.

In order to service our loan debt (principal and interest), we need to achieve positive cash flows from operating activities and investing activities. We generally generate such cash flow from in-place rent, proceeds from disposals, and the nursing business. If we are unable to generate positive cash flows from our operating activities in the future, we could be forced to sell apartments (single-unit sales (privatizations) and block sales) irrespective of the market situation and possibly on terms unfavorable to us, expend cash, or borrow money on financially unattractive terms. As a whole, this could have significant adverse effects on our net assets, financial condition and results of operations.

Our level of debt and the terms of current and future borrowings we have entered into could increase our financing costs and related expenses. If we breach conditions of our loan agreements, we could be required to repay the loans before they ordinarily would become due. If we fail to make payments on our loans when due, our creditors could dispose of the significant collateral we furnished to secure the loans.

In the past, we have taken on debt in the form of loans, convertible bonds and other instruments to refinance existing obligations, as well as to finance acquisitions, and we also intend to do so in the future.

As of September 30, 2011, our loan-to-value ratio ("**LTV Ratio**") was 62.1%. Although we extended our debt maturity profile by refinancing a substantial part of our financial debt prior to stated maturity, we cannot rule out that our ability to refinance financial obligations by taking on new debt or extending existing loans could be adversely affected by our current LTV Ratio. Banks could refuse to grant us new loans, or they could make new loans available to us only on unfavorable financial terms, and refuse to extend existing credit lines, or extend them only on unfavorable terms.

If we breach certain provisions under our loan agreements and are not in a position to cure such breaches, and if the creditors under such loan agreements do not waive our compliance with such provisions, such creditors could be entitled to terminate the respective financing agreements. Several financing agreements, in particular, require us to comply with certain financial covenants. Our failure to comply with such covenants could have severe consequences:

A breach of financial covenants would restrict our right to dispose of the credit balances arising out of rental income from the properties securing the respective loan agreement. Several of the loan agreements, which we have entered into, contain provisions according to which we might, upon breach of a financial covenant, be obligated to monthly pay certain amounts, based on our rental income, less, *inter alia*, service of debts under the respective and other equal-ranking loan agreements into a specified reserve account. The amounts in such reserve account are pledged to benefit of the respective lender. Therefore, we could not use the amounts to make certain payments without approval of the respective lender, including service of other loan agreements. This could lead to our failing our payment obligations under such other loan agreements.

Furthermore, breach of financial covenants could trigger the creditors' right to terminate the financing arrangement with immediate effect. Such right of termination by our creditors could have serious negative consequences for us; for example, all debt outstanding under the respective loan agreement could become due immediately. In addition, grounds for termination of one loan agreement could entitle creditors under other loan agreements to terminate their agreements with us with immediate effect. Particularly, if one or more of our loans should become due as a result of an early termination, we might be unable to refinance our loans as they become due, or might only be able to refinance them on significantly less favorable terms. If we were unable to obtain refinancing in such a scenario, in the worst case, we could become insolvent.

To secure our loan repayment obligations or those of our subsidiaries, we have pledged to creditors the shares of various Deutsche Wohnen Group companies, as well as claims under rental and leasing agreements, purchase agreements, and real estate sales agreements, and have taken out mortgages secured by properties held by Deutsche Wohnen Group companies. If we or our subsidiaries are unable to perform our or their obligations under such financing agreements, our creditors could seize collateral, including real property and pledged shares of Deutsche Wohnen Group companies, without further negotiations. Breach of obligations under our financing agreements could thus result in the loss of portions of our real estate inventory or individual Deutsche Wohnen Group companies on economically unfavorable terms and have significant adverse effects on our net assets, financial condition and results of operations.

These factors as a whole could have a significant adverse effect on our net assets, financial condition and results of operations.

A rise in general interest rate levels could increase our financing costs.

Extensive financial resources are required to implement our business concept and growth strategy. We are dependent on a substantial portion of these resources to finance our current and potential future property portfolio. When concluding financing agreements or extending such agreements, we depend on our ability to agree on terms and conditions pertaining to interest payments that will not impair our desired profit, and on amortization schedules that do not restrict our ability to pay intended dividends. We regularly enter into financing agreements with variable interest rates. Increases in interest rates generally cause demand for residential property to decrease. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, may have a significant negative effect on our ability to sell properties. Although we typically hedge our variable interest rate financing agreements using customary market hedging instruments and have done so with respect to the aforementioned loans which bear interest at a variable rate, interest rates may increase from the currently low levels, causing conditions to eventually change during the financing term contrary to our expectations. In addition, the hedging instruments that we use may not completely counterbalance this effect, or we may be unable to enter into necessary extensions or renegotiations of financing agreements or hedging instruments at their current interest rate terms, including associated costs. This and any failure on our part to obtain financing on the terms our planning anticipates, or by one more of the hedging instruments we currently use, could have a material adverse effect on our cash flows, financial condition and results of operations.

In the event of a downturn in the real estate market, the fair value model could require us to adjust current fair values of our investment properties (such as in the case of a change in interest rate levels or a deterioration of the market), which could have adverse effects on our consolidated balance sheet and our consolidated profit and loss statement.

We record investment properties (that is, real estate held to generate rental income and/or for capital appreciation) at fair value. Fair value is the amount at which an asset or liability could be exchanged in an arm's-length transaction between informed and willing parties, other than in a forced or liquidation sale. The recording of investment properties at the cost of acquisition or production occurs only at the time the property is received. On the balance sheet dates subsequent to the accession of the property, the fair value of the property is used. The best evidence of fair value is normally supplied by the development of the real estate market, including regional market developments and general economic conditions or interest rate levels. Accordingly, there is a risk that in the event of a downturn in the real estate market or the general economic situation, we will need to revise downward the values of our total portfolio on the consolidated balance sheet. The same would be true if competitors, due to financial difficulties, were forced to sell their property portfolios at lower prices. Any change in fair value must be recognized as a profit or loss under the fair value adjustment. For example, as of December 31, 2010, a change of capitalization and discount rates in an amount of 0.1% would have caused a fair value adjustment of €47 million to our investment properties. Any significant fair value adjustments we are required to make could have significant adverse effects on our financial condition and results of operations, as well as the market price of our shares. Additionally, there would be negative effects on performance indicators, particularly our net asset value ("**NAV**") and LTV Ratio.

There is a risk that we could incorrectly appraise the value of acquired properties or property portfolios or real estate companies; single-unit sales (privatizations), additional property portfolio purchases and attainable in-place rent could develop differently than we expect.

Prior to any acquisition, we carry out an intensive examination and evaluation of the properties to be acquired. In this respect, we set a yield target, taking into account the need for required maintenance, refurbishment or modernization measures. We carry out such work with the objective of optimizing the respective property to make it possible for us, for example, to achieve higher in-place rent and thereby increase the yield on the property. Additionally, we determine which properties in a new property portfolio should be allocated to the Residential Property Management segment for the purpose of generating continuing rental income, and which properties should be allocated to the Disposals segment.

The assumptions made in connection with the acquisition of a property portfolio, particularly with respect to anticipated in-place rent, modernization expenses and possible proceeds from single-unit sales (privatizations), could, however, subsequently turn out to be incorrect, in whole or in part, because of many factors that can affect the realization of these assumptions. In particular, during times of reduced real estate transactions levels, market prices for properties may be difficult to assess. In addition, valuation methods used could subsequently turn out to have been unsuitable. Accordingly, there is a risk that the acquired properties will achieve less than the originally calculated yields, *i.e.*, lower returns on the investments, due to inaccurate projections and assumptions, for example higher maintenance and modernization costs than originally expected. Moreover, it could subsequently become more difficult to lease or sell the property, the market rent at that location could develop unfavorably, and there could be vacancies and vacancy income shortfalls. In addition, the multitude of factors that affect the market rent that can be charged in a particular market make it difficult to project future in-place rent, so that the in-place rent projected in connection with the acquisition of a property can develop differently than planned.

Erroneous valuations in connection with the acquisition of property portfolios and other unforeseeable events could result in our being unable to achieve our projected yields, and could have significant adverse effects on our business, financial condition and results of operations.

The Property Appraisal Report included in this Prospectus and/or existing or future financial information contained in this Prospectus could incorrectly assess the value of our properties.

The property appraisal report made by the independent appraisers CB Richard Ellis GmbH (the "**Property Appraisal Report**") contained in this Prospectus is based on standard valuation principles and represents the opinion of the independent appraiser who prepared the report. The Property Appraisal Report is based on assumptions that could subsequently turn out to have been incorrect. The assumptions underlying the appraisals are tested merely through random sampling, as is customary in such appraisals. Additionally, the valuation of real estate is based on a multitude of factors that also enter into subjective valuations by the appraiser. These factors include, for example, the general market environment, interest rate levels, the creditworthiness of the tenants, the rental market, the development of the location and tax considerations. The valuation of real estate contained in the Property Appraisal Report, therefore, is subject to numerous uncertainties. Moreover, appraisal methods that are currently generally accepted and that were used for the purpose of developing the Property Appraisal Report could subsequently be determined to have been unsuitable. Also, the assumptions underlying the appraisals of the properties in the past or in the future could later be determined to have been erroneous.

The values assigned to the appraised properties in the Property Appraisal Report and/or our already published or yet to be published financial information (consolidated financial statements and consolidated interim financial statements) could exceed the proceeds that we can generate from the sale of the appraised properties. This could also apply to sales that occur on or shortly after the respective valuation date. Accordingly, the Property Appraisal Report does not represent the future or current actually achievable sales prices of our properties or property portfolio.

A change in the factors underlying the appraisal and/or assumptions could also cause the fair value determined for the respective valuation date to fall short of the book value of a property, which would result in a fair value loss. Under these circumstances, we would be required to immediately recognize the negative change in value as a loss resulting from the fair value adjustments of investment properties for the relevant accounting period. If such losses are material, they could have significant adverse effects on our net assets, financial condition and results of operations.

We are exposed to risks related to the structural condition of the properties and their maintenance and repair.

Our newly acquired properties are inspected prior to purchase in the course of a technical and thorough due diligence investigation with respect to their structural condition and, to the extent necessary, the existence of harmful environmental impacts. It is possible, however, that damage or quality defects could remain entirely undiscovered, or that the scope of such problems is not fully apparent in the course of the due diligence investigation, and/or that defects become apparent only at a later time. In general, sellers exclude all liability for hidden defects. If liability for hidden defects has not been fully excluded, it is possible that the representations and warranties made in the purchase agreement with respect to the property failed to cover all risks and potential problems relating to the acquisition. Regarding the older property in the total portfolio, no investigation or review was undertaken as to the existence of harmful environmental contamination. As a result, it is possible that significant environmental pollution, such as the use of construction materials containing asbestos, was not recognized in the older property. We could be exposed to financial liability for any required remediation measures.

Additionally, we could be exposed to unexpected problems or unrecognized risks, such as delays in the implementation of maintenance, refurbishment or modernization measures in connection with acquired residential portfolios, against which we might not have been contractually protected. As a result, we could be unable to lease a property as planned, effectuate increases in in-place rent or privatize residential units, our financial condition could deteriorate, and the value of the acquired assets could decline.

After acquiring properties, we undertake to maintain rented properties in good condition. For this reason, and also to avoid loss of value, we perform maintenance and repairs. In addition, modernization of properties may be necessary to increase their appeal or to meet changing legal requirements, such as the provisions relating to energy savings. Such measures can be large-scale and expensive. As a result, risks can arise in the form of higher costs than planned or unforeseen additional expenses for maintenance, repair or modernization that cannot be passed on to the tenant. Moreover, work can be delayed, for example, by reason of bad weather, poor performance or insolvency of contractors, or the discovery of unforeseen structural defects.

The occurrence of one or more of the aforementioned events could have a significant adverse effect on our net assets, financial condition and results of operations.

Unscheduled sales of residential units and longer than anticipated preparation and modernization measures relating to the sales could result in increased costs or delayed realization of revenue and earnings in the Disposals segment.

In addition to Residential Property Management, our business also includes the disposal of apartments. In this respect, we distinguish between individual sales and block sales of entire property portfolios. Our goal is to carry out the sales in such a manner that all residential units in properties slated for sale in the context of the sales strategy are sold. As of September 30, 2011, we planned to sell up to 9,282 residential units. As was the case in 2009, in 2010 we were able to surpass our target for individual sales to owner occupants of 500 units per year. By contrast, we were not able to achieve our target for block sales to institutional investors against the backdrop of the financial crisis and the ensuing credit crunch. Accordingly, we can provide no assurances that sales (in particular block sales) can be carried out in the projected numbers, within the projected timeframe or on favorable terms. The factors that could affect a possible sale include, among other things, the demand for real estate, the creditworthiness of the purchasers and the number of competitors.

If we are unsuccessful in the future in selling the apartments to the extent projected, our management of unsold or partially sold properties would consume greater administrative resources than planned. Moreover, preparation or refurbishment measures could extend over a longer period of time than we originally planned which, among other things, could lead to higher costs and lower sales prices and, consequently, increase the risk of a decline in value during such time. Significant price reductions in the course of further sales could reduce the profit margin on apartment sales, or even cause that margin to turn negative. These developments could have a significant adverse effect on our net assets, financial condition and results of operations.

The acquisition of real estate involves risks such as missing building permits, licenses and certificates that cannot be avoided on the basis of legal, tax and economic due diligence.

We and the former owners of the properties acquired by us regularly have, or had, only the opportunity to conduct a limited due diligence investigation; accordingly, we or the former owners might not have been in a position to examine whether the original owners of the properties, and/or the property itself, obtained all required building permits and satisfied all permit conditions; received all necessary licenses and fire, health and safety certificates; and satisfied all comparable requirements. Moreover, we or the former owners might not have been in a position to carry out all follow-up investigations, inspections, and appraisals/inventories (or to obtain the results of such inquiries). Accordingly, in the course of acquisition of residential property portfolios, specific risks might not be, or might not have been, recognized or correctly evaluated. Thus, legal and/or economic liabilities could have been overlooked or misjudged. In purchase agreements that we enter into with sellers of property portfolios, the sellers make various warranties. It is conceivable, however, that these warranties do not cover all risks, or that they fail to cover such risks sufficiently. Additionally, a warranty made by a seller could be unenforceable due to the seller's insolvency. In some cases, a real estate seller makes no representation or warranty as to the sufficiency and correctness of the information that is made available in the context of a due diligence investigation, or as to whether such information remains correct during the period between the conclusion of the due diligence investigation and the closing of the acquisition of the respective property. Accordingly, such risks can arise despite a thorough due diligence investigation, and they could have significant adverse effects on our net assets, financial condition and results of operations.

We are subject to numerous legal requirements that limit our economic freedom of action in connection with the acquisition and management of property portfolios and companies previously held by government entities.

In acquiring and managing property portfolios purchased from government entities such as the states and municipalities, we are often subject to various restrictions due to contractual obligations. For example, purchase agreements relating to real estate owned by government entities typically provide that tenants be afforded preference in the event of the sale of their units, that older tenants receive certain protection from eviction, that no luxury refurbishment may be undertaken, and that the social concerns and objectives of the city planners are to be observed. Additionally, such agreements often contain conditions requiring governmental consents.

By way of example, the agreements relating to the acquisition of a residential property portfolio from GSW Gemeinnützige Siedlungs- und Wohnungsbau Gesellschaft Berlin mbH ("**GSW**") in 2005, the "Fortimo Inventories," prohibit luxury refurbishments and require that tenants receive preference in single-unit sales (privatizations).

In addition, there are restrictions relating to GEHAG GmbH ("**GEHAG**" and, together with its subsidiaries, the "**GEHAG Group**"). GEHAG, once a government owned entity, was partially privatized in 1998. Under the terms of the share purchase agreements entered into with the Federal State of Berlin and other parties and GEHAG's Articles of Association, the Federal State of Berlin, as minority shareholder with a share capital of €50, is entitled to certain consent rights. Such rights relate, in particular, to dispositions of GEHAG shares, employee matters and housing policy. Thus, the GEHAG Group's apartments must be available to a broad stratum of the population. GEHAG's Articles of Association, as well as the privatization agreements, also provide that two officials of the Federal State of Berlin will belong to the twelve-member Supervisory Board of GEHAG until 2033. Moreover, any amendment to GEHAG's Articles of Association will require the consent of the Federal State of Berlin until November 17, 2018. Additionally, certain provisions of GEHAG's Articles of Association may be amended only with the consent of the Federal State of Berlin until November 17, 2033. These provisions include, among others, the location of GEHAG's registered office, the business purpose of the company and the composition of the Supervisory Board. The former shareholders of GEHAG have submitted to these provisions. By reason of our acquisition of the majority of shares of the GEHAG Group, we are also bound by these provisions. Accordingly, for certain fundamental decisions, we must consult with the Federal State of Berlin and thus could be prevented from making necessary amendments to GEHAG's Articles of Association and dispositions of the GEHAG Group's residential properties. Additionally, GEHAG has established a Supervisory Board in accordance with the provisions of the German One-Third Codetermination Act (*Drittelbeteiligungsgesetz*) in which four of its twelve members are worker representatives.

We are also subject to restrictions with respect to properties held by Eisenbahn-Siedlungsgesellschaft Berlin mbH ("**ESG**"). Following its partial privatization in 2000, ESG, too, is subject to restrictions by the government in the form of the Bundeseisenbahnvermögen ("**BEV**"). Thus, for example, ESG's Articles of Association require that the eight-member Supervisory Board of ESG include four members of BEV. The articles of incorporation bestow a double voting right on one of these four members in the event of a tie vote, meaning that we do not control a majority of votes on the Supervisory Board. The limitations also include restrictions on the block sale of properties with 50% or more units rented out to preferred tenants. Preferred tenants are essentially active and inactive employees of BEV and Deutsche Bahn AG. Additionally, there are restrictions with respect to the transfer and pledge of shares of ESG, the authorization of third parties or affiliates of the shareholders for the acquisition of new shares from capital increases at ESG, and certain structural measures at ESG such as mergers, transformations, dissolution or liquidation. These restrictions relating to material business decisions of the GEHAG Group could have a negative effect on our economic development and, in particular, the sale of the relevant apartments. Additionally, restructuring measures that would be required or reasonable from a tax perspective could be impeded or even prevented and preclude our realizing possible cost savings. Moreover, we could be limited in our ability to sell shares of GEHAG or ESG.

These restrictions could result in our being unable to optimally manage or sell the relevant apartments or undertake productivity improvement and modernization measures as desired. This could result in lower income from Residential Property Management and Disposals and could have a significant adverse effect on our net assets, financial condition and results of operations.

We could be subject to liability claims for several years after selling properties.

In connection with the sale of properties, we make representations, warranties and negative declarations of knowledge to the purchasers with respect to certain characteristics of the properties. The resulting obligations continue to exist after the sale, usually for several years. In particular, we could be subject to claims for damages from purchasers who assert that the representations we made to them were untrue, or that we failed to meet our obligations. This could lead to legal disputes or litigation with the purchasers, as a consequence of which we could be required to make payment to the purchasers. To the extent that we made warranties to third parties in connection with refurbishment measures and claims are asserted against us because of defects, it is not always certain that we will have recourse against the companies that performed the work. Legal disputes and the obligation to pay damages could have a significant adverse effect on our net assets, financial condition and results of operations.

Our cash flow and possible future dividend payments are dependent on the profitability of our subsidiaries or must be augmented by borrowed capital.

Deutsche Wohnen AG is a holding company; we do not conduct our operating business ourselves but exclusively through our subsidiaries. To cover our operating costs, we rely on, among other things, distributions that we receive from our subsidiaries and other investment interests or, as the case may be, payments under profit transfer agreements and scheduled repayments of loans we have granted to the subsidiaries. It is not assured that such funds will always be sufficient in the future to satisfy all of our payment obligations. If this should not be the case, we would need to obtain additional funds.

We have also entered into domination and profit and loss transfer agreements with several of our subsidiaries. Based on these agreements, we are required to equalize any annual deficit sustained by the dominated companies insofar as such losses cannot be covered by retained earnings that were created during the term of the agreement. The right to equalization becomes due as of the balance sheet date and is quantified by the amount of the recorded deficit.

As part of the realignment of operating activities, with a focus on the Residential Property Management and the Nursing and Assisted Living segment, we intend to, as a rule, pay dividends only to the extent that they are covered by our cash flow available for dividends. If there is insufficient cash flow available for dividends, we will likely pay no dividend. If we should decide to borrow money to facilitate paying dividends, this could have significant adverse effects on our net assets, financial condition and results of operations.

We bear risks in connection with possible acquisitions and investments such as greater indebtedness, higher interest expenses, challenges in the integration of the business and in achieving the anticipated synergies.

Future business acquisitions and investments could involve considerable risk. In addition to the risks from the properties themselves, economically successful acquisitions tie up management resources that then cannot be deployed elsewhere in Deutsche Wohnen Group. Business acquisitions and investments can lead to greater indebtedness and higher interest expenses. Additionally, the integration of employees from the newly acquired companies could fail. Anticipated synergies, economies of scale and cost savings might not be realized in whole or in part or might occur only later. This could result in higher administrative and management costs.

Our plans to grow the volume of business and possible start-up activity in new core regions would require adaptation of our operational and organizational structure, particularly the continued development of suitable planning and controlling processes, as well as the hiring of additional qualified employees to the extent that our growth exceeds our available resources. To the extent that such growth occurs through acquisitions of, or investments in, other companies, it is also necessary that we successfully integrate the acquired business units or investments into our business in order to achieve the desired results with the acquisition or investment. We cannot guarantee that the systems, operations or controls for the support of the expansion of our business are appropriate. We may no longer be in a position to effectively control our internal and external growth or to obtain the resources and employees necessary to do so.

Accordingly, we cannot guarantee the success of the acquisitions and investments we have made to date or of our potential future acquisitions and investments. A failure of our acquisitions or investments to achieve the desired results could have significant adverse effects on our net assets, financial condition and results of operations.

The current number of employees in central functions and the small number of management executives could impair our development.

We only have a small number of management executives and other employees in central areas responsible for our Residential Property Management and Disposals core business segments. Our success depends significantly on the performance of our management executives and qualified employees in key positions, particularly Management Board members Michael Zahn and Helmut Ullrich and other management executives with substantial sector expertise, particularly in the areas of accounting, portfolio and asset management, and sales. Additionally, it is particularly important for the planned expansion of our business that we hire additional qualified employees to the extent that our expansion exceeds our available resources. Due to the intense competition for management executives in the real estate field, we cannot guarantee that we will succeed in the future in hiring the necessary management executives and new employees. The loss of one or both Management Board members or other key employees, and the difficult task of attracting new highly qualified management executives, could impair our growth and make it difficult to maintain our Group control function. Because of the small number of employees we have in central areas, we believe we have a suitable risk management system, though not one as heavily staffed as may be found at larger companies. As a result, it is possible that risks to our Company might be recognized only belatedly. The occurrence of one or more of the risks described above could have a significant adverse effect on our net assets, financial condition and results of operations.

We could be subject to additional claims for pension and benefits obligations.

At the Group level, we are liable for pension obligations based on retirement provisions in the form of pension grants. For this purpose, we recognized an employee benefit liability in the unaudited condensed consolidated interim financial statements as of September 30, 2011 prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, for interim financial reporting (IAS 34) to the amount of €42.1 million. The actual amount of such obligations, however, cannot be fully calculated in advance and involves substantial uncertainty. If our actual pension obligations exceed our employee benefit liability, this could have significant adverse effects on our net assets, financial condition and results of operations.

Moreover, there is a statutory obligation to conduct adjustment reviews and, if applicable, to adjust the amount of pension payments. If such a review was not undertaken in the past or if pension adjustments were not made as required by law, we may be subject to an obligation to pay the unpaid pension adjustments, including the outstanding arrears. This could also have significant adverse effects on our net assets, financial condition and results of operations.

In addition to the performance-oriented pension plans, employees of subsidiaries who were formerly employed by Rhein-Pfalz Wohnen GmbH are covered by a pension plan governed by the rules of the supplemental civil service pension plan because of the employees' membership in the Bayerische Versorgungskammer (BVK) — Zusatzversorgungskasse of the Bavarian municipalities. The pay-as-you-go financing arrangement for this pension plan bears the risk of contribution adjustments that could lead to our having to increase our contributions to BVK in the future.

Our subsidiaries use pension schemes that have not been adapted to current laws since the 1990s or since such pension schemes became effective. Even though these pension schemes were closed to new hires, they continue to apply to employees who were active at the time the schemes were closed, as well as to retirees, and to departed employees whose entitlements have vested. These pension schemes contain provisions that do not comply with current laws; such provisions could be discriminatory in part and therefore invalid. Additional claims could also arise from discrimination against part-time and marginally-employed workers with respect to their rights to a pension, from discrimination against registered partners in a civil union with respect to their rights to survivorship benefits, and the unequal treatment of women and men.

Finally, all continuing obligations under pension schemes — with the exception of the pension schemes in effect at KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH ("**KATHARINENHOF**," and together with its subsidiaries, the "**KATHARINENHOF Group**") — are governed by individual contracts incorporating such schemes by reference, making across-the-board changes to the pension schemes impracticable. Rather, the consent of pension-eligible individuals could be required to implement any changes. Moreover, the pension schemes, because they are incorporated by reference in individual contracts, are all subject to the same rules of interpretation which are applied to general terms and conditions of business, which could lead to additional provisions being invalid which, in turn, could lead to additional financial burdens.

Thus, we bear considerable financial risk from the above-described pension schemes if the current provisions are insufficient. If this should be the case and/or unforeseen benefit claims, contribution obligations or back payment obligations arise to a material level, this could have significant adverse effects on our net assets, financial condition and results of operations.

Our use of standardized contracts could multiply the risks as compared with the use of individual contracts.

We maintain legal relationships with a large number of persons, primarily employees and purchasers and tenants of residential properties. In this context, we also use standardized documents and standard-form contracts. If such documents or contracts contain provisions which are disadvantageous to us, or if clauses in such documents or contracts are invalid and thus displaced by statutory provisions which are unfavorable to us, this will affect a large number of standardized terms or contracts. Additionally, standardized terms under German law have to comply with the statutory law on standard terms, which means they are subject to a rigid control by the courts regarding the way they are presented by the person using such standard terms to the other party to the contract and regarding their content. As a general rule, standardized terms are invalid if they are not worded clearly and transparent or if they are unbalanced, discriminating the other party inappropriately. It is impossible to fully protect against risks from the use of such standardized contractual terms, due to the frequent changes to the legal framework, particularly court decisions relating to general terms and conditions of business. One example of this is the Federal Supreme Court's decision relating to the invalidity of decorative repair clauses that provide fixed schedules for the tenant's performance of decorative repairs. The invalidity of such clauses results in the landlord being made responsible for maintenance and being required to shoulder increased maintenance costs. Even in the case of contracts prepared with legal advice, it is impossible for us to avoid problems of this nature from the outset or in the future, because changes could occur in the legal framework, particularly case law, making it impossible for us to avoid the ensuing legal disadvantages. This could have significant adverse effects on our net assets, financial condition and results of operations.

We could sustain substantial losses from damage not covered by, or exceeding the coverage limits of, our insurance policies.

Our properties are all insured against losses due to fire or natural hazards. However, our insurance policies are subject to exclusions and limitations of liability. It is possible, therefore, that losses could arise that exceed the respective limits of coverage. It is also possible that an insurance company that issued a policy to us could become insolvent. This could have a significant adverse effect on our net assets, financial condition and results of operations.

We could be exposed to risks from residual pollution including wartime ordnance, soil conditions and contaminants in building materials, as well as from possible building code violations.

It is possible that properties we own or acquire contain ground contamination, hazardous materials, other residual pollution and/or wartime relics (including potentially unexploded ordnance). Moreover, building components might contain hazardous substances (such as polychlorinated biphenyls (PCBs) or asbestos), or the properties could bear other environmental risks. We bear the risk of cost-intensive remediation and removal of such wartime ordnance, hazardous materials, residual pollution or ground contamination. The discovery of such residual pollution, particularly in connection with the lease or sale of properties, can also trigger claims for rent reductions, damages and other breach of warranty claims or termination of letting. The remediation of any pollution and the related additional measures could negatively affect us and involve considerable additional costs. We are also exposed to the risk that it might no longer be possible to take recourse against the polluter or the previous owners of the properties. Moreover, the existence or even merely the suspicion of the existence of wartime ordnance, hazardous materials, residual pollution or ground contamination can negatively affect the value of a property and our ability to lease or sell such a property.

Our business is also exposed to the risk of noncompliance with building codes or environmental regulations. Even though we conduct thorough inspections during the acquisition of individual properties, there is a risk that building codes or environmental regulations were not complied with. It is also possible that landlord responsibilities could be further expanded with respect to fire protection and environmental protection, which could require additional refurbishment, maintenance and modernization measures. The projected cost of such measures is based on the assumption that the required permits are issued promptly and consistent with our plans. It is possible, however, that the required building permits will not always be issued promptly. If such permits are not issued promptly, or are issued only subject to conditions, this can lead to substantial delays in correcting the problems and result in higher than projected costs and lower in-place rent for the relevant properties.

Our Group companies own properties, many of which are more than 40 years old. Numerous factors, including the age of the structures, noncompliance with building codes, potential residual pollution such as contamination of roof rafters with PCBs and wood preservatives, or the use of asbestos or other materials hazardous to the environment or health, could result in our being required to perform expensive refurbishment, maintenance and modernization measures. In addition, we are not always able to obtain from the seller the records and documents that we need in order to fully verify that the buildings were constructed in accordance, and that their use complies with, planning laws and building code requirements. These circumstances could lead to additional costs and have an adverse effect on our proceeds from sales and rentals of the relevant properties.

The occurrence of one or more of the aforementioned events could result in additional costs and have a significant adverse effect on our net assets, financial condition and results of operations.

Our business is subject to the general legal and tax environment in Germany. Any disadvantageous changes to the legal environment, such as an expansion of tenant protection laws or more restrictive environmental laws, could have a significant adverse effect on our net assets, financial condition and results of operations.

Our business is subject to the general legal framework applicable to housing, commercial real estate and senior homes or nursing homes. This framework includes German landlord-tenant law, as well as special provisions in other laws, particularly the German Nursing Homes Act (*Heimgesetz*, the "**HeimG**") and its equivalents on the state level, social legislation, construction laws, historic preservation laws and tax laws. Any disadvantageous changes to domestic or European laws or changes in the interpretation or application of existing laws could, therefore, have a negative effect on us. In particular, an expansion of tenant protection laws in connection with conversions of apartments into condominiums could have negative effects on the sale of condominiums to investors. Other changes to tenant protection laws could make it more difficult to evict tenants, and changes to regulations governing the tenant's responsibility for ancillary costs or modernization investments could have an adverse effect on the profitability of our investments and results of operations.

More restrictive environmental laws could cause us to incur greater expenses if, for example, the provisions on the handling of asbestos or other hazardous construction materials were made more restrictive and we were required to take action. If, during the course of a refurbishment or modernization, it should be discovered that a building acquired by us is subject to historic preservation laws, the need to comply with the respective historic preservation requirements could lead to significant delays in the refurbishment or modernization process, the inability to carry out particular refurbishment or modernization measures, and also significantly higher costs for the particular project. These factors could result in our being unable to perform our contractual obligations to a buyer, with the consequence that the buyer's obligation to make payment would be excused or deferred. The same would be true if the legal requirements relating to existing and permitted properties and their use become more onerous, particularly with respect to construction and environmental requirements; similarly, requirements might be imposed in order to increase the availability of handicapped-accessible and adapted housing.

As a seller of properties, we are liable to tenants for any breach of lease agreements by the buyer. This applies also and specifically where we no longer have any control over the property. Moreover, we continue to be exposed to liability for breach of contract even in the event that the buyer resells the property and the subsequent buyer breaches lease agreements. If, however, a seller notifies the tenant of the change of ownership and the tenant fails to avail itself of the opportunity to terminate the tenancy at the earliest permitted termination date, the seller is released from liability. As a rule, when selling properties, we inform all tenants in writing of the change of landlord.

However, changes in tax legislation, administrative practice or case law, possible at any time on short notice, could have adverse tax consequences for us. For example, there could be increases in the rates of property transfer tax, property tax or capital gains tax. Additionally, changes could be made to the ability to depreciate owned real estate. This could have a significant adverse effect on the attractiveness of residential real estate and our Sales business. Despite a general principle prohibiting retroactive application, amendments to applicable laws, orders and regulations can also be retroactive. Additionally, divergent statutory interpretations by the tax authorities or the courts are possible. If these changes in the legal or tax framework conditions should occur, individually or together, or if other changes of the legal or tax framework conditions that negatively affect our business should arise, this could have a significant adverse effect on our net assets, financial condition and results of operations.

We could be required to pay additional taxes following tax audits of our Group and our Group companies.

Our Group companies are regularly subject to tax audits. The most recent tax audit of the Company covered the fiscal years from 2000 to 2004, and the tax audit of GEHAG covered the fiscal years from 2004 to 2007. These tax audits were closed in the 2009 fiscal year.

All of the tax assessment notices issued since those dates are subject to re-audit. Additionally, there were numerous mergers and restructuring measures within our Group that could result in obligations for back taxes. Moreover, due to a shareholder loan in the past and the resulting application of Section 8a of the German Corporate Tax Act (*Körperschaftsteuergesetz*, the "**KStG**") relating to the non-deductibility of interest, our tax-loss carry-forwards could be reduced and our Group corporate tax liability could increase because of interest that is not tax-deductible. Finally, we may not be entitled to, and, therefore, might be unable to, utilize tax-loss carry-forwards to the extent we anticipated.

The German fiscal authorities have recently informed Rhein-Pfalz Wohnen GmbH and Rhein-Mosel Wohnen GmbH that they will carry out tax audits of each of these companies covering the fiscal years from 2005 to 2008. As a consequence of these or other future tax audits or divergent legal interpretations by the tax authorities, we could be obliged to pay back taxes. Back taxes or demands for back taxes could have a significant adverse effect on our net assets, financial condition and results of operations.

We might not be in a position to take tax deductions for our interest payments which may result in a higher tax burden.

In the course of our business, we have entered into numerous financing transactions with third parties, including for the financing of our acquisitions of property portfolios. These debt financing arrangements require us to pay principal and interest. Since 2008, the tax deductibility of debt interest may have been limited by Section 4h of the German Income Tax Act (*Einkommensteuergesetz*, the "**EStG**") in conjunction with Section 8a of the KStG (the interest deduction ceiling). Because of the interest limit, the deductibility of net interest expense by a business is generally limited to 30% of taxable EBITDA, unless certain exceptions apply. Any nondeductible amount that exceeds the 30% ceiling can only be carried forward and may be deductible in future years under certain circumstances. If we are affected by the application of these provisions to a greater extent in the future, this would result in a higher tax burden and, consequently, have a significant adverse effect on our net assets, financial condition and results of operations.

There are uncertainties with respect to the amount of tax-loss carry-forwards and interest carry-forwards.

Our Group companies have tax-loss carry-forwards and interest carry-forwards. A loss carry-forward is the sum of the losses that were sustained during an assessment period that we were unable to set off against positive income. An interest carry-forward represents the total interest that we were unable to deduct for tax purposes in prior years under the interest deduction ceiling. These loss and interest rate carry-forwards can, subject to certain restrictions, reduce future taxable income. These corporate and business tax-loss carry-forwards and interest carry-forwards could be lost in the future, in whole or in part, at the level of the Company and its direct and indirect subsidiaries pursuant to Section 8c of the KStG (or, where applicable, in conjunction with Section 10a Sentence 10 of the German Trade Business Tax Act (*Gewerbesteuergesetz*, the "**GewStG**") and Section 8a of the KStG) if, within a period of five years, 25% or more of the shares or voting rights of the company are combined, directly or indirectly, to be held by one shareholder or several shareholders whose interests are aligned ("**harmful acquisition**"). Shares are deemed to have been combined (including by way of a capital increase) for these purposes if they are assigned to a single acquirer, persons related to such acquirer, or a group of acquirers whose interests are aligned. Because much of the issued share capital is being assigned within the meaning of Section 8c of the KStG in the context of this offering, there is a risk that we and our subsidiaries will be unable to utilize, in whole or in part, our corporate tax-loss carry forwards of €1.1 billion and business tax-loss carry-forwards of €0.9 billion as of December 31, 2010, and we might be unable to fully or even partially utilize potentially arising interest carry-forwards.

We could also lose tax-loss carry-forwards at the level of the Company pursuant to Section 8 paragraph 4 of the old version of the KStG. We are allowed to utilize prior loss carry-forwards only if the economic identity of the Company remains preserved within the meaning of Section 8 paragraph 4 of the old version of the KStG. This would not be the case if this capital increase, together with earlier share transfers, were to result in a greater than 50% change in the shareholder structure and predominantly new assets were contributed to the Company within a certain period. We cannot control this risk because the elimination, in whole or in part, of loss carry-forwards and interest carry-forwards would be triggered by measures and transactions (including subscription to the capital increase) at the shareholder level. In particular, it cannot be ruled out that — as a result of the contemplated capital increase — a shareholder, or several shareholders whose interests are aligned, will hold 25% or more of the shares/voting rights of our Company. A loss of tax-loss carry-forwards and interest carry-forwards could have a significant adverse effect on our net assets, financial condition and results of operations.

Our computer systems could malfunction or become impaired.

Our information technology system is an important facilitator of our business optimization strategy. Any interruptions in, failures of, or damage to our information technology system could lead to delays or interruptions in our business processes, such as the outage of our customer service hotline. Any malfunction or impairment of our computer systems could interrupt our operations and lead to increased costs. As of January 1, 2009 a new software (SAP) was implemented group-wide by Deutsche Wohnen. It is possible that future technological developments could adversely affect the functionality of our computer systems and require further action, which could require us to spend substantial funds to prevent or repair computer malfunctions. We cannot guarantee that even anticipated and/or recognized malfunctions can be avoided in every case by appropriate preventive security measures. Additionally, we have outsourced a portion of our computer systems to external service providers. We cannot guarantee that such risks will not also materialize with such service providers. The materialization of one or more of these risks could have a significant adverse effect on our net assets, financial condition and results of operations.

We could be subject to potential financial risks from the GEHAG Group's former activities in real estate investment funds.

The GEHAG Group was formerly involved in the organization and establishment of real estate investment funds. The funds business was operated by GEHAG Group companies until 2005. In 2005, a majority of the shares of the Closed-end Real Estate Fund business segment was transferred to an affiliate of HSH Real Estate AG. In the context of this transaction, HSH Real Estate AG granted a release for the benefit of the GEHAG Group. While Deutsche Wohnen is not subject to financial claims related to GEHAG Group's former activities in real estate investment funds, and currently does not foresee any such claims, it cannot be excluded that it may become subject to such financial claims. It is possible that some risks are not covered by the release, and that we will be required to pay damages to aggrieved investors. These risks, if they materialize, could have a significant adverse effect on our net assets, financial condition and results of operations.

The exercise of the right of sell-out held by the limited partners of DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG could impair our profitability and negatively impact our liquidity.

In separate agreements, the limited partners of DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG ("**DB 14**"), Eschborn, which has been consolidated in our financial statements since 2006, have each been granted a right of sell-out, in effect from 2005 to 2019, by Rhein-Pfalz Wohnen GmbH, the exercise of which would require us to redeem the shares at a starting price (in 2005) of 105% of the paid-in capital share. Starting from 2005, the agreed purchase price for the shares increases annually by three to seven percentage points, depending on the development of rents. Additionally, outstanding dividend distributions for tendered limited partner interests are taken into account. Our obligation to redeem the shares at a fixed price entails a risk that we might be required to purchase shares of the company at prices higher than their market value. This could impair our future profitability. We have redeemed 40.4% of the shares in 2010, taking our stake in DB 14 up to 74.4% as of December 31, 2010. In the nine months ended September 30, 2011, another 18.5% of the shares in DB 14 have been tendered to us. The purchase price for these shares was partly paid in the first three months of 2011 and the remainder will have to be paid by us by the end of 2011. If the rest of, or a substantial majority of, the limited partners were to exercise their right of sell-out at the same time, our liquidity will be negatively affected. These risks, if they materialize, could have a significant adverse effect on our net assets, financial condition and results of operations.

Our inability to increase prices as economically necessary in the Nursing and Assisted Living segment could have an adverse effect on the revenue and earnings development of that segment.

Our Nursing and Assisted Living segment is currently subject, in particular, to the provisions of Book XI of the German Social Welfare Act (*Sozialgesetzbuch*, the "**SGB**"), the HeimG and equivalent state legislation (see below " — *The Nursing and Assisted Living segment could be subject to greater regulatory constraints as a consequence of legal reforms*"). These statutes govern, among other things, the remuneration scheme for nursing home contracts, as well as the goods and services needed for basic care and housekeeping care for which the long-term care insurance scheme pays reimbursement, and cost reimbursement. In developing our fee schedule, we are required to comply with these legal mandates and cannot, therefore, exercise unfettered discretion in structuring the fees. For example, fee increases — insofar as they could be implemented in the respective regional market — must be approved by the reimbursing entities (nursing care agencies or social welfare agencies). If a requested fee increase is not approved, it might be impossible to increase fees, or possible only by way of protracted administrative proceedings. Should we be unable to increase our fees to the extent necessary for business reasons, this could have a significant adverse effect on our net assets, financial condition and results of operations.

The Nursing and Assisted Living segment could be subject to greater regulatory constraints as a consequence of legal reforms.

As part of the federalism reforms entered into force on September 1, 2006, legislative authority relating to nursing homes, which applies to the senior and nursing home sector, was transferred from the federal government to the state governments. Each of the states is currently working on its own state-specific nursing home legislation. Until such state laws enter into force, the federal HeimG remains in effect. To date, the states of Baden-Württemberg, Bavaria, Berlin, Brandenburg, Bremen, Hamburg, Mecklenburg-West Pomerania, North-Rhine-Westphalia, Rhineland-Palatine, Saarland and Schleswig-Holstein have enacted their own nursing home statutes. As state-specific nursing home laws are developed, we expect that there will increasingly be different standards for the operation of senior homes and nursing homes, and new regulatory framework conditions could lead to higher costs and have a negative impact on the Nursing and Assisted Living segment. Moreover, laws governing health and welfare could be reformed. This could result in increased costs for the care of long-term care patients that can no longer be borne by the nursing care agencies. As a whole, this can have significant adverse effects on our net assets, financial condition and results of operations.

Our ability to dispose of certain senior homes is constrained by conditions imposed as a consequence of our having received public subsidies.

GEHAG and KATHARINENHOF received an aggregate of €27.2 million in public construction subsidies in connection with the nursing home facilities in the New Federal States in accordance with Article 52 of the German Long Term Care Insurance Act (*Pflege-Versicherungsgesetz*). The conditions imposed in connection with the receipt of public subsidies require KATHARINENHOF and GEHAG to operate the facilities as nursing homes for seniors for the duration of the subsidy allocation period (which for acquired or newly erected buildings is generally 40 years from the date of the approval notice) and require the consent of the subsidizing agencies for any sale of the subsidized facilities. If we violate these conditions, we could be required to repay the public subsidies.

Our ability to increase certain rents could be limited by rent restrictions.

Changes in the European or German legal framework may have a negative impact on our ability to increase rents. The Senate of Berlin has recently introduced to the German Federal Council (*Deutscher Bundesrat*) a draft bill regarding the Safeguarding of Affordable Rents and the Restriction of Energy Consumption and Energy Costs (*Entwurf eines Gesetzes zur Sicherung bezahlbarer Mieten und zur Begrenzung von Energieverbrauch und Energiekosten*) which aims, *inter alia*, at restrictions on rent increases. Moreover, on July 10, 2011 a new Law on Housing in Berlin has taken effect (*Wohnraumgesetz Berlin*) which provides for, *inter alia*, stricter rules on rent restrictions for recipients of certain public housing subsidies. As of September 30, 2011, approximately 56% of our total residential portfolio is located in Berlin and we intend to further increase our residential portfolio in this core region. For approximately 10% of the Berlin residential portfolio we have received subsidies from the State of Berlin. Affordable housing continues to be a political topic that attracts a high level of attention. Tightened rent restrictions will impair our ability to increase the respective rents, which could have significant adverse effects on our net assets, financial condition and results from operations.

Risks Related to Shares and the Offering

Any future sales of our shares by our largest shareholders could depress the market price of our shares.

Upon completion of the offering described in this Prospectus, the number of issued shares of the Company may increase to up to 20,460,000. Assuming the issue of all New Shares, Cohen & Steers Inc., the largest shareholders of the Company, will hold approximately 7.9% of the issued shares after completion of the offering if it does not participate in the offering. If any of the large shareholders were to sell substantial amounts of stock on the public exchange or if market participants were to become convinced that such sales might occur, this could have a significant adverse effect on the market price of our shares.

The market price of our shares has been volatile and might continue to be volatile.

In the past, the market price of our shares has been volatile and characterized by fluctuating trading volumes and may continue to be volatile and characterized by fluctuating trading volumes in the future. Securities markets in general and real estate shares in particular have been extremely volatile in the past. The market price of our shares can also be subject to significant fluctuations and could decline considerably in spite of positive business developments. The market price of our shares can experience major fluctuations due to, in particular, changes in our actual or projected results of operations or those of our competitors, changes in earnings projections or failure to meet investors' and analysts' earnings expectations, investors' evaluations of the success and effects of the strategy described in this Prospectus, as well as the evaluation of the related risks, changes in general economic conditions, changes in shareholders and other factors. Additionally, general fluctuations in share prices, particularly of shares of companies in the same sector, could lead to pricing pressures on our shares, even where there may not necessarily be a reason for this in our business or earnings outlook.

Future capitalization measures could lead to substantial dilution, i.e., a reduction in the value of the shares and the control rights, of existing shareholders' interests in the Company.

We may require additional capital in the future to finance our business operations and growth, such as through the acquisition of major portfolios, or to repay our debts. Both the raising of additional equity through the issuance of new shares and the potential exercise of conversion or option rights by the holders of convertible bonds or bonds with warrants, which may be issued in the future, may dilute shareholder interests. Additionally, the acquisition of other companies or investments in companies in exchange for newly issued shares of our Company, as well as the exercise of stock options by our employees in the context of future stock option programs or the issuance of shares to employees in the context of future employee stock participation programs could lead to such dilution.

The holdings of shareholders who do not participate in the offering will be substantially diluted, i.e., the value of their shares and their control rights will be negatively impacted.

Subscription rights that are not exercised by and including November 28, 2011 will expire valueless. If a shareholder fails to exercise his or her subscription right, such shareholder's proportionate share of the total equity will decline. If a shareholder also fails to sell his or her subscription rights, such shareholder will sustain a monetary dilution in the amount of the value of the subscription rights.

Active trading in the subscription rights might not develop, and the subscription rights could be subject to greater price fluctuations than our shares.

We intend to allow the subscription rights to be traded during the period from November 15, 2011 up to and including November 24, 2011 in the regulated market segment (XETRA and XETRA Frankfurt Specialist) of the Frankfurt Stock Exchange. We do not intend to apply for trading of subscription rights on any other securities exchange. We cannot guarantee that active trading of the subscription rights will develop on the Frankfurt Stock Exchange or that sufficient liquidity will be available during the subscription rights trading period. Consistent with German market practice, prices for the subscription rights will be set only once daily. The market price of the subscription rights will depend, among other things, on the market price of our shares, but could also be subject to significantly greater price fluctuations than are the market price of our shares.

The offering may expire and the subscription rights may become worthless if the Joint Bookrunners terminate the placement agreement for the New Shares or the Company withdraws from the subscription offer. In such a case, we could receive lower issue proceeds than expected or receive none at all. In addition, we may not be able to place all offered shares which may result in substantially lower proceeds.

We and the Joint Bookrunners have concluded a placement agreement, pursuant to which all the Joint Bookrunners have undertaken to offer the new shares to the shareholders for subscription. The placement agreement can be terminated by the Joint Bookrunners under certain circumstances.

If the placement agreement is terminated because the Joint Bookrunners withdraw before the publication of the subscription offer in the electronic version of the Federal German Gazette (*elektronischer Bundesanzeiger*), because the Company withdraws from the subscription offer, or because the implementation of the capital increase is not registered in the commercial register in a timely manner, the offering will lapse and the shareholders' subscription rights will expire. In this case, the subscription agent will not reverse subscription rights trading transactions. Investors that have acquired subscription rights for the new shares over a stock exchange would therefore suffer a complete loss in this case. Subscription declarations for new shares already made would be invalid. Should short sales have already occurred at the time of such an expiry of the offering, the short-seller of the shares would bear the risk of not being able to meet its obligation to deliver new shares. We would receive no issue proceeds in the event of a termination of the placement agreement. In addition, we may not be able to place all offered shares which may result in substantially lower proceeds.

GENERAL INFORMATION

Responsibility Statement

Deutsche Wohnen AG, with its registered office at Pfaffenwiese 300, 65929 Frankfurt am Main, Germany, and registered with the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main under docket number HR B 42388 (the "**Company**" or "**we**," and together with its subsidiaries, "**our Group**," "**Deutsche Wohnen Group**" or "**Deutsche Wohnen**"), along with Credit Suisse Securities (Europe) Limited, London, United Kingdom ("**Credit Suisse**"), Morgan Stanley Bank AG, Frankfurt am Main, Germany ("**Morgan Stanley**") and UBS Limited, London, United Kingdom ("**UBS**," and together with Credit Suisse and Morgan Stanley, the "**Joint Global Coordinators**" or "**Joint Bookrunners**"), assume responsibility for this Prospectus pursuant to Section 5(4) of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and declare, pursuant to Section 5(4) of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), that the information contained therein is, to their knowledge, correct and contains no material omissions, and that they have taken all reasonable care to ensure that the information contained therein is, to their knowledge, correct and that no facts have been omitted that are likely to affect its import. Notwithstanding Section 16 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), neither the Company nor the Joint Bookrunners are required by law to update the Prospectus.

If an investor files claims in court on the basis of the information contained in this Prospectus, the plaintiff investor may be required by the laws of the individual member states of the European Economic Area ("**EEA**") to bear the cost of translating the Prospectus before proceedings begin.

Purpose of this Prospectus

For the purpose of the public offering of new shares in Germany and Luxembourg, this Prospectus relates to 20,460,000 ordinary bearer shares with no par value from the capital increase against cash contribution resolved by the Management Board and approved by the Supervisory Board on November 14, 2011, on the basis of the Company's authorized capital, each such share representing a notional value of €1.00 and carrying full dividend rights from, and including, the fiscal year starting January 1, 2011.

For the purpose of admission to trading of new shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment thereof, with additional post-admission obligations (Prime Standard), this Prospectus relates to a total of up to 20,460,000 ordinary bearer shares with no par value, each such share representing a notional value of €1.00 and carrying full dividend rights from, and including, the fiscal year starting January 1, 2011.

Forward-Looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding Deutsche Wohnen's business and management, its growth and profitability, and general economic and regulatory conditions to which it is exposed. Statements made using wording such as "should," "is likely," "will," "believes," "proceeding on the premise," "expects," "assumes," "estimates," "intends," "is of the opinion," "to our knowledge," "in our estimation" or similar wording indicate forward-looking statements. Forward-looking statements in this Prospectus are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause our actual results, including the financial condition and profitability of our Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements.

In light of the uncertainties and assumptions, it is also possible that the future events mentioned in this Prospectus might not occur. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party reports could prove to be inaccurate. See below "—*Sources of Market Data*." Moreover, it should be noted that neither the Company nor any of the Joint Bookrunners assumes any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments.

These forward-looking statements speak only as of the date on which they are made. The Company expressly disclaims any obligation or undertaking to publicly release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Appraisers

The independent, external appraisers of CB Richard Ellis GmbH, Hausvogteiplatz 11a, 10117 Berlin, Germany, prepared a report on the fair value of the Deutsche Wohnen Group's housing stock as of June 30, 2011 pursuant to IAS 40 (the "**Property Appraisal Report**"), which is reprinted in this Prospectus on pages E-1 *et seq*. CB Richard Ellis GmbH employs publicly appointed and sworn experts, members of the Royal Institution of Chartered Surveyors (RICS), as well as real estate experts certified in the area of valuations by HypZert GmbH. The appraisers have consented to the inclusion of the property appraisal report from independent appraisers CB Richard Ellis GmbH (the "**Property Appraisal Report**") in the unmodified form authorized by them and have approved the context in which it is presented. The Company represents that, as of the date of this Prospectus, it is not aware of any material change in the value of the properties appraised in the report since the appraisal date of June 30, 2011.

Note on Financial Information

Unless otherwise stated, the financial information related to Deutsche Wohnen contained in this Prospectus is based on the accounting regulations under International Financial Reporting Standards as adopted by the European Union ("**IFRS**") on the respective date (reporting date of the respective consolidated financial statements). The financial information relating to the Company's financial statements included in this Prospectus is taken or derived from the Company's unaudited IFRS (IAS 34) condensed consolidated interim financial statements as of and for the nine months ended September 30, 2011 (including comparative figures for the nine months ended September 30, 2010), the Company's audited IFRS consolidated financial statements as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, and the audited unconsolidated annual financial statements of the Company for fiscal year ended December 31, 2010 in accordance with the German Commercial Code (*Handelsgesetzbuch*, the "**HGB**"). The financial statements mentioned are printed in the "*Financial Section*" of this Prospectus.

Where financial data in this Prospectus is labeled "audited," this means that it was taken or derived from the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008. The label "unaudited" is used in this Prospectus to indicate financial data that was taken or derived from the unaudited condensed consolidated interim financial statements of Deutsche Wohnen AG as of and for the nine months ended September 30, 2011, as well as from the Company's accounting records or internal management reporting systems.

Notes on Figures and Technical Terms

Some figures (including percentages) in the Prospectus have been rounded. Figures in the tables that have been rounded in this way may not add up precisely to the totals included in these tables. In addition, rounded totals or subtotals in the tables may vary marginally from unrounded figures indicated elsewhere in this Prospectus.

Parentheses around any figures in the tables indicate negative values.

Sources of Market Data

Unless otherwise indicated, the information provided in this Prospectus on the market environment, developments, growth rates, trends and competitive situation in the markets and segments in which Deutsche Wohnen operates is taken from publicly available sources, unless otherwise indicated, including, but not limited to, third-party studies or estimates of the Company that are also predominantly based on data or figures from publicly available sources. Where information in this Prospectus has been sourced from a third party, it has been accurately reproduced. As far as the Company is aware and able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus also contains estimates of market data and information derived from these estimates that would not be available from publications issued by market research firms or from any other independent sources. This information is based on internal estimates of the Company and, as such, may differ from the estimates made by competitors of Deutsche Wohnen or from data collected in the future by market research firms or other independent sources.

The Company has not independently verified the market data and other information on which third parties have based their studies or the external sources on which the Company's own estimates are based.

Therefore investors should exercise care when considering such information. Third party studies are often based on information that may not be exact or appropriate, and their methodology is, by nature, forward-looking and speculative. Notwithstanding the responsibility the Company has assumed for the content in this Prospectus as described under "*—Responsibility Statement*", it has not verified the figures, market data and other information that have been used by third parties as the basis for their studies, and therefore assumes no responsibility and makes no guarantee concerning the accuracy of the information contained in this Prospectus that has been derived from third party studies and public sources. Moreover, investors should bear in mind that the Company's estimates are not always based on such third party market research.

The following sources were used in the preparation of this Prospectus:

- Berlin Senate (*Berliner Senat für Wirtschaft, Technologie und Frauen*); Economic Data (*Konjunkturdaten*) — Number of Employed People in Berlin (*Zahl der Erwerbstätigen in Berlin*) as of March 31, 2011 ("**Berlin Senate**");
- Berlin-Brandenburg Statistical Office (*Amt für Statistik Berlin-Brandenburg*), database, www.statistik-berlin-brandenburg.de, Statistical Reports 2010 ("**Berlin-Brandenburg**");
- Berliner Mieterverein, Mietermagazin, Juni 2010;
- CB Richard Ellis, Special Report, Residential Market Germany, 2010/2011;
- Destatis, Frankfurt Registry Office, Senate Department for Urban Development Berlin;
- Deutsche Annington Immobilien GmbH Annual Report 2010 ("**DAIG**");
- Deutsche Bundesbank, *Monthly Report*, February 2009 and June 2011;
- DIP Deutsche Immobilien-Partner, Market and Facts (*Markt und Fakten*) 2011;
- European Central Bank, *Monthly Bulletin*, April 2011;
- Engel & Völkers, Commercial Market Report on Residential and Office Buildings in Berlin (*Commercial Marktreport Wohn- & Geschäftshäuser Berlin*) 2010/2011 ("**Engel & Völkers Berlin 2010**");
- Engel & Völkers, Commercial Market Report on Residential and Office Buildings in Berlin *(Commercial Marktreport Wohn- & Geschäftshäuser Berlin*) 2011/2012 ("**Engel & Völkers Berlin 2011**");
- Engel & Völkers, Commercial Market Report on Residential and Office Buildings in Frankfurt (*Commercial Marktreport Wohn- & Geschäftshäuser Frankfurt*) 2010/2011 ("**Engel & Völkers Frankfurt 2010**");
- Engel & Völkers, Commercial Market Report on Residential and Office Buildings in Frankfurt *(Commercial Marktreport Wohn- & Geschäftshäuser Frankfurt*) 2011/2012 ("**Engel & Völkers Frankfurt 2011**");
- Federal and State Statistical Offices (*Statistische Ämter des Bundes und der Länder*), Macroeconomic Accounting of the States (*Volkswirtschaftliche Gesamtrechnungen der Länder VGRdL*), Disposable Income 1991-2009 (*Verfügbares Einkommen 1991-2009*) as of August 2010 ("**Federal and State Statistical Offices, Macroeconomic Accounting of the States, Disposable Income**");
- Federal and State Statistical Offices (*Statistische Ämter des Bundes und der Länder*), Macroeconomic Accounting of the States (*Volkswirtschaftliche Gesamtrechnungen der Länder VGRdL*), nominal GDP 1991-2010 (*Bruttoinlandsprodukt — in jeweiligen Preisen — 1991 bis 2010*) as of August 2010/February 2011 ("**Federal and State Statistical Offices, Macroeconomic Accounting of the States, GDP**");
- GAGFAH S.A., Annual Report 2010 ("**GAGFAH**");
- German Federal Employment Agency (*Bundesagentur für Arbeit*), Employment market statistics (*Arbeitsmarktstatistik, Statistik nach Regionen und Monatsberichte*), 2005, 2009 and 2010 ("**Employment Agency**");
- German Federal Office for Building and Regional Planning (*Bundesamt für Bauwesen und Raumordnung*), Regional Monitoring (*Regionales Monitoring*) 2010 ("**GFOB Regional Monitoring 2010**");

- German Federal Office for Building and Regional Planning (*Bundesamt für Bauwesen und Raumordnung*), Regional Planning Forecast 2025-2050 (*Raumordnungsprognose 2025/2050*), 2009 ("**GFOB Regional Planning 2009**");

- German Federal Office for Building and Regional Planning (*Bundesamt für Bauwesen und Raumordnung*), Report on the sharp decline in transactions involving large residential property portfolios in Germany (*BBR-Bericht Kompakt: Starker Rückgang der Transaktionen großer Wohnungsportfolios*), January 2009;

- German Federal Office for Building and Regional Planning *(Bundesamt für Bauwesen und Raumordnung), Housing Market Forecast 2025 (Wohnungsmärkte im Wandel — Wohnungsmarktprognose 2025),* 2010 ("**GFOB Residential Market 2010**");

- German Federal Statistical Office (*Statistisches Bundesamt*), database, www.destatis.de, press releases no. 297 dated August 16, 2011 ("**GFSO**"); no. 314 dated September 1, 2011; no. 347 dated September 21, 2011; no. 361 dated September 29, 2011; no. 380 dated October 13, 2011;

- German Federal Statistical Office (*Statistisches Bundesamt*), database, www.destatis.de, Subject: Population;
- German Federal Statistical Office (*Statistisches Bundesamt*), Statistical Yearbook (*Statistisches Jahrbuch*) 2010;
- German Federal Statistical Office (*Statistisches Bundesamt*), Statistical Yearbook (*Statistisches Jahrbuch*) 2011;
- GfK GeoMarketing GmbH, database, GfK Purchasing Power Germany (GfK Kaufkraft Deutschland) ("**GfK GeoMarketing**");
- GSW Immobilien AG Annual Report 2010 ("**GSW**");
- HWWI/Berenberg, City Ranking (*Städteranking*) 2010 ("**HWWI**");
- Hypoport AG, Press Release Hypoport House Price Index: June 2011(www.hypoport.de);
- Initiativkreis Europäische Metropolregionen in Deutschland (IKM), Regionales Monitoring 2010;
- International Monetary Fund, World Economic Outlook, September 2011;
- Investitionsbank Berlin, IBB Residential Market Report (*Wohnungsmarktbericht*) 2009, February 2010 ("**IBB 2009**");
- Jones Lang LaSalle, Residential City Profile — Berlin, second half 2010 ("**JLL-Report Berlin 2010**");
- Jones Lang LaSalle, Residential City Profile — Berlin, first half 2011 ("**JLL-Report Berlin 2011**");
- Jones Lang LaSalle, Residential City Profile — Frankfurt am Main, second half 2010 ("**JLL-Report Frankfurt am Main 2010**");
- Jones Lang LaSalle, Residential City Profile — Frankfurt am Main, first half 2011 ("**JLL-Report Frankfurt am Main 2011**");
- OECD Economic Outlook Issue No. 89, 2011; and
- Verband Berlin-Brandenburgischer Wohnungsunternehmen e.V., BBU-Marktmonitor 2009 ("**BBU Market Monitor 2009**").

Documents Available for Inspection

For the period during which this Prospectus remains valid, hard copies of the following documents are available for inspection during regular business hours at the Company's offices at Pfaffenwiese 300, 65929 Frankfurt am Main, Germany:

- the Company's Articles of Association;

- the Property Appraisal Report dated June 30, 2011 prepared by CB Richard Ellis GmbH entitled Summary of the report on determining the fair value of Deutsche Wohnen AG's housing stock as of June 30, 2011 pursuant to IAS 40 (*Kurzfassung des Berichtes zur Ermittlung des Fair Values gem. IAS 40 des Wohnungsbestandes der Deutsche Wohnen AG zum Stichtag 31. Dezember 2010*);

- the Company's unaudited condensed consolidated interim financial statements (IFRS for interim financial reporting pursuant to IAS 34) as of and for the nine months ended September 30, 2011 (including comparative figures for the prior-year period from January 1 to September 30, 2010);
- the Company's audited consolidated financial statements (IFRS) as of and for the fiscal year ended December 31, 2010;
- the Company's audited consolidated financial statements (IFRS) as of and for the fiscal year ended December 31, 2009;
- the Company's audited consolidated financial statements (IFRS) as of and for the fiscal year ended December 31, 2008;
- the Company's audited unconsolidated annual financial statements (*HGB*) as of and for the fiscal year ended December 31, 2010; and
- the Company's audited Funds from Operations (FFO (without disposals)) forecast for the current fiscal year 2011 for Deutsche Wohnen Group.

All future consolidated financial statements and condensed consolidated interim financial statements of the Company will be available from the Company and the paying agent designated in this Prospectus. See below "*General Information on Deutsche Wohnen AG and Deutsche Wohnen Group—Announcements, Paying Agent and Registrar.*" The consolidated financial statements will also be announced in the electronic version of the German Federal Gazette (*elektronischer Bundesanzeiger*).

THE OFFERING

General

The offering relates to 20,460,000 new ordinary bearer shares with no par value (*Stückaktien*), each such share representing a notional value of €1.00 and carrying full dividend entitlement from January 1, 2011 (the "**New Shares**"), which will be offered to the Company's shareholders for subscription at a ratio of 4:1 (that is, four existing shares of the Company entitle their holder to subscribe for one New Share) (the "**Subscription Offer**"). The New Shares originate from a resolution passed by the Management Board on November 14, 2011, approved by the Supervisory Board on the same day, to increase the Company's share capital from €81,840,000 by up to €20,460,000 to up to €102,300,000 against contribution in cash, utilizing the Company's authorized capital resolved by the General Shareholders Meeting of the Company on May 31, 2011 (the "**Authorized Capital 2011**") through the issue of up to 20,460,000 New Shares, each with a notional value of €1.00, with indirect subscription rights for existing shareholders. The consummation of the capital increase is expected to be registered in the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main on November 30, 2011. The New Shares will carry full dividend rights from, and including, the fiscal year starting January 1, 2011.

The New Shares will be offered to the public in Germany and Luxembourg. Any New Shares that are not subscribed for in the Subscription Offer will be offered to qualified investors by the Joint Bookrunners by way of an international private placement in Germany and in other selected jurisdictions at a price at least as high as the subscription price (the "**Private Placement**"). The Private Placement will take place outside the United States pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). In the United States, shares will only be sold to qualified institutional buyers in accordance with Rule 144A under the Securities Act (the Subscription Offer together with the Private Placement, the "**Offering**").

The Offering is based on the placement agreement dated November 14, 2011, between the Company and the Joint Bookrunners (the "**Placement Agreement**") which does not provide for a firm underwriting of the New Shares by any of the Joint Bookrunners. The Offering is subject to, among other things, registration of the implementation of the capital increase in the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, which is expected to occur on November 30, 2011.

Under certain circumstances, the Offering may be terminated prematurely. See below "—*Subscription Offer.*"

Timetable

The anticipated timetable for the Offering and for the admission of the New Shares to the regulated market of the Frankfurt Stock Exchange (Prime Standard) is as follows:

November 14, 2011.	Approval of the Prospectus by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (the "**BaFin**")
	Notification of the approved Prospectus to the competent authority in Luxembourg (*Commission de Surveillance du Secteur Financier*) ("**CSSF**")
	Publication of the Prospectus on the Company's website Publication of the Subscription Offer in the electronic version of the German Federal Gazette (*elektronischer Bundesanzeiger*)
November 15, 2011.	Booking of the subscription rights of the Company's shareholders based on their holdings as of the evening of November 14, 2011
	Publication of the Subscription Offer in the *Börsenzeitung*
	Commencement of the subscription period and trading of subscription rights
	Application for admission of the New Shares to the regulated market of the Frankfurt Stock Exchange (Prime Standard)
November 24, 2011.	End of subscription rights trading (about 12:00 (noon) CET)
	Determination of subscription price after close of trading on XETRA

	Publication of subscription price as ad hoc release over an electronic information system and on the website of the Company
November 25, 2011	Publication of the subscription price in the electronic version of the Federal Gazette (*elektronischer Bundesanzeiger*)
November 26, 2011	Publication of the subscription price in the *Börsenzeitung*
November 28, 2011	End of the subscription period
	Last day for payment of the subscription price
November 29, 2011	Announcement of the results of the Subscription Offer on the Company's website
	Private Placement of the New Shares not subscribed for during the subscription period
November 30, 2011	Registration of the consummation of the capital increase in the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main
	Admission of the New Shares to the regulated market of the Frankfurt Stock Exchange (Prime Standard)
	Publication of the admission in the electronic version of the German Federal Gazette (*elektronischer Bundesanzeiger*) and at http://www.deutsche-boerse.com, the website of the Frankfurt Stock Exchange
December 1, 2011	Inclusion of the New Shares in the Company's current stock quotation on the regulated market of the Frankfurt Stock Exchange (Prime Standard)
	Book-entry delivery of the New Shares subscribed during the subscription period pursuant to the Subscription Offer
December 1/2, 2011	Book-entry delivery of the New Shares not subscribed for during the subscription period and placed through the Private Placement

The Prospectus was published on the Company's website (www.deutsche-wohnen.com) on November 14, 2011. In addition, printed copies of the Prospectus are available from the Company free of charge during normal business hours at the following addresses: Deutsche Wohnen AG, Mecklenburgische Straße 57, 14197 Berlin, Germany, and Pfaffenwiese 300, 65929 Frankfurt am Main, Germany.

Information on the website listed in this section and information accessible via these websites is neither part of nor incorporated by reference into this Prospectus.

Subscription Offer

The following is an English translation of the Subscription Offer. The German-language version is expected to be published in the electronic version of the German Federal Gazette (*elektronischer Bundesanzeiger*) on November 14, 2011 and in the financial newspaper *Börsenzeitung* on November 15, 2011:

"Deutsche Wohnen AG

Frankfurt am Main

(ISIN DE000A0HN5C6 /WKN A0HN5C)

The General Shareholders Meeting of Deutsche Wohnen AG (the "**Company**") adopted a resolution on May 31, 2011, which was entered into the commercial register on July 12, 2011, authorizing the Management Board of the Company, subject to the approval of the Supervisory Board of the Company, to increase the Company's share capital by up to a total of €40,920,000 by issuing up to 40,920,000 new ordinary bearer shares in one or more tranches against contribution in cash or contribution in kind until and including May 30, 2016 (Authorized Capital 2011).

In exercising this authorization, on November 14, 2011, the Management Board of the Company resolved, with the approval of the Supervisory Board of the Company on the same day, to increase the Company's share capital from €81,840,000 by up to €20,460,000 to up to €102,300,000 against contribution in cash through the issue of up to 20,460,000 new no par value bearer shares, each with a notional value of the Company's share capital of €1.00, with subscription rights for existing shareholders (the "**New Shares**"). The subscription right will be offered to the shareholders in such a way that the New Shares may be acquired by one or more banks, to be appointed and mandated by the Management Board of the Company, with the obligation to offer them to the shareholders for subscription (indirect subscription right). The New Shares will carry full dividend rights from the fiscal year starting January 1, 2011.

Credit Suisse Securities (Europe) Limited, London, United Kingdom ("**Credit Suisse**"), Morgan Stanley Bank AG, Frankfurt am Main, Germany ("**Morgan Stanley**") and UBS Limited, London, United Kingdom ("**UBS**" and together with Credit Suisse and Morgan Stanley, the "**Joint Global Coordinators**" or "**Joint Bookrunners**") have agreed, pursuant to a placement agreement dated November 14, 2011 (the "**Placement Agreement**"), to offer the New Shares to the shareholders of the Company for subscription at a ratio of 4:1, subject to the terms set forth below under "*Important Notice*". The Placement Agreement does not provide for a firm underwriting of the New Shares by any of the Joint Bookrunners.

The New Shares will be offered to shareholders for indirect subscription at a ratio of 4:1 at a subscription price for each New Share yet to be determined. Any unsubscribed New Shares can be placed in the market. Any such market placement should be conducted at the best possible price, but must be conducted at least at the subscription price.

The implementation of the capital increase is expected to be registered in the commercial register maintained by the local court (*Amtsgericht*) of Frankfurt am Main, Germany, on November 30, 2011.

The subscription rights (ISIN DE000A1K03C7/WKN A1K03C) under the existing shares of the Company, all of which are held in collective custody accounts, will be automatically booked by Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, to the accounts of the participating banks based on the amount of shares held as of the evening of November 14, 2011.

Subscription rights are attached to all of the registered and bearer shares of the Company with ISIN DE0006283302/WKN 628330 and ISIN DE000A0HN5C6/WKN A0HN5C. Four existing shares of the Company entitle the holder to subscribe for one New Share. The transfer of the New Shares to the shareholders that have exercised their subscription rights in the New Shares will be made by Morgan Stanley Bank AG.

To avoid exclusion from the exercise of their subscription rights, we request that our shareholders exercise their subscription rights in the New Shares during the period

from November 15, 2011 up to and including November 28, 2011

through their custodian bank at the subscription agent listed below during regular banking hours (the "**Subscription Period**"). Subscription rights that are not exercised in a timely manner will lapse and be of no value. No compensation will be payable for subscription rights not exercised. The subscription agent is

Morgan Stanley Bank AG.

In accordance with the subscription ratio of 4:1, four existing shares of the Company entitle the holder to subscribe for one New Share at the subscription price. Shareholders may only subscribe for one share or multiples thereof. The notice of the exercise of subscription rights is binding upon its receipt by the subscription agent and cannot be altered afterwards subject to the withdrawal right set forth below under "*Subscription Price*."

The Company's registered shareholders will also receive the right to subscribe for one New Share for four registered shares. The New Shares will be delivered to any shareholder who exercised its subscription right, with the effect that registered shareholders who exercise their subscription rights will hold both registered shares and bearer shares following settlement. The Company's registered shares and bearer shares have separate securities identification numbers (ISIN/WKN) and, importantly, different registration requirements for participation in the General Shareholders Meetings of the Company. Holders of registered shares of the Company are generally able to exchange their registered shares for bearer shares of the Company on a quarterly basis. The next date for exchange, as published in the German Securities Notices (*Wertpapiermitteilungen*) on February 1, 2010, is December 12, 2011.

We expressly bring to the attention of the shareholders of the Company that the subscription price will not have been determined at the time of the publication of this rights subscription offer (the "Subscription Offer"). The subscription price will only be determined during the second week of the Subscription Period, expected to be after the close of trading on November 24, 2011, by means of the pricing mechanism set by the Management Board of the Company and the Supervisory Board of the Company, as described under the heading "Subscription Price" below. Given that the subscription rights trading, as described below, ends on November 24, 2011 (about 12:00 (noon) CET), the subscription price will not be available prior to end of the subscription rights trading period. The subscription price will be published immediately after pricing, expected to take place on November 24, 2011 as an ad hoc release over an electronic information system and on the Company's website (http://www.deutsche-wohnen.com) as well as on the following business day in the electronic Federal Gazette (*Elektronischer Bundesanzeiger*) and on November 26, 2011 in the *Börsenzeitung*.

Shareholders of the Company should further note that the Company reserves the right to terminate the Subscription Offer, *e.g.,* in case of deteriorating market conditions.

Subscription Price

The subscription price per New Share is expected to be determined after the close of trading on November 24, 2011, taking into account the volume-weighted average price for one bearer share of the Company on the electronic trading system XETRA on the Frankfurt Stock Exchange from the beginning of the Subscription Period on November 15, 2011, until close of trading on November 24, 2011, as shown on the financial information service Reuters (the "**VWAP**"), less a discount to be determined by the Management Board of the Company with the approval of the Supervisory Board of the Company. The size of the discount will take into consideration an estimate of the volatility of the price of the Company's shares at the time of pricing, as well as market risks specific to the Company. The maximum subscription price will be €12.00 per New Share. The New Shares are being offered exclusively for cash in the amount of the subscription price. All shareholders that participate in the capital increase will subscribe for the New Shares at the same price. The subscription price, as determined, must be paid at the latest on November 28, 2011.

Shareholders that exercise their subscription rights prior to the publication of the subscription price do not know the subscription price at which the New Shares will ultimately be offered in the Subscription Offer and would therefore be subscribing at an unknown subscription price. The Company thus recommends that its shareholders inform themselves of the subscription price once it has been determined prior to exercising their subscription rights. As described, the subscription price is expected to be determined by the Management Board of the Company with the approval of the Supervisory Board of the Company after the close of trading on November 24, 2011. Shareholders have the possibility, however (for example in case of a VWAP or subscription price that does not meet their expectations), of withdrawing their subscription orders during the period beginning with the publication of the subscription price (expected to occur on November 24, 2011 as an ad hoc release over an electronic information system and on the Company's web site

(http://www.deutsche-wohnen.com) as well as on the following business day in the electronic Federal Gazette (*Elektronischer Bundesanzeiger*) and on November 26, 2011 in the *Börsenzeitung*) until November 28, 2011. Shareholders should take into account that if they exercise their subscription rights, they may have committed to acquiring the shares of the Company at a higher price than would be possible for them through an acquisition on the market, due to the volatility of the Company's shares and a possible further deterioration of market conditions.

Trade in Subscription Rights

In connection with the offering of the New Shares, subscription rights will be traded on a stock exchange. The subscription rights (ISIN DE000A1K03C7/WKN A1K03C) for the New Shares will be traded during the period from November 15, 2011, up to and including November 24, 2011, on the regulated market (*regulierter Markt*) (XETRA and XETRA Frankfurt Specialist) of the Frankfurt Stock Exchange. The Company has not applied for admission of the subscription rights to trading on any other stock exchange and does not intend to do so. The market rate of the subscription rights depends, *inter alia*, on the development of the price of the Company's shares but it can substantially deviate from the price of the shares. No compensation will be paid for subscription rights not exercised. Upon the expiration of the Subscription Period, subscription rights not exercised will lapse and be of no value. The purchase of subscription rights enables the exercise of the subscription right for the purchase of one whole New Share, *i.e.,* one New Share may be purchased for four subscription rights. On the German stock exchanges on which the Company's existing shares are quoted as ex-subscription rights *(ex Bezugsrecht)* such quotation will commence on November 15, 2011.

Morgan Stanley may effect transactions on behalf of the Joint Bookrunners to provide liquidity for fair and orderly subscription rights trading and other measures customarily undertaken in this regard, such as, in particular, purchasing and selling subscription rights to New Shares or undertaking hedging transactions in the Company's shares or corresponding derivatives. Such measures and hedging transactions may influence the stock price or market rate of the subscription rights and shares in the Company. However, there is no guarantee that active trading in the Company's subscription rights will develop on the Frankfurt Stock Exchange and that there will be enough liquidity during the period of subscription rights trading.

Form and Certification of the New Shares

The New Shares (ISIN DE000A0HN5C6/WKN A0HN5C) will be represented by a global share certificate, which is expected to be deposited with Clearstream Banking AG on November 30, 2011. Under the Company's Articles of Association, shareholders are not entitled to have their shares evidenced by individual share certificates. Unless the Subscription Period is extended or the subscription offer is cancelled, the New Shares are expected to be made available by credit to the collective securities account from December 1, 2011, in the case of those subscribed for as part of the Subscription Offer and from December 1 or 2, 2011, that is, after the end of the Private Placement, for those acquired in the Private Placement, as described below under "*Placement of Unsubscribed New Shares/Private Placement*". The New Shares hold the same rights as all other shares of the Company (including full dividend rights from the fiscal year starting January 1, 2011) and do not convey any additional rights or advantages.

Commissions charged by Custodian Banks

The custodian banks may charge a customary commission in connection with the subscription of the New Shares.

Admission to Trading and Listing of the New Shares

The application for admission of the New Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange is expected to be made on November 15, 2011. It is anticipated that admission will be granted on November 30, 2011. The New Shares are expected to be included in the existing quotation for the Company's listed shares on the Frankfurt Stock Exchange (ISIN DE000A0HN5C6/WKN A0HN5C) on December 1, 2011.

Placement of Unsubscribed New Shares/Private Placement

The Joint Bookrunners will offer any New Shares not subscribed for as part of the Subscription Offer to qualified investors in the Federal Republic of Germany and other selected countries in an international private placement in accordance with Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), as well as to qualified institutional buyers in the United States pursuant to Rule 144A under the Securities Act at a price at least as high as the subscription price (the "**Private Placement**").

Important Notice

Prior to making a decision to exercise, purchase or sell subscription rights for the New Shares, shareholders and investors are advised to carefully read the securities prospectus dated November 14, 2011, for the public offering of the New Shares ("Prospectus") and to take particular note of the risks described in the "*Risk Factors*" section of the Prospectus and to consider such information when making their decision. In light of the current high volatility of equity prices and the market environment, shareholders should inform themselves of the Company's current share price before exercising their subscription rights for the New Shares at the subscription price. As described above, the Company reserves the right to withdraw from the Subscription Offer, in particular, in the event of a deterioration of the market conditions.

The Joint Bookrunners are entitled to terminate the Placement Agreement or decide, together with the Company, to extend the period of the Subscription Offer under certain circumstances. These circumstances include, in particular, material adverse changes in the assets, financial condition or results of operations of the Company and its subsidiaries, material restrictions on stock exchange trading or banking activities, the outbreak or escalation of hostilities involving the Federal Republic of Germany, the United Kingdom, any other member state of the EEA or the United States, the declaration of a national state of emergency by the Federal Republic of Germany, the United Kingdom, any other member state of the EEA or the United States or other catastrophes and crises that have or are expected to have material adverse effects on the financial markets. The Joint Bookrunners are further relieved from their obligations under the Placement Agreement if the implementation of the capital increase is not registered in the commercial register maintained by the local court (*Amtsgericht*) of Frankfurt am Main, Germany, by 10:00 a.m. CET, December 1, 2011 and Credit Suisse, Morgan Stanley and UBS in their capacity as Joint Global Coordinators and the Company fail to reach an agreement on a later deadline.

If the Joint Bookrunners terminate the Placement Agreement or the Company withdraws from the Subscription Offer before the implementation of the capital increase has been registered in the commercial register, shareholders' subscription rights will lapse without compensation. In this case, the institutions brokering subscription rights trading will not reverse any transactions already completed with investors. Accordingly, investors who have acquired subscription rights through a stock exchange would suffer a complete loss in such case. However, if the Joint Bookrunners terminate the placement agreement after the registration of the capital increase in the commercial register, shareholders and purchasers of subscription rights who have exercised their subscription rights will be entitled to acquire New Shares at the subscription price, a withdrawal of the shareholders and those acquiring subscription rights is no longer possible in such case.

Selling Restrictions

Neither the subscription rights nor the New Shares have been or will be registered under the Securities Act or with the securities regulatory authority of any State or other jurisdiction of the United States of America. The subscription rights and New Shares may at no time be offered, sold, exercised, pledged, transferred or delivered directly or indirectly, to or within the United States of America, except pursuant to an exemption from the registration requirements of the Securities Act or in a transaction not subject to the registration requirements of the Securities Act and, in each case, in accordance with any applicable securities laws of any State of the United States of America.

Stabilization

In connection with the offering of the New Shares, Morgan Stanley is acting as stabilization manager, and may, also through its affiliates, undertake measures, jointly determined with Credit Suisse and UBS, aimed at supporting the market price of the Company's ordinary shares in order to offset any existing pressure to sell (the "**Stabilization Measures**"). However, the stabilization manager is under no obligation to initiate Stabilization Measures. Therefore, there is no guarantee that Stabilization Measures will be undertaken at all. If Stabilization Measures are initiated, they may be discontinued at any time without prior notice. Such Stabilization Measures may be implemented as of the date of publication of the subscription price and must be ended, at the latest, on the thirtieth calendar day following the expiration of the Subscription Period, *i.e.*, expected to be no later than December 28, 2011 (the "**Stabilization Period**").

Stabilization Measures may lead to a higher market price for the Company's shares or the subscription rights than would otherwise be the case. Furthermore, the market price may temporarily reach a level that cannot be maintained permanently. In no event will measures be taken to stabilize the market price for the Company's shares above the subscription price.

Within one week following the end of the Stabilization Period, notice will be given as to (i) whether one or more Stabilization Measures were indeed taken, (ii) the date on which stabilization was initiated, (iii) the date on which the last Stabilization Measure was taken, and (iv) the price range within which Stabilization Measures were taken for each date on which a Stabilization Measure was taken.

Availability of the Prospectus

The Prospectus was published on the Company's website (www.deutsche-wohnen.com) on November 14, 2011. Printed copies of the Prospectus are available from the Company free of charge during normal business hours at the following addresses: Deutsche Wohnen AG, Mecklenburgische Straße 57, 14197 Berlin, Germany, and Pfaffenwiese 300, 65929 Frankfurt am Main, Germany.

Frankfurt am Main, November 14, 2011

Deutsche Wohnen AG

The Management Board"

Subscription Rights Not Exercised and Transferability

Subscription rights not exercised within the Subscription Period will lapse and have no value. The subscription rights are fully transferable.

Lock-up Agreements

To the extent permitted by law, the Company has agreed with the Joint Bookrunners, for a period of six months after the inclusion of the New Shares in the current listing of Deutsche Wohnen AG's bearer shares not to directly or indirectly issue, sell, offer, commit to sell, or otherwise transfer or dispose of any of the Company's shares, options on such shares, or securities that can be converted into or exchanged for such shares or that carry rights to acquire such shares, and further not to announce any capital increase from authorized capital or to initiate a capital increase (except for purposes of issuing shares (i) as part of its or its subsidiaries' existing employee participation plans, (ii) based on a capital increase from Company funds, (iii) in connection with a capital increase by way of contribution in kind, to the extent that the buyer assumes the aforementioned obligations) or to enter into other transactions (including transactions concerning derivative instruments), the economic effect of which would be similar to that of the measures described above, without the prior consent of the Joint Global Coordinators, which consent may not be unreasonably withheld or delayed.

Dilution

Shareholders who exercise their subscription rights to the New Shares will maintain their percentage of ownership of the Company's share capital following the capital increase. To the extent that shareholders do not exercise their subscription rights, and assuming that all New Shares will be issued, each shareholder's share in the Company would be diluted by 20.00%.

The net book value of the Company (corresponding to the total equity of the Company) amounted to €878.2 million as of September 30, 2011 (based on the unaudited condensed consolidated interim financial statements prepared pursuant to IFRS (IAS 34) as of and for the nine months ended September 30, 2011), which corresponds to €10.73 per share (based on the 81,840,000 outstanding shares of the Company as of the date of this Prospectus).

The Company is targeting gross issue proceeds from the capital increase in an amount between €150 million and €200 million. The total costs of the Offering are estimated to amount to approximately €8 million at the mid-point of the targeted gross proceeds (see below "*Reasons for the Offering and Use of Proceeds*" for more information on the gross proceeds and the costs of the Offering). At the mid-point of the targeted gross proceeds, *i.e.*, at gross proceeds of €175 million, net proceeds would amount to €167 million and by September 30, 2011, the net book value of the Company would have been approximately €1,045.2 million, which corresponds to €10.22 per share (assuming placement of all

20,460,000 New Shares, i.e., based on the assumption of 102,300,000 outstanding shares of the Company after implementation of the capital increase contemplated in this Offering). This would represent an immediate decrease in the net book value of the Company by €0.51 (4.8%) per share for existing shareholders who do not exercise their subscription rights, and a direct increase from €8.55 per share by approximately €1.67 (19.5%) per share for those who acquire the New Shares.

Costs of the Offering and Net Issue Proceeds

Assuming the placement of all New Shares, the total issue costs, including commissions for the Joint Bookrunners, are expected to be approximately €7.25 to 8.75 million. The Company is targeting the placement of all New Shares and gross proceeds of €150 million to €200 million. Assuming gross proceeds of about €175 million, the Company expects the total issue costs to amount to €8 million and the net issue proceeds from the capital increase to be approximately €167 million.

Additional Selling Restriction Notices

The New Shares and subscription rights for the New Shares will be offered to the public solely in Germany and Luxembourg. The New Shares and the subscription rights have not been and will not be registered under the Securities Act or with the securities regulatory authority of any State of the United States of America. They may not be offered, sold or delivered, directly or indirectly, within or into the Unites States except pursuant to an exemption from the registration and reporting requirements of the U.S. securities laws and in compliance with all other applicable provisions of U.S. law. Thus, pursuant to the Placement Agreement, the Joint Bookrunners have agreed (i) not to offer or sell the New Shares or subscription rights in the United States except to persons reasonably believed to be qualified institutional buyers within the meaning of Rule 144A under the Securities Act and that, outside the United States, they will offer the New Shares and subscription rights only in accordance with Rule 903 of Regulation S under the Securities Act and in compliance with all other provisions of U.S. law, and (ii) that neither they, nor any third party acting on their behalf, have engaged, or will engage, with regard to the New Shares and subscription rights in (x) "directed selling efforts" in the United States within the meaning of Regulation S under the Securities Act or (y) "general solicitation" or "general advertising" in the United States, each within the meaning of Rule 502(c) of Regulation D under the Securities Act.

The Company does not intend to register the Offering or any portion thereof in the United States or to conduct a public offering of the New Shares or subscription rights in the United States.

Until 40 days after commencement of the Offering, the offer, sale, purchase or transfer of the subscription rights or New Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act. The subscription rights and the New Shares have not been approved or rejected by any Federal or State securities commission or regulatory authority of the United States. Furthermore, none of these authorities have confirmed or approved the terms of the Offering, the subscription rights, the New Shares or the accuracy or completeness of the Prospectus.

All holders of subscription rights or New Shares outside the United States, to the extent applicable, will be deemed to have approved and confirmed that they are exercising or acquiring the subscription rights or New Shares within the context of an offshore transaction in compliance with Rule 903 or 904 of Regulation S. All holders of subscription rights or New Shares in the United States, to the extent applicable, will be deemed to have approved and confirmed that they are exercising or acquiring the subscription rights or New Shares within the context of a transaction in compliance with Rule 144A.

Sales in the United Kingdom are also subject to restrictions. Each Underwriter has severally warranted to the Company that it and any of its subsidiaries or any other person acting on its behalf

(i) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") received by it in connection with the issue or sale of any New Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(ii) has complied and will comply with all applicable provisions of the FSMA with respect to all activities already undertaken by it or to be undertaken in the future in relation to the New Shares in, from, or otherwise involving the United Kingdom.

The Joint Bookrunners have also agreed in the Placement Agreement that they have not publicly offered and will not publicly offer the New Shares in any member state of the European Economic Area that has implemented Directive 2003/71 EC of the European Parliament and of the Council of November 4, 2003 (the "**Prospectus Directive**," and to the extent a member state of the EEA has implemented Directive 2010/73/EC of the European Parliament and the Council amending the Prospectus Directive (the "**Amended Prospectus Directive**") any reference herein to the Prospectus Directive shall be read as a reference to the Amended Prospectus Directive) (other than the offers in Germany and Luxembourg contemplated herein once this Prospectus has been approved by the BaFin and published in accordance with the Prospectus Directive implemented in Germany and Luxembourg and notified by the BaFin to CSSF) from the date of implementation of the Prospectus Directive unless

(i) a Prospectus for the New Shares has been published in advance that has been approved by the competent authorities in the relevant member state or in another member state of the EEA that has implemented the Prospectus Directive, and the competent authorities in the member state in which the Offering is taking place have been notified of this fact in compliance with the Prospectus Directive,

(ii) the Offering is extended exclusively to "qualified investors" within the meaning of the Prospectus Directive, or

(iii) the Offering takes place under other circumstances in which the publication of a prospectus by the Company is not required under Article 3 of the Prospectus Directive, to the extent that this exemption has been implemented in the respective member state.

The New Shares will not be offered in Japan.

Placement Agreement and Best Efforts Placement

On November 14, 2011, the Company and the Joint Bookrunners entered into a Placement Agreement with respect to the Subscription Offer and the offer of New Shares for which subscription rights are not exercised. The Joint Bookrunners have not undertaken to underwrite the New Shares.

Pursuant to the Placement Agreement, each of the Joint Bookrunners has, contingent upon an agreement on the subscription price, severally agreed to use its best efforts to offer the New Shares to investors in proportion to the following percentages:

	Address	Number of New Shares	Percentage of New Shares
Credit Suisse Securities (Europe) Limited	17 Columbus Courtyard London E14 4DA United Kingdom	6,820,000	33.3%
Morgan Stanley Bank AG	Junghofstraße 13-15 60311 Frankfurt am Main Germany	6,820,000	33.3%
UBS Limited	1 Finsbury Avenue London EC2M 2PP United Kingdom	6,820,000	33.3%
Total		20,460,000	100.0%

The New Shares will be offered to the public in Germany and Luxembourg. Any New Shares not subscribed for as part of the Subscription Offer will be offered in a private placement to qualified investors in Germany and other countries, including to qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act and outside of the United States in reliance on Regulation S of the Securities Act.

The Placement Agreement also stipulates that the Company must release the Joint Bookrunners from certain liabilities and that their obligations under the agreement are contingent on the fulfillment of certain conditions, including, for example, the receipt of standard legal opinions that the Joint Bookrunners deem satisfactory.

Under the Placement Agreement the Company is obliged to pay the Joint Bookrunners a basic placement commission of 1.5% of the aggregate gross sales proceeds. In addition to the basic placement commission, the Company may pay the Joint Bookrunners an additional discretionary fee, payable entirely at the sole discretion of the Company of up to a further 1.5% of the aggregate gross offering proceeds. The decision to pay any performance fee and its amount are within the sole discretion of the Company, and such decision must be made and notified to the Joint Bookrunners no later than 15 days following the closing of the Offering. The Company has also agreed to reimburse the Joint Bookrunners for certain expenses incurred by them in connection with the Offering.

See above "—*Subscription Offer—Important Notice*" for additional information on termination of the Placement Agreement.

Other Legal Relationships between the Company and Interested Parties

The Joint Bookrunners have entered into a contractual relationship with the Company in connection with the Offering and admission to trading of the Company's New Shares. The Company has engaged Credit Suisse, Morgan Stanley and UBS to serve as Joint Global Coordinators and Joint Bookrunners. Credit Suisse, Morgan Stanley and UBS will advise the Company on the transaction and coordinate the structuring and execution of the transaction. Upon successful execution of the transaction, the Joint Bookrunners will receive a commission. In addition, the Joint Bookrunners or companies affiliated with them may from time to time enter into business relationships with companies of our Group or perform services on their behalf as part of their normal course of business.

INFORMATION ON THE OFFERED NEW SHARES

Legal Framework for Creation of the New Shares

Sections 182 et seq. and 202 et seq. of the German Stock Corporation Act (*Aktiengesetz*) on capital increases made through the use of authorized capital against cash contributions provide the legal basis for the issuance of the New Shares. By resolution of the General Shareholders Meeting on May 31, 2011, the Management Board is authorized, subject to the approval by the Supervisory Board, to increase the Company's share capital until and including May 30, 2016, by up to a total of €40,920,000 by issuing up to 40,920,000 new ordinary bearer shares in one or more tranches against contribution in cash or contribution in kind, each such share representing a notional value of €1.00. This Authorized Capital 2011 was entered into the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, on July 12, 2011.

By resolution of the Management Board dated November 14, 2011, with approval of the Supervisory Board on the same day, the Management Board resolved to increase the issued share capital of the Company by up to €20,460,000 to up to €102,300,000 against contribution in cash, by issuing up to 20,460,000 new no par value bearer shares (*Stückaktien*), each with a notional value of €1.00, with subscription rights for existing shareholders. The subscription price is expected to be set by the Management Board and Supervisory Board, in consultation with the Joint Bookrunners, on November 24, 2011. The implementation of the capital increase is expected to be entered into the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, on November 30, 2011.

Admission to Exchange Trading, Individual Share Certificates, Delivery

The application for admission of the New Shares to trading on the regulated market of the Frankfurt Stock Exchange and the simultaneous admission of the New Shares to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) is expected to be made on November 15, 2011. The Frankfurt Stock Exchange is expected to approve the admission of the New Shares to exchange trading on November 30, 2011. The New Shares are expected to begin trading on the Frankfurt Stock Exchange and to be included in the existing quotation of Deutsche Wohnen AG's registered bearer shares, on December 1, 2011.

The New Shares will be delivered to buyers in the form of co-ownership rights in a global share certificate to be deposited with the collective securities depositary Clearstream Banking AG. The New Shares subscribed for under the Subscription Offer are expected to be credited to investors' accounts starting on December 1, 2011, while the New Shares purchased in the Private Placement are expected to be credited after completion of the Private Placement starting on December 1 or 2, 2011, through the book-entry facilities of Clearstream Banking AG. Investors can obtain information about the actual delivery of the New Shares subscribed for under the Subscription Offer from their respective custodian bank. Trading in New Shares subscribed for by an investor under the Subscription Offer is not available before the crediting of such shares to the investor's account. According to the Company's Articles of Association, shareholders are not entitled to receive individual share certificates.

See below "*Description of the Share Capital—Issued Share Capital and Shares*" for additional information on the rights attaching to shares of the Company.

Form, Voting Rights

All of the New Shares of the Company are ordinary bearer shares with no par value (*Stückaktien*) each with a notional value of €1.00. Each New Share entitles the owner to one vote at the General Shareholders Meeting. There are no restrictions on voting rights.

Subscription Rights for Holders of Registered Shares

The Company's registered shareholders will receive one subscription right to subscribe to New Shares for each registered share held. If they exercise these subscription rights, and new bearer shares are delivered to them, they will hold both registered shares and bearer shares. The Company's registered shares and bearer shares have separate ISINs/WKNs and, in particular, different requirements for the registration for the General Shareholders Meetings. Registered shareholders are able to exchange their registered shares into bearer shares with the consent of the Management Board. Exchanges are possible on a quarterly basis, on dates that are published in the German Securities Notices (*Wertpapiermitteilungen*) and on the Company's website (www.deutsche-wohnen.com). The next date for exchange, according to information published in the German Securities Notices on February 1, 2010, is December 12, 2011.

Dividend Entitlement, Share of Liquidation Proceeds

The New Shares will carry full dividend rights from, and including, the fiscal year starting January 1, 2011 and have the same rights as all other shares of the Company. In the event of the Company's liquidation, shareholders are entitled to any remaining liquidation surplus in proportion to their shareholding after deduction of the Company's liabilities.

ISIN, WKN, Common Code, Stock Exchange Symbol

The New Shares are intended to be incorporated into the existing quotation on the sub-segment of the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard).

The various security identification numbers are as follows:

International Securities Identification Number (ISIN):

- for the New Shares DE000A0HN5C6
- for the subscription rights to the New Shares DE000A1K03C7

German Securities Code (WKN):

- for the New Shares A0HN5C
- for the subscription rights to the New Shares A1K03C

Common Code: 024897940

Stock Exchange Symbol: DWNI

Disposal Restrictions and Transferability

The New Shares are freely transferable. Other than the restrictions listed in "*The Offering—Subscription Offer—Selling Restrictions*," there are no legal restrictions on trading the New Shares.

REASONS FOR THE OFFERING AND USE OF ISSUE PROCEEDS

In connection with the Offering, the Company will receive the gross issue proceeds from the sale of the New Shares less offering costs and expenses that are to be borne by the Company. The Company is targeting gross proceeds from the Offering in an amount between €150 million and €200 million. Based on an issuance of 20,460,000 New Shares and average targeted gross proceeds of €175 million, the Company estimates the placement fees incurred in connection with the Offering and the admission of the New Shares to trading on the Frankfurt Stock Exchange to be about €5.25 million (assuming payment of the discretionary fee component in full), with total costs (including placement fees) of approximately €8 million and net proceeds received by the Company of about €167 million. Based on the best efforts structure, there will be no separate underwriting fee. At gross proceeds of €150 million, the Company estimates the net proceeds to amount to €142.75 million, whereas gross proceeds of €200 million are expected to result in net proceeds of €191.25 million. Based on the best efforts structure, the number of actually placed shares may be significantly lower than the number of offered shares. A 10% reduction in the number of New Shares would lead to a 10% reduction in gross proceeds.

The amount of the actual net proceeds from the Offering depends on the subscription price of the New Shares and the number of New Shares actually subscribed. A reliable projection of the net proceeds from the Offering is only possible once the Company has determined the subscription price. The subscription price depends on how the share price of the Company develops during the subscription period. The subscription price per New Share is expected to be set on November 24, 2011, taking into account the volume-weighted average price for one Deutsche Wohnen share on XETRA on the Frankfurt Stock Exchange from the beginning of the subscription period on November 15, 2011, until close of trading on November 24, 2011 as shown on the financial information service Reuters (the "**VWAP**"), less a discount to be determined by the Management Board with the approval of the Supervisory Board. The size of the discount will take into consideration an estimate of the volatility of the price of the shares of Deutsche Wohnen AG at the time of pricing, as well as market risks specific to Deutsche Wohnen. The maximum subscription price will be €12.00 per New Share. The subscription price will be published immediately after pricing, expected to take place on November 24, 2011, by way of an ad-hoc notification, on the website of the Company (www.deutsche-wohnen.com) and via electronic media such as Reuters or Bloomberg, as well as – scheduled for November 25, 2011 – in the electronic version of the Federal Gazette (*elektronischer Bundesanzeiger*), as well as in the financial newspaper *Börsenzeitung* on November 26, 2011.

We intend to use the net proceeds for selective acquisitions in our existing core regions or in German Metropolitan Areas. A €130 million portion of the net proceeds will be used in the short term for the repayment of credit lines utilized in past portfolio acquisitions and the financing of already signed acquisitions. After the repayment, the credit lines will be available for further potential acquisitions. Subject to a continued favorable market environment for acquisitions, we expect to invest the total net proceeds within the next 12 to 15 months.

Since January 1, 2010, Deutsche Wohnen has been reviewing acquisition opportunities with a total volume of approximately 57,000 units. Management is expecting to remain active in reviewing new accretive acquisition opportunities in a similar number going forward and realizing a selected portion out of this number since the real estate transaction market is expected to remain active in 2011/2012.

The property portfolios are typically located in German Metropolitan Areas, including but not limited to Berlin/Brandenburg and Frankfurt/Rhine-Main. The potential acquisitions consist both of high-quality assets, as well as asset-management-intensive assets with optimization and re-positioning potential. For comparison, in 2010, Deutsche Wohnen acquired residential property portfolios for a net purchase price of approximately €82 million, corresponding to a net initial yield (defined as current gross rental income divided by gross purchase price; the gross purchase price comprises the net purchase price plus ancillary costs) of 7.0%. Additionally, Deutsche Wohnen reported the acquisition of residential property portfolios for a net purchase price of approximately €300 million, corresponding to a net initial yield of 7.0%, in 2011 so far. For further information on past acquisitions, see "*Material Agreements—Portfolio Acquisition and Sale Agreements.*" Management believes to be in a position to conclude similar transactions over the medium term to swiftly deploy the newly raised capital. Specifically, management is currently reviewing investments in residential property portfolios and indirect investments, in line with the acquisitions and investment criteria as outlined in the Prospectus.

USE OF DISTRIBUTABLE BALANCE SHEET PROFIT, EARNINGS PER SHARE AND DIVIDEND POLICY

General Rules on Balance Sheet Profit and Dividend Payments

Under German law, dividends can only be approved and paid on the basis of distributable balance sheet profit (*Bilanzgewinn*) reported in the unconsolidated annual financial statements of the Company, which were prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*). Distributable balance sheet profit is calculated by adjusting the net income or loss for the year (*Jahresüberschuss/-fehlbetrag*) for profit or loss carry-forwards (*Gewinn-/Verlustvorträge*) and for allocations to or transfers from reserves. Some allocations to reserves are required by law and must be deducted when calculating distributable balance sheet profit.

When approving annual financial statements, the Management Board and Supervisory Board may allocate to other revenue reserves (*andere Gewinnrücklagen*) up to half of the net profit for the year remaining after deducting both allocations to statutory reserves (*gesetzliche Rücklagen*) and any loss carry-forward. When the General Shareholders Meeting votes on the appropriation of distributable balance sheet profit, it may decide to make further allocations to revenue reserves or to carry forward a profit.

Resolutions on the payment of a dividend for any fiscal year, as well as the amount of the dividend, are adopted at the General Shareholders Meeting held the following fiscal year. The General Shareholders Meeting must be held within the first eight months of the fiscal year, and must include on its agenda a proposal by the Management Board, approved by the Supervisory Board, regarding the uses of distributable profit. Dividends approved by the General Shareholders Meeting are payable immediately after the General Shareholders Meeting, unless the resolution provides otherwise. Since all of the Company's shares are evidenced by global certificates deposited with Clearstream Banking AG, Clearstream Banking AG transfers the dividends to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under the same obligation to distribute the funds to their customers. Shareholders who have their shares held in safekeeping by a custodian bank situated outside Germany must inquire at the respective bank regarding the terms and conditions applicable in their case. Details of any dividends approved by the General Shareholders Meeting and the paying agent appointed by the Company are published in the electronic version of the German Federal Gazette (*elektronischer Bundesanzeiger)*. To the extent dividends can be distributed by the Company in accordance with the German Commercial Code (*Handelsgesetzbuch*), there are no restrictions on shareholder rights to receive dividends.

Shareholders' stakes in the distributable balance sheet profit are determined on the basis of their individual holding of the total issued share capital. Individual shareholders are not entitled to receive a dividend unless a resolution on the uses of distributable profit has been adopted at the General Shareholders Meeting. Any dividends not claimed within three years become time-barred. Once the limitation period passes, the dividend remains with the Company.

The New Shares will carry full dividend rights from, and including, the fiscal year starting January 1, 2011.

Earnings per Share and Dividend Policy

The following table shows the Company's consolidated profit/loss for the period and earnings per share, both based on the IFRS consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008, as well as the net loss for the year and the distributable balance sheet profit, each based on the respective unconsolidated annual financial statements prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) and the annual dividend paid per share for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008.

	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(audited, in € million) (unless otherwise indicated)		
Consolidated profit/loss for the period (IFRS)	23.8	(13.3)	(255.9)
Basic earnings per share (IFRS) in €[1)]	0.29	(0.34)	(10.32)
Net loss for the year (HGB)	(23.7)	(45.6)	(80.3)
Distributable balance sheet profit (HGB)	16.4	—	—
Dividend paid per share in €[2)] (unaudited)	0.20	—	—
Dividend payment for the respective fiscal year (unaudited)	16.4	—	—

1) *The basic earnings per share for the 2008 fiscal year relates to the earnings from continued operations.*

2) *The dividend paid per share was calculated on the basis of the number of Company shares actually issued as of the time of the respective distribution (with respect to fiscal year 2010: 81,840,000 shares).*

Currently, any dividends are not subject to withholding tax. Moreover, these dividends are non-taxable income for our shareholders being tax resident in Germany, having not held 1% or more of the shares in the last 5 years and have acquired such shares as private (non-business) assets before January 1, 2009. This is because the dividend payments are considered to be a return of paid in capital (dividend payments out of "EK 04" or, since 2001, from the capital reserve as determined pursuant to tax law (tax capital reserves)). According to the law as in effect since 2009, profits from the sale of shares that were acquired after December 31, 2008 are now taxable also for shareholders tax resident in Germany and holding less than 1% of the shares. This results in our dividend payments having tax effects also for shareholders who purchased after December 31, 2008, as dividend payments lower the acquisition costs of the shares (as it has already been applicable e.g. for sharesholders holding at least 1% of the shares or holding the shares as business assets), which may result in a greater amount of taxable capital gain upon the shareholder's sale of the shares. Normally, dividends distributed to shareholders who are German residents are subject to personal or corporate income tax. The tax rate for dividends distributed to private investors are subject to a flat dividend withholding tax of 25% plus a solidarity surcharge of 5.5%. Other rules may apply for shareholders not tax resident in Germany.

As of December 31, 2010, Deutsche Wohnen AG's tax capital reserve amounted to €660 million. The future tax treatment of our divided payments depends on the composition of the share capital as determined pursuant to tax law. Based on current tax law, the current amount of tax capital reserve and the composition of the share capital as determined pursuant to tax law, we expect that dividend payments will remain being not subject to withholding tax and (to the extent available) deductible against acquisition costs at the tier of a shareholder, tax resident in Germany, for several years.

In the past, the funds that were required to pay dividends were primarily financed from the repayment of the loans extended to subsidiaries. The subsidiaries, in turn, typically financed these repayments through the sale of apartments. Sometimes dividends were also financed with borrowed capital. As part of realigning the operating business to focus on Residential Property Management, we generally intend to pay dividends going forward only when they can be covered by cash flow available for distributions from the Company. Our short-term objectives are to strengthen the balance sheet, build up the Company's cash reserves, and continue to implement our selective growth strategy. We are aiming to maintain the leverage of the Company at a loan-to-value ratio ("**LTV Ratio**") of approximately 60% in the medium term, subject to short- to medium-term increases due to debt incurred in connection with acquisitions. To that extent, we may not be in the position to pay again a dividend from the operating profit and free capital reserve of the Company within the meaning of Section 272(2) No. 4 of the German Commercial Code (*Handelsgesetzbuch*) in the medium term.

CAPITALIZATION

The following tables show the Company's capitalization and indebtedness based on the historical figures as of September 30, 2011 prior to the Offering (first column) and adjusted for the implementation of the capital increase underlying the Offering assuming gross proceeds of €175 million (based on the placement of 20,460,000 New Shares) (second column). For simplification purposes it is assumed that the costs of the Offering can be fully charged against capital reserve and no deferred taxes are to be taken into account.

	As of September 30, 2011, prior to completion of the Offering	Based on the figures as of September 30, 2011, assuming implementation of the Offering[4]
	(In € million) (unaudited)	(unaudited)
Total current liabilities	**210.9**	**210.9**
Thereof guaranteed[1]	5.5	5.5
Thereof secured[2]	111.8	111.8
Thereof unguaranteed/unsecured	93.6	93.6
Total non-current liabilities	**2,065.9**	**2,065.9**
Thereof guaranteed[1]	0	0
Thereof secured[2]	1,875.1	1,875.1
Thereof unguaranteed/unsecured	190.8	190.8
Total liabilities	**2,276.8**	**2,276.8**
Total equity	**878.2**	**1,045.2**
Issued share capital	81.8	102.3[5]
Capital reserve	370.0	516.6[6]
Retained earnings	426.0	426.0
Non-controlling interests	0.3	0.3
Total Capitalization[3]	**3,155.0**	**3,322.0**

1) *These liabilities are secured by guarantee bonds.*
2) *These liabilities are secured by mortgages.*
3) *Total capitalization is calculated from total current liabilities plus total non-current liabilities plus total equity.*
4) *For the Offering, the Company intends to generate gross proceeds of approximately €150.0 million to €200.0 million. For the calculation in this table, €175.0 million as the mid-point of this range are assumed as the gross proceeds from the Offering. Furthermore, the costs of the Offering are assumed to amount to approximately €8.0 million. On the basis of these assumptions, net proceeds from the Offering would be €167.0 million. These calculations are based on the assumed placement of all 20,460,000 New Shares. A 10% reduction in the number of New Shares would lead to a 10% reduction in gross proceeds, a 10% reduction in net proceeds, a 2% reduction in total equity and a 1% reduction in total capitalization.*
5) *Issued share capital increases by €20.46 million based on a placement of 20,460,000 New Shares.*
6) *The capital reserve increases by the amount of the difference between the aggregate gross proceeds from the Offering and the sum of the aggregate par value of the New Shares and the costs of the Offering.*

Indebtedness

	As of September 30, 2011, prior to completion of the Offering	Based on the figures as of September 30, 2011, assuming implementation of the Offering[4]
	(In € million)	
	(unaudited)	(unaudited)
A. Cash	42.1	209.1[5]
B. Cash equivalents	—	—
C. Trading securities	—	—
D. Liquidity(A)+(B)+(C)	**42.1**	**209.1**
E. Current financial receivables[1]	**5.5**	**5.5**
F. Current bank debt	17.8	17.8
G. Current portion of non-current debt	68.9	68.9
H. Other current financial debt	5.7	5.7
I. Current financial liabilities[2](F)+(G)+(H)	**92.4**	**92.4**
J. Net current financial indebtedness(I)-(E)-(D)	**44.8**	**(122.2)**
K. Non-current bank loans	1,753.2	1,753.2
L. Bonds issued	—	—
M. Other non-current loans	63.8	63.8
N. Non-current financial liabilities[3](K)+(L)+(M)	**1,817.0**	**1,817.0**
O. Net financial indebtedness(J)+(N)	**1,861.8**	**1,694.8**

1) *Current financial receivables equal trade receivables.*
2) *Referred to as "Current Financial Debt" in paragraph 127 of the ESMA update of the CESR recommendations of March 23, 2011, ESMA/2011/81 (the "ESMA update").*
3) *Referred to as "Non current Financial Indebtedness" in the ESMA update.*
4) *For the Offering, the Company intends to generate gross proceeds of approximately €150.0 million to €200.0 million. For the calculation in this table, €175.0 million as the mid-point of this range are assumed as the gross proceeds from the Offering. Furthermore, the costs of the Offering are assumed to amount to approximately €8.0 million. On the basis of these assumptions, net proceeds from the Offering would be €167.0 million. These calculations are based on the placement of all 20,460,000 New Shares. A 10% reduction in the number of New Shares would lead to a 10% reduction in gross proceeds, a 10% reduction in net proceeds, an 8% reduction in cash, a 14% deterioration in net current financial indebtedness and a 1% deterioration in net financial indebtedness.*
5) *The change in cash results from the assumed net proceeds of €167.0 million from the Offering.*

Statement on Working Capital

From the current perspective, the Company is of the opinion that the Deutsche Wohnen Group is in a position to meet the payment obligations that become due within at least the next twelve months from the date of this Prospectus.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables contain key consolidated financial information under IFRS, with the exception of the indicators presented under "—Other Financial and Operating Data," for the nine months ended September 30, 2011 and September 30, 2010, and the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008 of our Group. The consolidated financial information was taken or derived from the unaudited condensed consolidated interim financial statements of Deutsche Wohnen AG as of and for the nine months ended September 30, 2011 (with comparative figures for the nine months ended September 30, 2010) and the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008. The audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008 were prepared in accordance with IFRS. The unaudited condensed consolidated interim financial statements of Deutsche Wohnen AG as of and for the nine months ended September 30, 2011 were prepared in accordance with IFRS for interim financial reporting (IAS 34). Some of the other financial and operating data reproduced below were taken from the Company's accounting records or the internal management reporting systems.

Where financial data in the following tables is labeled "audited," this means that it was taken or derived from the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008. The label "unaudited" is used in the following tables to indicate financial data that was taken or derived from the unaudited condensed consolidated interim financial statements of Deutsche Wohnen AG as of and for the nine months ended September 30, 2011, as well as from the Company's accounting records or internal management reporting systems. The consolidated financial information presented in the following tables represents a selection of the financial data contained in our consolidated financial statements and is shown in thousands and millions of euro (€ thousand and €million) commercially rounded to the nearest whole thousand or million euro, respectively. Due to rounding, some of the figures in the tables do not add up exactly to the total figures shown, and some of the percentages do not add up exactly to 100%.

The following consolidated financial information should be read together with the "Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations" section, the unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 2011 contained in the financial section and the audited consolidated financial statements as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008 contained in the financial section, as well as the accompanying notes and further financial information disclosed elsewhere in this Prospectus. Due to changes in segment reporting and in the presentation of non-current and current derivate financial instruments in the consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal year ended December 31, 2009 in this respect, financial information as of and for the fiscal year ended December 31, 2008 is based on the consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2009.

Data from the Consolidated Profit and Loss Statement

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
			(In € thousand)		
Revenue	226,250	224,782	297,811	306,331	315,512
Gains/losses from disposals	12,628	13,163	19,566	15,930	17,409
Sales proceeds	*85,721*	*91,400*	*171,682*	*85,677*	*119,710*
Carrying amounts of assets sold	*(73,093)*	*(78,237)*	*(152,116)*	*(69,748)*	*(102,301)*
Other operating income	6,599	5,343	9,618	12,699	11,423
Total income	**245,477**	**243,288**	**326,995**	**334,959**	**344,344**
Expenses for purchased goods and services	(89,681)	(92,255)	(122,589)	(134,774)	(139,085)
Staff expenses	(28,702)	(27,924)	(39,157)	(40,204)	(43,541)
Other operating expenses	(18,291)	(18,535)	(29,130)	(26,488)	(31,222)
Restructuring and reorganization expenses	—	—	—	(7,784)	(24,092)
Total expenses	**(136,674)**	**(138,714)**	**(190,876)**	**(209,249)**	**(237,940)**
Subtotal	**108,803**	**104,574**	**136,119**	**125,710**	**106,404**
Gains/losses from fair value adjustments of investment properties	—	—	47,178	—	(276,528)
Depreciation and amortization	(2,462)	(2,377)	(3,044)	(2,780)	(1,794)
Share of profit of associated companies	—	—	—	—	60
Earnings before interest and taxes (EBIT)	**106,341**	**102,197**	**180,253**	**122,929**	**(171,859)**
Finance income	390	395	848	868	2,540
Gains/losses from fair value adjustments of derivative financial instruments	(179)	(2,357)	(234)	(1,203)	(32,197)
Finance expense	(69,128)	(75,721)	(123,728)	(119,242)	(127,281)
Profit/loss before taxes	**37,424**	**24,514**	**57,139**	**3,352**	**(328,796)**
Income taxes	(17,695)	(14,393)	(33,334)	(16,630)	56,471
Profit/loss from continuing operations	**19,729**	**10,121**	**23,805**	**(13,277)**	(272,326)
Profit/loss from discontinued operations	—	—	—	—	16,421
Profit/loss for the period	**19,729**	**10,121**	**23,805**	**(13,277)**	**(255,905)**

Data from the Consolidated Balance Sheet

	As of September 30, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
	(unaudited)	(audited)	(audited)	(audited)
		(In € thousand)		
Assets				
Non-current assets	**2,990,203**	**2,929,331**	**2,956,270**	**3,016,322**
thereof:				
Investment properties	2,895,693	2,820,952	2,835,483	2,900,673
Property, plant and equipment	17,116	16,536	17,401	17,745
Intangible assets	2,758	3,483	4,558	4,652
Deferred tax assets	74,078	78,651	98,428	92,559
Current assets	**164,778**	**108,849**	**123,055**	**110,410**
thereof:				
Cash and cash equivalents	42,057	46,016	57,095	41,974
Total assets	**3,154,981**	**3,038,180**	**3,079,324**	**3,126,733**
Equity and liabilities				
Total equity	**878,200**	**889,872**	**861,971**	**649,292**
Total non-current liabilities	**2,065,878**	**1,578,405**	**1,988,554**	**2,281,200**[1)]
thereof:				
Non-current financial liabilities	1,816,985	1,338,954	1,722,044	1,991,077
Convertible bonds	—	—	—	25,430
Employee benefit liability	42,105	44,747	41,529	39,300
Liabilities to limited partners in funds	—	476	40,791	48,006
Tax liabilities	40,799	48,496	55,486	60,652
Derivative financial instruments	60,697	43,922	37,185	32,570[1)]
Deferred tax liabilities	96,247	92,021	81,412	71,660
Total current liabilities	**210,903**	**569,903**	**228,799**	**196,240**[1)]
Total equity and liabilities	**3,154,981**	**3,038,180**	**3,079,324**	**3,126,733**

1) *Adjusted prior year comparative figures as of December 31, 2008 with respect to the presentation of non-current and current derivate financial instruments derived from the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal year ended December 31, 2009.*

Data from the Consolidated Statement of Cash Flows

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
			(In € thousand)		
Net cash flows from operating activities	28,112	598	9,859	3,294	(10,342)
Net cash flows from investing activities	(133,180)	121,074	68,730	74,298	88,759
Net cash flows from financing activities	101,109	(113,550)	(89,668)	(62,471)	(84,316)
Net change in cash and cash equivalents	**(3,959)**	**8,122**	**(11,079)**	**15,121**	**(5,900)**
Closing balance cash and cash equivalents	**42,057**	**65,217**	**46,016**	**57,095**	**41,974**

Other Financial and Operating Data[1)]

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited, unless otherwise indicated)				
EBITDA (adjusted)[2)] in € million	108.8	104.6	136.1	133.5	130.6
EBT (adjusted)[3)] in € million	37.6	26.9	33.7	18.6	9.7
Net operating income (NOI) Residential Property Management[4)] in € million	106.2	101.4	133.9	132.4	126.9
Monthly in-place rent[5)] in the letting portfolio in our core regions in € per square meter and month (end of period)	5.59	N/A	5.46	5.37	5.21
Monthly in-place rent[5)] in the total residential portfolio in € per square meter and month (end of period)	5.51	N/A	5.38	5.29	5.14
Vacancy rate[6)] in the letting portfolio in our core regions in % (end of period)	1.7	N/A	2.0	2.7	4.0
Vacancy rate[6)] in the total residential portfolio in % (end of period)	2.9	N/A	3.3	4.2	5.9
EPRA NAV in € million[7)] (end of period)	985.6	N/A	964.0	915.2	677.5
EPRA NAV per share in €[7)] (end of period)	12.04	N/A	11.78	11.18	25.66
Loan-to-value ratio in %[8)] (end of period)	62.1	N/A	60.6[*)]	61.5[*)]	70.6[*)]
FFO (without disposals)[9)] in € million	40.1	28.9	33.1	25.1	12.9
FFO (without disposals) per share in €	0.49	0.35	0.40	0.31	0.49
FFO[9)] in € million	47.3	37.7	45.8	34.8	26.1
FFO per share in €	0.58	0.46	0.56	0.43	0.99

*) *Audited.*

1) *In our view, the other financial and operating data described in this section constitute the most important measures for measuring the operating and financial performance of our business. Each performance indicator is explained in the following tables and footnotes in terms of what it expresses for business purposes and how it is calculated. The other financial and operating data described in this section are not recognized under IFRS or HGB and should not be considered a substitute for profit and loss statement or statement of cash flows data, as determined in accordance with IFRS or HGB. They do not necessarily indicate whether cash flow will be sufficient or available for our cash requirements, nor are they necessarily indicative of our historical or future operating results. Because not all companies define these measures in the same way, our presentation of these performance indicators is not necessarily comparable to similarly-titled performance indicators used by other companies.*

2) *We calculate this performance indicator by taking earnings before interest and taxes ("**EBIT**"), which is adjusted for the gains/losses from fair value adjustments of investment properties, depreciation and amortization, share of profit from associated companies and restructuring and reorganization expenses. Adjusted earnings before interest, taxes, depreciation, and amortization ("**EBITDA (adjusted)**") corresponds to the total of the segment profits and losses of Deutsche Wohnen. We use EBITDA*

(adjusted) as an indicator to measure operating performance. The following table shows the calculation of the EBITDA (adjusted) for the nine months ended September 30, 2011 and September 30, 2010, and for the 2010, 2009 and 2008 fiscal years:

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	(unaudited)	(audited) (In € million)	(audited)	(audited)
Earnings before interest and taxes (EBIT)	106.3	102.2	180.3	122.9	(171.9)
Gains/losses from fair value adjustments of investment properties	—	—	(47.2)	—	276.5
Depreciation and amortization	2.5	2.4	3.0	2.8	1.8
Share of profit of associated companies	—	—	—	—	(0.1)
Subtotal	108.8	104.6	136.1*)	125.7*)	106.4*)
Restructuring and reorganization expenses	—	—	—	7.8	24.1
EBITDA (adjusted)	108.8	104.6	136.1*)	133.5*)	130.6*)

**) Unaudited.*

3) *We calculate adjusted earnings before taxes ("**EBT (adjusted)**") from profit/loss before taxes, which is adjusted for restructuring and reorganization expenses, gains/losses from fair value adjustments of investment properties, gains/losses from fair value adjustments of derivative financial instruments and prepayment penalties and for 2008 also adjusted for special DB 14 payout relating to DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG ("**DB 14**"). We use EBT (adjusted) as an indicator to measure operating performance. The following table shows the calculation of the EBT (adjusted) for the nine months ended September 30, 2011 and September 30, 2010, and for the 2010, 2009 and 2008 fiscal years:*

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	(unaudited)	(audited) (In € million)	(audited)	(audited)
Profit/loss before taxes	37.4	24.5	57.1	3.4	(328.8)
Restructuring and reorganization expenses	—	—	—	7.8	24.1
Gains/losses from fair value adjustments of investment properties	—	—	(47.2)	—	276.5
Gains/losses from fair value adjustments of derivative financial instruments	0.2	2.4	0.2	1.2	32.2
Prepayment penalties	—	—	23.6	6.2	—
Special DB 14 payout	—	—	—	—	5.7*)
EBT (adjusted)	37.6	26.9	33.7*)	18.6*)	9.7*)

**) Unaudited.*

4) *We define the net operating income ("**NOI**") as the segment profit/loss of the Residential Property Management segment less attributable administration costs. The administration costs are the sum of additional staff expenses and general and administrative expenses, which were allocated indirectly. To arrive at the NOI per square meter and month, the NOI is divided by the average square meters (on a quarterly basis) in the relevant period and divided by the number of months in such period. The following table*

shows the calculation of the NOI and the NOI per square meter and month for the nine months ended September 30, 2011 and September 30, 2010, and for the 2010, 2009 and 2008 fiscal years:

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited and in € million, unless otherwise indicated)				
Residential Property Management segment profit	118.4	113.4	150.9*)	151.0*)	147.8*)
Staff expenses, general and administrative expenses	(12.2)	(12.0)	(17.0)	(18.6)	(20.9)
Net operating income (NOI) Residential Property Management	**106.2**	**101.4**	**133.9**	**132.4**	**126.9**
NOI in € per square meter and month	**3.94**	**3.73**	**3.73**	**3.51**	**3.25**

**) Audited*

5) *The monthly in-place rent is the contractually owed net cold rent from the rented apartments divided by the rented area. Our business activities are focused on increasing the monthly in-place rent while, at the same time, minimizing vacancies. We are aiming to achieve this increase in the monthly in-place rent through the use of adjustments to the rent index, through targeted modernization measures that can be charged to tenants, and through vacancy reduction.*

6) *The vacancy rate is the ratio of vacancy loss to the potential gross rental income, as of the respective reporting date. Referring to the potential gross rental income ensures that the size and actual expense of the individual units is adequately represented in the vacancy rate. One of our strategic aims, along with focusing on ongoing increases in rent, is vacancy reduction. Through vacancy reduction, the vacancy loss and the result of operating costs can be positively affected.*

7) *We believe that the net asset value ("**NAV**") is an important indicator of the intrinsic value of a real estate company. According to the definition recommended by the European Public Real Estate Association ("**EPRA**"), it is the sum of total assets less total liabilities and non-controlling interests and is adjusted for net total of deferred tax assets and liabilities and for net total of derivative financial instruments (assets and liabilities). Prospective investors should note, however, that the EPRA NAV per share is not an indication of the future performance of the shares of Deutsche Wohnen AG. We calculated the NAV as of December 31, 2008 and December 31, 2009 using a different method than applied as of December 31, 2010 and as of September 30, 2011. In order to ensure comparability of the figures for these balance sheet dates, the EPRA NAV as of December 31, 2008 and December 31, 2009 as presented in this Prospectus has been re-calculated using the same method applied as of December 31, 2010 and as of September 30, 2011:*

	As of September 30, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
	(unaudited and in € million, unless otherwise indicated)			
Equity (before non-controlling interests)*)	877.9	889.6**)	861.7**)	649.0**)
Fair value of derivative financial instruments (net total of assets and liabilities)	85.6	61.1**)	70.5**)	49.4**)
Deferred taxes (net total of deferred tax assets and liabilities)	22.1	13.3**)	(17.0)**)	(20.9)**)
EPRA NAV	**985.6**	**964.0**	**915.2**	**677.5**
Number of shares (in millions)	81.84	81.84	81.84	26.40
EPRA NAV per share in €	**12.04**	**11.78**	**11.18**	**25.66**

**) Equity (before non-controlling interests) adjusted for the effects from the exercise of convertible bond conversion rights corresponds to diluted NAV. Diluted NAV disregards effects from the conversion of convertible bonds issued as part of the GEHAG acquisition, as due to the underlying conversion price a conversion of the convertible bonds was not to be expected and a conversion did actually not take place; the convertible bonds were fully repaid in 2010.*

***) Audited.*

8) *The LTV Ratio is the ratio of total net financial liabilities to the value of investment properties plus non-current assets held for sale and land and buildings held for sale. We believe that the LTV Ratio is an important indicator of capital structure. We use the LTV Ratio to indicate room for optimization of cost of capital, for possible acquisitions and necessary financing measures. We are aiming at maintaining our LTV Ratio below our target of 60% in the medium term, subject to short- to medium-term increases due*

to debt incurred in connection with acquisitions. The following table shows how the LTV Ratio was calculated as of September 30, 2011, December 31, 2010, December 31, 2009 and December 31, 2008.

	As of September 30, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
	(unaudited)	(audited)	(audited)	(audited)
	(In € million, unless otherwise indicated)			
Financial liabilities	1,909.4	1,784.5	1,802.7	2,089.2
Convertible bonds	—	—	26.6	25.4
— Cash and cash equivalents	(42.1)	(46.0)	(57.1)	(42.0)
Net financial liabilities	**1,867.3**	**1,738.5**	**1,772.2**	**2,072.6**
Investment properties	2,895.7	2,821.0	2,835.5	2,900.7
Non-current assets held for sale	34.0	34.3	25.1	17.7
Land and buildings held for sale	77.9	15.2	18.4	19.3
Total real estate holdings	**3,007.6**	**2,870.4**	**2,879.0**	**2,937.7**
Loan-to-value ratio (in %)	**62.1**	**60.6**	**61.5**	**70.6**

9) *We believe that FFO, which is derived from the consolidated profit and loss statement, is an important liquidity indicator for real estate companies. We differentiate between FFO (without disposals) and FFO. FFO (without disposals) is defined as profit/loss for the period adjusted for gains/losses from disposals (net of cost of sales), depreciation and amortization, gains/losses from fair value adjustments of investment properties, profit/loss for the period from discontinued operations, gains/losses from fair value adjustments of derivative financial instruments, accrued interest on liabilities and pensions, prepayment penalties, restructuring and reorganization expenses and deferred taxes (tax expense/income) and for 2009 also adjusted for the tax advantage from capital increase costs and for 2008 also adjusted for the special DB 14 payout. FFO is calculated by adding the gains/losses from disposals (after deduction of the corresponding cost of sales) to the FFO (without disposals). While FFO is influenced by cyclical fluctuations of the market environment, FFO (without disposals) is a relatively more stable measure of our ability to make loan payments, investments (for example, the acquisition of new properties) and dividend payments. The following table shows, step-by-step, how we calculated our FFO for the nine months ended September 30, 2011 and September 30, 2010, and for the 2010, 2009 and 2008 fiscal years.*

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)		(audited, unless otherwise indicated)		
	(In € million, unless otherwise indicated)				
Profit/loss for the period	**19.7**	**10.1**	**23.8**	**(13.3)**	**(255.9)**
Gains/losses from disposals (net of cost of sales) (unaudited)	(7.2)	(8.8)	(12.7)	(9.7)	(13.2)
Depreciation and amortization	2.5	2.4	3.0	2.8	1.8
Gains/losses from fair value adjustments of investment properties	—	—	(47.2)	—	276.5
Profit for the period from discontinued operations	—	—	—	—	(16.4)
Gains/losses from fair value adjustments of derivative financial instruments	0.2	2.4	0.2	1.2	32.2
Accrued interest on liabilities and pensions	9.3	11.2	13.9	15.3	14.3
Prepayment penalties	—	—	23.6	6.2	—
Special DB 14 payout (unaudited)	—	—	—	—	5.7
Deferred taxes	15.6	11.6	28.5	11.1	(56.2)
Restructuring and reorganization expenses	—	—	—	7.8	24.1
Tax advantage from capital increase costs	—	—	—	3.7	—
FFO (without disposals) (unaudited)	**40.1**	**28.9**	**33.1**	**25.1**	**12.9**
Number of shares (in millions, end of period)	81.84	81.84	81.84	81.84	26.40
FFO (without disposals) per share in € (unaudited)	**0.49**	**0.35**	**0.40**	**0.31**	**0.49**
FFO (unaudited)	**47.3**	**37.7**	**45.8**	**34.8**	**26.1**
Number of shares (in millions, end of period)	81.84	81.84	81.84	81.84	26.40
FFO per share in € (unaudited)	**0.58**	**0.46**	**0.56**	**0.43**	**0.99**

Segment Data

In accordance with IFRS 8, we divide our business operations into three business segments: Residential Property Management, Disposals, and Nursing and Assisted Living. With the application of the provisions of IFRS 8 "Operating Segments," we adapted the definition of our segment profit or loss to the internal reporting of our Group in 2009. According to our internal reporting approach pursuant to IFRS 8 "Operating Segments," the segment profit or loss comprises the EBITDA adjusted for restructuring and reorganization expenses. We also adjusted the segment revenue for our Disposals segment. This segment revenue now shows the revenue from the sale of units without deduction of the carrying amount of the properties sold. No changes were made to the way the segments we report are divided. Therefore, the segment data for the fiscal year ended December 31, 2008 have been derived from the adjusted prior year comparative figures for 2008 of the segment reporting in the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal year ended December 31, 2009.

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	(unaudited)	(audited) (In € million)	(audited)	(audited)
Residential Property Management					
Segment revenue (total revenue)	202.5	201.3	266.2	274.3	283.8
Segment profit/loss	118.4	113.4	150.9	151.0	147.8
Disposals					
Segment revenue (total revenue)	91.9	93.2	179.3	85.7	119.7
Segment profit/loss	7.2	8.8	12.7	9.7	13.2
Nursing and Assisted Living					
Segment revenue (total revenue)	25.2	24.7	40.6	38.8	38.6
Segment profit/loss	7.3	7.1	8.9	9.1	8.7

MANAGEMENT'S DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following management's discussion and analysis of net assets, financial condition and results of operations of our Group together with the "Business," "Risk Factors" and financial sections of this Prospectus. The following discussion contains forward-looking statements that are subject to risks, uncertainties and other factors which may cause actual events to differ from those expressed or implied in the forward-looking statements (see "Risk Factors" and "General Information—Forward-Looking Statements").

The financial information contained in the following discussion is based on the unaudited condensed consolidated interim financial statements of Deutsche Wohnen AG as of and for the nine months ended September 30, 2011 (with comparative figures for the nine months ended September 30, 2010) and the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008. The audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008 were prepared in accordance with IFRS. The unaudited condensed consolidated interim financial statements of Deutsche Wohnen AG as of and for the nine months ended September 30, 2011 were prepared in accordance with IFRS for interim financial reporting (IAS 34). These audited consolidated financial statements and unaudited condensed consolidated interim financial statements are reprinted in the financial section of this Prospectus. Additional information for the fiscal year ended December 31, 2010 has been taken from the audited unconsolidated annual financial statements of Deutsche Wohnen AG as of and for the fiscal year ended December 31, 2010, which were prepared in accordance with the HGB using the total cost (nature of expense) method and are reprinted in the financial section of this Prospectus. IFRS and HGB differ in material ways. Some of the financial and operating data reproduced below were taken from the Company's accounting records and internal management reporting systems.

Where financial information in the following tables is labeled "audited," this means that it was taken or derived from the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008. The label "unaudited" is used in the following tables to indicate financial information that was taken or derived from the unaudited condensed consolidated interim financial statements of Deutsche Wohnen AG as of and for the nine months ended September 30, 2011, as well as from the Company's accounting records or internal management reporting systems. All of the financial data presented in the text and tables of this section of the Prospectus are shown in thousands and millions of euro (€ thousand and € million), respectively, rounded to the nearest whole (or one decimal point) thousand or million euro. Unless expressly given otherwise, the percentage changes that are stated in the text and tables have been commercially rounded to one decimal point. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given, and the percentages shown do not always add up to exactly 100.0%. Due to changes in segment reporting and in the presentation of non-current and current derivate financial instruments in the consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal year ended December 31, 2009, financial information as of and for the year ended December 31, 2008 is based on the consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2009.

Overview

Deutsche Wohnen is one of Germany's largest publicly traded residential real estate companies, measured in terms of both market capitalization of approximately €875 million as of October 31, 2011 (based on XETRA closing price) and entire portfolio value (including residential and commercial properties, as well as nursing and assisted living facilities) of €2.9 billion as of September 30, 2011. We are active in residential property management, including, in particular, the letting of our own residential units and the management of our residential portfolio, as well as sales of selected residential units. We also operate nursing homes and assisted living units for elderly people through an indirect subsidiary. Our investment strategy focuses on residential real estate in German metropolitan areas ("**German Metropolitan Areas**"), currently mainly in two of the top five most populated German Metropolitan Areas: Berlin/Brandenburg and Frankfurt/Rhine-Main.

As of September 30, 2011, our total residential portfolio consisted of approximately 49,700 residential units with a total residential floor area of 3.0 million square meters (based on the residential floor area listed in the rental contracts). Also as of September 30, 2011, the current monthly in-place rent of our total residential portfolio, amounted to €5.51 per square meter, the average unit size was 61 square meters, and the vacancy rate was 2.9%. In addition to residential properties, as of September 30, 2011 our total portfolio included 448 commercial units with floor space totaling 80 thousand square meters (based on the commercial floor space listed in the rental contracts), and a total of 14 nursing and assisted living facilities (10 nursing care facilities, three assisted living facilities and one combined facility). These facilities provide space for 1,134 nursing care residents and 215 apartments for assisted living. Of the 14 facilities, two are not owned by us. On September 30, 2011, we had a total staff of 1,233 employees, 895 of whom worked in the Nursing and Assisted Living segment.

For purposes of the property appraisal report from the independent appraiser CB Richard Ellis GmbH (the "**Property Appraisal Report**"), the facilities for nursing care and assisted living owned by us were grouped into a total of ten nursing and assisted living facilities. According to the Property Appraisal Report, the total market value (IAS 40) of our entire real estate portfolio (including residential and commercial properties, as well as nursing and assisted living facilities), was €2,794 million as of June 30, 2011. As of the same reporting date, we valued our entire real estate portfolio at €2,781 million (September 30, 2011: 2,856 million) (including residential and commercial properties, as well as nursing and assisted living facilities) and, as of June 30, 2011, additionally €66 million for a portfolio acquired in 2011, which holds properties for sale (IAS 2).

In our total residential portfolio we distinguish between properties located in "core regions" (*Kernregionen*) and in "disposal regions" (*Verkaufsregionen*):

- As of September 30, 2011, 92% of the units in our residential property was located in core regions. These are regions that demonstrate a positive dynamic market development and, hence, in which we believe there is an upside potential in the letting business as well as a positive market environment for disposals (*i.e.*, single-unit sales, which we also call "privatizations"). The current focus of our business is on two of the top five most populated German Metropolitan Areas: Berlin/Brandenburg and Frankfurt/Rhine-Main. The core regions in which we operate can be further subdivided into (i) Greater Berlin, (ii) Frankfurt/Main, (iii) Rhine-Main, (iv) Rhine Valley North, and (v) Rhine Valley South. Our residential portfolio in these core regions includes both units belonging to our letting portfolio and units belonging to our privatization portfolio (*i.e.*, our portfolio for single-unit sales (privatizations)).
- We define disposal regions as geographic regions that are stagnating or show a negative market trend. These are mainly located in rural areas in Rhineland-Palatinate and Brandenburg. The disposal regions in our residential portfolio are further subdivided into two clusters: "portfolio adjustment" and "other disposal holdings." Residential holdings within the "portfolio adjustment" cluster generally are characterized by properties being in below-average condition or having a less-attractive location. As of September 30, 2011, the number of units in the "portfolio adjustment" cluster was 1,990, or approximately 4% of our total residential portfolio. Residential holdings within the "other disposal holdings" cluster are those that are less affected by such structural issues, but nevertheless generally do not fit into our business and portfolio strategy.

Our strategy is based on active asset and portfolio management focusing on long-term real estate value creation. For the upcoming years, we intend to pursue a growth strategy, which is based on selective investments focused on portfolios in attractive metropolitan areas and value enhancing capex measures. Acquisitions can either lead to a swift increase in the FFO per share or offer the opportunity to undertake asset management or asset repositioning initiatives that are expected to lead to an increase in FFO per share and/or the EPRA NAV per share over time. The Company's management believes that the German residential real estate market also offers attractive investment opportunities beyond traditional asset/portfolio acquisitions as the Company actively demonstrated via the corporate acquisition of GEHAG GmbH ("**GEHAG**" and, together with its subsidiaries, the "**GEHAG Group**") in August 2007. As such, we will, on an ongoing basis, consider the acquisition of assets and indirect residential investments with asset and portfolio management potential (*i.e.*, for vacancy reduction, rent increase) in order to maximize long-term shareholder value creation.

We have established our organizational structure alongside the growth strategy referred to above and have divided it into three segments:

- Residential Property Management;
- Disposals (comprising block sales and single-unit sales (privatizations)); and
- Nursing and Assisted Living.

The Residential Property Management segment is the centerpiece and focus of our business. It includes all activities relating to residential property management, lease management and tenant assistance. Our strategic goal in this segment is to maintain and optimize our FFO (without disposals). We aim to accomplish this by focusing on (i) realization of existing rent increase potential, (ii) vacancy reduction by maintaining and increasing the attractiveness of our total residential portfolio through focused investments (*e.g.*, by maintaining and modernizing our rental stock), (iii) ensuring efficient management of our residential properties through an ongoing review of possible management alternatives in the regional property groupings or clusters, and (iv) acquiring and integrating new portfolios. We have demonstrated over the last three years that by focusing our residential portfolio on core regions and continually optimizing our residential portfolio we can generate organic growth and hence improve our FFO (without disposals).

The Disposals segment includes all activities relating to the sale of residential units, buildings and land. Our residential holdings intended for sale can be divided into block sales and single-unit sales (privatizations). The residential portfolio for block sales comprises residential units in our disposal regions that no longer fit our business strategy. Some units in these locations are part of our residential portfolio because they were acquired as part of larger portfolio acquisitions. These mainly include residential units and buildings in rural areas and single buildings in and outside of the core regions (known as "scattered holdings"). Generally, the majority of these properties are sold to institutional investors, at or above fair value, although, at times, below fair value in order to focus on the residential portfolio in our core regions. For single-unit sales (privatizations), our objective is to sell predominantly to owner-occupants, at prices exceeding their fair value. All sales of residential units are intended to optimize and consolidate our total residential portfolio and occur on an ongoing, but staggered basis.

Our Nursing and Assisted Living segment manages and markets nursing and residential care facilities for elderly people, the vast majority of which we own, under the KATHARINENHOF® brand. These facilities provide full inpatient care with the aim of promoting an active lifestyle for nursing care patients while preserving their independence as much as possible. Our assisted living facilities provide elderly people with rental apartments along with an extensive range of services tailored to their needs.

Major Factors Affecting Results of Operations

Our Group is exposed to various trends. Factors that may influence the development of our business, net assets, financial condition and results of operations, and which we believe are material, are discussed below.

General Economic and Demographic Developments in Germany

The market value and rental income of our total portfolio depend to a significant degree on economic factors. Cyclical economic developments beyond our control, including economic growth, unemployment rates, price trends and interest rate levels, affect rental income levels, the potential for property sales, opportunities for acquisitions and purchase prices. In addition, inflation-driven price increases affect our expenses. To the extent permissible under applicable law, and taking into account the market environment, cost increases are compensated for by rent increases and/or allocated ancillary costs. The impact of the global economic and financial crisis on our business in the last years highlights our exposure to general economic trends. We recorded a material loss from the fair value adjustments of investment properties in 2008. Additionally, our sales proceeds, in particular those from institutional sales, decreased significantly from 2008 to 2009.

Further, demographic factors such as changes in living space per capita, average household size, home ownership rate and migration patterns affect the market value and rental yield of our total residential portfolio. Expectations are that from 2010 onwards the number of households will increase, particularly in cities and densely populated areas. Residential floor space demand per capita is also expected to grow by 9% to 41 square meters in 2025 from 2010 levels due to an increased desire for more living space and the ageing population (Source: GFOB Residential Market 2010).

Portfolio size, vacancy rate, tenant turnover and rent restrictions drive revenue from letting

The level of current gross rental income is a material factor affecting our income. The amount of current gross rental income earned depends primarily on the relevant rent per square meter and the relevant rented space, which in turn depends on the location and quality of the properties. In principle, current gross rental income is not subject to any significant seasonal or cyclical fluctuations. Significant changes result primarily from sales and acquisitions, which impact the size of our total portfolio and may have an impact on the average current gross rental income per square meter. Overall, our total residential portfolio slightly decreased during the period from December 31, 2008 through December 31, 2010, from 50,489 residential units as of December 31, 2008 to 47,688 residential units as of December 31, 2010. This reduction led to a loss of revenue from residential properties. In the first nine months of 2011, our total residential portfolio increased to 49,664 units as of September 30, 2011.

Vacant residential units also have a considerable effect on our earnings, as they negatively affect the level of rental income and allocable operating expenses. Vacancy rates in our total residential portfolio amounted to 5.9% as of December 31, 2008, 4.2% as of December 31, 2009, 3.3% as of December 31, 2010 and 2.9% as of September 30, 2011. In our letting portfolio in our core regions, the vacancy rates amounted to 4.0% as of December 31, 2008, 2.7% as of December 31, 2009, 2.0% as of December 31, 2010 and 1.7% as of September 30, 2011. Generally, vacancy rates tend to differ by region. For example, the vacancy rate in Berlin and Frankfurt/Main were 1.3% and 1.5% as of December 31, 2010, well below the average of 2.0% for our letting portfolio in our core regions as of December 31, 2010.

Further, our earnings are also affected by our ability to drive rent increases in our Residential Property Management segment. Tenant fluctuation helps us to increase rents, as rents for newly-let apartments tend to be higher than our average in-place rent. As of December 31, 2010, the monthly in-place rent for our letting portfolio in our core regions amounted to €5.46 per square meter, while the new-letting rent at year-end 2010 effective in 2010 for units not subject to rent control in the letting portfolio in our core regions amounted to €6.47 per square meter. An increase in tenant turnover allows us to reduce the difference between in-place rent and new-letting rents more quickly and vice versa. Rent restrictions due to ongoing or former subsidies provided by public authorities through programs for new buildings as well as for the modernization and renovation of existing buildings, however, limit the rent increase potential. As of September 30, 2011, approximately 21% of the apartments that we own (10,542 apartments) were rent-restricted (December 31, 2010: 23%; December 31, 2009: 23%; December 31, 2008: 24%).

Maintenance and Modernization Measures

Our results of operations depend in part on the extent to which we maintain and modernize our properties. In general, maintenance expenses are reflected in the consolidated profit and loss statement, while modernization measures are capitalized and amortized over time.

Besides ensuring a certain quality standard in our total portfolio by maintaining our properties, we have focused on modernizing certain properties with the aim of significantly improving rental income and reducing vacancies. The cost and time of implementation of maintenance and modernization measures depend heavily on the size of the relevant portfolio, the quality and location of the properties to be maintained, the tenants' quality expectations, and the scope of measures to be carried out. Maintenance and modernization costs tend to vary on an inversely proportional basis with the purchase price of acquisitions, *i.e.*, the purchase of high-quality properties generally results in relatively low maintenance and modernization spending.

While maintenance and modernization costs for our total portfolio amounted to €17.88 per square meter in 2008, they decreased to €14.20 per square meter in 2009 and increased to €15.65 per square meter in 2010. In the nine months ended September 30, 2011, maintenance and modernization costs decreased to €12.44 per square meter, compared to €13.81 per square meter in the nine months ended September 30, 2010. Over the recent years, Deutsche Wohnen has been able to reduce required maintenance expenses on an absolute and per square meter basis. This was based on the quality of our portfolio and the ability to rationalize maintenance as maintence requirements declined.

Sale Prices and Sales Proceeds

We engage in the sale of residential real estate units both from our residential portfolio in our core regions and from our residential portfolio in our disposal regions. We engage in both single-unit sales and block sales. In single-unit sales, our objective is to sell apartments, mainly to owner-occupants, at prices exceeding fair value. We refer to such sales as "privatizations." The residential portfolio in our disposal regions, *i.e.*, the portfolio for block sales, comprises apartments in locations that no longer fit into our business strategy. We refer to such sales as "institutional sales." While single-unit sales (privatizations) tend to be relatively unaffected by the economic situation, institutional sales are generally strongly influenced by the economic situation. For example, sales proceeds from institutional sales decreased from €58.7 million in 2008 to €28.1 million in 2009 and rebounded to €114.9 million in 2010, while sales proceeds from single-unit sales (privatizations) were €61.0 million in 2008, €57.6 million in 2009 and €56.8 million in 2010. As margins in institutional sales tend to be significantly lower than in single-unit sales (privatizations), the Disposal segment's profit/loss tends to be less affected by fluctuations of institutional sales than changes in single-unit sales (privatizations). This is highlighted by the Disposals segment's profit which was relatively stable from 2008 through 2010 (2008: €13.2 million; 2009: €9.7 million; 2010: €12.7 million).

Generally, our sales proceeds depend on the number of properties sold and their respective prices. Sales prices of properties depend on supply and demand, which are influenced substantially by the location, condition of the property and prospective rental income. In addition, tenant structure and purchasing power are relevant. Overall, sales proceeds are also subject to regional fluctuations. In addition, increases in the new construction of residential units can reduce market demand for our real estate holdings and adversely affect the results of operations. Political and regulatory decisions and developments, such as, for example, public subsidies for residential space, also influence supply and demand in the residential property market and affect price trends for residential real estate.

Our cost of sales, which include pre-sale expenses and broker commissions, tend to be relatively stable over time and amounted to €4.2 million in 2008, €6.2 million in 2009 and €6.9 million in 2010. In the nine months ended September 30, 2011 our cost of sales amounted to €5.4 million, compared to €4.4 million in the nine months ended September 30, 2010.

Fair Value Adjustments of Investment Properties

The investment properties that we own are revalued internally on a quarterly basis in accordance with IAS 40 at their respective market values on the reporting dates. Two significant factors influence the valuation of investment properties. The first is the cash flow arising from operational performance and the second is the discount rates and capitalization rates that result from the interest rates in the market and risk premiums applied to our business. The cash flow arising from operational performance is primarily determined by current gross rental income per square meter and vacancy rate trends, total portfolio size, maintenance and administrative expenses, and operating expenses. The capitalization and discount rates are influenced by prevailing interest rates and risk premiums. When discount rates and capitalization rates increase, the market value decreases, and vice versa. Even small changes in one or some of these factors can have considerable effects on the fair value of our investment properties and on the results of operations. In 2010, gains/losses from fair value adjustments of investment properties amounted to €47.2 million (representing 26.2% of EBIT), being the primary reason for an increase in EBIT by €57.4 million from €122.9 million in 2009 to €180.3 million in 2010. In contrast, the gains/losses from fair value adjustments of investment properties amounted to negative €276.5 million in 2008, reflecting the deterioration in the economic environment in Germany due to the global economic and financial crisis.

Costs of Financing and Reduction of Financial Liabilities

Our business is largely debt-financed. Therefore, we depend on the availability of debt and our results of operations are materially affected by financing costs. Accordingly, entering into financing agreements on favorable terms, especially low interest rates, is of considerable importance to our Group.

We used a large portion of the proceeds from our rights offering which closed on October 9, 2009 to reduce our net financial liabilities (non-current and current financial liabilities including convertible bonds minus cash and cash equivalents) by 14.5% from €2,072.6 million as of December 31, 2008 to €1,772.2 million as of December 31, 2009 and by another 1.9% to €1,738.5 million as of December 31, 2010. In the first nine months of 2011 our net financial liabilities increased to €1,867.3 million as of September 30, 2011 due to debt incurred in connection with acquisitions. The overall reduction in net financial liabilities led to a significant decrease in our LTV ratio from 70.6% as of December 31, 2008 to 62.1% as of September 30, 2011 (60.6% as of December 31, 2010; 61.5% as of December 31, 2009). Our LTV ratio is thus slightly above our target of 60%. The reduction in financial liabilities helped us to reduce current interest expenses by 8.9%, from €107.3 million in 2008 to €97.7 million in 2009 and by another 11.8% to €86.3 million in 2010. Current interest expenses in the nine months ended September 30, 2011 amounted to €59.8 million, compared with €64.5 million in the nine months ended September 30, 2010. The early redemption of loans, however, triggered one-off prepayment penalties of €6.2 million in 2009 and €8.3 million in 2010 for the termination and refinancing of loans and additional prepayment penalties of €15.3 million for the termination of interest rate swaps ahead of maturity in 2010.

Impact of Interest Rate Changes

Changes in interest rates affect our business in a number of ways. Interest rates impact capitalization and discount rates, which in turn influence the fair value of our investment properties. Moreover, lower interest rates in Germany tend to increase demand for residential properties, resulting in higher acquisition costs but lower interest expenses. Conversely, rising interest rates lead to economically less favorable financing terms and negatively impact the sale of properties. In addition, changes in interest rates impact our cost of financing. They affect the conditions at which we may obtain fixed rate financing and impact interest payment obligations under our floating rate debt obligations. We have engaged in significant hedging transactions to reduce the risk of interest fluctuations. As of September 30, 2011, the nominal value of our interest hedges and fixed rate loans amounted to €1.5 billion. We fulfill the requirements of the IAS 39 hedge accounting rules applicable to accounting for hedging instruments (interest rate swaps) in hedging against cash-flow risks from variable interest loans. When interest rate levels fluctuate, the fair value of the interest rate swaps also fluctuates. For interest rate swaps that have been entered into by our Group to hedge against cash-flow risks from variable interest loans and that are an asset, increases in interest rate levels lead to an increase in the fair value of the interest rate swaps and vice versa. Under hedge accounting, changes in the fair value of hedging instruments that are part of an effective hedge relationship are recognized directly in equity. Only those portions that do not meet the effectiveness requirements of IAS 39 are recognized in the consolidated profit and loss statement.

DB 14 Right of Sell-out and Acquisition of Majority in DB 14

On the basis of individual agreements, Rhein-Pfalz Wohnen GmbH (a Deutsche Wohnen Group company) has granted the limited partners of DB 14 a right of sell-out for their limited partner interests. Under these agreements, our Group is obliged to acquire the shares initially (in 2005) at 105% of the paid-in capital on request. The purchase price for the shares increases annually by three to seven percentage points starting from 2005. While the assets and liabilities of DB 14 were already fully consolidated in the past, the increase of our stake in DB 14 by more than 40% in 2010, which resulted in the ownership of a majority of the interest in this closed-end real estate fund, led to the inclusion of DB 14's residential properties in our residential portfolio in our core regions. Prior-period comparative figures for our vacancy rate and in-place rent have been restated accordingly. As of September 30, 2011, we held 84% of the capital of DB 14. The corresponding liabilities to limited partners in funds comprise the net present value of the remaining annual instalments calculated using a discount rate of 5.0%.

In the nine months ended September 30, 2011, €7.7 million was paid to the limited partners of the fund (nine months ended September 30, 2010: €5.3 million), €28.4 million in 2010, €1.3 million in 2009 and €6.1 million in 2008. These payments relate both to the interests subject to the sell-out and the dividend payment by DB 14 to the limited partners. For additional information, see above "*Risk Factors—Risks Related to Our Business—The exercise of the right of sell-out held by the limited partners of DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG could impair our profitability and negatively impact our liquidity.*"

Payments Related to EK 02 Inventories

Within our Group, there are various housing companies with significant EK 02 tax liabilities, resulting from a change of tax status from non-profit status to general taxability. The EK 02 tax is generally to be paid either within a period of ten years from 2008 to 2017 in ten equal annual installments or at present value in a one-off payment. Our EK 02 tax liability amounted to approximately €96.0 million, on the assumption that the tax amount is paid in ten equal annual installments of approximately €9.6 million per year from 2008 to 2017. In the unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 2011, a liability of approximately €51.1 million is recognized as current and non-current tax liabilities.

Income Taxes

Income taxes contain current tax expense and deferred taxes. For corporations domiciled in Germany, corporation tax of 15% is due in 2010, 2009 and 2008, plus a solidarity surcharge of 5.5% (2010, 2009 and 2008) of the corporation tax due. These companies are also subject to trade tax, the amount of which depends on tax rates set by local authorities. The anticipated nominal income tax rate for our Group's parent company, Deutsche Wohnen AG, is 31.93% for 2010, 2009 and 2008.

Results of Operations

The following discussion compares our results of operations for the nine months ended September 30, 2011 and September 30, 2010, and for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008.

Comparison of the Nine months ended September 30, 2011 and September 30, 2010

The following discussion presents our consolidated profit and loss statement for the nine months ended September 30, 2011 and September 30, 2010, based on our unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2011.

	January 1 – September 30, 2011	January 1 – September 30, 2010
	(unaudited, in € thousand)	
Revenue	226,250	224,782
Gains/losses from disposals	12,628	13,163
Sales proceeds	85,721	91,400
Carrying amounts of assets sold	(73,093)	(78,237)
Other operating income	6,599	5,343
Total income	**245,477**	**243,288**
Expenses for purchased goods and services	(89,681)	(92,255)
Staff expenses	(28,702)	(27,924)
Other operating expenses	(18,291)	(18,535)
Total expenses	**(136,674)**	**(138,714)**
Subtotal	**108,803**	**104,574**
Depreciation and amortization	(2,462)	(2,377)
Earnings before interest and taxes (EBIT)	**106,341**	**102,197**
Finance income	390	395
Gains/losses from fair value adjustments of derivative financial instruments	(179)	(2,357)
Finance expense	(69,128)	(75,721)
Profit before taxes	**37,424**	**24,514**
Income taxes	(17,695)	(14,393)
Profit for the period	**19,729**	**10,121**

Revenue

Revenue includes primarily revenue from managing investment properties (residential property management), nursing and assisted living and other services.

Revenue increased by 0.7% from €224.8 million in the first nine months of 2010 to €226.3 million in the first nine months of 2011. It comprised the following:

	January 1 – September 30, 2011	January 1 – September 30, 2010
	(unaudited, in € million)	
Residential Property Management	200.9	199.7
Nursing and Assisted Living	25.2	24.7
Other Services	0.2	0.4
Total	**226.3**	**224.8**

Revenue from Residential Property Management increased by 0.6% from €199.7 million in the first nine months of 2010 to €200.9 million in the first nine months of 2011.

Revenue from Nursing and Assisted Living increased by 1.9% from €24.7 million in the first nine months of 2010 to €25.2 million in the first nine months of 2011. This growth was predominantly the result of a better average utilization.

Gains/Losses from Disposals

Gains/losses from disposals represents the difference between sales proceeds and the carrying amounts of assets sold. Sales proceeds include all proceeds related to sales of properties, commercial units and real estate.

Proceeds are only recognized upon the transfer of benefits and associated liabilities. The carrying amounts of assets sold are the values of the properties, commercial units and real estate sold.

The gains/losses from disposals decreased by 4.1% from a gain of €13.2 million in the first nine months of 2010 to a gain of €12.6 million in the first nine months of 2011 on lower volumes and lower average sales prices per square meter due to differences in the location and the condition of the properties sold.

Expenses for Purchased Goods and Services

Expenses for purchased goods and services primarily include Residential Property Management expenses and expenses related to Nursing and Assisted Living. Residential Property Management expenses primarily involve maintenance and operating expenses. Costs related to improvement measures that do not get expensed as maintenance costs are capitalized on our consolidated balance sheet.

Expenses for purchased goods and services decreased by 2.8% from €92.3 million in the first nine months of 2010 to €89.7 million in the first nine months of 2011. The largest component of these expenses are expenses for Residential Property Management, which decreased by 2.2% from €86.4 million in the nine months ended September 30, 2010 to €84.5 million in the nine months ended September 30, 2011, primarily due to a decrease in maintenance expenses.

Staff Expenses

Staff expenses primarily include salaries and wages, social security expenses and pension plan expenses for our employees.

Staff expenses increased by 2.8% from €27.9 million in the first nine months of 2010 to €28.7 million in the first nine months of 2011. There were staff expenses of €13.3 million in the Nursing and Assisted Living segment in the first nine months of 2011 compared with €13.1 million in the first nine months of 2010. Staff expenses associated with Residential Property Management remained stable at €8.3 million in the first nine months of 2011 when compared with the first nine months of 2010.

Other Operating Expenses

Other operating expenses decreased by 1.3% from €18.5 million in the first nine months of 2010 to €18.3 million in the first nine months of 2011. Key components of other operating expenses are administrative and miscellaneous expenses, cost of data processing and communications, cost of sales/marketing and impairment and amortization of receivables.

Depreciation and Amortization

Depreciation and amortization relates to intangible assets and equipment.

Depreciation and amotization increased by 3.6% from €2.4 million in the first nine months of 2010 to €2.5 million in the first nine months of 2011.

Financial Result

The financial result includes finance income, gains/losses from fair value adjustments of derivative financial instruments and finance expense. Finance expense includes the interest under bank loans and other loans, fees and prepayment penalties. Interest accruals under discounted obligations are also included in finance expense. The following table sets forth information relating to our financial result in the nine months ended September 30, 2011 and September 30, 2010:

	January 1 – September 30, 2011	January 1 – September 30, 2010
	(unaudited, in € thousand)	
Current interest expenses	(59,853)	(64,548)
Accrued interest on liabilities and pensions	(9,275)	(11,173)
Finance expense	**(69,128)**	**(75,721)**
Finance income	390	395
Gains/losses from fair value adjustments of derivative financial instruments	(179)	(2,357)
Financial result	**(68,917)**	**(77,683)**

Financial result improved by 11.3% from negative €77.7 million in the nine months ended September 30, 2010 to negative €68.9 million in the nine months ended September 30, 2011 on a decrease in finance expense and an improvement in gains/losses from fair value adjustments of derivative financial instruments. Finance income in the nine months ended September 30, 2011 was nearly unchanged at €0.4 million when compared to the nine months ended September 30, 2010. Finance expense decreased by 8.7% from €75.7 million in the first nine months of 2010 to €69.1 million in the first nine months of 2011. The primary reasons for the decrease in finance expense were a reduction of the hedging ratio from 95% to 75-80% in the fourth quarter of 2010 and loan repayments in 2010, which led to a reduction in current interest expenses. Gains/losses from the fair value adjustments of derivative financial instruments improved by 92.4% from a loss of €2.4 million in the nine months ended September 30, 2010 to a loss of €0.2 million in the nine months ended September 30, 2011.

Profit before Taxes (EBT)

Profit before taxes increased by 52.7% from €24.5 million in the nine months ended September 30, 2010 to €37.4 million in the nine months ended September 30, 2011. Profit before taxes profited from an improvement in finance expense, a decrease in expenses for purchased goods and services, an improvement in the fair value adjustments of derivative financial instruments and higher revenue, which were only partially offset by higher staff expenses and lower gains from disposals. Compared to profit before taxes, the increase in EBT (adjusted) by 39.9% from €26.9 million in the nine months ended September 30, 2010 to €37.6 million in the nine months ended September 30, 2011 was less pronounced, as EBT (adjusted) does not include the positive effect of the improved fair value adjustments of derivative financial instruments.

Income Taxes

Income taxes increased by 22.9% from €14.4 million in the first nine months of 2010 to €17.7 million in the first nine months of 2011 mainly due to deferred taxes. Deferred taxes increased by 34.5% from €11.6 million in the first nine months of 2010 to €15.6 million in the first nine months of 2011. This increase was partly compensated by a decrease in current income taxes by 25.0% from €2.8 million in the first nine months of 2010 to €2.1 million in the first nine months of 2011.

Profit for the Period

Profit for the period increased by 94.9% from €10.1 million in the first nine months of 2010 to €19.7 million in the first nine months of 2011, due to the above mentioned improvement in finance expense, the improvement in the fair value adjustments of derivative financial instruments, the reduction in expenses and higher revenue.

Segment Discussion

We divide our business operations into three business segments: Residential Property Management, Disposals, and Nursing and Assisted Living. The following discussion presents selected segment financial data as of and for the nine months ended September 30, 2011 and September 30, 2010.

Residential Property Management Segment

	January 1 – September 30, 2011	January 1 – September 30, 2010
	(unaudited, in € million)	
Total revenue	**202.5**	**201.3**
Internal revenue	1.6	1.6
External revenue	**200.9**	**199.7**
Revenue from billing of cost allocations	55.7	55.6
Current gross rental income and other income	**145.2**	**144.1**
Other income	0.5	1.0
Current gross rental income	**144.7**	**143.1**
Non-recoverable expenses	(4.4)	(4.7)
Rental loss	(1.2)	(1.6)
Maintenance	(20.1)	(21.8)
Other	(0.6)	(1.6)
Segment profit/loss	**118.4**	**113.4**
Staff expenses, general and administrative expenses	(12.2)	(12.0)
Operating Result (Net Operating Income—NOI)	**106.2**	**101.4**

The Residential Property Management segment records income from the management of our residential properties (in particular, current gross rental income). Expenses are primarily incurred in connection with modernization measures and maintenance of our total portfolio, operating costs, and the marketing of properties. The Residential Property Management segment constitutes our core segment.

External segment revenue increased by 0.6% from €199.7 million in the nine months ended September 30, 2010 to €200.9 million in the nine months ended September 30, 2011, leading to an increase in current gross rental income by 1.1% from €143.1 million in the nine months ended September 30, 2010 to €144.7 million for the nine months ended September 30, 2011. The monthly in-place rent in the letting portfolio in our core regions increased from €5.44 per square meter as of September 30, 2010 to €5.59 per square meter as of September 30, 2011. In particular, new leases for non-rent-controlled units in the letting portfolio in our core regions supported the increase in monthly in-place rent, as the letting of 2,823 non-rent-controlled units in the letting portfolio in our core regions effective in 2011 as of September 30, 2011 generated monthly new letting rent of €6.73 per square meter.

We were able to further reduce the vacancy rate from 2.5% as of September 30, 2010 to 1.7% as of September 30, 2011 in our letting portfolio in our core regions and from 4.0% as of September 30, 2010 to 2.9% as of September 30, 2011 in the total residential portfolio.

Segment profit increased by 4.3% from €113.4 million in the first nine months of 2010 to €118.4 million in the first nine months of 2011 on increased revenue and lower expenses. In particular, maintenance expenses decreased by 7.8% from €21.8 million in the nine months ended September 30, 2010 to €20.1 million in the nine months ended September 30, 2011, as we shifted priorities from investment expenses to value enhancements (modernizations). In the nine months ended September 30, 2011 a total of €37.5 million (€12.44 per square meter) was spent on maintenance and value enhancing investments (modernizations), down by 10.1% from the €41.7 million (€13.81 per square meter) in the nine months ended September 30, 2010. Taking into account additional staff expenses and general and administrative expenses indirectly attributable to the Residential Property Management segment, the operating performance of the total residential portfolio (net operating income — NOI) increased by 4.1% from €101.4 million in the nine months ended September 30, 2010 to €106.2 million in the nine months ended September 30, 2011, corresponding to an increase from €3.73 per square meter and month in the nine months ended September 30, 2010 to €3.94 per square meter and month in the nine months ended September 30, 2011. The increase was largely attributable to a lower vacancy and the corresponding decrease in maintenance and non-recoverable expenses.

Disposals Segment

The Disposals segment records the income generated by way of single-unit sales (privatizations) and block sales. Expenses in this segment are primarily incurred through sales commissions and promotional measures.

The following table summarizes the sales that were recorded in the first nine months of 2011 and the first nine months of 2010:

	January 1 – September 30, 2011	January 1 – September 30, 2010
	(unaudited, in € million)	
Sales proceeds	85.7	91.4
Cost of Sales	(5.4)	(4.4)
Net sales proceeds	**80.3**	**87.0**
Carrying amounts of assets sold	(73.1)	(78.2)
Segment profit/loss	**7.2**	**8.8**

Sales proceeds decreased by 6.2% from €91.4 million in the first nine months of 2010 to €85.7 million in the first nine months of 2011 on lower volumes and lower average sales prices per square meter.

Segment profit decreased by 17.5% from €8.8 million in the first nine months of 2010 to €7.2 million in the first nine months of 2011, in particular due to the focusing of disposals on the adjustments portfolio, resulting in lower average margins.

The following table summarizes single-unit sales (privatizations) for the nine months ended September 30, 2010 and September 30, 2011:

	January 1 – September 30, 2011	January 1 – September 30, 2010
	(unaudited)	
Sales proceeds in € million	48.8	34.8
Average sales price in € per square meter	1,159	1,195
Volume in residential units	642	417
Cost of sales in € million	(3.9)	(3.2)
Net sales proceeds in € million	**44.9**	**31.6**
Carrying amount of assets sold in € million	(35.7)	(25.9)
Gross margin in %	36.6	34.2
Profit/loss from single-unit sales (privatizations) in € million	**9.1**	**5.7**

Sales proceeds from single-unit sales (privatizations) increased by 40.2% from €34.8 million in the nine months ended September 30, 2010 to €48.8 million in the nine months ended September 30, 2011 due to an increase in the number of units sold which was only partially offset by a reduction in the average sales price by square meter. The profit from single-unit sales (privatizations) increased by 60.0% from €5.7 million in the nine months ended September 30, 2010 to €9.1 million in the nine months ended September 30, 2011.

The following table summarizes the institutional sales for the nine months ended September 30, 2010 and September 30, 2011:

	January 1 – September 30, 2011	January 1 – September 30, 2010
	(unaudited)	
Sales proceeds in € million	36.9	56.6
Average sales price in € per square meter	520	626
Volume in residential units	1,149	1,502
Cost of sales in € million	(1.4)	(1.2)
Net sales proceeds in € million	**35.5**	**55.4**
Carrying amount of assets sold in € million	(37.4)	(52.3)
Gross margin in %	(1.2)	8.2
Profit/loss from institutional sales in € million	**(1.9)**	**3.1**

Sales proceeds from institutional sales decreased by 34.8% from €56.6 million in the nine months ended September 30, 2010 to €36.9 million in the nine months ended September 30, 2011 on lower average sales prices per square meter and a decrease in the number of units sold. The profit/loss from institutional sales deteriorated from a profit of €3.1 million in the nine months ended September 30, 2010 to a loss of €1.9 million in the nine months ended September 30, 2011.

Nursing and Assisted Living Segment

	January 1 – September 30, 2011	January 1 – September 30, 2010
	(unaudited, in € million)	
Total revenue	**25.2**	**24.7**
External revenue	25.2	24.7
Nursing and corporate expenses	(4.6)	(4.5)
Staff expenses	(13.3)	(13.1)
Segment profit/loss	**7.3**	**7.1**

The Nursing and Assisted Living segment records the income from our residential care and assisted living.

External revenue increased by 2.0% from €24.7 million in the first nine months of 2010 to €25.2 million in the first nine months of 2011 on a rising occupancy rate, which increased from 93.8% in the first nine months of 2010 to 94.6% in the first nine months of 2011.

Segment profit (results of KATHARINENHOF, not including any rents attributable to GEHAG residential facilities for seniors, loan interest for leased properties, maintenance costs or similar costs, as these are borne by the real estate companies of the GEHAG Group or are not charged) increased by 2.8% from 7.1 million in the first nine months of 2010 to 7.3 million in the first nine months of 2011, as revenue increased stronger than expenses.

Comparison of the Fiscal Years Ended December 31, 2010 and December 31, 2009

The following table shows Deutsche Wohnen's consolidated profit and loss statement for the fiscal years ended December 31, 2010 and December 31, 2009, based on our audited consolidated financial statements for the fiscal year ended December 31, 2010.

	January 1 – December 31, 2010	January 1 – December 31, 2009
	(audited, in € thousand)	
Revenue	297,811	306,331
Gains/losses from disposals	19,566	15,930
Sales proceeds	171,682	85,677
Carrying amounts of assets sold	(152,116)	(69,748)
Other operating income	9,618	12,699
Total income	**326,995**	**334,959**
Expenses for purchased goods and services	(122,589)	(134,774)
Staff expenses	(39,157)	(40,204)
Other operating expenses	(29,130)	(26,488)
Restructuring and reorganization expenses	0	(7,784)
Total expenses	**(190,876)**	**(209,249)**
Subtotal	**136,119**	**125,710**
Gains/losses from fair value adjustments of investment properties	47,178	0
Depreciation and amortization	(3,044)	(2,780)
Earnings before interest and taxes (EBIT)	**180,253**	**122,929**
Finance income	848	868
Gains/losses from fair value adjustments of derivative financial instruments	(234)	(1,203)
Finance expense	(123,728)	(119,242)
Profit before taxes	**57,139**	**3,352**
Income taxes	(33,334)	(16,630)
Profit/loss for the period	**23,805**	**(13,277)**

Revenue

Revenue decreased by 2.8% from €306.3 million in 2009 to €297.8 million in 2010, primarily due to a decrease in the revenue of the Residential Property Management segment. The following table provides a breakdown of our consolidated revenue for the relevant periods:

	January 1 – December 31, 2010	January 1 – December 31, 2009
	(audited, in € thousand)	
Residential Property Management	264,123	270,096
Nursing and Assisted Living	33,156	34,160
Other Services	532	2,074
Total	**297,811**	**306,331**

The decline in revenue of Residential Property Management of 2.2% was mainly due to the sale of 3,314 residential units in 2010.

Gains/Losses from Disposals

Gains/losses from disposals increased by 22.8% from €15.9 million in 2009 to €19.6 million in 2010, mainly due to a substantial increase in institutional sales.

Expenses for Purchased Goods and Services

Expenses for purchased goods and services decreased by 9.0% from €134.8 million in 2009 to €122.6 million in 2010. The main reason for the decrease was the reduction of residential units due to sales in 2009 and 2010, which led to a decrease in maintenance and operating costs. Furthermore, these sales also impacted the composition of the total residential portfolio, as we sold units with a higher vacancy rate and in a poorer state of repair compared to units in the residential portfolio in our core regions.

Staff Expenses

Staff expenses decreased by 2.6% from €40.2 million in 2009 to €39.2 million in 2010.

Other Operating Expenses

The other operating expenses increased by 10% from €26.5 million in 2009 to €29.1 million in 2010 and can be broken down as follows:

	January 1 – December 31, 2010	January 1 – December 31, 2009
	(audited, in € thousand)	
Cost of data processing and communications	4,411	4,771
Ongoing legal, consultancy and audit costs	2,197	1,355
Impairment and amortization of receivables	2,336	2,493
Cost of sales/Marketing cost	3,343	2,960
Cost of office space	1,882	1,928
Vehicle and travel expenses	708	1,252
Insurance	313	391
Administrative and miscellaneous expenses	13,940	11,337
Total	**29,130**	**26,488**

The increase in other operating expenses by 10.0% from €26.5 million in 2009 to €29.1 million in 2010 was mainly due to increases in administrative and miscellaneous expenses, ongoing legal, consultancy and audit costs, and costs of sales/marketing costs, which were only partially offset by decreases in other expenses. The increase of administrative and miscellaneous expenses in 2010 was due to the inclusion of non-recurring expenses, which were recognized under the line item restructuring and reorganization expenses in 2009.

Restructuring and Reorganization Expenses

Restructuring and reorganization expenses amounted to €7.8 million in 2009. No restructuring and reorganization expenses were incurred in 2010, as such expenses were due to personnel restructuring and the reorganization of business processes related to the GEHAG Group's integration into our Group from 2007 to 2008, which impacted the 2009 expenses, but did not recur in 2010.

Gains/Losses from Fair Value Adjustments of Investment Properties

The gains/losses from fair value adjustments of investment properties amounted to €47.2 million in 2010, primarily due to improved operative parameters of our total residential portfolio. In 2009, there were no gains/losses from fair value adjustments of investment properties. An internal valuation of our entire real estate portfolio was largely confirmed by the valuation of our entire real estate portfolio by CB Richard Ellis as of December 31, 2010 and as of December 31, 2009. The valuation was based on various parameters, including assumptions relating to annual increases in in-place rent, target vacancy levels, as well as capitalization rates and discount rates. The weighted average of the discount rates was 6.77% both as of December 31, 2010 and December 31, 2009. As of December 31, 2010, a shift in the capitalization and discount rates by 0.1% would have resulted in fair value adjustments of €47 million.

Depreciation and Amortization

Depreciation and amortization increased by 9.5% from €2.8 million in 2009 to €3.0 million in 2010. While depreciation and amortization expenses related to intangible assets decreased slightly by 2.4% from €1.3 million in 2009 to €1.2 million in 2010, depreciation and amortization of property, plant and equipment increased by 19.4% from €1.5 million in 2009 to €1.8 million in 2010.

Financial Result

The financial result deteriorated by 3.0% from negative €119.6 million in 2009 to negative €123.1 million in 2010, primarily due to an increase in prepayment penalties that was only partially offset by a decrease in current interest expenses. The following table sets forth information relating to our financial result in 2010 and 2009:

	January 1 – December 31, 2010	January 1 – December 31, 2009
	(audited, in € thousand)	
Current interest expenses	(86,250)	(97,736)
Accrued interest on liabilities and pensions	(13,878)	(15,275)
Prepayment penalties	(23,600)	(6,231)
Finance expense	**(123,728)**	**(119,242)**
Finance income	848	868
Gains/losses from fair value adjustments of derivative financial instruments	(234)	(1,203)
Financial result	**(123,114)**	**(119,577)**

Current interest expenses decreased by 11.7% from €97.7 million in 2009 to €86.3 million in 2010. The decrease reflected the impact of our deleveraging on interest expenses.

The increase in finance expense was primarily due to the one-off impact of prepayment penalties, which amounted to €6.2 million in 2009 and €23.6 million in 2010. At the end of the year 2010, we terminated swaps with high fixed interest rates before maturity as these swaps were no longer needed to hedge interest rate risks in the individual companies. These terminations primarily related to the repayment of loans following property disposals. We also converted a corporate loan due in 2014 with a fixed interest of 5.79% into a floating rate loan and made an extraordinary repayment of €25 million. The term of the loan was extended until 2017. We expect that these measures will reduce the average interest rate from 4.4% to 4.0% from 2011 onwards. As of December 31, 2010, the hedging ratio amounted to approximately 78%.

The fair value of our derivative financial instruments increased from negative €70.5 million as of December 31, 2009 to negative €61.2 million as of December 31, 2010. This increase was mainly recorded directly in equity. Only a small amount relating to hedges not qualifying for hedge accounting was recorded in our consolidated profit and loss statement, leading to net losses from fair value adjustments of derivative financial instruments of €0.2 million in 2010 (2009: net losses of €1.2 million).

Profit before Taxes (EBT)

Profit before taxes increased significantly from €3.4 million in 2009 to €57.1 million in 2010. As noted above, profit before taxes were significantly impacted by fair value adjustments of investment properties and derivative financial instruments in 2010 as well as by the countervailing effect of increased prepayment penalties, whereas in 2009 they were negatively affected by restructuring and reorganization expenses. Excluding these items, EBT (adjusted) increased by 81.2% from €18.6 million in 2009 to €33.7 million in 2010, reflecting the reduction in current interest expenses as a result of our deleveraging and the increase in gains/losses from disposals.

Income Taxes

Income taxes increased from €16.6 million in 2009 to €33.3 million in 2010. The main reason was the revaluation of our investment properties, which, as a countervailing effect, resulted in an increase in deferred tax liabilities and a decrease in deferred tax assets. The following table shows the development of the income taxes:

	January 1 – December 31, 2010	January 1 – December 31, 2009
	(audited, in € thousand)	
Current tax expense		
Current income tax charge	(4,832)	(1,788)
Tax advantage from capital increase costs	0	(3,744)
Deferred tax expense		
Investment property	(31,927)	(15,137)
Loss carry-forwards	2,958	3,081
Loans	1,563	1,909
Other provisions	(96)	(907)
Interest rate swaps	73	211
Pensions	(111)	0
Other	(962)	(255)
Income taxes	**(33,334)**	**(16,630)**

Profit/Loss for the Period

The profit/loss for the period improved from a loss of €13.3 million in 2009 to a profit of €23.8 million in 2010. The main reasons were an increase in the gains/losses from fair value adjustments of investment properties, a decrease in expenses for purchased goods and services due primarily to the sale of residential units and the non-recurrence of restructuring and reorganization costs, positive effects which were only partially set off by an increase in income taxes and finance expense primarily due to prepayment penalties.

Segment Discussion

The following discussion presents selected segment financial data as of and for the fiscal years ended December 31, 2010 and December 31, 2009.

Residential Property Management Segment

	January 1 – December 31, 2010	January 1 – December 31, 2009
	(unaudited, unless otherwise indicated; in € million)	
Total revenue (audited)	**266.2**	**274.3**
Internal revenue	2.1	2.1
External revenue (audited)	**264.1**	**272.2**
Revenue from billing of cost allocations (audited)	73.6	76.1
Other services (audited)[1)]	—	2.1
Current gross rental income and other income (audited)	**190.5**	**194.0**
Other income	0.6	1.3
Current gross rental income	**189.9**	**192.7**
Non-recoverable expenses	(6.4)	(6.5)
Rental loss	(2.1)	(2.0)
Maintenance	(28.0)	(30.1)
Other	(2.4)	(3.1)
Segment profit/loss (audited)	**150.9**	**151.0**
Staff expenses, general and administrative expenses	(17.0)	(18.6)
Operating Result (Net Operating Income—NOI)	**133.9**	**132.4**

1) *Revenue from other services is included in "central functions and other operating activities" of the reconciliation with consolidated financial statements in the Segment reporting from 2010 onwards.*

The decrease in external revenue from residential property management by 3.0% from €272.2 million in 2009 to €264.1 million in 2010 primarily reflected the impact of the sale of 3,314 residential units or 205,796 square meters in 2010 and 1,573 residential units or 103,874 square meters in 2009, which reduced the number of rented residential units. Current gross rental income and other income decreased by 1.8% from €194.0 million in 2009 to €190.5 million in 2010. Residential rents (incl. subsidies) accounted with 95.5% (2009: 95.3%) for the vast majority of our current gross rental income in 2010, while commercial real estate and parking spaces account for only 4.5% (2009: 4.7%); subsidies from publicly subsidized housing programs account for only 1.8% (2009: 2.0%) of total current gross rental income. Revenue from billing of cost allocations decreased by 3.3% from €76.1 million in 2009 to €73.6 million in 2010.

The effect of the reduced number of residential units on rental income was partly compensated by an increase in monthly in-place rent of residential units from €5.29 per square meter as of December 31, 2009 to €5.38 per square meter as of December 31, 2010 for our total residential portfolio, and from €5.37 per square meter as of December 31, 2009 to €5.46 per square meter as of December 31, 2010 for our letting portfolio in our core regions. The increase was mainly due to tenant fluctuation and index adjustments. Tenant fluctuation had a positive impact on monthly in-place rent as the rent for newly let units not subject to rent control in the letting portfolio in our core regions in 2010 was €6.46 per square meter compared to monthly in-place rent in the letting portfolio in our core regions of €5.46 per square meter as of December 31, 2010 (2009: €6.26 compared to €5.37 as of December 31, 2009).

A reduction in the vacancy rate also helped to mitigate the impact of the reduced number of residential units: We were able to reduce the overall average residential vacancy rate from 4.2% as of December 31, 2009 to 3.3% as of December 31, 2010, and in our letting portfolio in our core regions from 2.7% as of December 31, 2009 to 2.0% as of December 31, 2010. As of December 31, 2010, about one-third of the vacancies in the letting portfolio in our core regions were due to investment-related purposes.

Notwithstanding the portfolio sales described above, segment profit remained stable and amounted to €150.9 million in 2010 compared with €151.0 million in 2009. Lower revenue was compensated by a decrease in expenses, in particular a reduction of maintenance expenses by 7.0% from €30.1 million in 2009 to €28.0 million in 2010. Taking into account additional staff expenses and general and administrative expenses indirectly attributable to the Residential Property Management segment, the operating performance of the total residential portfolio (net operating income — NOI) increased by 1.1% from €132.4 million in 2009 to €133.9 million in 2010, corresponding to an increase from €3.51 per square meter and month in 2009 to €3.73 per square meter and month in 2010.

Disposals Segment

The following table summarizes the profit/loss of the Disposals segment for 2010 and 2009:

	January 1 – December 31, 2010	January 1 – December 31, 2009
	(unaudited, unless otherwise indicated; in € million)	
Sales proceeds (audited)	171.7	85.7
Cost of Sales	(6.9)	(6.2)
Net sales proceeds	**164.8**	**79.4**
Carrying amount of assets sold (audited)	(152.1)	(69.8)
Segment profit/loss (audited)	**12.7**	**9.7**

Sales proceeds increased by 100.4% from €85.7 million in 2009 to €171.7 million in 2010, primarily due to a volume and price increase in institutional sales, reflecting the improved economic environment in Germany. Sales related both to units from the letting portfolio in our core regions and from the residential portfolio in our disposal regions. Disposals from the letting portfolio in our core regions (2010: 1,683 units) related primarily to less desirable locations in our core regions with lower rent potential.

Cost of sales increased by 11.3% from €6.2 million in 2009 to €6.9 million in 2010, thus decreasing from 7.2% of the sales proceeds in 2009 to 4.0% of the sales proceeds in 2010. Disposals segment profit/loss increased by 30.1% from €9.7 million in 2009 to €12.7 million in 2010. The fact that segment profit/loss increased at a lesser rate than sales was due to the larger share of institutional sales, as margins for institutional sales were lower than margins for single-unit sales (privatizations).

The following table summarizes the single-unit sales (privatizations) for 2010 and 2009:

	January 1 – December 31, 2010	January 1 – December 31, 2009
	(unaudited)	
Sales proceeds in € million	56.8	57.6
Average sales price in € per square meter	1,214	1,201
Volume in residential units	660	675
Cost of sales in € million	(4.9)	(4.9)
Net sales proceeds in € million	**51.8**	**52.6**
Carrying amount of assets sold in € million	(42.3)	(42.8)
Gross margin in %	34.3	34.3
Profit/loss from single-unit sales (privatizations) in € million	**9.5**	**9.9**

Sales proceeds from single-unit sales (privatizations) remained nearly unchanged at €56.8 million in 2010 (2009: €57.6 million) on stable prices and volumes. Cost of sales and the carrying amount of assets sold remained nearly constant in 2010 and 2009, leading to a profit from single-unit sales (privatizations) of €9.5 million in 2010 compared to €9.9 million in 2009.

The following table summarizes the institutional sales for 2010 and 2009:

	January 1 – December 31, 2010	January 1 – December 31, 2009
	(unaudited)	
Sales proceeds in € million	114.9	28.1
Average sales price in € per square meter	722	488
Volume in residential units	2,654	898
Cost of sales in € million	(2.0)	(1.3)
Net sales proceeds in € million	**113.0**	**26.8**
Carrying amount of assets sold in € million	(109.8)	(27.0)
Gross margin in %	4.6	4.6
Profit/loss from institutional sales in € million	**3.2**	**(0.2)**

Sales proceeds from institutional sales increased significantly from €28.1 million in 2009 to €114.9 million in 2010 on rising average sales prices and volumes. The increase in sales reflected the improved economic environment in Germany. As the carrying amount of assets sold was also significantly higher, the profit/loss from institutional sales only improved from a loss €0.2 million to a profit of €3.2 million.

Nursing and Assisted Living Segment

	January 1 – December 31, 2010	January 1 – December 31, 2009
	(unaudited, unless otherwise indicated; in € million)	
Total revenue (audited)	**40.6**	**38.8**
External revenue (audited)	40.6	38.8
Nursing and corporate expenses	(11.7)	(11.2)
Staff expenses	(20.0)	(18.5)
Segment profit/loss (audited)	**8.9**	**9.1**

External segment revenue increased by 4.6% from €38.8 million in 2009 to €40.6 million in 2010. The average occupancy rate increased from 93.7% in 2009 to 94.0% in 2010.

Segment profit was nearly unchanged at €8.9 million in 2010 (2009: €9.1 million), as expenses increased basically in line with revenue.

Comparison of the Fiscal Years ended December 31, 2009 and December 31, 2008

The following table shows Deutsche Wohnen's consolidated profit and loss statement for the fiscal years ended December 31, 2009 and December 31, 2008, based on our audited consolidated financial statements for the fiscal year ended December 31, 2009.

	January 1 – December 31, 2009	January 1 – December 31, 2008
	(audited, in € thousand)	
Revenue	306,331	315,512
Gains/losses from disposals	15,930	17,409
Sales proceeds	85,677	119,710
Carrying amounts of assets disposed	(69,748)	(102,301)
Other operating income	12,699	11,423
Total income	**334,959**	**344,344**
Expenses for purchased goods and services	(134,774)	(139,085)
Staff expenses	(40,204)	(43,541)
Other operating expenses	(26,488)	(31,222)
Restructuring and reorganization expenses	(7,784)	(24,092)
Total expenses	**(209,249)**	**(237,940)**
Subtotal	**125,710**	**106,404**
Gains/losses from fair value adjustments of investment properties	0	(276,528)
Depreciation and amortization	(2,780)	(1,794)
Share of profit of associated companies	—	60
Earnings before interest and taxes (EBIT)	**122,929**	**(171,859)**
Finance income	868	2,540
Gains/losses from fair value adjustments of derivative financial instruments	(1,203)	(32,197)
Finance expense	(119,242)	(127,281)
Profit/loss before taxes	**3,352**	**(328,796)**
Income taxes	(16,630)	56,471
Profit/loss from continuing operations	(13,277)	(272,326)
Profit/loss from discontinued operations	—	16,421
Profit/loss for the period	**(13,277)**	**(255,905)**

Revenue

Revenue decreased by 2.9% from €315.5 million in 2008 to €306.3 million in 2009. The following table provides a breakdown of our consolidated revenue for the relevant periods:

	January 1 – December 31, 2009	January 1 – December 31, 2008
	(audited, in € thousand)	
Residential Property Management	270,096	277,351
Nursing and Assisted Living	34,160	33,117
Other Services	2,074	5,044
Total	**306,331**	**315,512**

The decline in revenue from Residential Property Management by 2.6% from €277.4 million in 2008 to €270.1 million in 2009, which was primarily due to sales of 1,573 residential units or 103,874 square meters in 2009, was only partly compensated by the increase in revenue from Nursing and Assisted Living by 3.1% from €33.1 million in 2008 to €34.2 million in 2009.

Gains/Losses from Disposals

The gains/losses from disposals decreased by 8.5% from €17.4 million in 2008 to €15.9 million in 2009, mainly due to a significant decrease in institutional sales as a result of the impact of the global economic and financial crisis on the economic environment in Germany.

Expenses for Purchased Goods and Services

Expenses for purchased goods and services received decreased by 3.1% from €139.1 million in 2008 to €134.8 million in 2009. The main reason for the decrease was the reduction of residential units due to sales in 2008 and 2009, which led to a decrease in maintenance and operating costs. Furthermore, these sales also impacted the composition of the total residential portfolio, as we sold units with a higher vacancy rate and in a poorer state of repair compared to units in the residential portfolio in our core regions.

Staff Expenses

In line with a decrease of the average number of employees by 5.8% from 1,297 employees in 2008 to 1,222 in 2009, staff expenses decreased by 7.7% from €43.5 million in 2008 to €40.2 million in 2009. The decrease in the average number of employees was due to continuing integration of the GEHAG Group, which we acquired in 2007.

Other Operating Expenses

Other operating expenses decreased by 15.2% from €31.2 million in 2008 to €26.5 million in 2009, mainly due to decreases in legal, consultancy and audit costs, administrative and miscellaneous expenses and marketing costs. The following table sets forth a breakdown of other operating expenses:

	January 1 – December 31, 2009	January 1 – December 31, 2008
	(audited, in € thousand)	
Cost of data processing and communications	4,771	4,753
Ongoing legal, consultancy and audit costs	1,355	2,809
Impairment and amortization of receivables	2,493	2,663
Cost of sales/marketing cost	2,960	4,164
Cost of office space	1,928	2,578
Vehicle and travel expenses	1,252	1,203
Insurance	391	474
Administrative and miscellaneous expenses	11,337	12,578
Total	**26,488**	**31,222**

Restructuring and Reorganization Expenses

The decrease in restructuring and reorganization expenses by 67.7% from €24.1 million in 2008 to €7.8 million in 2009 was primarily due to the finalization of the personnel restructuring and reorganization of business processes related to the GEHAG Group's integration into our Group. Following the GEHAG acquisition, headcount was reduced by approximately 140 employees in 2008 (approximately 30% of the total number of employees in the Residential Property Management and Disposals segments). Reorganization expenses were incurred (2009: €4.4 million; 2008: €10.9 million) in addition to restructuring expenses (2009: €3.4 million; 2008: €13.2 million), which include severance and wage continuation payments for those employees made redundant. The reorganization expenses primarily include legal and other consulting costs, contract rescission costs and costs for standardizing operations.

Gains/Losses from Fair Value Adjustments of Investment Properties

The gains/losses from fair value adjustments of investment properties amounted to negative €276.5 million in 2008. There was no impact from the fair value adjustments of investment properties on our profit and loss in 2009. The capitalization rates and discount rates increased from December 31, 2007 to December 31, 2008 and, therefore, contributed to the downward valuation adjustments of properties in 2008. In 2009, the weighted average of the discount rates decreased slightly from 6.79% as of December 31, 2008 to 6.77% as of December 31, 2009, while the weighted average capitalization rate increased from 5.72% as of December 31, 2008 to 6.77% as of December 31, 2009. The increase in the capitalization rates in 2008 and 2009 can be primarily attributed to an increase in risk premiums related to the economic and financial crisis.

Depreciation and Amortization

Depreciation and amortization increased by 55.0% from €1.8 million in 2008 to €2.8 million in 2009 and were mainly driven by an increase in depreciation following the capitalization of costs in the first half of 2009 associated with the implementation of SAP in late 2008.

Financial Result

The financial result improved by 23.8% from negative €156.9 million in 2008 to negative €119.6 million in 2009. The following table sets forth information relating to our financial result in 2009 and 2008:

	January 1 – December 31, 2009	January 1 – December 31, 2008
	(audited, in € thousand)	
Current interest expenses	(97,736)	(107,274)
Accrued interest on liabilities and pensions	(15,275)	(14,329)
Prepayment penalties	(6,231)	0
Other	0	(5,678)
Finance expense	**(119,242)**	**(127,281)**
Finance income	868	2,540
Gains/losses from fair value adjustments of derivative financial instruments	(1,203)	(32,197)
Financial result	**(119,577)**	**(156,938)**

The improvement of our financial result was primarily due to an improvement in the gains/losses from fair value adjustments of derivative financial instruments. While the fair value of our derivative financial instruments decreased from negative €49.3 million as of December 31, 2008 to negative €70.5 million as of December 31, 2009, the decrease was largely due to effective hedges directly recognized in equity and do not impact our consolidated profit and loss statement. Only the non-effective part of such hedges is recognized in our consolidated profit and loss statement, leading to net losses from fair value adjustments of derivative financial instruments of €32.2 million in 2008 and €1.2 million in 2009.

In addition, a decrease in current interest expenses by 8.9% from €107.3 million in 2008 to €97.7 million in 2009 helped to improve our financial result. This decrease was mainly the result of lower debt levels due to deleveraging.

Profit/Loss before Taxes (EBT)

Profit/loss before taxes improved significantly from a loss of €328.8 million in 2008 to a profit of €3.4 million in 2009. As noted above, profit/loss before taxes in 2008 were significantly impacted by fair value adjustments of investment properties and derivative financial instruments, as well as by higher restructuring and reorganization costs, whereas we incurred prepayment penalties, a special DB 14 payout and a lower level of restructuring and reorganization costs in 2009. Excluding these items, EBT (adjusted) increased from €9.7 million in 2008 to €18.6 million in 2009, reflecting the reduction in current interest expenses as a result of our deleveraging and lower expenses for purchased goods and services, staff expenses and other operating expenses due to the sale of units.

Income Taxes

Income taxes decreased from a tax income of €56.5 million in 2008 to tax expense of €16.6 million in 2009. The main reason was the devaluation of the investment properties in 2008, which, as a countervailing effect, resulted in a decrease in deferred tax liabilities or an increase in deferred tax assets in such year. An increase in deferred tax assets due to the decrease of market values of the interest rate swaps was also recorded in 2008. The following table shows the development of income taxes:

	January 1 – December 31, 2009	January 1 – December 31, 2008
	(audited, in € thousand)	
Current tax expense		
Current income tax	(1,788)	271
Tax benefit from capital increase costs	(3,744)	0
Deferred tax expense		
Investment property	(15,137)	62,893
Loss carry-forwards	3,081	(15,802)
Loans	1,909	521
Other provisions	(907)	116
Interest rate swaps	211	9,773
Pensions	0	(412)
Others	(255)	(889)
Income taxes	**(16,630)**	**56,471**

Profit/Loss for the Period

The loss for the period improved from €255.9 million in 2008 to €13.3 million in 2009. The main reasons were the fair value adjustments of investment properties in 2008, lower restructuring and reorganization costs, improved gains/losses from fair value adjustments of derivative financial instruments and decreased finance expense.

Segment Discussion

The following discussion presents selected segment financial data as of and for the fiscal years ended December 31, 2009 and December 31, 2008, based on our audited consolidated financial statements for the year ended December 31, 2009. With the application of the provisions of IFRS 8 "Operating Segments," we adapted the definition of our segment profit or loss to the internal reporting of our Group in 2009. According to our internal reporting approach pursuant to IFRS 8 "Operating Segments," the segment profit or loss comprises the EBITDA adjusted for restructuring and reorganization expenses. We also adjusted the segment revenue for our Disposals segment. This segment revenue now shows the revenue from the sale of units without deduction of the carrying amount of the properties sold. No changes were made to the way the segments we report are divided. Therefore the segment data for the fiscal year ended December 31, 2008 have been derived from the adjusted prior year comparative figures for 2008 of the segment reporting in the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal year ended December 31, 2009 and the Company's accounting records.

Residential Property Management Segment

	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited, unless otherwise indicated, in € million)	
Total revenue (audited)	**274.3**	**283.8**
Internal revenue	2.1	1.4
External revenue (audited)	**272.2**	**282.4**
Revenue from billing of cost allocations (audited)	76.1	82.2
Other services (audited)	2.1	5.0
Current gross rental income and other income (audited)	**194.0**	**195.2**
Other income	1.3	1.4
Current gross rental income	**192.7**	**193.8**
Non-recoverable expenses	(6.5)	(3.4)
Rental loss	(2.0)	(1.9)
Maintenance	(30.1)	(36.8)
Other	(3.1)	(3.8)
Segment profit/loss (audited)	**151.0**	**147.8**
Staff expenses, general and administrative expenses	(18.6)	(20.9)
Operating Result (Net Operating Income — NOI)	**132.4**	**126.9**

The decrease in external revenue from residential property management by 3.6% from €282.4 million in 2008 to €272.2 million in 2009 was primarily due to sales of 1,573 residential units or 103,874 square meters in 2009. Current gross rental income and other income decreased by 0.6% from €195.2 million in 2008 to €194.0 million in 2009. Residential rents (incl. subsidies) accounted with 95.3% (2008: 95.3%) for the vast majority of our current gross rental income in 2009, while commercial real estate and parking spaces only account for 4.7% (2008: 4.7%); subsidies from publicly subsidized housing programs only account for 2.0% (2008: 2.1%) of total current gross rental income. Revenue from billing of cost allocations also decreased by 7.4% from €82.2 million in 2008 to €76.1 million in 2009.

The effect of the reduced number of residential units on rental income was partly compensated by an increase in monthly in-place rent of residential units from €5.14 per square meter as of December 31, 2008 to €5.29 per square meter as of December 31, 2009 for our total residential portfolio, and from €5.21 per square meter as of December 31, 2008 to €5.37 per square meter as of December, 31 2009 for our letting portfolio in our core regions. The increase was primarily due to index adjustments and tenant fluctuation. Tenant fluctuation had a positive impact on monthly in-place rent as the rent for newly let units not subject to rent control in the letting portfolio in our core regions in 2009 was €6.26 per square meter compared to monthly in-place rent in the letting portfolio in our core regions of €5.37 per square meter as of December 31, 2009 (2008: €5.21 per square meter compared to €5.97 per square meter as of December 31, 2008).

A reduction in the vacancy rate also helped to mitigate the impact of declining revenue: We were able to reduce the overall average residential vacancy rate from 5.9% as of December 31, 2008 to 4.2% as of December 31, 2009, and in our letting portfolio in our core regions from 4.0% as of December 31, 2008 to 2.7% as of December 31, 2009.

Despite the portfolio sales mentioned above, segment profit increased by 2.2% from €147.8 million in 2008 compared to €151.0 million in 2009. Lower revenue was compensated by a decrease in expenses, in particular a 18.4% decrease in maintenance expenses from €36.8 million in 2008 to €30.1 million in 2009, which was only partially offset by a 91.2% increase in non-recoverable expenses from €3.4 million in 2008 to €6.5 million in 2009. Taking into account additional staff expenses and general and administrative expenses indirectly attributable to the Residential Property Management segment, the operating performance of the total residential portfolio (net operating income — NOI) increased by 4.3% from €126.9 million in 2008 to €132.4 million in 2009, corresponding to an increase from €3.25 per square meter and month in 2008 to €3.51 per square meter and month in 2009.

Disposals Segment

The following table summarizes the profit/loss of the Disposals segment for 2009 and 2008:

	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited, unless otherwise indicated, in € million)	
Sales proceeds (audited)	85.7	119.7
Cost of Sales	(6.2)	(4.2)
Net sales proceeds	**79.4**	**115.5**
Carrying amounts of assets sold (audited)	(69.8)	(102.3)
Segment profit/loss (audited)	**9.7**	**13.2**

Sales proceeds decreased by 28.4% from €119.7 million in 2008 to €85.7 million in 2009, primarily due to a volume and price decrease in institutional sales, reflecting the impact of the global economic and financial crisis on the economic environment in Germany.

Cost of sales increased by 47.6% from €4.2 million in 2008 to €6.2 million in 2009, thus increasing from 3.5% of the sales proceeds in 2008 to 7.2% of the sales proceeds in 2009.

The carrying amounts of assets sold decreased at a faster rate than sales proceeds, resulting in an increase in the margin between carrying amounts of the assets sold and sales proceeds from 14.5% in 2008 to 18.6% in 2009. This margin increase was more than offset by the increase in costs of sales and the lower sales proceeds, resulting in a decrease in segment profit/loss from disposals of 26.5% from €13.2 million in 2008 to €9.7 million in 2009.

The following table summarizes the single-unit sales (privatizations) for 2009 and 2008:

	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	
Sales proceeds in € million	57.6	61.0
Average sales in € price per square meter	1,201	1,378
Volume in housing units	675	573
Cost of sales in € million	(4.9)	(3.7)
Net sales proceeds in € million	**52.6**	**57.3**
Carrying amount of assets sold in € million	(42.8)	(45.1)
Gross margin in %	34.3	35.1
Profit/loss from single-unit sales (privatizations) in € million	**9.9**	**12.2**

Sales proceeds from single-unit sales (privatizations) decreased by 5.6% from €61.0 million in 2008 to €57.6 million in 2009, as declining average sales prices were largely offset by an increase in the number of units sold. The development of sales highlighted that the global economic and financial crisis had only a small impact on our single-unit sales (privatizations) activities. Cost of sales increased by 32.4% from €3.7 million in 2008 to €4.9 million in 2009. The carrying amount of assets sold decreased by 5.1% from €45.1 million in 2008 to €42.8 million in 2009, thus at a lower rate than sales proceeds. This comparatively smaller decrease and the increase in cost of sales led to an 18.9% decrease in the profit from single-unit sales (privatizations) from €12.2 million in 2008 to €9.9 million in 2009.

The following table summarizes the institutional sales for 2009 and 2008:

	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	
Sales proceeds in € million	28.1	58.7
Average sales price in € per square meter	488	741
Volume in housing units	898	1,225
Cost of sales in € million	(1.3)	(0.5)
Net sales proceeds in € million	**26.8**	**58.2**
Carrying amount of assets sold in € million	(27.0)	(57.2)
Gross margin in %	4.6	2.8
Profit/loss from institutional sales in € million	**(0.2)**	**1.0**

Sales proceeds from institutional sales decreased significantly by 52.1% from €58.7 million in 2008 to €28.1 million in 2009 on both falling average sales prices and volumes. The decrease in sales reflected the impact of the global economic and financial crises and the economic environment in Germany in 2009. While the carrying amount of assets sold declined in line with sales, cost of sales rose from €0.5 million in 2008 to €1.3 million in 2009, leading to a decrease in the profit/loss from institutional sales from a profit of €1.0 million in 2008 to a loss of €0.2 million in 2009.

Nursing and Assisted Living Segment

	January 1 – December 31, 2009	January 1 – December 31, 2008
	(audited, unless otherwise indicated; in € million)	
Total revenue (audited)	**38.8**	**38.6**
External revenue (audited)	38.8	38.6
Nursing and corporate expenses	(11.2)	(11.6)
Staff expenses	(18.5)	(18.3)
Segment profit/loss (audited)	**9.1**	**8.7**

External segment revenue remained relatively stable at €38.8 million in 2009 (2008: €38.6 million). The occupancy rate increased from 92.4% in 2008 to 93.7% in 2009.

Segment profit was nearly unchanged at €9.1 million in 2009 (2008: €8.7 million), as a small reduction in nursing and corporate expenses was offset by an increase in staff expenses.

Investment Properties

Our key balance sheet item is investment properties, which amounted to €2.9 billion as of September 30, 2011 (December 31, 2010: €2.8 billion; December 31, 2009: €2.8 billion; December 31, 2008: €2.9 billion). As of September 30, 2011, investment properties accounts for approximately 91.8% of total assets (December 31, 2010: 92.9%; December 31, 2009: 92.1%; December 31, 2008: 92.8%).

Investment properties comprises property that is held for generating rental income or capital appreciation. Investment properties includes land with residential and business buildings, unimproved land, and land with heritable third-party building rights. Upon initial recognition, investment properties are measured at cost, including incidental costs. After initial recognition, investment properties are measured at fair value. Gains or losses from the fair value adjustment are recognized as income or expenses in our consolidated profit and loss statement. Measurement in each case is carried out for the balance sheet date. Prepayments or assets under construction related to investment properties are measured at fair value and reported under investment properties.

Our Group carries investment properties as "Non-current assets held for sale" under current assets if notarized purchase contracts exist on the relevant balance sheet date, but the transfer of ownership has not occurred. These assets are reclassified and recognized at the lower of the selling price or the fair value.

Capitalization and discount rates are key value drivers. These were derived based on a risk-free interest rate (10-year average of net yields of German government bonds: 2.95% as of December 31, 2010) and real estate-specific risk estimates. Discount rates between 6.10% and 8.35% were used for the valuation as of December 31, 2010. The capitalization rates fall within a range from 4.75% to 7.50%. As of December 31, 2010, a capitalization and discount rate shift of 0.1% would have caused a fair value adjustment of €47 million.

Liquidity and Capitalization

Overview

Net cash flows from operating activities is one of the major sources of liquidity for the Group. It amounted to €28.1 million for the nine months ended September 30, 2011 (nine months ended September 30, 2010: €0.6 million) and €9.9 million in 2010 (2009: €3.3 million; 2008: negative €10.3 million).

Another source of financing can be net cash flows from investing activities, with proceeds from sales being the main component. Net cash flows from investing activities showed a cash outflow of €133.2 million for the nine months ended September 30, 2011 (nine months ended September 30, 2010: cash inflow of €121.1 million). The net cash outflow from investing activities in the nine months ended September 30, 2011 primarily reflected the purchase of property, plant and equipment/investment property and other non-current assets of €216.4 million offset by sales proceeds of €90.6 million. In 2010, net cash flows from investing activities was €68.7 million, compared to €74.3 million in 2009 and €88.8 million in 2008. Payments for acquisitions/investments are generally financed externally. In addition, we also obtain financing from banks, which is included in the cash flows from financing activities.

Consolidated Statements of Cash Flows

The following table shows the consolidated statement of cash flows of our Group for the nine months ended September 30, 2011 and 2010 based on our unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 2011; the consolidated statement of cash flows for the fiscal years ended December 31, 2010 and 2009 based on our audited consolidated financial statements as of and for the fiscal year ended December 31, 2010; and the consolidated statement of cash flows for the fiscal year ended December 31, 2008, based on our audited consolidated financial statements as of and for the fiscal year ended December 31, 2009.

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
			(in € thousand)		
Operating activities					
Profit/loss for the period from continuing operations	19,729	10,121	23,805	(13,277)	(272,326)
Finance income	(390)	(395)	(848)	(868)	(2,540)
Finance expense	69,128	75,721	123,728	119,242	127,281
Income taxes	17,695	14,393	33,334	16,630	(56,471)
Profit/loss for the period from continuing operations before interest and taxes	**106,162**	**99,840**	**180,019**	**121,727**	**(204,056)**
Profit/loss for the period from discontinued operations	—	—	—	—	16,421
Non-cash expenses/income					
Fair value adjustments of investment properties	—	—	(47,178)	—	276,528
Depreciation and amortization	2,462	2,377	3,044	2,780	1,794
Fair value adjustments to interest rate swaps	179	2,357	234	1,203	32,197
Other non-cash operating expenses/income	(15,338)	(17,551)	(24,312)	(24,693)	(17,246)
Change in net working capital					
Change in receivables, inventories and other current assets	4,787	4,414	2,986	5,723	(5,248)
Change in operating liabilities	(4,717)	(1,649)	7,107	(2,796)	(1,345)
Net operating cash flows	**93,535**	**89,789**	**121,900**	**103,945**	**99,046**
Interest paid	(57,788)	(64,045)	(86,149)	(96,740)	(109,577)
Interest received	390	395	848	868	2,540
Taxes paid excluding EK 02-payments	481	(1,702)	(2,901)	(443)	(2,350)
Net cash flows from operating activities before EK 02-payments	**36,618**	**24,437**	**33,698**	**7,630**	**(10,342)**
EK 02-payments	(8,506)	(23,839)	(23,839)	(4,336)	—

	January 1 – September 30, 2011	January 1 – September 30, 2010	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
	(unaudited)	(unaudited)	(audited) (in € thousand)	(audited)	(audited)
Net cash flows from operating activities	**28,112**	**598**	**9,859**	**3,294**	**(10,342)**
Investing activities					
Sales proceeds	90,638	145,331	182,283	88,870	104,684
Purchase of property, plant and equipment/investment property and other non-current assets	(216,445)	(21,446)	(89,243)	(13,250)	(28,578)
Proceeds from the disposal of subsidiaries	—	—	—	—	18,770
Receipt of investment subsidies	366	2,525	4,106	—	—
Payments to limited partners in funds	(7,739)	(5,336)	(28,416)	(1,322)	(6,117)
Net cash flows from investing activities	**(133,180)**	**121,074**	**68,730**	**74,298**	**88,759**
Financing activities					
Proceeds from borrowings	587,096	32,561	137,894	1,243	82,032
Repayment of borrowings	(469,619)	(146,111)	(203,963)	(295,263)	(166,348)
Prepayment penalties	—	—	(23,599)	(6,231)	—
Dividends paid to shareholders	(16,368)	—	—	—	—
Proceeds from capital increase	—	—	—	249,480	—
Costs of capital increase	—	—	—	(11,700)	—
Net cash flows from financing activities	**101,109**	**(113,550)**	**(89,668)**	**(62,471)**	**(84,316)**
Net change in cash and cash equivalents	**(3,959)**	**8,122**	**(11,079)**	**15,121**	**(5,899)**
Opening balance of cash and cash equivalents	46,016	57,095	57,095	41,974	47,874
Closing balance of cash and cash equivalents	**42,057**	**65,217**	**46,016**	**57,095**	**41,974**

Comparison of the Nine-month Periods Ended September 30, 2011 and September 30, 2010

Operating Activities

Net cash flows from operating activities increased from €0.6 million in the nine months ended September 30, 2010 to €28.1 million in the nine months ended September 30, 2011. This increase was mainly due to lower EK 02-payments, better operating performance and a reduction in interest paid, which were only partially offset by lower operating liabilities.

Investing Activities

Net cash flows from investing activities deteriorated from a cash inflow of €121.1 million in the nine months ended September 30, 2010 to a cash outflow of €133.2 million in the nine months ended September 30, 2011. This change was mainly the result of the acquisition of properties and investments in existing properties. Cash outflows of €7.7 million in the nine months ended September 30, 2011 (€5.3 million in the nine months ended September 30, 2010) to limited partners in funds in connection with DB 14 were primarily due to the right of sell-out. For further information on the right of sell-out, see "*—Major Factors Affecting Results of Operations—DB 14 Right of Sell-out and Acquisition of Majority in DB 14.*"

Financing Activities

Net cash flows from financing activities improved from a cash outflow of €113.6 million in the nine months ended September 30, 2010 to a cash inflow of €101.1 million in the nine months ended September 30, 2011. The reason for this change was the draw down of additional loans to finance acquisitions in the nine months ended September 30, 2011, compared to a net reduction in borrowings in the nine months ended September 30, 2010. These additional cash inflows were only partially offset by the resumption of dividend payments. The cash outflow for dividends paid to shareholders amounted to €16.4 million in the nine months ended September 30, 2011.

Funds from Operations

FFO (without disposals) increased by 38.8% from €28.9 million in the nine months ended September 30, 2010 to €40.1 million in the nine months ended September 30, 2011. This increase was mainly due to a better operating performance. FFO (incl. disposals) increased by 25.5% from €37.7 million in the nine months ended September 30, 2010 to €47.3 million in the nine months ended September 30, 2011.

Comparison of the Fiscal Years Ended December 31, 2010 and December 31, 2009

Operating Activities

Net cash flows from operating activities increased by 200%, from €3.3 million in 2009 to €9.9 million in 2010. The strong increase in profit/loss for the period from 2009 to 2010 by €37.1 million was mainly due to non-cash items, such as gains/losses from fair value adjustments of investment properties of €47.2 million. The main cash relevant changes related to a decrease in interest paid by €10.6 million in 2010 compared to 2009, reflecting the deleveraging of our business. The reduction in net working capital continued in 2010, adding a total of €10.1 million in 2010 compared to an addition to liquidity of €2.9 million in 2009. In contrast, the EK 02-payments increased from €4.3 million in 2009 to €23.8 million in 2010 because we received the last outstanding official payment notification from the tax authorities.

Investing Activities

Net cash flows from investing activities decreased by 7.5% from €74.3 million in 2009 to €68.7 million in 2010. The change in the net cash flows from investing activities was primarily due to the following facts. Due to a better market environment we managed to increase sales both in terms of volume and price, resulting in an increase in sales proceeds from €88.9 million in 2009 to €182.3 million in 2010. Furthermore, we had increased purchase of property, plant and equipment/investment properties and other non-current assets mainly for property acquisitions in 2010. Payments of €28.4 million in 2010 and €1.3 million in 2009 were made mainly for DB 14's limited partner interests being sold back to us based on a right of sell-out. For further information, see "*— Major Factors Affecting Results of Operations—DB 14 Right of Sell-out and Acquisition of Majority in DB 14*."

Financing Activities

Net cash flows from financing activities decreased by 43% from negative €62.5 million in 2009 to negative €89.7 million in 2010. In 2009 the capital increase led to proceeds of €249.5 million; related costs amounted to €11.7 million. The proceeds of the capital increase were used to reduce our LTV Ratio.

Funds from Operations

FFO (without disposals) increased by 31.9% from €25.1 million in 2009 to €33.1 million in 2010. This increase was mainly due to operative growth, cost savings and the reduction of current interest expenses as a result of deleveraging. FFO (incl. disposals) increased by 31.6% from €34.8 million in 2009 to €45.8 million in 2010. The stronger increase in absolute terms reflects the improved economic environment in Germany which resulted in an increase in gains/losses from disposals by €3 million from 2009 to 2010.

Comparison of the Fiscal Years Ended December 31, 2009 and December 31, 2008

Operating Activities

Net cash flows from operating activities changed from a cash outflow of €10.3 million in 2008 to a cash inflow of €3.3 million in 2009. The change in the net cash flows from operating activities was primarily due to the following facts. The strong increase in profit/loss for the period from continuing operations from 2008 to 2009 by €259.0 million was mainly due to non-cash items, such as a reduction in the expenses from the fair value adjustments of investment properties by €276.5 million, which was only partially offset by a reduction in the fair value adjustments to interest rate swaps. Net working capital decreased in 2009, adding €2.9 million to liquidity, compared to a cash outflow of €6.6 million in 2008. As a result of our deleveraging activities, interest paid decreased by €12.8 million from 2008 to 2009.

Investing Activities

Net cash flows from investing activities decreased by 16% from €88.8 million in 2008 to €74.3 million in 2009.

The change in the net cash flows from investing activities was primarily due to the following facts. In 2008, a total of €28.6 million was invested, compared to purchase of property, plant and equipment/investment properties and other non-current assets of €13.3 million in 2009. Payments of €1.3 million in 2009 and €6.1 million in 2008 were made mainly for DB 14's limited partner interests being sold back to us based on a right of sell-out. For further information, see "*— Major Factors Affecting Results of Operations—DB 14 Right of Sell-out and Acquisition of Majority in DB 14*."

Financing Activities

Net cash flows from financing activities increased by 26% from negative €84.3 million in 2008 to negative €62.5 million in 2009. In 2009, the capital increase led to proceeds of €249.5 million; related costs amounted to €11.7 million. The proceeds of the capital increase were used to reduce our LTV Ratio.

Funds from Operations

FFO (without disposals) increased by 94.6% from €12.9 million in 2008 to €25.1 million in 2009. This increase was mainly due to operative growth, cost savings and the reduction of current interest expenses as a result of deleveraging. FFO (incl. disposals) increased by 33.3% from €26.1 million in 2008 to €34.8 million in 2009. The less pronounced increase in absolute terms was due to a reduction in gains/losses from disposals, reflecting the impact of the global economic and financial crisis on the residential real estate market in Germany.

Cash Management System

Our Group has implemented a cash management system. The companies of our Group can move excess liquidity into the system and borrow money from the system when liquid funds are needed.

Liabilities and Other Financial Obligations and Contingent Liabilities

The following section describes the financial liabilities, other liabilities (excluding financial liabilities) and other financial obligations and contingent liabilities of our Group as of September 30, 2011 and December 31, 2010, 2009 and 2008.

Financial Liabilities

	As of September 30, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
	(unaudited)	(audited)	(audited)	(audited)
		(In € million)		
Transaction financing	1,213.6	1,201.2	1,241.4	1,474.7
Property financing	695.8	583.2	561.1	614.3
Profit participation rights	0.0	0.1	0.2	0.2
Total	**1,909.4**	**1.784.5**	**1,802.7**	**2.089.2**

Financial liabilities are liabilities to banks. In addition to the financial liabilities, we have €60.4 million of unused lines of credit available as of September 30, 2011. As of September 30, 2011, 75% of the loans based on the volume are either fixed interest rate loans or variable rate loans with interest rate hedging transactions. Approximately 65% of the loans are subject to financial covenants (*e.g.,* the ratio between net rental income (*Netto-Mieteinnahmen*, as defined in the loan agreement) and debt service, "**DSCR**").

We used the proceeds from our rights offering in 2009 to decrease our liabilities. This deleveraging is highlighted by the LTV ratio, which shows the ratio of total net financial liabilities to the carrying amount of investment properties plus non-current assets held for sale and land and buildings held for sale. The LTV ratio decreased from 70.6% as of December 31, 2008 to 61.5% as of December 31, 2009 and further to 60.6% as of December 31, 2010. As of September 30, 2011, the LTV ratio amounted to 62.1%.

As of September 30, 2011, the average remaining term of our outstanding loans is 10 years.

The following table shows the loan renewal structure based on the nominal value of our outstanding financial liabilities:

	Total	Residual term up to 1 year	Residual term more than 1 and less than 3 years	Residual term over 3 years
	(audited and in € million, unless otherwise indicated)			
Financial liabilities as of September 30, 2011 (unaudited)	2,015.0	23.5	75.6	1,915.9
Financial liabilities as of December 31, 2010	1,894.7	5.0	64.0	1,825.7
Financial liabilities as of December 31, 2009	1,919.6	32.2	432.1	1.455.3
Financial liabilities as of December 31, 2008 (unaudited)	2,212.4	98.1	76.2	2,038.1

Transaction financing includes loans that were obtained for the purpose of property portfolio acquisitions in 2007 or 2006 or in connection with company acquisitions. These loans have variable interest rates and a remaining term of between four and eight years as of September 30, 2011. The average interest rates as of December 31, 2010 were between 3.77% and 6.37%. Material loan agreements are outlined in "*Material Agreements—Financing Agreements*."

Property financing includes loans which can be allocated directly to property. In the past, these loans were obtained mainly for purchases or modernization purposes. In the case of a sale, these loans must be repaid. As of September 30, 2011, the average interest rates on these loans were between 0% and 7.5% (generally fixed interest rates), essentially unchanged as from December 31, 2010. Zero-interest or low-interest loans for which estimated rent income is granted at conditions below the market rate are measured at amortized cost.

The Company expects that the weighted average interest rate on the face value of its financial liabilities for the 2011 fiscal year will be approximately 4.0%.

Our future financing needs will depend on the size of acquisitions we make. In general, 65% of the purchase price of an acquisition is financed with debt.

Other Liabilities (Excluding Financial Liabilities)

	As of September 30, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
	(unaudited)	(audited)	(audited)	(audited)
		(in € thousand)		
Non-current				
Convertible bonds	—	—	—	25,430
Employee benefit liability	42,105	44,747	41,529	39,300
Liabilities to limited partners in funds	—	476	40,791	48,006
Tax liabilities	40,799	48,496	55,486	60,652
Derivative financial instruments	60,967	43,922	37,185	32,570[1)]
Other provisions	8,775	9,789	10,107	12,506
Deferred tax liabilities	96,247	92,021	81,412	71,660
Total non-current liabilities (excluding financial liabilities)	**248,893**	**239,451**	**266,510**	**290,124**
Current				
Convertible bonds	—	—	26,567	—
Trade payables	35,472	29,236	23,182	22,800
Liabilities to limited partners in funds	15,151	22,011	8,334	0
Other provisions	3,498	3,465	6,396	10,296
Derivative financial instruments	24,620	26,416	33,282	16,779[1)]
Tax liabilities	17,790	15,433	28,642	21,629
Other liabilities	21,977	27,777	21,723	26,640
Total current liabilities (excluding financial liabilities)	**118,508**	**124,338**	**148,126**	**98,144**
Total liabilities (excluding financial liabilities)	**367,401**	**363,789**	**414,636**	**388,268**

1) *Adjusted prior year comparative figures as of December 31, 2008 with respect to the presentation of non-current and current derivate financial instruments derived from the audited consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal year ended December 31, 2009.*

The increase in employee benefit liability by 7% from €41.5 million as of December 31, 2009 to €44.7 million as of December 31, 2010 was due mainly to lower interest rates, while increasing interest rates as of September 30, 2011 led to a decrease in the employee benefit liability to €42.1 million. The employee benefit liability is recognized for obligations (retirement, disability, widow/widower pension and orphan pension benefits) from deferred benefits and from current benefits to entitled active and former employees and their surviving dependents. The employee benefit liability generally changes due to claims on pension payments, newly vested claims (expense during service period) and accrued interest. New employees are not accepted into the pension plans.

Liabilities to limited partners in funds relate to a right of sell-out granted by individual agreements, which Rhein-Pfalz Wohnen GmbH granted to the fund limited partners of DB 14 for limited partner interests. The sell-out right could first be exercised in 2005 and will expire in 2019. Under these agreements, our Group is obligated to acquire the limited partner interests initially (in 2005) at 105% of the paid-in capital on request by the limited partner. Starting in 2005, the agreed purchase price for the limited partner interests increases by three to seven percentage points per year. In accordance with IAS 32 (revised 2003), the right of sell-out granted to limited partners represents an important criterion for distinguishing between equity and liabilities. Financial instruments that grant the holder (here: the limited partner) the right to return the financial instruments to the issuer against payment of a sum of money represent a financial liability. Due to the existing sell-out rights of the limited partners, the limited partner interests and "net assets of the partners" have to be reported as liabilities. The net assets attributable to limited partners must be reported at fiscal year-end at the fair value of a possible repayment. Increases in the fair value are recognized as a financing expense and decreases as financing income in the consolidated profit and loss statement.

Non-current and current tax liabilities (September 30, 2011: €58.6 million; December 31, 2010: €63.9 million; December 31, 2009: €84.1 million; December 31, 2008: €82.3 million) include primarily the present value of payment for the EK 02 inventories held by our Group. For additional information on our EK 02 Inventories, see "*Business—Litigation—Ongoing Proceedings*."

Convertible bonds were issued as part of the GEHAG acquisition. The convertible bonds were redeemed by our Group on August 2, 2010 at par value in the total amount of €25 million plus 9% interest.

Derivative financial instruments consist entirely of interest rate swaps entered into in order to hedge cash flow risks arising from future interest payments. The change in interest rate swaps was due to changes in interest rate levels (EURIBOR yield curve). Based on figures as of December 31, 2010, if interest rate levels were to increase/decrease by 50 basis points, the fair value of the interest rate swaps would increase/decrease by approximately €27 million.

Other Financial Obligations and Contingent Liabilities

The following table provides an overview of the other financial obligations and contingent liabilities of our Group:

	As of September 30, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
	(unaudited)	(unaudited)	(audited)	(audited)
		(in € million)		
Obligations under				
Heritable building right contracts[1]	1.2	1.2	1.1	1.1
Agency agreements[2]	9.8	11.9	12.9	15.8
Trust agreements	3.3	3.3	3.3	3.2
Leases				
Thereof due				
within 1 year	2.5	2.5	2.6	1.9
more than 1 and less than 5 years	6.8	7.7	4.1	3.7
in over 5 years	1.4	2.0	0.6	0.0

1) *This item comprises interest on heritable building rights p.a.*

2) *This item comprises the payments over the term of the contracts.*

Obligations from agency agreements mainly relate to obligations arising from IT services.

A Group company (Rhein-Pfalz Wohnen GmbH) has been certified as a development and reconstruction agency (Sections 158 and 167 of the German Federal Building Code (*Baugesetzbuch*, the "**BauGB**")). As such, Rhein-Pfalz Wohnen GmbH acts as trustee for local authorities. As of September 30, 2011, it holds bank balances amounting to €3.3 million (December 31, 2010: €3.3 million; December 31, 2009: €3.3 million; December 31, 2008: €3.2 million) in trust relating to property renovation and development measures.

Obligations from leasing contracts relate mainly to office equipment.

Capital Expenditures

In general, we invest approximately between €10 million to €15 million per year as targeted modernization measures in selected real estate holdings, seeking to sustainably increase the market value of apartments, permanently improve general housing conditions or effect sustainable energy savings. Additionally, further investments are planned by the Company in connection with three residential communities in Berlin that have been designated as UNESCO world heritage sites. These UNESCO measures as currently planned amount to approximately €38 million from 2010 through 2014. These projects will be financed through equity and debt of the Group and, in part (approximately €8 million), subsidized by the federal government and Federal State of Berlin.

Ongoing investments relate to the modernization of the administration building in Berlin, in particular the roof and the façade. The total capital expenditures in 2011 is expected to amount to € 3 million. In Hanau we are currently modernizing approximately 390 units. The modernization works are expected to be completed by 2012. The total capital expenditure is expected to amount to approximately €10.5 million, of which approximately €5.5 million will be spent in 2011. The modernization of units in Hanau will be predominantly financed by funds from bank loans and the rest of the investments by funds from our operating cash flow. All of our investments relate to projects in Germany.

From January 1, 2011 to September 30, 2011, the Company invested €197.8 million in acquisitions, €16.1 million in modernization measures related to the existing property portfolio and €2.5 million in equipment and software improvements. Except for the closing of the acquisitions of an aggregate of 662 units and ongoing modernization measures, the Company has not incurred any significant capital expenditures since October 1, 2011.

In 2010, a total of €17.6 million (2009: €13.2 million; 2008: €21.3 million) was invested into the existing property portfolio in the form of modernization measures. In addition, approximately €0.4 million (2009: €1.1 million) was spent on intangible assets. In 2008, approximately €4.5 million was spent on software implementation (SAP-based). These investments were funded from equity and borrowings.

Quantitative and Qualitative Disclosure about Market Risks

Interest Rate Risks

Interest rate risks can occur due to changes in market interest rates, which impact the fair value of fixed-interest financial instruments or result in changes in the cash flows of floating-rate financial instruments. It is not possible to simultaneously minimize both kinds of interest rate risk.

As of September 30, 2011, the majority of our financial liabilities were floating-rate loans. Interest rate swaps, by which we exchange the difference between the fixed-interest and floating-rate amounts as determined on the basis of an agreed nominal value with the contractual partner, have been concluded to limit the resulting cash flow risk. As of September 30, 2011, our hedging ratio amounted to 75%. With respect to the unhedged part of our floating-rate loans, we are exposed to a cash flow risk if interest rates change. Applied to these unhedged financial liabilities, an increase/reduction of 1% in the interest rate as of December 31, 2010 would have led to an increase/reduction in interest expenses of €4.2 million in 2010 (as of December 31, 2009: €0.6 million).

Default Risk

Default risks, or the risk that a partner will not be able to meet its obligations, are managed by using exposure limits and control processes. If appropriate, the Company is generally provided with collateral. Deutsche Wohnen does not face any considerable default risk, either from partners or from groups of partners with similar characteristics. The maximum default risk is the carrying amount of the financial assets as reported in the balance sheet.

Liquidity risk

We review the risk of liquidity shortfalls daily by using a liquidity planning tool. This tool takes into account the inflows and outflows of cash from the operating activities and payments relating to financial liabilities.

We seek to ensure that sufficient liquidity is available to meet future obligations at all times. As of December 31, 2010, we had a debt capital ratio of approximately 71% (December 31, 2009: 72%) and a Loan-to-Value Ratio of 60.6% (December 31, 2009: 61.5%).

Market risks

Financial instruments that are not reported at fair value are primarily cash and cash equivalents, trade receivables, other current assets, financial liabilities, trade payables and other liabilities.

The carrying amount of cash and cash equivalents is very close to their fair value due to the short-term nature of these financial instruments. For receivables and liabilities which are based on usual trade credit conditions, the carrying amount based on historical cost is generally very close to their fair value.

In addition, changes in interest rates have a significant impact on the discount and capitalization rates used in the valuation of investment properties. As of December 31, 2010, a change of capitalization and discount rates in an amount of 0.1% would have caused a fair value adjustment of €47 million to our investment properties.

Critical Accounting Policies

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Critical accounting policies are those that require the most complex or subjective judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The critical accounting policies are those related to accounting for our real estate properties, pensions and other post-employment benefits and liabilities to limited partners in funds.

Accounting for real estate properties

The fair value of investment properties is determined internally by a quarterly entire real estate portfolio valuation as of December 31, 2010. In preparation of the internal valuation, our properties are clustered on the basis of their location and property quality. For these clusters, we make assumptions regarding the development of rents, vacancies, vacancy losses, maintenance costs, and discount rates. These valuation assumptions are subject to uncertainties due to their long-term nature. Changes in such valuation assumptions may lead to positive or negative fair value adjustments in the future. In particular, the global economic and financial crisis generated a high level of uncertainty in the European property market. In this environment, it is possible that fair values will be subject to significant volatility. Moreover, different valuation methods may result in significantly different — and possibly lower — valuations and thus the choice of valuation method applied may significantly impact the amount of the fair value adjustments recognized in our consolidated profit and loss statement and the carrying amount of the investment properties on our consolidated balance sheet. As of December 31, 2010, our investment properties were recorded at €2,821.0 million (December 31, 2009: €2,835.5 million). An external valuation by CB Richard Ellis largely confirmed our internal valuation of our entire real estate portfolio as of December 31, 2010 and December 31, 2009.

Investment properties are transferred from the investment properties portfolio if there is a change of use, either due to the commencement of disposal-related development activities or due to our starting to use a property ourselves. Due to the different accounting treatment of investment properties and land and buildings held for sale, classifying properties as part of one or the other portfolio can have a significant impact on our results or financial statements. Land and buildings held for sale are carried at the lower of cost or net realizable value in accordance with IAS 2. The value of our land and buildings held for sale is assessed once each year. Positive changes in the assessed value of our land and buildings held for sale do not affect our consolidated profit and loss statement or balance sheet if the assessed value is above cost.

Pensions and other post-employment benefits

Expenses relating to post-employment defined benefit plans are determined on the basis of actuarial calculations. The actuarial calculations are made on the basis of assumptions regarding discount rates, future wage and salary increases, mortality and future pension increases. Such estimates are subject to significant uncertainty due to the long-term nature of these plans. As of September 30, 2011, employee benefit liability from pension obligations amounted to €42.1 million (December 31, 2010: €44.7 million; December 31, 2009: €41.5 million).

Liabilities to limited partners in funds

The limited partners of DB 14 may tender their limited partnership interests until 2019. The full tendering of all limited partnership interests was assumed as a basis for the measurement of the liability. As of September 30, 2011, the liabilities to limited partners in funds amounted to €15.2 million (December 31, 2010: €22.5 million; December 31, 2009: €49.1 million).

Information from the Unconsolidated Annual Financial Statements (in Accordance with the German HGB) as of and for the Fiscal Year Ended December 31, 2010

Deutsche Wohnen AG's unconsolidated annual financial statements as of and for the fiscal year ended December 31, 2010 have been prepared in accordance with the provisions of the HGB taking into account the additional provisions of the German Stock Corporation Act (*Aktiengesetz*). According to these annual financial statements, Deutsche Wohnen AG's equity decreased from €500.3 million as of December 31, 2009 to €476.6 million as of December 31, 2010 due to the net loss of €23.7 million for 2010. Provisions remained stable at €4.2 million as of December 31, 2010 compared to December 31, 2009, as an increase in provisions for pensions and similar obligations was offset by a decrease in other provisions. Liabilities decreased from €164.5 million as of December 31, 2009 to €150.6 million as of December 31, 2010, mainly due to a decrease in liabilities to banks, which was only partially offset by an increase in liabilities to affiliated companies. For further information on Deutsche Wohnen AG's annual financial statements, see the notes to Deutsche Wohnen AG's annual financial statements as of and for the fiscal year ended December 31, 2010, which are set forth on pages F-145 *et seq*. of this Prospectus. Deutsche Wohnen AG paid a dividend of €16.4 million in 2011 for the fiscal year ended December 31, 2010. No dividend payments were made in 2010, 2009 and 2008.

PROFIT FORECAST

Funds from Operations (FFO (without disposals)) Forecast for the Current Fiscal Year 2011 for Deutsche Wohnen Group

The Funds from Operations (FFO) forecast expressed in this section relates to the FFO without disposals and is not a statement about facts and should not be interpreted as such by potential investors. Rather, it is a statement about the expectations of the management of Deutsche Wohnen AG in respect of the FFO of the Group. Potential investors should not place unreasonable reliance on this FFO forecast.

For the purpose of the FFO forecast the Company has calculated the FFO (without disposals) as follows:

Profit/loss for the period adjusted for gains/losses from disposals (net of cost of sales), depreciation and amortization, gains/losses from fair value adjustments of investment properties, profit/loss for the period from discontinued operations, gains/losses from fair value adjustments of derivative financial instruments, accrued interest on liabilities and pensions, prepayment penalties, restructuring and reorganization expenses and deferred taxes (tax expense/income).

The FFO forecast is based on assumptions of the management of the Company, which are listed below. These assumptions relate to factors which can, even if only to a limited extent, or cannot be influenced by the Company. Even if the Company believes that these assumptions are reasonable at the time of the forecast of the FFO by the Company's management, they may prove erroneous or unfounded. If one or more of these assumption(s) prove(s) to be erroneous or unfounded, the actual result could deviate materially from Deutsche Wohnen's current FFO forecast.

FFO forecast for the current fiscal year 2011 for the Group

On the basis of developments in the fiscal year 2011 to date, the Company currently anticipates a FFO (without disposals) of at least €45 million for the Group for the current fiscal year 2011.

Explanatory notes to the FFO forecast

Principles

The FFO forecast for the current fiscal year 2011 was prepared in accordance with the principles of the Institute of Public Auditors in Germany ("**IDW**") Accounting Practice Statement: Preparation of Profit Forecasts and Estimates in accordance with the Special Requirements of the Regulation on Prospectuses IDW AcPS AAB 2.003 (IDW RH HFA 2.003).

The FFO forecast for the current fiscal year 2011 was based on the accounting principles of the International Financial Reporting Standards as adopted by the European Union (IFRS). In respect of the accounting policies applied, please refer to the appropriate notes in the consolidated financial statements of Deutsche Wohnen AG for the fiscal year 2010.

The FFO forecast for the current fiscal year 2011 is influenced by a number of factors and is based on certain assumptions by the Company's management which are listed below.

Factors and Assumptions

Factors outside Deutsche Wohnen's influence

The expected FFO of the Group for the current fiscal year 2011 is generally subject to factors which are completely beyond the control of individual or all companies of the Group. These factors and the related assumptions of the Company are outlined below:

Factor: Unforeseen events such as force majeure

For the purpose of the FFO forecast the Company assumes that no material unforeseen events will occur which could result in material or lasting constraints on the ongoing operations of the entities of the Group such as force majeure (e.g., fire, floods, hurricanes, storms earthquakes or terrorist attacks), strikes, exceptional macroeconomic events or war.

Factor: Legislative and other regulatory measures

For the purpose of the FFO forecast the Company assumes that there will be no or only insignificant changes in the current regulatory framework and that there will be no material changes in the legal framework, such as in the tenancy law and fiscal law.

Factor: Economic development of the real estate industry

For the purpose of the FFO forecast the Company assumes that

- there will be at least no negative economic development for and in Germany;
- there will be at least no negative development in the residential real estate market, especially in Germany;
- the Company can at least maintain its current competitive position.

Factor: Interest rate development

For the purpose of the FFO forecast the Company assumes that the general market development leads to slightly increasing interest rates. Because of the Company's existing hedging instruments related to debt, no significant negative effects on financing terms for the fiscal year 2011 are expected; furthermore, also no material positive effects on interest income are expected.

Factors that can be influenced to a limited extent

In addition, further factors may also influence the FFO for the Group for the fiscal year 2011 over which the Company has limited control. The relevant assumptions are outlined below:

Factor: Current gross rental income and other income

For the purpose of the FFO forecast the Company assumes rental income (current gross rental income) of €193 million for the 2011 fiscal year based on the expected closing of the latest transactions and the current in-place rent. The Company is able to estimate its revenue for the purpose of the FFO forecast with reasonable assurance. For planning purposes the Company assumes that most of the expiring leases will be re-let in the planning period. Overall, the Company assumes for the purpose of the FFO forecast that the vacancy rate will remain at the same level as in the previous year.

Factor: Revenue from Nursing and assisted living

For the purpose of the FFO forecast the Company assumes that the legal environment will not significantly change in 2011 fiscal year. The Company further assumes stable revenue from nursing and assisted living based on a comparable occupancy compared to the first nine months of 2011.

Factor: Expenses for purchased goods and services

For the purpose of the FFO forecast the Company assumes that

- the expenses for residential property management are as follows:
    - the total maintenance costs remain at the comparable level as in 2010.
    - the real estate operating expenses remain in line with historical experience regarding the ratio between these expenses and revenue. Furthermore, Deutsche Wohnen's detailed asset management planning for 2011 on asset basis has been taken into account.
- the expenses for nursing and assisted living remain at the comparable level as in 2010

Factor: Staff expenses

For the purpose of the FFO forecast the Company estimates the staff expenses on a detailed per employee basis with an exemption for the Nursing and Assisted Living. The budgeted staff expenses for Nursing and Assisted Living are based on the historical data in 2010 and 2011 and incorporate further impacts of each department in each facility. The Company assumes a slight increase of the costs per employee due to higher average salaries.

Factor: Other operating income and other operating expenses

For the purpose of the FFO forecast the Company assumes that the other operating income and other operating expenses will basically correspond to the actual other operating income and other operating expenses in 2010.

Factor: Finance expense

For the purpose of the FFO forecast the Company assumes

- a stable leverage for 2011. Furthermore, the Company assumes payments for redemptions and for releases from disposals. For acquisitions, the Company assumes a leverage between 60% to 65% based on the gross asset value and the use of available credit lines.
- it will comply with all agreed covenants;
- the interest rate risk is low, as it assumes that hedging instruments (swaps) will remain effective during the fiscal year 2011;
- the liquidity risk is low, as it assumes that sufficient liquid funds are available and agreed financing terms with credit institutions can be maintained; and

Factor: Current income taxes

The Company assumes that the tax rate for corporate and trade tax are constant and there are no further changes in the tax environment or tax law within 2011. The Company assumes a slight decrease in the current income taxes compared to the previous year.

Factors which can be influenced

In addition, a factor over which the Company has control may also influence the FFO for the fiscal year 2011: The Company can decide how much expenses will be spent during the re-letting process in case of tenant fluctuation. The level of these expenses influences the re-letting rent. The Company assumes a fluctuation rate of 10% and a comparable cost per unit level to 2010.

Other explanatory notes

The FFO forecast does not include extraordinary results or results from non-recurring activities within the meaning of the IDW accounting practice statement (IDW RH HFA 2.003).

As the FFO forecast for the fiscal year 2011 prepared as of November 14, 2011 relates to a period not yet completed and has been prepared on the basis of assumptions about future uncertain events and actions, it naturally entails substantial uncertainties. Because of these uncertainties, it is possible that the actual FFO of the Group for the fiscal year 2011 may differ materially from the forecast FFO.

This FFO forecast was issued on November 14, 2011.

The following auditor's report is a translation of the German-language auditor's report (Bescheinigung) on the Funds from Operations (FFO (without disposals)) Forecast of Deutsche Wohnen Group.

Auditor's Report on the Funds from Operations (FFO (without disposals)) Forecast of Deutsche Wohnen Group

To Deutsche Wohnen AG, Frankfurt/Main

We have audited whether the forecast of the Funds from Operations (FFO (without disposals)) of Deutsche Wohnen Group, defined as profit/loss for the period adjusted for gains/losses from disposals (net of cost of sales), depreciation and amortization, gains/losses from fair value adjustments of investment properties, profit/loss for the period from discontinued operations, gains/losses from fair value adjustments of derivative financial instruments, accrued interest on liabilities and pensions, prepayment penalties, restructuring and reorganization expenses and deferred taxes (tax expense/income), prepared by Deutsche Wohnen AG, Frankfurt/Main, for the period from January 1, 2011 to December 31, 2011 has been properly compiled on the basis stated in the explanatory notes to the forecast of the Funds from Operations (FFO (without disposals)) and whether this basis is consistent with the accounting policies of the company. The forecast of the Funds from Operations (FFO (without disposals)) comprises the Funds from Operations (FFO (without disposals)) of Deutsche Wohnen Group for the period from January 1, 2011 to December 31, 2011 and explanatory notes to the forecast of the Funds from Operations (FFO (without disposals)).

The preparation of the forecast of Funds from Operations (FFO (without disposals)) including the factors and assumptions presented in the explanatory notes to the forecast of the Funds from Operations (FFO (without disposals)) is the responsibility of the company's management.

Our responsibility is to express an opinion based on our audit on whether the forecast of the Funds from Operations (FFO (without disposals)) has been properly compiled on the basis stated in the explanatory notes to the forecast of the Funds from Operations (FFO (without disposals)) and whether this basis is consistent with the accounting policies of the company. Our engagement does not include an audit of the factors and assumptions identified by the company underlying the forecast of the Funds from Operations (FFO (without disposals)).

We conducted our audit in accordance with *IDW Prüfungshinweis: Prüfung von Gewinnprognosen und – schätzungen i.S.v. IDW RH HFA 2.003 (IDW PH 9.960.3) [IDW Auditing Practice Statement: The Audit of Profit Forecasts and Estimates in accordance with IDW AcPS HFA 2.003 (IDW AuPS 9.960.3])* issued by the Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that material errors in the compilation of the forecast of the Funds from Operations (FFO (without disposals)) on the basis stated in the explanatory notes to the forecast of the Funds from Operations (FFO (without disposals)) and in the compilation of this basis in accordance with the accounting policies of the company are detected with reasonable assurance.

As the forecast of the Funds from Operations (FFO (without disposals)) relates to a period not yet completed and is prepared on the basis of assumptions about future uncertain events and actions, it naturally entails substantial uncertainties. Because of the uncertainties it is possible that the actual Funds from Operations (FFO (without disposals)) of Deutsche Wohnen Group for the period from January 1, 2011 to December 31, 2011 may differ materially from the forecast of the Funds from Operations (FFO (without disposals)).

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on the findings of our audit, the forecast of the Funds from Operations (FFO (without disposals)) has been properly compiled on the basis stated in the explanatory notes to the forecast of the Funds from Operations (FFO (without disposals)). This basis is consistent with the accounting policies of the company.

Berlin, November 14, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Völker	Glöckner
Wirtschaftsprüfer	Wirtschaftsprüfer
[*German Public Auditor*]	[*German Public Auditor*]

MARKET AND COMPETITION

Introduction

We are a residential real estate company that focuses on residential unit management, including, in particular, the rental of our own residential units and the management of our total residential portfolio, as well as sales of residential units. We also operate nursing homes and assisted living units through an indirect subsidiary. Our business activities are solely restricted to the Federal Republic of Germany, particularly to our core regions in the German metropolitan areas (German Metropolitan Areas). Our current business strategy is focused on two of the top five German Metropolitan Areas by population: Berlin/Brandenburg and Frankfurt/Rhine-Main.

Market and German Metropolitan Areas

Overview

Our business activities are influenced by numerous factors. These factors include demographic and political factors, as well as economic developments in Germany. The development of the residential property market in Germany is extremely important for our development. This market environment plays a decisive role in the future development of purchase prices and rents, the residential housing portfolios in Germany, the home ownership rates, which are relatively low when compared to other European countries, and new building construction activities.

Economic Data in Germany

With approximately 81.8 million inhabitants and a GDP of approximately €2.5 trillion in 2010, Germany is the largest country in the European Union by population and economy. Following the sharp decline in real GDP by 4.7% in 2009 due to the impacts of the financial and economic crisis, marking the most serious recession since World War II, Germany's economy significantly recovered during 2010 and real GDP increased by 3.6%. This represents the largest increase ever since the German reunification in 1990. The increase in GDP 2010 on a price-adjusted basis was mainly driven by net exports, which contributed 1.1% to growth, and domestic demand, which increased by 2.6% (Source: German Federal Statistical Office (*Statistisches Bundesamt*), Statistical Yearbook (*Statistisches Jahrbuch*) 2011).

In the first quarter of 2011, Germany's economy reported a continuing solid GDP growth of 1.3% compared to the previous quarter (5.0% compared to the first quarter of the previous year, which means the highest increase since the German reunification). This was to a considerable extent due to building investments, which grew by 7.0%. However, in the second quarter growth slowed to 0.1% compared to the previous quarter or 2.8% compared to the second quarter of 2010 (Source: German Federal Statistical Office (*Statistisches Bundesamt*), database, www.destatis.de, press release no. 314 dated September 1, 2011). The German economy is expected to report further growth in the medium term albeit at a slower rate than in the first three months of 2011. The IMF forecasts real GDP growth to amount to 2.7% in 2011 and 1.3% in 2012 (Source: IMF, World Economic Outlook, September 2011).

The robust growth of economic output has been reflected by a considerable reduction in unemployment. Unemployment declined to 7.9% to approximately 3.0 million persons from December 2009 to December 2010. The unemployment rate in Germany in December 2010 was 7.2%, compared to 7.8% in December 2009 (Source: German Federal Employment Agency (*Bundesagentur für Arbeit*)). In August 2011, the number of employed persons living in Germany amounted to 41.1 million, which was half a million more than a year earlier. In August 2011, the number of unemployed was 2.5 million (Source: German Federal Statistical Office (*Statistisches Bundesamt*), database, www.destatis.de, press release no. 361 dated September 29, 2011).

In September 2011, the increase in the consumer price index ("**CPI**") in Germany was 2.6% compared to September 2010. In comparison with August 2011, the CPI increased only slightly by 0.1%. However, in contrast to the annual average rise of the CPI in 2010, which amounted to 1.1%, this means a significant hike of the rate of price increase. The surge in September 2011 was mainly caused by increasing energy prices (11.2% in September 2010) and non-durable consumer goods (5.2%), including food and tobacco. The current increase in inflationary pressures has been acknowledged by the ECB, which has recently toughened its approach on inflation-fighting by raising interest rates, but is still battling a debt crisis in peripheral nations (Source: German Federal Statistical Office (*Statistisches Bundesamt*), database, www.destatis.de, press release no. 380 dated October 13, 2011).

Nominal wages increased by 4.2% in the second quarter of 2011 compared with the second quarter of 2010. Real wages, that is, the price-adjusted gross monthly earnings of full-time employees, were up by an average 1.9%. Real wages had risen by an average 1.5% in Germany in 2010 against 2009. In comparison, they had fallen by 0.4% in 2009 and had risen by 0.4% in 2008 (Source: German Federal Statistical Office (*Statistisches Bundesamt*), database, www.destatis.de, press release no. 347 dated September 21, 2011). The average purchasing power per household in Germany in 2010 was €39,031 per year which represented a decrease of 1.4% from €39,603 in 2009 (Source: GfK GeoMarketing).

Demographic Development in Germany

Based on latest publicly reported figures by the German Federal Statistical Office, Germany had a population of approximately 81,802,000 on December 31, 2009. That was approximately 200,000 inhabitants or 0.2% less than at the end of 2008 (82,002,356). The Federal Republic of Germany is a densely populated country. Its population density was approximately 236 persons per thousand square meters in 2008 which is significantly above the European average of 123 persons per thousand square meters (Source: German Federal Statistical Office (*Statistisches Bundesamt*), database, www.destatis.de, Subject: Population).

The aging of the German population is a result of decreasing birth rates in combination with increased life expectancy. While in 2009 665,126 births were recorded, 854,544 deaths occurred. The percentage of inhabitants under the age of 20 years is expected to decrease from estimated 18.4% in 2010 by approximately 2.0 percentage points until 2025 and the percentage of inhabitants over the age of 60 years is expected to increase from 26.1% in 2010 by approximately 6.5 percentage points by 2025 (Source: GFOB Regional Planning 2009, http://www.bpb.de/files/D1IUDV.pdf). However, this development is not uniform for the entire country, but rather differs from state to state. This could result in positive effects from migration movements for individual regions and cities in the future.

German Metropolitan Areas

European metropolitan areas, as defined by the German "*Ministerkonferenz für Raumordnung*," are regions with an urban core and peripheral, less urban surroundings which are socio-economically connected. Such metropolitan areas are considered as economic, scientific and social/cultural drivers which are expected to preserve the competitiveness of Europe and to improve the European integration process.

The table below gives an overview of key metrics for the 11 European metropolitan areas in Germany ("**German Metropolitan Areas**"):

European Metropolitan Areas in Germany	Population 2008	Population Growth 2008-2030	GDP/ Employed Person 2008	Unemployment 2008	Housing Stock Change 1998-2008	Construction Completions (Apartments/ '000 Capita) 2008	New Letting Rent 2009
		in %	in €	in %	in %		in € per square meter
Berlin/Brandenburg	5,954,168	(2.8)	53,215	15.4	4.2	1.5	5.67
thereof Berlin	3,431,675	1.3	54,080	13.9	2.7	0.9	*N/A*
Bremen/Oldenburg in the Northwest	2,726,186	2.3	60,142	8.6	9.6	1.7	5.23
Frankfurt/Rhine-Main	5,521,908	4.8	71,538	7.0	7.6	2.1	7.61
thereof Frankfurt	672,607	7.6	86,805	8.5	7.0	2.8	*N/A*
Hamburg	4,286,123	2.2	69,540	8.1	8.2	2.1	7.49
Hanover-Braunschweig-Goettingen-Wolfsburg	3,879,373	(5.0)	60,402	9.7	6.4	1.1	5.22
Central Germany	6,901,813	(18.2)	49,984	14.2	1.0	1.0	4.89
Munich	5,601,830	8.3	73,188	4.5	10.8	3.0	9.02
Nuremberg	3,598,323	(2.7)	61,676	5.8	7.8	1.9	5.75
Rhine-Neckar	2,361,435	3.9	65,000	6.2	7.0	1.8	6.49
Rhine-Ruhr	11,693,041	(3.6)	65,494	10.6	5.4	1.6	5.96
Stuttgart	5,291,507	4.2	66,103	4.5	7.7	2.4	7.10
Germany	**82,002,356**	**(2.0)**	**61,963**	**8.7**	**6.1**	**1.9**	**6.12**

Source: GFOB Regional Monitoring 2010; Destatis, Frankfurt Registry Office, Senate Department for Urban Development Berlin

Based on population, Rhine-Ruhr is by far the largest German Metropolitan Area, followed by Central Germany and Berlin/Brandenburg. However, a declining population until 2030 for this region is forecasted while populations in Munich, Frankfurt/Rhine-Main and Stuttgart are expected to increase strongly (Source: Initiativkreis Europäische Metropolregionen in Deutschland (IKM), Regionales Monitoring 2010). Together with Hamburg these are also the regions which command the highest GDP/capita, highest number of construction completions as well as highest new letting rents. The Company is operating in Berlin/Brandenburg, Frankfurt/Rhine-Main, Rhine-Ruhr and Rhine-Neckar, yet its business focus is on the Berlin and Frankfurt/Rhine-Main regions.

Residential Property Market in Germany

Residential Property Portfolio and Home Ownership Rates

There were approximately 40.2 million apartments in Germany in 2009, which provided a total floor space of about 3.5 billion square meters. The number of apartments in newly constructed buildings completed in Germany declined by approximately 42% from 236,088 in 2003 to 136,518 in 2009. The number of building permits issued for new residential construction also decreased by 42% from 263,317 in 2003 to 153,736 in 2009 (Source: German Federal Statistical Office (*Statistisches Bundesamt*), Statistical Yearbook (*Statistisches Jahrbuch*) 2011). In addition, the amount of building permits granted revealed a decrease in the amount of residential floor space to be constructed by 43.2% from 31.1 million square meters in 2003 to 17.6 million square meters in 2009 (Source: German Federal Statistical Office (*Statistisches Bundesamt*), Statistical Yearbook (*Statistisches Jahrbuch*) 2011). The decline in the construction of new residential housing units was largely attributable to high construction costs, the scarcity of land available for construction, low risk-adjusted returns for developers and strict regulations, particularly regarding building construction.

In contrast to this development, the number of households in Germany increased by 3.5% from 38.9 million in 2003 to approximately 40.3 million in 2010 (Source: German Federal Statistical Office (*Statistisches Bundesamt*), Statistical Yearbook (*Statistisches Jahrbuch*) 2011). The number of households is expected to grow by 3.0% from 2010 to 2025 (Source: GFOB Regional Planning 2009). In 2009, the average household size in former West Germany was estimated at approximately 2.1 persons per household and in former East Germany at approximately 1.9 persons per household (Source: GFOB Regional Planning 2009). A general reduction in household sizes is projected until 2025 from approximately 2.3 persons in 1990 (former West and East Germany) to an estimate of fewer than 2.0 persons per household in former West Germany and to an estimate of fewer than 1.9 persons per household in former East Germany, respectively. These figures are underlined by the general growth in the number of one-person households. Between 2003 and 2009 the number of one-person households rose by 9% (Source: CB Richard Ellis, Special Report, Residential Market Germany, 2010/2011). Furthermore, by 2025, it is expected that the number of single-occupier households will increase by 7% to 17.4 million and the number of two-person households will increase by 10% to 15.2 million from 2010 levels (Source: GFOB Regional Planning 2009). Expectations are that from 2010 onwards the number of households will increase, particularly in cities and densely populated areas. Residential floor space demand per capita is also expected to continue its growth by 9% to 41 square meters in 2025 from expected 2010 levels due to an increased desire for more living space and the ageing population (Source: GFOB Residential Market 2010). The vacancy rate in apartment buildings in Germany in 2009 averaged around 3.7% (Source: Techem Empirica in CB Richard Ellis, Special Report, Residential Market Germany, 2010/2011).

Latest home ownership data from 2009 indicates that approximately 43% of the apartments in Germany were owner-occupied (Source: CB Richard Ellis, Special Report, Residential Market Germany, 2010/2011). In comparison to other European countries, home ownership in Germany is relatively low. This is mainly due to the low rents, which create a strong incentive for renting instead of owning a home. In response to the housing shortage after World War II and the strong housing demand resulting from the recovery of the German economy in the 1950s and 1960s, the German government and German corporations built a high proportion of subsidized or low price rental accommodations. However, home ownership rates in Germany are expected to increase to approximately 45.0% in 2025 (Source: GFOB Residential Market 2010).

Germany has ample quality of residential properties. Of the 39 million residential units, about half (20.8 million) are located in the 3 million buildings with three or more dwellings. Therefore, the majority lives in storey flats; however, a large part is privately owned. 18.5 million residential units are situated in one/two family houses, which are mostly inhabited by the owners. Owner-occupied dwellings have an average of 48 square meters per capita and are therefore far more spacious than rented apartments, which only have 39 square meters per capita. Owner-occupied dwellings are becoming a more and more attractive alternative to one-family houses, especially in cities. In the western states of Germany the percentage of storey flats occupied by their owners rose from 15 to 22 percent in the last 25 years. In the new states the rate of owner-occupied dwellings almost doubled from 9 to 17 percent in only 15 years. Owner-occupied dwellings are especially in demand in places where land for one/two family homes is scarce or expensive, *e.g.* in larger cities. The typical dwelling owner is young and single.

Price Trends for Resales

Residential property prices in Germany, compared to other European countries, have remained relatively stable since the mid-1900s and have not experienced any major cyclical fluctuations. After a slight increase in the second half of the 1900s, prices for the resale of owner occupied homes and owner occupied residential units in Germany have declined from 2000 to 2005 and started to recover only slightly by the end of 2008 (Source: Deutsche Bundesbank, *Monthly Report*, February 2009). According to Hypoport AG's Hedonic House Price Index, which is published every month, residential property (apartments) prices increased from the beginning of 2008 until August 2008, after which the index shows a continuous decline from September 2008 to April 2009. Prices remained fairly steady until April 2010, before increasing by over 7% until August 2010, maintaining a stable level in the first half of 2011, rising again in autumn. (Source: Hypoport AG, Press Release Hypoport House Price Index: September 2011).

Interest rates for medium- and long-term mortgage loans, which remain low compared to the past, have not influenced residential property sales in Germany to the same extent as they have in other European real estate markets. As of June 2011, the interest rates for financing the construction of new residential properties for the private sector with a term of more than 10 years had dropped to 4.32% (Source: Deutsche Bundesbank, *Monthly Report*, August 2011). In 2010, the prices for home ownership in the euro area increased on average by 1.8% compared to a decrease of 2.8% the preceding year, while the respective values in Germany only increased 2.3% (2010) and 0.6% (2009) (Source: European Central Bank, *Monthly Bulletin*, April 2011).

Development of Residential Rents

In-place rent is the rent per square meter excluding service charges and ancillary costs which are allocated to the tenant such as the costs for heating and warm water. The average in-place rent includes all rents paid (including the rent for apartments that have been rented out for many years). Average in-place rent in Germany increased by 11.6% between 2000 and 2010 (Source: German Federal Statistical Office (*Statistisches Bundesamt*), Statistical Yearbook (*Statistisches Jahrbuch*) 2011). In the same period, German's CPI increased by 16.7% from 97.2 points in 2000 to 108.2 points in 2010 (Source: German Federal Statistical Office (*Statistiches Bundesamt*), Statistical Yearbook (*Statistisches Jahrbuch*) 2011). The available residential floor area has increased by 7.2% since 2000 from 3,245 million square meters to 3,479 million square meters in 2009, and the average residential floor area per capita has thereby increased by 7.6% to 42.5 square meters per inhabitant (Source: German Federal Statistical Office (*Statistisches Bundesamt*), Statistical Yearbook (*Statistisches Jahrbuch*) 2011).

Latest Privatizations in Germany

With regard to the purchase of additional residential property portfolios, the low price level compared to other European countries makes the German market interesting for investors such as Deutsche Wohnen, especially because of the wide range of large-volume residential property portfolios. However, we cannot foresee if this trend will continue in the secondary market through the sale of large-volume residential property portfolios.

In the past, large stocks of residential property were sold due to the government's financial shortfalls and the sales activities of German corporate groups: these included the sale of GAGFAH S.A. (*Gemeinnützige Aktiengesellschaft für Angestellten-Heimstätten*) ("**GAGFAH**") with approximately 82,000 residential units, by the Bundesversicherungsanstalt für Angestellte (BfA); the sale of GSW Immobilien AG ("**GSW**") with approximately 66,000 residential units by the State of Berlin; the sale of approximately 48,000 residential units by ThyssenKrupp AG; NILEG Immobilien Holding GmbH's sale of approximately 30,000 apartments by NORD/LB; the sale of Viterra AG with approximately 115,000 residential properties by E.ON AG; the sale of BauBeCon Immobilien GmbH with approximately 20,000 residential units by the Beteiligungsgesellschaft der Gewerkschaften; and finally, the sale of WOBA DRESDEN GmbH with approximately 48,000 apartments by the City of Dresden.

This wave of privatizations subsided in 2007/2008 due to strong public resistance. With the exception of the sale of LEG Nordrhein-Westfalen's residential property portfolio to Whitehall Real Estate Funds/Goldman Sachs and their investment companies in the summer of 2008 (approximately 110,000 apartments), the transaction market for large portfolios as a whole has ground to a halt. The number of property portfolio transactions in 2008 dropped to the level of 2002 with 16 transactions, although the trend towards sales of smaller property portfolios continued to increase (Source: German Federal Office for Building and Regional Planning (*Bundesamt für Bauwesen und Raumordnung*), Report on the sharp decline in transactions involving large residential property portfolios in Germany (*BBR-Bericht Kompakt: Starker Rückgang der Transaktionen großer Wohnungsportfolios*), January 2009). In line with this development governmental related entities have, for the first time in 2009, embarked as net buyers of residential real estate, representing the second largest group of buyers. The difficult financial situation of several municipalities, however, led to municipal property portfolio sales of €173 million in 2010 again. This trend has prevailed leading to increasing disposals from state related entities amounting to €249 million in the first quarter of 2011 (Source: CB Richard Ellis, Special Report, Residential Market Germany, 2010/2011).

During 2009, the volume of residential property portfolio transactions reached €3.67 billion, representing a market share of 76% of the total volume of property portfolio transactions. In 2010, the total transaction volume increased from approximately €4.8 billion to approximately €8.1 billion, whilst the residential sector has seen a decrease in volume by approximately 12% to €3.25 billion (Source: CB Richard Ellis, Special Report, Residential Market Germany, 2010/2011).

The sale prices for residential property investments are at a moderate level when compared with sale prices internationally. The trend of increasing profits that has been observable over the long term also improves the competitiveness of German investment offers. The restraint on the German investment market in the last years was not a sign of a lack of appeal of German properties. Difficult circumstances in the capital markets with regard to the availability of credit were responsible for the slowdown in revenue flow. Since 2009 the investment market has gradually improved, mainly driven by the fast economic upswing in Germany (Source: DIP Deutsche Immobilien-Partner, Market and Facts (*Markt und Fakten*), 2009 and 2011).

Residential Real Estate Market in Select German Locations

Berlin/Brandenburg

With a population of approximately 3.4 million, Berlin, the core city of the German Metropolitan Area Berlin/ Brandenburg, is the most populated city in Germany. Three major German universities are also located in Berlin. Migration into the city has been steady for many years with a new migration inflow of 60,866 people between 2003 and 2009 (Source: HWWI), causing the population to grow further.

Berlin's GDP per capita in 2010 was €31,043 compared to the average German GDP per capita of €40,537 in the respective year. Berlin's GDP per capita increased by 2.8% from €26,741 in 2009 to €27,499 in 2010 which represents an increase of 2.4% in real terms (Source: Federal and State Statistical Offices, Macroeconomic Accounting of the States, GDP). Several companies and institutions have relocated to Berlin or are expected to do so and to provide higher qualified jobs in combination with the expected stimulus from the new airport Berlin-Brandenburg International which plans to start operations in 2012. This development has contributed to Berlin's growing importance among German cities regarding the attractiveness of local conditions (Source: Berlin Senate).

Berlin has seen an increase in working population over the last years, of 10.4% between 2003 and 2010 (Source: Berlin Senate). In December 2010, the unemployment rate in Berlin was 12.8% with 218,697 persons being unemployed, a decrease of 3.8% or 8,670 persons compared to December 2009 with 13.5% or 227,367 persons (Source: Employment Agency). The unemployment rate in Berlin of 12.8% was 5.6 percentage points higher than the average unemployment rate across Germany.

In 2010, the growth in the CPI in Berlin was 1.7% compared to an increase of 1.2% during 2009. The disposable income per capita increased by 1.2% from €15,658 in 2008 to €15,843 in 2009 (Source: Federal and State Statistical Offices, Macroeconomic Accounting of the States, Disposable Income) and was thereby approximately 18% and 17% respectively below the German average. The average purchasing power per household in Berlin in 2009 was €29,955 per year which represented a decrease by 0.2% from €30,018 in 2008 and was approximately 24% lower in each year than the German average in the respective years (Source: GfK GeoMarketing). This is the lowest purchasing power per household compared to other major German cities such as Frankfurt am Main, Munich, Hamburg and Cologne, however, housing costs per month of €476 and therefore in-place rent per month as a percentage of household purchase power of 19% is at the lower end compared to the mentioned cities (Source: GfK Geo Marketing).

Berlin has the largest residential rental market in Germany, with approximately 1.9 million apartments in 2009, thereof 1.7 million in multi-family houses, which provided a total floor space of approximately 134 million square meters (Source: German Federal Statistical Office (*Statistisches Bundesamt*), Statistical

Yearbook (*Statistisches Jahrbuch*) 2011). In 2009, there were approximately 550 apartments per 1,000 inhabitants in Berlin. This corresponded to a residential floor area of approximately 38.8 square meters per inhabitant in Berlin in 2009 (Source: German Federal Statistical Office (*Statistisches Bundesamt*), Statistical Yearbook (*Statistisches Jahrbuch*) 2011). Approximately 90% of Berlin's residential real estate is located primarily in residential and commercial buildings with a commercial proportion of less than 20% (Source: Engel & Völkers Berlin 2010). Between 2000 and 2009, the number of apartments constructed in the respective years in Berlin declined by approximately 61% from 7,280 in 2000 to 2,833 in 2009 (Source: Berlin-Brandenburg Statistical Office (*Amt für Statistik Berlin-Brandenburg*), database, www.statistik-berlin-brandenburg.de, Statistical Report 2010). The number of building permits issued for new residential construction decreased by 35% from 6,635 in 2000 to 4,329 in 2009 (Source: Berlin-Brandenburg Statistical Office (*Amt für Statistik Berlin-Brandenburg*), database, www.statistik-berlin-brandenburg.de, Statistical Report 2010).

In contrast to this development, the number of households in Berlin increased by 9.1% from 1.82 million in 2000 to approximately 1.99 million in 2009 (Source: Berlin-Brandenburg Statistical Office (*Amt für Statistik Berlin-Brandenburg*), database, www.statistik-berlin-brandenburg.de, Statistical Report 2010). The forecast for further household growth is expected at around 3.0% until 2025 (Source: GFOB Regional Planning 2009). Growth in the number of households exceeding new supply is expected to result in a decrease in vacancies and an increase in market rents (Source: BBU Market Monitor 2010). In 2009, the average household size in Berlin was approximately 1.7 persons per household (Source: JLL-Report Berlin 2010). Of the private households in Berlin in 2008, approximately 53.4% were single-person households compared to the estimated German average of 39.5% single-person households or other major German cities, such as Hamburg with 49.7%, Munich 54.2% and Cologne with 50.3% of single person-households (Source: IBB 2009, GFOB Regional Planning 2009). Between 1999 and 2008, the number of single-person households in Berlin increased by 22.9% to approximately 1.05 million (Source: IBB 2009). It is expected that this number will further increase by approximately 4.0% until 2025 (Source: GFOB Regional Planning 2009).

As a result of this development, the apartment vacancy rate has been steadily declining over the past five years. According to the Association of Berlin-Brandenburg Housing Companies, the apartment vacancy rate among its members was 3.9% in 2008 and even further decreased by 0.4 percentage points to 3.5% in 2009 (Source: Berliner Mieterverein, Mietermagazin, Juni 2010). In addition to that, the average rent for residential property has been rising, too. With a median rent of €6.55 per square meter in Berlin, rents have increased by more than 10% in the first half of 2011 compared to the first half of 2009 (Source: JLL-Report Berlin 2011).

According to the latest home ownership data from 2006, home ownership rate in Berlin was approximately 14.1%. This was significantly below the German home ownership rate of 41.6% in 2006. The main reason for this circumstance had been the long term availability of residential living space to rent in Berlin (Source: German Federal Statistical Office (*Statistisches Bundesamt*), Statistical Yearbook (*Statistisches Jahrbuch*) 2010). Nonetheless, home ownership rate in Berlin is expected to increase to 16.4% until 2025 (Source: GFOB Residential Market 2010). Accordingly, prices for condominiums in Berlin have been rising. In the second half of 2011 the average purchase price increased to €2,070 per square meter, which means a rise of 9.8% compared to the first half of 2010 (Source: JLL-Report Berlin 2011).

Property portfolio transaction volumes for residential and mixed use properties declined by 3.5% from €1,977 million in 2008 to €1,908 million in 2009 before increasing again by approximately 7.4% to an average of €2,925 million in 2010 (Source: Engel & Völkers Berlin 2011).

Frankfurt/Rhine-Main

Frankfurt am Main is at the center of the second-largest concentration of large German cities, in the middle of the most important economic region, the German Metropolitan Area Frankfurt/Rhine-Main. It, therefore, has been considered the leading German city regarding the attractiveness of local conditions (Source: HWWI). The university and several colleges in Frankfurt am Main alone educate around 47,000 students, with several additional large universities located nearby. The European Central Bank (ECB), the Deutsche Bundesbank (German Central Bank), the Frankfurt Stock Exchange, and more than 200 national and international banks make the city into one of the most significant financial centers in the world. Frankfurt am Main also enjoys an excellent reputation as a city of trade fairs and services. Almost all noteworthy accounting firms, law firms, and consulting firms have an office in Frankfurt am Main today. Major chemical companies, advertising agencies, insurance companies, and software manufacturers are also represented in the Frankfurt/Rhine-Main area in large numbers (Source: Engel & Völkers Frankfurt 2010).

Frankfurt am Main is one of the leading German Metropolitan Areas regarding economic power (Source: GFOB Regional Monitoring 2010). The city's GDP per capita in 2009 was €23,100 and was therefore approximately 152% higher than the GDP per capita for Germany which amounted to approximately €29,000. The unemployment rate in Frankfurt am Main at the end of the first half of 2011 amounted to 6.9% which signifies a decrease of 1.1 percentage points since July 2010 (Source: JLL-Report Frankfurt am Main 2010).

With a population of approximately 680,000, Frankfurt am Main is the largest city in the state of Hesse and the fifth largest city in Germany. The city, together with its nearer suburbs, has a population of 1.8 million, while the entire German Metropolitan Area Frankfurt/Rhine-Main area has a population of approximately 5.8 million. The population of Frankfurt am Main is expected to grow at a steady rate with a projected population of approximately 725,000 in 2020 (Source: JLL-Report Frankfurt am Main 2010), continuing a growth in population of 4.3% from 2005 to 2009 (Source: JLL-Report Frankfurt am Main 2011).

In 2009, the average household size in Frankfurt am Main was approximately 1.8 persons per household (Source: JLL-Report Frankfurt am Main 2011). In 2009, approximately 46.9% of the private households in Frankfurt am Main were single-person households compared to the estimated German average of 39.5% single-person households.

In 2009, there were approximately 360,000 apartments in Frankfurt with a vacancy rate of 2.2% representing a decline of 0.8 percentage points since 2006. The average contractual rent in Frankfurt am Main rose significantly in 2010 and the first half of 2011. Compared to the second half of 2009, the average rent increased from €10.95 per square meter to €11.50 per square meter (+5.0%) in the first half of 2011 (Source: JLL-Report Frankfurt am Main 2011). For residential units larger than 150 square meters in old buildings and newly constructed residential units with high-quality appointments, high demand and low supply permit prices in the range of €14 to €18 per square meter; even higher rents are charged in exceptional cases (Source: Engel & Völkers Frankfurt 2011).

Competition

The Company believes that it is Germany's largest publicly traded residential real estate company, measured in terms of free-float market capitalization.

In the residential management and sales business segments, we compete with other real estate companies that also focus on residential management, the sale of residential real estate, or the operation of nursing and assisted living. We see ourselves as a competitor of large and medium-sized German real estate companies and international investors. In residential real estate sales, we also compete with the internal sales departments of large real estate holding companies, which frequently sell their own real estate.

In the two German Metropolitan Areas of Berlin/Brandenburg and Frankfurt/Rhine-Main, we compete with numerous small private providers, as well as with municipal and large private commercial housing companies as a landlord, manager, and seller of apartments and single-family and multiple-family dwellings. The most important competitors are the following companies that are active both across Germany and also regionally:

- GSW: GSW, a publicly listed company since April 2011, has a property portfolio of approximately 49,000 residential units in the Berlin region. In a similar fashion to the GEHAG Group, this long-established company (founded in 1924) was partially privatized in 2004 and focuses primarily on residential management. The principal shareholders with stakes of approximately 20% each are Lekkum Holding B.V. an affiliate of Cerberus Capital Management L.P., New York, USA, and W2001 Capital B.V., funds advised by the Whitehall Funds. (Source: GSW);

- GAGFAH: GAGFAH, which (according to its own information) is one of the largest private residential management and residential privatization companies listed in Germany, with approximately 155,000 residential units and an additional 18,800 apartments nationwide that are managed for third parties throughout all of Germany. Like our Group, it focuses on the business segments of residential management and sales. Although the GAGFAH Group's residential property portfolio is spread throughout Germany, there is also a major concentration in Berlin, Hamburg and Dresden. GAGFAH has been publicly traded on the Frankfurt Stock Exchange in Germany since 2006 (Source: GAGFAH);

- Deutsche Annington Immobilien GmbH ("**DAIG**"): DAIG has a property portfolio of approximately 220,000 rented and managed residential units in approximately 610 locations, which are managed, rented, and sold by the company itself. Approximately 10,500 of their own units are located in Frankfurt and approximately 13,300 of their own units in Berlin. The corporate group was founded in 2001 in the course of the takeover of government-owned railroad housing companies, and consolidated into its present form in summer 2005 due to the acquisition of the Viterra residential property portfolio. The principal shareholder is Terra Firma Capital Partners Limited, London. (Source: DAIG); and

- Municipal housing companies such as Deutsche Gesellschaft zur Förderung des Wohnungsbaus AG, Berlin (DEGEWO) or NASPA Immobilien GmbH.

Nursing and Assisted Living market

In the Nursing and Assisted Living segment, we compete with Pro Seniore, as well as Marseille-Kliniken AG and Maternus Kliniken AG, among others, with regard to the acquisition of real estate. We compete with a large number of local providers in the business sector of Nursing and Assisted Living management.

BUSINESS

Overview

Deutsche Wohnen is one of Germany's largest publicly traded residential real estate companies, measured in terms of both market capitalization of approximately €875 million as of October 31, 2011 (based on XETRA closing price) and entire portfolio value (including residential and commercial properties, as well as nursing and assisted living facilities) of €2.9 billion as of September 30, 2011. We are active in residential property management, including, in particular, the letting of our own residential units and the management of our residential portfolio, as well as sales of selected residential units. We also operate nursing homes and assisted living units for elderly people through an indirect subsidiary. Our investment strategy focuses on residential real estate in German Metropolitan Areas, currently mainly in two of the top five most populated German Metropolitan Areas: Berlin/Brandenburg and Frankfurt/Rhine-Main.

As of September 30, 2011, our total residential portfolio consisted of approximately 49,700 residential units with a total residential floor area of 3.0 million square meters (based on the residential floor area listed in the rental contracts). Also as of September 30, 2011, the current monthly in-place rent of our total residential portfolio, amounted to €5.51 per square meter, the average unit size was 61 square meters, and the vacancy rate was 2.9%. In addition to residential properties, as of September 30, 2011 our total portfolio included 448 commercial units with floor space totaling 80 thousand square meters (based on the commercial floor space listed in the rental contracts), and a total of 14 nursing and assisted living facilities (10 nursing care facilities, three assisted living facilities and one combined facility). These facilities provide space for 1,134 nursing care residents and 215 apartments for assisted living. Of the 14 facilities, two are not owned by us. On September 30, 2011, we had a total staff of 1,233 employees, 895 of whom worked in the Nursing and Assisted Living segment.

For purposes of the Property Appraisal Report, the facilities for nursing care and assisted living owned by us were grouped into a total of ten nursing and assisted living facilities. According to the Property Appraisal Report, the total market value (IAS 40) of our entire real estate portfolio (including residential and commercial properties, as well as nursing and assisted living facilities), was €2,794 million as of June 30, 2011. As of the same reporting date, we valued our entire real estate portfolio at €2,781 million (September 30, 2011: €2,856 million) (including residential and commercial properties, as well as nursing and assisted living facilities) and, as of June 30, 2011, additionally €66 million for a portfolio acquired in 2011, which holds properties for sale (IAS 2)

In our total residential portfolio we distinguish between properties located in "core regions" (*Kernregionen*) and in "disposal regions" (*Verkaufsregionen*):

- As of September 30, 2011, 92% of the units in our residential property was located in core regions. These are regions that demonstrate a positive dynamic market development and, hence, in which we believe there is an upside potential in the letting business as well as a positive market environment for disposals (*i.e.*, single-unit sales, which we also call "privatizations"). The current focus of our business is on two of the top five most populated German Metropolitan Areas: Berlin/Brandenburg and Frankfurt/Rhine-Main. The core regions in which we operate can be further subdivided into (i) Greater Berlin, (ii) Frankfurt/Main, (iii) Rhine-Main, (iv) Rhine Valley North, and (v) Rhine Valley South. Our residential portfolio in these core regions includes both units belonging to our letting portfolio and units belonging to our privatization portfolio (*i.e.*, our portfolio for single-unit sales (privatizations).

- We define disposal regions as geographic regions that are stagnating or show a negative market trend. These are mainly located in rural areas in Rhineland-Palatinate and Brandenburg. The disposal regions in our residential portfolio are further subdivided into two clusters: "portfolio adjustment" and "other disposal holdings." Residential holdings within the "portfolio adjustment" cluster generally are characterized by properties being in below-average condition or having a less-attractive location. As of September 30, 2011, the number of units in the "portfolio adjustment" cluster was 1,990, or approximately 4% of our total residential portfolio. Residential holdings within the "other disposal holdings" cluster are those that are less affected by such structural issues, but nevertheless generally do not fit into our business and portfolio strategy.

Our strategy is based on active asset and portfolio management focusing on long-term real estate value creation. For the upcoming years, we intend to pursue a growth strategy, which is based on selective investments focused on portfolios in attractive metropolitan areas and value enhancing capex measures. Acquisitions can either lead to a swift increase in the FFO per share or offer the opportunity to undertake asset management or asset repositioning initiatives that are expected to lead to an increase in FFO per share and/or the EPRA NAV per share over time. The Company's management believes that the German residential real estate market also offers attractive investment opportunities beyond traditional asset/ portfolio acquisitions as the Company actively demonstrated via the corporate acquisition of GEHAG in August 2007. As such, we will, on an ongoing basis, consider the acquisition of assets and indirect residential investments with asset and portfolio management potential (*i.e.*, for vacancy reduction, rent increase) in order to maximize long-term shareholder value creation.

We have established our organizational structure alongside the growth strategy referred to above and have divided it into three segments:

- Residential Property Management;
- Disposals (comprising block sales and single-unit sales (privatizations)); and
- Nursing and Assisted Living.

The Residential Property Management segment is the centerpiece and focus of our business. It includes all activities relating to residential property management, lease management and tenant assistance. Our strategic goal in this segment is to maintain and optimize our FFO (without disposals). We aim to accomplish this by focusing on (i) realization of existing rent increase potential, (ii) vacancy reduction by maintaining and increasing the attractiveness of our total residential portfolio through focused investments (*e.g.*, by maintaining and modernizing our rental stock), (iii) ensuring efficient management of our residential properties through an ongoing review of possible management alternatives in the regional property groupings or clusters, and (iv) acquiring and integrating new portfolios. We have demonstrated over the last three years that by focusing our residential portfolio on core regions and continually optimizing our residential portfolio we can generate organic growth and hence improve our FFO (without disposals).

The Disposals segment includes all activities relating to the sale of residential units, buildings and land. Our residential holdings intended for sale can be divided into block sales and single-unit sales (privatizations). The residential portfolio for block sales comprises residential units in our disposal regions that no longer fit our business strategy. Some units in these locations are part of our residential portfolio because they were acquired as part of larger portfolio acquisitions. These mainly include residential units and buildings in rural areas and single buildings in and outside of the core regions (known as "scattered holdings"). Generally, the majority of these properties are sold to institutional investors, at or above fair value, although, at times, below fair value in order to focus on the residential portfolio in our core regions. For single-unit sales (privatizations), our objective is to sell predominantly to owner-occupants, at prices exceeding their fair value. All sales of residential units are intended to optimize and consolidate our total residential portfolio and occur on an ongoing, but staggered basis.

Our Nursing and Assisted Living segment manages and markets nursing and residential care facilities for elderly people, the vast majority of which we own, under the KATHARINENHOF® brand. These facilities provide full inpatient care with the aim of promoting an active lifestyle for nursing care patients while preserving their independence as much as possible. Our assisted living facilities provide elderly people with rental apartments along with an extensive range of services tailored to their needs.

Key Information on the Company's History and Recent Developments

1996 Establishment of the Company as Kera Beteiligungs AG; pure asset company with no operations initially.

1998/1999 Renaming the Company "Deutsche Wohnen AG" and the start of operating activities.

2000 Placement of 100% of shares by former sole shareholder Deutsche Grundbesitz Management GmbH (then DB Real Estate Management GmbH, now RREEF Management GmbH), Eschborn, a wholly owned subsidiary of Deutsche Bank AG (together with its subsidiaries, the "**Deutsche Bank Group**"), with private and institutional investors.

Contribution of residential and commercial units to the closed-end real estate fund DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG.

2006 Deconsolidation of Deutsche Wohnen AG from the Deutsche Bank Group's consolidated financial statements.

	Exchange of the majority of registered shares for bearer shares of Deutsche Wohnen AG by way of an exchange offer.
	Capital increase from the Company's funds and 1:5 stock split.
2007	Acquisition of the shares of the GEHAG Group with approximately 27,000 residential units in Berlin and Brandenburg, several senior homes and nursing home facilities, as well as a telecommunications service provider with approximately 80,000 connected households.
	Michael Zahn begins term as CEO.
2008	Integration of the GEHAG Group into our Group through the creation of a new, competitive organizational structure, and reorientation of our investment management and property portfolio strategy to focus on the management of properties in the core regions of Berlin and Frankfurt/Rhine-Main.
	In this context, sale of residential holdings comprising 1,169 apartments falling outside of our residential portfolio in our core regions for regional or product-specific reasons and sale of the Telecommunications business area (the AKF Group).
2009	Capital increase to reduce leverage and to finance further acquisitions.
2010	Inclusion of the shares of Deutsche Wohnen AG in the MDAX index of the Frankfurt Stock Exchange.
	Refinancing of HSH Loan.
	Acquisition of approximately 1,800 units in Berlin, Potsdam and Mainz for a net initial yield of 7.0%.
	Achieving more than 75% of DB 14 allowing to fully include the funds 2,622 units into the residential portfolio in our core regions.
2011	Acquisition of approximately 6,100 units in Berlin, the Rhine-Main area, the Rhine Valley North area and the Rhine Valley South area for a net initial yield of 7.0%.

The total portfolio of the Company nearly doubled with the acquisition of the GEHAG Group in 2007. Mr. Michael Zahn, the sole managing director, was appointed to the Company's Management Board and was shortly thereafter appointed CEO. At the same time, Helmut Ullrich was appointed CFO. Significant changes and developments have taken place in the Company since this event: a clear portfolio strategy has been implemented, which is geared towards the economic and demographic development of the individual geographic areas in which the residential units are located. The current concept and categorization of core regions (*Kernregionen*) and disposal regions (*Verkaufsregionen*) was also established. Based on this concept the internal management reporting systems were developed and implemented. Besides the restructuring of the portfolios, a separation of asset and management organizations was realized. In this context the operational processes have been improved in a way that we can now benefit from being able to use and further build on a scalable platform. The platform features centralized units (which are based in Berlin and Frankfurt am Main and which provide management services, purchase of residential property-related services, receivables management and other administrative activities) and decentralized units in form of "Service Points," which are located in various regions across Germany and serve as a point of contact for existing and potential tenants and provide technical and administrative services. This improvement of operational processes led to a decrease in the number of employees by 140 during the period from 2007 to 2009, resulting in personnel cost reductions of approximately €10 million. The implementation of SAP in 2008 led to further efficiency gains. An additional milestone was the successful rights issue in October 2009, when the Company — despite volatile and weak financial market environment — placed 55.4 million new shares, largely to institutional investors, by way of a discounted rights issue. This measure allowed us to decrease our LTV ratio from 70.6% on December 31, 2008 to 61.5% on December 31, 2009. The acquisitions in the years 2010 in Berlin, Potsdam and Mainz and in Berlin, the Rhine-Main area, the Rhine Valley North area and the Rhine Valley South area in 2011 were partially financed with the proceeds from this rights issue.

The implementation of the new strategy by the management in 2007 resulted also in a significant decrease of vacancy rates in our letting portfolio in our core regions and an increase in current gross rental income. The vacancy rate in our letting portfolio in our core regions dropped from 4.7% as of December 31, 2007 to 1.7% as of September 30, 2011, while during the same period we realized an increase in the in-place rent for our letting portfolio in our core regions of 10.3%, from €5.07 per square meter and month as of December 31, 2007 to €5.59 as of September 30, 2011. Overall, we continuously improved our FFO (without disposals) from negative €0.3 million in 2007 to €33.1 million in 2010, and to €40.1 million in the nine-month period ended September 30, 2011.

Competitive Strengths and Strategy of Deutsche Wohnen

Competitive Strengths

Based on the size and quality of our total residential portfolio, the focus on strong-performing German Metropolitan Areas, and the quality of our real estate platform with highly trained and qualified employees, we believe that we are favorably positioned (i) to participate in growth in the key German Metropolitan Areas (mainly in Berlin/Brandenburg and Frankfurt/Rhine-Main) to extract sustained value growth from our existing total residential portfolio, and (ii) to be in a position to grow the Company further via selective value enhancing portfolio acquisitions.

We believe that the following competitive strengths have been the primary drivers of our past success and will continue to set us apart from our competitors in the future:

- Exposure to attractive German residential properties as a resilient investment class;
- Attractive, well-maintained residential portfolio with strong rental income development in two of the top five most populated German Metropolitan Areas (Berlin/Brandenburg and Frankfurt/Rhine-Main);
- Proven asset and portfolio management track record as basis for continuous operational performance improvements;
- Strong portfolio acquisition capabilities with access to various potential sellers of residential property portfolios and corporate residential platforms;
- Proven platform integration excellence, as shown subsequent to the GEHAG acquisition in 2007;
- Highly experienced management team with longstanding real estate experience as basis for the Company's strategy;
- Solid balance sheet and ability to access sustainable financing sources; and
- Strong acquisition pipeline for residential property portfolios.

Exposure to attractive German residential properties as a resilient investment class

Our business activities are entirely located in Germany with a diversified rental income from more than 50,000 individual tenants across attractive German Metropolitan Areas and benefit from both our regional focus on Germany and our residential property portfolio as a resilient investment class.

In comparison to residential real estate in other European countries, residential real estate in Germany has been more resilient to recession and economically adverse conditions. Between 2007 and 2010, house price growth p.a. in nominal terms was recorded between +0.6% and +2.3% (CAGR 0.9%) for Germany whereas UK prices moved with a growth rate of between -7.8% and +10.9% (CAGR -0.5%); France -7.1% to +6.6% (CAGR 0.0%); Italy -3.7% to +5.2% (CAGR -0.7%) (Data only available for 2007-2009) (Source: OECD Economic Outlook No. 89). Especially well-located residential real estate in Germany has proven to be among the most resilient investments. As such, Germany has experienced only limited movements in real estate valuations compared to other European countries in the past, in particular with regards to residential property portfolios. This is partially based on favorable market trends such as the increased attractiveness of and the significant migration towards large cities within Germany (resulting in an above average population growth in these areas). Other factors that influence the favourable valuation of residential real estate in Germany and that lead to growing demand for residential real estate are the continuing increase of the number of private households in Germany, especially the increase of one-person households, as well as a declining rate of apartment completions due to a lack of new construction activities largely attributable to high construction costs, the scarcity of land and attractive locations available for construction, low risk-adjusted returns for real estate developers and strict building regulations (Sources: CB Richard Ellis, Special Report, Residential Market Germany, 2010/2011; German Federal Statistical Office *(Statistisches Bundesamt),* Statistical Yearbook 2010).

Due to an exclusive focus on Germany we are less susceptible to unfavorable financial and economic conditions in other European countries. Throughout the unfavorable market conditions in 2008 and 2009, Deutsche Wohnen's business model has proven its resilience exemplified by continuously improving our monthly in-place rent in the letting portfolio in our core regions from €5.21 per square meter as of December 31, 2008 to €5.59 per square meter as of September 30, 2011.

Attractive, well-maintained residential portfolio with strong rental income development in two of the top five most populated German Metropolitan Areas (Berlin/Brandenburg and Frankfurt/Rhine-Main)

As of September 30, 2011, our total residential portfolio, (*i.e.*, the sum of the residential holdings in core regions and disposal regions) consisted of approximately 49,700 residential units, 73% of which are located in two of the top five most populated German Metropolitan Areas: Berlin/Brandenburg and the Frankfurt/Rhine-Main area. Our residential holdings in the three geographic sub-areas of (i) Greater Berlin, (ii) Frankfurt/Main and (iii) Rhine-Main, comprise high-quality residential portfolios. As of September 30, 2011, our vacancy rate was on average 1.7% in the letting portfolio in our core regions. Therefore, unlike to other competitors that have a higher vacancy rate for their portfolio, the favorable supply and demand situation to us means that we can rather target tenants willing to accept higher rents. As of September 30, 2011, our letting portfolios in Greater Berlin and Frankfurt/Main had a vacancy rate of 1.3% and 0.9%, respectively, providing a solid combination of long-term rental income reliability and microeconomic growth. The vacancy rate in our Rhine-Main letting portfolio of 4.2% as of September 30, 2011 is substantially triggered by ongoing, comprehensive modernization work. The vacancy rate in our Rhine-Main letting portfolio, adjusted for these currently not-lettable units, amounts to 1.4%, showing significant vacancy reduction potential for the period following the expected completion of this modernization work.

The Berlin region features a relatively low-average monthly in-place rent level in the letting portfolio of €5.44 per square meter, but benefits from a population that has been growing for years due to immigration, and an increasing number of households due to the increasing proportion of one-person households, leading to an overall strong demand for residential space. Due to the above-average percentage of highly qualified workers compared to Germany as a whole, the Berlin region offers strong innovation potential and dynamic economic development.

The Frankfurt/Rhine-Main area is characterized by a population with above-average income and stronger purchasing power compared to the German average. Rent levels are comparatively high in the Frankfurt/Rhine-Main area, with monthly in-place rent levels of €7.07 per square meter in our Frankfurt/Main letting portfolio and €6.10 per square meter in our Rhine-Main letting portfolio. We anticipate that economic growth will result in an increase in the number of households, greater stability of rent levels, lower vacancy rates and a reduction in risk with respect to our rental income.

Management sees significant rent potential (defined as the monthly new-letting rent for units not subject to rent control effective in 2011 compared to the monthly in-place rent) for units not subject to rent control of 17.5% in the Berlin/Brandenburg letting portfolio, of 20.4% in the Frankfurt/Main letting portfolio, 24.5% in the Rhine-Main letting portfolio, and 12.5% in the Rhine Valley South letting portfolio as of September 30, 2011. Overall, our letting portfolio in our core regions has a rent increase potential of approximately 20.4% based on the actually achieved new-letting rents effective in 2011 for units not subject to rent control of €6.73 per square meter. The general tenant turnover (fluctuation rate) of approximately 10% per year based on the total residential portfolio is one of the factors relevant for achieving this rent increase potential.

We focus on the properties in our core regions and target block sales of residential units, which no longer fit our strategy. The Company aims to sell its portfolio in its disposal regions, while at the same time also driving operational improvement of that portfolio. The portfolio in our disposal regions has been enlarged by approximately 1,500 units following a strategic review in 2011. By selling 2,764 residential units since the end of 2008 in block sales, the disposal portfolio has been reduced by over one third from 6,977 residential units as of December 31, 2008 to 6,208 residential units as of December 31, 2009, to 4,943 residential units as of December 31, 2010 and to 4,213 residential units as of September 30, 2011. Through the sell-off and a continued focus on operational improvements of the remaining disposal portfolio, the operational metrics of the disposal portfolio were improved. While the monthly in-place rent of the disposal portfolio is lower than the average monthly in-place rent of €5.51 per square meter of the total residential portfolio as of September 30, 2011, the monthly in-place rent of the disposal portfolio has improved by a total of 2.4% from €4.51 per square meter as of December 31, 2008 to €4.53 per square meter as of December 31, 2009 and December 31, 2010 and to €4.62 per square meter as of September 30, 2011. In addition, the vacancy rate has improved from 14.3% as of December 31, 2008 to 11.4% as of December 31, 2009 to 11.6% as of December 31, 2010 to 10.8% as of September 30, 2011. Management has demonstrated its ability to decidedly pursue a clean-up of the total portfolio while simultaneously driving rental contribution through growth and vacancy reduction.

Proven asset and portfolio management track record as basis for continuous operational performance improvements

Deutsche Wohnen is a fully internalized residential real estate manager and investor with an established track record in all relevant areas of the residential real estate value chain. The Company benefits in day-to-day operations from its platform of professionals with in-depth knowledge of the Group's portfolio and the German residential real estate market overall. We consider this knowledge, along with the general business expertise developed by the key managers of the Group and the Company's focused approach, to be a key competitive advantage in our ongoing asset and portfolio management activities. We generally follow a buy-and-manage approach, engaging in selective disposals of non-strategic properties and single-unit sales (privatizations).

The operational performance process includes active rental and vacancy management (including modernization, revitalization) and cost assessment and improvements (like integration/efficiency measures and overhead management). Due to our asset and portfolio management activities, we were able to

- increase the monthly in-place rent in our letting portfolio in our core regions from €5.21 per square meter as of December 31, 2008 to €5.37 per square meter as of December 31, 2009, to €5.46 per square meter as of December 31, 2010, and to €5.59 per square meter as of September 30, 2011; and
- reduce the vacancy rate in our letting portfolio in our core regions from 4.0% as of December 31, 2008, to 2.7% as of December 31, 2009, to 2.0% as of December 31, 2010, and to 1.7% as of September 30, 2011.

Additionally, we improved the operating performance of our residential portfolio in our disposal regions due to our active asset and portfolio management. We were able to

- increase the monthly in-place rent in our residential portfolio in our disposal regions from €4.51 per square meter as of December 31, 2008 to €4.53 per square meter as of December 31, 2009, to €4.53 per square meter as of December 31, 2010, and to €4.62 per square meter as of September 30, 2011; and
- reduce the vacancy rate in our residential portfolio in our disposal regions from 14.3% as of December 31, 2008, to 11.4% as of December 31, 2009, to 11.6% as of December 31, 2010, and to 10.8% as of September 30, 2011.

Overall, we improved FFO (without disposals) (and FFO (without disposals) per share) from €12.9 million (€0.49) in 2008 to €25.1 million (€0.31) in 2009, to €33.1 million (€0.40) in 2010, and from €28.9 million (€0.35) in the nine-month period ended September 30, 2010 to €40.1 million (€0.49) in the nine-month period ended September 30, 2011. We expect a full-year forecast FFO (without disposals) of €45 million, *i.e.*, €0.55 per share (based on the number of existing shares). For further information see "*Profit Forecast*". Our FFO (and FFO per share) improved from €26.1 million (€0.99) in 2008 to €34.8 million (€0.43) in 2009 to €45.8 million (€0.56) in 2010, and from €37.7 million (€0.46) in the nine-month period ended September 30, 2010 to €47.3 million (€0.58) in the nine-month period ended September 30, 2011.

Strong portfolio acquisition capabilities with access to various potential sellers of residential property portfolios and corporate residential platforms

We believe that our existing residential portfolio constitutes a strong platform for selective synergistic acquisitions of additional property portfolios.

Deutsche Wohnen has a consistent track record of continuous evaluation and consideration of potential acquisition opportunities. After the successful completion of our rights issue in October 2009, our management announced plans to pursue growth opportunities and reinitiated active acquisitions in the second half of 2010, when market conditions began to offer more attractive risk/return profiles.

The Company established a unique, wide-ranging network of contacts in the residential real estate industry and developed an excellent reputation in the market. Our network enables us to obtain timely information regarding property portfolios that are for sale, and therefore, to efficiently manage contacts with sellers of property portfolios. Due to our network, our brand name and the broad market knowledge of our management team and employees in the acquisition of small- and large-scale residential property portfolios and corporate platforms, we believe that we are in the position to invest in high-income, high-growth property portfolios. Between January 1, 2010 and October 31, 2011, the Company received offers from third parties for the purchase of portfolios containing a total amount of approximately 175,000 units. We have reviewed approximately 57,000 of these units on offer and submitted indicative bids for approximately 27,100 units. Further due diligence was undertaken for approximately 16,000 units resulting in selective acquisitions of 7,937 units since July 1, 2010.

The Company's most recent acquisitions of a total of 7,937 units, which were announced in November 2010, March 2011, May 2011, August 2011 and October 2011, exemplify our strategy which is based on selective investments focused on portfolios in attractive metropolitan areas and value enhancing capex measures. Acquisitions can either lead to an increase in FFO per share or offer the opportunity to undertake asset management or asset repositioning initiatives that are expected to lead to an increase in FFO per share and/or EPRA NAV per share over time. In 2010, the Company entered into property portfolio acquisitions of 1,808 residential units in Berlin, Potsdam and Mainz for a net purchase price of €81.9 million. We consider these property portfolios to be additional investments in property in our core regions, with a monthly in-place rent of €5.24 per square meter, and a vacancy rate of 1.5%. In 2011 so far, Deutsche Wohnen acquired 6,129 units in Berlin, the Rhine-Main area, the Rhine Valley North area and the Rhine Valley South area with partially significant rental increase potential based on a monthly in-place rent of €5.19 per square meter and a vacancy rate of 4.1%.

Proven platform integration excellence, as shown subsequent to the GEHAG acquisition in 2007

Today's Deutsche Wohnen business organization is set up efficiently and allows both scalability of portfolios in our core regions as well as the expansion into new German Metropolitan Areas. Our organizational structure is set up to expand our existing total residential portfolio through the purchase of smaller-scale property portfolios without incurring substantial additional fixed costs. The size of our business enables us to minimize incremental general and administrative expense and provides us with cost savings in the purchase of goods and services and cost efficiencies with respect to our corporate functions. We have demonstrated in various transactions that our Company is in position to quickly and efficiently optimize the cost structures of newly acquired property portfolios as well as for platform acquisitions. For example, after the acquisition of GEHAG in 2007, operating expenses were reduced by 17% (in the first six months of 2009, compared with the first six months of 2008) due to the efficient and rapid implementation of cost optimization and restructuring measures, particularly the downsizing of personnel and streamlining of administration. As a result, we were able to increase our FFO from €10.9 million in the first six months of 2008 to €17.8 million in the first six months of 2009.

Highly experienced management team with longstanding real estate experience as basis for the Company's strategy

Deutsche Wohnen's management team benefits from an in-depth knowledge of the Group's total portfolio, as it had a primary role in most acquisitions, both before and after the GEHAG integration. This in-depth knowledge of the existing total portfolio, combined with the management's general business expertise and the Company's focused approach are considered a key operating advantage to support Deutsche Wohnen's ongoing access to investors and opportunities as well as for portfolio management activities.

The current management team was involved in the acquisition and integration of the GEHAG Group in August 2007 and successfully integrated several smaller property portfolios between 2003 and 2011. The management team is supported in all aspects of the business by an experienced and skilled managerial staff. The letting of residential units or their sale as part of single-unit sales (privatizations) projects is also handled internally by our own experienced and skilled employees. Due to their long-standing experience in the residential real estate sector, both our management team and staff possess extensive knowledge of the German residential property market, including the special characteristics of the relevant regions.

Solid balance sheet and ability to access sustainable financing sources

We have been successful in refinancing key debt maturities on a corporate level, as well as in efficiently financing our selected acquisitions. Based on our experience in structuring financing and because of our positive track record with our financing partners, we believe we have demonstrated our ability to efficiently access the capital markets to fulfill our financing needs. This was evidenced by our successful €249.5 million rights issue in October 2009, when the Company — despite a volatile and weak financing market environment — placed 55.4 million new shares, largely to institutional investors. Based on an improved LTV ratio of 61.5% as of December 31, 2009, the Company further managed to significantly enhance its overall debt maturity profile via the refinancing of €516 million in bank loans in 2010, with the result that the Company currently has no major loan maturities before the end of 2015.

Strong acquisition pipeline for residential property portfolios

Through systematic review of a large number of potential portfolios for further acquisitions (*e.g.*, 57,000 residential units between January 1, 2010 and October 31, 2011), we were able to build-up a sizeable acquisition pipeline, which management intends to closely monitor and pursue within the targeted leverage level and by raising fresh capital. Management continues to evaluate the potential acquisitions with respect to overall fit with the portfolio and final ability to execute such transactions with the respective sellers. It can, under no circumstance, be considered certain that such transactions will actually materialize. The probability of closing such acquisitions can be classified in two groups: (i) signed acquisitions awaiting closing (approximately 2,300 residential units in five portfolios with an acquisition value of approximately €150 million), and (ii) envisaged acquisitions of further portfolios with approximately 16,000 residential units in aggregate. In respect of approximately 5,000 of such units with an estimated gross asset value in the range of €300 million to €350 million we completed the due diligence to our satisfaction and started initial negotiations. For the residual approximately 11,000 residential units with an aggregate gross asset value in the range of €700 million to €800 million (according to preliminary Company estimates based on experience from previous transactions) we are in preliminary discussions and/or currently conducting due diligence. Management expects that (ii) will only be realized in part as the outcome of negotiations and/or due diligence may not be acceptable to the Company. In addition to the existing pipeline of bolt-on acquisitions, we continue to look for opportunities for further growth through the acquisition of portfolios or through strategic co-operations that fit into our overall strategy and consider offers for new investments on an ongoing basis. All portfolios in the acquisition pipeline represent a fit with the current residential portfolio in our core regions and thus would mainly enlarge our presence in our core regions. All those portfolios in the pipeline offer attractive acquisitions, which allow for potential FFO and/or EPRA NAV accretion or constitute attractive future upside from applying the Company's asset and portfolio management skills.

Strategy

The focus of our business is to enhance shareholder value.

As an active manager of good quality residential units in economically attractive locations, we continue to see considerable rent increase potential in our existing total residential portfolio. We also actively manage our newly acquired property portfolios to pursue value creation opportunities, especially through optimizations geared to fully realizing rent increase potential. In addition, we seek to grow further through acquisitions, both in our existing core regions and in further metropolitan areas in Germany. Our strategy features the following growth elements alongside the residential value chain:

- Focus on residential real estate in key German Metropolitan Areas;
- Realizing rent increase potential in the current residential portfolio in our core regions;
- Selective accretive acquisitions;
- Value-oriented disposals;
- Optimizing our financing structure, particularly by reducing financial liabilities; and
- Growth through further selective acquisitions.

Focus on residential real estate in key German Metropolitan Areas

We aim to concentrate our efforts on residential property management in German Metropolitan Areas. Given our experience in Berlin/Brandenburg and Frankfurt/Rhine-Main, two of the top five most populated German Metropolitan Areas, we are confident that the fundamental economic growth and migration patterns of these areas will provide a very good basis to constantly achieve strong rental cash flows and value-add opportunities. Therefore, we are planning to maintain a focused regional approach and concentrate on managing a compact residential portfolio in our core regions. In addition to our current focus areas Berlin/Brandenburg and Frankfurt/Rhine-Main, we are also looking at opportunities to expand our total residential portfolio into other German Metropolitan Areas, which are accretive to FFO per share and/or EPRA NAV per share or provide for upside potential over time.

Realizing rent increase potential in the current residential portfolio in our core regions

We further aim to increase our FFO profile via ongoing active asset and portfolio management measures. Since current monthly in-place rent in our core regions on average is below normal market rent, we see FFO improvement mainly driven by in-place rent improvement measures. Key in-place rent drivers will be modernization/capex measures in selected properties; ongoing maintenance measures to maintain a high-quality tenant structure; targeted tenant turnover to naturally turn in-place rents into market rent levels. We believe we can achieve additional operational efficiencies via sales of residential units to owner-occupiers and block sales to institutional investors. Our recent re-letting successes exemplify the additional rent potential in our existing letting portfolio in our core regions. For example, re-letting of 2,823 non-rent-controlled units effective in 2011 in the letting portfolio in our core regions as of September 30, 2011 generated an average monthly in-place rent of €6.73 per square meter. Hence, our residential holdings in our letting portfolio in our core regions demonstrate a rent increase potential of approximately 20.4%, based on the current monthly in-place rent of our letting portfolio in our core regions of €5.59 per square meter.

Selective accretive acquisitions

Since July 1, 2010, we have bought 7,937 residential units mainly in Berlin. The net average purchase price per square meter amounted to €818, and the net initial yield amounted to 7.0%. Within our core regions, we consider property portfolio acquisitions smaller than 1,500 units that match our geographic, FFO per share and/or NAV per share accretion criteria. We have the operational capability and capacity to integrate and operate efficiently both large and small residential property acquisitions at low marginal costs and to realize sustainable ongoing cost savings. In general we focus on investments in residential properties in attractive metropolitan locations whose acquisition can either immediately lead to an increase in FFO per share or offer the opportunity to undertake asset management or asset repositioning initiatives expected to lead to either an increase in FFO per share and/or EPRA NAV per share over time.

Value-oriented disposals

We are aiming to further drive shareholder value via value oriented single-unit sales (privatizations) and continuous streamlining of the total residential portfolio via block sales. Our residential portfolio intended for sale can be broken down into units to be sold individually and into block sales. In single-unit sales (privatizations), our objective is to sell apartments, mainly to owner-occupiers, at prices exceeding fair value. Approximately 5,100 units are intended for single-unit sales (privatizations), of which approximately 500 residential units are earmarked for single-unit sales (privatizations) each year. As of September 30, 2011, we had already officially recorded 642 contracts of sale for the current fiscal year 2011; this represents 128% of our target for 2011. The single-unit sales (privatizations) were carried out at an average gross margin of 37% above December 31, 2010 IFRS valuation levels. The residential portfolio in our disposal regions (*i.e.,* the residential portfolio for block sales) comprises apartments in locations that no longer fit into our business strategy. The majority of these properties are sold to institutional investors, generally at least at fair value, although, at times, below fair value in order to adjust the total residential portfolio. In the course of future property portfolio acquisitions, properties acquired may have a subset of residential units that do not fit into our business strategy, and we would plan to sell these blocks to optimize our total residential portfolio.

Optimizing our financing structure, particularly by reducing financial liabilities

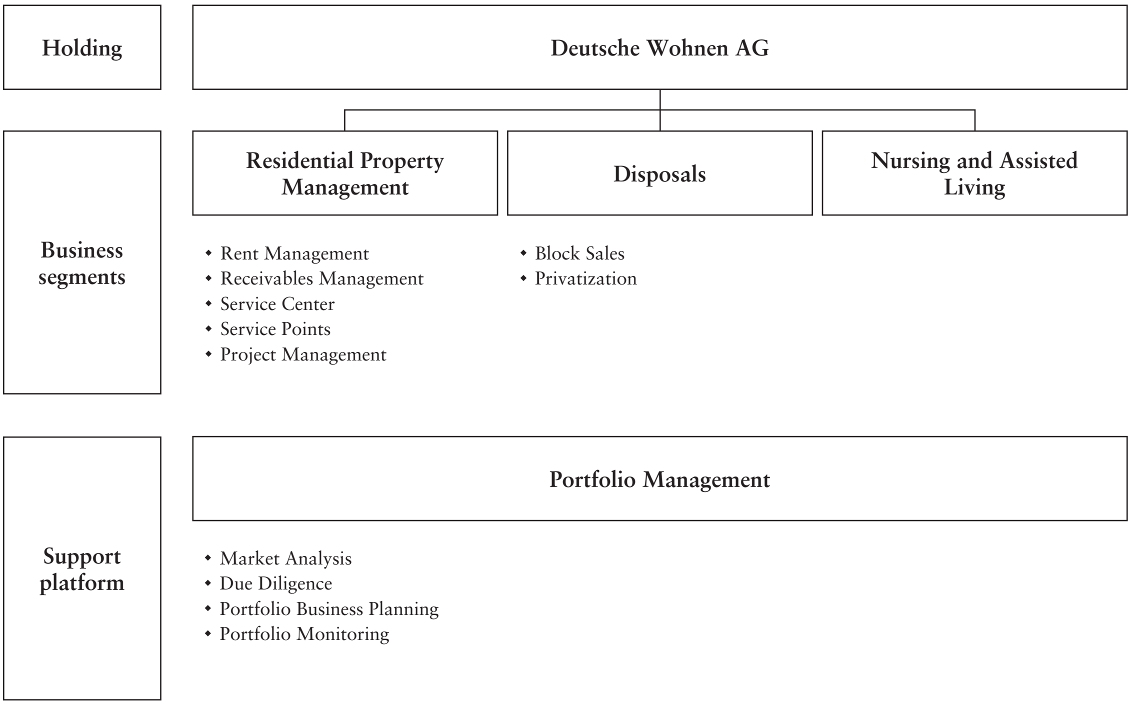
We seek to optimize our current financing structure. Our goal is to repay financial liabilities that become due and to reduce our debt ratio and interest payments on the one hand and to optimize our debt service and financing structure on the other. The stability of residential real estate as an asset class, our access to low-cost, long-term fixed-rate debt financing, and our access to funding from the capital markets together provide us with attractive opportunities to use financial leverage to enhance our return-on-equity, our earnings per share and our FFO per share, as we aim for the yield on our asset portfolio to exceed our cost of capital. We currently target an LTV ratio of approximately 60% in the medium-term, subject to short- to medium-term increases due to debt incurred in connection with acquisitions (as management may deem appropriate).

Growth through further selective acquisitions

Deutsche Wohnen is established as a residential real estate “consolidation platform”. We are in the position to integrate new property portfolios into existing organizational structures at low marginal costs and can take advantage of economies of scale. As part of our growth strategy, we aim to expand our existing total residential portfolio through further selective acquisitions of predominantly small and mid-sized property portfolios in our core regions. However, we do not rule out to consider future acquisitions of larger portfolios and platforms of a minimum size of 1,500 units, *e.g.*, for an effective entry into new metropolitan areas outside Berlin/Brandenburg and Frankfurt/Rhine-Main, provided that they will be accretive to our FFO and/or EPRA NAV, allow scalability potential for our existing platform and/or allow us to improve cash flow and earnings through integration and realization of synergies. A number of criteria are considered for future acquisitions such as location, the development of the relevant regional market environment that influences our ability to generate stable, long-term cash flows from the letting and sale of apartments, the potential to increase rents, the proportion of publicly subsidized residential units, infrastructure and tenant structure. We also contemplate pursuing growth opportunities in the form of strategic co-operations (including structures where we would only hold a minority stake in such co-operation) in the future whereby we contribute our experience and know-how while at the same time limiting our financial exposure.

Business Organization of Deutsche Wohnen Group

Our business operations focus on three business segments: Residential Property Management, Disposals and Nursing and Assisted Living.



Deutsche Wohnen AG

Within our Group, Deutsche Wohnen AG functions as a financial and management holding company for approximately 30 Group companies. Its responsibilities include the following: strategic corporate development, coordination of and negotiations in conjunction with acquisitions of property portfolios, capital raising/financing for our Group, financial controlling and risk management for its direct and indirect subsidiaries. Furthermore, Deutsche Wohnen AG is responsible for Investor Relations activities.

Residential Property Management Segment

Overview

Our business activities focus on managing residential properties as part of active portfolio management. All Residential Property Management activities are conducted out of Berlin and Frankfurt am Main by a subsidiary called Deutsche Wohnen Management GmbH. This entity has a total staff of approximately 230 employees which are organized by centralized and decentralized units. The key centralized services provided are rent management, purchasing of residential property management-related services, the Service Center, and administrative activities such as rent accounting and operating cost billing. The decentralized units are known as "Service Points," and are located in various regions across Germany. These Service Points serve as a point of contact for existing and potential tenants and provide technical and administrative services. In addition to the management of our residential properties, we also handle, to a moderate extent, the management of commercial space. The commercial units in our total portfolio mainly form part of the residential properties we manage, and primarily include retail businesses within residential buildings and, to a lesser extent, office space.

Rent Management

The Rent Management staff in the central offices in Berlin and Frankfurt am Main implements rent changes applicable to the rent-controlled holdings, reviews possible rent increase potential in the non-rent-controlled holdings, and adjusts the rent structure to match current market conditions on an ongoing basis. In this context, fixtures in our residential properties that could be a factor in raising rent are also examined, while rent development/management staff also determine the possible potential for optimization, which can, in individual cases, lead to modernization projects in occupied apartments when tenants move, to minor projects being carried out for entire building units, or to complex modernization and maintenance projects.

In this case, the rent development and project management units work closely with our centralized technical services unit to handle management and coordination of the commercial aspects of these projects.

At the same time, our Rent Management staff calculates the operating costs incurred, bills tenants for these, and informs tenants of the required adjustments to pre-payments. The employees in our rent management unit continually develop potential savings and approaches to improving processes. See " — *Central Services Management*."

Receivables Management

Receivables Management, which also operates from our central offices in Berlin and Frankfurt am Main, includes both rent accounting and collections/litigation. All rent and deposit accounts are monitored on an ongoing basis and all incoming payments are tracked systematically. Where receivables are outstanding, collections/litigation staff take the necessary steps to successfully collect the receivables.

Service Center

Set up in 2009, the Service Center in Berlin is the central administrative office for all of our Group's locations. Service Center employees field and pre-sort phone reports (for example, notices of defect). They also review and pre-sort incoming mail. Many issues can be handled directly by the Service Center (forwarding of notices of defect to system providers, processing of initial complaints, managing tenant data in SAP, *etc*.). The gain is to identify and define additional standardized processes which can be handled directly by Service Center employees. All issues that require a detailed on-site review are forwarded to competent service point employees or to the employees in the central services units.

Service Points

The eight Service Points, located at the headquarters (Berlin), in Berlin-Britz, Berlin-Reinickendorf, Berlin-Wilmersdorf, Frankfurt am Main, Koblenz, Mainz and Neustadt an der Weinstraße, serve as contact points for inquiries from tenants and other sources. The Service Points provide commercial and technical housing and rental services and also have back-office employees. The employees handle all special concerns of our Group's tenants directly on-site. Technical problems arising in the properties can, therefore, be inspected and measures can be quickly undertaken to solve these problems. The timely completion of work on apartments during tenant changes and the fixing of technical problems costing up to €1,000 are the responsibility of our technical service partners (system providers) in technical building management services. Monitoring of system providers operations is a responsibility of the Service Points, as is the coordination of maintenance work costing in excess of €1,000. Furthermore, the support provided by back-office staff to our Service Point employees is essential. The employees responsible for advice on the tenants' housing concerns (at Service Point headquarters only) support the housing service and receivables management with their tenant visits, as well as rent development and project management by way of walkthroughs before larger-scale construction projects are carried out in the apartments.

Project Management

Project Management is coordinated centrally from the office in Berlin for our total portfolio. A key focus is on the strategic planning of modernization measures and renovation projects.

Modernization measures are undertaken to sustainably increase the market value of apartments, permanently improve general housing conditions or effect sustainable energy savings. In this context, modernization expenses recognized in the profit and loss statement are specifically incurred for properties where further rent increase potential has been identified. Modernization projects that can be capitalized (for example, installation of heating systems and balconies, modernization measures aimed at improving energy efficiency, extension and/or improvement of electrical wiring, or the installation of new bathrooms) are suitable, in particular, for achieving significant increases in in-place rent. Based on available data from our in-house portfolio management system and auxiliary macro and micro research data, we routinely analyze and identify the rent increase potential at locations represented in our total residential portfolio that can be generated through modernization measures and renovation projects. In order to assign a value to this potential, Deutsche Wohnen Management GmbH first calculates the expected costs associated with the projects and the increases in in-place rent that can be achieved, taking into account statutory regulations, and then uses these figures to calculate the profits that can, in turn, be generated from future increases in in-place rent. We expect the increase in rental income that is to be achieved mainly through targeted rent increases in the course of natural tenant turnover to enhance in-place rent that is below market levels. Since our current in-place rent in these regions and locations is below the market rent we have determined based on newly leased properties, there is potential here for further rent increases. For example, as of September 30, 2011, the in-place rent for our letting portfolio in our core regions amounted to €5.59 per square meter, while the new-letting rent as of September 30, 2011, *i.e.*, contracts for units not subject to rent control effective in 2011 in the letting portfolio in our core regions amounted to €6.73 per square meter; hence our letting portfolio in our core regions has a rent increase potential of approximately 20.4%.

In principle, the refurbishment of residential properties fundamentally involves improving a building's structural condition. We knowingly take into account the temporary vacancy of buildings required in such cases (planned vacancy).

As a rule, we aim to manage all properties for the long term. However, for purposes of portfolio optimization in our current core regions and the enhancement of the efficiency of managing the total portfolio, alternatives (continued management of a property or single-unit sales (privatizations)) are compared and contrasted based on investment calculations performed using the discounted cash flow method, with management subsequently choosing a course of action from the various options presented.

We work with third-party contractors for planning, as well as modernization and renovation works. Maintenance services are also generally provided by an external general contractor or technical systems vendor. The Project Management Segment is only responsible for managing, coordinating and monitoring the quality of these services.

Central Services Management

Our Central Services Management unit is further divided into the facility management (formerly central purchasing) and central technical services teams. The facility management team updates existing key processes and procurement procedures, adapts them to our corporate strategy, continually optimizing them and managing them internally and externally. The potential to improve various areas of property management-related services and types of care is identified by taking into consideration current market developments, adapting processes to boost profits, and developing and updating business models. Existing contracts are managed comprehensively, and subsequent contracts are strategically aligned with our corporate philosophy. Central Services Management is also responsible for managing maintenance projects and for modernization of individual apartments as part of strategic portfolio management. We rely on system providers for the actual maintenance and modernization works. These providers serve as direct contacts for tenants for maintenance projects up to €1,000. A price list is provided by the system providers which they use to invoice individual services associated with modernization projects in individual apartments and changes of tenants.

Disposals Segment

Overview

The Disposals segment is the second pillar of our operations. In view of its importance compared to the Residential Property Management, the generation of proceeds from property sales is only a secondary focus of our business. Nonetheless, property sales will continue to play a key role in the active management of our total portfolio.

The current disposal portfolio (single-unit sales (privatizations) portfolio in our core regions and residential portfolio in our disposal regions) contains approximately 9,300 residential units, thereof approximately 5,100 for single-unit sales (privatizations) purposes. The specific responsibilities of the Disposals segment are as follows: target group research and contact, fulfillment of statutory land register requirements for buildings (obtaining a certificate of delimitation, which is required under German law to sell an apartment as a condominium (*Abgeschlossenheitsbescheinigung*), notarial recording and, if necessary, execution of the condominium declaration in the land register, preparation for sale (implementation of focused modernization projects to increase margins), and contract performance.

The Disposals Segment is split into block sales and single-unit sales (privatizations).

Block Sales

In block sales, several apartments or buildings are sold as a package. Our segment covers all aspects of preparation and completion of the sale of apartments in our residential portfolio within the scope of total portfolio optimization. The main purpose of total portfolio optimization is to divest properties that are not a good fit with our business strategy and to focus on our core regions. Disposals aimed at structural optimization of the total residential portfolio are currently being conducted mainly in northern and southern Rhineland-Palatinate and Brandenburg. In addition, we also sell scattered holdings in order to consolidate our residential portfolio in our core regions. Moreover, block sales can be conducted in connection with the future acquisition of portfolios for the purpose of portfolio optimization and financing.

The current focus of our block sales is the disposal of the residential portfolio in our disposal regions, *i.e.*, mainly residential holdings in rural areas, which generally have a structural vacancy. As of September 30, 2011, the residential holdings in the residential portfolio adjustment cluster in our disposal regions amount only to approximately 2,000 units, which constitutes only approximately 4% of our total portfolio.

Single-Unit Sales (Privatizations)

Single-unit sales (privatizations) involve the sale of individual residential unit (*e.g.*, to tenants) and the sale of privatized holdings (*i.e.*, portfolios in which some units have already been privatized under German law according to the German Condominium Act (*Wohnungseigentumsgesetz*)). We plan to "privatize" through such single-unit sales (privatizations) approximately 500 residential units per year. In the first nine months of 2011, on the basis of notarized contracts, we already achieved 128% of this target with an average gross sales margin of 37%.

Since 1999, we have conducted single sales of properties in the total residential portfolio in all regions and all construction-year categories. This contributed substantially toward maintaining a homogenous total residential portfolio.

Overview of Key Figures of the Disposals Segment

The following table provides an overview of the key figures of our Disposals segment for the nine months ended September 30, 2011, and the 2010, 2009 and 2008 fiscal years:

	January 1 – September 30, 2011	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
Disposals Segment *profit/loss* (in € million)	7.2	12.7	9.7	13.2
Thereof from sales to tenants/occupants (single-unit sales (privatizations))	*9.1*	*9.5*	*9.9*	*12.2*
Thereof from sales to institutional investors	*(1.9)*	*3.2*	*(0.2)*	*1.0*
No. of units sold[1)]	1,791	3,314	1,573	1,798
Thereof from sales to tenants/occupants (single-unit sales (privatizations))	*642*	*660*	*675*	*573*
Thereof from sales to institutional investors	*1,149*	*2,654*	*898*	*1,225*
Average selling price (in € per square meter)				
From sales to tenants/occupants (single-unit sales (privatizations))	1,159	1,214	1,201	1,378
From sales to institutional investors	520	722	488	741

1) *Transfer of risks and rewards accomplished*

In the first nine months of 2011, we achieved an average sales price of €1,159 per square meter in individual sales (that is, sales to tenants/occupants), which corresponds to an average gross sales margin of 37% (the sales margin in individual sales was 35% in 2010). The variation in sales prices in the period shown was minimal, since the apartments themselves did not differ greatly in terms of their features. The variation in the average sales price in block sales (that is, sales to institutional investors) was largely due to the location and condition of the properties.

We are subject to limitations on single-unit sales (privatizations) arising from purchase contracts for certain apartments or individual property portfolios. Due to these obligations, we must comply with certain rules (for example, sale to tenants, social conditions, etc.) when making single-unit sales (privatizations) decisions.

Portfolio Management

Overview

Portfolio Management supports the activities of the Residential Property Management and Disposals segments. Essentially, Portfolio Management involves the strategic positioning of existing and future real estate portfolios. A key focus is on the assignment of properties to clusters, which distinguishes between the residential portfolio in our core regions and the residential portfolio in our disposal regions. Furthermore, Portfolio Management is responsible for performing internal services, including Portfolio Management for the Residential Property Management and Disposals segments, by identifying the existing potential to increase the in-place rent of locations in the total residential portfolio and by assisting in the selection of units to be sold. Our Portfolio Management unit also continually reviews the total residential portfolio for risks and optimization potential and, if necessary, recommends portfolio optimization measures in structurally weak regions and in our holdings in non-core geographic areas.

Core regions and Disposal regions portfolios

In accordance with our portfolio strategy, the vast majority of our residential holdings are located in our core regions, *i.e.*, urban metropolitan areas. Essentially, these properties are located in the core regions of Greater Berlin and Frankfurt/Rhine-Main area, as well as the southern and northern Rhine Valley, which exhibit further growth potential, both in terms of letting and single-unit sales (privatizations). In our residential portfolio in our core regions we distinguish between the "letting portfolio" and the "privatization portfolio." The "letting portfolio" includes properties that are intended to be managed by our Group for the long term. The single-units sales (privatizations) cluster includes privatized residential units that are to be sold as part of single- unit sales (privatizations).

In the residential portfolio in our disposal regions we have identified geographic regions that stagnate or even show a negative market trend. These are mainly located in rural areas (especially Rhineland-Palatinate and Brandenburg). The disposal regions in our residential portfolio are further subdivided into two clusters: "portfolio adjustment" and "other disposal holdings." Residential holdings within the "portfolio adjustment" cluster generally are characterized by properties in below-average condition or a less-attractive location. As of September 30, 2011, the number of units in the "portfolio adjustment" cluster was 1,990, or approximately 4% of our total residential portfolio. Residential holdings within the "other disposal holdings" cluster are those that are less affected by such structural issues, but nevertheless generally do not fit into our business and portfolio strategy. Predominately, all residential holdings in our disposal regions shall be sold via bloc sales, *i.e.*, to institutional investors.

For more information on our residential portfolio in our core regions, see " — *Overview of the Total Residential Portfolio of Our Group*."

Support provided by Portfolio Management in the purchase of residential property portfolios

As part of our growth strategy, we aim to expand our existing total residential portfolio by purchasing residential property portfolios in high-growth urban areas in Germany. Our portfolio management unit manages the acquisition process.

During the preparation process for acquisitions, a key responsibility of the portfolio management unit is market analysis and the selection of suitable small- and large-scale property portfolios. A number of criteria are considered when selecting suitable properties, including in-place rent, vacancies, location, structural quality, tenants, proportion of publicly subsidized residential units and infrastructure. The acquisition of residential property portfolios is always based on profitability considerations, that is, the expansion of our existing residential holdings must sustainably and positively influence our Group's relevant performance indicators (for example, Cash Flow, FFO, Fair Value, or NAV).

The most important individual criteria for property portfolio acquisitions are as follows:

- Location: The micro location, that is, the immediate vicinity of the properties within a municipality, plays a key role in the long-term rentability and medium-term single-unit sales (privatizations) potential of apartments. Locations must feature stable macroeconomic performance indicators. A sufficient supply of jobs in the location itself or within a reasonable distance is a material factor.
- Market potential: The development of the relevant regional market environment also influences our ability to generate stable, long-term cash flows from the letting and sale of apartments.

- Potential to increase in-place rent: We focus on realizing existing rent increase potential. The modernization of apartments is a key factor here. For this reason, we generally avoid purchasing newly built buildings to manage. Another reason is the higher acquisition price.
- Portfolio size: Our acquisition strategy does not include the purchase of individual properties. Small-scale property portfolios are acquired within the current core regions. As a rule, we estimate the necessary property portfolio size required for sustainable management in new growth regions outside our core Berlin and Frankfurt/Rhine-Main regions to be approximately 1,500 apartments per location at a minimum.
- Commercial share: The property portfolios to be acquired cannot include more than a small percentage of commercial space, because we consistently focus on residential properties. The commercial space currently held in our total portfolio is generally an integral part of residential properties.
- Vacancy rate: Taking into consideration the reasons for vacancy (such as unattractive locations or optimizations of the tenant structure) and further planning (subsequent sale, short-term renovation or modernization for purposes of increasing rent), we may use the vacancy rate as a criterion in favor of or against an investment.

In addition to market analysis and support in the selection of suitable property portfolios, portfolio management also conducts due diligence audits in connection with the acquisition of property portfolios. Due diligence audits are normally conducted prior to property portfolio acquisitions and enable us to determine suitable purchase price offers. Due diligence measures cover all relevant data relating to the target portfolio, as well as the business, legal and tax situation of the real estate company to be analyzed (in the case of share deals). Finally, portfolio management is also responsible for annual calculations of the fair value of the property portfolio, which is included in the calculation of our NAV. See above, "*Selected Consolidated Financial Information — Other Financial and Operating Data*."

Nursing and Assisted Living Segment

With the acquisition of a majority share in the GEHAG Group, the Nursing and Assisted Living segment became an additional independent segment of our business activities. This segment is operated under the KATHARINENHOF® brand, a wholly owned subsidiary of Deutsche Wohnen AG. The scope of business activities in this segment includes the marketing and management of nursing and residential care facilities for elderly people, as well as services assisting those living in these facilities.

The vast majority of properties managed by the Nursing and Assisted Living segment are owned by Deutsche Wohnen Group. A few properties operated by KATHARINENHOF are made available through lease contracts with third-party owners.

As of September 30, 2011, we operated a total of 14 facilities of which 10 were mere nursing care facilities, three were assisted living facilities and one a combined facility. The facilities grant space for 1,125 nursing care residents and 229 apartments for assisted living. Of the 14 facilities, including nursing care facilities and assisted living facilities, two are not owned by Deutsche Wohnen. The nursing care facilities and assisted living facilities owned by Deutsche Wohnen were grouped into a total of ten Nursing and Assisted Living facilities in the Property Appraisal Report. The average occupancy (in the Nursing and Assisted Living facilities) was 94.6% for the nine months ended September 30, 2011, 94.0% in fiscal year 2010, 93.7% in fiscal year 2009, and 92.4% in fiscal year 2008.

The goal of full inpatient nursing care is to promote an active lifestyle for patients requiring this care. An attempt is made to promote the health of each nursing care patient individually and to maintain his or her independence. Assisted living offers rental apartments to seniors along with an extensive choice of services that they can freely select, ranging from minor assistance with everyday tasks to meals and events. Residents all live independently in their own apartments with guaranteed assistance in the case of emergencies. In addition, the facilities feature common rooms and fitness centers, as well as additional services, such as physiotherapy, swimming pools, cosmetic treatments and hair salons. The specific services offered vary from facility to facility.

Customers and Sales & Marketing

Our residential properties are sold through our Disposals segment, as well as through real estate brokers. However, sales are conducted primarily by our own employees, who are compensated with variable salary benefits. Our own sales rate in 2010 and 2009 was approximately 82% and approximately 73% respectively. The duties of the Disposals segment therefore include the control of its own sales and that of external real estate brokers as part of customer communication. The external real estate brokers are usually paid a commission.

Target sales groups are, in particular, owner-occupants (buyers who were not already tenants of the real estate property being sold), as well as tenants and private investors. As of September 30, 2011, a total of 27 employees worked in the sales department.

The letting of nursing homes and assisted living units is carried out according to region and facility. Our residential units are rented out through regional Service Points.

Overview of the Total Residential Portfolio of Our Group

Our total residential portfolio as of September 30, 2011, included approximately 49,700 residential units with a total residential floor area of approximately 3.0 million square meters. The following table provides an overview of the important operational figures of our residential property portfolio:

Property figures

	September 30, 2011	December 31, 2010[1)]	December 31, 2009	December 31, 2008
Total residential portfolio				
Number of units				
Core regions	45,451	42,745	42,818	43,512
Letting portfolio	40,382	38,785	38,388	38,527
Privatization portfolio	5,069	3,960	4,430	4,985
Disposal regions	4,213	4,943	6,208	6,977
Portfolio adjustment	1,990	2,542	2,975	3,423
Other disposal holdings	2,223	2,401	3,233	3,554
Total holdings	49,664	47,688	49,026	50,489
Floor area (in thousands of square meters)				
Core regions	2,756	2,603	2,623	2,670
Letting portfolio	2,430	2,339	2,325	2,334
Privatization portfolio	326	265	297	336
Disposal regions	259	303	382	431
Portfolio adjustment	121	154	181	211
Other disposal holdings	138	149	201	220
Total holdings	3,015	2,907	3,004	3,101
In-place rent (per month in € per square meter)				
Core regions	5.59	5.47	5.39	5.23
Letting portfolio	5.59	5.46	5.37	5.21
Privatization portfolio	5.58	5.61	5.54	5.34
Disposal regions	4.62	4.53	4.53	4.51
Portfolio adjustment	4.36	4.31	4.28	4.24
Other disposal holdings	4.81	4.73	4.72	4.72
Total holdings	5.51	5.38	5.29	5.14
New letting rent[2)] (per month in € per square meter)				
Letting portfolio in core regions	6.73	6.47	6.30	5.96
Rent potential in letting portfolio in core regions[3)]	20%	18%	17%	14%
Vacancy rate (in %)[4)]				
Core regions	2.3%	2.6%	3.3%	4.8%
Letting portfolio	1.7%	2.0%	2.7%	4.0%
Privatization portfolio	6.8%	7.1%	7.8%	10.5%
Disposal regions	10.8%	11.6%	11.4%	14.3%
Portfolio adjustment	17.2%	18.2%	18.6%	22.6%
Other disposal holdings	5.8%	5.6%	5.7%	7.2%
Total holdings	2.9%	3.3%	4.2%	5.9%

	September 30, 2011	December 31, 2010[1]	December 31, 2009	December 31, 2008
Publicly subsidized units (number of units in %)				
Core regions	20%	22%	22%	23%
Letting portfolio	22%	23%	24%	25%
Privatization portfolio	3%	9%	5%	8%
Disposal regions	35%	33%	31%	29%
Portfolio adjustment	35%	31%	29%	26%
Other disposal holdings	36%	35%	34%	31%
Total holdings	21%	23%	23%	24%
Construction year cluster (number of units in %)				
Before 1950	31%	34%	34%	35%
1951-1970	45%	41%	41%	41%
1971-1990	16%	17%	16%	16%
After 1990	8%	9%	8%	8%
Commercial				
Number of units	448	443	470	494
Floor area (in thousands of square meters)	80	80	81	83
Parking				
Number of units	15,406	15,105	15,553	15,911
Maintenance plus modernization				
Maintenance plus modernization expenses (in € million)	37.5	45.6	43.4	58.2
Maintenance plus modernization expenses (per month in € per square meter)[5]	12.44	15.65[6]	14.20	17.88

1) *Including acquisitions with transfer of risk and rewards as of January 1, 2011.*

2) *Average rent for newly concluded contracts effective in the respective year for units not subject to rent control.*

3) *New letting rent in the letting portfolio in our core regions, i.e., average rent for newly concluded contracts effective in the respective year for units not subject to rent control, vs. in-place rent of letting portfolio in core regions.*

4) *The vacancy rate of a residential property is included in the vacancy rate starting the first month of vacancy.*

5) *Based on the average floor space on a quarterly basis.*

6) *Excluding the floor space of acquisitions with a transfer of risks and rewards as of December 31, 2010 or January 1, 2011.*

Most of the units are located in the German Metropolitan Areas of Berlin/Brandenburg and Frankfurt/Rhine-Main. The following table also offers an overview of the fair value assessment of our residential portfolio in our core regions based on our calculations:

Fair Value Measurement According to IAS 40

	December 31, 2010[1]	December 31, 2009	December 31, 2008
Total portfolio in our core regions (letting, privatization and commercial)			
German Metropolitan Area Berlin/Brandenburg			
Greater Berlin			
Fair Value (in € million)	1,391	1,448	1,445
Fair Value (in € per square meter)	971	940	922
Number of residential units	23,254	24,812	25,107
Multiplier on current in-place rent	14.8	14.6	15.2
German Metropolitan Area Frankfurt/Rhine-Main			
Frankfurt/Main			
Fair Value (in € million)	380	388	406
Fair Value (in € per square meter)	1,406	1,402	1,423
Number of residential units	4,213	4,298	4,417
Multiplier on current in-place rent	17.4	17.5	18.4
Rhine-Main			
Fair Value (in € million)	285	278	289
Fair Value (in € per square meter)	970	958	957
Number of residential units	4,645	4,552	4,622
Multiplier on current in-place rent	14.2	14.3	14.7
German Metropolitan Area Rhine-Neckar			
Rhine Valley South			
Fair Value (in € million)	271	270	272
Fair Value (in € per square meter)	847	808	794
Number of residential units	4,959	5,034	5,116
Multiplier on current in-place rent	13.7	13.6	13.5
Other Areas			
Rhine Valley North			
Fair Value (in € million)	154	149	150
Fair Value (in € per square meter)	731	678	663
Number of residential units	3,285	3,369	3,469
Multiplier on current in-place rent	12.3	11.4	11.5
Others			
Fair Value (in € million)	34	34	31
Fair Value (in € per square meter)	644	641	553
Number of residential units	746	753	781
Multiplier on current in-place rent	11.1	11.2	9.8
Total portfolio in our disposal regions (including commercial)			
Portfolio adjustment			
Fair Value (in € million)	66	68	67
Fair Value (in € per square meter)	425	430	423
Number of residential units	2,542	2,975	3,423
Multiplier on current in-place rent	10.2	10.2	10.1
Other disposal holdings			
Fair Value (in € million)	91	114	133
Fair Value (in € per square meter)	604	571	556
Number of residential units	2,401	3,233	3,554
Multiplier on current in-place rent	11.1	11.0	11.2
Total properties			
Fair Value (in € million)	2,672	2,750	2,793
Fair Value (in € per square meter)	926	895	881
Number of residential units	46,045	49,026	50,489
Multiplier on current in-place rent	14.4	14.2	14.6

1) *Excluding the acquisitions with transfer of risk and rewards as of January 1, 2011*

We divide our real estate holdings into real estate holdings situated in (i) core regions and (ii) disposal regions. For the definition of our core and disposal regions, see "—*Business Organization of Deutsche Wohnen Group—Portfolio Management—Core regions and Disposal regions portfolios.*"

The following table provides an overview of our core regions and disposal regions as of September 30, 2011:

	Residential					Commercial		Parking			Multiplier on current gross rental income
	Units	Area	Publicly subsidized units	In-place rent	Vacancy rate	Units	Area	Units	Fair Value		
	#	In thousands of square meter	%	€ per square meter	in %	#	In thousands of square meter	#	€ million	€ per square meter	#
Core regions	45,451	2,756	20%	5.59	2.3%	422	78	13,402	2,704	958	14.2
Letting portfolio	40,382	2,430	22%	5.59	1.7%	411	76	11,750	2,419	970	14.3
Privatization portfolio	5,069	326	3%	5.58	6.8%	11	1	1,652	286	872	13.7
German Metropolitan Area Berlin/Brandenburg											
Greater Berlin	27,817	1,661	10%	5.42	1.8%	274	38	2,813	1,590	942	14.2
Letting portfolio	24,564	1,456	11%	5.44	1.3%	263	37	2,351	1,430	965	14.4
Privatization portfolio	3,253	205	1%	5.26	5.7%	11	1	462	160	778	12.8
German Metropolitan Area Frankfurt/Rhine-Main											
Frankfurt/Main	4,158	252	5%	6.96	2.0%	45	16	2,194	376	1,411	17.0
Letting portfolio	3,544	208	6%	7.07	0.9%	45	16	1,815	319	1,439	17.0
Privatization portfolio	614	44	0%	6.37	7.6%	0	0	379	56	1,271	17.3
Rhine-Main	4,676	282	26%	6.16	4.6%	51	13	2,485	288	974	13.7
Letting portfolio	4,169	249	29%	6.10	4.2%	51	13	2,168	253	961	13.7
Privatization portfolio	507	33	2%	6.64	7.0%	0	0	317	35	1,071	14.2
German Metropolitan Area Rhine-Neckar											
Rhine Valley South	4,837	304	62%	5.31	2.9%	27	8	3,334	265	850	13.4
Letting portfolio	4,408	276	67%	5.30	2.0%	27	8	3,085	244	859	13.5
Privatization portfolio	429	27	6%	5.45	11.3%	0	0	249	21	758	13.1
Rhine Valley North	3,217	207	57%	5.08	2.5%	3	0	2,280	152	733	12.0
Letting portfolio	2,951	190	59%	5.04	1.8%	3	0	2,035	139	730	12.0
Privatization portfolio	266	17	31%	5.52	10.4%	0	0	245	13	762	12.4
Other (only letting portfolio)	746	51	0%	5.03	4.3%	22	2	296	34	645	10.9
Disposal regions	4,213	259	35%	4.62	10.8%	26	2	2,004	136	522	10.6
Portfolio adjustment	1,990	121	35%	4.36	17.2%	14	1	847	53	433	10.2
Other disposal holdings	2,223	138	36%	4.81	5.8%	12	1	1,157	83	600	10.9
Total properties	**49,664**	**3,015**	**21%**	**5.51**	**2.9%**	**448**	**80**	**15,406**	**2,841**	**921**	**14.0**

Key Figures of the Residential Property Management Segment

The following table provides an overview of the key figures of our Residential Property Management segment as of September 30, 2011, December 31, 2010, December 31, 2009 and December 31, 2008:

Total residential portfolio	As of September 30, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
In-place rent per month in € per square meter	5.51	5.38	5.29	5.14
Vacancy rate in %	2.9	3.3	4.2	5.9
No. of residential units	49,664	47,688[1)]	49,026	50,489

1) *Including the acquisitions with transfer of risk and rewards as of January 1, 2011*

The in-place rent for the total residential portfolio increased by approximately 7.1% since December 31, 2008, from €5.14 as of December 31, 2008 to €5.51 as of September 30, 2011, due to increases in in-place rent and reduced vacancies.

The following table provides an overview of the key figures of our letting portfolio in our core regions within our Residential Management segment as of September 30, 2011, December 31, 2010, December 31, 2009 and December 31, 2008:

Letting portfolio in our core regions	As of September 30, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
In-place rent per month in € per square meter	5.59	5.46	5.37	5.21
Vacancy rate in %	1.7	2.0	2.7	4.0
No. of residential units	40,382	38,785	38,388	38,527

The in-place rent for the letting portfolio in our core regions increased by approximately 7.3% since December 31, 2008, from €5.21 as of December 31, 2008 to €5.59 as of September 30, 2011, due to increases in in-place rent and reduced vacancies.

The overall tenant turnover rate for our total residential portfolio averages approximately 10% per year. For the approximately 2,823 new leases arranged in our letting portfolio in our core regions effective in 2011 concluded until September 30, 2011, we increased the average rent for units not subject to rent control by approximately 4.0% from €6.47 per square meter as of December 31, 2010 to €6.73 per square meter as of September 30, 2011.

Land and Facilities and Other Significant Property, Plant and Equipment

The following table provides a summary of the space owned or rented by our Group. The investment property portfolio of our Group is explained in more detail under " — *Overview of the Total Residential Portfolio of Our Group*."

Location	Address	Use	Ownership Status
Frankfurt am Main	Pfaffenwiese 300	Office space	Owned by a Group company
Berlin	Mecklenburgische Str. 57	Office space	Owned by a Group company
Mainz	Rhabanusstr. 3	Office space	Rented
Koblenz	Rudolf-Virchow Str. 11	Office space	Rented
Neustadt an der Weinstraße	Lindenstr. 13	Office space	Rented

Both of the properties owned by Group companies are encumbered with several mortgages and liens (*Gesamtgrundschulden*) totaling €42.3 million (Frankfurt am Main) and €132.6 million (Berlin). In the nine months ended September 30, 2011, our expenses for rented real estate amounted to approximately €0.5 million; in 2010, €0.7 million, in 2009, €0.8 million and in 2008, €0.8 million.

Furthermore, property, plant and equipment are carried on the balance sheet of our Group, which consists primarily of technical equipment, as well as office equipment and furnishings. The total value of this property, plant and equipment was €7.1 million as of September 30, 2011, €7.7 million as of December 31, 2010, €8.3 million as of December 31, 2009, and €8.7 million as of December 31, 2008.

Patents, Licenses and Trademarks

The companies in our Group hold no patents. The following trademarks are currently registered at the German Patent and Trademark Office in Munich in favor of our Group:

- A word mark/logo "Deutsche Wohnen AG," of July 17, 2009;
- A word mark/logo "GEHAG Gruppe," of May 21, 2007;
- A logo of the "GEHAG Gruppe," of May 21, 2007;
- A word mark "KATHARINENHOF," of March 1, 1999; and
- A word mark/logo "KATHARINENHOF," of August 6, 2001.

The two most significant internet domains of our Group are:

deutsche-wohnen.de, katharinenhof.net.

The companies in our Group hold no other significant intellectual property rights.

Employees

The following table contains a summary of the average number of employees (excluding management, trainees and employees on parental leave and partial retirement) of our Group in the nine months ended September 30, 2011, as well as in the 2010, 2009 and 2008 fiscal years, each subdivided by segment. The average number of employees for 2008 and 2009 has been re-calculated on the basis of the same methodology applied for 2010.

Number of Employees by Segment	January 1 – September 30, 2011	January 1 – December 31, 2010	January 1 – December 31, 2009	January 1 – December 31, 2008
Residential Property Management and Sales	338	333	342	458
Nursing and Assisted Living	895	905	880	839
Total	**1,233**	**1,238**	**1,222**	**1,297**

Since September 30, 2011, there has been no material change in the number of total staff. The decrease in the number of employees in the Residential Property Management and Disposals segments as of December 31, 2010 in comparison to December 31, 2008, is due to the restructuring which started in 2008 and the related reduction in headcount. The increase in the number of employees in the Nursing and Assisted Living segment (KATHARINENHOF Group) from 839 in 2008 to 895 as of September 30, 2011, is primarily due to the acquisition of additional facilities.

Works councils do not exist in any of our Group companies with the exception of KATHARINENHOF. Likewise, no entrepreneurial co-determination exists on the Supervisory Board of Deutsche Wohnen AG. Only KATHARINENHOF and GEHAG have a Supervisory Board that is constituted according to the German One-Third Employee Representation Act (*Drittelbeteiligungsgesetz*). Thus, one of the three Supervisory Board members of KATHARINENHOF and four of the twelve Supervisory Board members of GEHAG are employee representatives.

For historical reasons, there are different models of company pension plans for the former employees of our Group (prior to our acquisition of shares in GEHAG) and for the former employees of the GEHAG Group, whose contracts we took over and continued on an individual basis. The pension models have been continued on an individual contractual basis, because of various restructuring measures within the Group in the past. In the course of the restructuring measures, the existing operational structures were dissolved completely and transferred partly to new operational structures and partly to existing operational structures of various Group companies. No new employees are accepted into the pension plans.

We form employee benefit liability for obligations (pension, disability, widow/widower pension and orphan pension benefits) arising from deferred benefits and current benefits to eligible active and former employees and their surviving dependents. The expenses for the benefits granted as part of defined benefit plans are determined using the projected unit credit method. Actuarial profits and losses are recognized directly in retained earnings in the consolidated statement of recognized income and expense. Any retroactively calculated service cost is dispersed on a linear basis over the average period until vesting of the deferred benefit occurs. Insofar as pension rights are immediately vested upon implementation or modification of a pension plan, the retroactively calculated cost must be recognized immediately in the profit and loss statement.

In addition to payment of the legally required contributions to government pension insurance carriers, an additional retirement benefit plan exists according to the regulations for supplementary benefits in public service. This is due to the membership of one of the Group's companies in the Bavarian chamber for social benefits and pensions (*Bayerische Versorgungskammer*). The supplementary benefits comprise a partial or full pension for reduction in earning capacity, as well as an old-age pension in the form of full pension or survivor pension. The contribution charged by the Bavarian chamber for social benefits and pensions (*Bayerische Versorgungskammer*) is set according to the remuneration of the employees subject to a supplementary pension. Accordingly, the Bavarian chamber for social benefits and pensions (*Bayerische Versorgungskammer*) represents a common defined benefit plan for several employers, which is treated as a defined contribution plan under IAS 19.30(a) because the Bavarian chamber for social benefits and pensions (*Bayerische Versorgungskammer*) does not provide sufficient information to treat it as a defined benefit plan.

Litigation

In the course of their business activities, companies of the Deutsche Wohnen Group are regularly parties to rental and warranty disputes, as well as labor law disputes, but none of these are material either individually or as a whole with regard to the financial situation or profitability of our Group. Except for the circumstances described below, no company of our Group is currently, or has been in the past twelve months, party to a government intervention, a court or arbitration proceeding or an administrative proceeding (including those proceedings that are still pending or could be initiated to our knowledge) that could have a material effect on the financial situation or results of operations of our Group or has had such effect in recent times.

Ongoing Proceedings

DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG initiated legal proceedings with a statement of claim dated January 29, 2010 with a value of the claim (*Streitwert*) of €900.000. It concerns the agreement between Rhein-Pfalz Wohnen GmbH & Co. KG pursuant to which Rhein-Pfalz Wohnen GmbH guarantees the loan obligations of DB Immobilienfonds 14. The lawsuit is currently still pending.

The Company has filed a lawsuit against a subsidiary of Deutsche Bank Aktiengesellschaft, which was previously the dominating entity of the Company, in connection with alleged loss compensation claims (*Verlustausgleichsansprüche*) between 1999 and 2006 in the amount of approximately € 63 million based on a domination agreement between the Company and the defendant. The first instance court dismissed the claim on August 8, 2011. However, the company has filed an appeal (*Berufung*) in order to secure its legal position.

In connection with our EK 02 Inventories, Rhein-Pfalz Wohnen GmbH, Rhein-Mosel Wohnen GmbH, Sophienstraße Aachen Vermögensverwaltungsgesellschaft mbH (formerly Sanierungs- und Gewerbebau GmbH), Aufbaugesellschaft der GEHAG mbH and Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, a subsidiary of Deutsche Wohnen AG ("**ESG**") have filed an objection to the lump-sum tax notices issued by the Tax Office. In addition, proceedings related to the continuation of the former legal situation (regarding the exercise of voting rights) are still pending on the basis of petitions by Rhein-Pfalz Wohnen GmbH, Rhein-Mosel Wohnen GmbH, Rhein-Main Wohnen GmbH, GEHAG and Aufbaugesellschaft der GEHAG mbH. On August 18, 2010 GEHAG filed with the finance court of Berlin-Brandenburg a test case (*Musterprozess*) for all former charitable (*gemeinnützige*) companies of our Group. The lawsuit is still pending. The objection filed by Rhein-Pfalz Wohnen GmbH, Rhein-Mosel Wohnen GmbH, Sophienstraße Aachen Vermögensverwaltungsgesellschaft mbH (formerly Sanierungs- und Gewerbebau GmbH), Aufbaugesellschaft der GEHAG mbH and ESG have been suspended with reference to the test case.

In the past, GEHAG Group companies participated in the design and creation of real estate funds ("**GEHAG Funds**"). The funds business was operated by GEHAG Group companies until 2005. Due to this earlier activity, investors in the closed-end real estate funds filed a total of approximately 160 claims for damages arising from prospectus liability against the initiators and founders of the funds, including GEHAG, the vast majority of which were dismissed or concluded without a payment obligation for GEHAG. Of these claims, approximately 20 suits are still pending at present. In connection with the GEHAG Funds business on which the suits are based, the former GEHAG shareholder HSH Real Estate AG issued a release agreement in favor of GEHAG, according to which GEHAG is indemnified for third-party claims arising from the funds business.

Concluded Proceedings

In 2010, several partners of DB Immobilienfonds 14 filed lawsuits with the regional courts of Mainz and Frankfurt am Main against Rhein-Pfalz Wohnen GmbH and Rhein-Main Wohnen Projekt GmbH for the payment of the purchase price of partnership interests offered by the claimants to the defendants. All proceedings have been settled (*erledigt*) either by judgment (*Urteil*), settlement (*Vergleich*) or mutual declaration of termination (*übereinstimmende Erledigterklärung*). In aggregate, the value of all claims amounted to a total of more than €20 million.

Insurance

Our Group has purchased various operating insurance policies, which include, *inter alia*: pecuniary damage insurance; building and landowner insurance; environmental and environmental damage insurance; operating and construction liability insurance; and property insurance policies, such as comprehensive operating insurance and building, group accident, electronics, infidelity, fire, burglary, water damage and storm insurance.

In addition, a D&O insurance policy is in force for the members of the Management Board and Supervisory Board. We consider our Group to be appropriately covered with regard to the nature of its business activities and the related risks in the context of the available insurance offerings and rates. However, it is impossible to exclude the possibility that our Group will incur damages that are not covered by its insurance policies or that exceed the coverage limits of these insurance policies. Moreover, there can be no guarantee that it will be possible for our Group to obtain adequate insurance coverage in the future.

LEGAL ENVIRONMENT

Our business activities are subject to legal requirements. The essential regulatory framework for our business activities is discussed below.

Limitations of German Tenancy Law

Since the Group's main business activity is the letting of its properties to third parties, the Group is particularly subject to German tenancy law. German tenancy law distinguishes between residential and commercial space. The majority of the residential units in our total residential portfolio are governed by residential tenancy law, which in large part favors tenants through extensive social safeguards. In particular, it imposes restrictions on our Group with regard to terminations and rent increases.

Statutory Protection Against Eviction

As a rule, the landlord may terminate a tenancy for residential space on a statutory basis only if the landlord has a legitimate interest in ending the tenancy. Under the law, a legitimate interest in ending the tenancy arises, in particular, if the tenant commits a culpable and not insignificant contractual breach, the owner has a claim of personal use in the property for himself, his family members, or members of his household, or the owner would otherwise be prevented from reasonable economic utilization and would therefore suffer considerable detriment.

"Reasonable economic use" as a ground for termination is intended to ensure the free economic disposability of property. Such grounds exist if the owner were to suffer considerable detriment from continuing the tenancy (such as receiving a significantly lower purchase price or having expenses significantly exceed income). However, a landlord's intention of selling the property in connection with converting housing into individually owned residential units (*Wohnungseigentum*), for example, would not qualify as a ground for termination. In fact, the German Civil Code (*Bürgerliches Gesetzbuch*) completely prohibits personal use and reasonable economic use as grounds for termination by the purchaser for a limited amount of time (specifically, three years after the transfer of title) if the space has been converted to a residential unit, and the residential space was already rented to a tenant before the transfer of title and is then sold. In regions where housing supplies are deemed to be insufficient, German state governments may extend this prohibition by statutory order for up to ten years.

Even if the landlord terminates the letting contract on the basis of a legitimate interest, the tenant is protected under German tenancy law. Thus, a court may allow for an appropriate interim period (with a maximum delay of one year) for the tenant to vacate the apartment, even though the letting contract was effectively terminated by the landlord.

Statutory Limits on Rent Increases

The parties to a residential lease agreement are allowed to agree a stepped rent or an indexation of the rent within the statutory frame set by law. Additionally, the landlord may, subject to statutory and contractual requirements, exercise a right of contractual adjustment of up to the locally prevailing comparative levels of rent, if the rent has remained unchanged during the 15 months preceding the intended increase. As a rule, however, the rent cannot increase by more than 20% within a three-year period (capping limit). When freely financed residential units are modernized and if this modernization permanently increases the practical value for the tenant, the landlord may also increase the annual rent by 11% of the cost incurred in the modernization, subject to statutory and contractual requirements. Following the rent increase, the tenants may have a special termination right.

Statutory Restrictions on Selling Residential Space

If rented residential space that has been, or is intended to be, converted into owned residential units and is to be sold to a third party, the tenant has by law the right to purchase the unit on the same terms as the buyer (preemptive right). No preemptive right exists, however, if the unit was already owned individually at the time of rental.

Owner Maintenance Obligations

Generally, under German law, the owner must maintain the property, including maintenance of the structure, façade and roof of the building, as well as the interior of the residential units.

However, the owner may contractually assign the obligatory maintenance of a residential unit's interior to the tenant. If the landlord assigns such obligations within standardized contracts, the terms must comply with the strict requirements for standardized business terms. For example, the Federal Supreme Court (*Bundesgerichtshof*) has ruled that standard clauses in letting contracts are invalid if they require the tenant to carry out decorative repairs (*Schönheitsreparaturen*) within a fixed schedule or require the tenant to fully maintain the apartment at the end of the letting term (*Endrenovierung*) independently of its actual status. The invalidity of such clauses results in the landlord being held responsible for repair and maintenance, and being required to bear all related costs. If the tenant carries out such repair and maintenance work without actually being required to do so, the landlord may have to compensate the tenant for the corresponding costs.

Requirement for Energy Certificates

As from January 1, 2009, sellers and landlords of residential buildings are required to provide, upon request, potential buyers or tenants with a special certificate that discloses the property's energy efficiency (*Energieausweis*) before any sale or new rentals of residential units. An energy certificate must be prepared if an engineering assessment of the entire building's energy consumption is performed in the course of modernization measures, which allows for the certificate to be prepared at a reasonable cost. The energy certificate is generally valid for ten years. Failure to comply with these rules can be penalized as an administrative offense.

Restrictions with Publicly or Privately Subsidized Housing

The German public administration subsidizes housing construction, in particular, residential units that are intended and suitable for large segments of the population based on size, fixtures and rent. "Publicly subsidized" housing construction, being carried out by way of loans, is governed by two significant requirements: first, such housing may only be occupied by tenants who hold housing eligibility certificates (*Wohnberechtigungsschein*); second, the landlord is limited on the amount of rent to be paid by the tenant.

Housing construction for agency employees of the German railway services, or similar categories of persons, has been subsidized with state funds through housing construction support funds by the federal government, municipalities, and in the past by former state owned companies, such as the former Deutsche Bundesbahn (now Deutsche Bahn AG).

Restrictions with Public Subsidies

The statutory basis for publicly subsidized residential space is mainly found in the First and Second Housing Laws (*Wohnungsbaugesetz*), the 1970 Rent Ordinance for New Construction (*Neubaumietverordnung*), the Controlled Tenancies Law (*Wohnungsbindungsgesetz*), the Second Calculation Ordinance (*Zweite Berechnungsverordnung*), and the Residential Space Promotion Law (*Wohnraumförderungsgesetz*), which replaced the First and Second Housing Laws as of January 1, 2002. Additionally, the legislative power to subsidize social housing was transferred to the German federal states as of September 1, 2006, in the course of federalism reform legislation. Currently, housing promotion and controlled tenancies legislation has gone into effect in the federal states of Baden-Württemberg, Bavaria, Hamburg, Bremen, Lower Saxony, North Rhine Westphalia and Schleswig Holstein. Other federal states are planning similar legislation that is essentially guided by the preceding federal law with respect to the aforementioned public law obligations regarding publicly sponsored housing. With regard to our total portfolio, public subsidies may also have been approved under the German Historical Debt Relief Act (*Altschuldenhilfegesetz*). That act granted financial support to municipalities, and to communally owned housing construction and management organizations, which acquired properties in the former German Democratic Republic after German reunification.

Under the legal regime until the federalism reform in 2006, statutory law provided for different restrictions to the amount of rent to be paid by the tenant. Firstly, a fixed rent according to the respective subsidization agreement and secondly, a cost-covering rent during the sponsorship period stipulated by law. The cost-covering rent is the amount of rent necessary to cover all expenses of the property, including a return on equity capital. This amount is adjusted over time. Under certain circumstances, higher incidental expenses may permit an increase of the average rent and, accordingly, of the individual rent. However, aside from a few exceptions, such rent increases require the respective sponsor's approval. The cost-covering rent includes an amount fixed by statute for administrative and maintenance costs, which is determined independently of costs actually incurred.

The fixed rent and the cost-covering rent are still applicable in German federal states that have not (yet) passed legislation for housing promotion and controlled tenancies.

Approximately 21.2% of the properties owned by our Group are publicly subsidized, and thus subject to rent limitations and/or intended use restrictions.

As of September 30, 2011, approximately 56% of our total residential portfolio is located in Berlin and we intend to further increase our residential portfolio in this core region. For 11.2% of the Berlin residential portfolio we have received subsidies from the State of Berlin. Pursuant to the proposal of a Law on Social Housing in Berlin, recipients of public housing subsidies would generally no longer be entitled to charge the cost-covering rent, but will be subject to a maximum rent corresponding to the amount of rent customary in a certain place (*ortsübliche Vergleichsmiete*) in connection with a social component. This new maximum rent would be named "social standard rent" (*soziale Richtsatzmiete*). The social standard rent can be lower than the currently applicable cost-covering rent, and could therefore further restrict the rent income. The proposed law does not include an obligation to decrease the rent in case the current rent exceeds the new maximum rent; however, the proposed law restricts the margin for rent increases. The parliamentary process is still in its beginning phases. So far, it cannot be assessed if, when and with what exact content the Law on Social Housing in Berlin will enter into force. In particular, the outcome of the elections to the House of Representatives of Berlin could have a significant influence on this law-making process.

Sales of publicly subsidized housing may, in some cases, require approval by the sponsor. Moreover, if a property is converted for individual ownership and is subsequently sold for owner-occupancy, any subsidies that have been received must be paid back.

In addition to subsidies from the German federal government and federal states, municipalities also provide subsidies in certain cases. In exchange for such subsidies, a municipality usually receives a right to determine the respective building's intended use. Accordingly, the municipality is entitled to decide on the respective tenants of the property.

Restrictions on Private Subsidies

Housing may also be subsidized by private companies, particularly through company loans, which are granted to create housing for a company's employees. Such subsidies consistently stipulate occupancy rights in the sponsor's favor, especially in the case of either company loans that fund construction, or grants that are subject to term limits. The holder of occupancy rights may also require that the owner of residential units governed by such rights only rent the units to tenants who are designated by the right-holder.

Restrictions in Connection with Investment Funding

Under the Investment Allowance Act of 1999 (*Investitionszulagengesetz 1999*), investment funding could be granted for the purchase, modernization, refurbishment or maintenance of certain apartment buildings within the territory of the former German Democratic Republic. The granting of investment funding is not coupled with occupancy rights, rent control or comparable restrictions. The recipient of the funding is, however, obligated to only rent out the subsidized rental units for residential housing purposes, and to do so during a period of five years upon completion of modernization work. In cases of non-compliance, the funding can be reclaimed.

Restrictions on Properties Governed by Historic Preservation and/or Special Urban Planning Laws; Restrictions Due to Copyrights in Architectural Services

Some of our Group's properties may be located in urban renewal and urban preservation areas. Additionally, some buildings or our Group are registered as historic sites. The statutory rules of the German Building Code (*Baugesetzbuch*), and federal state legislation concerning monument preservation, apply in those instances. These laws generally restrict certain structural changes and property use, and also require the owner to maintain the protected structure and its surroundings.

Owners of properties located within an urban renewal area must obtain governmental approval to demolish or structurally alter a building, to enter into lease agreements lasting for more than one year, to sell the properties, and to grant liens and mortgages. Owners of properties located in an officially defined urban renewal area must also pay to the municipality a compensatory monetary amount toward the funding of the redevelopment. This compensatory amount is equal to the increase of land value resulting from the redevelopment.

Owners of properties located in a preservation area must obtain government approval for demolishing or structurally altering a building, or for changing the building's use. Moreover, ordinances in force for up to five years may require approval for converting the status of residential units into individual ownership for owner-occupancy (units for individual ownership or part-ownership).

Owners of buildings listed as historic sites are specifically required to preserve and maintain the buildings in a predominantly unchanged state. Compliance with these requirements is monitored and enforced by the relevant government agency. Any change to the structure or use of a building requires specific administrative approval. The owners of structures governed by historic preservation laws must also notify the relevant agency of any intended sale of such structures. The municipality generally has a preemptive right of purchase in such cases. Approximately 22% of our Group's flats form part of buildings listed as historic sites. The individual buildings must be maintained in a predominantly unchanged state because of historic, artistic, scientific or urban renewal concerns.

Our properties may be works of architectural significance, and may therefore be possibly subject to copyrights, especially with regard to the respective architect's services. Structural changes may in such instances be subject to the designer's or architect's consent.

Current Developments in Tenancy Law

The German Federal Government, as well as the State of Berlin, have introduced a draft bill that aims to modify currently existing Tenancy Law provisions, partly because of the political concern to reduce German primary energy demand (*Primärenergiebedarf*) in 2050 by 80% (compared to 1990), as set out in the so called "Energy Concept 2050" (*Energiekonzept 2050*).

The main points of the Federal Government's draft bill of the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) include that (i) tenants shall have to endure legally required energetic modernization measures, as well as such energetic modernization measures that the landlord carries out, without subsequently increasing the rent, without being entitled to rent reductions; tenants are not obliged to endure anything other than the aforementioned measures if such additional measures would constitute an unreasonable hardship; (ii) landlords shall be entitled to refer to acknowledged fixed values (*anerkannte Pauschalwerte*) when announcing modernization measures in order to substantiate energy savings; following the announcement of such modernization measures, tenants are entitled to a special termination right (*außerordentliche Kündigung*); (iii) landlords shall be entitled to allocate costs for such modernization measures to tenants by way of an increase in the annual rent in the amount of 11% of the cost accrued (less the cost accrued for maintenance measures); (iv) as an alternative to the classic eviction procedure, the so-called "*Berliner Räumung*," which offers the landlord the cost-effective option of limiting the eviction procedure to the procurement of possession, shall be implemented; (v) eviction procedures shall no longer be tediously delayed because of a right of possession of a third person that is not covered by the executory title (*Vollstreckungstitel*); a further title against such third person shall be obtainable by way of an injunction (*einstweiliger Rechtsschutz*); and, (vi) the existing restriction applying to the termination of lease agreements for a period of three years shall be extended to apply in the event that, in the course of a continuing lease, the leased premises have been transformed into a condominium and have been subsequently sold to a partnership or to more than one purchaser.

The main points of the State of Berlin's Draft Act for the Safeguarding of Affordable Rents and the Restriction of Energy Consumption and Energy Costs (*Entwurf eines Gesetzes zur Sicherung bezahlbarer Mieten und zur Begrenzung von Energieverbrauch und Energiekosten*) concern (i) excessive claims for rent (*Mietpreisübererhöhung*); (ii) the handover of a certificate showing the demand of energy for the property (*bedarfsorientierter Energieausweis*) to the tenant; (iii) cap on rent adjustments (particularly, rent increases) to the typical amount of rent for the given area (*ortsübliche Vergleichsmiete*) at 15% within 4 years; (iv) reduced cap on allocation of cost for modernization measures to the tenants' annual rent at 9% of the actual cost (current cap: 11%); and (v) limitations regarding the recovery of cost for heat-contracting (*Wärmelieferung*, *eigenständige gewerbliche Lieferung durch einen Dritten*). For the time being, it cannot be assessed, if, when, and with what exact content this act will come into force.

Limitation on the Use of the Properties by Easements

On some of the Company's properties, easements (*Grunddienstbarkeiten*) have been established in the land register. An easement requires the owner of the charged property "in rem" to refrain from taking action (for example, not to build on specific parts of the property) or to forbear action to be taken (for example, right to access for third parties). The obligation can be enforced by the relevant third party. Since registered easements are attached to the property itself, they can be enforced against the current of the charged property, as well as against legal successors.

On some of the Company's properties, public easements (*Baulasten*) have been established. A public easement requires the owner of the charged property to take action (for example, to create a certain number of parking lots), refrain from taking action (for example, not to build on specific parts of the property), or forbear action to be taken (for example, laying pipes or cables by third parties). The content of the obligation can be enforced by means of an administrative order. Various properties are also subject to unification public easements (*Vereinigungsbaulasten*). These public easements create a single "construction property" (*öffentlich-rechtliches Baugrundstück*) out of the affected properties which continue to be independent properties under civil law.

Many provisions of public building law, such as the requirements of minimum distances between buildings, apply to the construction property as if the plot boundaries did not exist. Since public easements rest on the property itself, they can be enforced against the owner of the charged property and against third parties. The public easement is also effective against legal successors (that is, buyers of the charged properties) and can only be suspended by a waiver of the competent authority. The restrictions resulting from the public easement may affect the value of the charged property.

Social Law Framework and Commercial Laws Applicable to Nursing Homes and Retirement Homes

KATHARINENHOF, a Group company, operates retirement homes. Such operations are governed by the law relating to accommodation and care contracts (*Wohn- und Betreuungsvertragsgesetz*), and various German Nursing Homes Acts (*Heimgesetz*) of the federal states. In addition, the social law framework provides for special requirements set forth in the Eleventh Book of the Social Security Act (*Sozialgesetzbuch XI*).

Persons in need of care are entitled to care at inpatient facilities if home care or semi-inpatient care is not feasible or can otherwise not be considered due to the special circumstances of a given case. Such persons may choose among the accredited institutions of various sponsoring bodies. Nursing care fund benefits are provided in kind and in cash. A care facility's nursing care benefits are funded through nursing care insurance, although only in an amount up to defined cost limits (depending on the level of the care allowance). Costs in excess of that amount must be borne by the person in need of care.

As a rule, the nursing care funds discharge their duty of providing coverage with the help of accredited inpatient care facilities, such as the retirement homes and nursing homes operated by KATHARINENHOF. Pursuant to the Eleventh Book of the Social Security Act (*Sozialgesetzbuch XI*), only nursing care homes that have entered into contracts of care ("accredited care institutions") may provide outpatient and inpatient care through care facilities. The contracts of care are entered into by a care facility's sponsoring body (or an association authorized to represent sponsoring bodies of equal status) and the state federations of nursing care funds, in consensus with the regional social welfare funding bodies in the respective federal state (unless that state's law has assigned responsibility for the respective care facility to a local funding body). If a care facility meets the requirements for entering into a contract of care, it then has the right to conclude such a contract. The contract of care stipulates the nature, substance and scope of the general care services that the care facility is to provide to the policy holders during the term of the contract ("mandate of care"). The contract obligates the care facility to provide the policy holders with care in accordance with the mandate of care. Additional provisions concerning the terms governing the provision of care are found in the master contracts applicable throughout each federal state, between the state federations of the nursing care funds and the associations of the sponsoring bodies. The contracts of care directly bind all nursing care funds within the country. The state federations of the nursing care funds may terminate a contract of care only under certain conditions.

The care facilities accredited under a contract of care are entitled to compensation for the care known as care rates. The care rates are to be borne by the nursing home residents. If a resident is in need of care, the care rates will be borne by his or her cost carrier (thus, by the nursing care funds and social welfare funding bodies). To that end, the sponsoring body of every single accredited nursing home enters into care rates agreements with the nursing care funds and with the relevant social welfare funding bodies. As to nursing home residents who, pursuant to the Eleventh Book of the Social Security Act (*Sozialgesetzbuch XI*), are entitled to care insurance benefits, the nursing care funds and the social welfare funding bodies also agree on these fees with the sponsoring bodies of the care facilities.

Capital investments can be financed through public grants in accordance with state law. Such investments include, for example, the costs necessary for the construction, acquisition, and maintenance of the buildings and other depreciable assets that are necessary to operate the care facilities; the costs of acquiring and improving real properties; the renting, use, or co-use of real properties, buildings or other depreciable assets; and, the start-up or internal changeover costs of care facilities. To the extent that capital investment expenditures are not covered by public grants, a subsidized nursing home may charge the persons in need of care separately for parts of the capital investments. However, this requires the approval of the relevant government agency at the state level. Unsubsidized care facilities merely have to notify those agencies of the separate assessment of investment costs. In the case of care facilities that are not publicly subsidized, the social welfare funding body must assume any separately assessed costs only if an agreement to that effect is in place.

Nursing homes are subject to extensive economic efficiency and quality control measures. Violations may result in the termination of the contract of care or in a cut in compensation for the care.

Joint Basic Requirements for Nursing Homes and Retirement Homes

According to the law relating to accommodation and care contracts (*Wohn- und Betreuungsvertragsgesetz*), a civil law residential contract must be entered into between a home's sponsoring body and the residents of the home concerning the services to be provided by the home's sponsoring body, as well as the fees to be paid by the residents. As to nursing homes, the services and fees must comply with the rules of the Eleventh Book of the Social Security Act (*Sozialgesetzbuch XI*). As to retirement homes, the stipulated fees must be reasonable in relation to the services. The operation of a home is linked to legal requirements. Reports must be filed on the operation so that the relevant government agency can review whether the respective home meets those requirements. Homes are subject to the supervision of the federal states. In the event that defects are found, the state supervisory body may issue orders against the home's sponsoring body ranging all the way to the prohibition of operations.

Homes are also subject to several regulations. The Minimum Building Regulation for Nursing Homes (*Heimmindestbauverordnung*) contains minimum requirements for a home's design. The Home Staffing Regulation (*Heimpersonalverordnung*) imposes minimum requirements on the qualifications of a home's staff. The Home Security Regulation (*Heimsicherungsverordnung*) applies if a home's sponsoring body accepts cash or non-cash benefits for the room and board of a resident or applicant. The Home Cooperation Regulation (*Heimmitwirkungsverordnung*) governs the activities of a home's residents.

Liability for Environmental Damage and Contamination

Liability for residual pollution and harmful changes to soil, as well as for the contamination of buildings with asbestos and other harmful materials may arise from rules and regulations under both public and civil law. Liability under public law for residual pollution cannot be excluded through agreements under civil law. Civil law liability for breaches of warranty, however, can be limited or excluded.

Responsibility Under Public Law for Environmental Damage and Contamination

Under the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*), the responsibility for residual pollution and harmful changes to soil (hereinafter, each a "**Contamination**") lies with, amongst others, the perpetrator of the Contamination, such perpetrator's universal successor, the current owner of the property, the party in actual control of the property, and the previous owner of the contaminated property if such owner transferred title after March 1, 1999, and knew or must have known about the Contamination. Liability is strict and not based on fault; that is, the relevant government agency does not need to prove intent or negligence on the part of the party held responsible for the remediation. Administrative powers arising from the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*) include risk assessments, investigative orders, remediation orders, and other necessary measures to prevent harmful changes to soil or residual pollution.

In principle, there is no statutory ranking order according to which the parties responsible for remediation must be held liable. Instead, this decision is at the discretion of the respective government agency. In that regard, effectiveness of remediation is the prevailing factor. Thus, the current owner of the contaminated property is usually held responsible first because that owner is generally in the best position to undertake the necessary remediation work. However, pursuant to the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*), the other responsible parties, as the case may be, are required to indemnify the person who carried out the remediation on a pro rata basis, regardless of who is held liable by the government. This indemnity right may take the form of an explicit contractual agreement and may also be waived. However, whether and to what extent that right can actually be enforced depends on the circumstances of each case.

Asbestos

German law distinguishes between two types of asbestos: (i) friable asbestos and (ii) other types of asbestos, each resulting in different legal consequences.

Friable asbestos can release asbestos fibers into building air due to aging and external force. Friable asbestos is generally found in construction materials that provide fire safety, noise abatement, moisture protection, heat insulation, and thermal protection. Other types of asbestos are involved if the material containing asbestos is firm and no asbestos fibers can escape into the air, thus not posing a risk to human health.

Under the rules of the asbestos guidelines (*Asbest-Richtlinien*) of the German federal states, the standard for determining a remediation obligation is the presence of any threat to health in any specific case. Therefore, except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos under the asbestos guidelines because of the lack of fiber formation.

As to friable asbestos, the asbestos guidelines prescribe criteria for assessing the urgency of taking remedial action in case of contamination. This is determined according to three levels of urgency: urgency level I requires immediate remediation of the structure; urgency level II requires reassessments at intervals of no more than two years; and urgency level III requires a reassessment at intervals of no more than five years. Remediation measures under the asbestos guidelines include demolition, removal, or coating of the asbestos products, and separation of the asbestos products from the respective space to ensure that fibers do not become airborne.

In the event of asbestos contamination, the tenant can assert a commensurate right of rent abatement. German courts have decided that the presence of a defect for purposes of warranty requirements under tenant law can be presumed if the onset of a health threat cannot be excluded. Accordingly, the courts have permitted rent abatements even in cases involving urgency levels II or III, which, under the asbestos guidelines, merely require that the level of risk be monitored. Tenants may also claim compensatory damages if the defect was present at the time of contract formation or if the landlord is in default with its obligation to remedy the defect. Finally, tenants also have the right to remedy the defect on their own and require that their reasonable expenses be reimbursed under certain conditions.

Polychlorinated Biphenyl (PCB), Dichlorodiphenyltrichloroethane (DDT), Pentachlorophenol (PCP) and Lindane

PCB is widely spread in the environment today. Since PCB may cause damage to embryos and is suspected to have carcinogenic effects and affect human health, its production was prohibited in Germany in 1983. However, PCB may still exist in buildings (for example, in wood preservatives, synthetic materials, insulations or joints). PCP was used as a fungicide against mold. Based on construction law or emissions protection law in conjunction with the "Guidelines on the Assessment and Remediation of PCB containing Construction Material or Elements in Buildings" (PCB-Guidelines), the owner of a building may be obliged to remedy PCB sources. In particular, remediation measures may become necessary if the PCB concentration in rooms which are designed for human use exceeds 300 nanograms per cubic meter of air. Remediation measures include the elimination or sealing of PCB-containing construction elements. DDT and Lindane are synthetic pesticides, which were also used in wood preservatives. DDT is suspected to cause cancer and to be genotoxic, while Lindane is suspected to harm the nervous system, especially in case of occupational exposure, and to also possibly cause cancer. As regards DDT, PCP and Lindane, their existence in buildings may entitle the tenant under certain conditions to reduce rent or claim damages. Moreover, the remediation of rooms or buildings where DDT, PCP or Lindane concentrations exceed certain thresholds may be required. Guidelines dealing with DDT, PCP and Lindane exist in several federal states. For instance, the Senate of Berlin recommends the remediation of rooms intended to be used permanently for residential purposes if the DDT concentration in wood or dust exceeds 5 milligrams per kilogram, or if the Lindane concentration in wood or dust exceeds 2 milligrams per kilogram. With regard to PCP, the Senate of Berlin recommends the remediation of rooms intended to be used permanently for residential purposes if the PCP concentration in wood exceeds 50 milligrams per kilogram, or if in dust it exceeds 5 milligrams per kilogram and further conditions are met. Another guideline issued by several German federal states recommends the remediation of rooms used permanently for residential purposes if the PCP concentration in "fresh" dust exceeds 1 milligram per kilogram, or if in "old" dust it exceeds 5 milligrams per kilogram and further conditions are met.

Civil Law Liability

Civil law liability for residual pollution can arise from contractual warranty provisions or statutory law. Warranty obligations can generally be waived or limited by contract. According to statutory provisions, a perpetrator of a Contamination can be liable for damages or for remediation of the Contamination and its consequences. We could be subjected to such liability if a property that our Group currently owns or formerly owned is detrimentally affecting the property of third parties. This civil law liability exists independently of official action under the provisions of the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*).

Commercial Law Framework

In Germany, the business activities of our Group are regulated primarily by the German Industrial Code (*Gewerbeordnung*). Important provisions are found in the regulations thereunder and especially in the Regulations for Real Estate Brokers and Developers (*Makler- und Bauträgerverordnung*). While the German Industrial Code (*Gewerbeordnung*) requires licenses for some business activities of our Group, the most important provisions of the Regulations for Real Estate Brokers and Developers (*Makler- und Bauträgerverordnung*) require the disclosure of certain information to government agencies, compliance with record retention obligations, and an annual audit of the respective companies of our Group by independent auditors.

The relevant regulations under industrial law that specifically govern retirement homes and nursing homes have already been discussed under "— *Social Law Framework and Commercial Laws Applicable to Nursing Homes and Retirement Homes*."

MATERIAL AGREEMENTS

The following summarizes material agreements concluded outside the ordinary course of business in the past two years and the current fiscal year to which the Company or another company of our Group is a party.

Financing Agreements

Our Group has entered into various loan agreements. In addition to the loan agreements discussed in detail below, our Group companies have entered into several hundred other loan agreements with several banks, under which loans in an aggregate total amount of approximately €2,015.2 million (nominal values and accrued interest) were outstanding as of September 30, 2011.

Most of the such loan agreements were granted for the purpose of property financing. Such loan agreements are typically secured by land charges, assignments of rental payment claims and account pledge agreements. The general terms and conditions of the relevant lender typically form part of the individual loan agreements. The general terms and conditions include, in particular, provisions regarding events of default linked to the commercial condition of the relevant borrower and/or a change of control. Some loan agreements prohibit the assignment of the rights of the borrower absent prior written consent by the lender. Some of the loan agreements include negative pledge clauses.

Loan agreement between Deutsche Wohnen AG (et al.) and Helaba

On March 10, 2011, Deutsche Wohnen AG, its subsidiaries Rhein-Main Wohnen GmbH and Main-Taunus Wohnen GmbH & Co. KG, as borrowers, and Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main, Germany ("**Helaba**"), as lender, amended their existing loan agreement of September 9, 2009. The amended loan agreement provides for four loan facilities with an aggregate amount of €474 million (balance as of September 30, 2011: €467.8 million).

Under the loan agreement, Helaba has granted Deutsche Wohnen AG a loan facility in an amount of €79.7 million ("**facility A**") and Rhein-Main Wohnen GmbH a loan facility in an amount of €264.8 million ("**facility B**"), as well as a loan facility in an amount of €100 million ("**facility C**"); moreover Main-Taunus Wohnen GmbH & Co. KG has been granted a loan facility in an amount of €30 million ("**facility D**") by Helaba.

All loan facilities mature on December 31, 2017. The loan facilities bear interest at a rate of three-month EURIBOR plus a margin of 160 basis points (facility A) and 110 basis points (facilities B through D); however, in the case of facility C, the borrower may opt, until December 31, 2014, for an interest rate at one-month EURIBOR plus a margin of 110 basis points. As required under the loan agreement, the borrowers entered into interest rate hedging agreements to offset the interest rate risks relating to €334.1 million of the loan as of September 30, 2011. Furthermore, under the loan agreement Deutsche Wohnen AG has undertaken to provide further interest rate hedging to the extent the interest rate risks of the total loan amount are not fully hedged, contingent on the level of the interest rate.

Facility A amortizes in annual installments in an amount of €1.6 million, which are due on June 30 of each calendar year. Facility B amortizes in quarterly installments in an amount of €1.2 million with the first repayment due on March 20, 2015. Facility D amortizes in quarterly installments in an amount of €93 thousand with the first repayment due on March 20, 2015. Facility C is non-amortizing and has to be repaid in a single installment at the end of its loan term.

The loan agreement provides for certain mandatory unscheduled repayment events. *Inter alia*, the loan agreement stipulates that in the event of sales of units from the real estate portfolio that serves as security under the loan agreement, as well as of certain other units, unscheduled mandatory repayments in the following amounts shall be made out of the sales proceeds: in an amount of €200.00 per sqm for any rental space sold until December 31, 2014, and in an amount of €600.00 per sqm for any rental space sold as from January 1, 2015. The repayment amounts arising out of such mandatory repayment event shall be made with priority on loan facilities B and D.

In respect of financial covenants, the borrowers have undertaken to comply with a debt service cover ratio (*i.e.*, the ratio between net rental income (*Netto-Mieteinnahmen*, as definded in the loan agreement) and debt service, "**DSCR**") and an exit yield (*i.e.*, the ratio between net rental income (*Netto-Mieteinnahmen*, as definded in the loan agreement) and the remaining amount of the loan at its respective level at the time of calculation). The DSCR must be equal to or greater than 102.5% as of June 30, 2011, and will be increased gradually to 110% by 2017. The exit yield must be equal to or greater than 7.25% as of June 30, 2011, and will be increased gradually to 8.50% by 2017. These financial covenants are tested semiannually at the level of the portfolios that serve as security under the loan agreement, and for the next time as of December 31, 2011. For the purposes of the calculation of the financial covenants, facility C is deemed to be fully drawn throughout the term of such loan.

In the case of a breach of a financial covenant (or in the case Helaba may be otherwise entitled to terminate the loan), the borrowers' right to dispose of the credit balances arising out of rental income out of the properties securing the loan is restricted. A breach of a financial covenant may be remedied by certain means, including the payment of certain amounts to a specified account ("**reserve account**"). The amounts in this reserve account are pledged to the benefit of Helaba. The borrowers' right to make such payments is limited to two payments during the term of the loan. Further, Helaba is entitled to use the amounts on the reserve account to amortize the loan, provided, however, that the borrowers are in breach of one or more of the financial covenants on two consecutive testing dates ("**special amortization**"). If the special amortization is not sufficient to remedy the breach, the borrowers are entitled to make additional repayments of the loan. The borrowers may exercise such remedy twice. If, however, a breach of covenants cannot be cured by the means described above, any breach of a financial covenant grants Helaba the right to terminate to loan with immediate effect.

Furthermore, the borrowers are subject to certain affirmative and negative covenants. Affirmative covenants include, *inter alia*, the proper maintenance of the properties securing the loan and the compliance with payment obligations. Negative covenants include, *inter alia*, a clause prohibiting mergers, de-mergers and the change of the legal form of the respective borrower. A breach of such covenants may entitle Helaba to terminate the loan.

The loan agreement provides for certain events of default that may entitle Helaba to terminate the loan with immediate effect. Such events of default include, but are not limited to, non-compliance with payment obligations, the inaccuracy of representations that were required to be given according to the loan agreement, the change of control of Rhein-Main Wohnen GmbH or Main-Taunus Wohnen GmbH or a deterioration of the financial condition of the borrowers, especially in the case of an insolvency. In addition, the loan agreement provides for a cross default clause. Such clause puts the borrower into default under this loan agreement if the borrower is in default under any other financing arrangement with third parties, provided that the underlying value of such financing arrangement with third parties exceeds an amount of €500,000.

Deutsche Wohnen AG is jointly and severally liable for all facilities. Rhein-Main Wohnen GmbH is jointly and severally liable for facilities A through C. Main-Taunus Wohnen GmbH & Co. KG is liable only for facility D.

Moreover, the borrowers have provided Helaba with certain collateral as security, including:

- an assignment by the borrowers of all rights and claims arising out of interest rate hedge agreements;
- an assignment by the borrowers of all current or future rights to receive rental income relating to the properties that serve as security under the loan agreement; and
- a first ranking pledge by the borrowers of all credit balances of the reserve account arising out of (i) the borrowers' payments in order to remedy a breach of a financial covenant and (ii) the sales of units from the real estate portfolio that serves as security under the loan agreement and of certain other units.

Additionally, the borrowers registered land charges (*Grundschulden*) for the benefit of Helaba in an aggregate amount of €622 million plus interest of 15% over certain properties of Rhein-Main Wohnen GmbH and Main-Taunus Wohnen GmbH & Co. KG which serve as security under the loan agreement (*Beleihungsobjekte*); with respect to 10% of the aggregate amount of €622 million, plus interest of 15%, the land charges are immediately enforceable without an additional enforcement order.

Further, Rhein-Main Wohnen GmbH and Main-Taunus Wohnen GmbH & Co. KG guaranteed to Helaba, by way of a personal acknowledgement of debt which is immediately enforceable without an additional enforcement order (*vollstreckbares persönliches Schuldanerkenntnis*), the payment of 10% of the aggregate amount of €622 million plus interest of 15%.

Loan agreement between GEHAG and Bayerische Landesbank

On September 28, 2010, GEHAG, a wholly-owned subsidiary of Deutsche Wohnen AG, as borrower, and Bayerische Landesbank, as lender, entered into a loan agreement for an amount of up to €255 million, *inter alia*, to partly refinance the loan agreement between GEHAG and HSH Nordbank AG dated June 13, 2008, and to finance acquisitions. It consists of two facilities of which facility A (€228 million) is a term loan and facility B (€27 million) constitutes a revolving facility. Facility A is divided into three tranches: a first tranche of €131 million, a second tranche of €70 million and a third tranche of €27 million.

The loan matures on December 31, 2018. Facility A amortizes in annual installments of €2.55 million which are due on the relevant interest payment date falling into fourth quarter of each year. Moreover, mandatory unscheduled repayments have to be effected in the event of sales of units from the real estate portfolio that serves as security under the loan agreement. In that case, a specified loan amount allocated to the disposed properties shall be prepaid. In addition to that, GEHAG has to pay a certain extra amount in the case of single-unit sales (privatizations).

Deutsche Wohnen AG is jointly and severally liable for all current or future payment obligations arising out of the loan agreement. As of September 30, 2011, the credit drawn upon under this agreement amounted to €223.4 million.

The loan bears interest at a rate of three-month EURIBOR plus a certain margin. The margin for the first tranche of facility A amounts to 84 basis points, for the second tranche to 234 basis points and for the third tranche to 283 basis points. The margin for facility B amounts to 335 basis points. Interest rate payments are due quarterly. As required under the loan agreement, GEHAG has undertaken to Bayerische Landesbank that it will enter into interest rate hedging agreements to offset the interest rate risks relating to an amount of 75% of credit facility A. In fulfillment of this obligation, GEHAG entered into interest rate hedging agreements to offset the interest rate risks relating to €169.2 million of the loan as of September 30, 2011.

Under the loan agreement, GEHAG must comply with certain financial covenants that are tested annually. First, the ratio between debt (under this loan agreement and prior-ranking financing relating to the portfolio serving as security for this loan) and annual gross income (*Jahresrohertrag*, as defined in the loan agreement) from the portfolio serving as security for this loan ("**debt to rent ratio**") must not exceed a factor of 10.9 as of June 30, 2011. The debt to rent ratio will be decreased gradually to a factor of 9.2 as of December 31, 2018. Second, GEHAG undertakes to keep the ratio between annual net earnings (*Jahresreinertrag*, as defined in the loan agreement) from the portfolio serving as security for this loan (plus proceeds from sales of property, as the case may be) and debt service (under this loan agreement and prior-ranking financing relating to the portfolio serving as security for this loan, "**DSCR**") at a level of at least 1.15 as of June 30, 2011. The DSCR will be increased gradually to 1.25 as of December 31, 2018. As of June 30, 2012, the time of the next test, the DSCR shall be 1.15 and the debt to rent ratio shall be 10.9.

A DSCR below 1.10 entitles Bayerische Landesbank to terminate the loan with immediate effect. The same applies if the debt to rent ratio exceeds the respective amount on two consecutive testing days. In the case of a breach of the financial covenants, the borrower's right to dispose of the credit balances arising out of rental income out of the properties securing the loan is restricted. Upon notification of Bayerische Landesbank, GEHAG has to monthly pay certain amounts, based on its monthly gross income (*monatlicher Rohertrag*, as defined in the loan agreement), plus sales proceeds less service of debts under this and other senior loan agreements and less mandatory unscheduled payments already made to Bayerische Landesbank, into a specified account ("**reserve account**"). The amounts in this reserve account are pledged to benefit of Bayerische Landesbank. The amounts in the reserve account are made available to GEHAG, once GEHAG complies with the financial covenants again. To cure the breach and to avoid payments into the reserve account, GEHAG is alternatively entitled to make unscheduled repayments of the loan.

Furthermore, GEHAG is subject to certain several affirmative and negative covenants. Affirmative covenants include, *inter alia*, the proper maintenance of the properties securing the loan, the making of investments according to the business plan and the maintenance of specified insurance policies. Negative covenants include refraining from paying dividends to shareholders as long as the financial covenants are not fulfilled.

The loan agreement contains a change of control clause requiring that Deutsche Wohnen AG holds, directly or indirectly, at least 50% of the shares of GEHAG. A breach of this provision may entitle Bayerische Landesbank to terminate the loan with immediate effect, unless GEHAG and Bayerische Landesbank amend the loan agreement within a six month period which begins with the Bayerische Landesbank's demand to enter into negotiations. Further, GEHAG has undertaken vis-à-vis Bayerische Landesbank to carry out the asset management of the real estate portfolio that serves as security under the loan agreement by itself or have it carried out by another subsidiary of Deutsche Wohnen AG unless Bayerische Landesbank approves the transfer of the asset management to a third party. A breach of this provision may entitle Bayerische Landesbank to terminate the loan with immediate effect.

GEHAG has provided Bayerische Landesbank with certain collateral as security, including, *inter alia*:

- an assignment by GEHAG of all rights and claims arising out of interest rate hedge agreements up to an amount of €171 million;
- an assignment by GEHAG of all current or future rights to receive rental income relating to the properties that serve as security under the loan agreement;
- an assignment by GEHAG of all current or future claims arising out of sale agreements with third parties pertaining to units from the real estate portfolio that serves as security under the loan agreement; and
- a pledge by GEHAG of all credit balances arising out of (i) GEHAG's payments into the reserve account and (ii) the sales of units from the real estate portfolio that serves as security under the loan agreement.

Additionally, GEHAG provided land charges (*Grundschulden*) for the benefit of Bayerische Landesbank in an aggregate amount of €303 million plus interest over certain properties which serve as security under the loan agreement (*Beleihungsobjekte*). For an amount of €238 million of the land charges, the interest rate is 14% per year; the residual amount of the land charges bears interest of 15% per year. With respect to an amount of €30 million plus interest (being 14% per year for an amount of €23.8 million, and, for the residual amount, 15% per year), the land charges are immediately enforceable without an additional enforcement order.

Further, GEHAG guaranteed vis-à-vis Bayerische Landesbank AG, by way of a personal acknowledgement of debt which is immediately enforceable without an additional enforcement order (*vollstreckbares persönliches Schuldanerkenntnis*), the payment of €30 million plus interest (being 14% per year for an amount of €23.8 million, and, for the residual amount, 15% per year).

Loan agreement between Fortimo GmbH and Deutsche Pfandbriefbank AG

On December 5, 2005 (as amended on July 19, 2007), Fortimo GmbH, a wholly-owned subsidiary of Deutsche Wohnen AG, as borrower ("**Fortimo**"), and Hypo Real Estate Bank AG, Munich, Germany (now Deutsche Pfandbriefbank AG, "**Deutsche Pfandbriefbank**"), as lender, entered into a loan agreement in an amount of €188 million to finance a certain acquisition of real estate properties. The loan consisted of various tranches, of which only one tranche is currently outstanding. This tranche amounted to €123 million.

Fortimo may opt to draw amounts under the acquisition facility either by way of a short-term EURIBOR-based loan (*kurzfristiges EURIBOR-Darlehen*) or by way of a long-term mortgage loan (*langfristiges Hypothekendarlehen*). Under the modernization facility, Fortimo may opt to draw amounts either by way of a loan on current account (*Kontokorrentkredit*) or by way of a short-term EURIBOR-based loan. As of September 30, 2011, the credit drawn upon under the loan agreement amounted to €121.7 million, which is fully drawn by way of short-term EURIBOR-based loan.

The loan matures on December 31, 2015. Drawings by way of a short-term EURIBOR-based loan bear interest at a rate of one-month EURIBOR plus a margin of 60 basis points. However, upon termination of one interest period with respect to the following interest rate period, Fortimo may also opt for an interest rate period of three, six or twelve months at the corresponding three-month, six-month or twelve-month EURIBOR plus the margin of 60 basis points. Drawings by way of a long-term mortgage loan bear interest at the ICAPEURO swap rate as calculated for the respective term of the loan plus the aforementioned margin.

Contingent on the level of specified swap rates, Fortimo is required to enter into interest rate hedging agreements to offset interest rate risks. Thus, Fortimo has entered into interest rate hedging agreements relating to €114.0 million as of September 30, 2011.

During the remaining term of the loan no repayments have to be made.

The loan agreement provides for certain mandatory unscheduled repayment events. The loan agreement stipulates that in the event of sales of units from the real estate portfolio that serves as security under the loan agreement, mandatory unscheduled repayments shall be made out of the sales proceeds. The repayment varies in range from an amount of €570.00 per sqm to an amount of €700.00 per sqm depending on the respective real estate property sold.

In respect of financial covenants, Fortimo has undertaken to comply with three covenants. First, Fortimo has to comply with a debt service cover ratio (*i.e.*, the ratio between estimated net operating income (*voraussichtliche Netto-Betriebseinnahmen*, as definded in the loan agreement) from the portfolio serving as security for this loan and estimated debt service, "**DSCR**"). Second, Fortimo has to comply with an interest service cover ratio (*i.e.*, the ratio between estimated net operating income (*voraussichtliche Netto-Betriebseinnahmen*, as definded in the loan agreement) from the portfolio serving as security for this loan and the estimated interest service, "**ISCR**"). Third, Fortimo has undertaken to comply with an exit yield (*i.e.*, the ratio between estimated net operating income (*voraussichtliche Netto-Betriebseinnahmen*, as definded in the loan agreement) from the portfolio serving as security for this loan and the remaining amount of the loan). Until the expiration of the loan, the DSCR must be equal to or greater than 120%; the ISCR must be equal to or greater than 125%; and the exit yield must be equal to or greater than 8%. These financial covenants are tested on a quarterly basis at the level of the portfolios that serve as security under the loan agreement, and for the next time as of September 30, 2011.

However, the financial covenants are also tested in case of sales of economic units of properties (*Wirtschaftseinheiten*) out of such portfolios.

In the case of a breach of a financial covenant, Fortimo's right to dispose of its net rental income out of the properties securing the loan is restricted. Upon notification by Deutsche Pfandbriefbank, Fortimo has to pay a certain amount, based on its net rental income less service of debt under this loan agreement and less operational costs to be borne by Fortimo, into a specified account ("**reserve account**") on a monthly basis until the financial covenants are met again. The amounts in this reserve account are pledged to the benefit of Deutsche Pfandbriefbank. However, the amounts in the reserve account are made available to Fortimo once Fortimo complies with the financial covenants again. Alternatively to monthly payments, Deutsche Pfandbriefbank can require Fortimo to pay into the reserve account the amount necessary to cure the breach at once.

Furthermore, Fortimo is subject to certain affirmative and negative covenants. Affirmative covenants include, *inter alia*, an obligation with respect to the administration of the property securing the loan and an obligation to protect such properties through insurance policies that include all-risk insurance and third-party liability insurance. Negative covenants include, *inter alia*, clauses that prohibit the extension of Fortimo's objective and the taking-out of certain loans. A breach of financial and other covenants may entitle Deutsche Pfandbriefbank to terminate the loan.

The loan agreement further provides for certain events of default that may entitle the lender to terminate the loan with immediate effect. Such events of default include, but are not limited to, non-compliance with payment obligations, inaccuracy of information required to be given according to the loan agreement, deterioration of the financial condition of Fortimo, particularly in the case of insolvency, or deterioration of the properties securing the loan.

Fortimo has provided a binding letter of comfort (*harte Patronatserklärung*) issued by GEHAG under which GEHAG is liable for all facilities, unless Fortimo and GEHAG enter into a profit and loss transfer agreement. As currently, such profit and loss transfer agreement is in place, Deutsche Pfandbriefbank has undertaken to not make any claims under this letter of comfort for the effective period of this agreement.

Moreover, the Fortimo has provided Deutsche Pfandbriefbank with certain collateral as security, including:

- an assignment by Fortimo of all rights and claims arising out of interest rate hedge agreements;
- an assignment by Fortimo of all current or future rights to receive rental income relating to the properties that serve as security under the loan agreement, and of all current and future rights and claims arising from any sale of such properties; and
- a pledge by the borrowers of all credit balances arising out of (i) the borrowers' payments into the reserve account and (ii) the sales of units from the real estate portfolio that serves as security under the loan agreement.

Additionally, Fortimo registered land charges (*Grundschulden*) for the benefit of Deutsche Pfandbriefbank in an aggregate amount of €130 million plus interest of 16% over certain properties that serve as security under the loan agreement (*Beleihungsobjekte*); with respect to at least 10% of the aggregate amount of €130 million plus 16% interest, the land charges are immediately enforceable without an additional enforcement order.

Furthermore, Fortimo guaranteed the payment of at least 10% of the aggregate amount of €130 million plus interest of 16% to Deutsche Pfandbriefbank, by way of a personal acknowledgement of debt which is immediately enforceable without an additional enforcement order (*vollstreckbares persönliches Schuldanerkenntnis*).

Loan agreement between Eisenbahn-Siedlungs-Gesellschaft Berlin mbH and Helaba

On December 21, 2009, ESG, as borrower, and Helaba, as lender, amended their existing loan agreement. The amended loan agreement provides for a loan in an aggregate amount of €109 million (balance as of September 30, 2011: €88.0 million). The loan consists of two facilities, facility A in an amount of €102 million and facility B in an amount of €7 million.

All loan facilities mature on December 31, 2016. The loan facilities bear interest at a rate of three-month EURIBOR plus a margin of 90 basis points (facility A) and 133 basis points (facility B). As required under the loan agreement, ESG entered into interest rate hedging agreements to offset the interest rate risks relating to €58.7 million of the loan as of September 30, 2011.

Facility A amortizes in annual installments in an amount of €1.1 million, which are due in four equal quarterly rates each year. Facility B is due at the end of its term in a single installment.

The loan agreement provides for certain mandatory unscheduled repayment events. *Inter alia*, the loan agreement stipulates that in the event of sales of units from the real estate portfolio that serves as security under the loan agreement, mandatory unscheduled repayments shall be made out of the sales proceeds: an amount of €400.00 per sqm for any rental space sold from scattered properties (*Streubesitz*), an amount of €600.00 per sqm for any rental space sold by means of block sales (*Blockverkäufe*) and an amount of €600.00 per sqm for any rental space sold by means of single-unit sales (privatizations). In the event that the generated sales proceeds from block sales or single-unit sales (privatizations) are below the aforementioned mandatory repayment amounts, ESG must pay the differential amounts. The repayment amounts arising out of mandatory unscheduled repayment events shall be made with priority on loan facility A.

In respect of financial covenants, the ESG has undertaken to comply with a debt service cover ratio (*i.e.*, the ratio between net rental income (*Netto-Mieteinnahmen*, as definded in the agreement) and debt service, "**DSCR**") and an exit yield (*i.e.*, the ratio between net rental income (*Netto-Mieteinnahmen*, as definded in the agreement) and the remaining amount of the loan at its respective level at the time of calculation). These financial covenants are tested semiannually at the level of the portfolios that serve as security under the loan agreement, and for the next time as of December 31, 2011. The DSCR must be equal to or greater than 110% as of June 30, 2011, and will be increased to 115% for the testing periods following and including June 30, 2012. The exit yield must be equal to or greater than 9.50% as of June 30, 2011, and will be increased gradually to 11.30% by 2015.

In the case of a breach of a financial covenant, ESG's right to dispose of the credit balances arising out of rental income is restricted. A breach of a financial covenant may be remedied by certain means, including the payment of certain amounts to a specified account ("**reserve account**"). This amount is pledged to the benefit of Helaba; ESG's right to make such payments is limited to two payments during the term of the loan. Furthermore, Helaba is entitled to use the amounts in the reserve account to amortize the loan, provided that ESG is in breach of one or more of the financial covenants on two consecutive testing dates ("**special amortization**"). If the special amortization is not sufficient to remedy the breach, ESG has to make additional repayments of the loan. ESG may exercise such remedy twice. If, however, a breach of covenants cannot be cured by the means described above, any breach of a financial covenant grants Helaba the right to terminate to loan with immediate effect.

Furthermore, ESG is subject to certain affirmative and negative covenants. Affirmative covenants include, *inter alia*, the proper maintenance and the appropriate insurance of the properties securing the loan. Infringement of such covenants could entitle Heleba to eventually terminate the loan.

The loan agreement provides for certain events of default that may entitle Helaba to terminate the loan with immediate effect. Such events of default include, but are not limited to, non-compliance with payment obligations, the inaccuracy of representations that were required to be given according to the loan agreement or a deterioration of the financial condition of ESG, especially in the case of an insolvency. The loan agreement also contains restrictions on a change of control, prohibiting that GEHAG holds less than 75% of the interest in ESG. In case of such change of control, Helaba may terminate the loan with immediate effect.

Moreover, ESG has provided Helaba with certain collateral as security, including:

- a pledge by ESG of all rights and claims arising out of interest rate hedge agreements;
- an assignment by the borrowers of all current or future rights to receive rental income relating to the properties that serve as security under the loan agreement, and of all claims arising from any future sale of such properties; and

- a first ranking pledge by the borrowers of all credit balances of the reserve account arising out of (i) the borrowers' payments in order to remedy a breach of a financial covenant and (ii) the sales of units from the real estate portfolio that serves as security under the loan agreement.

Additionally, ESG registered land charges (*Grundschulden*) for the benefit of Helaba in an aggregate amount of approximately €120.48 million plus interest of 15-16% over certain properties which serve as security under the loan agreement (*Beleihungsobjekte*).

Furthermore, ESG guaranteed the payment of 30.30% of the aggregate amount of approximately €120.48 million plus interest of 15-16% to Helaba, by way of a personal acknowledgement of debt which is immediately enforceable without an additional enforcement order (*vollstreckbares persönliches Schuldanerkenntnis*).

Portfolio Acquisition and Sale Agreements

Between July 1, 2010 and October 31, 2011, we were able to acquire a total of 7,937 residential units in our existing core regions. In these acquired portfolios we expect further rent increase potential of approximately 16-25% depending on the location. The table below shows important key figures relating to these acquisitions, partially based on Company estimates.

Region	Berlin Letting	Berlin Privatization	Rhine-Main	Rhine Valley South	Rhine Valley North	Total
Portfolio						
Total units	4,145	1,867	466	350	1,160	7,988
thereof residential units	*4,128*	*1,858*	*457*	*334*	*1,160*	*7,937*
Total area (square meters)	236,592	110,825	24,713	23,557	72,423	468,110
GAV (in € million)[1]	204.8	75.5	25.8	18.7	82.6	407.4
GAV (in € per square meter)	866	681	1,044	794	1,141	870
Actual vacancy (%)	2.4	5.9	2.5	4.1	1.3	3.1
Rent						
Actual in-place rent (in € per square meter and month)	4.98	5.15	6.66	4.96	5.89	5.25
Estimated potential rent (in € per square meter and month)[2]	6.22	5.16	7.86	5.76	6.87	6.13
Rent potential (%)	*25*	*0*	*18*	*16*	*17*	*17*
Average sales price (in € per square meter)		974				974
Gross margin[3] (%)		43				43
KPIs						
Net initial yield[4] (%)	6.9	8.6	7.8	7.5	6.3	7.2
FFO without disposals pre tax (in € million)	6.6	2.9	0.9	0.6	2.0	13.0
per square meter (in €)	*27.9*	*26.2*	*36.4*	*25.5*	*27.6*	*27.8*
Pre-tax FFO incremental contribution yield[5] (%)	*8.1*	*9.6*	*8.7*	*8.0*	*6.1*	*8.0*
FFO from disposal pre tax (in € million)		2.0				2.0
Total FFO pre tax (in € million)	6.6	4.9	0.9	0.6	2.0	15.0
per share (in €, based on 81.84 million shares)	*0.08*	*0.06*	*0.01*	*0.01*	*0.02*	*0.18*

1) *Gross asset value ("**GAV**").*

2) *Company's estimate.*

3) *Average sales price (in € per square meters) divided by GAV (in € per square meters).*

4) *Current gross rental income divided by GAV.*

5) *FFO without disposals pre tax divided by assumed equity portion based on a LTV of 60%.*

The most significant acquisitions during this period are described in the following:

GEHAG Erste Beteiligungs GmbH purchased 568 residential units located in Berlin-Tempelhof for a net purchase price of €19.5 million on October 23, 2010 and 662 residential units located in Berlin-

Reinickendorf, Berlin-Neukölln and Berlin-Tempelhof for a net purchase price of €30.9 million on May 10, 2011. GEHAG GmbH and GEHAG Erwerbs GmbH & Co. KG purchased by way of a share deal indirectly 1,858 residential units mostly located in Berlin with an asset value of approximately €73 million. On July 29, 2011 GEHAG Erste Beteiligungs GmbH purchased 391 residential units in Berlin-Marienfelde for a net purchase price of €23.2 million. GEHAG GmbH and GEHAG Erwerbs GmbH & Co. KG purchased by way of three share deals indirectly 1,267 residential units located in Berlin with an asset value of approximately €53.3 million. Deutsche Wohnen Fondsbeteiligungs GmbH and GEHAG Erwerbs GmbH & Co. KG purchased indirectly 1,160 residential units by way of a share deal in Düsseldorf and the greater Düsseldorf area with an asset value of €78 million.

We continue to look for opportunities for further growth through the acquisition of portfolios or through strategic co-operations that fit into our overall strategy and consider offers for new investments on an ongoing basis.

Affiliate Agreements

Deutsche Wohnen AG has entered into control and profit and loss transfer agreements with the following subsidiaries in order to create fiscal units for corporate income tax purposes:

- Deutsche Wohnen Management GmbH;
- Deutsche Wohnen Fondsbeteiligungs GmbH;
- Deutsche Wohnen Management- und Servicegesellschaft mbH;
- Deutsche Wohnen Zweite Fondsbeteiligungs GmbH; and
- Deutsche Wohnen Corporate Real Estate GmbH (formerly Deutsche Wohnen Corporate Immobilien GmbH).

Under these control and profit and loss transfer agreements, the respective subsidiary has placed the management of its company under the control of Deutsche Wohnen AG. Furthermore, the subsidiaries are to transfer their annual surplus, as it would result without the transfer of profit and losses, to Deutsche Wohnen AG. In exchange, Deutsche Wohnen AG is obligated to offset any annual shortfalls that may arise in the subsidiaries. The control and profit and loss transfer agreements have minimum terms of five years and can be terminated by way of written notice after these fixed terms subject to a notice period of six months. They otherwise automatically extend for additional periods of one year. However, the right of the parties to cancel the agreements for due cause without notice shall not be affected.

Deutsche Wohnen AG has entered into a control agreement with Rhein-Pfalz Wohnen GmbH. This agreement can initially be terminated as of December 31, 2011, subject to a notice period of six months.

Other Material Agreements

DB 14

In 1999, our Group contributed a property portfolio of 2,624 residential units and 28 commercial spaces to the Deutsche Bank Group's closed-end property fund DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG ("**DB 14**"). Deutsche Grundbesitz Beteiligungsgesellschaft mbH (a subsidiary of Deutsche Bank AG) and Rhein-Pfalz Wohnen GmbH (a subsidiary of Deutsche Wohnen AG) are the managing partners of the fund, which is organized as a limited partnership (*Kommanditgesellschaft)*; Rhein-Pfalz Wohnen GmbH has a capital share in the fund. The administration of the fund has been assigned to a company of the Deutsche Bank Group (now DWS Finanz Service GmbH) under an agency agreement with DB 14.

As part of the placement of the closed-end fund shares, Rhein-Pfalz Wohnen GmbH has granted the fund's investors an irrevocable right to tender partnership shares to Rhein-Pfalz Wohnen GmbH (or to a third party designated by Rhein-Pfalz Wohnen GmbH). Such right to tender may be exercised on an annual basis, for the last time on December 31, 2019. Thus, we must acquire the shares, upon request, for a purchase price of, initially (in 2005), 105% of the paid-in capital share. From 2005 onwards, the agreed purchase price for the shares increases by five percentage points every year (up to 175% in 2019). However, this purchase price may vary within a range of two percentage points upwards or downwards. Such an adjustment depends on the performance of the actual rent earned per year. Due to such tenders, our Group's capital share in DB 14 increased to a total of approximately 84% as of September 30, 2011. Due to further tenders of partnership shares in 2011 our Group's capital share in DB 14 will increase by a further 9.2% by December 31, 2011.

Furthermore, Rhein-Pfalz Wohnen GmbH has various contractual obligations *vis-à-vis* DB 14:

- DB 14 and Rhein-Pfalz Wohnen GmbH entered into an agreement under which Rhein-Pfalz Wohnen GmbH must commercially and technically manage DB 14's property portfolio. The agreement has a term ending on December 31, 2019.
- Under an agreement combining a rent guarantee and a maintenance undertaking, Rhein-Pfalz Wohnen GmbH guarantees an annual contractual current gross rent of €9,965,170.15 to DB 14 with effect from January 1, 2000. The amount of this guaranteed contractual current gross rent increases each year by 0.5%, with effect from the year 2000. If the total rental income in a calendar year exceeds the guaranteed contractual current gross rent, Rhein-Pfalz Wohnen GmbH may claim 70% of the exceeding amount as its own revenue; the remaining 30% is due to DB 14. As consideration for the rent guarantee, DB 14 pays Rhein-Pfalz Wohnen GmbH 2% of the contractual current gross rent plus any value-added tax ("**VAT**"). In addition, Rhein-Pfalz Wohnen GmbH has assumed DB 14's maintenance and repair obligations arising from the ownership and letting of rental space. DB 14 reimburses Rhein-Pfalz Wohnen GmbH for maintenance and repair costs on an annual basis at a flat rate of €3,07 per square meter of rental space plus VAT; this reimbursement amount is increased annually by 1% as from 2000. The agreement has a term ending on December 31, 2019.
- Moreover, DB 14 and Rhein-Pfalz Wohnen GmbH have entered into a loan guarantee agreement. Under this agreement, Rhein-Pfalz Wohnen GmbH has assumed all loans and liabilities *vis-à-vis* lenders of DB 14. In exchange, DB 14 makes fixed annual interest and redemption payments. The loans are secured by mortgages and liens on these properties. By entering into this contract, the parties intend to guarantee the interest and redemption payments which are calculated by Rhein-Pfalz Wohnen GmbH in connection with the spin-off. The agreement has a term ending on December 31, 2019.

Systems Provider Agreements

Our Group has entered into various systems provider agreements with four providers for the building management of its entire residential portfolio (except for facilities for seniors), with a total annual volume of approximately €11 million. Above all, the agreements involve the servicing of technical building systems, maintenance, tenant changes, and processing of insured losses. To facilitate the implementation of the contracts, the four service providers are integrated into our Group's SAP system.

On October 12, 2010, Deutsche Wohnen Management- und Servicegesellschaft mbH, Deutsche Wohnen Asset Immobilien GmbH, Deutsche Wohnen Beteiligungen Immobilien GmbH, Rhein-Main Wohnen GmbH, Rhein-Pfalz Wohnen GmbH, Rhein-Mosel Wohnen GmbH, Main-Taunus Wohnen GmbH & Co. KG, and DB 14 entered into a systems provider agreement and an agreement for the servicing of technical systems with Gegenbauer Property Services GmbH and, moreover, into a systems provider agreement and an agreement for the servicing of technical systems with B&O Service- und Messtechnik AG. Subject to these agreements are certain residential portfolios of the contract companies of Deutsche Wohnen located in the Frankfurt/Rhine-Main region. These agreements are effective from January 1, 2011 until December 31, 2013 and will be automatically extended for additional periods of thirty-six months each if no termination has been declared within a notice period of three months prior to the expiration of the respective contract term.

On October 27, 2008, GEHAG entered into a systems provider agreement and an agreement for the servicing of technical systems with Gegenbauer Property Services GmbH concerning certain residential portfolios held by GEHAG and located in certain areas of Berlin; these agreements end on December 31, 2011.

On October 27, 2008, Rhein-Main Wohnen GmbH, Rhein-Pfalz Wohnen GmbH, Rhein-Mosel Wohnen GmbH, DB 14, GEHAG, ESG and Haus und Heim Wohnungsbau GmbH entered into a systems provider agreement and an agreement for the servicing of technical systems with URBANA Energietechnik AG & Co. KG concerning certain residential portfolios of our contract companies located in the areas of Berlin/ Brandenburg, Frankfurt/Rhine-Main, and Saarland; these agreements end on December 31, 2011.

On October 27, 2008, Fortimo GmbH, GEHAG and Aufbau-Gesellschaft der GEHAG entered into a systems provider agreement and an agreement for the servicing of technical systems with B&O Service- und Messtechnik AG concerning certain residential portfolios of our contract companies located in certain areas of Berlin; these agreements end on December 31, 2011.

From January 1, 2012 the following additional agreements will be in place:

On October 20, 2011, Fortimo GmbH, GEHAG GmbH, Aufbau Gesellschaft der GEHAG mbH and GEHAG Erste Beteiligungs GmbH entered into a systems provider agreement and an agreement for the servicing of technical systems with B&O Service- und Meßtechnik AG concerning certain residential portfolios of the contract companies of Deutsche Wohnen located in certain areas of Berlin; these agreements have a fixed term beginning January 1, 2012 and ending December 31, 2015, subject to automatic extensions for additional periods of twelve months each if no termination has been declared within a notice period of three months prior to the expiration of the respective contract term.

On October 20, 2011, GEHAG GmbH and GEHAG Erste Beteiligungs GmbH entered into a systems provider agreement and an agreement for the servicing of technical systems with Gegenbauer Property Services GmbH concerning certain residential portfolios of the contract companies of Deutsche Wohnen located in certain areas of Berlin; these agreements have a fixed term beginning January 1, 2012 and ending December 31, 2015, subject to automatic extensions for additional periods of twelve months each if no termination has been declared within a notice period of three months prior to the expiration of the respective contract term.

On October 20, 2011, Fortimo GmbH, GEHAG GmbH, Aufbau Gesellschaft der GEHAG mbH, GEHAG Erste Beteiligungs GmbH and Eisenbahn-Siedlungsgesellschaft Berlin mbH entered into a systems provider agreement and an agreement for the servicing of technical systems with ALBA Facility Solutions GmbH concerning certain residential portfolios of the contract companies of Deutsche Wohnen located in certain areas of Berlin; these agreements have a fixed term beginning January 1, 2012 and ending December 31, 2015, subject to automatic extensions for additional periods of twelve months each if no termination has been declared within a notice period of three months prior to the expiration of the respective contract term.

On October 20, 2011, GEHAG GmbH, GEHAG Erste Beteiligungs GmbH, GEHAG Dritte Beteiligungs GmbH, Eisenbahn-Siedlungsgesellschaft Berlin mbH and Haus und Heim Wohnungsbau-GmbH entered into a systems provider agreement and an agreement for the servicing of technical systems with URBANA Energiedienste GmbH concerning certain residential portfolios of the contract companies of Deutsche Wohnen located in certain areas of Berlin; these agreements have a fixed term beginning January 1, 2012 and ending December 31, 2013. The parties agreed to negotiate prior to September 30, 2013 about the possible extension of the contracts for two years until December 31, 2015. Thereafter the contracts are subject to automatic extensions for additional periods of twelve months each if no termination has been declared within a notice period of three months prior to the expiration of the respective contract term.

On October 20, 2011, Rhein-Main Wohnen GmbH, Rhein-Pfalz Wohnen GmbH, Rhein-Mosel Wohnen GmbH und DB 14 entered into a systems provider agreement and an agreement for the servicing of technical systems with URBANA Energiedienste GmbH concerning certain residential portfolios of the contract companies of Deutsche Wohnen located in certain areas of the Rhine-Main region; these agreements have a fixed term beginning January 1, 2012 and ending December 31, 2013. The parties agreed to negotiate prior to September 30, 2013 about a possible extension of the contracts for two years until December 31, 2015. Thereafter the contracts are subject to automatic extensions for additional periods of twelve months each if no termination has been declared within a notice period of three months prior to the expiration of the respective contract term.

TRANSACTIONS AND LEGAL RELATIONSHIPS WITH RELATED PARTIES

In accordance with IAS 24, companies related to the Company include those entities with which the Company forms a group or in which it owns a stake enabling it to exert a significant influence over the entity. These include companies and associated companies that are controlled but not consolidated for reasons of materiality.

Under IAS 24, parties related to the Company include members of the Management Board and the Supervisory Board, including their close family members, as well as any entities over which members of the Company's Management Board or Supervisory Board or their close family members can exert a controlling influence.

Business Relationships between Deutsche Wohnen AG and Companies of Deutsche Wohnen Group

The Company has business and contractual relationships with various related parties within the Group. These relationships entail providing a wide variety of services in the areas of leasing and sales management, consulting to residents and tenants, rent and receivables management, central purchasing and contract administration, customer service, technical management including maintenance and modernization, personnel, legal and financial matters, marketing, IT, business management, and portfolio controlling.

In the ordinary course of its business activities, all transactions and legal relationships with related companies or related persons were conducted on standard market terms and conditions that are commonly applied to transactions with non-Group third parties.

GENERAL INFORMATION ON DEUTSCHE WOHNEN AG AND DEUTSCHE WOHNEN GROUP

Formation, Name and Commercial Register Entry

Deutsche Wohnen AG is a stock corporation (*Aktiengesellschaft*) organized under German law. It was incorporated as KERA Beteiligungs Aktiengesellschaft, a stock corporation organized under German law, on November 19, 1996 and was registered with the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, under docket number HRB 42388 on December 12, 1996. The founder and sole shareholder was Deutsche Bank AG. Initially, the Company had no active business operations. It first started to conduct business in 1998. The Company changed its name to Deutsche Wohnen AG pursuant to a resolution adopted by an extraordinary shareholders meeting on October 30, 1998, which was recorded in the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main on January 6, 1999. The Company conducts business as Deutsche Wohnen AG.

Company History

The cornerstone of our Group's formation took place in 1998/99 with the acquisition of the residential property portfolios of the former Hoechst AG and the Heimstätte Rheinland-Pfalz Group. Our Group took on its current form through its merger with the GEHAG Group in August 2007.

In 1999, all of the Company's four million no par value registered shares, each such share representing a notional value of approximately €2.56, were sold in a private placement to retail and institutional investors by the Company's then sole shareholder, DB Real Estate Management GmbH (formerly Deutsche Grundbesitz Management GmbH and now RREEF Management GmbH), Eschborn, Germany, a wholly owned subsidiary of Deutsche Bank AG. The Company's initial public offering took place on November 2, 1999, with its shares trading on the regulated market of the Luxembourg Stock Exchange and on the open markets of the Düsseldorf and Berlin/Bremen stock exchanges. The shares of the Company were admitted to trading in the official market segment (*amtlicher Markt*) of the Frankfurt Stock Exchange on July 14, 2006. They have traded in the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange since November 1, 2007. At the request of the Company, the listing on the Luxembourg Stock Exchange was cancelled with effect as from the end of December 12, 2006.

As part of DB Real Estate Management GmbH's placement of the Company's shares in 1999, DB Real Estate Management GmbH granted those registered shareholders who were recorded in the Company's stock register as of June 30, 2009, the right to sell their shares to DB Real Estate Management GmbH by December 31, 2009. In view of this right, the Company and DB Real Estate Management GmbH executed a control agreement on May 7, 1999, under which the Company gave control of its business to DB Real Estate Management GmbH. The sole shareholder of DB Real Estate Management GmbH was Deutsche Bank AG.

In early 2006, the Company and DB Real Estate Management GmbH decided to cancel their control agreement and financially separate the Company from the Deutsche Bank Group in order to facilitate the sustainable growth of Deutsche Wohnen AG. The State of Rhineland-Palatinate and Hoechst GmbH, legal successor of the former Hoechst AG, had already consented to a waiver of the control requirement in 2005.

On the basis of a concept formulated by the Company and the Deutsche Bank Group on March 23, 2006, an extraordinary shareholders meeting of the Company approved the cancellation of the control agreement with DB Real Estate Management GmbH with a majority of 99% of the capital represented. Another condition of the financial separation set by DB Real Estate Management GmbH included that at least 90% of the shareholders take advantage of the opportunity to exchange their existing Company registered shares for bearer shares and, in connection with such exchange, waive their right of sell-out. This condition was also resolved by the extraordinary shareholders meeting on March 23, 2006. Upon fulfillment of these conditions, the control agreement was cancelled, effective as of the end of June 30, 2006. As of the date of exchange, September 10, 2009, 466,599 of the 677,822 registered shares were exchanged for bearer shares, leaving a total of 211,223 registered shares outstanding as of September 10, 2009 (approximately 0.8% of the shares of the Company). As of the date of the most current exchange, September 12, 2011, 1,199 of the remaining 108,776 registered shares were exchanged for bearer shares, leaving a total of 107,577 registered shares outstanding as of November 14, 2011.

In the course of its merger with Berlin-based GEHAG, the Company acquired, in two stages, all of the shares of GEHAG from the Oaktree Companies. As consideration, the two Oaktree Companies received 6.4 million new bearer shares in the Company and a convertible bond with a total nominal value of €25 million. The rights to convert the bond into shares had not been exercised. On August 2, 2010, the convertible bond was fully redeemed by the Company.

In October 2010, the Oaktree Companies sold a first significant part of their shares in Deutsche Wohnen AG which reduced their stake in the Company from 22.7% to 11.35%. The remaining shareholding in the Company was sold by the Oaktree Companies in January 2011, with the effect that the Oaktree Companies are no longer shareholders of the Company.

Registered Office, Fiscal Year, Duration and Purpose of the Company

The Company's registered office is located at Pfaffenwiese 300, 65929 Frankfurt am Main, Germany, and its telephone number is +49 (0) 69 97 69 70 0.

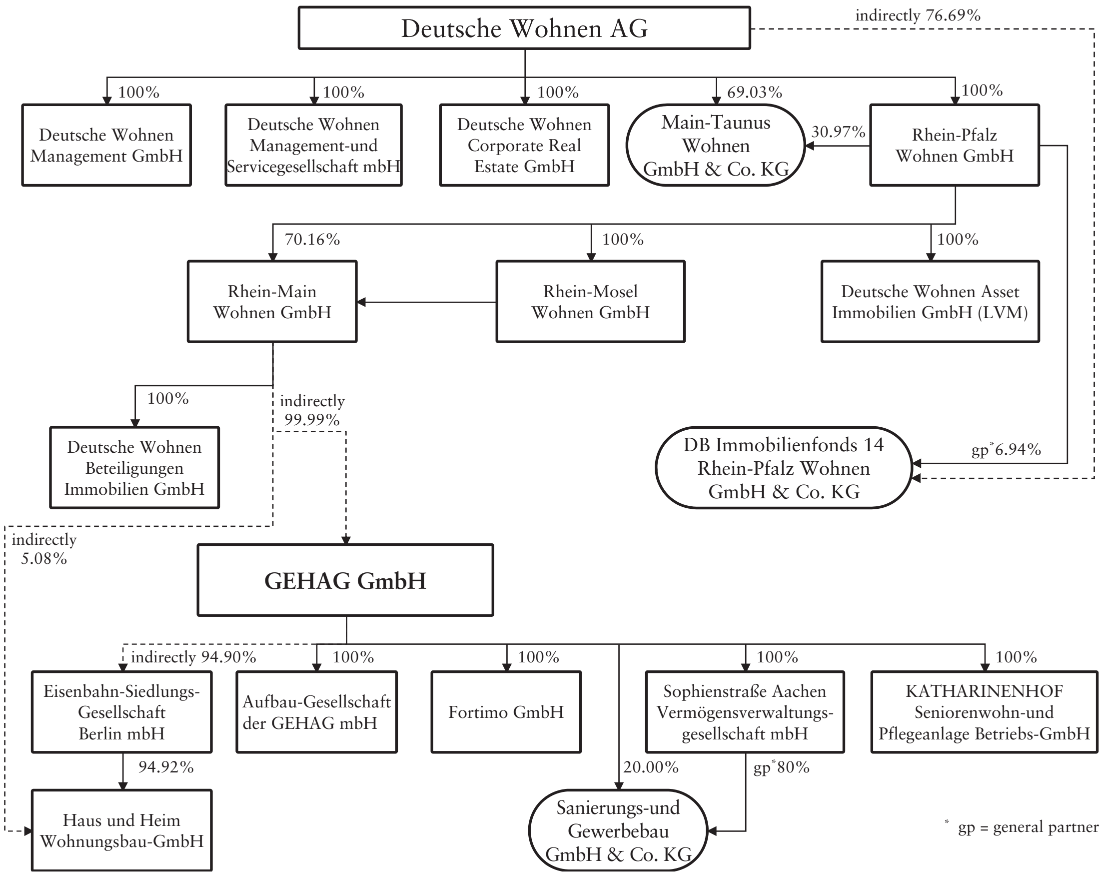
The Company's fiscal year has been the calendar year since January 1, 2007. The duration of the Company is indefinite.

Pursuant to Article 2 of the Company's Articles of Association, the objective of the Company is the acquisition, administration, letting and management, as well as the sale of residential property, nursing care facilities and other real estate. Real estate may be built, modernized and refurbished, services may be provided, and co-operations in all forms may be undertaken by the Company. The Company shall be entitled to be active in the fields listed above, either by itself, or through subsidiaries or portfolio companies, provided, that the purpose of the relevant entity covers the fields of business of the Company in full or in part. The Company shall also be entitled to found or acquire such companies; it shall be entitled to manage subsidiaries under joint management or limit itself to the administration of its participating interests, and the Company shall be entitled to dispose of its interests. The Company shall be entitled to carry out all measures which may be connected with or which may be designed to serve the objective of the Company indirectly or directly.

Structure of the Deutsche Wohnen Group and Significant Shareholdings

Deutsche Wohnen AG is the parent company of our Group, which consists of around 40 companies. Its primary role within our Group is to function as a finance and management holding company. The operating business is conducted exclusively by subsidiaries, nearly all of which were founded and have their registered office in the Federal Republic of Germany.

The current structure of our Group is as follows (only major subsidiaries are shown):



The following table shows the financial data (in € million, unless otherwise indicated) pursuant to the HGB, for the major subsidiaries of Deutsche Wohnen AG as of December 31, 2010. No material change occurred subsequent to this date.

Name	Area of activity	Issued capital	Reserves	Equity	Book value of the shares	Payables to Deutsche Wohnen AG	Receivables from Deutsche Wohnen AG	Profit/loss	Dividends realized by Deutsche Wohnen AG in the 2010 fiscal year
		(in € million)	(in € million)	(in € million)	(in € million)	(in € million)	(in € million)	(in € million)	(in € million)
Direct participations									
Rhein-Pfalz Wohnen GmbH	Property management	9.72	21.3	31.0	237.1	0.0	15.6	0.0[3)]	(8.2)[1)]
Deutsche Wohnen Management GmbH.	Management	0.03	0.0	0.0	0.0	1.9	4.1	0.0[3)]	1.0[2)]
Main-Taunus Wohnen GmbH & Co. KG	Property management	4.35[7)]	0.0	9.0	71.2[6)]	0.1	38.9	4.6	3.6
Deutsche Wohnen Management- und Servicegesellschaft mbH . .	Property management	0.03	0.0	0.0	0.0	0.9	0.1	0.0[3)]	(0.1)[2)]
Deutsche Wohnen Corporate Real Estate GmbH	Management	0.03	0.0	0.0	0.0	2.7	0.5	0.0[3)]	2.6[2)]
Indirect participations									
GEHAG GmbH.	Property management	13.00	94.7	132.6	197.9	122.9	0.1	17.7	n/a
Rhein-Main Wohnen GmbH	Property management	13.12	167.2	205.5	146.5	145.4	0.1	24.0	n/a
Fortimo GmbH	Property management	0.03	6.1	6.1	6.1	0.0	0.0	0.0[3)]	n/a
Eisenbahn-Siedlungs-Gesellschaft Berlin mbH	Property management	10.74	1.2	11.9	155.1	0.0	0.0	1.6[4)]	n/a
Rhein-Mosel Wohnen GmbH . . .	Property management	10.03	76.0	126.1	74.7	0.0	10.3	15.1	n/a
Deutsche Wohnen Asset Immobilien GmbH	Property management	0.03	0.0	0.0	0.0	0.0	0.0	0.0[3)]	n/a
Deutsche Wohnen Beteiligungen Immobilien GmbH	Property management	0.03	0.0	(0.9)	0.0	0.0	0.0	0.0[3)]	n/a
Aufbau-Gesellschaft der GEHAG mbH.	Property management	0.05	1.9	2.2	0.1	0.0	0.0	0.6	n/a
Haus und Heim Wohnungsbau-GmbH.	Property management	0.05	0.4	2.8	9.2	0.0	0.0	0.0[3)]	n/a

Name	Area of activity	Issued capital	Reserves	Equity	Book value of the shares	Payables to Deutsche Wohnen AG	Receivables from Deutsche Wohnen AG	Profit/loss	Dividends realized by Deutsche Wohnen AG in the 2010 fiscal year
		(in € million)	(in € million)	(in € million)	(in € million)	(in € million)	(in € million)	(in € million)	(in € million)
Sophienstraße Aachen Vermögensverwaltungsgesellschaft mbH	Property management	0.05	2.1	2.2	1.2	0.0	0.0	0.0[3)]	n/a
Sanierungs- und Gewerbebau GmbH & Co. KG	Property management	1.41[7)]	0.0	1.4	1.4	0.0	0.0	0.3	n/a
DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG	Property management	30.70[5)7)]	0.0[5)]	30.7[5)]	28.4	0.0	0.0	(0.6)[5)]	n/a
KATHARINENHOF Seniorenwohn- und Pflegeanlage Betriebs-GmbH	Management	1.95	0.0	2.0	1.5	0.0	0.0	0.0[3)]	n/a
RMW Projekt GmbH.	Interim holding company	0.03	16.2	16.2	16.2	0.0	0.0	0.0	n/a

1) *Loss 2010 transferred to Deutsche Wohnen AG according to a domination agreement (Beherrschungsvertrag), payments made in 2011*

2) *Profit/Loss 2010 transferred to Deutsche Wohnen AG according to a profit and loss transfer agreement (Ergebnisabführungsvertrag), payments made in 2011*

3) *No Annual net profit or loss 2010 due to a profit and loss transfer agreement (Ergebnisabführungsvertrag) or a domination agreement (Beherrschungsvertrag)*

4) *Annual profit reduced by partial transfer according to a profit and loss transfer agreement (Ergebnisabführungsvertrag)*

5) *Information refers to 2008 or December 31, 2008 respectively*

6) *Including book value of shares in Main-Taunus Wohnen GmbH & Co. KG held by Rhein-Pfalz Wohnen GmbH*

7) *All capital accounts of limited partnerships (Kommanditgesellschaften) are shown as "issued capital", except for Main-Taunus Wohnen GmbH Co. KG Here, current year result is disclosed separately until the respective decisions at the annual shareholder meeting in the following year.*

Auditor

The auditor for the consolidated financial statements and unconsolidated annual financial statements of Deutsche Wohnen AG for the current fiscal year 2011 is Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Stuttgart, office Berlin, Friedrichstraße 140, 10117 Berlin, Germany (for the fiscal year ended December 31, 2008 Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, office Eschborn/Frankfurt/Main, Mergenthalerallee 3-5, 65760 Eschborn/Frankfurt/Main, Germany, "**E&Y**"). E&Y is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer K.d.ö.R*) in Berlin.

E&Y audited the unconsolidated annual financial statements of Deutsche Wohnen AG as of and for the fiscal year ended December 31, 2010, which were prepared on the basis of the HGB, as well as the consolidated financial statements of Deutsche Wohnen AG as of and for the fiscal years ended December 31, 2008, December 31, 2009 and December 31, 2010, which were prepared in accordance with IFRS as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315a (1) of the HGB, in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V. — IDW*). In each case, E&Y issued an unqualified auditor's report.

E&Y did not audit the condensed consolidated interim financial statements of the Company for the nine months ended September 30, 2011, which were prepared according to IFRS for interim financial reporting (IAS 34).

Admission to Stock Exchange Trading

The Company's share capital prior to completion of the capital increase that is the subject of this offering circular consists of 81,840,000 shares. Shares of the Company had been admitted to stock exchange trading on the official market (*amtlicher Markt*) (which has now been combined with the former organized market (*geregelter Markt*) to form the regulated market (*regulierter Markt*)) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange since July 14, 2006; since November 1, 2007 the shares have been admitted to trading on the regulated market segment (*regulierter Markt*) with simultaneous admission to the sub-segment thereof with additional postadmission obligations (Prime Standard) of the Frankfurt Stock Exchange.

Deutsche Wohnen AG has been included in the MDAX® Index of the Frankfurt Stock Exchange since December 8, 2010.

Announcements, Paying Agent and Registrar

Pursuant to the Company's Articles of Association, its announcements are published in the electronic version of the German Federal Gazette (*elektronischer Bundesanzeiger*). To the extent permitted by law, announcements may also be sent by registered mail. Notices concerning the Company's shares are published in the electronic version of the German Federal Gazette (*elektronischer Bundesanzeiger*). Stock market announcements are also published in the electronic version of the German Federal Gazette (*elektronischer Bundesanzeiger*). Pursuant to Section 14(2) of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), the Prospectus, any supplements to the Prospectus, as well as annual documents pursuant to Section 10 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), are published on the Company's website (www.deutsche-wohnen.com). Printed copies of the Prospectus are available from the Company free of charge during normal business hours at the following addresses: Deutsche Wohnen AG, Mecklenburgische Straße 57, 14197 Berlin, Germany, and Pfaffenwiese 300, 65929 Frankfurt am Main, Germany.

The paying and registration agent is Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, Germany.

Designated Sponsors

Close Brothers Seydler Bank AG and WestLB AG have assumed the role of designated sponsor of the Company's ordinary bearer shares. Designated sponsors ensure, in particular, greater liquidity in the market for the shares by issuing fixed ask and bid prices.

DESCRIPTION OF THE SHARE CAPITAL

Issued Share Capital and Shares

As of the date of this Prospectus, the Company's share capital amounts to €81,840,000 divided into 81,840,000 ordinary shares with no par value (*Stückaktien*), each representing a notional value of €1.00.

The Company's shares are divided into registered shares and bearer shares. Following the exchange on September 12, 2011, of the total 81,840,000 shares 81,732,423 (approximately 99.87%) were held as bearer shares, while 107,577 (approximately 0.13%) were held as registered shares. Shareholders of registered shares are entitled to request of the Management Board in writing that the registered shares recorded on their behalf in the Company's stock register be converted to bearer shares. Conversions are subject to the approval of the Management Board. Any new shares issued under a capital increase will be issued as bearer shares. The next date for exchange, according to information published in the German Securities Notices (*Wertpapiermitteilungen*) on February 1, 2010, is December 12, 2011.

Article 4(4) of the Articles of Association states that shareholders are not entitled to have their shares evidenced by individual share certificates.

The Company's existing shares have been deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany, in the form of global share certificates without dividend coupons.

Neither the Company nor any of its subsidiaries currently holds any shares of Deutsche Wohnen AG.

Development of the Share Capital since the Company's Formation

The share capital of the Company amounted to DM 100,000 when it was registered with the commercial register for the first time on December 12, 1996. It was increased by DM 19,900,000 to DM 20,000,000 and divided into 4,000,000 no par value shares by a resolution of an extraordinary meeting of the Company's shareholders on October 30, 1998. The consummation of this capital increase was registered with the commercial register on January 6, 1999. The General Shareholders Meeting of June 20, 2001 resolved to convert the share capital to euro, and the resolution was registered with the commercial register on August 13, 2001. The Company's share capital then amounted to €10,225,837.62 and was divided into 4,000,000 ordinary shares with no par value (no par value shares), each such share representing a notional value of approximately €2.56.

On August 10, 2006, the General Shareholders Meeting resolved to increase the Company's share capital from own funds by €9,774,162.38, from €10,225,837.62 to €20,000,000, by converting a €9,774,162.38 portion of the capital reserves reported on the balance sheet as of December 31, 2005. This capital increase from own funds became effective by registration of the shareholder resolution with the commercial register on September 19, 2006. No new shares were issued and the share capital as it existed at the time was newly divided, so that five shares representing a notional value of €1.00 each replaced every no par value share that would have represented a notional value of €5.00 (following the capital increase from own funds). Subsequently, the share capital was divided into 20,000,000 no par value shares.

By resolution of the Management Board on July 2, 2007, approved by the Supervisory Board on the same day, the Company's share capital was increased from the authorized capital which had been created by a resolution of the General Shareholders Meeting of August 10, 2006 by €6,400,000 by issuing 6,400,000 new no par value bearer shares against contribution in kind. This increased the total share capital from €20,000,000 to €26,400,000 and the total number of no par value shares to 26,400,000. Each of the Oaktree Companies was permitted to underwrite and subscribe for a total of 3,200,000 new shares. The consummation of this capital increase was registered with the commercial register on August 8, 2007.

On August 7, 2009, an extraordinary shareholders meeting of the Company resolved to increase the share capital against contribution in cash by up to €250,000,000. The Management Board and Supervisory Board resolved on September 13, 2009, to increase the Company's share capital from €26,400,000 by €55,440,000 to €81,840,000 by issuing 55,440,000 new no par value bearer shares against contribution in cash. The consummation of this capital increase was registered with the commercial register on October 6, 2009.

Capital Increase Relating to the New Shares

The New Shares originate from a resolution passed by the Management Board on November 14, 2011, approved by the Supervisory Board on the same day, to increase the Company's share capital from

€81,840,000 by up to €20,460,000 to up to €102,300,000 against contribution in cash, utilizing the Company's Authorized Capital 2011 (as defined below) through the issue of up to 20,460,000 new no par value bearer shares (*Stückaktien*) (the "**New Shares**"), each with a notional value of €1.00, with subscription rights for existing shareholders. The subscription price is expected to be determined by the Management Board and the Supervisory Board on November 24, 2011. The consummation of the capital increase is expected to be entered into the commercial register of the local court (*Amtsgericht*) of Frankfurt/Main, Germany on November 30, 2011.

Authorized Capital

As of the date of this Prospectus, the Company's authorized capital ("**Authorized Capital 2011**") amounts to €40,920,000.

By resolution of the General Shareholders Meeting on May 31, 2011, which was entered into the commercial register on July 12, 2011, the Management Board is authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to a total of €40,920,000 by issuing up to 40,920,000 new ordinary bearer shares in one or more tranches against contribution in cash or contribution in kind until and including May 30, 2016. The New Shares offered by this Prospectus stem from the utilization of the Authorized Capital 2011.

Shareholders are to be granted subscription rights in principle. The shares may also be acquired by one or several credit institutions, provided, that such institutions commit to offer them for subscription to the shareholders by means of an indirect subscription right pursuant to Section 186(5) of the German Stock Corporation Act (*Aktiengesetz*). However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights for one or more capital increases from authorized capital:

i. in order to exclude fractional amounts from the subscription right;

ii. to the extent required, to grant holders of conversion or option rights or creditors of convertible bonds with conversion obligations that have been or will be issued by the Company or a directly or indirectly wholly owned subsidiary a subscription right to new no par value bearer shares, to the extent that such shareholders would be entitled if they were to exercise their option or conversion rights or upon fulfillment of a conversion obligation;

iii. in the case of capital increases against contribution in cash, if the issue price of the new shares is not substantially lower, as defined by Section 203(1) and (2), Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), than the stock exchange price of shares of the same category and terms already listed at the time the final issue price is set, and the total amount of share capital that is accounted for by the new shares which are issued with exclusion of the subscription right pursuant to Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) does not exceed 10% of the share capital either at the time this authorization takes effect or at the time this authorization is exercised. Shares that were or will be issued in order to service warrant-linked or convertible bonds or profit participation rights with a conversion or option right shall count as part of the aforesaid to the extent these bonds are issued in a way that excludes the subscription right by analogous application of Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*). Further, those treasury shares of the Company that are sold during the term of the authorized capital which are issued with exclusion of the shareholders' subscription right pursuant to Section 71(1) No. 8 sentence 5, Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), shall count towards the limitation of 10% of the share capital;

iv. as it is necessary, to be able to issue shares to persons employed by the Company and/or its subsidiaries; and

v. to issue shares against contribution in kind in particular – but not limited thereto – for the purpose of (also indirect) acquisition of companies, parts thereof, participations in companies or other assets in connection with an intended acquisition (in particular property portfolios or business interests in real estate companies) or to service convertible bonds and warrant-linked bonds, as well as profit participation rights with a conversion or option right or a combination of these instruments that are issued against contribution in kind.

The authorizations to exclude subscription rights as described above shall not exceed a total amount of 20% of the share capital either at the time this authorization takes effect or at the time this authorization is exercised. Furthermore, the following count towards the aforesaid 20%-limitation: Treasury shares that are sold during the authorization period with exclusion of the subscription right, as well as such shares that are issued with exclusion of the shareholders' subscription right to service bonds (including profit participation rights) with conversion and option rights or a conversion obligation (or a combination of these instruments), insofar as the bonds or profit participation rights were issued based on the authorization resolved by the shareholders general meeting on May 31, 2011.

All other details of the shares and the terms on which they are issued are decided by the Management Board, subject to the approval of the Supervisory Board.

Authorization to Issue Convertible Bonds and/or Warrant-linked Bonds and/or Profit Participation Rights Carrying a Conversion and/or Option Right (or a Combination of these Instruments)

By resolution of the General Shareholders Meeting on May 31, 2011, the Management Board is authorized, subject to the approval of the Supervisory Board, to issue convertible bonds and/or warrant-linked bonds and/or convertible participation rights carrying option rights or conversion rights or a combination of these instruments (collectively hereinafter referred to as "**bonds**") in accordance with the terms described below.

a) Nominal Amount, Term of Authorization, Number of Shares

The Management Board is authorized, subject to the approval of the Supervisory Board, to issue bonds in bearer or registered form in one or more tranches until and including May 30, 2016, with a nominal amount of up to €500,000,000 with or without definite maturity, and to grant the holders of the bonds conversion or option rights for the shares of the Company in a proportionate amount of the share capital of up to €20,460,000 as set out in the respective terms and conditions of the warrant-linked bonds and convertible bonds or the terms and conditions of the participation rights (collectively hereinafter referred to as "**terms and conditions**"). The individual terms and conditions can also provide for compulsory conversions at the end of the term to maturity or at other times including the obligation to exercise the right of conversion/option right. Bonds may also be issued against contribution in kind.

In addition to issues in euro, the bonds may also be issued in the legal currency of an OECD country — limited to the appropriate equivalent amount in euro. The bonds may also be issued by companies dependent on the Company or in which the Company holds a majority interest; in such case the Management Board shall be authorized to issue a guarantee in respect of the bonds on behalf of the Company and to grant the holders of such bonds conversion or option rights, as applicable, to the Company's shares. In case of bond issuances, as a rule, these can be or are sub-divided into *pari passu* ranking debentures.

b) Granting Subscription Rights, Exclusion of Subscription Rights

Shareholders are to be granted subscription rights to acquire the bonds in principle. The bonds may also be acquired by one or several credit institutions, provided, that such institutions commit to offer them for subscription to the shareholders by means of an indirect subscription right pursuant to Section 186(5) of the German Stock Corporation Act (*Aktiengesetz*). The Management Board shall, however, be authorized, subject to the approval of the Supervisory Board, to exclude subscription rights of shareholders:

i. in order to exclude fractional amounts from the subscription right;

ii. to the extent necessary to grant subscription rights to holders of conversion or option rights or mandatory convertible bonds carrying conversion obligations and/or convertible participation rights, issued or to be issued by the Company or a wholly owned direct or indirect subsidiary, to the extent as such holders would be entitled to if they were to exercise their option or conversion rights or upon fulfillment of a conversion obligation;

iii. if the bonds are issued against payment in cash and the issue price is not substantially lower as defined by Section 221(4) sentence 2, Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) than the theoretical market value of the debentures as determined using recognized finance-mathematical methods. This authorization to exclude subscription rights shall only apply, however, to bonds carrying rights to receive shares corresponding to a proportionate amount of the share capital not exceeding 10% in the aggregate either at the time on which this authorization takes effect or at the time this authorization is exercised. The sale of treasury shares shall be counted towards this limitation if the sale occurs during the term of this authorization and subscription rights are excluded pursuant to Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*). In addition, shares issued during the term of this authorization from authorized capital shall be counted towards the limitation of 10% of the share capital, provided, that subscription rights are excluded pursuant to Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*); and

iv. to the extent the bonds are issued against contribution in kind, provided that the value of the contribution in kind is appropriate in relation to the market value of the bonds as determined in accordance with the preceding paragraph (lit. b), iii).

The authorization to exclude subscription rights set out in the above paragraphs shall not exceed 20% of the share capital either at the time the authorization takes effect or at the time this authorization is exercised. Furthermore, the following count towards the aforesaid 20%-limitation: Treasury shares that are sold during the authorization period with exclusion of the subscription right, as well as such shares with exclusion of the shareholders' subscription right that are issued out of the Authorized Capital 2011 during the term of this authorization.

c) Conversion Right, Conversion Obligation

If bonds carrying conversion rights are issued, the holders can convert their bonds into shares of the Company according to the terms and conditions of the bonds. The proportionate share in the share capital constituted by the shares to be issued upon conversion shall not exceed the nominal value of the convertible bond or the convertible participation right. The exchange ratio shall be calculated by dividing the nominal value of the bond by the fixed conversion price for one share of the Company. The exchange ratio may also be calculated by dividing the issue price of the bond, which may be lower than its nominal value, by the fixed conversion price for one share of the Company. The exchange ratio may be rounded up or down to a whole number; in addition, a cash premium may be provided for. Also, it may be provided that fractional amounts are to be combined and/or settled in cash. The terms and conditions of the bonds may also provide for a variable exchange ratio.

In case of a conversion obligation, the terms and conditions of the bonds may entitle the Company to settle in cash, either in part or in whole, any difference between the nominal value of the convertible bonds or the convertible participation right carrying an option or conversion right and the result obtained from multiplying the exchange ratio and a stock market price of the shares at the time of the mandatory exchange (such price to be more closely defined in the terms and conditions of the bonds). The stock market price, in accordance with the calculation described in the previous sentence, shall amount to at least 80% of the relevant stock market price per share for the lower conversion price limit, pursuant to lit. e) below.

d) Option Right

In case warrant-linked bonds are issued, one or more warrants shall be attached to each bond entitling the bearer to purchase shares of the Company pursuant to the terms and conditions of the warrants to be set forth in detail by the Management Board. The proportionate share in the share capital constituted by the shares to be issued per bond may not exceed the nominal value of the warrant-linked bond.

e) Conversion/Option Price

The conversion or option price, as applicable, per share must be equal to either at least 80% of the average closing prices of the bearer shares of the Company in the Xetra-trading system (or any comparable successor system) over the ten trading days in Frankfurt am Main preceding the day on which the Management Board resolves to issue the bonds, or at least 80% of the average closing price of the bearer shares of the Company in Xetra-trading (or any comparable successor system) over (i) the days on which the subscription rights are traded on the Frankfurt Stock Exchange, with the exception of the last two trading days of the subscription rights trading period or (ii) the days as from the beginning of the subscription period until the final subscription price is determined.

Subject to Section 9(1) of the German Stock Corporation Act (*Aktiengesetz*), the terms and conditions of the bonds may contain anti-dilution clauses to provide protection during the conversion or option period against the Company raising its share capital, issuing additional bonds carrying conversion or option rights or convertible participation rights or granting or guaranteeing further option rights without granting the holders of conversion or option rights the subscription rights to which they would be entitled if they exercised their conversion or option rights or if the conversion obligation were fulfilled. The terms and conditions may also provide for a value-preserving adjustment of the conversion or option price if the

Company implements other measures that might result in a dilution of the value of the conversion or option rights. The proportionate share in the share capital constituted by the shares to be issued per bond may in no instance exceed the nominal value of the bond.

f) Further Structuring Possibilities

The individual terms and conditions of the bonds may provide that treasury shares, shares out of the Company's authorized capital or any other means of compensation may be granted in the case of a conversion or exercise of option rights. Moreover, the terms and conditions may provide for the Company not to grant to holders of conversion or option rights shares in the Company, but to pay the equivalent amount in cash. The terms and conditions of the bonds may also provide for a variable number of shares to be granted upon exercise of the option or conversion rights or upon fulfillment of the conversion obligations, as applicable; or the terms and conditions may provide for a variable exchange ratio, and/or for an adjustment of the option or conversion price during the term of the bonds within a range to be determined by the Management Board to reflect the performance of the share price or as a result of anti-dilution clauses.

g) Authorization to Set Further Terms and Conditions of the Bonds

The Management Board is authorized to determine (on its own or, if applicable, in agreement with the corporate bodies of our Group companies issuing the bonds) additional details related to the issue of the bonds and the terms and conditions of the bonds, particularly with respect to interest rate, issue price, and denomination, conversion or option price, and conversion or option period.

Contingent Capital

By resolution of the General Shareholders Meeting on May 31, 2011, the share capital was increased on a contingent basis by up to €20,460,000 through the issuance of new no par value bearer shares. The contingent capital was registered with the commercial register on July 12, 2011. The contingent capital increase will only be implemented to the extent that subscription rights or conversion rights under warrant-linked bonds, convertible bonds and/or profit participation rights (or a combination of these instruments) are exercised or conversion obligations under such instruments are satisfied, unless the obligations of the Company under the bonds are not satisfied with treasury shares, shares issued out of authorized capital or any other means of compensation. As a prerequisite, the bonds must be issued by the Company or a subsidiary, directly or indirectly wholly-owned by the Company, on the basis of the authorization that was also resolved on May 31, 2011 by the General Shareholders Meeting. The Management Board is authorized to determine further details of the implementation of the contingent capital increase (the "**Contingent Capital 2011**").

The shares issued out of the Contingent Capital 2011 are entitled to dividends from the beginning of the fiscal year in which they are created upon exercise of the relevant conversion or option rights or fulfillment of the conversion obligation. However, the Management Board may, insofar as legally permissible, decide that the new shares provide for a dividend entitlement from the beginning of the fiscal year for which the general meeting had not passed any resolution on the use of the net profit available for distribution at the point of time the shares are issued.

Authorization to Purchase and Sell Treasury Shares

A resolution was adopted at the General Shareholders Meeting on June 15, 2010 that authorizes the Management Board, subject to the approval of the Supervisory Board and provided it complies with the legal requirement of equal treatment, to purchase up to a total of 10% of the Company's existing share capital until and including June 14, 2015. The shares can be purchased in one or more tranches and may be used for any purpose permitted by law. The shares may also be sold. In particular, the shares can be sold by means other than on a stock exchange; they can be sold as part of a merger of companies, sold to satisfy conversion or subscription rights or conversion obligations under convertible bonds or bonds with warrants or profit participation rights and sold at a price near the market price if sold as part of a placement, with the possibility to exclude subscription rights in any of these three cases; the shares may also be retired. In addition, the Management Board can exclude shareholders' subscription rights for fractional amounts subject to the approval of the Supervisory Board if the treasury shares are sold as part of an offering to the Company's shareholders. In addition, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude subscription rights to the extent required to protect against dilution in order to grant holders of securities with conversion or option rights or conversion obligations issued by the Company or subsidiaries of the Company subscription rights to shares to the extent to which they would be entitled if they were to exercise their conversion rights or options or upon fulfillment of a conversion obligation.

General Provisions on Changes in the Share Capital

According to the German Stock Corporation Act (*Aktiengesetz*), the share capital of a stock corporation may be increased by a resolution taken by the General Shareholders Meeting. The resolution must be adopted by a majority of at least three-quarters of the share capital represented at the meeting, unless the stock corporation's Articles of Association specify other requirements with regard to majorities. The Company has exercised its right to stipulate a smaller majority of shares. Pursuant to Article 10(3) of the Company's Articles of Association, the Company's General Shareholders Meeting adopts its resolutions by a simple majority of the votes cast and, to the extent that a majority vote of shares is required, by a simple majority of the shares present at the meeting, except as otherwise required by the law or the Company's Articles of Association.

The shareholders may also create authorized capital. The creation of authorized capital requires a resolution adopted by a majority of three-quarters of the share capital represented at the meeting to authorize the Management Board to issue shares of up to a specific nominal amount within a period of no more than five years. The nominal amount of the authorized capital may not exceed half of the share capital existing at the time of the authorization.

Additionally, shareholders may resolve to create contingent capital to issue shares to holders of convertible bonds or other securities that grant their holders the right to subscribe for shares, to grant shares as consideration in a merger with another company, or to offer shares to officers and employees, provided that, in each case, a corresponding resolution is approved by a three-quarters majority of the share capital represented when the vote is taken. The nominal amount of contingent capital created for the issuance of shares to officers and employees may not exceed 10% of the share capital existing at the time of the resolution. In all other cases, it may not exceed half of the share capital existing at the time of the resolution.

A resolution to decrease the share capital requires approval by a three-quarters majority of the share capital represented when the vote is taken.

General Provisions Governing Subscription Rights

The German Stock Corporation Act (*Aktiengesetz*) grants, in principle, all shareholders the right to subscribe for new shares to be issued in a capital increase. The same applies to convertible bonds, bonds with warrants, profit participation rights and participating bonds. Subscription rights are freely transferable and may be traded on German stock exchanges for a fixed period prior to the commencement of the subscription period. The General Shareholders Meeting may, subject to a majority of at least 75% of the share capital represented at the meeting, resolve to exclude subscription rights. Exclusion of shareholders' subscription rights also requires a report from the Management Board, which must justify and demonstrate that the company's interest in excluding subscription rights outweighs the interest of the shareholders to be granted subscription rights. Excluding shareholders' subscription rights when new shares are issued is specifically permissible where:

- the company is increasing share capital against contribution in cash;
- the amount of the capital increase does not exceed 10% of the share capital in issue; and
- the price at which the new shares are being issued is not materially lower than the stock exchange price.

Subscription rights enable shareholders to maintain their current percentage of share capital and their voting rights ("**dilution protection**"). If the shareholders' subscription rights are excluded, the provisions of Section 255(2) of the German Stock Corporation Act (*Aktiengesetz*) require that the fixed issue price of the new shares or the minimum price under which the new shares may not be issued may not be "unreasonably low."

By virtue of the nature of a contingent capital increase, a shareholder's general subscription right is excluded. In order to protect shareholders, the nominal value of the contingent capital, regardless of its purpose, may not exceed half of the share capital. If the contingent capital grants subscription rights to employees or members of the management of the company or a subsidiary, the nominal amount may not exceed 10% of the share capital.

General Provisions Governing the Liquidation of the Company and the Division of the Liquidation Proceeds

Except in the case of a liquidation based on insolvency proceedings, the Company may only be liquidated by a resolution of the General Shareholders Meeting, which requires a majority of at least three-quarters of the share capital represented when the vote is taken. In this case, any assets remaining after all of the Company's liabilities have been settled will be distributed among the shareholders in proportion to their share of the share capital, pursuant to the provisions of the German Stock Corporation Act (*Aktiengesetz*). Certain requirements for the protection of creditors must be complied with in this process.

Exclusion of Minority Shareholders

In accordance with the provisions of Section 327a *et seq*. of the German Stock Corporation Act (*Aktiengesetz*) concerning the exclusion of minority shareholders (squeeze-outs), the General Shareholders Meeting of a stock corporation may, at the request of a shareholder who owns at least 95% of the share capital (majority shareholder), resolve to transfer the shares of the remaining minority shareholders to the majority shareholder in exchange for a fair cash settlement. The amount of the cash settlement to be offered to the minority shareholders must take into account the "circumstances of the company" (*die Verhältnisse der Gesellschaft*) at the time the General Shareholders Meeting passes the resolution. The amount of the cash settlement must be based on the full value of the company, which is usually calculated using the discounted earnings method (*Ertragswertmethode*).

Section 319 *et seq*. of the German Stock Corporation Act (*Aktiengesetz*) concerning integrations (*Eingliederungen*) provides that the General Shareholders Meeting of a stock corporation may resolve to integrate their company into another company if 95% of the shares of the company to be integrated are held by the future principal company. The former shareholders of the integrated company are entitled to an adequate settlement payment, which must generally be granted in the form of the principal company's own shares. The amount of the settlement payment must be calculated based on the merger value ratio (*Verschmelzungswertrelation*) between the two companies, that is, the exchange ratio that would be considered appropriate if the two companies had merged. Integration is only possible if the future principal company is a stock corporation with its registered office in Germany.

Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) govern the so-called "squeeze-out under takeover law." Pursuant to these provisions an offeror holding at least 95% of the voting share capital of a target company as defined in the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) after a takeover bid or mandatory offer, may, within three months after expiry of the acceptance period, petition the Regional Court (*Landgericht*) of Frankfurt am Main for a court order for the transfer of the remaining voting shares in exchange for an appropriate consideration. A resolution passed by the General Shareholders Meeting is not required. The nature of the settlement must be the same as the consideration available under the takeover bid or mandatory offer; there must always be a cash alternative offered. In addition, after a takeover bid or mandatory offer, shareholders in a target company who have not accepted may do so up to three months after expiry of the acceptance period, provided the offeror is entitled to petition for the transfer of the outstanding voting shares. The provisions for a squeeze-out under stock corporation law cease to apply once an offeror has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been definitively completed.

Section 62(5) of the German Transformation Act (*Umwandlungsgesetz*) further stipulates that within three months after the signing of a merger agreement between a transferring stock corporation and an acquiring company, a squeeze-out resolution in accordance with Section 327a *et seq*. of the German Stock Corporation Act (*Aktiengesetz*) can be adopted at the General Shareholders Meeting of the transferring stock corporation at the request of the acquiring company when the minimum shareholding of the acquiring company in the transferring stock corporation amounts to or exceeds 90% of the share capital of the transferring stock corporation. As a prerequisite, the acquiring company must be in the legal form of a stock corporation (*Aktiengesellschaft*) or a partnership limited by shares (*Kommanditgesellschaft auf Aktien*).

Shareholding Notification and Disclosure Requirements

Since the Company's shares are admitted to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the regulated market's sub-segment, the

Company, as a publicly traded company, is subject to the shareholding notification requirements of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

Section 21 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) requires that anyone who acquires, sells or in some other way reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in an issuer whose country of origin is the Federal Republic of Germany and whose shares are admitted to trading on an organized market must immediately but no later than within four trading days notify the issuer and at the same time the BaFin. The notice can be drafted in either German or English and either sent in writing or via telefax (Section 18 of the German Securities Trading Reporting and Insider Register Ordinance (*Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung*)). The notice must declare the individual or entity's address, the share of voting rights held and the date of reaching, exceeding or falling below the respective threshold. As a domestic issuer, Deutsche Wohnen AG must publish such notices immediately, but no later than within three trading days after receiving them, via media outlets. Media outlets include any media which one can assume will disseminate the information throughout the European Union and in the non-E.U. contracting parties to the EEA Agreement. The Company must also transmit the notice to the BaFin and to the electronic company register (*elektronisches Unternehmens-register*) for archiving.

Moreover, under Section 25 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), any person who directly or indirectly holds certain financial instruments is subject to similar notification obligations. These financial instruments must entitle the holder to unilaterally acquire existing shares of the Company carrying voting rights by binding legal agreement of an issuer whose country of origin is the Federal Republic of Germany. These notification obligations apply if the sum of the shares such holder can acquire, together with any voting right stakes the holder may already hold in the issuer or which are attributable to him pursuant to Sections 21 and 22 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) (voting rights shares), reaches or exceeds any of the thresholds mentioned, with the exception of the 3% threshold.

The Act on Strengthening Investor Protection and Improving the Functionality of the Capital Market (*Gesetz zur Stärkung des Anlegerschutzes und Verbesserung der Funktionsfähigkeit des Kapitalmarktes*), which will, in this respect, come into effect as of February 1, 2012, extends the aforementioned notification obligations also to "other instruments" that entitle the holder the right to acquire unilaterally, based on a legally binding agreement, existing shares of the Company carrying voting rights that do not qualify as "financial instruments" within the meaning of the German Securities Trading Act (*Wertpapierhandelsge-setz*). "Other instruments" include, for instance, re-transfer claims under securities loans or the agreement by a seller to buy a security back from the respective purchaser at a specified price at a designated future date (repo transactions).

In addition, the Act on Strengthening Investor Protection and Improving the Functionality of the Capital Market (*Gesetz zur Stärkung des Anlegerschutzes und Verbesserung der Funktionsfähigkeit des Kapital-marktes* introduces a new Section 25a of the German Securities Trading Act (*Wertpapierhandelsgesetz*). Pursuant to this provision, any person who directly or indirectly holds financial instruments or other instruments that are not covered by Section 25 of the German Securities Trading Act (*Wertpapierhandels-gesetz*) and that enable the holder based on their terms to acquire existing shares carrying voting rights of an issuer whose home country is the Federal Republic of Germany is subject to the aforementioned notification obligations. The notification obligations apply on financial and other instruments (i) which provide for a cash settlement only, but not for a right to acquire shares, if the counterparty is in a position to hedge its risks under the instruments by holding shares and (ii) under which shares may be acquired directly. The latter include instruments such as physical call options providing for a condition which is beyond the control of the holder of the instrument.

In connection with these notice requirements, the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various rules on when the voting rights of shares are deemed to belong to parties required to make a disclosure in cases where they do not hold the shares directly but nevertheless control the voting rights. For example, shares are deemed to belong to a party if they belong to a third party controlled by the relevant party; the same applies where shares are held by a third company for the account of the relevant company.

Breaches of the notification obligation are punishable by a fine. Moreover, shareholders who do not file a notification cannot exercise the rights attached to their shares (including voting rights and the right to receive dividends; but with regard to dividends, only in cases where the failure to file was willful and has not been remedied) until this failure has been rectified. This period is extended by six months in case of willful or grossly negligent violation of the notification obligations if the shareholder omitted or did not correctly file a notification regarding the number of voting rights attributable to him. However, in respect of the notification obligations pursuant to the new Section 25a of the German Securities Trading Act (*Wertpapierhandelsgesetz*), breaches of the notification obligations can only trigger a fine.

Furthermore, Section 27a of the German Securities Trading Act (*Wertpapierhandelsgesetz*) requires any shareholder whose holdings reach or exceed the 10% threshold or a higher threshold to notify the issuer of the aims being pursued with the acquisition of the voting rights and the origin of the funds used for the acquisition within 20 trading days of the date on which the respective threshold is met or exceeded. Once this information is received, and even if no notification is received, the issuer has to publish it in the form discussed above, or give notice that the disclosure requirement was not met, within no more than three trading days following the issuer's access to the notification. The issuer's Articles of Association may stipulate that the shareholders are not subject to notification obligations. The Articles of Association of the Company do not contain such a provision.

In addition, the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) provides that any person whose voting rights reach or exceed 30% of the Company's voting shares must publish this fact and the percentage of voting rights held in at least one national newspaper designated for stock exchange notices (*Börsenpflichtblatt*) or by means of an electronically operated information dissemination system for financial information within seven calendar days and, unless released from this obligation, must subsequently submit a mandatory public offer addressed to all of the Company's shareholders.

Disclosure of Director's Dealings

Under the German Securities Trading Act (*Wertpapierhandelsgesetz*), persons holding managerial responsibilities within listed stock corporations ("**directors**") are required to notify the stock corporation and the BaFin within five business days of their own transactions involving shares of the company or related financial instruments, including, in particular, derivatives. This obligation also applies to directors' related parties. Domestic issuers must publish this notification immediately after receiving it, notify the BaFin of its publication and send a copy to the electronic company register.

Notification is not required if the total sum of all transactions involving a director and his or her related parties is less than €5,000 for the calendar year.

Director for these purposes means any managing partner or member of the company's management, administrative or supervisory bodies and any person who has regular access to insider information and is authorized to make important managerial decisions.

Related parties include spouses, registered civil partners, dependent children and other relatives who have been living in the same household as the director for at least one year when the relevant transaction is made. Notice is also required for legal entities in which a director and/or any of the aforementioned parties holds supervisory responsibilities, which are controlled by a director or such parties or which were established for the benefit of a director or such a party or the economic interests of which are substantially equivalent to those of a director or such a party.

Negligent non-compliance with these notification requirements may result in the imposition of a statutory fine.

German Act on the Prevention of Improper Securities and Derivatives Transactions (ban on naked short-selling)

The German Securities Trading Act (*Wertpapierhandelsgesetz*) was supplemented by the German Act on the Prevention of Improper Securities and Derivatives Transactions (*Gesetz zur Vorbeugung gegen missbräuchliche Wertpapier- und Derivategeschäfte*) of July 21, 2010 banning naked short-selling. In particular this act governs the prohibition of naked short-selling of shares and debt instruments of eurozone countries, which are admitted for trading on a regulated market on a domestic stock exchange. The prohibition also covers certain naked credit default swaps on liabilities of member states in the eurozone where there is no own hedging purpose, and the introduction of a two-step system of transparency for holders of net short-selling positions. A net short-selling position arises if, after netting all financial instruments held by the market participant, the market participant has an aggregate economic interest in the company's shares which corresponds to a short sale of the shares. At the same time, the act authorizes the BaFin — in agreement with the German Federal Bank — to prevent or suspend trading in individual financial instruments temporarily.

MANAGEMENT AND SUPERVISORY BODIES

Overview

The Company's corporate bodies are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the General Shareholders Meeting (*Hauptversammlung*). The powers and responsibilities of these corporate bodies are governed by the German Stock Corporation Act (*Aktiengesetz*), the Company's Articles of Association (*Satzung*) and the Bylaws (*Geschäftsordnungen*) of the Management Board and the Supervisory Board.

The Management Board conducts the business of the Company in accordance with the law, the Articles of Association and the Bylaws of the Management Board, taking into account the resolutions of the General Shareholders Meeting. The Management Board represents the Company in its dealings with third parties. The Management Board is required to introduce and maintain appropriate risk management and risk controlling measures, in particular setting up a monitoring system in order to ensure that any developments potentially endangering the continued existence of the Company may be identified early. Furthermore, the Management Board must report regularly to the Supervisory Board of the performance and the operations of the Company. In addition, the Management Board is required to present to the Supervisory Board, no later than at the last Supervisory Board meeting of each fiscal year, certain matters of business planning (including financial investment and personnel planning) for the following fiscal year for approval by the Supervisory Board. Furthermore, as regards all matters of particular significance to the Company, each member of the Management Board who becomes aware of such matters must immediately report these matters, verbally or in writing, to the chairman and the vice chairman of the Supervisory Board or to all members of the Supervisory Board. Significant matters also include any development or event at an affiliated company of which the Management Board has become aware and that could have a material influence on the Company's position.

The Supervisory Board appoints the members of the Management Board and has the right to remove them for good cause. Simultaneous membership on the Management Board and the Supervisory Board is prohibited. The Supervisory Board advises the Management Board in the management of the Company and monitors its management activities. The Management Board may not transfer management tasks to the Supervisory Board. However, pursuant to the Bylaws of the Management Board, the Management Board must obtain the consent of the Supervisory Board for certain transactions or measures, in particular transactions or measures that entail fundamental changes to the Company's net assets, financial position or results from operation.

The members of the Management Board and of the Supervisory Board owe duties of loyalty and due care to the Company. In discharging these duties, the members of governing bodies have to take into account a broad range of interests, in particular those of the Company, its shareholders, employees and creditors. The Management Board must also take into account the rights of shareholders to equal treatment and equal information. If the members of the Management Board or Supervisory Board fail to discharge their duties, they are jointly and severally liable for damages to the Company. A directors and officers (D&O) insurance policy, which provides for a deductible (*Selbstbehalt*), protects the Management Board and Supervisory Board members against claims for damages.

Under German stock corporation law, neither individual shareholders nor any other person may use its influence on the Company to cause a member of the Management Board or Supervisory Board to act in a manner that would be detrimental to the Company. Persons using their influence to cause a member of the Management Board or Supervisory Board, a holder of a general commercial power of attorney (*Prokurist*) or an authorized agent (*Handlungsbevollmächtigter*) to act in a manner causing damage to the Company or its shareholders are liable to compensate the Company for any resulting losses if they have acted in violation of their obligation to use due care. Moreover, in this case, the members of the Management Board and Supervisory Board are jointly and severally liable in addition to the person using its influence if they have acted in breach of their obligations towards the Company.

Generally, an individual shareholder may not take court action against members of the Management Board or Supervisory Board if he believes that they have acted in breach of their duties to the Company and, as a result, the Company has suffered losses. Claims of the Company for damages against the members of the Management Board or Supervisory Board may generally only be pursued by the Company itself; in the case of claims against members of the Supervisory Board, the Company is represented by the Management Board, and in case of claims against members of the Management Board, it is represented by the Supervisory Board. Pursuant to a ruling by the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board must bring claims that are likely to succeed against Management Board members unless significant considerations of the Company's well-being, which outweigh or are at least equivalent to those in favor of such claim, render such a claim inadvisable. If the representative body in question decides against pursuing the claim, claims against the Management Board or Supervisory Board must be asserted if the shareholders general meeting adopts a resolution to this effect by a simple majority.

Shareholders whose joint holdings equal or exceed 10% of the share capital or the pro-rata amount of €1,000,000 may petition the court to appoint a representative to pursue their claims for damages. Furthermore, shareholders whose joint holdings equal or exceed 1% of the share capital or a proportionate interest of €100,000 at the time the petition is submitted may petition in their own name for a claim for damages to be heard by the regional court where the Company has its registered office. For such a claim to be heard, the Company must have failed to make a claim when called on to do so by the shareholders within an appropriate deadline set by them, and facts must have come to light justifying the suspicion that the Company has sustained a loss as a consequence of dishonesty or of a flagrant breach of the law or of the Company's Articles of Association. The Company is entitled to bring a claim for damages itself at any time, and any pending application or claim on the part of the shareholders is barred once the Company does so.

The Company may only waive or settle a claim for damages against board members if at least three years have elapsed since the vesting of the claim, so long as the shareholders approve the waiver or settlement in the General Shareholders Meeting by a simple majority and provided that a minority of shareholders whose aggregate shareholdings amount to at least one-tenth of the share capital do not record an objection to such resolution in the minutes of the meeting.

Management Board and Senior Management

Pursuant to Article 5 of the Company's Articles of Association, the Company's Management Board must consist of at least two members. The Supervisory Board determines the exact number of members. At present, the Management Board has three members, Mr. Zahn, Mr. Ullrich and Mr. Wittan. Mr. Zahn is currently appointed as the chief executive officer. On March 18, 2011 the Supervisory Board appointed Mr. Wittan as third member of the Management Board, effective October 1, 2011.

On October 18, 2006, the Supervisory Board issued Bylaws for the Management Board, which were revised on June 16, 2009 and on May 5, 2011. According to these Bylaws, the Management Board shall adopt its resolutions by simple majority if it consists of more than two members. If the Management Board consists of two members, resolutions must be unanimous. If consensus cannot be reached on a matter to be decided, it is presented to the chairman of the Supervisory Board. While the members of the management board have the right to make decisions in their respective area of responsibility relating to matters in the ordinary course of business, the entire Management Board (*Gesamtvorstand*) resolves on all matters of particular significance and importance for the Company or the Group.

The Company is legally represented by two members of the Management Board or by one Management Board member acting jointly with a holder of a general power of attorney (*Prokurist*). The Supervisory Board may grant to each member of the Management Board of the Company sole power of representation.

Pursuant to the Company's Articles of Association and the Bylaws of the Management Board and Supervisory Board, the Management Board must seek prior consent of the Supervisory Board for certain transactions or measures that entail fundamental changes to the Company's net assets, financial position or results of operation listed in the bylaws of the Management Board. The Management Board has to, among others, obtain approval in particular for:

- the acquisition of domestic real property in case the relevant transaction surpasses certain thresholds, varying from €30 million to €125 million;
- the acquisition of foreign real property;
- the sale of real property in case certain other conditions are met. These conditions include, *inter alia*, the fair value of the sold object exceeding certain thresholds varying from €30 million to €50 million and transactions in which the sale price falls short of the fair value of the sold object;
- the acquisition, sale or encumbrance of shares in real estate companies if the purchase or sale of a comparable property portfolio would be subject to the Supervisory Board's consent pursuant to the aforementioned subparagraphs;
- the acquisition, sale or encumbrance of shares in other companies than real estate companies;

- carrying out construction projects (other than maintenance works and refurbishments in the ordinary course of business) if costs incurred and not covered by insurances exceed the threshold of €10 million;
- taking up loans and raising other forms of debt capital in case certain other conditions are met. These conditions include, *inter alia*, the amount of a debt instrument exceeding €30 million or the Loan-to-Value ratio (LTV-Ratio) surpassing 65%;
- certain unusual transactions, *e.g.*, granting loans if the loan amount exceeds €10 million; and
- the execution of transactions with related parties.

The Supervisory Board has delegated the decision-making responsibility for certain transactions to the Acquisition Committee. These transactions include, *inter alia*:

- purchases and sales of real property if the relevant purchase or sale price does not exceed a threshold ranging from €10 million to €187.5 million;
- purchases, sales and encumbrances of shares in real estate companies as long as the value of the transaction does not exceed a threshold ranging from €10 million to €187.5 million;
- carrying out construction projects (other than maintenance works and refurbishments in the ordinary course of business) if costs incurred and not covered by insurances does not exceed the threshold of €15 million; and
- the raising of debt capital as long as the amount of the debt instrument does not exceed €100 million.

Transactions and measures do not require separate approval by the Supervisory Board if they are part of and expressly described in a business plan that has been approved by the Supervisory Board unless the Supervisory Board expressly reserves its decision-making responsibility.

In addition to the Management Board and the Supervisory Board the Company provides for a senior management, to which Dr. Kathrin Wolff belongs as General Representative (*Generalbevollmächtigte*) of the Company and chairperson of the board of directors of Deutsche Wohnen Management GmbH.

Members of the Management Board and Senior Management

At present, the Management Board consists of three members, Mr. Zahn, Mr. Ullrich and Mr. Wittan. On March 18, 2011 the Supervisory Board appointed Mr. Wittan as third member of the Management Board, effective October 1, 2011. In addition, Dr. Kathrin Wolff belongs to the Company's senior management. The following table lists the members of the Company's Management Board and senior management and their respective areas of responsibility.

Management Board

Name	Member since	Appointed until	Areas of Responsibility
Michael Zahn (CEO)	September 1, 2007	December 31, 2015	— Strategy — Property Management — Acquisition/Disposition — Nursing Homes — Human Resources — Public relations
Helmut Ullrich (CFO).	August 1, 2007	December 31, 2012	— Corporate Finance — Capital Markets — Investor Relations — Corporate Law
Lars Wittan	October 1, 2011	September 30, 2014	— Accounting and Tax — Risk Management — Controlling

Senior Management

Name	Member since	Appointed until	Areas of Responsibility
Dr. Kathrin Wolff (General Representative) . . .	April 15, 2011	—	— Property Management

Short biographies of the current Management Board members and senior management are set forth below:

Michael Zahn

Michael Zahn received his degree in economics from the Albert-Ludwigs University in Freiburg im Breisgau, Germany, in 1992. In parallel with his professional activity, he completed postgraduate courses to become a Corporate Real Estate Manager and Chartered Surveyor at the European Business School in Oestrich-Winkel, Germany. Mr. Zahn began his professional career in 1993 with the association of Berlin-Brandenburg housing enterprises (*Verband Berlin-Brandenburgischer Wohnungsunternehmen*), Domus AG, in Berlin, Germany. After a brief period as deputy managing director at GEWOBA GmbH in 1996, Mr. Zahn joined GEHAG AG, where he worked in various management roles between 1997 and 2007. From 2007 to June 30, 2009, he was also chief financial officer of KATHARINENHOF, a subsidiary of GEHAG. In the course of the merger of Deutsche Wohnen AG and the GEHAG Group, he was appointed member of the Management Board in September 2007 and speaker of the Management Board in October 2007. In December 2008, Mr. Zahn was appointed chairman of the Management Board of Deutsche Wohnen AG.

Helmut Ullrich

Helmut Ullrich completed his university education in 1977 with a law degree from the Rheinische-Friedrich-Wilhelms University in Bonn, Germany, and finished his term as a junior lawyer at the Cologne Higher Regional Court with his admission to the bar in 1980. In 1996, he became a Fellow of the Royal Institution of Chartered Surveyors (FRICS). Since 1989, Mr. Ullrich held various executive positions in the real estate segment of the Deutsche Bank Group. Since 1997, these included the roles of CFO and COO of both DB Real Estate Management GmbH and DB Real Estate Investment GmbH (now RREEF Management GmbH and RREEF Investment GmbH), Eschborn, Germany. From 2002 to 2007, he was chairman of the Supervisory Board of Deutsche Wohnen AG, Frankfurt am Main, Germany. In August 2007, in the course of the merger of Deutsche Wohnen AG and the GEHAG Group, Mr. Ullrich was appointed as a member of the Management Board. Upon the end of his term of office, which will be on December 31, 2012, he will be succeeded by Lars Wittan.

Lars Wittan

Lars Wittan received a degree in economics from the College of Vocational Studies (*Berufsakademie*) of Berlin, in 2000. Mr. Wittan began his professional career in 2000 with Arthur Andersen Deutschland, Germany. In 2002, he was transferred to Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (now Ernst & Young GmbH) due to the merger with Arthur Andersen. In 2006, Mr. Wittan became a certified public auditor (*Wirtschaftsprüfer*). Since August 2007, Mr. Wittan has worked for Deutsche Wohnen Group, including responsibilities in the finance and accounting departments. On its meeting on March 18, 2011 the Supervisory Board of the Company appointed Mr. Wittan as an additional member of the Management Board effective as of October 1, 2011. It is envisaged that he will succeed Mr. Ullrich successively until the end of Mr. Ullrich's term on December 31, 2012.

Dr. Kathrin Wolff

Dr. Kathrin Wolff received a degree in geography from Humboldt Universität zu Berlin university and obtained further a Ph.D. in economical geography (urban development) from Humboldt Universität zu Berlin university. She began her professional career in 1989 (head of the editorial office from 1990 — 1993) at the Tourist Verlag, Berlin, and worked from 1994 to 1996 for the real estate companies ProMark GmbH and Inter-Markt GmbH, where she was involved in real estate financing and project development. From 1996 to 1999, Dr. Wolff acted as Managing Director in group companies of Notbohm Holding GmbH/GIWA Grundstücks-, Industrie-, Wirtschaftsanlagen Verwertungs GmbH & Co. KG. In 2000, she joined GEHAG GmbH where she became head of the portfolio development department in April 2002 and authorized representative (*Prokuristin*) in March 2004. Since March 2008, Dr. Wolff has been serving as chairperson of the board of directors of Deutsche Wohnen Management GmbH, a wholly owned subsidiary of the Company, which conducts the entire residential property management for the Company's portfolios.

On April 15, 2011 Dr. Wolff was appointed as General Representative (*Generalbevollmächtigte*) of the Company.

The following table lists all of the companies and enterprises in which the members of the Management Board and senior management have held seats on an administrative, management or supervisory body or comparable German or foreign controlling body or of which they were partners during the last five years, with the exception of the subsidiaries of our Group.

Michael Zahn	*Current appointments*: None *Terminated appointments*: None
Helmut Ullrich	*Current appointments*: None *Terminated appointments*: DB Real Estate Management GmbH, Eschborn, Germany (now RREEF Management GmbH, Eschborn, Germany) DB Real Estate Investment GmbH, Eschborn, Germany (now RREEF Investment GmbH, Eschborn, Germany) DB Real Estate Spezial Invest GmbH, Eschborn, Germany JADE Residential Property AG, Eschborn, Germany Wohnungsbaugesellschaft JADE mbH, Wilhelmshaven, Germany DEUTSCHBAU Immobilien-Dienstleistungen GmbH, Düsseldorf, Germany DEUTSCHBAU Wohnungsbaugesellschaft mbH, Berlin, Germany Deutschbau-Holding GmbH, Düsseldorf, Germany
Lars Wittan	*Current appointments*: None *Terminated appointments*: None
Dr. Kathrin Wolff	*Current appointments*: None *Terminated appointments*: None

The contract of employment dated February 19, 2011 between Mr. Zahn and the Company ends on December 31, 2015. The contract of employment dated February 10, 2011, as amended on May 5, 2011, between Mr. Ullrich and the Company ends on December 31, 2012. The contract of employment dated May 30, 2011 between Mr. Wittan and the Company ends on September 30, 2014. These contracts of employment do not provide for any benefits upon termination (except for, in relation to Mr. Zahn, the right to a severance payment in case of a termination due to a change of control described below). Apart from those indicated above, no other contracts of employment have been executed between the members of the Management Board, the Supervisory Board and the Company or its subsidiaries.

Compensation, Shareholdings and Other Legal Relationships

The Supervisory Board determines and regularly reviews the structure of the remuneration system for the Management Board. Against the background of the provisions of the German Stock Corporation Act (*Aktiengesetz*) concerning the appropriateness of the remuneration system of the Management Board introduced in 2009, the Supervisory Board introduced a new remuneration system for the Management Board members in 2010. With regard to Management Board member Mr. Ullrich, the new remuneration system was introduced retroactively as of January 1, 2010; with regard to Management Board member Mr. Zahn, the system is coming into effect with the extension of his employment contract from 2011 onwards. The new remuneration system applies to the contract of employment of Mr. Wittan. In addition, the new remuneration system was approved by the shareholders general meeting on May 31, 2011. The monetary remuneration is divided evenly into a fixed annual base salary and variable salary components that consist of short-term incentives and long-term incentives.

The fixed remuneration is payable in twelve equal monthly payments. For the year 2011, it amounts to €350,000 for Mr. Zahn and €275,000 for Mr. Ullrich. For the year 2010, Mr. Zahn received a fixed remuneration of €300,000 and Mr. Ullrich received for the same period a fixed remuneration of €275,000.

The variable components are performance based. In respect of the short-term incentive, each member of the Management Board and the Supervisory Board agree on specific individual targets in advance of each fiscal year. The level of remuneration under the short-term incentive depends on the achievement of these pre-defined performance targets in the respective year. 75% of the short term incentive might be paid as of the end of the fiscal year ("**short-term due**"). The residual amount is paid, at the earliest, three years after the end of the fiscal year in which the right to the respective short-term incentive arises unless the economic position has deteriorated due to circumstances that are the responsibility of the respective Management Board member ("**long-term due**"). As of the end of 2010, Mr. Zahn received €400,000 as short-term due remuneration and Mr. Ullrich received €120,000; Mr. Ullrich is further entitled to €30,000 of long-term due remuneration under the short-term incentive. With respect to Mr. Zahn, there is no long-term due remuneration under the short-term incentive in 2010 due to the fact that the new remuneration becomes effective from January 1, 2011. Supplementary payments were made for Mr. Zahn in the amount of €26,000 and for Mr. Ullrich in the amount of €23,000.

The long-term incentive is determined by the Company's executive participation program, the "Performance Share Unit Plan" (the "**PSU Plan**"). A long-term incentive period begins each year and expires after four years. At the beginning of each period, an initial value is agreed for each Management Board member in accordance with the terms of remuneration as set forth in the respective employment contract. Remuneration under the long-term incentive shall be paid at the end of each period. The level of remuneration depends on the development of the key figures that are FFO, NAV and the share price of the Company's shares during the performance period. The PSU Plan provides for a cap in the case of extraordinary growth. The initial value of the PSU Plan for Mr. Ullrich was set at €125,000 for 2010. In accordance to the development of the key figures, the value of the PSU Plan amounted to €230,000 as of December 31, 2010. With respect to Mr. Zahn there is no such PSU Plan for the long-term incentive period which has started in 2010 due to the fact that the new remuneration becomes effective from January 1, 2011. Moreover, Mr. Zahn's contract of employment provides for payments in the case of a change of control. A change of control in this sense is deemed to have occurred, as soon as (i) one or more parties acting in concert acquire at least 30% of the Company's shares and (ii) as a result the role of Mr. Zahn in managing the Company is materially affected, for instance by relocating Mr. Zahn's regular place of work by more than 100 kilometers. In case of a change of control Mr. Zahn is entitled to a severance payment amounting to two annual salaries plus ancillary emoluments. These payments are in accordance with Section 4.2.3 (4) of the German Corporate Governance Codex and the severance cap contained in that provision.

In addition, each of the Management Board members is entitled to a family health insurance sponsored in part by the Company, as well as a company car, reimbursement of travel expenses, and a subsidy for family health insurance. The Company has purchased group accident insurance that also covers the Management Board members and provides for the payment of death and disability benefits. The Company provides the Management Board members with retirement and survivor benefits in the form of direct insurance.

The Company has taken out a D&O insurance policy for members of the Management Board, which provides (since July 1, 2010) for a deductible (*Selbstbehalt*). The deductible payable by the members of the Management Board amounts to 10% of the compensation for all insured events in a year up to a maximum of 150% of the basic annual remuneration. The D&O insurance policy provides insurance coverage for financial losses resulting from breaches of duty by the governing bodies in exercising their functions.

Mr. Ullrich currently holds 13,950 shares in the Company. This corresponds to approximately 0.017% of the 81,840,000 issued shares. The other members of the Management Board do not hold any shares in the Company. With the exception of the shareholder interest of Mr. Ullrich, there are no actual or potential conflicts of interest between the responsibilities of the members of the Management Board or senior management vis-à-vis the Company and their private interests or other responsibilities. There are no family relationships between (i) individual members of the Management Board or (ii) between Management Board members and senior management or (iii) between Management Board members/senior management and members of the Supervisory Board. There are no service agreements between the Company or its subsidiaries and the members of the Management Board or senior management that would provide for any benefits upon their termination.

During the last five years, no member of the Management Board or senior management has been convicted of any fraudulent offense. In addition, no member of the Management Board or senior management has been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies) or, acting in the capacity of a member of an administrative, management or supervisory body or as founder of an issuer, been associated with any bankruptcies and/or insolvencies, receiverships or liquidations. No member of the Management Board or senior management has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

The members of the Management Board and senior management may be reached at the Company's address.

Supervisory Board

Pursuant to Article 6(1) of the Company's Articles of Association, the Company's Supervisory Board consists of six members. It is not subject to employee codetermination as provided by the German One-Third Employee Representation Act (*Drittelbeteiligungsgesetz*) or the German Codetermination Act (*Mitbestimmungsgesetz*). Therefore, the members of the Supervisory Board are all elected by the General Shareholders Meeting as representatives of the shareholders. The members of the Supervisory Board are generally elected for a fixed term of approximately five years. Reelection, including repeated reelection, is permissible.

For each member of the Supervisory Board, the shareholders may, at the same time the respective member is elected, appoint substitute members. These substitute members will replace the elected Supervisory Board member in the event of his premature departure in an order that was defined at the time of the appointment. The term of office of the substitute member replacing the departing member terminates, if a successor is elected at the next General Shareholders Meeting or the following one, at the close of the General Shareholders Meeting, otherwise on the expiry of the term of office of the departed member of the Supervisory Board. Members of the Supervisory Board who were elected by the General Shareholders Meeting may be dismissed at any time during their term of office by a resolution of the General Shareholders Meeting adopted by 50% of the votes cast. According to the Company's Articles of Association, any member or substitute member of the Supervisory Board may resign at any time, even without providing a reason, by giving one month's notice of his resignation to the managing board in writing. This does not affect the right to resign for good cause.

In accordance with Section 107(1) of the German Stock Corporation Act (*Aktiengesetz*) and Article 6(4) of the Company's articles of association, the Supervisory Board elects from among its members a Chairman and a Vice Chairman. Currently, Uwe E. Flach has been elected Chairman and Dr. Andreas Kretschmer Vice Chairman.

The Supervisory Board forms committees from among its members. Under the current bylaws of the supervisory board four committees have been established: An executive committee (*Präsidialausschuss*), which is responsible for discussions and resolutions related to urgent matters, remains in constant communication with and advises the Management Board, prepares the Supervisory Board's meetings and, in accordance with the resolutions of the supervisory board relating thereto, decides on the content of and executes employment agreements with the members of the Management Board; a nomination committee (*Nominierungsausschuss*), which prepares election recommendations for the General Shareholders Meeting in compliance with the requirements of the German Corporate Governance Code (the "**Code**"); an audit committee (*Prüfungsausschuss*), which undertakes an advance review of the unconsolidated and consolidated financial statements for any given fiscal year, discusses the quarterly and semiannually financial reports with the management board prior to publication, discusses compliance and risk management with the Management Board and prepares the recommendation for appointment of the external auditors; and an acquisition committee (*Akquisitionsausschuss*), which deliberates with the Management Board on the objectives and conditions for acquiring or selling property or making equity investments.

The German Stock Corporation Act (*Aktiengesetz*) requires that a quorum of the Supervisory Board is present if at least three members, and at least one-half of the members of the Supervisory Board as mandated by law or the Company's Articles of Association, participate in the voting. The resolutions of the Supervisory Board are passed with a simple majority, unless otherwise mandated by law. In the event of a parity of votes, the chairman or, if he is unable to vote, the vice chairman, has the deciding vote.

Members of the Supervisory Board

The following table lists the members of the Company's Supervisory Board and the positions they hold outside the Company.

Name	Member since	Appointed until	Committee Memberships	Principal occupation outside of the Company
Uwe E. Flach (Chairman)	June 17, 2008[1)]	2013 General Shareholders Meeting	Executive committee Nomination committee Audit committee Acquisition committee	Senior advisor to Oaktree GmbH, Frankfurt am Main, Germany
Dr. Andreas Kretschmer (Vice Chairman)	June 28, 2000	2015 General Shareholders Meeting	Executive committee Nomination committee Audit committee Acquisition committee	Managing director of Ärzteversorgung Westfalen Lippe, Münster, Germany
Dr. h.c. Wolfgang Clement	July 6, 2011[2)]	2012 General Shareholders Meeting	Nomination committee	Federal Minister for Economics and Labor (retired); publicist and independent consultant
Matthias Hünlein	June 28, 2000	2015 General Shareholders Meeting	Executive committee Acquisition committee	Managing director of Tishman Speyer, Frankfurt am Main, Germany
Dr. Michael Leinwand	August 19, 2010[3)]	2016 General Shareholders Meeting	—	Chief Investment Officer of Zurich Beteiligungs-AG, Frankfurt am Main, Germany
Dr. Florian Stetter	March 23, 2006	2016 General Shareholders Meeting	Audit committee	Self-employed realtor

1) *After the initial appointment by court order of January 18, 2008, Mr. Flach was further appointed on June 17, 2008, by the 2008 General Shareholders Meeting.*

2) *Appointed by court order of July 6, 2011 to serve until the 2012 General Shareholders Meeting (at the latest until August 31, 2012).*

3) *After the initial appointment by court order of August 19, 2010, Dr. Leinwand was further appointed on May 31, 2011, by the 2011 General Shareholders Meeting.*

Short biographies of the current Supervisory Board members are set forth below:

Uwe E. Flach

Uwe E. Flach studied business administration and is a qualified banker (*Bankkaufmann*). Mr. Flach began his professional career with Dresdner Bank AG and he joined Dillon Read & Company where he worked in New York, London and Paris for six years. In 1976, he moved to DG Bank AG, where he became in 1977 senior manager with responsibility for capital markets, securities and corporate finance. In 1989, he first became a deputy member of the Management Board of DG Bank AG, and in 1991 he became a member of the Management Board, taking responsibility for the investment banking division. From 2001 until his retirement in 2003, he was appointed as deputy chairman to the Management Board of DG Bank's successor bank, the DZ Bank AG. Besides his affiliation with DG Bank AG and DZ Bank AG, Mr. Flach has held various Supervisory Board positions in various companies (see list below). Since 2004, Mr. Flach has been a senior advisor and consultant for Oaktree GmbH. He has been a member of our Supervisory Board since January 2008. In July 2011, Mr. Flach was appointed as chairman to the Supervisory Board.

Dr. Andreas Kretschmer

Dr. Andreas Kretschmer studied economics with a focus on auditing/accounting and further earned a degree in law from the Johann-Wolfgang-Goethe University in Frankfurt am Main, Germany. In 1977, he received a Ph.D. in economics from the Johannes Gutenberg-University in Mainz, Germany. From 1973 to 1992, Dr. Kretschmer worked at Dresdner Bank in leading positions, including executive assistant and director of corporate customer service. Dr. Kretschmer was active both nationally and internationally during his work at Dresdner Bank. During 1991 and 1992, he also worked as Head of Finances to the government agency privatizing eastern German property (*Treuhandanstalt*). In 1992, Dr. Kretschmer joined the pension scheme for physicians in Westphalia-Lippe (*Ärzteversorgung Westfalen-Lippe*) as managing director of capital investment and was appointed as CEO in 2009. Dr. Kretschmer has held various board positions in various companies (see list below). Dr. Kretschmer has been a member of our Supervisory Board since June 2000; he was first appointed as vice chairman to the Supervisory Board in August 2006.

Dr. h.c. Wolfgang Clement

Dr. h.c. Wolfgang Clement received a law degree and completed a journalism internship in 1965. He became an assistant at the Institute for Litigation at Marburg University, and then editor, head of the political department and deputy editor in chief of "*Westfälische Rundschau*" in Dortmund. From 1981 to 1986 he was spokesman for the federal executive board of the Social Democratic Party of Germany (*Sozialdemokratische Partei Deutschlands — SPD*) and was also the deputy secretary-general of the party from 1985 to 1986. From 1987 to 1988 he served as editor in chief of *"Hamburger Morgenpost."* In 1989, Dr. h.c. Wolfgang Clement was appointed head of the state chancellery of the State of North Rhine-Westphalia and in 1990 he became Minister for special tasks in North Rhine-Westphalia. From 1995 to 1998, he was Minister for Economic Affairs, Small- and Medium-Sized Business Enterprises, Technology and Transport of the State of North Rhine-Westphalia. In addition, he became a deputy chairman of the board of the SPD of North Rhine-Westphalia in 1996. In 1998, he succeeded Johannes Rau as Prime Minister of the State of North Rhine-Westphalia. Following the regional elections in 2000, he was confirmed in office. In 2002 Dr. h.c. Wolfgang Clement was appointed federal Minister of Economic and Labor Affairs in the government led by Chancellor Gerhard Schröder, where he was responsible for extensive labor market reforms and served until 2005. Since then, Dr. h.c. Wolfgang Clement has been active as a journalist, belongs to the boards of trustees of various scientific institutions, has been a member of various Boards of Directors, and is the neutral chairman of the central mediation committee of the German construction industry (*Vorsitzender der Zentralschlichtungsstelle für das deutsche Baugewerbe*). Dr. h.c. Wolfgang Clement has held various board positions in various companies (see list below). Dr. h.c. Wolfgang Clement has been a member of our Supervisory Board since July 2011.

Matthias Hünlein

Matthias Hünlein received a law degree from the University of Passau, Germany. Mr. Hünlein began his professional career with Deutsche Bank Group. He spent eleven years at Deutsche Bank's investment subsidiaries DB Real Estate Management GmbH (now RREEF Management GmbH) and DB Real Estate Spezial Invest GmbH (now RREEF Spezial Invest GmbH) where he became managing director responsible for product development and relationship management. In November 2005, Mr. Hünlein joined Tishman Speyer Properties Deutschland GmbH where he is responsible, as managing director, for client relationships and capital raising activities in Europe and the Middle East. Mr. Hünlein has held various board positions in various companies (see list below). Mr. Hünlein has been a member of our Supervisory Board since June 2000.

Dr. Michael Leinwand

Dr. Michael Leinwand studied economics (*Volkswirtschaftslehre*) at the University of Dortmund and the Ruprecht-Karls University in Heidelberg, Germany, and received a Ph.D in economics from the Ruprecht-Karls University in Heidelberg, Germany. Dr. Leinwand began his professional career at Kölnische Rückversicherung in Cologne where he was responsible for the steering of the interest portfolio. In 2005, he moved to Gothaer Asset Management AG as co-head of the capital markets division. Currently, Dr. Leinwand is chief investment officer of Zurich Beteiligungs-AG, Frankfurt am Main. He was appointed to our Supervisory Board on August 19, 2011.

Dr. Florian Stetter

Dr. Florian Stetter studied business administration at the Vienna University of Economics and Business and received a Ph.D. from the University of Vienna, Austria. He began his professional career in 1988 with McKinsey & Company as a business analyst. From 2000 to 2010, Dr. Stetter was managing director of Strabag Property and Facility Services GmbH. Currently, he is a self-employed realtor. Dr. Florian Stetter holds a board position in another company (see list below). Dr. Stetter has been a member of our Company's Supervisory Board since March 2006.

Over the last five years, the members of the Supervisory Board were or currently are members of the executive, administrative, or supervisory bodies and/or partners in the following enterprises and companies, both domestic and foreign, outside our Group:

Uwe E. Flach (Chairman)	*Current appointments*: Nordenia International AG, Greven, Germany (vice chairman of the Supervisory Board) OCM German Real Estate Holding GmbH, Cologne, Germany (Supervisory Board) Versatel AG, Dusseldorf, Germany (Supervisory Board) *Terminated appointments*: Andreae-Noris Zahn AG (ANZAG), Frankfurt am Main, Germany (Supervisory Board) Deutsche Börse AG, Frankfurt am Main, Germany (Supervisory Board) STADA Arzneimittel AG, Bad Vilbel, Germany (Supervisory Board)
Dr. Andreas Kretschmer (Vice Chairman)	*Current appointments:* BIOCEUTICALS Arzneimittel AG, Bad Vilbel, Germany (chairman of the Supervisory Board) Ampiron GmbH, Dortmund, Germany (Supervisory Board) Private Life Biomed AG, Hamburg, Germany (chairman of the Supervisory Board) *Terminated appointments*: Oppenheim Immobilien-Kapitalanlagegesellschaft mbH, Wiesbaden, Germany (Supervisory Board) IVG Institutional Funds GmbH, Wiesbaden, Germany (Supervisory Board) Biofrontera AG, Leverkusen, Germany (vice chairman of the Supervisory Board)
Dr. h.c. Wolfgang Clement *Federal Minister for Economics and Labor (retired)*	*Current appointments:* RWE POWER AG, Essen, Germany (Supervisory Board) Landau Media AG, Berlin, Germany (Supervisory Board) Dussmann Stiftung & Co. KGaA, Berlin, Germany (chairman of the Supervisory Board) Peter-Dussmann-Foundation, Berlin, Germany (foundation board) Daldrup & Söhne AG, Grünwald/Geiselgasteig, Germany (Supervisory Board) Deutsche Industrie-Service AG, Düsseldorf, Germany (Supervisory Board) Energy Consulting, Moscow, Russia (Board Member) Carl Spiehs Privatstiftung, Vienna, Austria (Management Board) *Terminated appointments:* Deutsche Industrie Service AG, Düsseldorf, Germany (Supervisory Board) M. DuMont Schauberg GmbH & Co. KG, Köln, Germany (Supervisory Board) Versatel AG, Berlin, Germany (Supervisory Board)
Matthias Hünlein	*Current appointments*: A. A. A. Aktiengesellschaft Allgemeine Anlageverwaltung, Frankfurt am Main, Germany (Supervisory Board) *Terminated appointments*: Deutsche Commercial Property AG, Eschborn, Germany (chairman of the Supervisory Board) ARBI Beteiligungsgesellschaft mbH, Eschborn, Germany (advisory board) Wohnungsbaugesellschaft JADE mbH, Wilhelmshaven, Germany (Supervisory Board) Deutsche Commercial Property Anlagegesellschaft mbH & Co. KG, Eschborn, Germany (advisory board) JADE Residential Property AG (Management Board) DEGRU 4-Beteiligungsgesellschaft mbH (managing director)

	JADE Projekt GmbH (managing director) DB Real Estate Spezial Invest GmbH (managing director)
Dr. Michael Leinwand	Bizerba GmbH & Co. KG, Balingen, Germany (Supervisory Board) *Terminated appointments:* None
Dr. Florian Stetter	*Current appointments:* CalCon Deutschland AG, Munich, Germany *Terminated appointments:* None

The members of the Supervisory Board may be reached at the Company's address.

Compensation, Shareholdings and Other Legal Relationships

Pursuant to the Company's Articles of Association, each member of the Supervisory Board receives a fixed annual compensation payment of €20,000 for his activity. The chairman of the Supervisory Board receives twice this amount and a vice chairman one and a half times the compensation of an ordinary Supervisory Board member. If a fiscal year is shorter than twelve months, compensation is paid on a pro rata basis. In 2010, the total remuneration of the members of the Company's Supervisory Board amounted to €150,000 (excluding VAT).

The Supervisory Board members are further entitled to reimbursement of all expenses. In addition, the Company has purchased, at its own expense, D&O insurance for the members of the Supervisory Board, which provides (since July 1, 2010) for a deductible pursuant to the German Corporate Governance Codex. The deductible payable by the members of the Management Board amounts to 10% of the compensation for all insured events in a year up to a maximum of 150% of the basic annual remuneration.

As of September 30, 2011, the Supervisory Board members Uwe E. Flach and Dr. Florian Stetter held 12,400 and 3,207 shares in Deutsche Wohnen AG, respectively; this corresponded to approximately 0.015% and 0.004% of the 81,840,000 shares issued, respectively. As of September 30, 2011, the spouses of Mr. E. Flach and Dr. Andreas Kretschmer held 4,200 and 2,633 shares in Deutsche Wohnen AG, respectively, which corresponded to approximately 0.005% and 0.003% of the 81,840,000 shares issued, respectively. The remaining members of the Supervisory Board held no Deutsche Wohnen AG shares as of July 21, 2011.

With the exception of these shareholding interests, there are no actual or potential conflicts of interest between the responsibilities of the members of the Supervisory Board vis-à-vis the Company and their privat interests or other responsibilities. There are no family relationships between (i) individual members of the Supervisory Board or (ii) between Supervisory Board members and senior management or (iii) between Supervisory Board members and members of the Management Board. There are no service agreements in place between the Company or its subsidiaries and the members of the Supervisory Board that would provide for benefits in the event of termination of the respective service relationship. The Supervisory Board members have not taken out loans from the Company.

During the last five years, no member of the Supervisory Board has been convicted of any fraudulent offense. In addition, no member of the Supervisory Board has been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies) or, acting in the capacity of a member of an administrative, management or supervisory body or as founder of an issuer, been associated with any bankruptcies and/or insolvencies, receiverships or liquidations. No member of the Supervisory Board has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

General Shareholders Meeting

The General Shareholders Meeting is the body in which shareholders can exercise their rights within the Company. The General Shareholders Meeting of the Company is convened by the Management Board of the Company in the cases provided for by law or the Company's Articles of Association or if required in the interests of the Company. Pursuant to Article 9(1) of the Company's Articles of Association, the General Shareholders Meeting must be held at the registered office of the Company or in another German city with a stock exchange. Notice of the General Shareholders Meeting, accompanied by the agenda, must be issued no later than 30 days before the day on which shareholders must register prior to the meeting. This period does not include the day on which the convening notice is issued and the day on which the shareholders must register to participate in the General Shareholders Meeting. Notice of the convening of the General Shareholders Meeting is made through publication in the electronic version of the German Federal Gazette (*elektronischer Bundesanzeiger*).

If the interests of the Company so require, the General Shareholders Meeting can also be convened by the Supervisory Board. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), shareholders whose shares constitute at least 5% of the share capital may demand that the General Shareholders Meeting be convened; this demand must be made in writing, stating the purpose of the meeting and be directed to the Management Board. Using the same procedure, shareholders whose aggregated shares constitute at least 5% of the Company's share capital, or a proportional interest of €500,000, may demand that items be submitted for vote at a General Shareholders Meeting. In addition, shareholders must prove that they have owned their shares for at least three months and that they will hold their shares until their motion has been decided upon. If such demand is not met by the Company, a court may authorize the shareholders who issued the demand to convene the General Shareholders Meeting. The convening notice or publication must make reference to such authorization.

Those holders of registered shares who are registered in the Company's stock register on the date of the General Shareholders Meeting, and who have registered their participation on time as defined by Article 9(7) of the Company's Articles of Association, are eligible to participate in the General Shareholders Meeting and to exercise their voting rights pursuant to Article 9(5) of the Company's Articles of Association.

Those holders of bearer shares who have registered their participation on time as defined by Article 9(7) of the Company's Articles of Association are eligible to participate in the General Shareholders Meeting and to exercise their voting rights pursuant to Article 9(6) of the Company's Articles of Association. In order to exercise the rights attributable to bearer shares, the holders of bearer shares must also prove to the Company their eligibility to participate in the General Shareholders Meeting and to exercise their voting rights. Written evidence of the shareholdings in German or English, prepared by the custodian institution, must be presented by the end of the seventh day before the date of the General Shareholders Meeting. The written evidence of shareholding must relate to the beginning of the twenty-first day prior to the General Shareholders Meeting.

Registration of participation as defined in Articles 9(5) and (6) of the Company's Articles of Association is deemed to be on time as defined in Article 9(7) of the Company's Articles of Association if it is received by the Management Board at the registered office of the Company, or at another location specified in the convening notice, no later than on the seventh day before the date of the General Shareholders Meeting; registration of participation must be made in writing, by fax or, if the Management Board so decides, in another way to be defined by the Management Board (primarily electronically).

The ordinary General Shareholders Meeting must take place within the first eight months of each fiscal year. In addition, an extraordinary meeting of the shareholders must be convened by the Management Board if the interests of the Company so require.

The General Shareholders Meeting votes on the appropriation of the distributable profit and on the approval of the actions of the Management Board members and those of the Supervisory Board members for the fiscal year completed before the respective General Shareholders Meeting. The General Shareholders Meeting also appoints an external auditor for the respective current fiscal year. The General Shareholders Meeting approves the annual financial statements of the Company if the Management Board and the Supervisory Board fail to do so.

Pursuant to Article 10(1) of the Company's Articles of Association, each individual share confers one vote in the General Shareholders Meeting. Voting rights can be exercised through a proxy. Neither German stock corporation law nor the Company's Articles of Association require a minimum participation at a General Shareholders Meeting for a quorum. Resolutions are adopted by the General Shareholders Meeting with a simple majority and, if the law so requires, with a simple majority of share capital, unless otherwise provided by mandatory applicable law or the Company's Articles of Association.

Under the German Stock Corporation Act (*Aktiengesetz*), certain resolutions of fundamental importance mandatorily require — in addition to a majority of the votes cast — a majority of at least three-quarters of the share capital represented at the vote. These resolutions include in particular:

- Changes to the Company's business objectives;
- Capital reductions;
- Creation of authorized or contingent capital;

- Exclusion of subscription rights;
- Corporate transformation measures, such as mergers, de-mergers and changes in legal form;
- Transfer of all the assets of the Company;
- Execution and amendment of Company agreements (for example, control and profit and loss transfer agreements); and
- Liquidation of the Company.

Corporate Governance

The Code, which was passed in February 2002 and last amended on May 26, 2010, contains recommendations and suggestions for the management and supervision of German companies listed on the stock exchange. The Code incorporates nationally and internationally recognized standards of good and responsible corporate governance. The purpose of the Code is to make the German system of corporate governance and supervision transparent for investors. The Code includes recommendations and suggestions for management and supervision with regard to shareholders and General Shareholders Meetings, Management and Supervisory Boards, transparency, accounting and auditing.

There is no obligation to comply with the recommendations or suggestions of the Code. However, the German Stock Corporation Act (*Aktiengesetz*) requires that the Management Board and Supervisory Board of a German listed company declare, every year, either that the recommendations have been or will be applied, or which recommendations have not been or will not be applied and explain why the Management Board and the Supervisory Board do not/will not apply such recommendations that have not been or will not be applied. This declaration is to be made permanently accessible to shareholders. However, deviations from the suggestions contained in the Code need not be disclosed.

Having taken due account of the new provisions of the Code as amended on May 26, 2010 for the period from May 26, 2010 onwards, the Management Board and the Supervisory Board of the Company adopted the following declaration of compliance according to section 161(1) of German Stock Corporation Act in December 2010:

"Since the adoption of the last declaration of compliance in March 2010, Deutsche Wohnen AG has complied and, in the future, will comply with the recommendations of the Government Commission on the Code (as amended on May 26, 2010) with the following exceptions:

- In deviation from the recommendations in clause 5.4.6 of the Code, the Company's Articles of Association merely envisage fixed pay, but not, however, any performance-related remuneration, for the Supervisory Board members. Moreover, memberships and chairs in Supervisory Board committees are not considered in fixed pay. The Company believes that, with a view to the Supervisory Board's monitoring function, a fixed pay for Supervisory Board members is preferable in order to ensure the required independent monitoring function of the Supervisory Board. The Company is of the view that the present pay scale for the Supervisory Board members sufficiently compensates them for assuming duties as chairperson or member of Supervisory Board committees, too.

- The consolidated financial statements and the interim reports were made publicly accessible within the periods defined by law, but not within 90 days of the end of the business year or 45 days of the end of the period under review (Code clause 7.1.2 sentence 4). Given the time required for a diligent preparation of financial statements and business reports, it is, for the time being, impossible to enter into commitments concerning earlier dates of publication."

As of the date of this Prospectus, the Company is in compliance with the recommendations of the Code in the scope declared in the Declaration of Compliance by the Management Board and Supervisory Board of the Company of December 2010.

SHAREHOLDER STRUCTURE

The Company's share capital as of the date of this Prospectus amounts to €81,840,000 divided into 81,840,000 ordinary shares with no par value (*Stückaktien*), each representing a notional value of €1.00. The Company's shares are divided into registered shares and bearer shares. Of the 81,840,000 total shares of the Company, 81,732,423 (approximately 99.87%) are bearer shares and 107,577 (approximately 0.13%) are registered shares.

On the basis of the notifications received by the Company as of the date of this Prospectus in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz*) and pursuant to the information provided by the respective shareholders, the following shareholders hold more than 3% of the Company's ordinary shares as of the date of this Prospectus:

Shareholders	Number of Shares Held	Stake/ Share of Voting Rights
Cohen & Steers Inc.[1)]	8,107,281	9.91%
Zurich Deutsche Herold Lebensversicherungs AG	4,705,800	5.75%
First Eagle Overseas Fund	4,288,416	5.24%
Sun Life Financial Inc.[1)]	4,116,552	5.03%
Asset Value Investors Ltd.[2)]	4,039,297	4.94%
Ärzteversorgung Westfalen-Lippe[3)]	2,725,272	3.33%
BlackRock, Inc.[1)]	2,504,524	3.06%

1) *Attribution pursuant to Section 22(1), Sentence 1, No. 6 in connection with Section 22(1), Sentence 2 of the German Securities Trading Act.*
2) *Attribution pursuant to Section 22(1), Sentence 1, No. 6 of the German Securities Trading Act.*
3) *Attribution pursuant to Section 22(1), Sentence 1, No. 1 of the German Securities Trading Act.*

Other shareholders, including those shareholders whose shareholdings represent less than 3% of the total voting rights in Deutsche Wohnen AG, hold the remaining 62.74% of the shares of Deutsche Wohnen AG.

All of the Company's shares confer the same voting rights.

TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following section outlines certain key German tax principles that may be relevant with respect to the acquisition, holding, or transfer of shares/subscription rights. This summary does not purport to be a comprehensive or exhaustive description of all German tax considerations that may be relevant to shareholders. This presentation is based upon domestic German tax laws in effect at the time of preparation of this Prospectus and the provisions of double taxation treaties currently in force between Germany and other countries. It is important to note that the legal situation may change, possibly with retroactive effect.

The tax information presented in this Prospectus is not a substitute for tax advice. Therefore, it is recommended that any prospective investor consult with a tax advisor concerning the tax consequences of acquiring, holding, selling and gifting or bequeathing shares and/or subscription rights. The same applies with respect to the rules governing the refund of any German dividend withholding tax (Kapitalertragsteuer) withheld. Only an individual tax consultation can appropriately account for the particular tax situation of each investor.

Taxation of the Company

The Company's taxable income, whether distributed or retained, is generally subject to corporate income tax (*Körperschaftsteuer*) at a uniform rate of 15% plus the solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon, resulting in a total tax liability of 15.825%.

Dividends (*Gewinnanteile*) and other distributions received by the Company from domestic or foreign corporations are exempt from corporate income tax; however, 5% of such revenue is treated as a nondeductible business expense and, as such, is subject to corporate income tax plus the solidarity surcharge. Ultimately, therefore, 95% of the amount of dividends and other distributions that the Company receives from corporations is exempt from corporate income tax. The same applies in general to profits earned by the Company from the sale of shares in another domestic or foreign corporation. Losses incurred from the sale of such shares are not deductible for tax purposes.

In addition, the Company is subject to trade tax (*Gewerbesteuer*) with respect to its taxable trade profit (*Gewerbeertrag*) from its permanent establishments in Germany (*inländische gewerbesteuerliche Betriebsstätten*). When determining the amount on which to assess the trade tax, among other things, 25% of the interest expense on debt, as well as 25% of the interest portion of rent, lease payments and royalties, is added back into the amount of profits calculated for corporate income tax purposes, to the extent these interest payments cumulatively exceed €100,000.

The trade tax rate depends on the local municipalities in which the Company maintains its permanent establishments (*inländische gewerbesteuerliche Betriebsstätten*). For the Company it currently amounts to between approximately 10% and 17% of the taxable trade profit (*Gewerbeertrag*), depending on the local trade tax multiplier.

Dividends received from other corporations and capital gains from the sale of shares in other corporations are treated in principle in the same manner for trade tax purposes as for corporate income tax purposes. However, dividends received from domestic and foreign corporations are effectively 95% exempt from trade tax only if the Company held and continues to hold at least 15% (10% in the case of companies resident for tax purposes in EU member states other than Germany) of the registered share capital (*Grundkapital* or *Stammkapital*) of the distributing corporation at the beginning or — in the case of foreign corporations — since the beginning of the relevant tax assessment period. Additional limitations apply with respect to dividends received from foreign non-EU corporations.

Since January 1, 2008, expenditures for external financing are subject to the "interest barrier" (*Zinsschranke*) rules. When the Company calculates its taxable income, the interest barrier rules generally prevent the Company from deducting net interest expense, *i.e.*, the excess of interest expense over interest income for a given fiscal year, exceeding 30% of its taxable EBITDA (taxable earnings adjusted for interest expense, interest income and certain depreciation/amortization and other reductions) if its net interest expense is €3 million (*Freigrenze*) or greater and no extenuating circumstances apply. Special rules apply in the case of external financing undertaken by shareholders or related parties. Interest expense that is not deductible in a given year may be carried forward to subsequent fiscal years of the Company (interest carry-forward) and will increase the interest expense in those subsequent years. EBITDA amounts that could not be utilized may, under certain conditions, be carried forward into future fiscal years. If such EBITDA carry-forward is not used within five financial years it will be forfeited. An EBITDA carry-forward that arose in an earlier year must be used before a carry-forward that arose in a later year is used. The EBITDA carry forward is not available in the case the interest barrier does not apply due to exemptions.

Tax-loss carry forwards can be used to fully offset taxable income for corporate income tax and trade tax purposes up to an amount of €1 million. If the taxable profit for the year or taxable profit subject to trade taxation exceeds this threshold, only up to 60% of the amount exceeding the threshold may be offset by tax-loss carry-forwards. The remaining 40% is subject to tax (minimum taxation) (*Mindestbesteuerung*). Unused tax-loss carry-forwards may be generally carried forward indefinitely and used in subsequent assessment periods to offset future taxable income in accordance with this rule.

However, unused losses and interest carry-forwards are forfeited in full if within five years more than 50% of the subscribed capital, membership interests, equity interests or voting rights of the Company are transferred, whether directly or indirectly, to an acquiring party or affiliated individuals/entities, or a similar change of ownership occurs (harmful acquisition) (*schädlicher Beteiligungserwerb*). A group of acquirers with aligned interests is also considered to be an acquiring party for these purposes. In addition, any current year losses incurred prior to the acquisition will not be deductible. If between 25% and 50% of the subscribed capital, membership interests, equity interests or voting rights of the Company is transferred, a proportional amount of the unused losses and interest carry-forwards is forfeited. However, such acquisitions after December 31, 2009 do not constitute a harmful acquisition if the same person owns directly or indirectly 100% of the seller and the acquiror. Unused losses and interest carry-forwards are not forfeited to the extent that they are covered at the time of the harmful acquisition by hidden reserves, if the liquidation of the hidden reserves is taxable in Germany.

Taxation of Shareholders

Shareholders are taxed particularly in connection with the holding of shares (taxation of dividend income), upon the sale of shares (taxation of capital gains) and the gratuitous transfer of shares (inheritance and gift tax).

Taxation of Dividend Income

In the past, the Company paid dividends out of a tax-recognized contribution account (formerly EK 04) (*steuerliches Einlagenkonto*). To the extent that the Company can continue to pay dividends from this account, the dividends, as investment income, are not subject to withholding tax, personal income tax (including the solidarity surcharge and church tax, if any) or corporate income tax, as the case may be. However, dividends lower the acquisition costs of the shares, which may result in a greater amount of taxable capital gain upon the shareholder's sale of the shares. To the extent that dividends from the tax-recognized contribution account exceed the then lowered acquisition costs of the shares, a capital gain is recognized by the shareholder, which may be subject to tax in accordance with the provisions outlined below.

Dividend Withholding Tax

The dividends distributed by the Company are subject to a dividend withholding tax at a 25% rate on dividends distributed by the Company plus a solidarity surcharge of 5.5% on the amount of withholding tax (amounting in total to a rate of 26.375%). The basis of the dividend withholding tax is the dividend approved for distribution by the Company's general shareholders' meeting.

Dividend withholding tax is withheld regardless of whether and, if so, to what extent the shareholder must report the dividend for tax purposes and regardless of whether the shareholder is a resident of Germany.

Where dividends are distributed to a company resident in another member state of the European Union within the meaning of Article 2 of the Parent-Subsidiary Directive (EC Directive 90/435/EEC of the Council of July 23, 1990, as amended), the withholding of the dividend withholding tax may not be required, or the tax refunded, upon application, provided that additional requirements are met. This also applies to dividends distributed to a permanent establishment located in another European Union member state of such a parent company or of a parent company that is tax resident in Germany if the interest in the dividend-paying subsidiary is part of the respective permanent establishment's business assets. An important prerequisite for the exemption from withholding at source under the Parent-Subsidiary Directive is that the shareholder has directly held at least 10% of the company's registered capital continuously for one year and that the German tax authorities (*Bundeszentralamt für Steuern, Hauptdienstsitz Bonn-Beuel, An der Küppe 1, D-53225 Bonn*) have, based upon an application filed by the creditor on the officially prescribed form, certified to him that the prerequisites for exemption have been met.

The dividend withholding tax rate for dividends paid to other shareholders without a tax domicile in Germany will be reduced in accordance with the applicable double taxation treaty, if any, between Germany and the shareholder's country of residence, provided that the shares are not held as part of the business assets of a permanent establishment or a fixed base (*feste Einrichtung*) in Germany or as part of the business assets for which a permanent representative in Germany has been appointed. The reduction in the dividend withholding tax is generally obtained by applying to the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*), with its registered office (*Hauptdienstsitz*) in Bonn-Beuel, An der Küppe 1, D-53225 Bonn, Germany, for a refund of the difference between the dividend withholding tax withheld, including the solidarity surcharge, and the amount of withholding tax actually owed under the applicable double taxation treaty, which is usually 15%. Forms for the refund procedure may be obtained from the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) (http://www.bzst.bund.de), as well as German embassies and consulates.

Corporations that are not tax resident in Germany will receive a refund of two-fifths of the dividend withholding tax that was withheld and remitted to the tax authorities. This is in addition to any further reduction or exemption provided under the Parent-Subsidiary Directive or a double taxation treaty.

Foreign corporations will generally have to meet certain substance criteria defined by statute in order to receive an exemption from or (partial) refund of German dividend withholding tax.

The Company assumes responsibility for the withholding of taxes (other than church tax) on dividends.

Taxation of Dividends of Shareholders with a Tax Domicile in Germany

Individuals who Hold the Shares as Private Assets

For individuals who are tax resident in Germany (generally, individuals whose domicile (*Wohnsitz*) or usual residence (*gewöhnlicher Aufenthalt*) is located in Germany) and who hold the shares as private assets, the withholding tax will generally serve as a final tax. In other words, once deducted, the shareholder's income tax liability on the dividends will be settled, and he or she will no longer have to declare them on his or her annual tax return (the **Flat Tax**).

The purpose of the Flat Tax is to provide for separate and final taxation of capital investment income earned; in other words, taxation that is unconnected to the individual's personal income tax rate. Shareholders may apply to have their capital investment income assessed in accordance with the general rules and with an individual's personal income tax rate if this would result in a lower tax burden. In this case, the base for taxation would be the gross dividend income less the savers' allowance of €801 (€1,602 for married couples filing jointly), with no deduction for costs actually incurred to generate the capital ínvestment income. Any tax already withheld would be credited against the income tax so determined and any overpayment refunded.

If the individual owns (i) at least 1% of the shares in the Company and works for the Company or (ii) at least 25% of the shares, the tax authorities may approve upon application that the dividends are treated under the partial-income method (see below "— *Sole Proprietors (Individuals)*").

Upon the application of a shareholder who is subject to church tax and whose shares are held as private assets — and within the framework of the applicable regional church tax laws (*Landeskirchensteuergesetze*) — the church tax on the dividend is withheld and remitted by the domestic bank or other domestic paying agent that pays the dividend to the shareholder for the Company's account. An assessment to tax is mandatory, where the tax was not levied by way of withholding, e.g. where the individual shareholder is subject to church tax but church tax has not been withheld.

Shares Held as Business Assets

If the shares form part of a shareholder's domestic business assets, taxation of the dividends depends upon whether the shareholder is a corporation, sole proprietor or partnership (*Mitunternehmenschaft*).

When shares are held as part of a shareholder's business assets, the dividend withholding tax to be withheld according to the above principles is generally not treated as a final tax. Instead, shareholders are able to have the dividend withholding tax credited against their personal or corporate income tax liability plus solidarity surcharge liability and have any overpayment refunded.

Corporations

Dividends received by corporations resident in Germany are generally 95% exempt from corporate income tax and solidarity surcharge, irrespective of the stake represented by the shares and the length of time the shares are held. The remaining 5% is treated as a nondeductible business expense and, as such, is subject to corporate income tax (plus the solidarity surcharge). Moreover, actual business expenses incurred to generate the dividends may be deducted. However, the amount of any dividends after deducting business expenses related to the dividends is subject to the trade tax, unless the corporation held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period. In the latter case, the aforementioned exemption of 95% of the dividend income applies analogously for trade tax purposes, but the business expenses directly related to the dividends (for example, financing costs) are not deductible unless they exceed the amount of dividend income exempted.

Sole Proprietors (Individuals)

If the shares are held as part of the business assets of a sole proprietor (individual), with his tax domicile in Germany, 40% of the dividend is tax exempt (so-called partial-income method — *Teileinkünfteverfahren*). Only 60% of the expenses economically related to the dividends is tax-deductible. The partial-income method will also apply when individuals hold the shares indirectly through a partnership (with the exception of personal investors who hold their shares through an asset management partnership (*vermögensverwaltende Personengesellschaft*)). If the shares form part of the business assets of a domestic permanent establishment of a trade, the full amount of the dividend income (after deduction of business expenses that stand in economic relation to the dividends) is also subject to trade tax, unless the taxpayer held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period. However, trade tax is generally credited — fully or in part — as a lump sum against the shareholder's personal income tax liability.

Partnerships

If the shareholder is a trading or deemed to be a trading (*gewerblich geprägte*) partnership with its tax domicile in Germany, the personal income tax or corporate income tax, as the case may be, and the solidarity surcharge, are levied at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the partner is a corporation or an individual. If the partner is a corporation, the dividend income is generally 95% tax-exempt (see above " — *Corporations*"). If the partner is an individual, only 60% of the dividend income is subject to income tax (see above " — *Sole Proprietors (Individuals)*").

If the shares form part of the business assets of a domestic permanent establishment of a trading or deemed to be a trading (*gewerblich geprägt*) partnership, the full amount of the dividend income is subject to trade tax at the level of the partnership. In the case of partners who are individuals, the trade tax that the partnership pays on his or her proportion of the partnership's income is generally credited as a lump sum — fully or in part — against the individual's personal income tax liability. If the partnership held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period, the dividends are not subject to the trade tax. However, if the partners are corporations, the 5% of the dividend income treated as nondeductible business expenses will be subject to trade tax. The business expenses directly related to the dividends (for example, financing costs) are not deductible unless they exceed the amount of dividend income exempted.

Financial and Insurance Sector

Special rules apply to companies active in the financial and insurance sectors (see below " — *Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

Taxation of Dividends of Shareholders without a Tax Domicile in Germany

If a shareholder (individual or corporation) who is subject to non-resident taxation in Germany holds shares as part of the business assets of a permanent establishment or fixed base in Germany or as part of the business assets for which a permanent representative in Germany has been appointed, the same taxation rules that are applicable to resident shareholders apply. The withholding tax (including solidarity surcharge) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax or corporate income tax liability. If the amount withheld exceeds the personal or corporate income tax liability, any excess amount is refunded. The same applies to the solidarity surcharge. These shareholders are essentially subject to the same rules applicable to resident shareholders, as discussed above.

In all other cases, the withholding of the dividend withholding tax discharges any tax liability of the shareholder in Germany. A refund or exemption is granted only as discussed in the section on dividend withholding tax above. See " — *Dividend Withholding Tax*").

Taxation of Capital Gains

Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany

Shares and Subscription Rights Held as Private Assets

Gains on the sale of shares/subscription rights that are held as private assets by shareholders with a tax domicile in Germany, and which were acquired after December 31, 2008, are generally taxable regardless of the length of time held. The tax rate is (generally) a uniform 25% plus the 5.5% solidarity surcharge thereon (as well as any church tax). The same applies to gains on the sale of subscription rights granted for such shares. Losses on the sale of such shares/subscription rights can only be used to offset gains made on the sale of shares/subscription rights during the same year or in subsequent years. Losses on the sale of shares may only be netted against gains on the sale of shares. Losses from the sale of subscription rights can only be offset against positive private capital investment income.

In the view of tax authorities, the exercise of subscription rights is not considered as a sale of such subscription rights. Shares acquired as a consequence of the exercise of subscription rights are deemed to be acquired at a subscription price of EUR 0 at the time of exercise of the subscription right.

If the shares or subscription rights were acquired and were held in safekeeping or administered by a German financial institution, a German financial services provider (including the German branch of a foreign institution) or securities trading companies or securities trading banks (the "**Domestic Paying Agent**"), or if a Domestic Paying Agent carries out the sale of the shares or subscription rights and disburses or credits the sales proceeds, the tax on the sale is generally satisfied by the Domestic Paying Agent who withholds taxes in the amount of 25% (plus the 5.5% solidarity surcharge and any church tax) on the capital gain from the sales proceeds and remits them to the tax authorities. If the shares were held in safekeeping or administered by the respective Domestic Paying Agent after acquisition, the amount of tax withheld is generally based on the difference between the proceeds from the sale, after deducting expenses that stand in direct relation to the sale, and the amount paid to acquire the shares. However, the withholding tax rate of 25% (plus the 5.5% solidarity surcharge thereon and any church tax) will be applied to 30% of the gross sales proceeds if the shares were not administered by the same custodian bank since acquisition and the original cost of the shares cannot be verified or such a verification is not valid. In this case, the shareholder is entitled to verify the original costs of the shares in his annual tax return. In any case, the acquisition costs for subscription rights granted by the Company are valued at EUR 0 for purposes of this calculation.

Upon the application of a shareholder who is subject to church tax, and who is within the framework of the applicable regional church tax laws, the church tax on the capital gain is withheld by the Domestic Paying Agent. An assessment to tax is mandatory, where the tax was not levied by way of withholding, e.g. where the individual shareholder is subject to church tax but church tax has not been withheld.

A shareholder may request that all his items of capital investment income, along with his other taxable income, be subject to the progressive income tax rate instead of the uniform tax rate for private capital investment income, if this lowers his tax burden. In this case, the withholding tax will be credited to the progressive income tax and any excess amount will be refunded. The non-deductibility of income related expenses and the restrictions on offsetting losses also apply to a tax assessment at the progressive income tax rate.

Shareholders/subscription rights holders can apply to have gains on the sale of their shares/subscription rights taxed in accordance with the general rules for determining an individual's tax bracket, rather than the system of final taxation if that would result in a lower tax burden. The base for taxation would be the gross income less the savers' allowance of €801 (€1,602 for married couples filing jointly), with no deduction for costs actually incurred to generate the income. Any tax already withheld would be credited against the income tax so determined and any overpayment refunded.

Notwithstanding the foregoing, if a shareholder or, in the case of a gratuitous transfer, any of the shareholder's legal predecessors held, directly or indirectly, at least 1% of the Company's capital at any time during the five years preceding the sale (a "**Qualified Participation**"), the capital gains on the sale of shares realized by such shareholder will be subject to the partial-income method and not the final Flat Tax, with the result that 60% of the capital gains on the sale of shares will be taxable at the individual's personal income tax rate, and 60% of the expenses economically related to the capital gains will be deductible.

The partial-income method should apply *mutatis mutandis* to gains or losses on sales of subscription rights. In the case of a Qualified Participation, the "total value method" (*Gesamtwertmethode*) is used to determine the acquisition costs of the subscription rights. This is based on the concept that the acquisition of the subscription rights was included in the acquisition of the old shares. Accordingly, the granting of the subscription rights results in a splitting off of part of the original acquisition costs for the old shares, *i.e.*, the acquisition costs of the old shares are reduced by the portion attributable to the subscription rights split off. In the case of a Qualified Participation, withholding tax is also withheld by the Domestic Paying Agent. However, this does not discharge the shareholder's liability for taxes. Hence, the shareholder is obligated to declare the gain on the sale on his income tax return. The withholding tax withheld and remitted (including solidarity surcharge) is credited against the shareholder's income tax liability in the course of the tax assessment and any excess amount is refunded. In the case of a Qualified Participation, the exercise of subscription rights should also not be considered as a sale.

Under certain conditions, prior payments from the tax-recognized contribution account (*steuerliches Einlagenkonto*) may lead to reduced acquisition costs of the shares held as personal assets and, as a consequence, increase the taxable sales gain.

Shares and Subscription Rights held as Business Assets

Gains on the sale of shares held by an individual or corporation as business assets are also subject to the 25% withholding tax (plus the 5.5% solidarity surcharge thereon and any church tax) if they are held in safekeeping or administered by a German Paying Agent, or if a German Paying Agent carries out their sale. The tax withheld, however, is not treated as a final tax. In this case, the amount of tax withheld can be also credited against the shareholder's personal or corporate income tax liability and any overpayment refunded.

If the shares/subscription rights form part of a shareholder's business assets, taxation of the capital gains realized will then depend upon whether the shareholder is a corporation, sole proprietor or partnership.

1. **Corporations:** In general, capital gains earned on the sale of shares by corporations domiciled in Germany are 95% exempt from corporate income tax (including the solidarity surcharge) and trade tax, irrespective of the stake represented by the shares and the length of time the shares are held. However, 5% of the capital gains is treated as a nondeductible business expense and, as such, is subject to corporate income tax (plus the solidarity surcharge) and to trade tax. Losses from the sale of shares and any other reductions in profit do not qualify as tax-deductible business expenses.

   Gains realized on the sale of subscription rights are subject in full to corporate income tax and trade tax. Losses from the sale of subscription rights and other reductions in profit reduce the taxable income. The exercise of subscription rights should not be treated as a sale of subscription rights.

2. **Sole proprietors (individuals):** If the shares/subscription rights were acquired after December 31, 2008, and form part of the business assets of a sole proprietor (individual) who is a tax resident of Germany, 60% of the capital gains on their sale is subject to the individual's tax bracket plus the solidarity surcharge (partial-income method). Similarly, only 60% of losses from such sales and 60% of expenses economically related to such sales are deductible. For church tax, if applicable, the partial-income method does apply. If the shares/subscription rights are attributable to the permanent establishment maintained in Germany by a trade, 60% of the capital gains is also subject to trade tax. The trade tax is fully or partially credited as a lump sum against the shareholder's personal income tax liability.

3. **Partnerships:** If the shareholder is a trading or deemed to be a trading (*gewerblich geprägte*) partnership, personal income tax or corporate income tax, as the case may be, is assessed at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the respective partner is a corporation or an individual. If the partner is a corporation, the tax principles applying to capital gains which are outlined in subsection 1 apply. If the partner is an individual, the tax principles applying to capital gains which are outlined in subsection 2 apply. Upon application and provided that additional prerequisites are met, an individual who is a partner can obtain a reduction of his personal income tax rate for profits not withdrawn from the partnership.

In addition, capital gains from the sale of shares/subscription rights attributable to a permanent establishment maintained in Germany by a trading partnership are subject to trade tax at the level of the partnership. As a rule, only 60% of the gains in this case is subject to trade tax if the partners in the partnership are individuals, while 5% is subject to trade tax if the partners are corporations and shares are sold. Losses on sales and other reductions in profit in connection with the shares/subscription rights sold are generally under the principles discussed under 1 and 2 above not deductible or only partially deductible or in case of subscription rights fully deductible, if the partner is a corporation. If the partner is an individual, the trade tax the partnership pays on his or her share of the partnership's income is generally credited as a lump sum — fully or in part — against his or her personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of the taxpayer.

Special rules apply to capital gains realized by companies active in the financial and insurance sectors, as well as by pension funds, as described below.

When a Domestic Paying Agent is involved, gains on the sale of shares or subscription rights held as business assets are generally subject to withholding tax to the same extent as for a shareholder whose shares or subscription rights are held as private assets (see the section entitled "*— Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany — Shares and Subscription Rights Held as Private Assets*"). However, the Domestic Paying Agent may refrain from withholding the withholding tax if (i) the shareholder is a corporation, association (*Personenvereinigung*) or estate (*Vermögensmasse*) with its tax domicile in Germany, or (ii) the shares form part of the shareholder's domestic business assets, and the shareholder informs the paying agent of this on the officially prescribed form and meets certain additional prerequisites. If the Domestic Paying Agent nevertheless withholds taxes, the withholding tax withheld and remitted (including solidarity surcharge) will be credited against the shareholder's income tax or corporate income tax liability and any excess amount will be refunded.

Taxation of Capital Gains of Shareholders without a Tax Domicile in Germany

Capital gains realized by a shareholder with no tax domicile in Germany are subject to German income tax only if the selling shareholder holds a Qualified Participation or if the shares form part of the business assets of a permanent establishment in Germany or of business assets for which a permanent representative is appointed.

Most double taxation treaties provide for an exemption from German taxes and assign the right of taxation to the shareholder's country of domicile in the former case. However, certain double taxation treaties contain special provisions for shareholdings in a real estate company. In the latter case the taxation of capital gains is governed by the same rules applying to shareholders resident in Germany.

Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

If financial institutions (*Kreditinstitute*) or financial services providers (*Finanzdienstleistungsinstitute*) hold or sell shares that are allocable to their trading book (*Handelsbuch*) pursuant to Section 1a of the German Banking Act (*Gesetz über das Kreditwesen*), they will not be able to use the partial-income method nor have 60% of their gains exempted from taxation nor be entitled to the 95% exemption from corporate income tax plus the solidarity surcharge and any applicable trade tax. Thus, dividend income and capital gains are fully taxable. The same applies to shares that are acquired by a financial enterprise (*Finanzunternehmen*) within the meaning of the German Banking Act (*Gesetz über das Kreditwesen*) for purposes of realizing short-term gains from proprietary trading, and to shares held through a permanent establishment in Germany by financial institutions, financial services providers and financial enterprises with their registered office in another member state of the European Union or another contracting party to the European Economic Area Agreement. Likewise, the tax exemption described earlier afforded to corporations for dividend income and capital gains from the sale of shares does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds. The partial-income method for gains on the sale of subscription rights also does not apply in these cases.

However, an exemption to the foregoing, and thus a 95% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the Parent-Subsidiary Directive (Directive 90/435/EEC of the Council of July 23, 1990, as amended) applies.

Inheritance and Gift Tax

The transfer of shares/subscription rights to another person by will or gift is generally subject to German inheritance and gift tax only if

1. the decedent, donor, heir, beneficiary or other transferee maintained his or her domicile or usual residence in Germany, or had its place of management or registered office in Germany at the time of the transfer, or is a German citizen who has spent no more than five consecutive years outside Germany without maintaining a residence in Germany (special rules apply to certain former German citizens who neither maintain their domicile nor have their usual residence in Germany),
2. the shares/subscription rights were held by the decedent or donor as part of business assets for which a permanent establishment was maintained in Germany or for which a permanent representative in Germany had been appointed, or
3. the decedent or donor, either individually or collectively with related parties, held, directly or indirectly, at least 10% of the Company's registered share capital at the time of the inheritance or gift.

The amount on which to assess the tax is the fair market value. In general that is the stock exchange price. A special discount on this amount applies to shareholdings of directly more than 25% in the company dependent on the composition of the business assets and future business figures, when et alia the heir or beneficiary meets a five year holding period. Dependent on the degree of relationship between decedent or donor and recipient different tax free allowances and tax rates apply.

The few German double taxation treaties relating to inheritance tax and gift tax currently in force usually provide that the German inheritance tax or gift tax can only be levied in the cases of (1.) above, and also with certain restrictions in case of (2.) above. Special provisions apply to certain German nationals living outside of Germany and former German nationals.

Other Taxes

No German transfer tax, value-added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of shares or subscription rights. Provided that certain requirements are met, an entrepreneur may, however, opt for the payment of value-added-tax on transactions that are otherwise tax-exempt. Net wealth tax (*Vermögenssteuer*) is currently not imposed in Germany.

TAXATION IN LUXEMBOURG

Luxembourg Taxation of Shares of a Non-Resident Company

The following information is of a general nature only and is based on the laws in force in Luxembourg as of the date of this Prospectus. It does not purport to be a comprehensive description of all of the tax considerations that might be relevant to an investment decision. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. It is a description of the essential material Luxembourg tax consequences with respect to the offering and may not include tax considerations that arise from rules of general application or that are generally assumed to be known to shareholders. This summary is based on the laws in force in Luxembourg on the date of this Prospectus and is subject to any change in law that may take effect after such date. Prospective shareholders should consult their professional advisors with respect to particular circumstances, the effects of state, local or foreign laws to which they may be subject and as to their tax position.

Please be aware that the residence concept used under the respective headings applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), and a solidarity surcharge (contribution au fonds pour l'emploi), as well as personal income tax (impôt sur le revenu) generally. Corporate shareholders may further be subject to net wealth tax (impôt sur la fortune), as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Income Tax

Withholding Taxes

Dividend payments made to shareholders by a non-resident company, such as the Company, as well as liquidation proceeds and capital gains derived therefrom are not subject to a withholding tax in Luxembourg.

Taxation of Income Derived from Shares, and Capital Gains Realized on Shares/Subscription Rights by Luxembourg Residents

Luxembourg Resident Individuals

Dividends and other payments derived from shares by resident individual shareholders, who act in the course of the management of either their private wealth or their professional/business activity, are subject to income tax at the progressive ordinary rate with a current top effective marginal rate of 41.34% depending on the annual level of income of individuals. For the year 2011, a one-off "solidarity tax" of 0.8% will be levied additionally. A tax credit may be granted for foreign withholding taxes, provided it does not exceed the corresponding Luxembourg tax. Under current Luxembourg tax law, 50% of the gross amount of dividends received by resident individuals from a company resident in an EU Member State and covered by Article 2 of the amended EU Parent-Subsidiary Directive (90/435/EEC of 23 July 1990, as amended), such as the Company, is exempt from income tax.

Capital gains realized on the disposal of shares/subscription rights by resident individual shareholders, who act in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains are deemed to be speculative and are subject to income tax at ordinary rates if shares/subscription rights are disposed of within six months after their acquisition or if their disposal precedes their acquisition. Participation is deemed to be substantial where a resident individual shareholder holds, either alone or together with his spouse or partner and/or minor children, directly or indirectly at any time within the five years preceding the disposal, more than 10% of the share capital of the Company. The same regime applies to subscription rights if a holder of subscription rights holds also a substantial participation of shares in the Company. A shareholder is also deemed to transfer a substantial participation if he acquired free of charge, within the five years preceding the transfer, a participation that was constituting a substantial participation in the hands of the transferor (or the transferors in case of successive transfers free of charge within the same five-year period). Capital gains realized on a substantial participation more than six months after the acquisition thereof are subject to income tax according to the half-global rate method (that is, the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on a substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of shares/subscription rights.

Capital gains realized on the disposal of shares/subscription rights by resident individual shareholders, who act in the course of their professional/business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the shares/subscription rights have been disposed of and the lower of their cost or book value.

Luxembourg Fully-Taxable Residents and Luxembourg Permanent Establishments of Foreign Companies

Unless benefiting from a special tax regime, dividends and other payments made by the Company to a Luxembourg resident fully-taxable company are subject to corporation taxes at the global rate of 28.80%. Under current Luxembourg tax laws, 50% of the gross amount of dividends received from a company resident in a EU Member State and covered by Article 2 of the amended EU Parent-Subsidiary Directive, such as the Company, is exempt from income tax. A tax credit may further be granted for foreign withholding taxes, provided it does not exceed the corresponding Luxembourg corporate tax on the dividends and other payments derived from shares of the Company.

However, dividends derived from shares of an entity covered by Article 2 of the amended EU Parent-Subsidiary Directive, such as the Company, may be exempt from income tax at the level of the shareholder if cumulatively, (i) the shareholder is (a) a fully taxable Luxembourg resident undertaking with a collective character, (b) a Luxembourg permanent establishment of a company covered by Article 2 of the amended EU Parent-Subsidiary Directive, (c) a Luxembourg permanent establishment of a taxable undertaking with collective character resident in a country having a tax treaty with Luxembourg or (d) a Luxembourg permanent establishment of a company limited by share capital or a cooperative company resident in the European Economic Area other than an EU Member State, (ii) the shareholder has been holding or commits itself to hold the shares for an uninterrupted period of at least 12 months, (iii) during this uninterrupted period of 12 months the shares represent a participation of at least 10% in the share capital of the Company or a participation of an acquisition price of at least EUR 1.2 million and (iv) the dividend is put at its disposal within such period. Liquidation proceeds may be exempt under the same conditions. Shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the assets of the transparent entity.

Capital gains realized by a Luxembourg fully-taxable resident company on shares are subject to corporation taxes at the global rate of 28.80%, unless the conditions of the participation exemption regime, as described above, are satisfied, except that the acquisition price must be at least EUR 6 million for capital gains purposes. Shares held through a tax transparent entity are considered as being a direct participation holding proportionally to the percentage held in the assets of the transparent entity.

Capital gains realized by a Luxembourg fully-taxable resident company on subscription rights are subject to corporation taxes at the global rate of 28.80%.

Taxable gains are determined as being the difference between the price for which the shares/subscription rights have been disposed of and the lower of their cost or book value.

Net Wealth Tax

Shares/subscription rights held by a Luxembourg fully-taxable resident company or a Luxembourg permanent establishment of a foreign company are subject to Luxembourg net wealth tax (*impôt sur la fortune*) (the "**NWT**"), at the rate of 0.5% applied on its net assets as determined for NWT purposes. Net worth is referred to as the unitary value (*valeur unitaire*), as determined at 1 January of each year. The unitary value is basically calculated as the difference between (a) assets estimated at their fair market value (*valeur estimée de réalisation* or *Gemeiner Wert*) and (b) liabilities *vis-à-vis* third parties, unless one of the exceptions mentioned below are satisfied.

Unless benefiting from a special tax regime, Luxembourg NWT will be levied on the shares/subscription rights in the hands of a Luxembourg fully-taxable resident company or of a Luxembourg permanent establishment of a foreign company.

Further, in case of a company covered by Article 2 of the amended EU Parent-Subsidiary Directive, such as the Company, the shares may be exempt for a given year, if the shares represent at the end of the previous year a participation of at least 10% in the share capital of the Company or a participation of an acquisition price of at least EUR 1.2 million.

The NWT charge for a given year can be reduced if a specific reserve, equal to five times the NWT to save, is created before the end of the subsequent tax year and maintained during the five following tax years. The maximum NWT to be saved is limited to the corporate income tax amount due for the same tax year, including the employment fund surcharge, but before imputation of available tax credits.

Other Taxes

Under Luxembourg tax law, where an individual shareholder is a resident of Luxembourg for inheritance tax purposes at the time of his/her death, shares/subscription rights are included in his or her taxable basis for inheritance tax purposes.

Gift tax may be due on a gift or donation of shares/subscription rights, if the gift is recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

Summary Valuation Report

Principal:

Deutsche Wohnen AG
Pfaffenwiese 300
65929 Frankfurt am Main

Date of Valuation:
30 June 2011

Date of Report:
06 September 2011

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PART I

RESIDENTIAL PORTFOLIO

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PART I RESIDENTIAL PORTFOLIO

1 Subject Portfolio

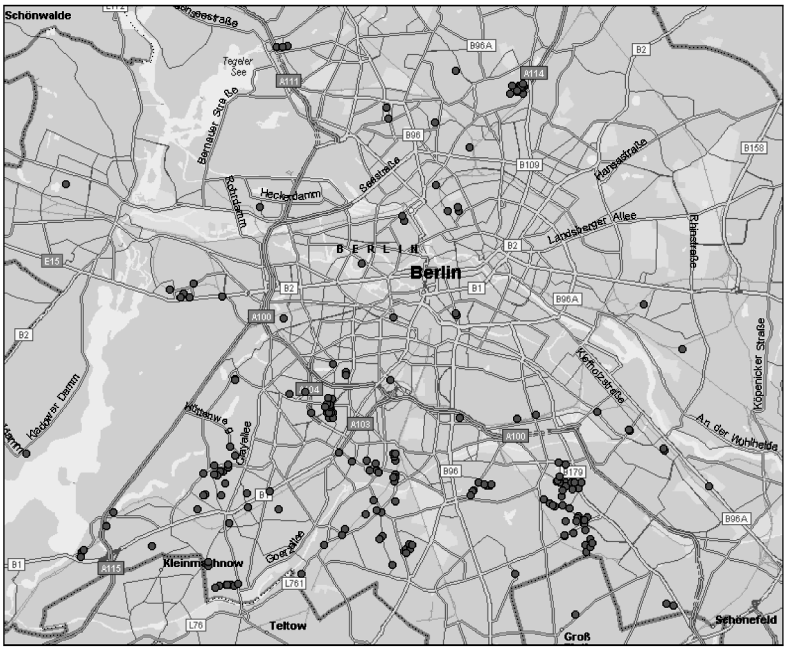
Most of the 1,531 subject properties of the portfolio are residential buildings (1,349 properties). The remainder is divided into mixed-used buildings (43 properties), commercial buildings (9 properties) and units containing only parking spaces (128 units) as well as others (2 units). The portfolio consists of 62,397 rental units, which are divided into 46,405 residential units, 325 commercial units (office and retail), 863 other units (incl. 98 mansards) and 14,804 parking spaces. All information, graphs and tables contained in this summary report do not include the properties subject to valuation under IAS 2 (Inventories) which comprise 1,703 residential units, 45 other units (with and without lettable area) and 184 parking spaces with a total lettable area of 101,132 sqm.

2 Regional Allocation

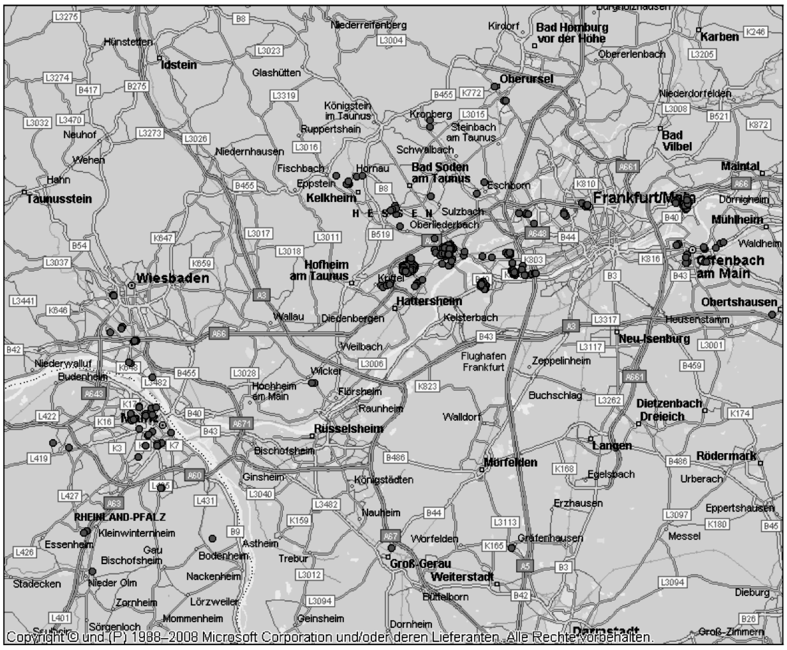
As shown in the following map, the properties of the portfolio are located in 141 cities throughout Germany with a focus on the metropolitan regions of Berlin and Rhine-Main.

Source: Microsoft, MapPoint Europa 2009

Berlin



Rhine-Main



Quelle: Microsoft, MapPoint Europa 2009

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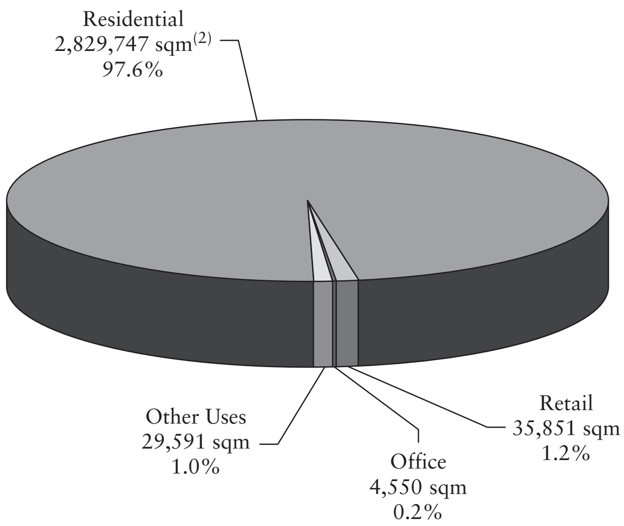
The following graphs and overviews are based on the information provided to us by Deutsche Wohnen AG and the analysis of the Fair Value assessment with the date of valuation being 30 June 2011.

3 Types of Use by Total Lettable Area

(Total: 2,899,738 sqm[(1)])

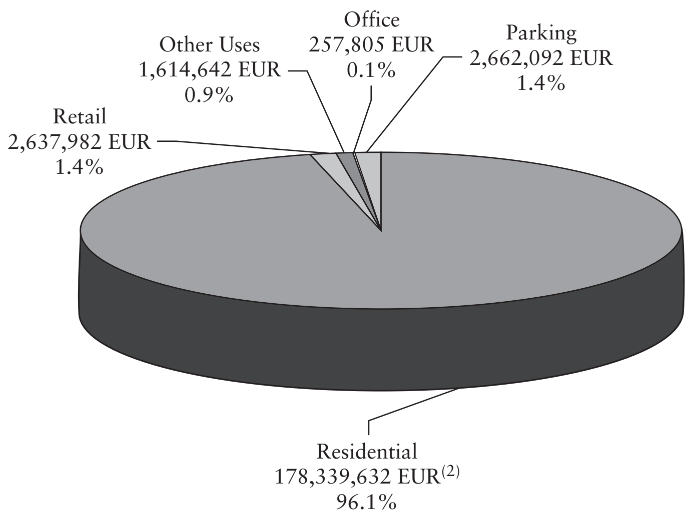


(1) without owner-occupied properties

(2) without 98 mansards (total area ca. 1,166 sqm)

4 Actual Current Income (Annualised) by Type of Use

(Total: 185,512,153 EUR[(1)])



(1) without owner-occupied properties

(2) without 98 mansards (total area ca. 1,166 sqm)

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The Principal, Deutsche Wohnen AG, has divided the Residential Portfolio into seven regional clusters ("Regional Clusters"). The following table is just for information purposes and refers only to residential units and illustrates, together with the graphs, the division of total lettable area, the Fair Values and the Fair Values per sqm for these clusters.

5 Residential Units by Regional Clusters[1]

Regional Clusters	Number of Residential Units	Residential Area in sqm	Current Residential Rent in EUR per sqm and Month[2]	Gross Multiplier on Current Rent	Gross Multiplier on Potential Rent	Gross Multiplier on Market Rent
Berlin area	24,710	1,480,640	5.35	15.2 times	14.9 times	13.6 times
Frankfurt	4,122	253,365	6.85	17.0 times	16.5 times	14.8 times
Rhine-Main	4,778	290,601	6.04	14.2 times	13.2 times	12.7 times
Rhine-Valley South	7,726	475,093	5.02	13.0 times	12.2 times	11.8 times
Rhine-Valley North	3,533	228,613	4.91	12.3 times	11.6 times	11.4 times
Other Deutsche	1,536	101,436	4.71	10.9 times	9.8 times	9.9 times
Total	**46,405**	**2,829,748**	**5.41**	**14.6 times**	**14.0 times**	**13.1 times**

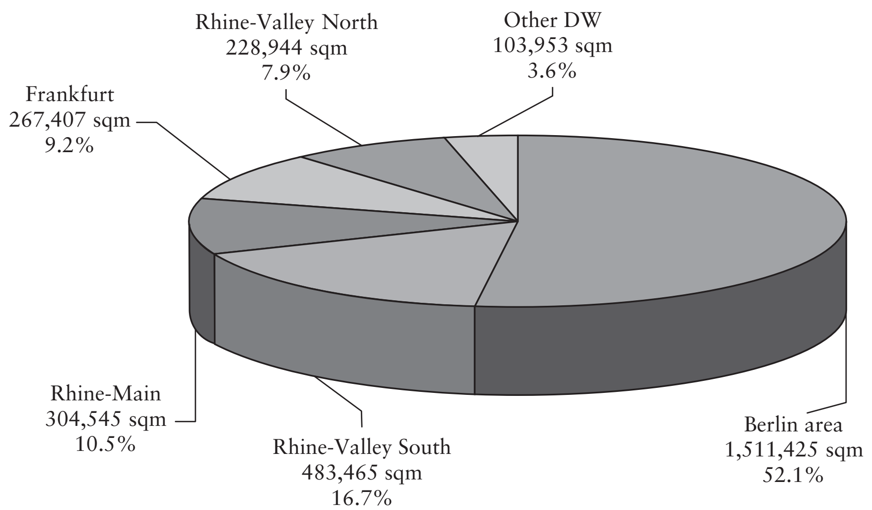
(1) without 98 mansards (total area ca. 1,166 sqm)

(2) consideration of occupied units only

(Definitions are contained in the glossary (page G-1).)

6 Total Lettable Area by Regional Clusters

(Total: 2,899,738 sqm[1])



(1) without owner-occupied properties

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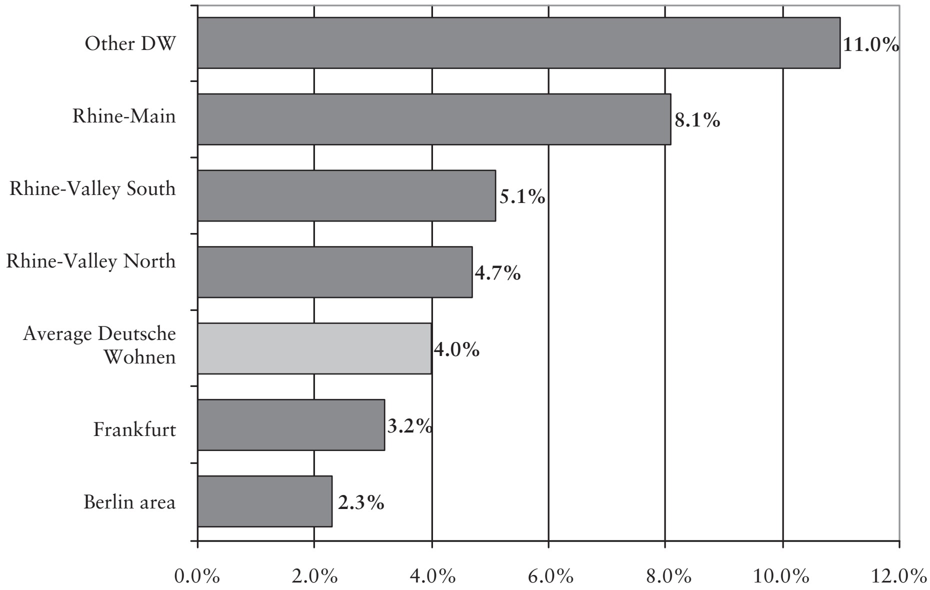
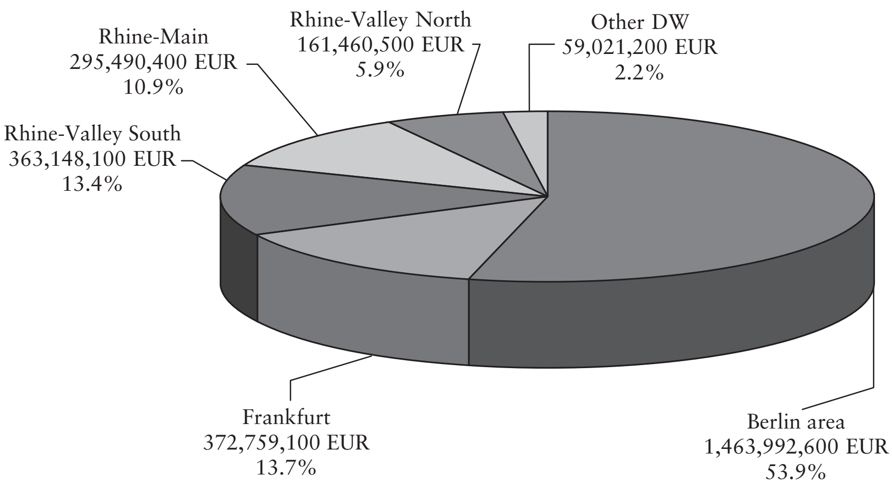
7 Vacancy by Regional Clusters (% of Space)



8 Actual Current Income (Annualised) by Regional Clusters

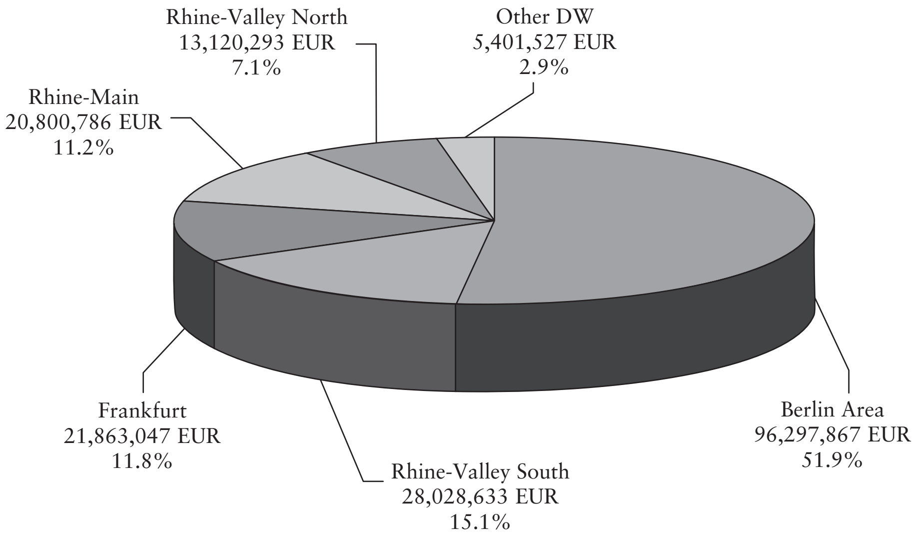
(Total: 185,512,153 EUR(1))



(1) *without owner-occupied properties*

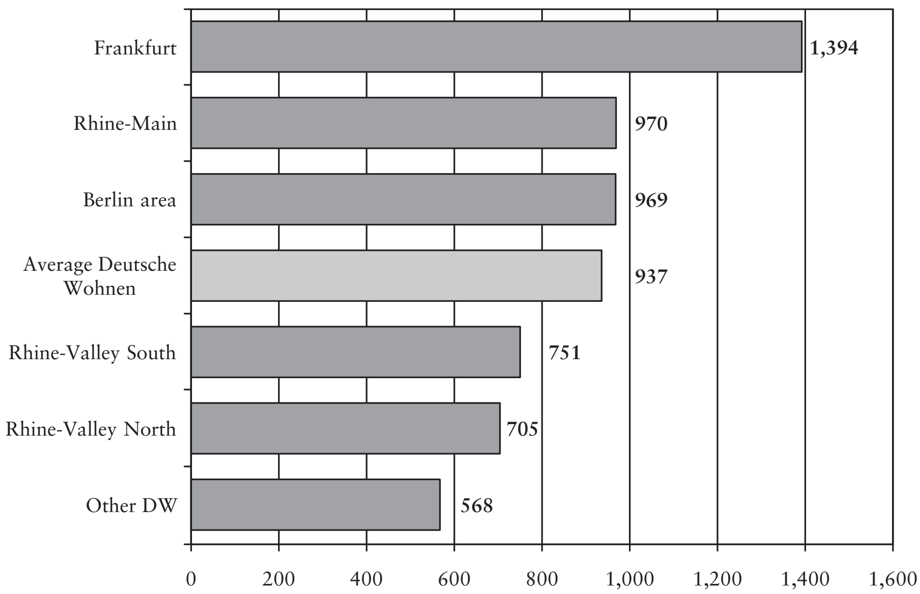
9 Fair Value by Regional Clusters

(Total: 2,715,871,900 EUR[(1)])



(1) *without owner-occupied properties*

10 Fair Value by Regional Clusters in EUR per sqm



11 Fair Value of Residential Portfolio

Based upon the information provided to us, the specific comments and assumptions, we are of the opinion that the aggregate of the individual Fair Values of the subject properties of the Residential Portfolio (net capital value), rounded on an asset-by-asset basis, as at 30 June 2011, is:

2,715,871,900 EUR

(**Two billion, seven hundred and fifteen million,**
eight hundred and seventy-one thousand, nine hundred Euro)

The unrounded net capital value is 2,715,809,357 EUR. The gross capital value is 2,898,927,962 EUR including 183,118,605 EUR purchaser's costs (6.7% of the net capital value).

The aggregate of the individual Fair Values presented here takes account of the marketing period of the individual properties and does not reflect any discount or premium on the sale of the whole portfolio.

12 Key Valuation Data

As instructed we valued the portfolio on an asset-by-asset basis. The following table shows the key valuation data on an aggregated portfolio level:

Total lettable area(1):	2,899,738 sqm
Average Fair Value per sqm lettable area:	937 EUR
Actual current rental income (gross)(2):	185,512,153 EUR
Potential rental income (gross)(2):	193,517,980 EUR
Estimated Rental Value (gross)(2):	207,396,094 EUR
Multiplier (based on current rent):	14.6 times
Multiplier (based on potential rent):	14.0 times
Multiplier (based on Rental Value):	13.1 times

(1) *without owner-occupied properties*

(2) *month 1 annualised*

(Definitions are contained in the glossary (page G-1).)

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PART II NURSING AND ASSISTED LIVING PORTFOLIO

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PART II NURSING AND ASSISTED LIVING PORTFOLIO

1 Subject Portfolio

We valued the 10 nursing and assisted living homes of a subsidiary of Deutsche Wohnen AG Katharinenhof Seniorenwohn- und Pflegeanlage Betriebs-GmbH, defined as the "Nursing and Assisted Living Portfolio".

2 Regional Allocation

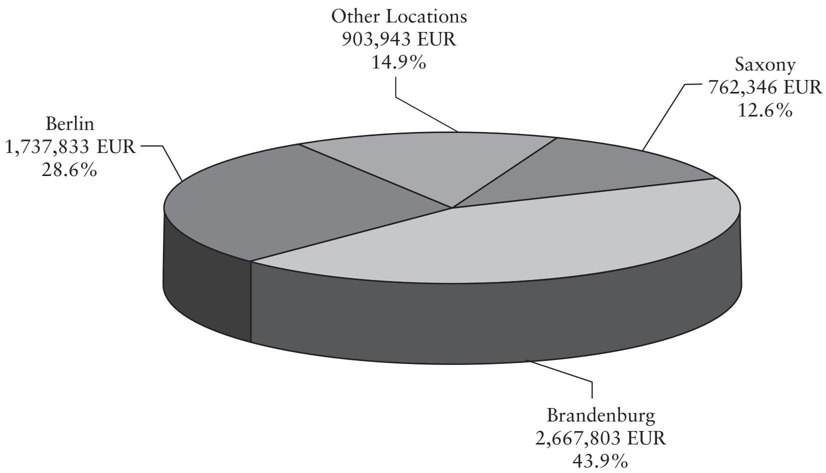
As shown in the map below, the 10 nursing and assisted living homes are located in 9 cities throughout Germany.

Source: Microsoft, MapPoint Europa 2009

The following graphs and overviews are based on the information provided to us by Deutsche Wohnen AG and the analysis of the Fair Value assessments with the date of valuation being 30 June 2011.

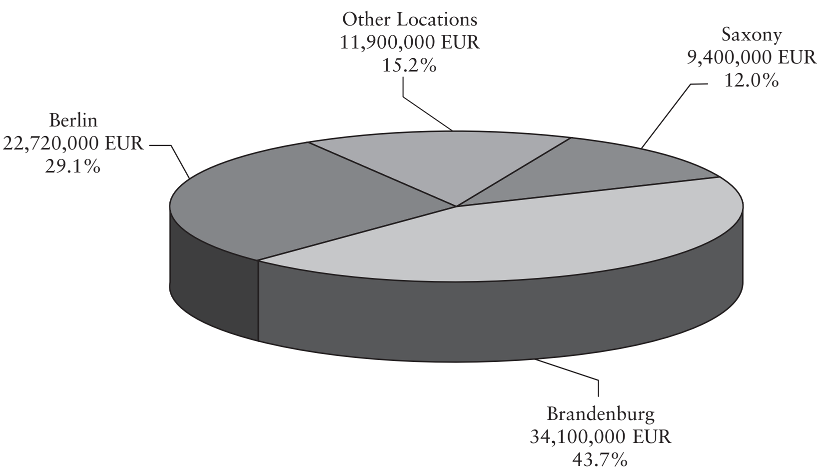
3 Actual Current Income (Annualised) by Region

(Total: 6,071,925 EUR)



4 Fair Value by Region

(Total: 78,120,000 EUR)



5 Fair Value of Nursing and Assisted Living Homes

Based upon the provided information, the specific comments and assumptions, we are of the opinion that the aggregate of the individual Fair Values of the nursing and assisted living homes (net capital value), rounded on an asset-by-asset basis, as at 30 June 2011, is:

78,120,000 EUR

(Seventy-eight million, one hundred and twenty thousand Euro)

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The unrounded net capital value is 78,115,912 EUR. The gross capital value is 83,599,546 EUR including 5,483,634 EUR purchaser's costs (7.0% of the net capital value).

The aggregate of the individual Fair Values presented here takes account of the marketing period of the individual properties and does not reflect any discount or premium on the sale of the whole portfolio.

6 Key Valuation Data

As instructed we valued the portfolio on an asset-by-asset basis. The following table shows the key valuation data at the portfolio level:

Actual current rental income (gross)(1):	6,071,925 EUR
Potential rental income (gross)(1):	6,083,198 EUR
Estimated Rental Value (gross)(1):	6,094,093 EUR
Multiplier (based on current rent):	12.9 times
Multiplier (based on potential rent):	12.8 times
Multiplier (based on Rental Value):	12.8 times

(1) month 1 annualised

(Definitions are contained in the glossary (page G-1).)

Region	Potential rental income in EUR(1)	Gross Multiplier on Potential Rent
Berlin	1,737,833	13.1 times
Brandenburg	2,679,076	12.7 times
Saxony	762,346	12.3 times
Other Locations	903,943	13.0 times
Total	6,083,198	12.8 times

(1) month 1 annualised

(Definitions are contained in the glossary (page G-1).)

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PART III TOTAL FAIR VALUE

Based upon the provided information, the specific comments and assumptions, we are of the opinion that the aggregate of the individual Fair Values of the properties of the Residential Portfolio as well as the Nursing and Assisted Living-Portfolio (net capital value of 1,531 properties and 10 nursing and assisted living homes), rounded on an asset-by-asset basis, as at 30 June 2011, is:

2,793,991,900 EUR

(Two billion, seven hundred and ninety-three million,
nine hundred and ninety-one thousand, nine hundred Euro)

The unrounded net capital value is 2,793,925,269 EUR. The gross capital value is 2,981,644,116 EUR including 188,542,893 EUR purchaser's costs (6.8% of the net capital value).

The aggregate of the individual Fair Values presented here takes account of the marketing period of the individual properties and does not reflect any discount or premium on the sale of the whole portfolio.

PART IV

VALUATION CERTIFICATE

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PART IV

VALUATION CERTIFICATE

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PART IV VALUATION CERTIFICATE

1 Instruction

CB Richard Ellis GmbH ("CBRE") conducted a valuation of the portfolio of Deutsche Wohnen AG, which comprised 1,531 properties, respectively 46,405 residential units and also the 10 nursing and assisted living homes on an individual basis at 30 June 2011. CBRE assigned the 1,531 properties to 768 inspection clusters (see paragraph 12).

As instructed, we compiled and delivered a Summary Report, which is a summary of the full valuation report and will be incorporated in a prospectus in the English language.

The properties were valued on the basis of economic units ("Wirtschaftseinheiten").

2 Purpose of Valuation

Our Summary Report will be used by the Principal as one of many sources of information regarding the value of the subject properties for increase of capital stock and for internal IFRS accounting purposes. At the same time, the Summary Report complies with the legal requirements, particularly the regulation (EG) No 809/2004 from 29 April 2004 and the given application note of the European Securities and Markets Authority (ESMA).

3 Instructing Party

Deutsche Wohnen AG
Pfaffenwiese 300
65929 Frankfurt am Main

(hereinafter the "Principal")

4 Editor

CB Richard Ellis GmbH
Hausvogteiplatz 10
10117 Berlin
Deutschland

(hereinafter "CBRE")

CBRE is a limited liability company (GmbH), registered in accordance with the commercial law of Germany, register 13347. CB Richard Ellis was founded on 3 April 1973 and has been present in Germany, with its headquarters in Feuerbachstraße 26-32 in Frankfurt/Main.

CBRE is not under a regulating regime of any public authority, however CBRE employs Members of Royal Institution of Chartered Surveyors (RICS), publicly appointed and sworn-in valuers and valuers accredited by HypZert GmbH in the businessline valuation.

5 Addressees

The Report is addressed to and only for the use of:

- The Principal;
- UBS Limited, 1 Finsbury Avenue, London EC2M 2PP, United Kingdom;
- Morgan Stanley Bank AG, Junghofstrasse 13-15, 60311 Frankfurt/Main;
- Credit Suisse Securities (Europe) Limited, One Cabot Square, London E14 4QJ, United Kingdom.

6 Date of Valuation

As instructed the date of valuation is 30 June 2011.

7 Subject Properties

The subject properties within the valuation of Fair Values represent 1,531 properties. In addition, we valued 10 nursing and assisted living homes in 9 cities.

8 Values Assessed

The subject properties have been valued by "Fair Value" according to IAS 40.5 of "International Financial Reporting Standards" (IFRS) that are published by the "International Accounting Standards Board" (IASB) and is defined as follows:

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

In the course of ascertaining the Fair Value, we will incorporate the Principal's and its financial auditor's opinion and thereby identify the Fair Value as Net Capital Value. With regard to content, it matches the Market Value according to Valuation Standards (VS) 3.2 of RICS Valuation Standards, Seventh Edition, Royal Institution of Chartered Surveyors (RICS), London and is defined:

"The estimated amount for which a property should ex-change on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

9 Currency

The reporting currency is EURO.

10 Scope of Work

Within the scope of the Summary Report we carried out the following steps:

- Analysis and evaluation of the information provided to us by the Principal and third parties instructed by the Principal.
- Inspection of the generated inspection clusters of the purchase properties, for which CBRE carried out an initial valuation with the valuation date being 30.06.2011 (day of inspection: 13.07.2011).
- Research and determination of the market situation.
- Assessment of Fair Value for each valuation unit.

11 Sources of Information

The assessment of Fair Values was carried out based upon the information provided to us by the Principal or third parties instructed by the Principal in terms of a physical data room, data carriers and comprehensive correspondence. In addition the assessment is based on the inspection of the subject properties (cluster basis) carried out within the scope of the initial valuation (date of valuation: 30.06.2009), the update valuation with the valuation date being 31.12.2010 (property "Am Taubertsberg 4 in Mainz) as well as based on the inspection of the purchase properties (11 valuation units with a total of 1,643 residential units, 41 other units (with and without lettable area) and 164 parking spaces) located in Potsdam and Berlin with the date of valuation being 30.06.2011.

12 Inspection Clusters/ Inspection

All 1,531 subject properties were assigned to 768 clusters ("Inspection Clusters") with similar age, condition, location, use type, building type and fitting.

Within the scope of the initial valuation (date of valuation: 30.06.2009) all subject properties, representing 75% of the current income, were inspected between 29 May 2009 and 16 June 2009. The clusters were inspected both internally and externally. The remainder were inspected externally only in the same period.

The purchase properties, which are new in the stock of the principal at the date of the actual valuation, were inspected on 13.07.2011 both internally and externally.

The 10 nursing and assisted living homes were inspected both externally and internally within the initial valuation with the date of valuation 30.06.2009. We did not re-inspect the properties.

13 Valuation Approach

In arriving at our Fair Values for the subject properties we have applied a DCF approach, based on a 10-year time horizon.

The DCF model involves a period-by-period estimation of gross rental income and expenditures to calculate the net operating income (cash flow) for each period, explicitly taking into account a range of variables including changes in rent due to legally permissible rent increases and growth in market rents as well as expenditures on maintenance, repairs and renovation, vacancies etc. over the period of the time horizon.

The resulting net cash flows are discounted at a selected discount rate, normally set by considering money-market rates and allowing for a risk premium derived from net initial yields observed in the market. The terminal value of the properties at the end of the time horizon is estimated using forecasts of the then rental income and appropriate capitalisation rates (income capitalisation method).

After allowing for purchaser's costs (notary fees, land transfer tax, agency fees), the result is the Fair Value of the property.

14 Valuation Parameter

In accordance with the valuation approach, the Fair Value assessment is based on expected cash flows. These reflect market expectations and incorporation and update of previous valuations of the subject properties or one respectively several comparable properties.

The valuation parameters have been assessed in good faith by CBRE and according to the information provided by the Principal.

The valuation parameters comprise mainly:

- Level of rents for the first and the following lettings.
- Vacancy durations and costs.
- Non recoverable costs for the owner.
- Tenant improvements and costs for reletting.
- Object- and lease contract-specific rates of interest of the invested capital.

15 General Valuation Assumptions

15.1 Floor Areas

If not otherwise stated, we have not measured the properties but have relied upon the schedules of area that were provided to us within the tenancy lists and additional information. In undertaking our work, we have assumed that these floor areas are correct.

15.2 The Property

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations. Tenant-specific process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations. For the valuation of the properties 1257.1000 (Am Steingarten in Mannheim) and 1257.13 (Hanauer Landstr. in Frankfurt) we assumed that the existing furniture in the apartments will be sold together with the property within a transaction.

15.3 Contamination and site condition

According to the information provided to us, we assumed that the sites of 2 valuation units (1250.2185, Frankfurt (116 parking units) and 1250.4206, Bobingen (50 residential units)) are contaminated. Appropriate surveys were available, which did not contain any cost approach for the removal but advised to monitor the site. The existing contamination was considered in adjustments to the discount rates. Five other valuation units are suspected to be contaminated. For about 11.8% (181 of 1531 valuation units) of all valuation units we were provided with a negative pledge concerning contamination. For the remaining 1,350 valuation units (representing about 88% of all valuation units) we were not provided with further information.

We assume that the sites of the not contaminated properties and the sites of the properties without information concerning contamination were used in the past and will be used in the future for activities without any contamination potential.

In the last-mentioned cases, we assume that no environmental audit or geological survey was carried out respectively the subject properties (inclusive of the buildings) are not contaminated and have no contamination potential.

As we were not specifically instructed, we have not undertaken any investigation into the past or present uses of either the properties or any adjoining or nearby land, to establish whether there is any potential for contamination from these uses, and assume that none exists.

However, should it be subsequently established that such contamination exists at the properties or on any adjoining land or that any premises have been or are being put to contaminative use, this may have a detrimental effect on the value reported.

15.4 Technical Survey

CBRE inspected the properties but did not carry out any building surveys. The properties have not been measured as part of CBRE's inspection nor have the services or other installations been tested.

15.5 Legal Requirements / Consents and Authorisation for the Use of the Property

An investigation of the compliance of the properties with legal requirements (including (permanent) planning consent, building permit, acceptance, restrictions, building, fire, health and safety regulations etc.) or with any existing private-law provisions or agreements relating to the existence and use of the site and building has not been carried out.

In preparing our valuation, we have assumed that all necessary consents and authorisations for the use of the property and the processes carried out at the properties are in existence, will continue to subsist and are not subject to any onerous conditions.

15.6 Title, Tenure, Planning and Lettings

The Fair Value assessment is based on the rent roll provided, the extracts from the land register as well as information from the Principal.

Thus:

(1) 5.4% of the subject properties (representing 3.7% of the Fair Value) are built on sites relating to heritable building rights. The remainder of the subject properties inclusive of their sites at 30 June 2011 is in the freehold of the Principal or its subcompanies;

(2) no circumstances which have a negative impact on Fair Values result from encumbrances and limitations in section II of the land register;

(3) we assume that the lease contracts listed in the rent roll were in existence on the date of valuation;

(4) there are no entries in the land charges register with a negative impact on Fair Values.

15.7 Rent Control

According to the information provided to us by the Principal, 10,353 of a total of 46,405 residential units (about 22.3%) are subject to rent controls.

15.8 Monument Protection

According to the information provided to us by the Principal, we assume that 9,981 of 46,405 residential units (about 21.5%) are listed monuments. This represents about 22.6% of the Fair Value.

15.9 Tenants

No investigations have been carried out concerning either the status of payments of any contractually agreed rent at the date of valuation, or of the creditworthiness of any tenant(s). Since no information to the contrary has been brought to our attention, we have assumed that there are no outstanding rental payments and that there are no reservations concerning the creditworthiness of any of the tenants.

15.10 Taxes, Contributions, Charges

Since no information to the contrary has been brought to our attention, we have assumed that all public taxes, contributions, charges etc. which could have an effect on value, have been levied and paid as at the date of valuation.

15.11 Insurance Policy

Since no information to the contrary has been brought to our attention, we have assumed that the subject properties are covered by a valid insurance policy that is adequate both in terms of the sum assured and the types of potential loss covered.

15.12 Assumptions regarding the Future

For the purpose of determining the fair value of the subject properties, we have assumed that the existing business will continue (as regards both the manner and the extent of usage of the subject properties) for the remainder of the useful life determined for the buildings, or that comparable occupants would be available to take over the use of the subject properties.

15.13 Pending Litigation, Legal Restrictions (Easements on Real Estate, Rent Regulation etc.)

Since no information to the contrary has been brought to our attention, we have assumed that the properties are free from any pending litigation, that the ownership is unencumbered and that there are no other legal restrictions such as easements on real estate, rent regulations, restrictive covenants in leases or other outgoings which might adversely affect value.

16 Fair Value

Based upon the provided information, the specific comments and assumptions, we are of the opinion that the aggregate of the individual Fair Values of the properties of the Residential Portfolio as well as the Nursing and Assisted Living-Portfolio (net capital value of 1,531 properties and 10 nursing and assisted living homes), rounded on an asset-by-asset basis, as at 30 June 2011, is:

2,793,991,900 EUR

(Two billion, seven hundred and ninety-three million,
nine hundred and ninety-one thousand, nine hundred Euro)

The unrounded net capital value is 2,793,925,269 EUR. The gross capital value is 2,981,644,116 EUR including 188,542,893 EUR purchaser's costs (6.8% of the net capital value).

The aggregate of the individual Fair Values presented here takes account of the marketing period of the individual properties and does not reflect any discount or premium on the sale of the whole portfolio.

17 Market Instability

In accordance with Guidance Note 1 of the RICS Valuation Standards, we would draw your attention to the following comment regarding current market conditions.

The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Going forward, we would draw your attention to the fact that the current volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets across the world. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a sale of property assets in the short-term. We would therefore recommend that the situation and the valuations are kept under regular review, and that specific marketing advice is obtained should you wish to effect a disposal.

18 Publication

CBRE agrees to the inclusion of the Summary Report in unchanged form in the English prospectus. Apart from that neither the whole nor any part of our Summary Report nor any references thereto may be included in any published document, circular statement nor published in any way without our prior written approval of the form and context in which it will appear.

19 Instruction

The Report was compiled as instructed for the Addressees, the Principal; UBS Limited, 1 Finsbury Avenue, London EC2M 2PP, United Kingdom; Morgan Stanley Bank AG, Junghofstrasse 13-15, 60311 Frankfurt/Main and Credit Suisse Securities (Europe) Limited, One Cabot Square, London E14 4QJ, United Kingdom in relation to the capital raise, the private placement and the admission of shares at the Frankfurt stock exchange. The Summary Report was prepared on the basis of contractual agreements and is subject to these. CBRE is liable for contractual demands to the Addressees of the Report only.

20 Confirmation of Independence

Hereby, we affirm that CBRE has carried out the Fair Value assessment to the best of our knowledge as an independent valuer, by order of Deutsche Wohnen AG and that all previous valuations for Deutsche Wohnen AG represent less than 5% of the annual turnover of the business line Valuation of CB Richard Ellis GmbH. In addition, we point out that we have no actual or potential conflict of interest that could have influenced CBRE's independence. This statement refers as well to all other business lines of CB Richard Ellis GmbH, including the business lines Investment and Agency.

CBRE
CB RICHARD ELLIS

Yours faithfully

Dr. Henrik Baumunk

Managing Director
Head of Residential Valuation Germany

For and on behalf of
CB Richard Ellis GmbH

Yours faithfully

ppa. Sandro Höselbarth

Associate Director
Team Leader Residential Valuation

For and on behalf of
CB Richard Ellis GmbH

GLOSSARY

Actual current rental income (gross): The actual current gross rental income represents the rent paid for the units let on contractual agreements at the date of valuation excluding ancillary costs and VAT, multiplied by 12. Rent-free periods have been taken into account.

Potential rental income (gross): The potential rent is the sum of the actual current gross rental income and the vacant units rented at market rent at the date of valuation multiplied by 12.

Estimated Rental Value (gross): All units estimated to be rented at market rent as at the date of valuation (without taking into account average/structural vacancy) multiplied by 12.

Multiplier (based on current rent): Net capital value divided by actual current rental income (gross).

Multiplier (based on potential rent): Net capital value divided by potential rental income (gross).

Multiplier (based on Rental Value): Net capital value divided by estimated Rental Value (gross).

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Financial Information

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UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2011 (IFRS)

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2011

	30/09/2011	31/12/2010
	in EUR k	in EUR k
ASSETS		
Investment properties	2,895,693	2,820,952
Property, plant and equipment	17,116	16,536
Intangible assets	2,758	3,483
Derivative financial instruments	23	9,192
Other non-current assets	535	517
Deferred tax assets	74,078	78,651
Non-current assets	**2,990,203**	**2,929,331**
Land and buildings held for sale	77,858	15,159
Other inventories	2,072	2,298
Trade receivables	5,506	6,690
Income tax receivables	925	2,353
Derivative financial instruments	0	75
Other current assets	2,341	1,944
Cash and cash equivalents	42,057	46,016
Subtotal current assets	**130,759**	**74,535**
Non-current assets held for sale	34,019	34,314
Current assets	**164,778**	**108,849**
Total assets	**3,154,981**	**3,038,180**
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the parent company		
Issued share capital	81,840	81,840
Capital reserve	370,048	370,048
Retained earnings	426,010	437,682
	877,898	**889,570**
Non-controlling interests	302	302
Total equity	**878,200**	**889,872**
Non-current financial liabilities	1,816,985	1,338,954
Employee benefit liability	42,104	44,747
Liabilities to limited partners in funds	0	476
Tax liabilities	40,799	48,496
Derivative financial instruments	60,967	43,922
Other provisions	8,775	9,789
Deferred tax liabilities	96,247	92,021
Total non-current liabilities	**2,065,878**	**1,578,405**
Current financial liabilities	92,395	445,565
Trade payables	35,472	29,236
Liabilities to limited partners in funds	15,151	22,011
Other provisions	3,498	3,465
Derivative financial instruments	24,620	26,416
Tax liabilities	17,790	15,433
Other liabilities	21,977	27,777
Total current liabilities	**210,903**	**569,903**
Total equity and liabilities	**3,154,981**	**3,038,180**

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2011

	9M/2011	9M/2010	Q3/2011	Q3/2010
	in EUR k	in EUR k	in EUR k	in EUR k
Revenue	**226,250**	**224,782**	**78,792**	**78,281**
Gains/losses from disposals				
Sales proceeds	85,721	91,400	26,145	35,703
Carrying amounts of assets sold	−73,093	−78,237	−21,403	−30,275
	12,628	**13,163**	**4,742**	**5,428**
Other operating income	6,599	5,343	1,809	1,575
Total income	**245,477**	**243,288**	**85,343**	**85,284**
Expenses for purchased goods and services	−89,681	−92,255	−33,461	−34,570
Staff expenses	−28,702	−27,924	−9,808	−9,333
Other operating expenses	−18,291	−18,535	−7,200	−6,646
Total expenses	**−136,674**	**−138,714**	**−50,469**	**−50,549**
Subtotal	**108,803**	**104,574**	**34,874**	**34,735**
Depreciation and amortisation	−2,462	−2,377	−834	−813
Earnings before interest and taxes (EBIT)	**106,341**	**102,197**	**34,040**	**33,922**
Finance income	390	395	118	78
Gains/losses from fair value adjustments of derivative financial instruments	−179	−2,357	−490	−469
Finance expense	−69,128	−75,721	−23,527	−25,022
Profit before taxes	**37,424**	**24,514**	**10,141**	**8,509**
Income taxes	−17,695	−14,393	−7,358	−6,521
Profit/loss for the period	**19,729**	**10,121**	**2,783**	**1,988**
Thereof attributable to:				
Shareholders of the parent company	19,729	10,121	2,783	1,988
Non-controlling interests	0	0	0	0
	19,729	10,121	2,783	1,988
Earnings per share				
basic in EUR	0.24	0.12	0.03	0.02
diluted in EUR	0.24	0.12	0.03	0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2011

	9M/2011	9M/2010	Q3/2011	Q3/2010
	in EUR k	in EUR k	in EUR k	in EUR k
Profit/loss for the period	**19,729**	**10,121**	**2,783**	**1,988**
Other comprehensive income				
Net gain/loss from derivative financial instruments	−24,314	−39,935	−41,649	−3,320
Income tax effects	7,566	12,751	12,955	1,945
	−16,748	−27,184	−28,694	−1,375
Net gains from pensions	2,450	0	0	0
Income tax effects	−735	0	0	0
	1,715	0	0	0
Other comprehensive income after taxes	**−15,033**	**−27,184**	**−28,694**	**−1,375**
Total comprehensive income, net of tax	**4,696**	**−17,063**	**−25,911**	**613**
Thereof attributable to:				
Shareholders of the parent company	4,696	−17,063	−25,911	613
Non-controlling interests	0	0	0	0

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2011

	9M/2011	9M/2010
	in EUR k	in EUR k
Operating activities		
Profit/loss for the period	19,729	10,121
Finance income	−390	−395
Finance expense	69,128	75,721
Income taxes	17,695	14,393
Profit/loss for the period before interest and taxes	106,162	99,840
Non-cash expenses/income		
Depreciation and amortisation	2,462	2,377
Fair value adjustments to interest rate swaps	179	2,357
Other non-cash expenses/income	−15,338	−17,551
Change in net working capital		
Change in receivables, inventories and other current assets	4,787	4,414
Change in operating liabilities	−4,717	−1,649
Net operating cash flows	**93,535**	**89,789**
Interest paid	−57,788	−64,045
Interest received	390	395
Taxes paid excluding EK-02 payments	481	−1,702
Net cash flows from operating activities before EK-02 payments	**36,618**	**24,437**
EK-02 payments	−8,506	−23,839
Net cash flows from operating activities	**28,112**	**598**
Investing activities		
Sales proceeds	90,638	145,331
Purchase of property, plant and equipment / investment property and other non-current assets	−216,445	−21,446
Receipt of investment subsidies	366	2,525
Payments to limited partners in funds	−7,739	−5,336
Net cash flows from investing activities	**−133,180**	**121,074**
Financing activities		
Proceeds from borrowings	587,096	32,561
Repayment of borrowings	−469,619	−146,111
Dividends paid to shareholders	−16,368	0
Net cash flows from financing activities	**101,109**	**−113,550**
Net change in cash and cash equivalents	**−3,959**	**8,122**
Opening balance of cash and cash equivalents	**46,016**	**57,095**
Closing balance of cash and cash equivalents	**42,057**	**65,217**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2011

			Retained Earnings					
	Issued share capital	Capital reserve	Pensions	Reserve for cash flow hedge	Other reserves	Subtotal	Non-controlling interests	Equity
	in EUR k	in EUR k	in EUR k	in EUR k	in EUR k	in EUR k	in EUR k	in EUR k
Equity as at 1 January 2010	81,840	455,761	204	−44,805	368,670	861,670	302	861,972
Profit/loss for the period					10,121	10,121		10,121
Other comprehensive income				−27,184		−27,184		−27,184
Total comprehensive income			0	−27,184	10,121	−17,063	0	−17,063
Equity as at 30 September 2010	81,840	455,761	204	−71,989	378,791	844,607	302	844,909
Equity as at 1 January 2011	81,840	370,048	−2,333	−38,173	478,188	889,570	302	889,872
Profit/loss for the period					19,729	19,729	0	19,729
Other comprehensive income			1,715	−16,748		−15,033		−15,033
Total comprehensive income			1,715	−16,748	19,729	4,696	0	4,696
Dividends paid to shareholders					−16,368	−16,368		−16,368
Equity as at 30 September 2011	81,840	370,048	−618	−54,921	481,549	877,898	302	878,200

Notes to the Condensed Consolidated Interim Financial Statements

General information

The business activities of Deutsche Wohnen AG are limited to its role as the holding company for the companies in the Group. These activities include the following functions: Legal, Human Resources, Finance/ Controlling/Accounting, Communication/Marketing and Investor Relations. The operating subsidiaries focus on Residential Property Management and Disposals relating to properties mainly situated in Berlin and the Rhine-Main area, as well as on Nursing and Assisted Living.

The consolidated financial statements are presented in Euros (EUR). Unless otherwise stated, all figures are rounded to the nearest thousand (k) or the nearest million (m) EUR. For arithmetical reasons there may be rounding differences between tables and references and the exact mathematical figures.

Basis of preparation and accounting policies applied to the consolidated financial statement

The condensed consolidated interim financial statements for the period from 1 January to 30 September 2011 were prepared in accordance with International Accounting Standards (IAS) 34 for interim reporting as applicable in the European Union (EU).

These interim financial statements do not contain all the information and details required for consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2010.

The consolidated financial statements have been prepared on a historical cost basis with the exception of, in particular, investment properties and derivative financial instruments, which are measured at fair value.

The consolidated financial statements include the financial statements of Deutsche Wohnen and its subsidiaries as at 30 September 2011. The financial statements of the subsidiaries are prepared using consistent accounting policies as at the same reporting date as the financial statement of the parent company.

The preparation of the Group's consolidated financial statements requires the management to make judgements, estimates and assumptions which affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. However, the uncertainty connected with these assumptions and estimates could result in outcomes which in future require considerable adjustments to the carrying amounts of the assets or liabilities affected.

The business activities of Deutsche Wohnen are basically unaffected by seasonal influences and economic cycles.

Since 1 June 2011 Promontoria Holding XVI N.V., based in Baarn, the Netherlands (formerly: Promontoria Holding XVI B.V., based in Baarn, the Netherlands), and since 30 September 2011 AGG Auguste-Viktoria-Allee Grundstücks GmbH, Berlin, SGG Scharnweberstraße Grundstücks GmbH, Berlin, and Holzmindener Straße/Tempelhofer Weg Grundstücks GmbH, Berlin have been fully consolidated as wholly owned indirect subsidiaries. Those transactions do not constitute business combinations in accordance with IFRS 3. There have been no further changes to the basis of consolidation.

Changes to accounting policies

As a basic principle Deutsche Wohnen has applied the same accounting policies as for the equivalent reporting period in the previous year.

In the first nine months of the fiscal year 2011 the new standards and interpretations which must be applied for fiscal years commencing after 1 January 2011 have been applied in full.

Selected notes on the consolidated balance sheet

Investment properties comprise 92% of the assets of the Deutsche Wohnen Group.

The item "property, plant and equipment" covers mainly technical facilities as well as office furniture and equipment.

The derivative financial instruments are interest rate swaps recorded at fair value. These swaps were not concluded for speculative purposes but solely in order to minimise the interest rate risks and consequent cash flow risks of floating rate loans. Compared with 31 December 2010, the negative market value (net) rose from EUR 61.1 million to EUR 85.6 million due to decreasing interest rate levels.

The developments in equity can be found in the statement of changes in equity on p. F-7.

Financial liabilities have increased in comparison to 31 December 2010, particularly because new borrowings exceeded repayments. Regular repayments for the first nine months amounted to EUR 23.0 million. In addition, the loan which was recorded as a current loan as at 31 December 2010 was completely refinanced in January 2011, so it is now recorded as a non-current financial liability.

The employee benefit liabilities were valued as at the reporting date with a discount rate of 5.0% p.a. (31 December 2010: 4.51% p.a.), which is derived from the yield of fixed interest rate corporate bonds.

The tax liabilities mainly refer to liabilities from the lump-sum taxation of EK-02 holdings.

Selected notes on the consolidated profit and loss statement

Revenues are made up as follows:

	9M / 2011	9M / 2010
	in EUR m	in EUR m
Residential Property Management	200.9	199.7
Nursing and Assisted Living	25.2	24.7
Other services	0.2	0.4
	226.3	**224.8**

Expenses for purchased goods and services cover primarily expenses for Residential Property Management (EUR 84.5 million, equivalent period in previous year: EUR 86.4 million).

Finance expenses are made up as follows:

	9M / 2011	9M / 2010
	in EUR m	in EUR m
Current interest expenses	−59.8	−64.5
Accrued interest on liabilities and pensions	−9.3	−11.2
	−69.1	**−75.7**

Notes on the consolidated statement of cash flows

The cash fund is made up of cash at hand and bank deposits. In addition, we have readily available credit facilities with banks in an amount of EUR 60.4 million.

Notes on segment reporting

The following tables show the segment revenues and the segment profits/losses for the Deutsche Wohnen Group:

	External revenue		Internal revenue		Total revenue		Segment profit/losst		Assets	
	9M / 2011	9M / 2010	9M / 2011	9M / 2010	9M / 2011	9M / 2010	9M / 2011	9M / 2010	30/09/2011	31/12/2010
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Segments										
Residential Property Management	200.9	199.7	1.6	1.6	202.5	201.3	118.4	113.4	2,903.3	2,829.6
Disposals	85.7	91.4	6.2	1.8	91.9	93.2	7.2	8.8	114.5	52.8
Nursing and Assisted Living	25.2	24.7	0.0	0.0	25.2	24.7	7.3	7.1	2.7	2.8
Reconciliation with consolidated financial statement										
Central functions and other operational activities	0.2	0.4	21.9	21.8	22.1	22.2	−24.1	−24.7	59.5	72.0
Consolidations and other reconciliations	−85.7*)	−91.4*)	−29.7	−25.2	−115.4	−116.6	0.0	0.0	0.0	0.0
	226.3	224.8	0.0	0.0	226.3	224.8	108.8	104.6	3,080.0	2,957.2

*) *The reconciliation items mainly comprise proceeds from disposals because these are not shown as revenue in the consolidated profit and loss statement.*

Other information

Associated parties and companies

In March 2011 the Supervisory Board of Deutsche Wohnen AG decided unanimously to extend the term of appointment of Mr Helmut Ullrich as member of the Management Board of the company by a further year until 31 December 2012. The Supervisory Board also decided unanimously to appoint Lars Wittan as a further member of the Management Board. His term of appointment will run for a period of three years from 1 October 2011 to 30 September 2014. Furthermore, Dr Kathrin Wolff has been appointed as the fully authorised representative of Deutsche Wohnen AG.

At the Annual General Meeting on 31 May 2011 the Chairman of the Supervisory Board at that time, Mr Hermann T. Dambach, resigned from his Supervisory Board post with effect from 30 June 2011. On 5 July 2011 the Supervisory Board voted for Mr Uwe E. Flach to be its new Chairman.

On 6 July 2011 the District Court of Frankfurt/Main appointed Mr Wolfgang Clement, federal minister (retired) and minister-president (retired), to the Supervisory Board for the period up to the conclusion of the ordinary Annual General Meeting for the fiscal year 2011.

In comparison to the information provided as at 31 December 2010 there have been no further major changes in respect of associated persons or companies.

Risk report

With regard to the risks which exist for future business development we refer you to the information presented in the risk report in the consolidated financial statement as at 31 December 2010.

Frankfurt/Main, November 2011

Deutsche Wohnen AG
Management Board

Michael Zahn	Helmut Ullrich	Lars Wittan
Chief Executive Office	Chief Financial Officer	Member of the Management Board

The unaudited condensed interim financial statements presented in this Prospectus on the preceding pages are a translation of the unaudited German-language condensed consolidated interim financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG FOR THE YEAR ENDED DECEMBER 31, 2010 (IFRS)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010

	Notes	31/12/2010	31/12/2009
		in EUR k	in EUR k
ASSETS			
Investment properties	D.1	2,820,952	2,835,483
Property, plant and equipment	D.2	16,536	17,401
Intangible assets	D.3	3,483	4,558
Derivative financial instruments	D.6	9,192	0
Other non-current assets		517	400
Deferred tax assets	D.15	78,651	98,428
Non-current assets		**2,929,331**	**2,956,270**
Land and buildings held for sale	D.4	15,159	18,358
Other inventories		2,298	2,284
Trade receivables	D.5	6,690	14,543
Income tax receivables		2,353	2,468
Derivative financial instruments	D.6	75	0
Other current assets		1,944	3,182
Cash and cash equivalents	D.7	46,016	57,095
Subtotal current assets		**74,535**	**97,930**
Non-current assets held for sale	C.9	34,314	25,125
Current assets		**108,849**	**123,055**
Total assets		**3,038,180**	**3,079,324**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Issued share capital	D.8	81,840	81,840
Capital reserve	D.8	370,048	455,761
Retained earnings	D.8	437,682	324,068
		889,570	**861,669**
Non-controlling interests	D.8	302	302
Total equity		**889,872**	**861,971**
Non-current financial liabilities	D.9	1,338,954	1,722,044
Employee benefit liability	D.11	44,747	41,529
Liabilities to limited partners in funds	D.12	476	40,791
Tax liabilities	D.14	48,496	55,486
Derivative financial instruments	D.6	43,922	37,185
Other provisions	D.13	9,789	10,107
Deferred tax liabilities	D.15	92,021	81,412
Total non-current liabilities		**1,578,405**	**1,988,554**
Current financial liabilities	D.9	445,565	80,673
Convertible bonds	D.10	0	26,567
Trade payables		29,236	23,182
Liabilities to limited partners in funds	D.12	22,011	8,334
Other provisions	D.13	3,465	6,396
Derivative financial instruments	D.6	26,416	33,282
Tax liabilities	D.14	15,433	28,642
Other liabilities		27,777	21,723
Total current liabilities		**569,903**	**228,799**
Total equity and liabilities		**3,038,180**	**3,079,324**

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

	Notes	2010	2009
		in EUR k	in EUR k
Revenue	E.17	**297,811**	**306,331**
Gains/losses from disposals			
Sales proceeds		171,682	85,677
Carrying amounts of assets sold		−152,116	−69,748
		19,566	**15,930**
Other operating income		9,618	12,699
Total income		**326,995**	**334,959**
Expenses for purchased goods and services	E.18	−122,589	−134,774
Staff expenses	E.19	−39,157	−40,204
Other operating expenses	E.20	−29,130	−26,488
Restructuring and reorganisation expenses	E.21	0	−7,784
Total expenses		**−190,876**	**−209,249**
Subtotal		**136,119**	**125,710**
Gains/losses from fair value adjustments of investment properties	D.1	47,178	0
Depreciation and amortisation	D.2/3	−3,044	−2,780
Earnings before interest and taxes (EBIT)		**180,253**	**122,929**
Finance income		848	868
Gains/losses from fair value adjustments of derivative financial instruments	D.6	−234	−1,203
Finance expense	E.22	−123,728	−119,242
Profit before taxes		**57,139**	**3,352**
Income taxes	E.23	−33,334	−16,630
Profit/loss for the period		**23,805**	**−13,277**
Thereof attributable to:			
Shareholders of the parent company		23,805	−13,277
Non-controlling interests		0	0
Earnings per share			
basic in EUR		0.29	−0.34
diluted in EUR		0.29	−0.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

	2010	2009
	in EUR k	in EUR k
Profit/loss for the period	**23,805**	**−13,277**
Other comprehensive income		
Net gain/loss from derivative financial instruments	9,630	−19,916
Income tax effect	−2,998	6,361
	6,632	**−13,555**
Net losses from pensions	−3,650	−2,865
Income tax effect	1,113	854
	−2,537	**−2,011**
Other comprehensive income after taxes	**4,095**	**−15,566**
Total comprehensive income, net of tax	**27,900**	**−28,843**
Thereof attributable to:		
Shareholders of the parent company	27,900	−28,843
Non-controlling interests	0	0

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

	Notes	2010	2009
		in EUR k	in EUR k
Operating activities			
Profit/loss for the period		23,805	−13,277
Finance income		−848	−868
Finance expense		123,728	119,242
Income taxes		33,334	16,630
Profit/loss for the period before interest and taxes		180,019	121,727
Non-cash expenses/income			
Fair value adjustment of investment properties	D.1	−47,178	0
Depreciation and amortisation		3,044	2,780
Fair value adjustment to interest rate swaps		234	1,203
Other non-cash operating expenses/income		−24,312	−24,693
Change in net working capital			
Change in receivables, inventories and other current assets		2,986	5,723
Change in operating liabilities		7,107	−2,796
Net operating cash flows		**121,900**	**103,945**
Interest paid		−86,149	−96,740
Interest received		848	868
Taxes paid excluding EK-02-payments		−2,901	−443
Net cash flows from operating activities before EK-02-payments		33,698	7,630
EK-02-payments		−23,839	−4,336
Net cash flows from operating activities		**9,859**	**3,294**
Investing activities			
Sales proceeds		182,283	88,870
Purchase of property, plant and equipment/investment property and other non-current assets		−89,243	−13,250
Receipt of investment subsidies		4,106	0
Payments to limited partners in funds		−28,416	−1,322
Net cash flows from investing activities		**68,730**	**74,298**
Financing activities			
Proceeds from borrowings		137,894	1,243
Repayment of borrowings		−203,963	−295,263
Prepayment penalties		−23,599	−6,231
Proceeds from capital increase		0	249,480
Costs of capital increase		0	−11,700
Net cash flows from financing activities		**−89,668**	**−62,471**
Net change in cash and cash equivalents		**−11,079**	**15,121**
Opening balance cash and cash equivalents		57,095	41,974
Closing balance cash and cash equivalents		**46,016**	**57,095**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Issued share capital	Capital reserve	Retained earnings: Pensions	Retained earnings: Reserve for cash flow hedge	Retained earnings: Other reserves	Subtotal	Non-controlling interests	Equity
	in EUR k	in EUR k	in EUR k	in EUR k	in EUR k	in EUR k	in EUR k	in EUR k
Notes	D.8	D.8	D.8	D.8	D.8		D.8	
Equity as at 1 January 2009	**26,400**	**269,677**	**2,215**	**−31,250**	**381,947**	**648,989**	**302**	**649,292**
Profit/loss for the period					−13,277	−13,277		−13,277
Other comprehensive income after taxes			−2,011	−13,555		−15,566		−15,566
Total comprehensive income, net of taxes			**−2,011**	**−13,555**	**−13,277**	**−28,843**	**0**	**−28,843**
Capital increase	55,440	194,040				249,480		249,480
Costs of capital increase, less tax effects		−7,956				−7,956		−7,956
Equity as at 31 December 2009	**81,840**	**455,761**	**204**	**−44,805**	**368,670**	**861,670**	**302**	**861,972**
Equity as at 1 January 2010	**81,840**	**455,761**	**204**	**−44,805**	**368,670**	**861,670**	**302**	**861,972**
Profit/loss for the period					23,805	23,805	0	23,805
Other comprehensive income after taxes			−2,537	6,632		4,095		4,095
Total comprehensive income, net of taxes			**−2,537**	**6,632**	**23,805**	**27,900**	**0**	**27,900**
Transfer from the capital reserve		**−85,713**			**85,713**			
Equity as at 31 December 2010	**81,840**	**370,048**	**−2,333**	**−38,173**	**478,188**	**889,570**	**302**	**889,872**

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

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

1 The Deutsche Wohnen Group

The consolidated financial statements of Deutsche Wohnen AG ("Deutsche Wohnen") as of 31 December 2010 were prepared by the Management Board on 25 February 2011. The Supervisory Board is scheduled to approve the consolidated financial statements at its meeting on 18 March 2011. Deutsche Wohnen AG is a publicly listed real estate company based in and operating across Germany with its registered office at Pfaffenwiese 300, Frankfurt/Main, and is registered in the commercial register of the Frankfurt/Main District Court under number HRB 42388.

The business activities of Deutsche Wohnen AG are limited to its role as the holding company for the companies in the Group. These activities include the following functions: Legal, Human Resources, Finance/ Controlling/Accounting, Communication/Marketing and Investor Relations. The operating subsidiaries focus on residential property management and disposals relating to properties mainly situated in Berlin and the Rhine-Main area, as well as on Nursing and Assisted living.

The consolidated financial statements are presented in Euros. Unless otherwise stated, all figures are rounded to the nearest thousand (k) EUR. For arithmetical reasons there may be rounding differences between tables and references and the exact mathematical figures.

2 Consolidated financial statements

The consolidated financial statements of Deutsche Wohnen and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

The consolidated financial statements have been prepared on a historical cost basis, except, in particular, investment properties and derivative financial instruments, which are measured at fair value.

The consolidated financial statements comprise the financial statements of Deutsche Wohnen and its subsidiaries to 31 December of each financial year. The financial statements for the subsidiaries are prepared using consistent accounting and valuation methods as of the same reporting date as the financial statements of the parent company.

3 Application of IFRS in the financial year

With the exception of new and revised standards and interpretations, the same accounting and valuation methods were applied to the consolidated financial statements for the past financial year as were used for the consolidated financial statements as of 31 December 2009. Deutsche Wohnen applied the new and revised IFRS standards and interpretations listed below for the financial year. The application of these revised standards and interpretations had no effect on the financial performance and financial position. However, they did require some additional disclosures and, in some cases, amendments to the accounting and valuation methods. The most important effects of these amendments are as follows:

The following IFRS standards relevant to the Deutsche Wohnen Group were applied for the first time in the financial year 2010:

IFRS 3 (revised 2008) "Business Combinations" and IAS 27 (revised 2008) "Consolidated and Separate Financial Statements" were published in January 2008 and adopted into EU law in June 2009. The revised rules are applied to business combinations and transactions with non-controlling owners that were concluded on or after 1 January 2010. Contrary to the accounting and valuation methods used until 31 December 2009, transaction costs arising in connection with business acquisitions are recognised as an expense. Conditional purchase price liabilities are recognised at fair value, provided these can be reliably determined; adjustments after the time of acquisition are recognised in profit/loss. Effects from disposals and acquisitions of non-controlling shares are offset against equity as in previous years. For share disposals where there is a loss of control, the remaining shares are carried at fair value; for share acquisitions where there is a gain of control, the shares already held are carried at fair value. Any differences from the current carrying amounts that may arise are to be recognised in profit/loss. The introduction of an option for full recognition of goodwill was not applied and only that part of goodwill of the acquired shares is shown. The changes may have an effect on the accounting treatment of future company transactions.

The second collective standard "Improvements to IFRSs" published in April 2009 and adopted into EU law in March 2010 is essentially applicable to financial years beginning on or after 1 January 2010. The amendments of the second collective standard had no significant effect on the presentation of the financial performance and financial position.

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) issued further statements in the year under review that have not or will not have any significant effect on our consolidated financial statements.

The following standards that have been passed but are not mandatory until future financial years are relevant to the Deutsche Wohnen Group:

IFRS 9 "Financial Instruments" was published by the IASB in November 2009. According to this standard, financial assets can only be allocated to one of the two valuation categories "at amortised cost" or "at fair value", and are carried accordingly. Additionally, in October 2010 the regulations covering the accounting of financial liabilities were published, and these will lead to changes in the application of the fair value option. IFRS 9 is mandatory for financial years that begin on or after 1 January 2013. It has not yet been adopted into EU law. The application of the new standard will result in changes to the presentation and accounting of financial assets and liabilities.

The IASB and the IFRS IC issued further statements in the year under review that have not or will not have any significant effect on the consolidated financial statements of the Deutsche Wohnen Group.

4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements. However, this excludes decisions involving estimates.

Operating lease commitments-group as lessor

The Group has entered into leases to rent on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. The carrying amounts of the investment properties total up to EUR 2,821.0 million (previous year: EUR 2,835.5 million).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

Fair value of investment properties

The fair value of investment properties was determined internally by a portfolio valuation as of 31 December 2010. The properties are clustered on the basis of their location and property quality. Assumptions regarding the development of rents, vacancies, vacancy losses, maintenance costs, and discount rates are made on the basis of these clusters. These valuation assumptions are subject to uncertainties due to their long-term nature that may lead to either positive or negative value adjustments in the future. The global crisis in the financial markets generated a high level of uncertainty in the European property market. In this environment, it is possible that fair values will be subject to volatility. The carrying amount of the investment properties amounted to EUR 2,821.0 million (previous year: EUR 2,835.5 million).

Non-controlling interests

Non-controlling interests (in Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin) were calculated on the basis of the provisions of the company articles of association. In accordance with these provisions, minority shareholders are only entitled to a dividend of 4 % of their held capital if there is a dividend payment.

Pensions and other post-employment benefits

Expenses relating to post-employment defined benefit plans are determined on the basis of actuarial calculations. The actuarial calculations are made on the basis of assumptions regarding discount rates, future wage and salary increases, mortality and future pension increases. Such estimates are subject to significant uncertainty due to the long-term nature of these plans. The employee benefit liability from pensions obligation as of 31 December 2010 amount to EUR 44.7 million (previous year: EUR 41.5 million).

Liabilities to limited partners in funds

The limited partners of DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn (hereinafter "DB 14") have the possibility of tendering their shares until 2019. The full tendering of all limited partnership interests was assumed as a basis for the measurement of the liability. As of 31 December 2010, the liability amount to EUR 22.5 million (previous year: EUR 49.1 million).

B BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

1 Basis of consolidation

The consolidated financial statements comprise Deutsche Wohnen AG and the subsidiaries it controls from the time of their acquisition, being the date on which the Group obtains control. They continue to be consolidated until the date when such control ceases. The composition of Deutsche Wohnen can be seen in the list of shareholdings attached as Appendix 1.

There were no changes in the consolidation scope in 2010 and 2009.

2 Consolidation methods

The financial statements for the subsidiaries are prepared using consistent accounting and valuation methods as of the same reporting date as the financial statements of the parent company. Subsidiaries are fully included in the consolidation from the time of acquisition, being the date on which the Group obtains control. They continue to be consolidated until the date when such control ceases.

Consolidation of capital is made in accordance with the acquisition method (IFRS 3), according to which the acquisition costs are offset against the net assets of the shareholdings carried at fair value at the time of the acquisition.

All intra-Group balances, transactions, revenues, expenses, and gains and losses from intra-Group transactions which are included in the carrying amount of the assets are eliminated in full.

Non-controlling interests represent the share of the profits and net assets not attributable to the Group. Non-controlling interests are shown separately in the consolidated profit and loss statement and in the consolidated balance sheet. The disclosure in the consolidated balance sheet is made within equity, separate from the equity attributable to the owners of the parent company.

C ACCOUNTING POLICIES

1 Investment properties

Investment properties are properties that are held to generate rental income or for the purposes of generating value and which are not used by the company itself or held for sale in the course of normal business activities. Investment properties include land with residential and commercial buildings, undeveloped land and land with leasehold rights.

Investment properties are measured initially at cost including transaction costs. Subsequent to the initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit and loss statement.

Internal valuations were made as of 31 December 2010 and 31 December 2009. The portfolio was also evaluated by CB Richard Ellis as of 31 December 2010 and the total value was confirmed. Value deviations for individual properties were no larger than +/−10 %. The total valuation by CB Richard Ellis GmbH, Frankfurt/Main varied by only 0.2 % (previous year: −0.2 %) from the internal valuation.

The valuation was performed in both financial years as follows: The properties were clustered. Homogeneous groups (clusters) were created on the basis of the location and quality of the units and their relative risks.

The clusters were created based on the following characteristics:

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

These clusters were further split into the regions Berlin, Brandenburg, Rhine-Main/Rhine Valley South, the residual of Rhineland-Palatinate and others.

Investment properties are derecognised when either they are have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses from the permanent withdraw from use or disposal of investment properties are recognised in the year of their withdraw from use or disposal.

Properties are transferred from the investment properties portfolio if there is a change of use caused by the company either starting to use the property itself or by the commencement of development with a intention to dispose.

If there is a transfer of investment properties into the portfolio of owner-occupied properties, the deemed cost for subsequent accounting is the fair value at the date of change in use.

2 Property, plant and equipment

Property, plant and equipment is stated at cost net of cumulative depreciation and accumulated impairment losses. Subsequent acquisition costs are recognised insofar as it is likely that a future economic benefit from the property, plant or equipment will accrue for Deutsche Wohnen.

Property, plant and equipment are carried at amortised cost. Straight-line depreciation is based on the estimated useful life of the asset. The useful life of land and buildings is 50 years. The useful life of moveable assets is 4 to 10 years.

Impairment test regarding the carrying amounts of property, plant and equipment are performed as soon as there are indications that the carrying amount of an asset exceeds its recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated profit and loss statement when the asset is derecognised.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted if appropriate.

3 Intangible assets

Deutsche Wohnen only recognises acquired intangible assets on the balance sheet. These are measured on initial recognition at cost and are amortised using the straight-line method over their respective useful lives. Their useful lives are between 3 and 5 years.

4 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they arise. There were no effects from the application of IAS 23 (revised), as the relevant assets (properties) were already recognised at fair value.

5 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the profit and loss statement in those expense categories consistent with the function of the impaired asset.

For all non-financial assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss statement.

6 Financial assets

Financial assets within the scope of IAS 39 are classified by Deutsche Wohnen

- as financial assets at fair value through profit or loss,
- as loans and receivables,
- as available-for-sale financial assets, or
- as derivative financial instruments designed as hedging instruments in an effective hedge.

All financial assets are recognised initially at fair value plus, in case of investments not at fair value through profit and loss, directly attributable transaction costs. Financial assets are assigned to the categories upon initial recognition. If permitted and necessary, reclassifications are made at the end of the financial year.

Other than derivative financial instruments with and without hedging context (interest rate swaps), Deutsche Wohnen has not recognised any financial assets held for trading purposes or financial assets held to maturity, yet.

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

Impairment of receivables from rental activities is made on the basis of empirical values. Reasonable individual impairments are made for other receivables and assets.

Interest rate swaps are recognised at fair value on the basis of a mark-to-market method, regardless of whether they are classified as an effective or non-effective hedging instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- Contractual rights to receive cash flows from the asset have expired.
- The Group retains contractual rights to receive cash flows from the asset, but undertakes a contractual obligation to pay cash flows without significant delay to a third party as part of an agreement that fulfils the conditions of IAS 39.19 ("pass-through arrangement").
- The Group has transferred its contractual rights to receive cash flows from the asset and either (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained all substantially all risks and rewards of the asset, but has transferred control of the asset.

7 Inventories

Inventories comprise land held for sale with completed and uncompleted development, work in progress and other inventories. Land held for sale with completed and uncompleted development is sold in the normal course of business, so it exceeds a period of 12 months.

The initial valuation is made at cost. At reporting date the inventories are valued at the lower value of cost or cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

8 Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet comprise cash at banks and on hand and short-term deposits with original maturities of less than three months.

9 Non-current assets held for sale

The Deutsche Wohnen Group recognises investment properties as assets held for sale if notarised contracts of sale are available at the reporting date but transfer of ownership take place at a later date. Measurement is made at the lower of the carrying amount or fair value. In the case of own-used property by the company (IAS 16), depreciation is discontinued from the time of reclassification. The property is allocated to the Disposals segment.

10 Financial liabilities

Financial liabilities within the scope of IAS 39 are classified by Deutsche Wohnen

- as other financial liabilities that are carried at amortised cost, or
- as derivative financial liabilities that meet the requirements of an effective hedging transaction.

Financial liabilities

Loans and borrowings are initially recognised at fair value less the transaction costs directly associated with the loan. After initial recognition, the interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss statement when the liabilities are derecognised or during amortisation process.

Profit participation rights

GEHAG employees have the opportunity to participate in GEHAG as silent shareholders in the form of profit participation rights. These profit participation rights are purchased at nominal amount and give an entitlement to profit participation. Employees have the right to terminate their profit participation rights after eight years. If the right of termination is exercised, the cumulative balance of the capital account is paid out (nominal value + profit share ./. share of losses). There is no obligation to commit additional capital. The profit participation rights are recognised as non-current debt capital (EUR 0.1 million) within the financial liabilities.

Convertible bonds

Convertible bonds were issued as part of the acquisition of the GEHAG Group. Convertible bonds are regarded as compound financial instruments comprising a debt capital component and an equity component. Valuation of the debt capital component at the date of issue is made by discounting future payments at an adequate customary market rate of interest. Convertible bonds were fully paid back in the financial year 2010.

The equity and debt capital components were valued separately by an independent expert at the issue date. The sum of both components represents the total value of the convertible bonds.

Trade payables and other liabilities

Liabilities are initially recognised at fair value. After initial recognition, they are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss statement when the liabilities are derecognised or during amortisation process.

Liabilities to limited partners in funds

According to IAS 32 (revised 2003), the termination rights of a limited partner are a decisive criteria for the distinction between equity and debt capital. Financial instruments that give the owner (here: limited partner) the right to return the instrument to the issuer in turn for payments of money constitute a financial liability. Due to the termination rights of the limited partners, the limited partnership interests and the “net assets of shareholders" are recognised as debt capital. Pursuant to IAS 32.35 (revised 2003), the profit share of the limited partners and minority shareholders are consequently recognised as a finance expense.

The net assets of the limited partners has to be recognised at the fair value of any possible repayment amount at the end of the financial year. Value increases are recognised as finance expense and impairments as finance income in the consolidated profit and loss statement. The amount of the repayment obligation depends on the articles of association.

Within Deutsche Wohnen there are liabilities to limited partners in funds of EUR 22.5 million (previous year: EUR 49.1 million).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modifications is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit and loss statement.

11 Pensions and other post-employment benefits

Employee benefit liabilities are recognised for commitments (pensions, invalidity, surviving spouse pensions and surviving dependent benefits) for pensions and ongoing benefits to eligible active and former employees and their surviving dependents.

Expenses for benefits granted as part of defined contribution plans are determined using the projected unit credit method. Actuarial gains and losses are recognised with a earnings-neutral effect in the consolidated statement of comprehensive income.

On the basis of statutory provisions, Deutsche Wohnen pays contributions to state pension insurance funds from defined contribution plans. These current contributions are shown as social security contributions within staff expenses. Payment of the contributions does not constitute any further obligations for the Group.

There is also a pension plan drawn up in accordance with the regulations governing public sector supplementary pensions. It is based on membership of a Group company in the Bayerische Versorgungskammer (hereinafter BVK) — the supplementary pension fund for municipalities in Bavaria. The supplementary pension comprises a partial or full reduced earnings capacity pension plus an age-related pension as a full pension or surviving dependant's pension. The charge levied by the BVK is determined by the employees' compensation used to calculate the supplementary pension contribution.

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

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

12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss statement net of any reimbursement. If the impact of the interest rate is significant, provisions are discounted at an interest rate before tax that reflects the specific risks of the liability, if applicable. In the case of discounting, the increase in provisions due over time is recognised as a finance expense.

13 Leases

Leasing transactions are differentiated between finance leases and operating leases. Contractual provisions that transfer all significant risks and rewards associated with the ownership of an asset to the lessee are reported as finance leases. The lessee recognises the leased asset as an asset and the corresponding obligations are recognised as liabilities. All other leasing transactions are reported as operating leases. Payments from operating leases are recorded as an expense on a straight-line basis over the contract period.

14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In addition, the following criteria have to be met when recognising revenue:

Rental income

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

Disposal of property

Revenue is recognised when the significant risks and rewards associated with the ownership of the disposed property have been transferred to the purchaser.

Services

Revenue is recognised in accordance with the delivery of the service.

Interest income

Income is recognised when interest is accrued (using the effective interest method, i.e. the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

15 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. In the case of a grant related to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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

Disbursement subsidies, in the form of rent subsidies, are recognised in the profit and loss statement. They are recognised as revenues from residential property management.

Disbursement loans and subsidised-interest loans are property loans and are recognised as financial liabilities. In comparison with loans made under market conditions, both offer advantages such as lower interest rates or interest-free and redemption-free periods. The loans are measured at fair value and are subsequently carried at amortised cost. However, they are to be viewed in context with rent restrictions of the properties, which were taken into account when determining the fair value.

Deutsche Wohnen also received investment grants amounting to EUR 4.1 million (previous year: EUR 0.0 million) and these were offset against acquisition costs.

16 Taxes

Current income tax assets and liabilities

Current income tax assets and liabilities for the current period and for previous periods are measured at the amount expected to be recovered or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those enacted as of reporting date.

Deferred taxes

Deferred tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences except of the following: In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, deferred tax liabilities are not recognised.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except the following:

- Deferred tax assets from deductible temporary differences which arise from the initial recognition of an asset or a liability in a transaction that is not a business combination and that, at the time of the business transaction, affect neither the accounting profit nor taxable profit or loss may not be recognised.
- Deferred tax assets from deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount for deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items that are recognised directly in equity are recognised in equity and not in the consolidated profit and loss statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisitions of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

17 Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments (interest rate swaps) to hedge against interest rate risks. These derivatives are initially recognised at fair value when the corresponding agreement is entered into and are subsequently measured at fair value. Derivative financial instruments are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. Measurement is derived using the mark-to-market method.

Deutsche Wohnen recognises concluded interest rate swaps on the basis of the hedge accounting regulations of IAS 39. In addition to documentation of the hedging correlation between the hedge and the underlying, one requirement for hedge accounting is proof of the effectiveness of the hedging correlation between the hedge and the underlying. If an effective correlation exists, the effective part of the value adjustment of the hedge is directly recognised in equity without affecting earnings. The non-effective part is recognised in the profit and loss statement. As far as the requirements for hedge accounting existed, the fair values of the hedging instruments were classified as current or non-current assets/liabilities. Deutsche Wohnen tested the effectiveness of the concluded interest hedges on a prospective (critical terms method) and a retrospective basis. In the case of derivative financial instruments which do not meet the criteria for hedge accounting, gains or losses from changes in fair value are immediately recognised in the profit or loss statement.

Deutsche Wohnen only hedges cash flows which relate to future interest expenses.

D NOTES TO THE CONSOLIDATED BALANCE SHEET

Non-current assets

1 Investment properties

Investment properties are recognised at fair value. Fair value developed as follows during the financial year:

	31/12/2010	31/12/2009
	in EUR k	in EUR k
Start of period	**2,835,483**	**2,900,673**
Acquisitions	83,377	0
Other additions	13,434	10.848
Disposals	−124,206	−63,009
Fair value adjustment	47,178	0
Transfer	−34,314	−13,029
End of period	**2,820,952**	**2,835,483**

The following principles were applied to the valuation as of 31 December 2010:

Based on the clusters:

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

Based on the properties:

- Determination of the market rent as of the reporting date
- Development of rent per sqm of lettable area based on market rent and in-place rent/current gross rent
- Development of costs (maintenance, administration, rental loss and non-recoverable expenses, ground rent (if applicable))
- Determination of cash flows from annual proceeds and payments and the terminal value at the end of year 10, based on the recurring cash flow expected in year 11 or an expected sales price less sales expenses
- Calculation of fair value based on the administrative unit as of the reporting date

The capitalisation and discount rates were derived based on the risk-free interest rate (10-year average of net yields of federal bonds: 2.95 %) and property-specific risk estimates. Discount rates of 6.10 % to 8.35 % were applied. The weighted average of the discount rates is 6.77 %. The capitalisation rates range from 4.75 % to 7.50 %. A capitalisation and discount rate shift of 0.1 % causes a fair value adjustment of EUR 47 million.

This results in an average value of EUR 926 per sqm and a multiplier of 13.7 based on the potential gross rental income as of 31 December 2010 and a multiplier of 14.4 based on the current gross rental income. The portfolio without fair value adjustment would have had an average value of EUR 910 per sqm. The increase in fair values of investment properties is due to the improvement in economic property parameters (rent levels, vacancy rates, discount rate).

The following principles were applied to the valuation as of 31 December 2009:

Based on the clusters:

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

Based on the properties:

- Determination of the market rent as of the reporting date
- Development of rent per sqm of lettable area based on market rent and in-place rent/current gross rent

- Development of costs (maintenance, administration, rental loss and non-recoverable expenses, ground rent (if applicable))
- Determination of cash flows from annual proceeds and payments and the terminal value at the end of year 10, based on the recurring cash flow expected in year 11 or an expected sales price less sales expenses
- Calculation of a fair value based on the administrative unit as of the reporting date

The capitalisation and discount rates were derived based on the risk-free interest rate (10-year average of net yields of federal bonds: 3.3 %) and property-specific risk estimates. Discount rates of 6.10 % to 8.35 % were applied. The weighted average of the discount rates is 6.77 %. The capitalisation rates range from 4.75 % to 7.50 %. A capitalisation and discount rate shift of 0.1 % causes a fair value adjustment of EUR 50 million.

This results in an average value of EUR 895 per sqm and a multiplier of 13.5 based on the potential gross rental income as of 31 December 2009 and a multiplier of 14.2 based on the current gross rental income.

The investment properties serve as collateral for the loans. There are also agreements in individual cases according to which the condition of the properties may not deteriorate.

Insofar as no significant deviations from the current market value determined as of the reporting date resulted from the valuation of the properties according to the parameters and assumptions above, the current market value from the previous year was carried forward.

All of the Group's investment properties are leased under operating leases. The rental income generated from this amounted to EUR 200.2 million (previous year: EUR 206.4 million). The expenses directly associated with the investment properties amounted to EUR 115.1 million (previous year: EUR 123.9 million).

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

2 Property, plant and equipment

Land and buildings, plant and equipment classified under IAS 16 are reported under this item. They developed as follows during the financial year:

	31/12/2010	31/12/2009
	in EUR k	in EUR k
Cost		
Start of period	23,536	24,166
Additions	1,046	1,433
Disposals	−818	−2,063
End of period	**23,764**	**23,536**
Cumulative depreciation and impairment		
Start of period	6,135	6,421
Additions	1,809	1,515
Disposals	−716	−1,801
End of period	**7,228**	**6,135**
Net carrying amounts	**16,536**	**17,401**

The land and buildings included in property, plant and equipment (EUR 8.8 million, previous year: EUR 9.1 million) are mainly property-secured.

3 Intangible assets

Intangible assets developed as follows:

	31/12/2010	31/12/2009
	in EUR k	in EUR k
Cost		
Start of period	6,887	5,716
Additions	434	1,171
Disposals	−362	0
End of period	6,959	6,887
Cumulative depreciation and impairment		
Start of period	2,329	1,064
Additions	1,235	1,265
Disposals	−88	0
End of period	3,476	2,329
Net carrying amounts	3,483	4,558

Intangible assets mainly comprise software licences.

4 Land and buildings held for sale

Proceeds of EUR 4.3 million (previous year: EUR 1.4 million) were generated in the financial year 2010. These are recognised in the segment reporting as revenues, in line with the presentation in internal reporting. The proceeds were partly offset by carrying amounts of assets sold of EUR 2.8 million (previous year: EUR 1.1 million).

5 Trade receivables

Receivables are made up as follows:

	31/12/2010	31/12/2009
	in EUR k	in EUR k
Receivables from rental activities	4,526	5,105
Receivables from the disposal of land	1,461	8,081
Other trade receivables	703	1,357
	6,690	14,543

Receivables from rental activities are interest-free and are always overdue. Impairments are made based on the age structure and/or according to whether the tenants are active or former tenants. Based upon this procedure, the extent of overdue, non-impaired receivables is very low.

In the financial year 2010, rental claims totalling EUR 1.0 million (previous year: EUR 1.6 million) were written off, while payments on written-off rental claims amounted to EUR 0.4 million (previous year: EUR 0.2 million). The impairment of receivables as of 31 December 2010 amounted to EUR 5.3 million (previous year: EUR 4.5 million).

Receivables from the disposal of land are interest-free and are due between 1 and 90 days.

The non-impaired receivables from the disposal of land are due as follows:

	Thereof, neither impaired nor overdue as of reporting date	Thereof, neither impaired nor overdue in the following periods as of reporting date			
		< 30 days	30 - 60 days	61 - 90 days	> 91 days
	in EUR k	in EUR k	in EUR k	in EUR k	in EUR k
2010	756	639	0	3	63
2009	7,805	115	3	95	63

Other receivables are interest-free and are due between 1 and 90 days.

6 Derivative financial instruments

The Deutsche Wohnen Group has concluded several interest hedges. The following overview illustrates the main contractual terms:

Nominal value	Strike	Term from	Maturity	31/12/2010	31/12/2009
EUR k				EUR k	EUR k
230,000	3.90 %	01/07/2003	01/07/2013	−12,549	−11,969
172,000	4.74 %	20/09/2007	29/12/2017	−21,854	−18,259
122,250	3.40 %	10/04/2006	31/12/2015	−5,417	−3,224
81,164	4.10 %	08/12/2006	30/12/2016	−6,554	−6,363
26,600	4.74 %	20/09/2007	29/12/2017	−3,380	−8,280
0	3.24 %	10/04/2006	31/12/2012	0	−2,045
23,400	4.18 %	18/01/2007	30/12/2016	−1,916	−2,891
50,000	4.09 %	10/04/2007	30/12/2016	−4,204	−3,107
50,000	4.68 %	20/03/2008	29/12/2017	−6,156	−5,090
50,000	3.89 %	21/07/2008	31/12/2013	−2,050	−2,100
45,000	3.88 %	10/07/2008	28/06/2013	−1,517	−1,670
0	3.47 %	30/06/2003	30/06/2013	0	−630
33,500	3.38 %	10/04/2006	31/12/2015	−1,471	−861
23,175	3.5 % - 4.5 %	29/07/2005	30/12/2016	−1,533	−1,264
30,000	3.45 %	10/04/2006	31/12/2015	−1,533	−900
0	4.06 %	10/04/2008	31/12/2015	0	−1,610
2,540	5.00 %	02/10/2006	03/10/2016	−204	−204
				−70,338	−70,467
162,000	2.79 %	10/07/2013	31/12/2018	5,918	0
40,950	2.93 %	10/10/2013	31/12/2020	2,177	0
34,000	2.79 %	10/07/2013	31/12/2018	1,172	0
				9,267	0
				−61,071	−70,467

There are no significant default risks as the interest rate swaps were concluded with major banks. If the interest rate level changes, the market values change accordingly. Income and expenses are recognised in equity for the effective part of a hedge, while the non-effective part is recognised within current earnings. If the interest rate level should rise/fall by 50 basis points, the fair value of the interest rate swap rises/falls by approximately EUR 27.0 million (previous year: EUR 28.6 million).

7 Cash and cash equivalents

The cash and cash equivalents of EUR 46.0 million (previous year: EUR 57.1 million) mainly consist of cash at banks, cheques and cash on hand. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rate. As of the reporting date, the Deutsche Wohnen Group had cash and cash equivalents amounting to EUR 16.8 million (previous year: EUR 11.5 million) which were restricted in use. This primarily relates to the cash funds of DB 14 and rental deposits.

8 Equity

Please refer to the consolidated statement of changes in equity for the development of equity.

a) Issued share capital

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

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

New shares issued due to a capital increase are issued as bearer shares.

With the consent of the Supervisory Board, the Management Board is authorised to increase the registered capital on one or more occasions up to 9 August 2011 by up to EUR 3,600,000 by issuing up to 3,600,000 new ordinary bearer shares in exchange for cash or non-cash contributions (authorised capital). The original authorised capital amounted to EUR 10,000,000.

The registered capital is contingently increased by up to EUR 10,000,000 by the issuance of new bearer shares with dividend rights from the start of the financial year in which they are issued (contingent capital I).

The contingent capital increase serves the issuance of shares to the owners or creditors of bonds with warrants or convertible bonds and of profit participation rights with conversion or option rights that are issued before 9 August 2011 by the company or a company which is 100 % directly or indirectly affiliated with the company, pursuant to the authorisation of the Annual General Meeting of 10 August 2006, and provided that the issuance has been made for cash. It shall only be exercised insofar as option or conversion rights related to the aforementioned bonds with warrants or convertible bonds or profit participation rights are exercised, or if the conversion obligations from such bonds are fulfilled and provided own shares are not used to service the obligations.

The registered capital is contingently increased by up to EUR 2,700,000 by the issuance of 2,700,000 new bearer shares with dividend rights from the start of the financial year in which they are issued (contingent capital II).

The contingent capital increase serves the issuance of shares to the owners or creditors of bonds with warrants or convertible bonds and of profit participation rights with option or conversion rights that are issued before 16 June 2013 by the company, or companies which are controlled or majority owned by the company, pursuant to the authorisation of the Annual General Meeting of 17 June 2008, and provided that the issuance has been made for cash. It shall only be exercised insofar as option or conversion rights related to the aforementioned bonds with warrants, convertible bonds or profit participation rights with option or conversion rights are exercised, or if conversion obligations from such bonds are fulfilled and provided own shares are not used to service the obligations.

b) Capital reserve

EUR 85.7 million was taken from the capital reserve in 2010 .

In 2009, the capital reserve increased by EUR 194.0 million due to premium payments related to the capital increase. The costs incurred due to the capital increase in the amount of EUR 11,700k and the income tax effects related to these costs (EUR 3,744k) were offset against the premium payments.

c) Retained earnings

Retained earnings comprise the revenue reserve of Deutsche Wohnen and the accumulated profit/loss carried forward.

The statutory reserve is mandatory for German publicly listed corporations. According to Section 150 (2) of the German Stock Corporation Act, an amount equivalent to 5 % of the profit for the financial year is to be retained. The statutory reserve has a cap of 10 % of the registered capital. In accordance with Section 272 (2) nos. 1-3 of the German Commercial Code (HGB), any existing capital reserve is to be taken into account and the provisions required for the statutory reserve are reduced accordingly. This is measured on the basis of the issued share capital which exists and is legally effective at the reporting date and which is to be reported in this amount in the respective annual balance sheet. The statutory reserve remains unchanged at EUR 1.0 million.

d) Non-controlling interests

Non-controlling interests relate to the GEHAG Group.

Non-current liabilities

9 Financial liabilities

The company has taken on bank loans particularly to finance property and company transactions and property purchases.

Financial liabilities are made up as follows:

	31/12/2010	31/12/2009
	in EUR m	in EUR m
Transaction financing	1,201.2	1,241.4
Property financing	583.2	561.1
Profit participation rights	0.1	0.2
	1,784.5	1,802.7
thereof non-current	1,339.0	1,722.0
thereof current	445.5	80.7
	1,784.5	1,802.7

The transaction financing was raised in to the context of company and portfolio acquisitions. These loans are floating-rate loans with a remaining term of between 4 and 8 years. The interest rate risks relating to these loans are hedged through interest rate derivatives.

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

	Nominal value	Residual balance 31/12/2010	Residual balance 31/12/2009	Maturity	Swap hedge	Interest rate
	in EUR k	in EUR k	in EUR k			
Syndicated loan	440,000	403,467	373,688	31/12/2012	95%	EURIBOR + margin
Loan 1						
Facility A	48,573	0	0	—	—	—
Facility B	64,653	0	1,534	06/05/2014	—	5.74%
Facility C	108,160	79,694	108,160	31/12/2017	—	EURIBOR + margin
Facility D	373,093	329,838	323,093	31/12/2017	79%	EURIBOR + margin
Facility E	30,000	29,724	30,000	31/12/2017	89%	EURIBOR + margin
Purchase loan 1	183,000	131,287	163,000	31/12/2015	89%	EURIBOR + margin
Purchase loan 2	230,000	172,584	184,792	31/12/2016	90%	EURIBOR + margin
Purchase loan 3	45,000	38,532	40,125	31/12/2015	83%	EURIBOR + margin
Purchase loan 4	19,000	16,064	17,040	31/12/2015	95%	EURIBOR + margin
	1,541,479	1,201,190	1,241,431			

As part of a downstream merger in 2002, GEHAG took over loans totalling EUR 421 million. With the credit agreement dated 15 October 2003, the borrowings and other financial liabilities taken on were converted into long-term project financing (syndicated loan of EUR 440 million). The syndicated loan is used as a rollover loan with its interest rate based on EURIBOR plus a margin. The loan was initially due to mature on 31 December 2012. The loan was refinanced in 2010 and was fully paid off in January 2011 so the item is recognised as current. Land charges, personally enforceable promises to pay, transfer of rights and claims from rent and lease agreements and purchase contracts serve as collateral.

Loan 1 relates to the financing of the share purchase of the GEHAG Group in 2007. The financial covenants for this loan are debt service coverage ratio and exit yield.

Purchase loans 1 and 2 can be used either as current or non-current loans. As of the reporting date, funds were only taken on as current EURIBOR loans. The purchase loans are due to mature on 31 December 2015/2016.

Purchase loans 3 and 4 relate to the financing of the properties used by the Nursing and Assisted Living segment.

Property financing relates to loans which are directly allocated to properties. These were taken on in the past primarily for acquisition or modernisation purposes. The average interest rates of these loans are between 0.0 % and 7.5 %. The loans with no or low interest rates — for which in return rents are granted at conditions below market rates — are measured at amortised cost.

The loan renewal structure based on current outstanding liability is as follows:

	Carrying amount 31/12/2010	Nominal value 31/12/2010	2011	2012	2013	2014	Greater than/ same as 2015
	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m
Loan renewal structure 2010	1,784.5	1,894.7	5.0	39.0	25.0	49.0	1,776.7
Loan renewal structure 2009	1,802.7	1,919.6	5.3	426.8	26.7	149.8	1,311.0

The liabilities are fully secured by property as collateral.

10 Convertible bonds

The convertible bonds were issued as part of the GEHAG acquisition on 31 July 2007. They could be converted into shares at any time between the day of issue and the date of repayment. At the time of issue, the bonds were convertible at a conversion price of EUR 45 per share. The principal amount of the convertible bonds is EUR 25.0 million, the equity component amounts to EUR 1.1 million. The debt component has developed as follows:

	31/12/2010	31/12/2009
	in EUR k	in EUR k
Opening balance debt component	26,657	25,430
Accrued interest	593	1,137
Payment	−27,250	0
Closing balance debt component	**0**	**26,567**

The convertible bonds were not converted into shares. They were repaid on 2 August 2010 at their principal value plus interest of 9 %.

11 Employee benefit liability

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

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

The level of pension obligations (defined benefit obligation of the pension commitments) was calculated in accordance with actuarial methods on the basis of an external expert report and the following factors:

	31/12/2010	31/12/2009
	in %	in %
Discount rate	4.51	5.20
Future salary increases	2.00	2.00
Future pension increases	1.75	1.75
Increase in the contribution assessment ceiling	2.00	2.00
Mortality tables	R 05G	R 05G

The future salary increases include expected future salary increases that depend, among other things, on the inflation rate and the length of service in the company.

Net pension expenses/income are made up as follows:

	31/12/2010	31/12/2009
	in EUR k	in EUR k
Interest cost	−2,087	−2,235
Service cost	−226	−227
Reversal	0	376
	−2,313	**−2,086**

The following overview shows the development of pension obligations:

	31/12/2010	31/12/2009
	in EUR k	in EUR k
Opening balance pension obligations	41,529	39,300
Pension payments	−2,745	−2,722
Interest cost	2,087	2,235
Service cost	226	227
Reversal	0	−376
Actuarial losses	3,650	2.865
Closing balance pension obligations	**44,747**	**41,529**

Pension commitments include old-age, disability, surviving spouse and surviving dependant pensions. They are based on the last fixed annual gross salary. Different benefit plans apply depending on the employee's position in the company.

The pro rata interest cost are recognised as "interest expenses" in the profit and loss statement, whilst current pension payments, service cost and adjustments to current pensions are recognised as "staff expenses".

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

	31/12/2010	31/12/2009	31/12/2008	31/12/2007	31/12/2006
	in EUR k	in EUR k	in EUR k	in EUR k	in EUR k
Defined benefit obligation	44,747	41,529	39,300	41,562	5,084
Experience-based adjustments	166	228	−874	−174	−30

Costs totalling EUR 3.4 million (previous year: EUR 3.3 million) were incurred for defined contribution pensions. Therefore, total expenses for retirement provisions (defined benefit and defined contribution) amounted to EUR 3.6 million (previous year: EUR 3.5 million). For 2011, based on the current number of employees, the cost will total EUR 3.4 million.

12 Liabilities to limited partners in funds

On the basis of individual agreements, Rhein-Pfalz Wohnen GmbH has granted the limited partners of DB 14 a put option relating to their limited partnership interests from 2005 to 2019. Under these agreements, the Group is obliged to acquire the interests initially (in 2005) at 105 % of the paid-in capital upon request. From 2005, the agreed purchase price for the interests increases by five percentage points per annum. Outstanding dividend payments are taken into account for limited partnership interests that are offered to us.

Liabilities developed as follows during the financial year:

	31/12/2010	31/12/2009
	in EUR k	in EUR k
Opening balance liabilities	49,125	48,006
Payment for tender	−28,416	−930
Dividend payments	0	−393
Accrued interest	1,778	2,442
Closing balance liabilities	**22,487**	**49,125**

Liabilities to limited partners in funds as of 31 December 2010 amount to EUR 22.0 million (previous year: EUR 8.3 million) and are recognised as current, since payments for the tenders in 2009 and 2010 have partly not yet been made and the remaining tenders are expected in 2011.

13 Other provisions

Provisions are made up as follows:

	Revitalisation	Restructuring	Other	Total
	in EUR k	in EUR k	in EUR k	in EUR k
Opening balance at start of period	9,884	1,784	4,835	16,503
Utilisation	−383	−1,153	−2,055	−3,591
Reversal	0	−411	−862	−1,273
Additions	63	0	1,552	1,615
Closing balance at end of period	**9,564**	**220**	**3,470**	**13,254**
thereof non-current	9,564	0	225	9,789
thereof current	0	220	3,245	3,465

The provision for revitalisation (EUR 9,564k; previous year: EUR 9,884k) relates to the privatisation agreement between the federal state of Berlin and GEHAG. According to this agreement, GEHAG is committed to invest an original total of EUR 25,565k in the improvement of housing conditions. There are no regulations in the agreement regarding the time period. The calculation assumes a period until 2017 and an interest rate of 4.1 %. The additions are related to the interest accrued for the provision.

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

14 Tax liabilities

Current and non-current tax liabilities (EUR 63.9 million; previous year: EUR 84.1 million) essentially include the present value from the settlement of the EK-02-holdings (EUR 57.8 million; previous year: EUR 80.1 million) in the Deutsche Wohnen Group. In accordance with the German Annual Taxation Act 2008 (JStG), the previous regulation regarding the treatment of EK-02-holdings was abolished and replaced by a flat-rate payment that is mandatory. In accordance with this, the closing balance of EK-02-holdings as of 31 December 2006 is taxed at a flat rate of 3 %, regardless of their utilisation. It is not applicable to the remaining holdings and triggers no further increases in German corporation income tax. The resulting tax amount is to be paid either within a period of ten years from 2008 to 2017 in ten equal annual instalments or at the present value in a lump-sum payment. The total EK-02-capital reserves of the Deutsche Wohnen Group amount to EUR 3.2 billion. The valuation was based on an interest rate of 4.2 %. Furthermore it is assumed, that the payment will be in ten annual instalments and not in a lump-sum payment at the present value.

15 Deferred taxes

Deferred taxes are made up as follows:

	31/12/2010	Change	31/12/2009
	in EUR k	in EUR k	in EUR k
Deferred tax assets			
Property	31,473	−20,462	51,935
Pensions	3,595	1,002	2,593
Prepayment penalties	582	−255	837
Loss carry-forwards	20,991	2,958	18,033
Provisions	3,007	−96	3,103
Swap	19,003	−2,924	21,927
	78,651	**−19,777**	**98,428**
Deferred tax liabilities			
Loans	25,461	1,563	27,024
Property	64,862	−11,465	53,397
Special items	1,698	−707	991
	92,021	**−10,609**	**81,412**
Deferred taxes (net)	**−13,370**	**−30,386**	**17,016**
thereof			
Recognised directly in equity	−1,884		7,215
Recognised in profit/loss	−28,502		−11,098
	−30,386		**−3,883**

The actuarial gains and losses from pensions and the changes in the current market value of the effective hedges are recognised directly in equity not affecting net income. The resulting deferred taxes are also recognised directly in equity and amount to EUR 1.1 million (previous year: EUR 0.9 million) for the actuarial profits and losses and to EUR −3.0 million (previous year: EUR 6.3 million) for the changes in the current market value of the effective hedges.

Deutsche Wohnen has corporation tax loss carry-forwards totalling EUR 1.1 billion (previous year: EUR 1.2 billion) and trade tax loss carry-forwards totalling EUR 0.9 billion (previous year: EUR 1.0 billion). Corporation tax loss carry-forwards that were not capitalised amount to approximately EUR 1.0 billion, trade tax loss carry-forwards to approximately EUR 0.9 billion. In general, loss carry-forwards do not expire. Deferred tax assets regarding tax loss carry-forwards were capitalised only to the extent of existing deferred tax liabilities.

16 Leases

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

In 2011, Deutsche Wohnen will receive minimum lease payments totalling approximately EUR 48 million (previous year: EUR 51 million) from existing operating lease agreements with third parties from the current property portfolio (implied legal period of notice three months). Furthermore, Deutsche Wohnen will receive minimum lease payments totalling EUR 34 million (previous year: EUR 34 million) from the properties connected with Nursing and Assisted living in 2011, between one and five years totalling approximately EUR 136 million (previous year: EUR 136 million), and more than five years totalling approximately EUR 170 million (previous year: EUR 170 million). This is based on an assumption of a remaining lease of five years after the fifth year. The tenancy agreements are for an indefinite period and end upon the death of the tenant or upon termination by the landlord in the event of a default of payments.

E NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

The consolidated profit and loss statement is prepared using the total cost method.

17 Revenues

Revenues are made up as follows:

	2010	2009
	in EUR k	in EUR k
Residential Property Management	264,123	270,096
Nursing and Assisted Living	33,156	34,160
Other services	532	2,074
	297,811	**306,331**

Revenues from Residential Property Management are made up as follows:

	2010	2009
	in EUR k	in EUR k
Potential gross rental income and other income	200,216	206,403
Vacancy loss	−9,683	−12,446
Current gross rental income and other income	**190,533**	**193,958**
Revenue from billing of cost allocations	73,590	76,138
	264,123	**270,096**

18 Expenses for purchased goods and services

Expenses for purchased goods and services are made up as follows:

	2010	2009
	in EUR k	in EUR k
Expenses for Residential Property Management	115,083	123,921
Expenses for Nursing and Assisted Living	7,185	9,161
Other expenses	321	1,692
	122,589	**134,774**

Expenses from Residential Property Management are made up as follows:

	2010	2009
	in EUR k	in EUR k
Operating expenses	79,966	82,678
Maintenance	27,958	30,080
Other expenses	7,159	11,163
	115,083	**123,921**

19 Staff expenses

The Deutsche Wohnen Group employed on average 1,238 employees in the financial year 2010 (previous year: 1,222 employees):

Employees	2010	2009
Residential (including holding company)	333	342
Nursing and Assisted living	905	880
	1,238	**1,222**

20 Other operating expenses

Other operating expenses are made up as follows:

	2010	2009
	in EUR k	in EUR k
Cost of data processing and communications	4,411	4,771
Ongoing legal, consultancy and audit costs	2,197	1,355
Impairment and amortisation of receivables	2,336	2,493
Cost of sales/Marketing cost	3,343	2,960
Cost of office space	1,882	1,928
Vehicle and travel expenses	708	1,252
Insurance	313	391
Administrative and miscellaneous expenses	13,940	11,337
	29,130	26,488

21 Restructuring and reorganisation expenses

Restructuring and reorganisation expenses primarily include staff expenses (EUR 0.0 million, previous year: EUR 3.4 million) for severance payments and salary payments to redundant or retired employees, as well as expenses associated with integration and reorganisation (EUR 0.0 million, previous year: EUR 4.4 million).

22 Finance expense

Finance expense is made up as follows:

	2010	2009
	in EUR k	in EUR k
Current interest expenses	86,250	97,736
Accrued interest on liabilities and pensions	13,878	15,275
Prepayment penalties	23,600	6,231
	123,728	119,242

Prepayment penalties comprise payments for the termination of interest rate swaps ahead of maturity (EUR 15.3 million, previous year: EUR 0.0 million) and payments for the termination/refinancing of loans (EUR 8.3 million, previous year: EUR 6.2 million).

23 Income taxes

Companies resident in Germany that have the legal form of a corporation are subject to German corporation tax of 15 % (previous year: 15 %) and a solidarity surcharge of 5.5 % (2009 and 2008) of corporation tax levied. These entities are also subject to trade tax, the amount of which depends on the tax rates set by local authorities. Companies in the legal form of a partnership are only subject to trade tax. The profit less trade tax is assigned to the partners for corporation tax purposes. Limited use of corporation and trade tax loss carry-forwards is to be taken into account from the assessment period 2004 onwards. As a result, a positive tax assessment basis up to EUR 1.0 million may be reduced by an existing loss carry-forward without limitation; amounts over EUR 1 million may only be reduced by up to 60 %.

The 2008 Corporate Tax Reform Act (UStRG) was passed by resolution of the Bundesrat (Federal Council of Germany) on 6 July 2007. The law is primarily intended to reduce tax rates and, for reciprocal financing purposes, broaden the assessment basis; the deductibility of interest expenses is limited to 30 % of the taxable EBITDA; in future, trade tax will no longer be a tax-deductible expense. The anticipated nominal income tax rate for 2010 for the Group's parent company Deutsche Wohnen AG is 31.93 %. This tax rate was already used for the calculation of deferred tax assets/liabilities as of 31 December 2010 and 2009.

Income tax expense/benefit is made up as follows:

	2010	2009
	in EUR k	in EUR k
Current tax expense		
Current income tax charge	−4,832	−1,788
Tax advantage from capital increase costs	0	−3,744
	−4,832	**−5,532**
Deferred tax expense		
Property	−31,927	−15,137
Loss carry-forwards	2,958	3,081
Loans	1,563	1,909
Other provisions	−96	−907
Interest rate swaps	73	211
Pensions	−111	0
Other	−962	−255
	−28,502	**−11,098**
	−33,334	**−16,630**

The reconciliation of tax expense/benefit is provided in the following overview:

	2010	2009
	in EUR k	in EUR k
Consolidated accounting profit before taxes	57,139	3,352
Applicable tax rate	31.93 %	31.93 %
Resulting tax expense/benefit	**−18,244**	**−1,070**
Non-capitalised tax losses, amortisation of capitalised loss carry-forwards, previous years and changes in the tax balance sheet	−11,878	−11,523
Tax benefit from capital increase costs	0	−3,744
Other effects	−3,212	−292
	−33,334	**−16,630**

For the financial year 2010, current income tax expense takes into account expenses relating to other periods totalling EUR 4.1 million (previous year: EUR 0.9 million), included in other effects in the table above.

F SEGMENT REPORTING

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

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

Residential Property Management

Deutsche Wohnen's core business activity is the management of residential properties in the context of an active asset management. Asset management includes the modernisation and maintenance of the property portfolio of Deutsche Wohnen, the management of tenancy agreements, support for tenants and the marketing of apartments. The focus of property management is on the optimisation of rental income. Therefore, rental increase potential is examined continuously in the course of ongoing maintenance, tenant turnover is used as an opportunity to create value, and services are purchased based on best-available prices for real savings and passed on to the tenant.

Disposals

The Disposals segment is another pillar of the Deutsche Wohnen Group's operating activities. Privatisation can either take place as individual privatisation, i.e. by selling an individual residential unit (e.g. to a tenant), or it takes place as bloc sales.

The Disposals segment includes all aspects of the preparation and execution of the sale of apartments from our property portfolio as part of the ongoing portfolio optimisation and streamlining process.

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

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

Nursing and Assisted Living

The Nursing and Assisted Living segment is operated by KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH (KATHARINENHOF®) and comprises the marketing and management of nursing and residential care homes as well as services for the care of the senior citizens who live in these homes.

Inter-company transactions primarily concern agency agreements which are carried out according to usual market conditions.

The segment reporting is attached to the notes to the consolidated financial statements as Appendix 2.

The reconciliation of the segment assets to the consolidated balance sheet is illustrated in the following table:

	31/12/2010	**31/12/2009**
	in EUR m	**in EUR m**
Segment assets	2,957.2	2,978.4
Deferred taxes	78.7	98.4
Income tax receivables	2.3	2.5
	3,038.2	3,079.3

G NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated cash flow statement shows how the Group's cash position has changed during the financial year due to the inflow and outflow of funds. In accordance with IAS 7 ("Cash Flow Statements"), a distinction is made between cash flows from operating and from investing and financing activities.

In total, EUR 16.8 million (previous year: EUR 11.5 million) were restricted in use to the Group. This relates to the cash and cash funds of DB 14 and rental deposits administered in a fiduciary capacity. A maturity of up to three months results from the contractual conditions of these cash and cash equivalents.

The Group has funds amounting to EUR 101 million (previous year: EUR 133.8 million) at its disposal from existing financing commitments (including additional loans from January 2011) that had not been utilised as of the reporting date.

Cash flows from investing and financing activities are determined when payments are made. However, the cash flow from operating activities is indirectly derived from the Group's profit/loss.

H EARNINGS PER SHARE

In order to calculate the basic earnings per share, the consolidated earnings are divided by the weighted number of shares outstanding in the financial year.

In order to calculate the diluted earnings per share, the consolidated earnings are adjusted for the interest expenses related to the convertible bonds and are divided by the weighted number of shares outstanding in the financial year, including the shares which would result from the conversion.

The following table displays the figures used to calculate the basic and diluted earnings per share:

	2010	2009
	in EUR k	in EUR k
Consolidated earnings for calculation of basic earnings per share	23,805	−13,277
./. convertible bond interest (after taxes)	—	1,137
Adjusted consolidated earnings for the calculation of diluted earnings per share	**23,805**	**−12,140**

	2010	2009
Shares issued at start of period	81,840	26,400
Shares issued as of 6 October 2009	0	55,440
Shares issued at end of period	81,840	81,840
Average of shares issued, basic	**81,840**	**39,463**
+ conversion rights	0	556
Average of shares issued, diluted	**81,840**	**40,019**

The convertible bonds were repaid and not converted, so the earnings per share were unaffected.

The earnings per share for continuing operations amount to:

	2010	2009
	in EUR	in EUR
Earnings per share		
Basic	0.29	−0.34
Diluted	0.29	−0.34

No dividends were paid in 2010 and 2009. A dividend of EUR 0.20 per share is planned for the financial year 2010.

I OTHER DISCLOSURES

Risk management

General information on risk management

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

Risk management is an ongoing process which is divided into the following phases:

- Establishing standards
- Risk identification and analysis
- Risk management
- Reporting
- Risk controlling

Risks are monitored in a professional and timely manner in accordance with the risk management guidelines established by management. The risk management guidelines establish the roles and responsibilities, set the basic principles of the RMS and define the framework for the evaluation and management of risks. Risk is proactively managed by using risk early warning systems.

The measures relating to financial risk management are described below:

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

The Group also carries out derivative transactions in the form of interest rate swaps. The purpose of these derivative financial instruments is to manage interest rate risks that result from the Group's business activities and its sources of finance. There has been no trading of interest rate swaps, nor will there be any future trading in this area.

The following table illustrates the classification of the financial instruments into appropriate classes in accordance with IFRS 7.6 together with their allocation to valuation categories in accordance with IAS 39:

	Balance sheet measurement in accordance with IAS 39				
	Valuation category in accordance with IAS 39	Carrying amount 31/12/2010	Amortised cost	Fair Value recognised in profit/loss	Fair Value 31/12/2010
		in EUR k	in EUR k	in EUR k	in EUR k
Assets					
Trade receivables	(1)	6,690	6,690		6,690
Derivative financial instruments	(4)	9,267			9,267
Other assets	(1)	1,945	1,945		1,945
Cash and cash equivalents	(1)	46,016	46,016		46,016
Equity and liabilities					
Financial liabilities	(2)	1,784,519	1,784,519		1,784,519
Liabilities to limited partners in funds	(3)	22,487		22,487	22,487
Trade payables	(2)	29,236	29,236		29,236
Other liabilities	(2)	27,777	27,777		27,777
Derivative financial instruments	(4)	70,338			70,338
(1) Loans and receivables		54,651			
(2) Liabilities carried at amortised cost		1,841,532			
(3) Liabilities carried at fair value and recognised in profit/loss		22,487			
(4) Not attributable to a category		**61,071**			

	Balance sheet measurement in accordance with IAS 39				
	Valuation category in accordance with IAS 39	Carrying amount 31/12/2009	Amortised cost	Fair Value recognised in profit/loss	Fair Value 31/12/2009
		in EUR k	in EUR k	in EUR k	in EUR k
Assets					
Trade receivables	(1)	14,543	14,543		14,543
Other assets	(1)	3,182	3,182		3,182
Cash and cash equivalents	(1)	57,095	57,095		57,095
Equity and liabilities					
Financial liabilities	(2)	1,802,717	1,802,717		1,802,717
Convertible bond	(2)	26,567	26,567		26,567
Liabilities to limited partners in funds	(3)	49,125		49,125	49,125
Trade payables	(2)	23,182	23,182		23,182
Other liabilities	(2)	21,723	21,723		21,723
Derivative financial instruments	(4)	70,467			70,467
(1) Loans and receivables		74,820			
(2) Liabilities carried at amortised cost		1,874,189			
(3) Liabilities carried at fair value and recognised in profit/loss		49,125			
(4) Not attributable to a category		**70,467**			

The fair values of liabilities to limited partners in funds and of derivative financial instruments were derived on the basis of generally accepted valuation methodologies that use observable market parameters.

The following overview shows the contractual payments (non-discounted interest payments and scheduled redemption payments):

	Carrying amount 31/12/2010	2011	2012	2013	> 2014
	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m
Financial liabilities	1,784.5	112.2	112.2	112.2	1,558.1
Liabilities to limited partners in funds[1]	22.5	22.5			
Liabilities from taxes	63.9	15.7	9.6	9.6	32.3
Trade payables	29.2	29.2			
Other liabilities	27.8	27.8			

	Carrying amount 31/12/2009	2010	2011	2012	> 2013
Financial liabilities[1]	1,802.7	122.9	122.9	122.9	1,550.9
Convertible bond	26.6	27.3			
Liabilities to limited partners in funds	49.1	49.1			
Liabilities from taxes	84.1	28.6	9.6	9.6	36.3
Trade payables	23.2	23.2			
Other liabilities	**21.7**	**21.7**			

1) *The actual payments depend on the extent to which the limited partners exercise their options to tender their shares, making payment estimates uncertain.*

2010	Interest	Impairment	Fair value	Net loss
	in EUR k	in EUR k	in EUR k	in EUR k
Loans and receivables		937		937
Assets carried at fair value and recognised in profit/loss				0
Liabilities carried at amortised cost	95,430			95,430
Liabilities carried at fair value and recognised in profit/loss	1,778			1,778
	97,208	937	0	98,145

2009	Interest	Impairment	Fair value	Net loss
	in EUR k	in EUR k	in EUR k	in EUR k
Loans and receivables		1,577		1,577
Assets carried at fair value and recognised in profit/loss				0
Liabilities carried at amortised cost	105,062			105,062
Liabilities carried at fair value and recognised in profit/loss	2,442			2,442
	107,504	1,577	0	109,081

The significant risks to the Group arising from financial instruments comprise interest-related cash flow risks, liquidity risks, default risks and market price risks. Company management prepares and reviews risk management guidelines for each of these risks, as outlined below:

Default risk

Default risks, or the risk that a partner will not be able to meet its obligations, are managed by using exposure limits and control processes. If appropriate, the company is provide with collateral. Deutsche Wohnen does not face any considerable default risk, either from partners or from groups of partners with similar characteristics. The maximum default risk is the carrying amount of the financial assets as reported in the balance sheet.

Liquidity risk

The Group reviews the risk of liquidity shortfalls daily by using a liquidity planning tool. This tool takes into account the inflows and outflows of cash from the operating activities and payments relating to financial liabilities.

Deutsche Wohnen seeks to ensure that sufficient liquidity is available to meet future obligations at all times. Deutsche Wohnen currently has a debt capital ratio of approximately 71 % (previous year: 72 %) and a Loan-to-Value Ratio (= total financial liabilities divided by investment properties) of 60.6 % (previous year: 61.5 %).

Interest-related cash flow risks

The interest rate risk to which the Group is exposed is mainly derived from non-current financial liabilities with floating interest rates.

The Group's interest expenses are managed by a combination of fixed-interest and floating-rate debt capital. To make this combination of fixed-interest and floating-rate debt capital cost-efficient, the Group concludes interest rate swaps at specified intervals by which it exchanges the difference between the fixed-interest and floating-rate amounts as determined on the basis of an agreed nominal value with the contractual partner.

These interest rate swaps hedge the underlying debt capital. Accordingly, interest rate risk only exists for floating-rate financial liabilities that are not hedged by interest rate swaps. Applied to these financial liabilities, an increase/reduction of 1 % in the interest rate at the reporting date would have led to an increase/ reduction in the interest expenses of EUR 4.2 million (previous year: EUR 0.6 million).

Market risks

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

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

Fair value risks can primarily result from fixed-interest loans. A significant share of Deutsche Wohnen's liabilities due to banks are fixed-interest liabilities and interest hedged. As such, the impact of fluctuations in interest rates can be estimated for the medium term.

Capital management

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

Management of the capital structure takes into account liabilities to banks and other creditors, and convertible bonds.

The key figures for capital management are:

- The equity/debt capital ratio and the leverage ratio

The Group aims to achieve an equity ratio of 30%. Future investments will therefore be based on balanced financing, amongst other things. The current equity ratio amounts to 29 % (previous year: 28 %).

• Loan-to-Value Ratio

The ratio of financial liabilities compared to the value of investment properties is defined as the Loan-to-Value Ratio.

	31/12/2010	31/12/2009
	in EUR m	in EUR m
Financial liabilities	1,784.5	1,802.7
Convertible bond	0.0	26.6
Cash and cash equivalents	**1,784.5**	**1,829.3**
Net financial liabilities	−46.0	−57.1
	1,738.5	1,772.2
Investment properties	2,821.0	2,835.5
Non-current assets held for sale	34.3	25.1
Land and buildings held for sale	15.2	18.4
	2,870.4	2,879.0
Loan-to-Value Ratio	60.6 %	61.5 %

Hedging

As of 31 December 2010 and 31 December 2009, there were various interest hedges (payer swaps), through which variable interest rate conditions can be exchanged for fixed interest rate conditions. The non-effective part shown in the consolidated profit and loss statement amounts to EUR 0.2 million (previous year: 1.2 million).

Events after the reporting date

After the fund advised by the U.S. financial investor Oaktree Capital Management L.P. ("Oaktree") placed half of its 22.7 % stake (11.35 %) with institutional investors in October 2010, Oaktree informed us on 1 February 2011 by way of a voting rights notification pursuant to the German Securities Trading Act (WpHG) that its remaining shareholding of 11.35 % had also been sold to institutional investors.

We are not aware of any other significant events after the reporting date.

Commitments and contigencies

Heritable building right contracts result in annual financial commitments of EUR 1.2 million (previous year: EUR 1.1 million).

Other financial commitments relating to agency agreements concerning IT services amount to EUR 11.9 million (previous year: EUR 12.9 million).

One Group company (Rhein-Pfalz Wohnen GmbH) has been certified as a development and redevelopment agency (Sections 158 and 167 of the German Federal Building Code (BauGB). Rhein-Pfalz Wohnen GmbH performs the duties bestowed to it by local authorities as their trustee.

As of 31 December 2010, the company had cash at banks amounting to EUR 3.3 million (previous year: EUR 3.3 million) at its disposal in a fiduciary capacity in relation to property renovation and development measures. The fiduciary tasks of Rhein-Pfalz Wohnen GmbH were transferred to the development company Rhein-Pfalz GmbH & Co. KG as of 30 June 2001 under the terms of the agency agreement entered into with this company.

Lease commitments

Payments from leasing agreements of up to one year amount to EUR 2.5 million (previous year: EUR 2.6 million), of one to five years EUR 7.7 million (previous year: EUR 4.1 million), and of more than five years EUR 2.0 million (previous year: EUR 0.6 million).

Auditors' services

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

	2010	2009
	in EUR k	in EUR k
Audit	403	431
Other certification and valuation services	0	1,291
Tax advice	181	226
Other services	81	955
	665	2,903

The expenses for other certification and valuation services relate to services rendered in the context of the capital increase in 2009. These expenses comprise pure certification services and the insurance premium. Other services in 2009 primarily include project-accompanying audit work in the context of the introduction of SAP.

Related party disclosures

Companies and persons who have the possibility of controlling or exercising a significant influence on the financial and business policies of the Deutsche Wohnen Group are considered to be related parties. Existing control relationships were taken into account when defining the significant influence that the Deutsche Wohnen Group's related parties have on its financial and business policies.

Related companies

The affiliated companies, jointly controlled entities and associates included in the consolidated financial statements are to be considered related companies.

Service- and cash management agreements exist within the Group. Services between the companies are eliminated on consolidation.

Related parties

The following persons are to be considered related parties:

Name	Memberships in supervisory boards and other executive bodies within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Michael Zahn, economist, Chief Executive Officer	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Chairman of the Supervisory Board) GEHAG GmbH, Berlin (Chairman of the Supervisory Board as of 8 September 2010) Sanierungs- und Gewerbebau-AG, Aachen (Chairman of the Supervisory Board until 25 July 2010) Haus und Heim Wohnungsbau-AG, Berlin (Member of the Supervisory Board until 25 November 2010 and Chairman of the Supervisory Board from 15 July 2010 until 25 November 2010)
Helmut Ullrich, assessor, Chief Financial Officer	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Member of the Supervisory Board)

Members of the Supervisory Board of Deutsche Wohnen AG

The Supervisory Board is made up as follows:

Name	Occupation	Memberships in supervisory boards and other executive bodies within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Hermann T. Dambach, Chairman	Managing Director of Oaktree GmbH, Frankfurt/Main	GEHAG GmbH, Berlin (Member of the Supervisory Board until 25 March 2010) Nordenia International AG, Greven (Deputy Chairman of the Supervisory Board) Sanierungs- und Gewerbebau-AG, Aachen (Member of the Supervisory Board until 25 July 2010) R&R Ice Cream Ltd., North Yorkshire/United Kingdom (Board Member) OCM German Real Estate Holding AG, Hamburg (Deputy Chairman of the Supervisory Board)
Dr. Andreas Kretschmer, Deputy Chairman	Managing Director of Ärzteversorgung Westfalen-Lippe Einrichtung der Ärztekammer Westfalen-Lippe - KöR -, Münster	BIOCEUTICALS Arzneimittel AG, Bad Vilbel (Chairman of the Supervisory Board) IVG Institutional Funds GmbH, Wiesbaden (Member of the Supervisory Board) Private Life Biomed AG, Hamburg (Chairman of the Supervisory Board) Biofrontera AG, Leverkusen (Deputy Chairman of the Supervisory Board) TRITON, St Helier/Jersey (Advisory Committee) GEHAG GmbH, Berlin (Member of the Supervisory Board until 25 March 2010)
Dr. Jens Bernhardt (until 31 July 2010)	Managing Partner, Bernhardt Advisory GmbH, Bad Homburg	GEHAG GmbH, Berlin (Member of the Supervisory Board until 25 March 2010)
Matthias Hünlein	Managing Director, Tishman Speyer Properties Deutschland GmbH, Frankfurt/Main	A.A.A. Aktiengesellschaft Allgemeine Anlagenverwaltung, Frankfurt/Main (Member of Supervisory Board)
Dr. Florian Stetter	Real Estate Agent	GEHAG GmbH, Berlin (Member of the Supervisory Board until 25 March 2010) CalCon Deutschland AG, Munich (Member of the Supervisory Board since 19 November 2010)
Uwe E. Flach	Senior Advisor, Oaktree GmbH, Frankfurt/Main	Nordenia International AG, Greven (Chairman of the Supervisory Board) Haus und Heim Wohnungsbau-Aktiengesellschaft, Berlin (Chairman of the Supervisory Board until 27 August 2010) GEHAG GmbH, Berlin (Chairman of the Supervisory Board until 25 March 2010) OCM German Real Estate Holding AG, Hamburg (Chairman of the Supervisory Board) Versatel AG, Düsseldorf (Member of the Supervisory Board)
Dr. Michael Leinwand (from 18 August 2010)	Chief Investment Officer, Zurich Beteiligungs-AG, Frankfurt/Main	

Transactions with related parties

The CEO Michael Zahn purchased a multiple-occupancy house from GEHAG GmbH for a price of EUR 0.3 million in the financial year 2010. The purchase price was paid and risks and rewards were transferred in 2011. This sale was approved by the Supervisory Board.

After termination of his Supervisory Board appointment, Dr. Jens Bernhardt concluded a service agreement between Bernhardt Advisory GmbH and Deutsche Wohnen Corporate Real Estate GmbH for the provision of consultancy services relating to the sale and purchase of properties and companies. As of 31 December 2010, Deutsche Wohnen Corporate Real Estate GmbH had paid gross fees of EUR 5k to Bernhardt Advisory GmbH with respect to the services provided under this contract. The fess are at usual market conditions.

Remuneration of the Management Board and Supervisory Board

The following expenses for remuneration of the Management Board were incurred:

	2010		2009	
	Michael Zahn	Helmut Ullrich	Michael Zahn	Helmut Ullrich
	in EUR k	in EUR k	in EUR k	in EUR k
Fixed remuneration	300	275	300	300
Variable remuneration components				
Short-term incentive				
short-term due	400	120	275	215
long-term due	—	30	—	—
Long-term incentive (PSU-Plan)	—	125	—	—
Supplementary payments	**26**	**23**	**12**	**15**

In 2010 EUR 120k of the variable remuneration components of Helmut Ullrich, is due/paid out short-term. The remaining EUR 30k will be paid after further three years, depending on the economic situation of the company. Helmut Ullrichs' actual amount of remuneration from the long-term incentive (PSU Plan) will depend on the development of the underlying key figures (NAV, FFO, share price) until 31 December 2013. The value of the PSU Plan would amount to EUR 230k on basis of the figures as of 31 December 2010.

There is no employee benefit liability for current or retired members of the Management Board or Supervisory Board.

Supervisory Board remuneration was amended by resolution of the Annual General Meeting on 17 June 2008. Based on this resolution, each member of the Supervisory Board receives fixed remuneration of EUR 20,000, the Chairman of the Supervisory Board receives double that amount, and the Deputy Chairman of the Supervisory Board receives one and a half times that amount as remuneration. Supervisory Board remuneration for the financial year amounted to EUR 150k or EUR 174k including German value added/sales tax.

Corporate governance

The Management Board and the Supervisory Board submitted a declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders online (www.deutsche-wohnen.com).

Frankfurt/Main, Germany,
25 February 2011

Michael Zahn
Chief Executive Officer

Helmut Ullrich
Chief Financial Officer

SHAREHOLDINGS***
as at 31 December 2010

Company and registered office	Shareholding		Equity	Profit/loss	Reporting date
	%		EUR k	EUR k	
Aufbau-Gesellschaft der GEHAG mbH, Berlin	100.00	*	2,163.8	635.8	2010
AVUS Immobilien Treuhand GmbH & Co. KG, Berlin	100.00	*	428.6	−20.1	2009
DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn	74.42	*	30,739.9	−601.2	2008
Deutsche Wohnen Asset Immobilien GmbH, Frankfurt/Main	100.00	*	25.0	0.0	2010
Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt/Main	100.00	*	−904.6	0.0	2010
Deutsche Wohnen Corporate Real Estate GmbH, Berlin	100.00		25.0	0.0	2010
Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt/Main	100.00	*	−100,362.7	−406.7	2010
Deutsche Wohnen Fondsbeteiligungs GmbH, Berlin	100.00		25.0	0.0	2010
Deutsche Wohnen Management GmbH, Berlin	100.00	****	25.0	0.0	2010
Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main	100.00		25.6	0.0	2010
Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin	100.00		25.2	−9.0	2010
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung, Berlin	94.90	*	11,889.8	1,556.9	2010
Fortimo GmbH, Berlin	100.00	*	6,127.2	0.0	2010
GbR Fernheizung Gropiusstadt, Berlin	44.26	*	621.8	−34.4	2010
GEHAG Akquisition Co. GmbH, Berlin	100.00	*	980.2	−173.6	2010
GEHAG Dritte Beteiligungs GmbH, Berlin	100.00	*	378.8	353.8	2010
GEHAG Erste Beteiligungs GmbH, Berlin	100.00	*	33.6	0.0	2010
GEHAG Erwerbs GmbH & Co. KG, Berlin	99.99	*	20,342.8	−44.7	2010
GEHAG GmbH, Berlin	100.00	*	132,598.6	17,679.2	2010
GEHAG Immobilien Management GmbH, Berlin	100.00	*	25.0	5.8	2010
GEHAG Zweite Beteiligungs GmbH, Berlin	100.00	*	−154.4	−4,416.8	2010
Haus und Heim Wohnungsbau-GmbH, Berlin	100.00	*	2,798.7	0.0	2010
HESIONE Vermögensverwaltungsgesellschaft mbH, Frankfurt/Main	100.00	*	18.0	−5.4	2010
KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin	100.00	*	1,950.0	0.0	2010
KATHARINENHOF® Service GmbH, Berlin	100.00	*	25.0	0.0	2010
Main-Taunus Wohnen GmbH & Co. KG, Eschborn	99.99	**	8,950.2	4,604.1	2010
Rhein-Main Wohnen GmbH, Frankfurt/Main	100.00	*	205,499.2	23,999.9	2010
Rhein-Mosel Wohnen GmbH, Mainz	100.00	*	126,114.7	15,117.9	2010
Rhein-Pfalz Wohnen GmbH, Mainz	100.00		31,017.0	0.0	2010
RMW Projekt GmbH, Frankfurt/Main	100.00	*	16,238.3	7.7	2010
Sophienstraße Aachen Vermögensverwaltungsgesellschaft mbH, Berlin	100.00	*	2,193.0	0.0	2010
Sanierungs- und Gewerbebau GmbH & Co. KG, Aachen	100.00	*	1,405.0	260.7	2010
Seniorenstift Zeuthen GmbH, Berlin	100.00	*	25.0	0.0	2010
Stadtentwicklungsgesellschaft Eldenaer Straße mbH i.L., Berlin	50.00	*	257.4	−84.2	2009
Wohn- und Pflegewelt Lahnblick GmbH, Bad Ems	100.00	*	152.1	−85.2	2010

* *direct shareholdings*

** *direct and indirect shareholdings*

*** *additionally, the company is indirectly involved in working groups*

**** *exemption pursuant to Section 264 (3) of the German Commercial Code (HGB)*

CONSOLIDATED SEGMENT REPORTING
for the financial year 2010

	External revenue		Internal revenue		Total revenue		Segment profit/loss		Assets		Depreciation and amortisation	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m
Segments												
Residential Property Management	264.1	272.2	2.1	2.1	266.2	274.3	150.9	151.0	2,829.6	2,840.6	0.0	0.0
Disposals	171.7	85.7	7.6	0.0	179.3	85.7	12.7	9.7	52.8	51.6	0.0	0.0
Nursing and Assisted Living	40.6	38.8	0.0	0.0	40.6	38.8	8.9	9.1	2.8	2.1	−0.3	−0.4
Reconciliation with consolidated financial statements												
Central functions and other operating activities	0.5	0.0	28.8	49.3	29.4	49.3	−36.4	−36.3	72.0	84.1	−2.7	−2.4
Consolidation and other reconciliation	−179.1	−90.3[1)]	−38.5	−51.4	−217.6	−141.7	0.0	0.0	0.0	0.0	0.0	0.0
	297.8	**306.3**	**0.0**	**0.0**	**297.8**	**306.3**	**136.1**	**133.5**	**2,957.2**	**2,978.4**	**−3.0**	**−2.8**

1) *Reconciliation items mainly comprise proceeds from disposals, as these are not recognised as revenues in the consolidated profit and loss statement.*

The following auditor's report (Bestätigungsvermerk) refers to the consolidated financial statements prepared on the basis of International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] as well as the group management report prepared on the basis of German commercial law (HGB) of Deutsche Wohnen AG for the fiscal year ended December 31, 2010 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages. The above-mentioned auditor's report (Bestätigungsvermerk) and consolidated financial statements are both translations of the respective German-language documents.

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Deutsche Wohnen AG, Frankfurt/Main, comprising the balance sheet, the profit and loss statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2010 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 the applicable financial reporting framework 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 expectations as to 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 those entities included in consolidation, the determination of entities 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, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, February 28, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Völker	Glöckner
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG FOR THE YEAR ENDED DECEMBER 31, 2009 (IFRS)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	12/31/2009	12/31/2008
		k EUR	k EUR
ASSETS			
Investment properties	D.1	2,835,483	2,900,673
Property, plant and equipment	D.2	17,401	17,745
Intangible assets	D.3	4,558	4,652
Other non-current assets		400	198
Investments in associated companies	D.4	0	495
Deferred tax assets	D.16	98,428	92,559
Non-current assets		**2,956,270**	**3,016,322**
Land and buildings held for sale	D.5	18,358	19,355
Other inventories		2,284	1,908
Trade receivables	D.6	14,543	21,202
Income tax receivables		2,468	5,479
Other current assets		3,182	2,796
Cash and cash equivalents	D.8	57,095	41,974
Subtotal current assets		**97,930**	**92,714**
Non-current assets held for sale	C.10	25,125	17,696
Current assets		**123,055**	**110,410**
Total assets		**3,079,324**	**3,126,733**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Issued share capital	D.9	81,840	26,400
Capital reserve	D.9	455,761	269,677
Retained earnings	D.9	324,068	352,913
		861,669	**648,990**
Non-controlling interests		302	302
Total equity		**861,971**	**649,292**
Non-current financial liabilities	D.10	1,722,044	1,991,077
Convertible bond	D.11	0	25,430
Employee benefit liability	D.12	41,529	39,300
Liabilities to limited partners in funds	D.13	40,791	48,006
Tax liabilities	D.15	55,486	60,652
Derivative financial instruments	D.7	37,185	32,570
Other provisions	D.14	10,107	12,506
Deferred tax liabilities	D.16	81,412	71,660
Total non-current liabilities		**1,988,554**	**2,281,200**
Current financial liabilities	D.10	80,673	98,096
Convertible bond	D.11	26,567	0
Trade payables		23,182	22,800
Liabilities to limited partners in funds	D.13	8,334	0
Other provisions	D.14	6,396	10,296
Derivative financial instruments	D.7	33,282	16,779
Tax liabilities	D.15	28,642	21,629
Other liabilities		21,723	26,640
Total current liabilities		**228,799**	**196,240**
Total equity and liabilities		**3,079,324**	**3,126,733**

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2009

		2009	2008
		k EUR	k EUR
Revenue	E.18	**306,331**	**315,512**
Gains/losses from disposals			
Sales proceeds		85,677	119,710
Carrying amounts of assets sold		−69,748	−102,301
		15,930	**17,409**
Other operating income		12,699	11,423
Total income		**334,959**	**344,344**
Expenses for purchased goods and services	E.19	−134,774	−139,085
Staff expenses	E.20	−40,204	−43,541
Other operating expenses	E.21	−26,488	−31,222
Restructuring and reorganisation expenses	E.22	−7,784	−24,092
Total expenses		**−209,249**	**−237,940**
Subtotal		**125,710**	**106,404**
Gains/losses from fair value adjustments of investment properties	D.1	0	−276,528
Depreciation and amortisation	D.2/3	−2,780	−1,794
Share of profit of associated companies	D.4	0	60
Earnings before interest and taxes (EBIT)		**122,929**	**−171,859**
Finance income		868	2,540
Gains/losses from fair value adjustments of derivative financial instruments	D.7	−1,203	−32,197
Finance expenses	E.23	−119,242	−127,281
Profit/loss before taxes		**3,352**	**−328,796**
Income taxes	E.24	−16,630	56,471
Profit/loss for the period from continuing operations		−13,277	−272,326
Profit/loss for the period from discontinued operations		0	16,421
Profit/loss for the period		**−13,277**	**−255,905**
Thereof attributable to:			
Shareholders of the parent company		−13,277	−255,905
Non-controlling interests		0	0
		−13,277	−255,905
Earnings per share in EUR			
basic		−0.34	−9.69
diluted		−0.34	−9.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM 1 JANUARY TO 31 DECEMBER 2009

	2009	2008
	k EUR	k EUR
Profit/loss for the period	**−13,277**	**−255,905**
Other comprehensive income		
Net loss from derivative financial instruments	−19,916	−45,302
Income tax effect	6,361	14,052
	−13,555	**−31,250**
Net gain/loss from pensions	−2,865	457
Income tax effect	854	−136
	−2,011	**321**
Other comprehensive income after taxes	**−15,566**	**−30,929**
Total comprehensive income, net of tax	**−28,843**	**−286,834**
Thereof attributable to:		
Shareholders of the parent company	−28,843	−286,834
Non-controlling interests	0	0

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2009

	Note	2009	2008
		k EUR	k EUR
Operating activities			
Profit/loss for the period from continuing operations		−13,277	−272,326
Finance income		−868	−2,540
Finance expenses		119,242	127,281
Income taxes		16,630	−56,471
Profit/loss for the period before interest and taxes		121,727	−204,056
Profit/loss for the period from discontinued operations		0	16,421
Non-cash expenses/income			
Fair value adjustment of investment properties	D.1	0	276,528
Depreciation and amortisation		2,780	1,794
Fair value adjustment to interest rate swaps	D.7	1,203	32,197
Other non-cash operating expenses/income		−24,693	−17,246
Change in net working capital			
Changes in receivables, inventories and other current assets		5,723	−5,248
Change in operating liabilities		−2,796	−1,345
Net operating cash flows		**103,945**	**99,046**
Interest paid		−96,740	−109,577
Interest received		868	2,540
Tax paid		−4,779	−2,350
Net cash flows from operating activities		**3,294**	**−10,342**
Investing activities			
Sales proceeds		88,870	104,684
Purchases of property, plant and equipment/investment property and other non-current assets		−13,250	−28,578
Proceeds from the disposal of subsidiaries		0	18,770
Payments to limited partners in funds		−1,322	−6,117
Net cash flows from investing activities		**74,298**	**88,759**
Financing activities			
Proceeds from borrowings		1,243	82,032
Repayment of borrowings		−295,263	−166,348
Prepayment penalties		−6,231	0
Proceeds from capital increase		249,480	0
Costs of capital increase		−11,700	0
Net cash flows from financing activities		**−62,471**	**−84,316**
Net change in cash and cash equivalents		**15,121**	**−5,899**
Opening balance cash and cash equivalents		**41,974**	**47,874**
Closing balance cash and cash equivalents		**57,095**	**41,974**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

			Retained earnings					
	Issued share capital	Capital reserve	Pensions	Reserve for cash flow hedge	Other Reserves	Subtotal	Non-controlling interests	Equity
	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR
Equity as at 1 January 2008	26,400	349,521	1,894	0	558,008	935,823	302	936,125
Profit/loss for the period					−255,905	−255,905		−255,905
Other comprehensive income after taxes			321	−31,250		−30,929		−30,929
Total comprehensive income, net of taxes			**321**	**−31,250**	**−255,905**	**−286,834**	**0**	**−286,834**
Transfer from the capital reserve		−79,844			79,844	0		0
Equity as at 31 December 2008	**26,400**	**269,677**	**2,215**	**−31,250**	**381,947**	**648,989**	**302**	**649,292**
Equity as at 1 January 2009	**26,400**	**269,677**	**2,215**	**−31,250**	**381,947**	**648,989**	**302**	**649,292**
Profit/loss for the period					−13,277	−13,277	0	−13,277
Other comprehensive income after taxes			−2,011	−13,555		−15,566		−15,566
Total comprehensive income, net of taxes			**−2,011**	**−13,555**	**−13,277**	**−28,843**	**0**	**−28,843**
Capital increase	55,440	194,040				249,480		249,480
Cost of capital increase, less tax effects		−7,956				−7,956		−7,956
Equity as at 31 December 2009	**81,840**	**455,761**	**204**	**−44,805**	**368,670**	**861,670**	**302**	**861,972**

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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

1 Deutsche Wohnen Group

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

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

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

2 Consolidated Financial Statements

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

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

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

3 Application of IFRS in the financial year

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

- *IFRS 2 Share-based compensation:*

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

- *IFRS 7 Financial instruments:*

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

- *IFRS 8 Operating segments:*

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

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

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

- *IAS 23 Borrowing costs (with changes):*

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

- *Change to IAS 32 Financial Instruments:*

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

- *Improvements of the IFRS:*

In May of 2008, the IASB published a collection of standards to change various IFRS with the primary goal to remove inconsistencies and to clarify wording. Separate transition regulations exist for every standard. Deutsche Wohnen applied these adjustments for every single standard without essential effects on the presentation of the asset, financial and earnings position. We expect no effects on the asset, financial and earnings position to result from the application of standards and interpretations that have been published but are not yet mandatory.

4 Significant accounting judgements, estimates and assumptions

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

Discretionary judgements

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

- *Obligations under operating leases — Group as lessor*

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

Estimates and assumptions

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

- *Fair value of investment properties*

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

- *Non-controlling interests*

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

- *Pensions and other post-employment benefits*

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

- *Liabilities to limited partners in funds*

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

B BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

1 Basis of consolidation

The consolidated financial statements include Deutsche Wohnen AG and the subsidiaries under its control from the time of acquisition, i.e. from the time that the Group took over control. Inclusion in the consolidated financial statements ends as soon as the parent company no longer has control. The composition of Deutsche Wohnen is in accordance with the list of shareholdings attached as Appendix 2.

There were no changes in the consolidated companies in 2009.

In 2008, shares in the AKF — Telekabel TV und Datennetze GmbH and its subsidiaries (in the following "AKF Group") were sold at a cash purchase price of EUR 19.9 million with purchase agreement from 13 / 18 June 2008. Effective date of the transfer was 3 July 2008. An earnings contribution of EUR 16.4 million before and after taxes resulted from the deconsolidation of the AKF Group. Altogether, the AKF Group had an income in the amount of EUR 4.5 million and expenses in the amount of EUR 5.0 million, so that a profit before and after taxes (profit and loss transfer agreement) of EUR -0.5 million occurred in the financial year 2008. With the disposal, cash and cash equivalents in the amount of EUR 0.2 million were divested. Furthermore, property, plant and equipment in the amount of EUR 12.8 million, current assets in the amount of EUR 1.1 million, financial liabilities in the amount of EUR 9.9 million, and current liabilities in the amount of EUR1.6 million were divested. Only insignificant cash flows were earned from the discontinued operations.

2 *Consolidation methods*

The annual financial statements of the subsidiaries are prepared using standard accounting policies as of the same balance sheet date as the annual financial statements of the parent company. Subsidiaries are fully consolidated from the time of the acquisition, i.e., from the time when the Group had control. Inclusion in the consolidated financial statements ends as soon as the parent company no longer has control.

The capital consolidation takes place according to the acquisition method (IFRS 3); this nets the cost of the acquisition at the time of the acquisition with the net assets corresponding to the amount of the shareholding, assessed at fair value. If the share of net assets acquired exceeds the cost of acquisition of the shareholding, the amount of the cost of acquisition and the amount of the net assets are reviewed again in accordance with IFRS 3. The income-related difference remaining after this is immediately recognised in the income statement.

All inter-company balances, transactions, revenues, expenses, profits and losses from intercompany transactions which are included in the book value of assets are eliminated in full.

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

C ACCOUNTING POLICIES

1 *Investment properties*

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

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

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

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

The cluster formation was in line with the following schema:

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

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

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

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

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

2 Property, plant and equipment

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

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

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

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

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

3 Intangible assets

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

4 Investments in associated companies

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

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

5 Borrowing costs

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

6 Impairment of non-financial assets

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

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

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

7 Financial assets

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

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

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

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

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

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

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

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

8 Inventories

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

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

9 Cash and cash equivalents

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

10 Non-current assets held for sale

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

11 Financial liabilities

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

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

Financial liabilities

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

Profit participation rights

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

Convertible bonds

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

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

Trade payables and other liabilities

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

Liabilities to limited partners in funds

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

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

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

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

12 Pensions and other post-employment benefits

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

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

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

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

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

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

13 Provisions

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

14 Leases

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

15 Revenue recognition

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

- *Rental income*

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

- *Disposal of property*

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

- *Services*

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

- *Interest income*

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

16 Government grants

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

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

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

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

17 Taxes

Current income tax assets and liabilities

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

Deferred taxes

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

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

- Deferred tax assets from deductible temporary differences, which arise from the initial recognition of an asset or a liability in a business transaction, which is not a company merger and which at the time of the business transaction does not have an impact on the profit and loss for the period pursuant to commercial law nor the taxable profit and loss, may not be recognised.
- Current deferred taxes from taxable temporary differences in connection with shareholdings in subsidiaries, associated companies and shares in joint ventures, may only be recognized to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and sufficient taxable profit will be available against which the temporary differences can be offset.

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

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

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

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

Sales tax

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

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

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

18 Derivative financial instruments and hedging transactions

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

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

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

D NOTES TO THE CONSOLIDATED BALANCE SHEET

Non-current assets

1 Investment properties

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

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

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

The following were derived based on the clusters:

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

The following were derived based on the property:

- establishment of the market rent as of the balance sheet date,
- development of rent per m^2 of lettable area relating to the adjustment of market rent and current gross rent,
- development of costs (maintenance, administration, rent loss risk and non-apportionable operating costs, interest on heritable building rights if relevant),
- determination of cash flow from annual proceeds and payments and the terminal value at the end of year 10, based on the stabilised cash flow expected in year 11, or an expected sales price less sales expenses,
- calculation of a fair value based on the administrative unit as of the balance sheet date.

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

This results in an average value of EUR 895.00 per m^2 and a multiplier of 13.5 based on the potential gross rent as of 31 December 2009 and / or a multiplier of 14.2 based on the current gross rent.

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

The following were derived based on the clusters:

- derivation of annual rates of increase in rent (-0.2 5% to 2.20%)
- derivation of target vacancy rates in a period of 1.0 to 4.5 years (2.00% to 11.00%)
- derivation of capitalisation interest rates and discount interest rates.

The following were derived based on the property:

- establishment of the market rent as of the balance sheet date,
- development of rent per m^2 of lettable area relating to the adjustment of market rent and current gross rent,
- development of costs (maintenance, administration, rent loss risk and non-apportionable operating costs, interest on heritable building rights if relevant),

- determination of cash flow from annual proceeds and payments and the terminal value at the end of year 10, based on the stabilised cash flow expected in year 11, or an expected sales price less sales expenses,
- calculation of a fair value based on the administrative unit as of the balance sheet date.

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

This results in an average value of EUR 881 per m^2 and a multiplier of 13.7 based on the potential gross rent as of 31 December 2008 and / or a multiplier of 14.7 based on the current gross rent.

The investment properties essentially serve as collateral for the loans.

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

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

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

2 Property, plant and equipment

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

	12/31/2009	12/31/2008
	k EUR	k EUR
Purchase costs		
Opening balance	24,166	31,927
Changes in the consolidation scope	0	−12,824
Additions	1,433	2,695
Disposals	−2,063	−466
Transfers		2,834
Closing balance	23,536	24,166
Accumulated depreciation and amortisation		
Opening balance	6,421	3,979
Changes in the consolidation scope	0	974
Additions	1,515	1,560
Disposals	−1,801	−92
Closing balance	6,135	6,421
Net carrying amounts	17,401	17,745

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

3 Intangible assets

Intangible assets have developed as follows:

	12/31/2009	12/31/2008
	k EUR	k EUR
Purchase costs		
Opening balance	5,716	1,200
Changes in the consolidation scope	0	−54
Additions	1,171	4,570
Closing balance	6,887	5,716
Accumulated depreciation and amortisation		
Opening balance	1,064	830
Additions	1,265	234
Closing balance	2,329	1,064
Net carrying amounts	4,558	4,652

4 Investments in associated companies

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

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

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

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

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

5 Land and buildings held for sale

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

6 Trade receivables

Trade receivables are composed as follows:

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

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

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

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

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

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

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

7 Derivative financial instruments

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

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

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

8 Cash and cash equivalents

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

9 Equity

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

a) Issued share capital

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

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

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

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

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

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

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

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

The registered capital is contingently increased by up to EUR 100,000.00 with the issue of up to 100,000.00 no-par value bearer shares (contingent capital III). The conditional increase in capital is only implemented so far as the proprietors of the subscription rights, which are granted on the authority of the decision taken on point 12 of the agenda of the Annual General Meeting on 17 June 2008 regarding persons entitled to new shares, exercise these subscription rights. The new shares participate in profit sharing from the beginning of the financial year in which they originate through the exercising of the subscription rights.

b) Capital reserve

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

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

c) Retained earnings

The reatined earnings comprise the revenue reserve of Deutsche Wohnen as well as the accumulated profit/loss carried forward.

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

d) Non-controlling interests

The non-controlling interests are in the GEHAG Group.

Non-current Liabilities

10 Financial liabilities

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

The financial liabilities are composed as follows:

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

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

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

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

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

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

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

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

The property loans are loans which can be directly allocated to property. These were taken up in the past primarily for acquisitions or modernisation purposes. The average interest rates of the loans are between 0.0% and 7.5%. The loans with no or low interest rates — for which in return rent is granted at conditions below the market rent — are measured at amortised cost. The future extension structure based on the current outstanding liability is as follows:

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

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

11 Convertible bonds

The convertible bonds were issued as part of the GEHAG acquisition on 31 July 2007. They can be converted at any time between the day of issue and the date of repayment into shares of the company.

At the time of issue, the convertible bonds were convertible at a conversion price of EUR 45.00 / share. The nominal amount of the convertible bonds amounts to EUR 25.0 million, the equity component to EUR 1.1 million.

The debt component has developed as follows:

	12/31/2009	12/31/2008
	k EUR	k EUR
Debt component opening balance	25,430	24,339
Deferred interest	1,137	1,091
Debt component closing balance	**26,567**	**25,430**

If the convertible bonds are not converted into ordinary shares, they will be taken back on 31 July 2010 at par multiplied by 9%. No interest is paid until the settlement date.

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

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

12 Employee benefit liability

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

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

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

	12/31/2009	12/31/2008
	%	%
Discount rate	5.20	5.90
Future salary increase	2.00	2.00
Future pension increases	1.75	1.75
Increase in the contribution assessment ceiling	2.00	2.00
Mortality tables	R 05G	R 05G

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

The net pension expenditures / revenue comprise the following:

	12/31/2009	12/31/2008
	k EUR	k EUR
Interest cost	−2,235	−2,127
Service cost	−227	−400
Reversal	376	1,023
	−2,086	−1,504

The following overview shows the development of the employee benefit liability from pension plans:

	12/31/2009	12/31/2008
	k EUR	k EUR
Employee benefit liability, opening balance	39,300	41,562
Pension payments	−2,722	−2,171
Changes in the consolidation scope	0	−1,177
Interest cost	2,235	2,127
Service cost	227	400
Reversal	−376	−1,023
Adjustment of current pensions	0	36
Actuarial gains / losses	2,865	−454
Employee benefit liability, **closing balance**	**41,529**	**39,300**

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

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

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

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

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

13 Liabilities to limited partners in funds

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

The liabilities have developed as follows in the financial year:

	12/31/2009	12/31/2008
	k EUR	k EUR
Liabilities opening balance	**48,006**	**46,631**
Payment for tender	−930	−439
Distributions	−393	0
Accrued interest	2,442	1,814
Liabilities closing balance	**49,125**	**48,006**

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

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

14 Other provisions

Accrued liabilities are composed as follows:

	Revitalisation	Restructuring	Others	Total
	k EUR	k EUR	k EUR	k EUR
Opening balance	12,206	6,240	4,359	22,805
Utilisation	−3,092	−4,779	−1,026	−8,897
Reversal	0	0	−38	−38
Additions	771	323	1,541	2,635
Closing balance	**9,884**	**1,784**	**4,836**	**16,504**
thereof: non-current	9,884	0	224	10,107
thereof: current	0	1,784	4,612	6,396

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

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

15 Tax liabilities

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

16 Deferred taxes

Deferred taxes comprise the following:

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

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

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

17 Leases

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

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

E NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

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

18 Revenues

Revenues comprises the following:

	2009	2008
	k EUR	k EUR
Residential Property Management	270,096	277,351
Nursing and Assisted Living	34,160	33,117
Other services	2,074	5,044
	306,331	**315,512**

The revenues from Residential Property Management comprises the following:

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

19 Expenses for purchased goods and services

The expenses for purchased goods and services comprise the following:

	2009	2008
	k EUR	k EUR
Expenses for Residential Property Management	123,921	127,708
Expenses for Nursing and Assisted Living	9,161	9,031
Other expenses	1,692	2,346
	134,774	139,085

The expenses for Residential Property Management comprise the following:

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

20 Staff expenses

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

	2009	2008
	Employees	Employees
Residential (including holding functions)	364	458
Nursing and Assisted Living	924	938
	1,288	1,396

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

Staff expenses are composed as follows:

	2009	2008
	k EUR	k EUR
Residential	21,752	25,277
Nursing and Assisted Living	18,452	18,264
	40,204	43,541

21 Other operating expenses

Other operating expenses comprise the following:

	2009	2008
	k EUR	k EUR
Cost of data processing and communications	4,771	4,753
Ongoing legal, consultancy, and audit costs	1,355	2,809
Impairment and amortisation of receivables	2,493	2,663
Cost of sales/Marketing	2,960	4,164
Cost of office space	1,928	2,578
Vehicle and travel expenses	1,252	1,203
Insurance	391	474
Administrative and miscellaneous costs	11,337	12,578
	26,488	31,222

22 Restructuring and reorganisation expenses

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

23 Finance expenses

The finance expenses are composed as follows:

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

24 Income taxes

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

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

The income tax expense / return is composed as follows:

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

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

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

	2009	2008
	k EUR	k EUR
Consolidated accounting profit before taxes	3,352	−328,797
Applicable tax rate	31.93%	31.93%
Expected tax expense / benefit	**−1,070**	**104,985**
Not-capitalised tax losses, amortization of capitalized loss carry-forwards from previous years, and changes in the tax balance sheet	−11,523	−44,253
Tax benefit from capital increase costs	−3,744	0
Non-taxable expenses	0	−1,813
Other effects	−292	−2,448
	−16,630	56,471

F SEGMENT REPORTING

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

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

Residential Property Management

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

Disposals

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

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

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

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

Nursing and Assisted Living

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

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

The segment reporting is attached as Appendix 1 in the Notes to the financial statements. The transition from the segment assets or segment liabilities to the consolidated balance sheet can be seen in the following table:

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

G NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

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

H EARNINGS PER SHARE

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

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

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

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

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

The earnings per share for the continuing operations amount to:

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

No dividends were distributed in 2008 and 2009.

I OTHER DISCLOSURES

Risk management

General information on risk management

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

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

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

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

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

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

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

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

	Valuation category in accordance with IAS 39	Balance sheet valuation in accordance with IAS 39			
		Carrying amount 12/31/2009	Amortised costs	Fair value, recognised in profit or loss	Fair value 12/31/2009
		k EUR	k EUR	k EUR	k EUR
Assets					
Trade receivables	(1)	14,543	14,543		14,543
Other assets	(1)	3,182	3,182		3,182
Cash and cash equivalents	(1)	57,095	57,095		57,095
Liabilities					
Liabilities	(2)	1,802,717	1,802,717		1,802,717
Convertible bonds	(2)	26,567	26,567		26,567
Liabilities to limited partners in funds	(3)	49,125		49,125	49,125
Trade payables	(2)	23,182	23,182		23,182
Other liabilities	(2)	21,723	21,723		21,723
Derivative financial instruments	(4)	70,467			70,467
(1) Loans and receivables		74,820			
(2) Liabilities carried at amortised cost		1,874,189			
(3) Liabilities carried at fair value and recognized in the profit/loss		49,125			
(4) Not attributable to a category		70,467			

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

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

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

	Carrying amount 12/31/2009	2010	2011	2012	≥ 2013
	EUR m	EUR m	EUR m	EUR m	EUR m
Financial liabilities	1,802.7	92.3	102.5	113.8	1,494.1
Convertible bonds	26.6	27.3			
Liabilities to limited partners in funds[1]	49.1	49.1			
Tax liabilities	84.5	29.0	9.6	9.6	36.3
Trade payables.	23.1	23.1			
Other liabilities	21.7	21.7			

	Carrying amount 12/31/2008	2009	2010	2011	≥ 2012
	EUR m	EUR m	EUR m	EUR m	EUR m
Financial liabilities	2,089.2	201.1	147.1	133.7	1,607.3
Convertible bonds	25.4		27.3		
Liabilities to limited partners in funds[1]	48.0	48.0			
Tax liabilities	82.3	21.6	9.6	9.6	41.5
Trade payables.	22.8	22.6			
Other liabilities	26.6	26.6			

1) *The actual payments depend on the extent to which the limited partners exercise their option to tender their shares; making payment estimates uncertain*

2009	Interest	Impairment	Fair value	Net loss
	k EUR	k EUR	k EUR	k EUR
Loans and receivables		1,577		1,577
Assets carried at fair value and recognised in profit/loss			1,203	1,203
Liabilities carried at amortised cost	105,062			105,062
Liabilities carried at fair value and recognized in profit/loss	2,442			2,442
	107,504	1,577	1,203	110,284

2008	Interest	Impairment	Fair value	Net loss
	k EUR	k EUR	k EUR	k EUR
Loans and receivables		1,923		1,923
Assets carried at fair value and recognised in profit/loss			32,197	32,197
Liabilities carried at amortised cost	114,025			114,025
Liabilities carried at fair value and recognized in profit/loss	1,814			1,814
	115,839	1,923	32,197	149,959

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

Default risk

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

Liquidity risk

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

Deutsche Wohnen aims to have sufficient liquidity to meet future obligations at all times. Deutsche Wohnen currently has a debt capital ratio of approximately 72.0 % (previous year: 79.2 %) and a loan-to-value ratio (= total of financial liabilities divided by investment properties) of 61.5 % (previous year: 70.6 %).

Interest-related cash flow risks

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

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

Market risks

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

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

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

Capital management

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

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

Important figures for capital management are:

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

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

- Loan-to-Value ratio

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

	2009	2008
	EUR m	EUR m
Financial liabilities	1,802.7	2,089.2
Convertible bonds	26.6	25.4
	1,829.3	2,114.6
Cash and cash equivalents	−57.1	−42.0
Net financial liabilities	1,772.2	2,072.6
Investment properties	2,835.5	2,900.7
Non-current assets held for sale	25.1	17.7
Land and buildings held for sale	18.4	19.3
	2,879.0	2,937.7
Loan-to-value ratio	61.5%	70.6%

Hedging

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

Events after the reporting date

There are no important events after the balance sheet date.

Commitments and other contingencies

Financial obligations relating to heritable building right contracts totalled EUR 1.1 million (previous year: EUR 1.1 million).

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

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

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

Leases commitments

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

Auditors' services

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

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

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

Related party disclosures

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

- *Related companies*

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

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

• *Related parties*

The following persons are to be considered related persons:

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

• *Members of the Supervisory Board of Deutsche Wohnen AG*

The Supervisory Board is composed as follows:

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

Name	Profession	Memberships in supervisory boards and other supervisory committees within the meaning of §125 para. 1 P. 5 German Stock Corporation Act
Uwe E. Flach	Senior Advisor, Oaktree GmbH, Frankfurt/Main	Nordenia International AG, Greven (Chairman of the Supervisory Board) STADA Arzneimittel AG, Bad Vilbel (Member of the Supervisory Board until 09/24/2009) Haus und Heim Wohnungsbau-AG, Berlin (Chairman of the Supervisory Board) GEHAG GmbH, Berlin (Chairman of the Supervisory Board) OCM German Real Estate Holding AG, Hamburg (Chairman of the Supervisory Board) Versatel AG (Member of the Supervisory Board since 11 February 2009)

Transactions with related persons

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

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

Remuneration of the Management Board and the Supervisory Board

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

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

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

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

Corporate Governance

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

Frankfurt/Main, 3 March 2010

Michael Zahn	Helmut Ullrich
Chief Executive Officer	Chief Financial Officer

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

	External revenue		Internal revenue		Total revenue		Segment Profit/loss[1]		Assets		Depreciation, amortisation	
	2009	2008	2009	2008	2009	2008	2009	2008	12/31/2009	12/31/2008	2009	2008
	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m	in EUR m
Segments												
Residential Property Management	272.2	282.4	2.1	1.4	274.3	283.8	151.0	147.8	2,840.6	2,915.5	0.0	0.0
Disposals	85.7	119.7	0.0	0.0	85.7	119.7	9.7	13.2	51.6	42	0.0	0.0
Nursing and Assisted Living	38.8	38.6	0.0	0.0	38.8	38.6	9.1	8.7	2.1	4.3	−0.4	−0.4
Reconciliation with consolidated financial statements												
Central function and other operative activities	0	0	49.3	44.3	49.3	44.3	−36.3	−39.1	84.1	67.0	−2.4	−1.4
Consolidations and other reconciliation	−90.3	−125.2	−51.4	−45.7	−141.7	−170.9	0.0	0.0	0.0	0.0	0.0	0.0
	306.3	315.5	0.0	0.0	306.3	315.5	133.5	130.6	2,978.40	3,028.70	−2.8	−1.8

1) *The profit/loss corresponds to the subtotals before restructuring.*

Deutsche Wohnen AG, Frankfurt/Main
Shareholdings as of 31 December 2009

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

1 *indirect shareholding*

Deutsche Wohnen AG, Frankfurt/Main
Shareholdings as of 31 December 2009

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

1 *indirect shareholding*

2 *direct and indirect shareholding*

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

The following auditor's report (Bestätigungsvermerk) refers to the consolidated financial statements prepared on the basis of International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] as well as the group management report prepared on the basis of German commercial law (HGB) of Deutsche Wohnen AG for the fiscal year ended December 31, 2009 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages. The above-mentioned auditor's report (Bestätigungsvermerk) and consolidated financial statements are both translations of the respective German-language documents.

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Deutsche Wohnen AG, Frankfurt/Main, comprising the balance sheet, the profit and loss statement, the statement of comprehensive income, the notes to the consolidated financial statements, the statement of cash flows and the statement of changes in equity, together with the group management report for the fiscal year from January 1, 2009 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 the applicable financial reporting framework 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 expectations as to 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 those entities included in consolidation, the determination of entities 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, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, March 5, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Völker	Glöckner
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG FOR THE YEAR ENDED DECEMBER 31, 2008 (IFRS)

DEUTSCHE WOHNEN AG, FRANKFURT / MAIN

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2008	2007
		k EUR	k EUR
ASSETS			
Investment properties	D.1	2,900,673	3,271,205
Property, plant and equipment	D.2	17,745	27,948
Intangible assets	D.3	4,652	370
Other non-current assets		198	168
Investments in associated companies	D.4	495	435
Deferred tax assets	D.16	92,559	86,614
Non-current assets		**3,016,322**	**3,386,740**
Land and buildings held for sale	D.5	19,355	21,887
Other inventories		1,908	1,725
Trade receivables	D.6	21,202	18,562
Derivative financial instruments	D.7	0	32,231
Income tax receivables		5,479	2,879
Other current assets		2,796	3,907
Cash and cash equivalents	D.8	41,974	47,874
Subtotal current assets		**92,714**	**129,065**
Non-current assets held for sale	C.10	17,696	4,597
Current assets		**110,410**	**133,662**
Total Assets		**3,126,732**	**3,520,402**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Issued share capital	D.9	26,400	26,400
Capital reserve	D.9	269,677	349,521
Retained earnings	D.9	352,913	559,902
		648,990	**935,823**
Non-controlling interests		302	302
Total equity		**649,292**	**936,125**
Non-current financial liabilities	D.10	1,991,077	2,034,087
Convertible bonds	D.11	25,430	24,339
Employee benefit liability	D.12	39,300	41,562
Liabilities to limited partners in funds	D.13	48,006	46,631
Tax liabilities	D.15	60,652	68,126
Derivative financial instruments	D.7	49,349	0
Other provisions	D.14	12,506	11,375
Deferred tax liabilities	D.16	71,660	135,835
Total non-current liabilities		**2,297,979**	**2,361,955**
Current financial liabilities	D.10	98,096	145,468
Trade payables		22,800	25,420
Other provisions	D.14	10,296	9,440
Derivative financial instruments	D.7	0	3,804
Tax liabilities	D.15	21,629	13,739
Other liabilities		26,640	24,451
Total current liabilities		**179,461**	**222,322**
Total equity and liabilities		**3,126,732**	**3,520,402**

DEUTSCHE WOHNEN AG, FRANKFURT / MAIN

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

		2008	2007
		k EUR	k EUR
Revenue	E.18	**315,512**	**204,354**
Gains/losses from disposals			
Sales proceeds		119,710	58,501
Carrying amounts of assets sold		−102,301	−53,215
		17,409	**5,285**
Other operating income		11,423	6,291
Profit from business combination		0	64,099
Total income		**344,344**	**280,030***
Expenses for purchased goods and services	E.19	−139,085	−96,914
Staff expenses	E.20	−43,541	−31,729
Other operating expenses	E.21	−31,222	−27,268
Restructuring and reorganisation expenses	E.22	−24,092	−9,989
Expenses relating to the listing prospectus	E.23	0	−1,810
Total expenses		**−237,940**	**−167,710**
Subtotal		**106,404**	**112,320***
Gains/losses from fair value adjustments of investment properties	D.1	−276,528	30,948*
Depreciation and amortisation	D.2/3	−1,794	−1,689
Share of profit of associated companies	D.4	60	18
Earnings before interest and taxes (EBIT)		**−171,859**	**141,596**
Finance income		2,540	4,736
Gains/losses from fair value adjustments of derivative financial instruments	D.7	−32,197	−7,845
Finance expense	E.24	−127,281	−72,739
Loss before taxes		**−328,797**	**−65,749**
Income taxes	E.25	56,471	−35,963
Profit/loss for the period from continuing operations		−272,326	29,786
Profit/loss for the period from discontinued operations		16,421	0
Profit/loss for the period		**−255,905**	**29,786**
Thereof attributable to:			
Shareholders of the parent company		−255,905	29,786
Non-controlling interests		0	0
		−255,905	**29,786**
Earnings per Share			
basic in EUR		−9,69	1,32
diluted in EUR		−9,45	1,32

* *In comparison to the previous year, the gains/losses from the fair value adjustments of the investment properties are reported after the subtotal and no longer in the total income. The marked items have therefore changed; originally they reported the following values: total income k EUR 310,978, subtotal k EUR 143,268.*

DEUTSCHE WOHNEN AG, FRANKFURT / MAIN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

	Notes	2008	2007
		k EUR	k EUR
Operating activities			
Profit/loss for the period before tax and interest from continuing operations		−204,056	133,751
Profit/loss for the period after tax from discontinued operation		16,421	0
Non-cash expenses/income			
Non-cash income from business combination		0	−64,099
Fair value adjustments of investment properties	D.1	276,528	−30,948
Depreciation and amortisation		1,794	1,689
Fair value adjustments to interest rate swaps	D.7	32,197	7,845
Other non-cash operating expenses/income		−17,246	2,160
Change in net working capital			
Change in receivables, inventories and other current assets		−5,248	45,099
Change in operating liabilities		−1,345	−43,023
Net operating cash flow		**99,045**	**52,475**
Interest paid		−109,577	−62,472
Interest received		2,540	1,396
Taxes paid		−2,350	−1,878
Net cash flow from operating activities		**−10,342**	**−10,479**
Investing activities			
Sales proceeds		104,684	96,397
Purchase of property, plant and equipment/investment property and other non-current assets		−28,578	−165,452
Other payments		0	−497
Payments for the purchase of a receivable as part of the acquisition of subsidiaries		0	−78,000
Proceeds from the disposal of subsidiaries		18,770	0
Payments for the acquisition of subsidiaries less purchased cash		0	−146,261
Payments in connection with DB 14		−6,117	−5,195
Net cash flow from investing activities		**88,759**	**−299,007**
Financing activities			
Proceeds from borrowings		82,032	380,989
Repayment of borrowings		−166,348	−39,545
Dividends paid to shareholders		0	−17,600
Net cash flow from financing activities		**−84,316**	**323,844**
Net changes in cash and cash equivalents		**−5,900**	**14,358**
Opening balance cash and cash equivalents		**47,874**	**33,516**
Closing balance cash and cash equivalents		**41,974**	**47,874**

DEUTSCHE WOHNEN AG, FRANKFURT / MAIN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	Shares	Issued share capital	Capital reserve	Retained earnings	Total	Non-controlling interests	Equity
	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR
Notes	D.9	D.9	D.9	D.9		B	
Equity as at December 31, 2006	**20,000**	**20,000**	**170,755**	**545,666**	**736,421**	**0**	**736,421**
Profit/loss recognised directly in equity				2,050	2,050		2,050
Profit/loss for the period				29,786	29,786	0	29,786
Total consolidated income in financial year		**0**	**0**		**31,836**	**0**	**31,836**
Issuance of 6,400,000 shares in connection with the GEHAG transaction	6,400	6,400	177,664	0	184,064		184,064
Equity part of the convertible bonds issued in connection with the GEHAG transaction			1,102	0	1,102		1,102
Acquisition of non-controlling interests through company acquisitions						302	302
Dividends				−17,600	−17,600		−17,600
Equity as at December 31, 2007	**26,400**	**26,400**	**349,521**	**559,902**	**935,823**	**302**	**936,125**
Profit/loss recognised directly in equity				−30,929	−30,929		−30,929
Profit/loss for the period				−255,905	−255,905		−255,905
Total consolidated income in financial year		**0**	**0**	**−286,834**	**−286,834**	**0**	**−286,834**
Transfer from the capital reserve			−79,844	79,844	0		0
Equity as at December 31, 2008	**26,400**	**26,400**	**269,677**	**352,912**	**648,989**	**302**	**649,292**

DEUTSCHE WOHNEN AG, FRANKFURT / MAIN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	k EUR	k EUR
Profit/loss recognised directly in equity December 31, 2006 (after tax)		**−156**
Net gains/losses from actuarial profits and losses		2,050
Profit/loss recognized directly in equity December 31, 2007 (after tax)		**1,894**
Net gains/losses from actuarial profits and losses	321	
Net gains/losses from cashflow hedges	−31,250	−30,929
Profit/loss recognized directly in equity December 31, 2008 (after tax)		**−29,035**

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2008

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

1 The Deutsche Wohnen Group

The consolidated financial statements of Deutsche Wohnen AG ("Deutsche Wohnen") as of December 31, 2008 were prepared by the Management Board on March 13, 2009. The Supervisory Board approved the consolidated financial statements in its meeting on March 31, 2009. Deutsche Wohnen AG is a nationally operating property company based in Germany whose registered office is located at Pfaffenwiese 300, Frankfurt / Main, and is registered in the commercial register of the Frankfurt / Main Local Court under the number HRB 42388.

Deutsche Wohnen AG's business activities are restricted to its role as the holding company for the companies included in the Group. This includes especially Asset Management, Legal, Personnel, Financing / Controlling / Accounting, as well as Communication / Marketing and Investor Relations. The operations of the subsidiaries focus on residential property management and disposal of the property which is mainly located in Berlin and in the Rhine-Main/Rhineland Palatinate area.

The consolidated financial statements have been prepared in Euros. Unless otherwise stated, all figures are rounded to thousand (EUR k). Slight mathematical rounding differences may be reflected in the tables and references. The consolidated financial statements as of December 31, 2007 represent the comparison period. We also inform that the GEHAG Group was only included with five months in the consolidated financial statements of Deutsche Wohnen in the financial year 2007, which limits comparability.

2 Consolidated financial statements

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

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

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

3 Application of IFRS in the financial year

The IASB and the IFRIC have published standards and interpretations listed in the following that were already applied to EU law in the context of the comitology procedure, but have not been obligatory to apply in the financial year 2008 yet. Deutsche Wohnen does not apply these standards and interpretations early. Deutsche Wohnen has examined the effects from the future application of these standards and interpretations and assumes that no effects arise for the consolidated financial statements, since either no corresponding circumstances exist or the existing balancing practice already corresponds to the status of the new standards and interpretations. The application of the new standards and interpretations will lead to additional notes.

- IFRS 8 Operating segments

IFRS 8 was published in November 2006 and is to be applied for the first time in the reporting period beginning on or after January 1, 2009. IFRS 8 requires a company to report information concerning the business segments of a company and replaces the obligation according to IAS 14 to determine primary and secondary segment reporting formats for a company. IFRS 8 follows the so- called management approach, according to which segment reporting complies only with finance information that is used by the decision makers of the company for the internal control of the company. The internal reporting and organisational structures, as well as such financial figures as are consulted for the decision-making concerning the allocation of resources and the valuation of the profitability, are decisive during this process.

- IAS 23 Borrowing costs

The revised standard IAS 23 was published in March 2007 and is to be applied for the first time in the reporting period beginning on or after January 1, 2009. The standard cancels the previous option rights and requires borrowing costs which can be attributed to a qualified asset to be capitalised. An asset is defined as a qualified asset, when a considerable time period is required in order to put it in its intended condition for use or sale. The standard provides for a prospective application of the new regulation.

- IAS 1 Presentation of the annual financial statements

The revised standard IAS 1 was published in September 2007 and is to be applied for the first time in the reporting period beginning on or after January 1, 2009. The revision of the standard includes essential changes regarding the presentation and reporting of financial information in the annual financial statements. In future, only business transactions with the shareholders in their capacity as shareholders may be reported in the statement of changes in equity. The other changes of equity are to be reported in the presentation of the result for the aggregate period, which can be drawn up either in the form of a single list or in the form of two lists, a profit and loss statement and a presentation of the result for the aggregate period. In addition, the standard provides for a company to include a balance sheet at the beginning of the earliest comparison period in its annual financial statements, if it retroactively uses an accounting method or retroactively adapts or reclassifies items in the annual financial statements.

- Revisions to IFRS 1 and IAS 27 — Costs of purchase of a share in a subsidiary, joint venture or associated company

The revisions to IFRS 1 and IAS 27 were published in May 2008 and are to be applied for the first time in the reporting period beginning on or after January 1, 2009. The revisions to IFRS 1 let a company determine the costs of purchase of shares in subsidiaries, joint ventures and associated companies in its IFRS opening balance sheet, while also using amounts reported according to previously applied financial reporting standards or using the fair value as a replacement for costs of purchase (deemed cost). The revisions to IAS 27 concern only the separate individual annual financial statements of a parent company and stipulate especially that all dividends from subsidiaries, joint ventures and associated companies are recognised in the profit and loss statement of the separate individual annual financial statements. The temporary provisions basically provide for a prospective application.

- Revisions to IFRS 2 — Exercise conditions and annulments

The revision to IFRS 2 was published in January 2008 and is to be applied for the first time in the reporting period beginning on or after January 1, 2009. On the one hand, the reforms clarify the concept of the exercise conditions, and on the other hand they regulate the balancing process for terminating share-based payment plans by the employees. The temporary regulations provide for a retrospective application of the new regulation.

- Revisions to IAS 32 and IAS 1 — Terminable financial instruments and obligations arising from liquidation

The revisions to IFRS 32 and IAS 1 were published in February 2008 and are to be applied for the first time in the reporting period beginning on or after January 1, 2009. Derogation is introduced according to which terminable financial instruments are to be classified as equity insofar as certain criteria are fulfilled. Furthermore, information is mandatory regarding these financial instruments.

- Improvements of the IFRS 2008

The revisions from the improvement project 2008 were published in May 2008 and — with the exception of IFRS 5 (here starting July 1, 2009) — are to be applied for the first time in the reporting period beginning on or after January 1, 2009. In the context of the improvement project 2008, a variety of both material revisions affecting the balancing process and the valuation and purely editorial revisions were issued. The latter concern for example the revision of single definitions and formulations in order to guarantee the conformity with the other IFRS.

- IFRIC 13 Customer loyalty programs

The IFRIC interpretation 13 was published in June 2007 and is to be applied for the first time in the reporting period beginning on or after July 1, 2008. According to this interpretation, awards granted to customers shall account for revenues separately from the transaction in line with which they were granted. Therefore, a part of the fair value of the service received will be allocated to the granted customer awards and shown as a liability. The revenues are recognised in the period in which the granted customer awards will be exercised or are due.

- IFRIC 14 IAS 19 — The limitation of a performance-oriented asset, minimum allocation obligations and their interaction

The IFRIC interpretation 14 was published in July 2007 and is to be applied at the latest with the beginning of the first financial year after December 31, 2008. This interpretation gives guidelines for determining the maximum amount of the surplus from a performance-oriented plan that may be activated as an asset according to IAS 19 Payments to employees.

The IASB and the IFRIC have published standards and interpretations listed in the following that were not yet obligatory to apply in the financial year 2008. These standards and interpretations have not yet been accredited by the EU and are not applied by the Group.

- IFRS 1 Initial application of the IFRS

The revised standard IFRS 1 was published in November 2008 and is to be applied for the first time in the reporting period beginning on or after January 1, 2009. The revision of the standard includes only editorial changes and a restructuring of the standard. The revision does not result in changes of the balancing and valuation regulations for first-time users of IFRS.

- IFRS 3 Business combinations

The revised standard IFRS 3 was published in January 2008 and is to be applied for the first time in the reporting period beginning on or after July 1, 2009. The standard was subject to a comprehensive revision as part of the convergence project of IASB and FASB. The important amendments concern in particular the introduction of an option when evaluating non-controlling interests between recognition with the identifiable net assets on a pro-rata basis (so-called purchased-goodwill method) and the so-called full-goodwill method, according to which all of the goodwill, including the share attributable to the non-controlling interests of the acquired business, is to be recognised. Furthermore, the revaluation of pre-existing shareholdings recognised in the profit and loss statement when control is obtained for the first time (successive business acquisition), the mandatory consideration of an exchange value — which is linked to the occurrence of future events — at the time of the acquisition, and the recognition of transaction costs in the profit and loss statement are to be highlighted. The temporary provisions provide for prospective application of the new regulation. There are no amendments for assets and liabilities which relate to business combinations before application of the new standard for the first time.

- IAS 27 Consolidated and separate annual financial statements in accordance with IFRS

The revised standard IAS 27 was published in January 2008 and is to be applied for the first time in the reporting period beginning on or after July 1, 2009. The revisions concern primarily the accounting of shares over which the company has no controlling influence (non-controlling interests), which are in future to share in full the losses of the Group, and of transactions which result in the loss of control in a subsidiary and the impact of which is to be recognised in the profit and loss statement. The impact from the sale of shares which does not result in the loss of control is, on the other hand, to be recognised directly in equity. The temporary provisions basically provide for a prospective application. There are thus no amendments for assets and liabilities which relate to such transactions before application of the new standard for the first time.

- Revisions to IAS 39 — Qualifying underlying transactions

The revisions to IAS 39 were published in July 2008 and are to be applied retrospectively for the first time in the reporting period beginning on or after July 1, 2009. The revisions specify how the principles contained in IAS 39 for the mapping of hedging relations are to be applied to the designation of a one-sided risk in an underlying transaction as well as to the designation of inflation risks as underlying transaction. They make clear that it is permissible to designate only a part of the changes of the fair value or the cash flow fluctuations of a financial instrument as underlying transaction.

- IFRIC 12 Service concession arrangements

The IFRIC interpretation 12 was published in November 2006 and is on principle to be applied for the first time in the reporting period beginning on or after January 1, 2008. This interpretation has so far not been included in EU law. The interpretation regulates the balance-sheet treatment of obligations assumed in the context of service concessions and rights obtained in the annual financial statements of the owner of the concession.

- IFRIC 15 Agreements on the construction of property

The IFRIC interpretation 15 was published in July 2008 and is to be applied for the first time in the reporting period beginning on or after January 1, 2009. This interpretation gives guidelines regarding the time and scope of the income realisation from projects for the construction of property.

- IFRIC 16 Hedging of net investments in a foreign business

The IFRIC interpretation 16 was published in July 2008 and is to be applied for the first time in the reporting period beginning on or after October 1, 2008. IFRIC 16 gives guidelines for the identification of foreign-currency risks, which can be hedged in the context of the hedging of a net investment, for the determination which Group company can hold the hedging instruments for the hedging of the net investment, and for the determination of the foreign-currency profit or loss, which in case of the sale of the foreign business is to be reclassified from the equity into the profit and loss statement. This interpretation is to be applied prospectively.

- IFRIC 17 Dividends in kind to shareholders

The IFRIC interpretation 17 was published in November 2008 and is to be applied for the first time in the reporting period beginning on or after July 1, 2009. This interpretation gives guidelines regarding the balancing process and valuation of obligations that include a distribution of dividends in kind to the shareholders. The interpretation comments especially on the time, the valuation and the identification of these obligations. According to it, such an obligation is to be applied and valuated against the fair value, if the company can no longer evade this obligation. The application of the obligation and any change to the fair value of the asset concerned are to be reported in the equity. Recognition in the profit and loss statement in the amount of the difference between the fair value and of the carrying amount of the asset does not take place until the moment of the transfer of this asset to the shareholders. This interpretation is to be applied prospectively.

- IFRIC 18 Transfer of customers assets

The IFRIC interpretation 18 was published in January 2009 and is to be applied for the first time in the reporting period beginning on or after 01 July, 2009. This interpretation gives guidelines regarding the balancing process of agreements, through which a company receives tangible assets or cash and cash equivalents from a customer, which the company must use to connect the customer for example to a supply network and / or to grant the customer continuous access to the supply with goods or services. The interpretation comments specifically on the recognition criteria of customer contributions and the time as well as the scope of the income realisation from such business transactions. This interpretation is to be applied prospectively.

4 Significant accounting judgements, estimates and assumptions

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

Discretionary judgments

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

Obligations under operating leases—Group as lessor

The Group has concluded lease agreements to rent its investment properties. It was determined — based on an analysis of the contract terms and conditions — that all significant risks and rewards of the properties leased under operating leases remain with the Group, which therefore reports these contracts as operating leases. The carrying amount of the investment properties amounts to EUR 2,900.7 million (previous year: EUR 3,271.2 million).

Estimates and assumptions

The key predictive assumptions and other significant sources of uncertainty which existed for estimates as of the reporting date — which indicate that there is a considerable risk that a significant adjustment of carrying amounts of assets and liabilities will be necessary in the coming financial year — are explained in the following:

Fair value of investment properties

The fair value of investment properties was established on December 31, 2008, on the basis of a portfolio assessment conducted internally by Deutsche Wohnen. The properties are divided into clusters dependent upon their location and their quality. On the basis of these clusters, assumptions are made on the development of rent, vacancy rates, vacancy income shortfalls, maintenance expenses, and discount rates. These valuation assumptions are subject to uncertainties due to their long-term nature which could in future result in positive or negative changes in value. Due to the financial crisis, risks exist at present with respect to the valuation of investment properties. The global crisis of the financial system has caused a high degree of uncertainty in the European real-estate market. In this environment, it is possible that the fair values are subject to volatility. The carrying amount of the investment properties amounts to EUR 2,900.7 million (previous year: EUR 3,271.2 million).

Current deferred taxes

Deutsche Wohnen reports higher deferred tax assets than deferred tax liabilities in the balance sheet. This surplus results essentially from the fair-value valuation of the property assets realised on December 31, 2008 and takes into account the tax effect resulting from it and not deferred tax assets from accumulated losses brought forward, unless they are subject to deferred tax liabilities. In future, the realisation of the deferred tax assets takes place through fiscal depreciation and additional fiscal out-flows in sales. Currently deferred tax assets amount to EUR 92.6 million (previous year: EUR 86.6 million).

Non-controlling interests

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

Pensions and other post-employment benefits

The expense from post-employment defined benefit plans is determined based on actuarial calculations. The actuarial valuation is based on assumptions relating to discount rates, future wage and salary increases, mortality rates, and future pension increases. Such estimates are subject to considerable uncertainty because of the long-term nature of these plans. As of December 31, 2008, the employee benefit liability from pension obligations amounts to EUR 39.3 million (previous year: EUR 41.6 million).

Liabilities to limited partners in funds

The limited partners of DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co.KG, Eschborn (from here on "DB 14"), have the opportunity to tender their shares until 2019. For the valuation of the liability it is assumed that the shares will be fully tendered. As of December 31, 2008, the liability amounts to EUR 48 million (previous year: EUR 46.6 million).

5 Changes in accounting policies

Deutsche Wohnen basically applied the same accounting policies as in the previous year.

Since the requirements for Hedge Accounting for all existing hedging instruments were fulfilled as of December 31, 2008, current market values of hedging instruments (interest rate swaps) amounting to EUR 49.3 million (previous year: EUR 0 million) are reported as non-current liabilities. No non-current assets result from the fair-value valuation of the hedging instruments in 2008 and 2007. The statement does not represent a change of the accounting policies, but rather results on basis of the now existing documentation of hedging correlations between underlying transactions (variable interest-bearing loan) and hedging (interest rate swaps).

B BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

1 Basis of consolidation

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

Changes in the consolidated companies

Changes in 2008 / Discontinued operations

With purchase contract from June 13 / 18, 2008, the shares in AKF — Telekabel TV und Datennetze GmbH and its subsidiaries (in the following “AKF Group”) were sold at a cash purchase price of EUR 19.9 million. Effective date of the transfer was July 3, 2008. A profit contribution of EUR 16.4 million before and after taxes resulted from the deconsolidation of the AKF Group. Altogether, the AKF Group had an income in the amount of EUR 4.5 million and expenses in the amount of EUR 5 million, so that a profit before and after taxes (profit and loss transfer agreement) of EUR −0.5 million resulted in the financial year 2008.

With the sale, cash and cash equivalents in the amount of EUR 0.2 million were sold. Furthermore, tangible assets in the amount of EUR 12.8 million, current assets in the amount of EUR 1.1 million, financial liabilities in the amount of EUR 9.9 million, and current liabilities in the amount of EUR 1.6 million were sold. Only insignificant cash flows were earned from the discontinued operation.

Summary of the changes in 2007

Through various associated, individual transactions, Deutsche Wohnen acquired the majority of shares in the GEHAG Group from the previous shareholders on August 9, 2007. The total cost of the acquisition was EUR 371 million.

As a result, the Deutsche Wohnen Group holds 99.99% of the shares in the GEHAG Group. The following shows the purchase price breakdown.

The fair values determined for the assets and liabilities which could be identified at the time of the acquisition and the corresponding carrying amounts directly before the time of the acquisition were as follows:

	Fair value as of the time of acquisition	Previous carrying amounts
	k EUR	k EUR
Investment properties	1,790,248	1,790,248
Property, plant and equipment	25,773	25,773
Intangible assets	198	198
Associated companies	417	417
Deferred tax assets	64,884	55,265
Derivative financial instruments	36,272	36,272
Other assets	36,120	36,120
Cash and cash equivalents	15,617	15,617
	1,969,529	**1,959,910**
Financial liabilities	1,120,957	1,156,674
Employee benefit liability	39,686	39,686
Deferred tax liabilities	64,133	53,418
Liabilities to shareholders	78,000	78,000
Other liabilities	231,712	184,653
	1,534,488	**1,512,431**
Total net asset at fair value	**435,041**	
Excess of company's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over cost.	−64,099	
Costs of acquisitions	**370,942**	

The difference between the fair value of the other liabilities and the carrying amount is based on the EK02 taxation (EUR 47.1 million) within the GEHAG Group, which has already been taken into account.

The acquisition costs are composed as follows:

Acquisition costs

	k EUR
Contribution agreement from July 2, 2007	
Issuance of 6,400,000 shares at fair value	
Current market value (closing share price 28.76 EUR / share at the time of acquisition)	184,064
Convertible bond	25,000
	209,064
Share purchase agreement from July 2, 2007	
Cash purchase price	179,145
Correction by EK02 guarantee	−25,000
	154,145
Incidental costs of acquisition	7,733
	370,942

The issue of the convertible bond was reported at fair value. The borrowed capital component totalled EUR 23.9 million at the time of the acquisition.

The amount of the excess of company's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over costs is attributable — amongst other things — to the development of the share price between the time of the signing of the purchase contract and the actual effective date of the transfer. Between July 2, 2007 and August 9, 2007, the share price dropped from around EUR 39 / share to around EUR 29 / share. With the number of shares issued, this corresponds to a reduction in the purchase price of approximately EUR 64 million.

With the acquisition of the company, cash and cash equivalents totalling EUR k 15,617 were acquired. The net purchase price to be paid concerning the acquisition of the GEHAG Group is calculated as follows:

Net purchase price

	k EUR
Purchase price	154,145
Incidental costs of acquisition	7,733
Acquired cash and cash equivalents	−15,617
	146,261

From the acquisition of the GEHAG Group results a minority share of EUR k 302. This corresponds to the share of the Land Berlin in the amount of 0.0004% and non-controlling interests of other subsidiaries.

Since the time of the acquisition, the GEHAG Group has contributed EUR 112.9 million to revenue and EUR — 16.6 million to result. If the business combination had already taken place at the beginning of the year 2007, the revenue would have amounted to EUR 210.4 million and result for 2007 to EUR 248.8 million.

2 Consolidation methods

The annual financial statements of the subsidiaries are prepared using standard accounting policies as of the same balance sheet date as the annual financial statements of the parent company. Subsidiaries are fully consolidated from the time of the acquisition, i.e. from the time when the Group had control. Consolidation in the consolidated financial statements ends as soon as the parent company no longer has control.

The capital consolidation takes place according to the acquisition method (IFRS 3); this nets the cost of the acquisition at the time of the acquisition with the net assets corresponding to the amount of the shareholding, assessed at fair value. If the share of net assets acquired exceeds the cost of acquisition of the shareholding, the amount of the cost of acquisition and the amount of the net assets are reviewed again in accordance with IFRS 3. The income-related negative difference remaining after this is immediately recognised in profit or loss.

All intercompany balances, transactions, revenues, expenses, profits and losses from intercompany transactions which are included in the carrying amount of assets are eliminated in full.

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

C ACCOUNTING POLICIES

1 Investment properties

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

At initial recognition, investment properties are valuated using the cost method including incidental costs. After initial recognition, the investment properties are valuated at fair value. Profits or losses from the adjustment are recognised in the consolidated profit as income or expense. Prepayments or assets under construction related to investment properties are valuated using the cost method and reported under investment properties.

An internal valuation took place as of December 31, 2008.

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

The cluster formation was in line with the following schema:

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

Furthermore, these clusters were organised according to the regions Berlin, Brandenburg, Rhine-Main / Rhine Valley South, remaining Rhineland-Palatinate, and remainder.

Investment properties are derecognised on its sale or permanent withdrawal from use and when no future economic benefits are expected from its disposal. Profits or losses arising from the retirement or disposal of investment properties are recognised in the profit and loss statement in the year the property was retired or disposed of.

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

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

2 Property, plant and equipment

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

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

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

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from its use or disposal. Profits or losses relating to the asset's disposal are recognised in the profit or loss calculation as the difference between the net disposal proceeds and the carrying amount of the asset when the item is derecognised.

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

3 Intangible assets

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

4 Investments in associated companies

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

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

5 Borrowing costs

Borrowing costs are recognised as an expense in the period in which it is incurred.

6 Impairment of non-financial assets

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

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

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

7 Financial assets

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

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

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

All purchases and sales of financial assets which are customary for the market are recognised in the balance sheet at the trade date, i.e. at the day when the Group made the commitment to purchase or sell the asset. Purchases and sales which are customary for the market are purchases and sales of financial assets, which specify delivery of the assets within a period determined by market regulations or conventions.

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

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

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

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

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognised if one of the three following conditions is met:

- The contractual rights to the cash flow from a financial asset have expired.
- The Group retains the contractual rights to draw cash flows from financial assets, but assumes a contractual obligation to pay the cash flow without any significant delay to a third party as part of an agreement which meets the conditions in IAS 39.19 ("pass-through arrangement").
- The Group has transferred its contractual rights to cash flow from a financial asset and has a) essentially transferred all of the risks and opportunities which are associated with the ownership of the financial asset, or has (b) essentially neither transferred nor retained all of the risks and opportunities which are associated with the ownership of the financial asset, but has transferred the authority to dispose the asset.

If the Group transfers its contractual rights to cash flow from an asset and essentially neither transfers nor retains all of the risks and opportunities which are associated with the ownership of the financial asset and also retains the authority to dispose the transferred asset, the Group continues to recognise the transferred asset within the scope of its ongoing commitment.

8 Inventories

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

The initial valuation is at acquisition or manufacturing cost. As of the balance sheet date, the valuation is at the lower value of the two figures — acquisition cost or net realizable value. The net realizable value is the estimated recoverable sales proceeds related to regular business operations, less the estimated costs to completion and the estimated necessary cost of sales.

9 Cash and cash equivalents

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

10 Non-current held for sale

The Deutsche Wohnen Group reports investment properties as assets held for sale where notarial purchase contracts exist on the balance sheet date, but the transfer of ownership is taking place later. The valuation is at the lower value of the two amounts — the carrying amount or the fair value, less selling costs. In the case of owner-occupied property (IAS 16), depreciation is discontinued from the date of reclassification. The property is allocated to the Disposals segment.

11 Financial liabilities

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

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

Financial liabilities

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

Profit participation rights

The employees of GEHAG have the opportunity of taking an interest in GEHAG in the form of profit participation rights as silent partners. These profit participation rights are acquired at a nominal amount and provide entitlement to a share in the profits. After eight years, the employee has the right to cancel the profit participation rights agreement. When exercising the right of cancellation, the accumulated balance of the capital account is paid out (nominal value + profit share ./. loss share). There is no obligation to make an additional payment. Profit participation rights are reported as non-current borrowed capital (EUR 0.3 million) under financial liabilities.

Convertible bonds

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

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

Trade payables and other liabilities

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

Liabilities to limited partners in funds

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

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

Within Deutsche Wohnen, liabilities to Fund limited partners total EUR k 48,006 (previous year: EUR k 46,631).

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

12 Pensions and other post-employment benefits

Employee benefit liabilities are formed for obligations (pension, invalidity, widow/widower pension and orphan pension benefits) from deferred benefits and from current benefits to entitled active and former employees and their surviving dependents.

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

Any possible expense related to former working hours is allocated on a straight-line basis over the average period until non-forfeiture of the benefits. If benefits are non-forfeitable immediately after the introduction or change of a pension plan, the expense related to former working hours is to be recognised immediately in the profit and loss statement.

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

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

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

No specific information is known about any over-funding or underfunding of the plan or the related future effects on Deutsche Wohnen Group. However, an external expert opinion from previous years puts Deutsche Wohnen's currently unfunded pension obligations to the BVK at EUR 12.35 million. This could be regarded as an indication of a deficit, which could result in an increase in the contribution payments made by Deutsche Wohnen to the BVK in future.

13 Provisions

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

14 Leases

Leasing transactions are divided into finance leases and operating leases. Contractual regulations, which transfer all significant opportunities and risks associated with the ownership of an asset to the lessee, are reported as finance leases. The leasing object is recorded as an asset with the lessee, and the corresponding obligations are recorded as liabilities. All other leasing transactions are reported as operating leases.

15 Revenue recognition

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

Rental income

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

Disposal of property

Revenue is recognised when the significant risks and opportunities associated with the ownership of the disposed property have been transferred to the purchaser.

Services

Revenue is recognised in accordance with the performance of the service.

Interest income

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

16 Government grants

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

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

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

The redemption and interest-subsidised loans are project-related loans and are reported as financial liabilities. Both offer benefits compared to loans at market conditions such as lower interest rates or interest and redemption-free periods. The loans have been valuated at fair value and are subsequently valuated at amortised cost. However, they are to be seen in conjunction with restrictions in the property's rent development, which were considered in the fair value valuation.

17 Taxes

Current income tax assets and liabilities

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

Deferred taxes

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

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

- Deferred tax assets from deductible temporary differences, which arise from the initial recognition of an asset or a liability in a business transaction, which is not a business combination and which at the time of the business transaction does not have an impact on the profit and loss for the period pursuant to commercial law nor the taxable profit and loss, may not be recognised.
- Deferred tax assets from taxable temporary differences in connection with investments in subsidiaries, associated companies and shares in joint ventures, may only be recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and sufficient taxable profit will be available against which the temporary differences can be offset.

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

Deferred tax assets and liabilities are measured on the basis of tax rates which are expected to apply for the period in which an asset is realised or a liability is met. This is based on the tax rates (and tax regulations) which apply or are announced as of the balance sheet date.

Income tax related to items recognised directly in equity is recognised in equity and not in the Group profit and loss statement.

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

Change of tax rates

With the corporate tax reform 2008, the tax rates (among other things) have changed as of January 1, 2008. The corporate tax rate was lowered from 25% to 15%. Furthermore, the trade tax base rate has been reduced from 5% to 3.5%. The new tax rates have been used in the calculation of deferred taxes.

Sales tax

Revenues, expenses and assets are recognised after the deduction of sales tax. The exceptions to this are as follows:

- if sales tax on the purchase of assets or services cannot be recovered from the taxation authority, it is recognised as part of the production cost of the asset or as part of the expenses; and

- receivables and liabilities are recognised together with the amount of sales tax contained therein.

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

18 Derivative financial instruments and hedging transactions

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

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

No ineffective parts of the changes in value of the hedging that were reported within the Hedge Accounting occurred in the effectiveness test as of the balance sheet date December 31, 2008. As of December 31, 2007, no hedging was reported within Hedge Accounting.

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

D NOTES TO THE CONSOLIDATED BALANCE SHEET

Non-current assets

1 Investment properties

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

	12/31/2008	12/31/2007
	k EUR	k EUR
Start of period	**3,271,205**	**1,341,596**
Additions due to company acquisition	0	1,790,248
Additions due to portfolio acquisition	0	138,936
Other additions	21,268	22,692
Disposals due to sale	−95,727	−53,215
Fair value adjustments	−276,528	30,948
Transfer	−19,545	0
End of period	**2,900,673**	**3,271,205**

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

The following were derived based on the cluster:

- Derivation of annual rates of increase in rent (−0.25% to 2.2%)
- Derivation of target vacancy rates in a period of 1 to 4.5 years (2% to 11%)
- Derivation of capitalisation rates and discount rates.

Based on the properties:

- Establishment of the market rent as of the balance sheet date,
- Development of rent per m^2 of rental area relating to the adjustment of market rent and actual rent,
- Development of costs (maintenance, administration, rent loss risk and non-apportionable operating costs, interest on heritable building rights if relevant),
- Evaluation of cash flow from annual proceeds and payments and the terminal value at the end of year 10, based on the stabilised cash flow expected in year 11, or an expected sales price less sales expenses,
- Calculation of a fair value based on the administrative unit as of the balance sheet date.

The capitalisation and discount rates were derived based on risk-free rate (10-year average of net yields of federal bonds: 3%) and real estate-specific risk estimates. In the process, discount rates between 6.1% and 8.35% were used. The weighted average of the discount rates comes to 6.79%. The capitalisation rates are between 4.75% and 7.5%. A discount rate shift of 0.1% causes a value adjustment of EUR 49 million.

The result yields an average value of EUR 881 per m^2 and a target rent multiplier of 13.7 as of December 31, 2008 or a multiplier of 10.9 based on the target rent in 2018.

The investment properties essentially serves as collateral for the loans.

In the previous year, an external valuation took place as of June 30, 2007, for which the external valuator performed another plausibility check as of December 31, 2007. There were no substantial changes in value during this process. The following principles were used for the valuation as of June 30, 2007:

The following were derived based on the cluster:

- Derivation of annual rates of increase in rent,
- Derivation of target vacancy rates in a period of 1 to 4 years (2% to 10%).
- Derivation of capitalisation rates and discount rates.

Based on the property:

- Establishment of the market rent as of the balance sheet date,
- Development of rent per m^2 of rental area relating to the adjustment of market rent and actual rent,
- Development of the vacancy rate when making cluster-specific assumptions concerning the target vacancy rate,
- Development of costs (maintenance, administration, rent loss risk and non-apportionable operating costs, interest on heritable building rights if relevant),
- Evaluation of cash flow from annual proceeds and payments and the terminal value at the end of year 10, based on the stabilised cash flow expected in year 11, or an expected sales price less sales expenses,
- Calculation of a fair value based on the administrative unit as of the balance sheet date.

The capitalisation and discount rates were derived based on risk-free rate (10-year average of net yields of federal bonds: 4.5%) and cluster-specific risk estimates. In the process, discount rates between 5.5% and 8.75% and capitalisation rates between 4.75% and 8% were used, according to the cluster.

All of the Group's investment properties are leased under operating leases. The related rental income amounted to EUR 210.3 million (previous year: EUR 144.6 million). The expenses directly associated with the investment properties were EUR 127.7 million (previous year: EUR 89.7 million).

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

2 Property, plant and equipment

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

	12/31/2008	12/31/2007
	k EUR	k EUR
Costs		
Start of period	31,927	8,184
Changes in the consolidation group	−12,824	25,773
Additions	2,695	4,752
Disposals	−466	−4,635
Transfer	2,834	−2,147
End of period	**24,166**	**31,927**
Accumulated depreciation		
Start of period	3,979	4,286
Changes in the consolidation group	974	0
Additions	1,560	1,514
Disposals	−92	−1,529
Transfer	0	−292
End of period	**6,421**	**3,979**
Net carrying amounts	**17,745**	**27,948**

The land and buildings included in property, plant and equipment (EUR 9 million, previous year: EUR 7.3 million) are essentially secured by real estate collateral.

3 Intangible assets

Intangible assets have developed as follows:

	12/31/2008	12/31/2007
	k EUR	k EUR
Costs		
Start of period	1,200	845
Changes in the consolidation group	−54	198
Additions	4,570	157
End of period	**5,716**	**1,200**
Cumulative depreciation and impairment		
Start of period	830	655
Additions	234	175
End of period	**1,064**	**830**
Net carrying amounts	**4,652**	**370**

The additions are essentially due to the SAP changeover of Deutsche Wohnen.

4 Investments in associated companies

The following companies were included at equity in the consolidated financial statements:

	Share	12/31/2008	12/31/2007
	%	k EUR	k EUR
SES Stadtentwicklungsgesellschaft Eldenaer Straße mbH	50.00	165	135
GbR Fernheizung Gropiusstadt	44.26	330	300
		495	435

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

	12/31/2008	12/31/2007
	k EUR	k EUR
Share of the balance of associated companies		
Current assets	745	2,646
Non current assets	0	5
Current liabilities	135	1,786
Equity	610	865
Share of revenue and profit of associated companies		
Revenue	255	27
Profit	60	18

5 Land and buildings held for sale

In the financial year 2008, revenue totalling EUR k 2,455 (previous year: EUR k 812) was generated. At the same time there was shortfall from net carrying amount totalling EUR k 1,977 (previous year: EUR k 480).

6 Trade receivables

Trade receivables comprised the following:

	12/31/2008	12/31/2007
	k EUR	k EUR
Receivables from rental activities	14,809	7,569
Receivables from the disposal of land	4,888	9,264
Other trade receivables	1,505	1,729
	21,202	18,562

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

In the financial year 2008, rental claims totalling EUR 1.9 million (previous year: EUR 2.4 million) were written off, against payments on written-off rental claims in the amount of EUR 0.2 million (previous year: EUR 0.2 million). The value adjustment for receivables amounted to EUR 4.4 million as of December 31, 2008 (previous year: EUR 5.0 million).

Receivables from property sales are interest-free and are in principle due between 1 and 90 days. A value adjustment was made to the receivables from property sales in the financial year 2007 totalling EUR 2.1 million.

The non-impaired receivables from the disposal of land are due as follows:

	Thereof, neither impaired nor overdue as of the reporting date	Thereof, neither impaired nor overdue in the following periods as of the reporting date			
		less than 30 days	between 30 and 60 days	between 61 and 90 days	more than 91 days
	k EUR	k EUR	k EUR	k EUR	k EUR
2008	2,804	1,591	0	0	493
2007	4,391	291	1,392	181	2,209

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

7 Derivative financial instruments

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

Nominal value	Strike	Term	Maturity	12/31/2008	12/31/2007
k EUR				k EUR	k EUR
230,000	3.90%	07/01/2003	07/01/2013	−7,549	6,855
172,000	4.74%	09/20/2007	12/29/2017	−15,897	−2,308
122,250	3.40%	04/10/2006	12/31/2015	−268	8,421
108,370	4.10%	12/08/2006	12/30/2016	−4,368	3,833
78,000	4.74%	09/20/2007	12/29/2017	−7,209	−1,045
72,500	3.24%	04/10/2006	12/31/2012	−468	3,918
48,200	4.18%	01/18/2007	12/30/2016	−2,160	1,096
50,000	4.09%	04/10/2007	12/30/2016	−2,169	1,659
50,000	4.68%	03/20/2008	12/29/2017	−4,385	−451
50,000	3.89%	07/21/2008	12/31/2013	−1,357	0
45,000	3.88%	07/10/2008	06/28/2013	−1,072	0
30,000	3.47%	06/30/2003	06/30/2013	−182	1,075
33,500	3.38%	04/10/2006	12/31/2015	−42	2,457
23,175	3.50% - 4.50%	07/29/2005	12/30/2016	−896	739
30,000	3.45%	04/10/2006	12/31/2015	−122	2,143
25,000	4.06%	04/10/2008	12/31/2015	−1,069	0
2,540	5.00%	10/02/2006	10/03/2016	−136	35
1,170,535				−49,349	28,427

Based on the hedging contracts shown above, the requirements of Hedge Accounting were fulfilled as of December 31, 2008. The difference between the current market value of the effective hedging as of the balance sheet date (EUR 45.3 million) and the current market value of the effective hedging against the previous balance sheet date (EUR 0 million) was accordingly recognised as a change in equity. The deferred taxes attributable to it (EUR 14 million) are also recognised in the equity.

There are no significant credit risks as the interest rate swaps were concluded with major banks. If the interest rate level changes, the market value changes accordingly. Returns and expenses are recognised in the equity for the effective part of the hedging, the non-effective part is recognised in the current result. If the interest rate level should rise / fall by 50 basis points, the market value of the interest rate swap rises / falls by approximately EUR 31.6 million (previous year: EUR 30 million).

8 Cash and cash equivalents

The cash equivalent of EUR 42 million (previous year: EUR 47.9 million) consists mainly of credit balances at banks, checks and cash in hand. Credit balances at banks are on call deposits and earn interest at varying rates for daily callable credit balances. Current investments are for varying periods of between one day and three months according to the requirements of the company. As of the balance sheet date, the Deutsche Wohnen Group had cash equivalents in the amount of EUR 14.7 million (previous year: EUR 21.1 million) which were not freely available. This was in essence the cash equivalent of DB 14 and rent deposits.

9 Equity

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

a) Issued share capital

The registered capital amounts to EUR 26.4 million (previous year: EUR 26.4 million). The registered capital comprises 26.4 million no-par shares with a notional share of EUR 1 per share. The shares have been issued completely and paid in full.

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

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

The Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital on one or several occasions in the period until August 9, 2011, by up to an aggregate of EUR 3.6 million of authorised capital by issuing up to 3.6 million new ordinary bearer shares against cash or non-cash contributions (authorised capital). The original authorised capital amounted to EUR 10 million.

The share capital is contingently increased by up to a further EUR 10 million with the issue of no-par value bearer shares carrying profit participation rights from the beginning of the financial year in which they were issued (contingent capital I).

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

The share capital is contingently increased by up to a further EUR 2.7 million with the issue of 2.7 million new no-par value bearer shares carrying profit participation rights from the beginning of the financial year in which they were issued (contingent capital II).

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

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

The Management Board is authorised by the decision taken by the Annual General Meeting on June 21, 2007 to acquire, in observance of the Act on Equal Rights (§ 53 a German Corporations Act (Aktiengesetz)), own shares of the company of up to 10% of the total existing registered capital of the company until December 20, 2008.

b) Capital reserve

The creation of the capital reserve was resolved by the Extraordinary Annual General Meeting in 1999 and through the shares issued and the equity contribution to the convertible bonds issued in connection with the GEHAG transaction. In the financial year 2008, EUR 79.8 million were withdrawn from the capital reserve. As of the balance sheet date, the reserve amounts to EUR 269.7 million (previous year: EUR 349.5 million).

c) Retained earnings

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

The legal reserve is mandatory for listed companies. In accordance with § 150 section (2) of the German Corporations Act [AktG], an amount of 5% of the profit for the financial year is to be retained. The legal reserve has an upper limit of 10% of the share capital. In the process, existing capital reserve are to be considered in accordance with § 272 section (2) No. 1 — 3 of the German Commercial Code [HGB] in a manner which reduces the required provision to the legal reserve accordingly. This is measured on the basis of the registered capital which exists and is legally-effective on the balance sheet date and which is to be reported in this amount in the respective annual balance sheet. The legal reserve remains unchanged at EUR 1 million.

d) Non-controlling interests

The non-controlling interests are of the GEHAG Group.

Non-current liabilities

10 Financial liabilities

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

The financial liabilities comprise the following:

	12/31/2008	12/31/2007
	k EUR	k EUR
Company-related loans	1,474,657	1,632,172
Project-related loans	614,306	547,075
Profit participation rights	210	308
	2,089,173	**2,179,555**
thereof non-current	1,991,077	2,034,087
thereof current	98,096	145,468
	2,089,173	**2,179,555**

The company-related loans are loans which were taken on as part of portfolio acquisitions in 2007 or 2006 or in connection with company acquisitions. These loans have variable interest rates and a remaining term of between four and eight years. The average interest rates are between 4.61% and 5.69%.

The following overview lists the loans which are greater than EUR 10 million:

	Nominal Value	Remaining Balance 12/31/2008	12/31/2007	Maturity	Swap hedge	Interest Rate
Syndicated loan	440,000	399,233	396,166	12/31/2012	86%	EURIBOR + margin
Acquisition of GEHAG	410,000	405,000	385,000	12/31/2017	85%	EURIBOR + margin
Loan 1						
Loan tranche[(a)]	127,823	121,432	127,823	05/06/2014	None	5,79%
Loan tranche[(b)]	51,129	48,573	51,129	05/06/2009	None	5,37%
Loan tranche[(c)]	71,837	68,245	71,837	05/06/2014	None	5,74%
Purchase loan 1	183,000	163,500	183,000	12/31/2015	100%	EURIBOR + margin
Purchase loan 2	230,000	209,083	225,086	12/31/2016	90%	EURIBOR + margin
Loan 2	270,000	0	89,400	09/30/2008	None	EURIBOR + margin
Purchase loan 3	45,000	41,625	43,125	12/31/2015	74%	EURIBOR + margin
Purchase loan 4	19,000	17,966	19,000	12/31/2013	89%	EURIBOR + margin
Others < EUR 10.0 million	0	0	40,606			
	1,847,789	1,474,657	1,632,172			

As part of a down-stream merger in 2002, GEHAG has taken over loans totalling EUR 421 million. With a credit agreement of October 15, 2003, the borrowings and other financial liabilities taken on were converted into non-current property financing (syndicated loan of EUR 440 million). The syndicated loan is used as roll-over credit and the interest rate is based on EURIBOR plus a margin. Of the total credit volume, EUR 372.5 million is hedged long-term with four payer swaps against interest rate risks. The credit period is limited to December 31, 2012. Land charges, personally enforceable promises to pay, assignment of rights and claims from rent and lease agreements, and purchase contracts serve as collateral.

A loan agreement of EUR 410 million was concluded for the financing of the GEHAG transaction. The loan is divided into four facilities. The interest is determined based on EURIBOR plus a margin. The term is until December 31, 2017.

Loan one was taken on as part of the disengagement of the Deutsche Bank Group and the associated restructuring of finance.

Purchase loans one and two can be used either as current or non-current loans. As of the balance sheet date, funds were only taken on as current EURIBOR loans. The terms of the purchase loans end on December 31, 2015 / 2016.

Purchase loans three and four are connected to the financing of the property that is to be allocated to the section of nursing and residential care homes.

A credit line of EUR 270 million was made available to the Deutsche Wohnen Group; as of December 31, 2007, EUR 89.4 million had been drawn from the credit line (loan two). This credit line was called in by Deutsche Wohnen.

The property-related loans are loans which can be directly allocated to property. These have been taken up in the past primarily for purchases or modernisation purposes. In the case of a sale, these are to be repaid. The average interest rates of the loans are between 0% and 7.5%. The loans with no or low interest — for which in return rent is granted at conditions below the market rent — are measured at amortised cost.

The residual terms are as follows:

	Amount	Residual term to 1 year	Residual term over 1 to 5 years	Residual term over 5 Jahre
	k EUR	k EUR	k EUR	k EUR
Financial liabilities as of 12/31/2008	2,089,173	98,096	202,228	1,788,849
Financial liabilities as of 12/31/2007	2,179,555	145,468	255,917	1,778,170

The liabilities are secured to the amount of EUR 1,577 million (previous year: EUR 1,616 million) by the properties.

11 Convertible bonds

The convertible bonds were issued as part of the GEHAG acquisition on July 31, 2007. They can be converted at any time between the day of issue and the date of repayment into shares of the company. At the time of issue, the convertible bonds were convertible at a conversion price of EUR 45 / share.

	12/31/2007	12/31/2008
	k EUR	k EUR
Nominal value of convertible bonds		25,000
Equity component		−1,102
		23,898
Opening balance debt component	24,339	23,898
Accrued interest	1,091	441
Closing balance debt component	25,430	24,339

If the convertible bonds are not converted into ordinary shares, they will be taken back on July 31, 2010 at the nominal value plus 9% interest. No interest is paid until the settlement date.

The issued convertible bonds were divided into debt and equity components. The equity component reflects the value of the options in connection with the right to convert the bond into equity.

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

12 Employee benefit liability

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

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

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

	12/31/2008	12/31/2007
	%	%
Discount rate	5.90	5.60
Future salary increase	2.00	2.00
Future pension increase	1.75	1.75
Increase in the for contribution assessment ceiling	2.00	2.00
Mortality tables	R 05G	R 05G

The future salary increase includes expected future salary increases. This is estimated and depends among other things on the inflation rate and the period of employment in the company.

The net pension expenses/revenue comprises the following:

	12/31/2008	12/31/2007
	k EUR	k EUR
Interest cost	−2,127	−1,021
Service cost	−400	−268
Curtailment	0	310
Reversal	1,023	0
	−1,504	−979

The following overview shows the development of the pension obligations:

	12/31/2008	12/31/2007
	k EUR	k EUR
Opening balance pension obligation	41,562	5,084
Pension payments	−2,171	−1,306
Changes in the consolidation group	−1,177	39,686
Interest cost	2,127	1,021
Service cost	400	268
Curtailment	0	−310
Reversal	−1,023	0
Adjustment of current pensions	36	52
Actuarial profits/losses	−454	−2,933
Closing balance pension obligation	39,300	41,562

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

The pro-rata expense from the accrued interest is recognised under the interest expense in the income statement, while current pension payments, service costs and adjustments of current pensions are recognised in the staff expenses item.

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

	12/31/2008	12/31/2007	12/31/2006	12/31/2006
	k EUR	k EUR	k EUR	k EUR
Defined benefit obligations	39,300	41,562	5,084	5,121
Experience-based Adjustment	−874	−174	−30	n/a

For defined contribution pensions, expenses totalling EUR 3.9 million (previous year: EUR 1.6 million) were recognised. For 2009, based on the current number of employees, expenses totalling EUR 3 million will be recognised.

13 Liabilities to limited partners in funds

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

The liabilities have developed as follows in the financial year:

	12/31/2008	12/31/2007
	k EUR	k EUR
Opening balance liabilities	**46,631**	**49,783**
Payment for tender	−439	−5,195
Dividend payments	0	−497
Accrued interest	1,814	2,540
Closing balance liabilities	**48,006**	**46,631**

Liabilities to limited partners in funds are reported under non-current liabilities because no further limited partners had exercised their right to sell back as of December 31, 2008. Maturities may change due to the actual exercise of the option to sell shares.

14 Other Provisions

Provisions comprise the following:

	Revitalisation	Restructuring	Others	Total
	k EUR	k EUR	k EUR	k EUR
Opening balance at start of period	11,043	3,444	6,328	20,815
Changes in the consolidation group				
Utilisation	−113	−1,089	−1,187	−2,389
Reversal	0	−96	−1,483	−1,579
Additions	1,276	3,981	698	5,955
Closing balance at end of period	12,206	6,240	4,356	22,802
non-current	12,206	0	300	12,506
current	0	6,240	4,056	10,296

The provision for revitalisation relates to the privatisation agreement between the German Federal State Berlin and GEHAG. According to this agreement, GEHAG is committed to invest a total of originally EUR k 25,565 for improving housing conditions. There are no regulations in the agreement concerning the time period. The calculation assumes a period until 2017 and an interest rate of 5%. The additions concern the accrued interest effect of the provision.

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

15 Tax liabilities

Tax liabilities include mainly the present value (EUR k 80,737; previous year: EUR k 77,397) from the compensation for the EK02 stocks in the Deutsche Wohnen Group. In accordance with the Annual Tax Act 2008, the previous regulation concerning the treatment of EK02 stocks is being abolished and instead a for us compulsory flat-rate payment is being introduced. In accordance with this, the closing balance of EK02 as of December 31, 2006 is taxed flat-rate at 3%, regardless of the utilisation. Remaining stock is not applicable and triggers no further increases in corporation tax. The resultant tax amount is to be paid either within a period of ten years from 2008 to 2017 in ten equal annual instalments or at present value in a one-off amount. The whole EK02 stock of the Deutsche Wohnen Group amounts to EUR 3.2 billion. The valuation was based on an interest rate of 4.2%. Furthermore, it was assumed that the payment will be in 10 annual instalments and not in a one-off payment at present value.

16 Deferred taxes

Deferred taxes comprise the following:

	12/31/2008	Change	12/31/2007
	k EUR	k EUR	k EUR
Deferred tax assets			
Property	55,373	8,207	47,166
Loss carry-forwards	14,952	−15,802	30,754
Provisions	4,010	116	3,894
Pension plans	1,738	−545	2,283
Interest rate swaps	15,356	14,112	1,244
Others	1,130	−143	1,273
	92,559	5,945	86,614
Deferred tax liabilities			
Property	52,178	54,687	106,865
Swaps	0	9,713	9,713
Loans	18,454	521	18,975
Others	1,028	−746	282
	71,660	**64,175**	**135,835**
Deferred taxes — net	20,898	70,119	−49,221
Recognised directly in equity	13,919		−883
Recognised in profit/loss	56,200		−7,980
	70,119		−8,863

The actuarial profits and losses from the pensions and the changes in the current market value of the effective hedging are recognised directly in equity (SORIE). The related deferred taxes are also recognised directly in SORIE and amount to EUR 0.1 million (previous year: EUR 0.9 million) for the actuarial profits and losses, and to EUR 14 million (previous year: EUR 0 million) for the changes in the current market value of the effective hedging.

Deutsche Wohnen has corporation tax loss carry-forwards totalling EUR 1 billion (previous year: EUR 1.1 billion) and trade tax loss carry-forwards totalling EUR 1.0 billion (previous year: EUR 0.9 billion). Corporation tax loss carry-forwards that were not valuated amount to ca. EUR 1 billion, trade tax loss carry-forwards to ca. EUR 0.9 billion. On principle, loss carry-forwards do not forfeit. Deferred tax assets were capitalised to tax loss carry-forwards only to the value of existing deferred tax liabilities.

17 Leases

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

In 2009, Deutsche Wohnen will receive minimum lease payments totalling ca. EUR 51 million (previous year: EUR 48.2 million) from existing operating lease agreements with third parties (implied legal period of notice three months) and with the current property stock. In 2009, Deutsche Wohnen will furthermore receive minimum lease payments totalling EUR 31 million from property related to residential care homes and nursing; for a period between one and five years, the payments will amount to ca. EUR 124 million, and for more than five years they will amount to ca. EUR 155 million. For this, a remaining lease of five years after the fifth year was assumed. The tenancy agreements are in principle indefinite and end with the passing of the tenants or, if there is a default of payments, cancellation on the part of the landlord is possible.

E NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

The consolidated profit and loss statement is prepared using the nature of expense method. We furthermore would like to point out again that the GEHAG Group is included in the financial year 2007 with only five months and the comparability is therefore limited.

18 Revenues

Revenues comprises the following:

	2008	2007
	k EUR	k EUR
Residential Property Management	277,351	180,784
Nursing and Assisted Living	33,117	16,124
Care-giving activities	3,484	3,124
Telecommunications services	0	2,981
Other services	1,560	1,341
	315,512	204,354

The revenues from residential property management comprises the following:

	2008	2007
	k EUR	k EUR
Potential gross rental income and other income	210,274	144,564
Vacancy income shortfall	−15,103	−12,383
Actual rent and other income	195,171	132,181
Revenue from billing of cost allocations	82,180	48,603
	277,351	180,784

The revenue from Nursing and Assisted Living homes is realised by KATHARINENHOF®.

19 Expenses for purchased goods and services

Expenses for purchased goods and services comprises the following:

	2008	2007
	k EUR	k EUR
Expenses for Residential Property Management	127,708	89,718
Expenses for Nursing and Assisted Living	9,031	3,312
Telecommunications services	0	2,267
Other expenses	2,346	1,617
	139,085	96,914

The expenses for Residential Property Management comprise the following:

	2008	2007
	k EUR	k EUR
Operating expenses	83,536	52,625
Maintenance	36,842	32,162
Other expenses	7,330	4,931
	127,708	89,718

20 Staff expenses

Deutsche Wohnen Group employed on average 1,396 employees (previous year: 1,361 employees):

	2008 Employees	2007 Employees
Residential (including holding functions)	458	622
Nursing and Assisted Living	938	723
Telecommunications	0	16
	1,396	1,361

There were two employees employed in the associated companies (previous year: eight employees).

Staff expenses are composed as follows:

	2008	2007
	k EUR	k EUR
Residential (including holding functions)	25,277	23,672
Nursing and Assisted Living	18,264	7,713
Telecommunications	0	344
	43,541	31,729

21 Other operating expenses

Other operating expenses comprise the following:

	2008	2007
	k EUR	k EUR
Cost of data processing and communications	4,753	2,752
Ongoing legal, consultancy and audit costs	2,809	2,462
Impairment and amortisation of receivables	2,663	4,214
Cost of sales	4,164	3,296
Cost of office space	2,578	3,859
Vehicle and travel expenses	1,203	1,035
Insurances	474	238
Administrative and miscellaneous expenses	12,578	9,412
	31,222	27,268

22 Restructuring and reorganisation expenses

The restructuring and reorganisation costs include primarily employee costs (EUR 13.2 million, previous year: EUR 7.3 millions) for severance payments and salary payments to employees in leave of absence or terminated employees, as well as expenses associated with integration and reorganisation (EUR 10.9 million, previous year: EUR 2.5 million).

23 Expenses relating to the listing prospectus

The expenses relating to the listing prospectus in the financial year 2007 (EUR 1.8 million) include primarily legal, consultancy and audit costs.

24 Finance expenses

The increase in finance expenses is primarily attributable to the necessary financing for the portfolios which were newly acquired in the financial year and for the acquisition of the GEHAG Group.

Finance expenses comprise the following:

	2008	2007
	k EUR	k EUR
Current interest expenses	107,274	62,506
Accrued interest on liabilities and pensions	14,329	10,233
Others	5,678	0
	127,281	72,739

25 Income taxes

For companies located in Germany with the legal form of a public limited company, corporation tax of 15% (previous year: 25%) as well as a solidarity surcharge of 5.5% (2008 and 2007) of the corporation tax due are accrued. These companies are also subject to trade tax, the amount depends on tax rates set by local authorities. Companies in the legal form of a partnership are only subject to trade tax. The profit less trade tax is assigned to the partner for corporation tax purposes. The trade tax reduces its own assessment basis and for public limited companies the assessment basis for the corporation tax. Limited use of the corporation and trade tax loss carry-forwards is to be considered as of the assessment period 2004. In the process, a positive tax assessment basis is unlimited up to

EUR 1 million, amounts beyond EUR 1 million may only be reduced by maximum 60% by an existing loss carry-forward.

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

The income tax expense for the current financial year comprises the following:

	2008	2007
	k EUR	k EUR
Current tax expense		
Current income tax charge	−271	−1,824
EK02 taxation	0	29,808
	−271	27,984
Deferred tax expense		
Property	−62,893	9,904
Loss carry-forwards	15,802	7,494
Loans	−521	−6,581
Other provisions	−116	−2,403
Interest rate swaps	−9,773	−1,057
Pensions	412	−230
Others	889	852
	−56,200	7,979
	−56,471	35,963

For the financial year 2008, the current income tax takes into account income relating to other periods totalling EUR 0.9 million (previous year: expenses EUR 3.3 million).

A reconciliation of the tax expense / income is shown in the following overview:

	2008	2007
	k EUR	k EUR
Consolidated accounting profit before tax	−328,797	65,749
Applicable tax rate	31.93%	40.86%
Resulting tax expense/benefit	**−104,985**	**26,865**
Excess of company's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over cost	0	−26,191
Tax expense from EK02	0	29,808
Non-capitalised tax losses, amortisation of capitalised loss carry-forwards, previous years and changes in the tax balance sheet	44,253	0
Non-taxable expenses	1,813	0
Effect from change in tax rate	0	3,483
Other effects	2,448	1,998
	−56,471	35,963

F SEGMENT REPORTING

Deutsche Wohnen reports by business segments. Segment information is not reported by geographical region, as the property and therefore all of the operational activities are in Germany.

Deutsche Wohnen focuses within its business activities on the following three main areas of activity:

Residential Property Management

The primary business activity of Deutsche Wohnen is the management of residential property as part of an active stock management. Concerning the business side of the property management division, the entire operational activity takes place in the four regional operational centres in Mainz, Frankfurt/Main, Koblenz, and Neustadt a. d. Weinstraße, as well as in Berlin within the GEHAG Group. The stock management includes the modernisation and maintenance of the property portfolio of Deutsche Wohnen, the management of tenancy agreements, support for tenants and the marketing of property. The focus of property management is on the optimisation of rental income. Therefore, as part of the maintenance of the buildings, possible measures which could potentially increase rent are continually reviewed, tenant change is used to enhance value and services providing the greatest possible savings are bought and passed on to the tenants.

Property held for sale is included in this segment.

Disposals

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

The Disposals segment includes all aspects of the preparation and realisation of the sale of property from the own portfolio as part of portfolio optimisation and adjustment.

Disposals can also take place in connection with the future acquisition of portfolios for portfolio adjustment and for financing.

In view of the Disposals segment's change in focus, continual measurement and assessment of the property stock takes place with the aim of optimising the portfolio. The sale's aim is to sell all of the residential units in a property. In the case of scattered properties, the properties which are to be privatised are also offered for individual sale. In future, the annual privatisation volume is to be around 500 residential units. For larger properties/partial portfolios, however, the aim is to complete a bloc sale.

With regards to certain residential units, particularly in Rhineland-Palatinate, and in view of individual stock of the GEHAG Group, Deutsche Wohnen's privatisations are subject to certain restrictions due to the acquisition agreements. Due to these obligations, the Group is partly bound to certain specifications (e.g. sale to tenants, social conditions, etc.) when making privatisation decisions. In part also due to these restrictions, it is not possible to sell the respective property for a certain time period.

Services

With the acquisition of the majority interest in the GEHAG Group, the management of nursing homes and the provision of telecommunications services has become a further pillar of the business activities of Deutsche Wohnen. The nursing homes business is run by KATHARINENHOF® Seniorenwohn- und Pflegeanlagen Betriebs-GmbH (KATHARINENHOF®) and includes the marketing and management of nursing and residential care homes as well as services for the care of the senior citizens who live in these homes. The telecommunications services are performed by AKF — Telekabel TV und Datennetze GmbH. The AKF — Telekabel TV und Datennetze GmbH was sold during the reporting year.

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

The segment reporting is attached as Appendix 2 in the explanatory notes to the consolidated financial statement.

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

	12/31/2008	12/31/2007
	k EUR	k EUR
Segment assets	3,028,694	3,430,909
Deferred taxes	92,559	86,614
Income tax receivables	5,479	2,879
	3,126,732	**3,520,402**

	12/31/2008	12/31/2007
	k EUR	k EUR
Segment liabilities	2,323,500	2,366,576
Deferred taxes	71,660	135,835
Income tax liabilities	82,281	81,865
	2,477,440	**2,584,276**

G NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

In total, EUR 14.7 million (previous year: EUR 21.1 million) are not freely available to the Group. This concerns the cash and cash equivalents for DB 14 and rent deposits held in trust.

The Group has at its disposal funds amounting to EUR 49.4 million (previous year: EUR 212.3 million) from financing commitments that had not been utilised as of the balance sheet date.

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

H EARNINGS PER SHARE

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

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

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

	2008	2007
	k EUR	k EUR
Consolidated earnings for calculation of basic earning per share	−255,905	29,786
./. convertible bond interest (after taxes)	1,091	309
Adjusted consolidated profit for calculating the diluted earning per share	−254,814	**30,095**
Shares issued at start of period	26,400	20,000
Shares issued as of August 9, 2007	0	6,400
Shares issued, end of period	26,400	26,400
Shares issued at end of period	**26,400**	**22,525**
+ conversion rights	556	231
Average shares issued, diluted	**26,956**	**22,756**
Earnings per share in EUR		
basic	−9.69	1.32
diluted	−9.45	1.32

The earnings per share for the continuing operations amounts to:

	2008	2007
	EUR	EUR
Earnings per share		
basic	−10.32	1.32
diluted	−10.27	1.32

The following dividends were distributed:

		2008	2007
Dividends	k EUR	0	17.600
Number of shares at the time of the distribution	Thousand shares	26,400	20,000
Dividend per share	EUR / share	0.00	0.88

I OTHER DISCLOSURES

Risk management

General information on risk management

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

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

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

Risks are monitored in a qualified and timely manner in accordance with the risk management guidelines established by management. The risk management guidelines establish the roles and responsibilities, set the basic principles of the RMS, and define the framework for the assessment and control of risk. Risk is proactively controlled by using early warning systems.

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

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

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

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

	Balance sheet measurement in accordance with IAS 39				
	Valuation category in accordance with IAS 39	Carrying amount 12/31/2008	Amortised cost	Fair Value recognised in the profit/ loss	Fair Value 12/31/2008
		k EUR	k EUR	k EUR	k EUR
Assets					
Trade receivables	(1)	21,202	21,202		21,202
Other assets	(1)	2,796	2,796		2,796
Cash and cash equivalents	(1)	41,974	41,974		41,974
Equity and liabilities					
Financial liabilities	(3)	2,089,173	2,089,173		2,089,173
Convertible bonds	(3)	25,430	25,430		25,430
Liabilities to limited partners in funds	(3)	48,006		48,006	48,006
Trade payables	(3)	22,800	22,800		22,800
Other liabilities	(3)	26,640	26,640		26,640
Derivative financial instruments	(4)	49,349			49,349
(1) Loans and receivables		65,972			
(2) Assets recognised at fair value in the income statement		0			
(3) Liabilities carried at amortised cost		2,212,049			
(4) Not attributable to a category		49,349			

	Balance sheet measurement in accordance with IAS 39				
	Valuation category in accordance with IAS 39	Carrying amount 12/31/2007	Amortised cost	Fair Value recognised in the profit/ loss	Fair Value 12/31/2007
		k EUR	k EUR	k EUR	k EUR
Assets					
Trade receivables	(1)	18,562	18,562		18,562
Other assets	(1)	3,907	3,907		3,907
Cash and cash equivalents	(1)	47,874	47,874		47,874
Derivative financial instruments	(2)	32,231		32,231	32,231
Equity and liabilities					
Financial liabilities	(3)	2,179,555	2,179,555		2,179,555
Convertible bonds	(3)	24,339	24,339		24,339
Liabilities to limited partners in funds	(3)	46,631		46,631	46,631
Trade payables	(3)	25,420	25,420		25,420

	Balance sheet measurement in accordance with IAS 39				
	Valuation category in accordance with IAS 39	Carrying amount 12/31/2007	Amortised cost	Fair Value recognised in the profit/loss	Fair Value 12/31/2007
		k EUR	k EUR	k EUR	k EUR
Other liabilities	(3)	24,451	24,451		24,451
Derivative financial instruments	(4)	3,804		3,804	3,804
(1) Loans and receivables		70,343			
(2) Assets recognised at fair value in the income statement		32,231			
(3) Liabilities carried at amortised cost		2,300,396			
(4) Liabilities carried at fair value		3,804			

The following overview shows the contractual payments (undiscounted interest payments and scheduled redemption payments) for the years 2009 to 2012:

	Carrying amount 12/31/2008	2009	2010	2011	2012
	EUR m	EUR m		EUR m	EUR m
Financial liabilities[1]	2,089.2	201.1	147.1	133.7	136.2
Convertible bonds	25.4		27.3		
Liabilities to limited partners in funds	48.0	48.0[2]			
Liabilities from taxes	82.3	21.6	9.6	9.6	9.6
Trade payables	22.6	22.6			
Other liabilities	30.1	30.1			

	Carrying amount 12/31/2007	2008	2009	2010	2011
	EUR m	EUR m	EUR m		EUR m
Financial liabilities[1]	2,179.60	204.6	153.2	104.0	103.2
Convertible bonds	24.3			27.3	
Liabilities to limited partners in funds	46.6	46.6[2]			
Liabilities from taxes	81.9	13.7	9.6	9.6	9.6
Trade payables	25.4	25.4			
Other liabilities	24.5	24.5			

1) The payments relating to interest-rate swaps are taken into consideration in the payments of financial liabilities.

2) The actual payments depend on the actual exercise of the option to sell shares by the limited partners; the estimate of the payment is therefore uncertain.

2008	Interest	Impairment	Fair Value	Net loss
	k EUR	k EUR	k EUR	k EUR
Loans and receivables		1,923		1,923
Assets carried at fair value and recognised in profit/loss			32,197	32,197
Liabilities carried at amortised cost	114,025			114,025
Liabilities carried at fair value and recognised in profit/loss	1,814			1,814
	115,839	1,923	32,197	149,959

2007	Interest	Value adjustment	Fair Value	Net loss
	k EUR	k EUR	k EUR	k EUR
Loans and receivables		2,029		2,029
Assets carried at fair value and recognized in profit/loss			4,041	4,041
Liabilities recognised at amortised cost	69,178			69,178
Liabilities carried at fair value and recognised in profit/loss	2,540		3,804	6,344
	71,718	2,029	7,845	81,592

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

Default risk

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

Liquidity risk

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

Deutsche Wohnen aims to have sufficient liquidity to meet future obligations at all times. Deutsche Wohnen currently has a borrowed capital ratio of approximately 79.2% (previous year: 73.4%) and a loan-to-value ratio (= total of financial liabilities divided by investment properties) of 70.6% (previous year: 65.4%).

Interest-related cash flow risks

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

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

Market risks

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

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

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

Capital management

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

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

Important operational figures for capital management are:

- The equity/borrowed capital ratio and the debt-to-equity ratio

The Group aims to achieve an equity ratio of 30%. Future investments will therefore be made against a background of balanced financing, among other things.

- Loan-to-value ratio

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

	2008	2007
	k EUR	k EUR
Financial liabilities	2,089,173	2,179,555
Convertible bonds	25,430	24,339
	2,114,603	2,203,894
Cash and cash equivalents	−41,974	−47,874
Net financial liabilities	2,072,628	2,156,020
Investment properties	2,900,673	3,271,205
Noncurrent assets held for sale	17,696	4,597
Land and buildings held for sale	19,355	21,887
	2,937,724	3,297,689
Loan-to-Value-Ratio	70.6%	65.4%

Hedging

As of December 31, 2008, there are various interest rate hedgings (payer swaps), with which variable interest rate conditions are exchanged against fixed interest rate conditions.

Events after the reporting date

Significant occurrences after the balance sheet date are not known to us.

Commitments and contingencies

As of December 31, 2008, the Group has at its disposal contingent liabilities amounting to EUR 4.6 million (previous year: EUR 8.5 million). They relate primarily to settlement guarantees for partial retirement credit balances and guarantees securing bank loans and advances.

Financial obligations relating to heritable building right contracts totalled EUR 12 million (previous year: EUR 11.2 million).

Other financial obligations relating to agency agreements concerning IT services totalled EUR 3.1 million (previous year: EUR 2 million).

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

As of December 31, 2008, the company holds bank balances amounting to EUR 3.2 million (previous year: EUR 0.4 million) in trust relating to property renovation and development measures. The assignments for which Rhein-Pfalz Wohnen GmbH is responsible as trustee have been transferred to the development company Rhein-Pfalz GmbH & Co. KG under the terms of the agency agreement entered into with this company as of June 30, 2001.

Lease commitments

Payments from leasing agreements of up to one year amount to EUR 1.9 million (previous year: EUR 2.2 million), of one up to five years EUR 3.7 million (previous year: EUR 4.9 million), and of more than five years EUR 0 million (previous year: EUR 0 million).

Auditors' services

The fees of the auditors Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft recognised as expenses in the financial year amounted to EUR k 483 (previous year: EUR k 393) for the audit and EUR k 263 (previous year: EUR k 980) for other services. The other services resulted from the project-accompanying audit in connection with the SAP introduction (previous year for audit of the prospectus and due diligence services in connection with the GEHAG transaction).

Related party disclosures

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

- Related companies

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

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

- **Related parties**

The following persons are to be considered related persons:

Name	Tenure	Memberships in supervisory boards and other supervisory committees in the sense of § 125 par. 1 s. 3 of the German Companies Act (AktG)
Michael Zahn, economist, Chairman of the Management Board	from September 1, 2007	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin, Chairman of the Supervisory Board (since April 7, 2008) Sanierungs- und Gewerbebau-AG, Aachen, Chairman of the Supervisory Board
Helmut Ullrich, lawyer, Chief Financial Officer	from August 1, 2007	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin, (since April 7, 2008)

The former Directors of Deutsche Wohnen AG, Mr. Andreas Lehner, Mr. Michael Neubürger and Dr. Michael Gellen are also to be considered related persons in 2007.

- **Members of the Supervisory Board of Deutsche Wohnen AG**

The Supervisory Board is composed as follows:

Name	Tenure	Profession	Memberships in supervisory boards and other supervisory committees in the sense of § 125 par. 1 s. 3 of the German Stock Corporation Act (AktG)
Hermann T. Dambach, Chairman	from June 17, 2008	Managing Director of Oaktree GmbH, Frankfurt / Main	GEHAG GmbH, Berlin Nordenia International AG, Greven Sanierungs- und Gewerbebau-AG, Aachen Eisenbahn-Siedlungs-Gesellschaft Berlin GmbH, Berlin (until April 07, 2008) R&R Ice Cream Ltd., North Yorkshire / Great Britain German ACORN Real Estate, Cologne (Deputy Chairman of the Supervisory Board
Dr. Andreas Kretschmer, Vice Chairman		Managing Director of Ärzteversorgung Westfalen-Lippe, an organisation of the Ärztekammer Westfalen-Lippe - a corporation under public law -, Münster	BIOCEUTICALS Arzneimittel AG, Bad Vilbel, IVG Institutional Funds GmbH, Wiesbaden, Private Life Biomed AG, Hamburg, Biofrontera AG, Leverkusen, TRITON, St. Helier / Jersey, GEHAG GmbH, Berlin
Jens Bernhardt		Managing Partner, Bernhardt Advisory GmbH, Bad Homburg	GEHAG GmbH, Berlin
Uwe E. Flach	from June 17, 2008	Senior Advisor Oaktree GmbH, Frankfurt / Main	Nordenia International AG, Greven (Chairman of the Supervisory Board), STADA Arzneimittel AG, Bad Vilbel, Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Chairman of the Supervisory Board until April 7, 2008), Haus und Heim Wohnungsbau-AG, Berlin (Chairman of the Supervisory Board), Andreae-Noris Zahn AG (ANZAG), Frankfurt / Main (until February 12, 2008), GEHAG GmbH, Berlin (Chairman of the Supervisory Board), German ACORN Real Estate, Cologne (Chairman of the Supervisory Board), Versatel AG (since February 11, 2009)
Matthias Hünlein		Managing Director Tishman Speyer, Frankfurt / Main	A.A.A. Aktiengesellschaft Allgemeine Anlagenverwaltung, Frankfurt / Main
Hans-Werner Jacob	until January 3, 2008	Member of the Management of Deutsche Bank AG, Frankfurt / Main	GEHAG GmbH, Berlin
Dr. Florian Stetter		Managing Director of STRABAG Property and Facility Services GmbH, Frankfurt / Main	GEHAG GmbH, Berlin

Transactions with related parties

During the financial year, the Director Helmut Ullrich acquired an on-sale apartment of the GEHAG GmbH at the list price and at usual market terms, of which the Supervisory Board was informed.

Otherwise, no business transactions took place between the related persons and Deutsche Wohnen in the financial year.

A consultancy agreement exists between Oaktree GmbH and Deutsche Wohnen AG. The agreement can be cancelled within a period of one month to the end of the month. Remuneration is dependent upon the services performed and is limited to EUR k 300 per year, plus value added tax. Any travel costs are reimbursed separately. In 2008, EUR k 0 (previous year: EUR k 50) were billed for services rendered.

Remuneration of the Management Board and the Supervisory Board

For the remuneration of the Directors, the following expenses which are due in the short term were incurred:

2008	Fixed remuneration	Variable remuneration	Supplementary payments	Total
	k EUR	k EUR	k EUR	k EUR
Michael Zahn	300	200	0	500
Helmut Ullrich	300	200	0	500
	600	400	0	1,000

2007	Fixed remuneration	Variable remuneration	Supplementary payments	Total
	k EUR	k EUR	k EUR	k EUR
Michael Zahn, since September 1, 2007	100	0	0	100
Helmut Ullrich, since August 1, 2007	97	583	0	680
Andreas Lehner, until October 31, 2007	211	0	1,450	1,661
Michael Neubürger, until April 19, 2007	58	0	1,320	1,378
Dr. Michael Gellen, from April 20, 2007 to July 31, 2007	32	0	0	32
	498	583	2,770	3,851

There are no liabilities from pension plans for active members or members who have left the Management Board or the Supervisory Board.

In the Annual General Meeting on June 17, 2008, the Supervisory Board compensation was adjusted. Accordingly, each Member of the Supervisory Board receives a fixed compensation of EUR k 20, the Chairman of the Supervisory Board double that amount, and a Vice Chairman one and a half times the amount of the compensation. The compensation granted the Supervisory Board in the financial year amounts to EUR k 150, i.e. EUR k 175 with value added tax. Furthermore, expenses in the amount of EUR k 19 were reimbursed to the members of the Supervisory Board.

Corporate Governance

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

Frankfurt / Main, March 13, 2009

Michael Zahn Chairman of the Management Board	Helmut Ullrich Chief Financial Officer

Deutsche Wohnen AG, Frankfurt / Main
Shareholdings of December 31, 2008

No.	Name and registered office	Share of capital %	Equity* k EUR	Profit/loss* k EUR
1.	Aufbau-Gesellschaft der GEHAG mbH, Berlin	100,00	938.4	504.3
2.	DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn	32,17	30,739.9	−601.2
3.	Deutsche Wohnen Asset Immobilien GmbH, Frankfurt / Main	100,00	23.9	0.0
4.	Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt / Main	100,00	−904.6	0.0
5.	Deutsche Wohnen Corporate Immobilien GmbH, Frankfurt / Main	100,00	17.5	−3.7
6.	Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt / Main	100,00	−99,558.4	−99,690.9
7.	Deutsche Wohnen Kundenbetreuung GmbH, Berlin	100,00	25.0	0.0
8.	Deutsche Wohnen Management GmbH, Frankfurt / Main	100,00	21.2	0.0
9.	Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt / Main	100,00	25.6	0.0
10.	Deutsche Wohnen Service GmbH, Berlin	100,00	25.0	0.0
11.	Deutsche Wohnen Technik GmbH, Berlin	100,00	25.0	0.0
12.	Deutsche Wohnen Vertriebs GmbH, Berlin	100,00	17.7	0.0
13.	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin	94,90	1,019.4	0.0
14.	ESG Grundwert Beteiligungs GmbH, Berlin	100,00	18.3	−6.9
15.	ESG Grundwert I GmbH & Co. KG, Berlin	100,00	−5.0	−5.9
16.	ESG Grundwert II GmbH & Co. KG, Berlin	100,00	−4.6	−5.5
17.	ESG Grundwert III GmbH & Co. KG, Berlin	100,00	−4.6	−5.5
18.	Fortimo GmbH, Berlin	100,00	6,127.2	1.842.6
19.	GEHAG GmbH, Berlin	100,00	72,375.5	−58,714.5
20.	GEHAG Akquisition Co. GmbH	100,00	1,309.0	−816.2
21.	GEHAG Erwerbs GmbH & Co. KG	99.99	20,404.7	−8.8
22.	GEHAG Immobilien Management GmbH, Berlin	100.00	19.2	0.0
23.	GEHAG Erste Beteiligungs GmbH, Berlin	100.00	17.3	−6.4
24.	GEHAG Zweite Beteiligungs GmbH, Berlin	100.00	494.0	0.0
25.	Haus und Heim AG, Berlin	97.29	888.2	126.3
26.	HESIONE Vermögensverwaltungsgesellschaft mbH	100.00	22.9	−3.6
27.	KATHARINENHOF® Service GmbH, Berlin	100.00	10.9	−14.1
28.	KATHARINENHOF® Seniorenwohn- und Pflegeanlagen Betriebs GmbH, Berlin	100.00	1,950.0	0.0
29.	Kellinghusen Rosengarten und an der Lieth GmbH, Berlin	100.00	26.2	1.2
30.	Main-Taunus Wohnen GmbH & Co. KG, Eschborn	100.00	19,768.2	15,422.1
31.	Rhein-Main Wohnen GmbH, Frankfurt / Main	100.00	180,305.0	0.0
32.	Rhein-Mosel Wohnen GmbH, Mainz	100.00	97,916.1	4,287.4
33.	Rhein-Pfalz Wohnen GmbH, Mainz	100.00	31,017.0	0.0
34.	RMW Projekt GmbH, Frankfurt / Main	100.00	16,230.6	0.0
35.	Sanierungs- und Gewerbebau-AG, Aachen	99.44	2,193.0	0.0
36.	Sanierungs- und Gewerbebau-AG & Co. KG, Aachen	99.55	1,405.0	398.8
37.	Stadtentwicklungsgesellschaft Eldenaer Straße mbH i.L., Berlin	50.00	711.6	60.0
38.	Wohn- und Pflegewelt Lahnblick GmbH, Bad Ems	100.00	35.5	79.9
39.	AVUS Immobilien Treuhand GmbH & Co. KG, Berlin	100.00	n / a	n / a
40.	GbR Fernheizung Gropiusstadt, Berlin	44.26	n / a	n / a

* *Based on HGB's financial statement*

Appendix 2 to the Notes to the Consolidated Financial Statements

**Deutsche Wohnen AG, Frankfurt / Main
Consolidated Segment Reporting for the
Financial Year 2008**

	Residential property management		Disposals		Services		Other and Group Function		Reconciliation		Group	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR	k EUR
Segment revenue from third parties	277,351	180,784			33,117	19,105	5,044	4,465			315,512	204,354
Revenue from Disposals			17,409	5,285							17,409	5,285
Other revenue	0	30,948			5,455		5,968	70,390			11,423	101,338
Transactions with other segments	1,356	501					44,312	40,320	−45,668	−40,821	0	0
Segment revenue	278,707	212,233	17,409	5,285	38,572	19,105	55,324	115,175	−45,668	−40,821	344,344	310,978
Expenses related to goods and services received	−127,708	−89,718			−9,031	−5,579	−2,346	−1,617			−139,085	−96,914
Staff expenses					−18,265	−8,057	−25,276	−23,672			−43,541	−31,729
Other operating expenses			−4,164	−4,254	−2,574		−48,576	−34,813			−55,314	−39,067
Fair value adjustments of investment properties	−276,528										−276,528	0
Depreciation					−421	−1,180	−1,373	−509			−1,794	−1,689
Share of profit of associated companies							60	18			60	18
Finance income					8	300	2,532	4,436			2,540	4,736
Fair value adjustments of derivative financial instruments							−32,197	−7,845			−32,197	−7,845
Finance expenses					−16	−509	−127,265	−72,230			−127,281	−72,739
Income tax					−16	−11	56,487	−35,952			56,471	−35,963
Segment expenses	−404,236	−89,718	−4,164	−4,254	−30,315	−15,036	−177,955	−172,184			−616,670	−281,192
Segment profit or loss	−125,529	122,515	13,245	1,031	8,257	4,069	−122,630	−57,008	−45,668	−40,821	−272,326	29,786
Segment assets	2,917,390	3,280,499	41,939	35,748	17,819	30,553	51,546	84,109			3,028,694	3,430,909
Segment liabilities					2,399	20,514	2,321,101	2,346,063			2,323,500	2,366,577
Segment investments	21,312	161,628	0	0	0	0	7,266	3,824			28,578	165,452

The following auditor's report (Bestätigungsvermerk) refers to the consolidated financial statements prepared on the basis of International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] as well as the combined management report and group management report prepared on the basis of German commercial law (HGB) of Deutsche Wohnen AG for the fiscal year ended December 31, 2008 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages. The above-mentioned auditor's report (Bestätigungsvermerk) and consolidated financial statements are both translations of the respective German-language documents.

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Deutsche Wohnen AG, Frankfurt/Main, comprising the balance sheet, the profit and loss statement, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the combined management report and group management report for the fiscal year from January 1, 2008 to December 31, 2008. The preparation of the consolidated financial statements and the combined management report and group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 the applicable financial reporting framework and in the combined management report and group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to 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 combined management report and 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 those entities included in consolidation, the determination of entities 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 combined management report and 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, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report and group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt/Main, March 13, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Völker	Glöckner
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

AUDITED ANNUAL FINANCIAL STATEMENTS OF DEUTSCHE WOHNEN AG FOR THE YEAR ENDED DECEMBER 31, 2010 (HGB)

BALANCE SHEET AS AT 31 DECEMBER 2010

in EUR	31/12/2010	31/12/2009
ASSETS		
A. FIXED ASSETS		
Intangible assets		
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	3,406,121.25	4,214,150.05
Prepayments	7,140.00	273,728.81
	3,413,261.25	**4,487,878.86**
Property, plant and equipment		
Other equipment, furniture and fixtures	889,831.20	831,021.79
Financial assets		
Shares in affiliates	286,371,323.53	286,337,676.03
	290,674,415.98	**291,656,576.68**
B. CURRENT ASSETS		
Receivables and other assets		
Trade receivables	27,898.14	59,955.50
Receivables from affiliates	337,393,091.46	341,088,277.93
Other assets	2,035,011.58	1,713,741.22
	339,456,001.18	**342,861,974.65**
Cash on hand, bank balances	1,255,418.70	34,414,850.92
	340,711,419.88	**377,276,825.57**
C. Prepaid expenses	61,934.26	72,309.70
	631,447,770.12	**669,005,711.95**

in EUR	31/12/2010	31/12/2009
EQUITY AND LIABILITIES		
A. Equity		
Issued share capital	81,840,000.00	81,840,000.00
Capital reserves	377,406,029.87	463,118,575.95
Revenue reserves		
Reserves required by law	1,022,583.76	1,022,583.76
Balance sheet profit/loss	16,368,000.00	−45,638,908.35
	476,636,613.63	**500,342,251.36**
B. Provisions		
Provisions for pensions and similar obligations	143,186.00	58,482.00
Other provisions	4,079,527.61	4,117,331.60
	4,222,713.61	**4,175,813.60**
C. Liabilities		
Liabilities to banks	79,757,428.13	109,693,531.63
Trade payables	872,535.69	974,556.74
Liabilities to affiliates	69,847,652.54	53,684,860.87
Other liabilities		
thereof for taxes EUR 98,958.37 (prior year: EUR 126,966.04) thereof for social security EUR 11,868.15 (prior year: EUR 7,731.71)	110,826.52	134,697.75
	150,588,442.88	**164,487,646.99**
	631,447,770.12	**669,005,711.95**

PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

in EUR	2010	2009
Revenue	**9,046,856.17**	**12,436,541.91**
Other operating income	991,880.46	1,195,954.38
Staff expenses		
Wages and salaries	−5,422,080.91	−5,846,466.04
Social security and pension thereof for old-age pensions: EUR 170,289.83 (prior year: EUR 82,464.46)	−1,002,691.43	−1,040,152.25
	−6,424,772.34	−6,886,618.29
Depreciation, amortisation and write-downs of intangible assets and property, plant and equipment	−1,421,493.99	−1,340,384.30
Other operating expenses	−12,646,089.16	−28,849,743.76
Income from equity investments thereof from affiliates EUR 3,619,490.44 (prior year: EUR 10,647,301.80)	3,619,490.44	10,647,301.80
Income from profit and loss transfer agreements	3,588,322.19	2,029,880.45
Other interest and similar income thereof from affiliates EUR 4,596,737.63 (prior year: EUR 380,543.44)	5,016,504.72	748,755.19
Expenses for loss absorption	−8,244,968.85	−11,985,006.66
Interest and similar expenses thereof to affiliates EUR 2,768,303.54 (prior year: EUR 1,200,024.20)	−17,230,780.37	−23,632,260.24
Results from ordinary activities	**−23,705,050.73**	**−45,635,579.52**
Other taxes	−587.00	−3,328.83
Net loss for the year	−23,705,637.73	−45,638,908.35
Loss carry-forward/ profit carried forward	−45,638,908.35	0.00
Transfer from the capital reserve	85,712,546.08	0.00
Balance sheet profit/loss	**16,368,000.00**	−45,638,908.35

Notes to the Annual Financial Statements of Deutsche Wohnen AG

For the period from 1 January 2010

I General information on the annual financial statements

Deutsche Wohnen AG is a listed corporation registered in Germany.

The annual financial statements have been prepared in accordance with sections 242 ff. and 262 ff. of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG). The Company is a large corporation within in terms of section 267 (3) German Commercial Code (HGB).

The profit and loss statement is structured in accordance with the total cost (nature of expense) method. The financial year is the calendar year.

II Accounting and valuation methods

In the financial year 2010, Deutsche Wohnen AG applied the provisions of the German Accounting Law Modernisation Act (BilMoG), which came into force on 29 May 2009, for the first time. Where this has resulted in changes to the recognition and measurement of balance sheet items, the prior-year figures have not been restated.

Fixed assets

Purchased intangible assets are carried at cost and amortised on a straight-line basis over their useful life (3 to 5 years).

Tangible fixed assets are carried at acquisition or production cost less scheduled depreciation.

Low-value assets with a value of up to EUR 150 are fully depreciated in the year of their acquisition. Since the start of the financial year 2008, low-value assets with a value of between EUR 150 and EUR 1,000 have been depreciated over a useful life of 5 years.

Shares in affiliated companies are carried at the lower of cost or fair value in the case of impairment.

Current assets

Current assets are carried at acquisition or production cost less any write-downs to fair value at the balance sheet date.

Receivables and other assets are carried at their nominal amount.

Cash in hand and bank balances are carried at their nominal amount.

Prepaid expenses

Payments are recognised for expenses at the balance sheet date that relate to a specific period after the balance sheet date.

Deferred taxes

The net amount of any differences between the carrying amount and the tax base of assets and liabilities that are expected to reverse in future financial years and result in a tax liability is recognised as deferred tax liabilities. Any expected tax benefit (deferred tax assets) is not recognised. Deferred taxes are measured using the tax rates at the time the differences are expected to reverse and are not discounted. Deferred taxes at consolidated tax group subsidiaries are recognised at the group parent.

Provisions for pensions and similar obligations

All of the company's pension obligations were calculated using the projected unit credit method based on an actuarial opinion in accordance with the 2005G mortality tables (Generationen-Richttafeln 2005G) published by Professor Klaus Heubeck. The interest rate of 5.15% p.a. published by the Bundesbank was applied (previous year: 6% p.a.). Income growth of 2.00% p.a., an increase in the contribution threshold of 2.00% p.a. and pension increases of 1.75% p.a. were applied.

Other provisions

Other provisions are recognised in the amount necessary to settle the respective obligation in accordance with prudent business judgement. They take into account all identifiable onerous losses and uncertain liabilities.

Provisions for partial retirement obligations are based on the biometric data contained in the 2005G mortality tables published by Professor Klaus Heubeck. The interest rate of 3.80% p.a. published by the Bundesbank was applied (previous year: 5.5% p.a.) and the calculations were performed in accordance with IDW RS HFA 3 and IDW RS HFA 30.

Liabilities

Liabilities are carried at their settlement amount. Non-current, non-interest-bearing liabilities are discounted.

III Notes to the balance sheet

1 Fixed assets

The classification and development of fixed assets is presented in the enclosed statement of changes in fixed assets (Appendix 1 to the Notes).

In accordance with section 285 no. 11 German Commercial Code (HGB), the Company holds direct or indirect interests in the following companies***. Equity and net profit are calculated in accordance with the provisions of the German Commercial Code (HGB).

*** The Company is also indirectly involved in working groups

SHAREHOLDINGS***
as at 31 December 2010

Company and registered office	Shareholding		Equity	Profit/loss	Reporting date
	%		EUR k	EUR k	
Aufbau-Gesellschaft der GEHAG mbH, Berlin	100.00	*	2,163.8	635.8	2010
AVUS Immobilien Treuhand GmbH & Co. KG, Berlin	100.00	*	428.6	−20.1	2009
DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, Eschborn	74.42	*	30,739.9	−601.2	2008
Deutsche Wohnen Asset Immobilien GmbH, Frankfurt/Main	100.00	*	25.0	0.0	2010
Deutsche Wohnen Beteiligungen Immobilien GmbH, Frankfurt/Main	100.00	*	−904.6	0.0	2010
Deutsche Wohnen Corporate Real Estate GmbH, Berlin	100.00		25.0	0.0	2010
Deutsche Wohnen Direkt Immobilien GmbH, Frankfurt/Main	100.00	*	−100,362.7	−406.7	2010
Deutsche Wohnen Fondsbeteiligungs GmbH, Berlin	100.00		25.0	0.0	2010
Deutsche Wohnen Management GmbH, Berlin	100.00	****	25.0	0.0	2010
Deutsche Wohnen Management- und Servicegesellschaft mbH, Frankfurt/Main	100.00		25.6	0.0	2010
Deutsche Wohnen Zweite Fondsbeteiligungs GmbH, Berlin	100.00		25.2	−9.0	2010
Eisenbahn-Siedlungs-Gesellschaft Berlin mit beschränkter Haftung, Berlin	94.90	*	11,889.8	1,556.9	2010
Fortimo GmbH, Berlin	100.00	*	6,127.2	0.0	2010
GbR Fernheizung Gropiusstadt, Berlin	44.26	*	621.8	−34.4	2010
GEHAG Akquisition Co. GmbH, Berlin	100.00	*	980.2	−173.6	2010
GEHAG Dritte Beteiligungs GmbH, Berlin	100.00	*	378.8	353.8	2010
GEHAG Erste Beteiligungs GmbH, Berlin	100.00	*	33.6	0.0	2010
GEHAG Erwerbs GmbH & Co. KG, Berlin	99.99	*	20,342.8	−44.7	2010
GEHAG GmbH, Berlin	100.00	*	132,598.6	17,679.2	2010
GEHAG Immobilien Management GmbH, Berlin	100.00	*	25.0	5.8	2010
GEHAG Zweite Beteiligungs GmbH, Berlin	100.00	*	−154.4	−4,416.8	2010
Haus und Heim Wohnungsbau-GmbH, Berlin	100.00	*	2,798.7	0.0	2010
HESIONE Vermögensverwaltungsgesellschaft mbH, Frankfurt/Main	100.00	*	18.0	−5.4	2010
KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin	100.00	*	1,950.0	0.0	2010
KATHARINENHOF® Service GmbH, Berlin	100.00	*	25.0	0.0	2010
Main-Taunus Wohnen GmbH & Co. KG, Eschborn	99.99	**	8,950.2	4,604.1	2010
Rhein-Main Wohnen GmbH, Frankfurt/Main	100.00	*	205,499.2	23,999.9	2010
Rhein-Mosel Wohnen GmbH, Mainz	100.00	*	126,114.7	15,117.9	2010
Rhein-Pfalz Wohnen GmbH, Mainz	100.00		31,017.0	0.0	2010
RMW Projekt GmbH, Frankfurt/Main	100.00	*	16,238.3	7.7	2010
Sophienstraße Aachen Vermögensverwaltungsgesellschaft mbH, Berlin	100.00	*	2,193.0	0.0	2010
Sanierungs- und Gewerbebau GmbH & Co. KG, Aachen	100.00	*	1,405.0	260.7	2010
Seniorenstift Zeuthen GmbH, Berlin	100.00	*	25.0	0.0	2010
Stadtentwicklungsgesellschaft Eldenaer Straße mbH i.L., Berlin	50.00	*	257.4	−84.2	2009
Wohn- und Pflegewelt Lahnblick GmbH, Bad Ems	100.00	*	152.1	−85.2	2010

* *direct shareholdings*

** *direct and indirect shareholdings*

*** *additionally, the company is indirectly involved in working groups*

**** *exemption pursuant to Section 264 (3) of the German Commercial Code (HGB)*

2 Receivables and other assets

Receivables from affiliated companies with a remaining term of more than one year amounted to EUR 82.5 million. All other receivables and other assets have a remaining term of less than one year.

Receivables from affiliated companies primarily relate to receivables from cash management agreements, loans granted and other services provided to subsidiaries within the Deutsche Wohnen Group in the amount of EUR 337.4 million (previous year: EUR 341.1 million). As in the previous year, other assets primarily consist of claims for tax refunds.

3 Deferred tax assets

There are the following differences between the carrying amount and the tax base of assets and liabilities at the Company and/or consolidated tax group subsidiaries:

- Due to the different discount rates applied under the commercial and tax law, there are differences in provisions for pensions that will result in a tax benefit in future.
- Due to prohibitions on recognition under tax law, there are differences compared with the commercial financial statements that will result in a tax benefit in future.
- There are tax loss carry forwards that will result in a tax benefit in future.
- There are differences between the tax capital accounts for partnerships and the commercial carrying amounts of the respective investments that will result in a tax benefit in future.

4 Equity

Issued share capital

The registered capital of Deutsche Wohnen AG amounts to EUR 81.84 million and is divided into 81.84 million no-par value shares with a notional share of the registered capital of EUR 1.00 per share. As of 31 December 2010, 99.86% of the shares were bearer shares (81,727,829 shares), and the remaining 0.14% were registered shares (112,171 shares). All shares carry the same rights and obligations. Each share gives one vote in the Annual General Meeting and is decisive for shareholder participation in the profits of the company. Shareholder rights and obligations are governed by the provisions of the German Stock Corporation Law (AktG), particularly Section 12, Section 53(a) et seq., Section 118 et seq., and Section 186 AktG.

The Management Board of Deutsche Wohnen AG is not aware of any restrictions with regard to voting rights or the transfer of shares.

New shares issued due to a capital increase are issued as bearer shares.

With the consent of the Supervisory Board, the Management Board is authorised to increase the registered capital on one or more occasions until 9 August 2011 by up to EUR 3.6 million by issuing up to 3.6 million new ordinary bearer shares in exchange for cash or noncash contributions (authorised capital). The original authorised capital amounted to EUR 10.0 million.

The registered capital is contingently increased by up to EUR 10.0 million by the issuance of new bearer shares with dividend rights from the start of the financial year in which they are issued (contingent capital I).

The contingent capital increase serves the issuance of shares to the owners or creditors of options or convertible bonds and of profit participation rights with conversion or option rights that are issued before 9 August 2011 by the company or a company which is 100% directly or indirectly affiliated with the company, pursuant to the authorisation of the Annual General Meeting of 10 August 2006, and provided that the issuance has been made for cash. It shall only be exercised insofar as option or conversion rights related to the aforementioned options or convertible bonds or profit participation rights are exercised, or if the conversion obligations from such bonds are fulfilled and provided own shares are not used to service the obligations.

The registered capital is contingently increased by up to further EUR 2.7 million by the issuance of up to 2.7 million new bearer shares with dividend rights from the start of the financial year in which they are issued (contingent capital II).

The contingent capital increase serves the issuance of shares to the owners or creditors of options or convertible bonds and of profit participation rights with options or conversion rights that are issued before

16 June 2013 by the company, its associates or companies in which it holds a controlling interest, pursuant to the authorization of the Annual General Meeting of 17 June 2008, and provided that the issuance has been made for cash. It shall only be exercised insofar as options or conversion rights from the aforementioned options and convertible bonds or profit participation rights with option or conversion rights have been exercised or conversion obligations from such bonds are fulfilled and provided own shares are not used to service the obligations.

There are no shares with special rights giving powers of control.

If employees of Deutsche Wohnen AG hold shares in Deutsche Wohnen AG, they shall not have any rights of control over the Management Board.

Capital reserves

Capital reserves were recognised for the first time by resolution of the Extraordinary General Meeting in 1999. As of 31 December 2010, capital reserves amounted to EUR 377.4 million. Capital reserves declined in the financial year 2010 due to a transfer in the amount of EUR 85.7 million.

Revenue reserves

This legal reserve is mandatory for stock corporations. In accordance with section 150 (2) German Stock Corporation Act (AktG), 5% of the net profit for the financial year must be retained. The legal reserve has an upper limit of 10% of the registered capital.

Existing capital reserves in accordance with section 272 (2) nos. 1-3 German Commercial Code (HGB) serve to reduce the necessary addition to the legal reserve. The basis of measurement is the legal issued share capital at the balance sheet date in the amount reported in the respective annual financial statements. In the year under review, the legal reserve remained unchanged at EUR 1.0 million.

5 Other provisions

Other provisions primarily consist of staff-related provisions in the amount of EUR 2,025k and provisions for outstanding invoices in the amount of EUR 1,120k.

6 Liabilities

		thereof remaining term		
	Balance	up to one year	one to five years	more than five years
	in EUR k			
Liabilities to banks	79,757	1,664	6,400	71,693
Previous year	109,694	5,000	104,694	0
Trade payables	872	872	0	0
Previous year	974	974	0	0
Liabilities to affiliates	69,848	39,848	0	30,000
Previous year	53,685	23,685	0	30,000
Other liabilities	111	111	0	0
Previous year	135	135	0	0
	150,588	**42,495**	**6,400**	**101,693**

Subsidiaries are jointly and severally liable for Deutsche Wohnen AG's liabilities to banks in the amount of EUR 79,757k.

Liabilities to affiliated companies relate to liabilities from Group cash management, trade payables and other liabilities.

IV Notes to the profit and loss statement

7 Other operating income

Other operating income primarily relates to income from the reversal of provisions (EUR 364k) and input tax refunds for previous years (EUR 250k).

8 Other operating expenses

Other operating expenses are primarily composed as follows:

	2010
	in EUR k
IT costs	3,687
Consultancy and audit	2,419
Administrative expenses	2,107
Service received from Other Group companies	1,377
Rental income	949
Communication/Investor Relations	836
Travel expenses	285
Others	986
	12,646

9 Interest and similar expenses

Interest and similar expenses contain non-recurring and prior-period prepayment penalties from the restructuring of loan agreements in the amount of EUR 8,332k.

V Contingent liabilities

At the balance sheet date, two corporate guarantees with a total volume of EUR 0.1 million were granted to R+V Versicherungs AG, Wiesbaden on behalf of two affiliated companies. Deutsche Wohnen AG has also issued a guarantee to Aareal Bank AG for a loan granted to an affiliated company in the amount of EUR 10.5 million. In addition, Deutsche Wohnen AG has assumed guarantees for affiliated companies in the amount of EUR 6.0 million for guarantee bonds for rent deposits received, EUR 1.9 million for court bonds for affiliated companies, and EUR 1.0 million for other fixed liability guarantees. Utilisation of these guarantees is considered to be unlikely as the companies in question have strong earnings and liquidity positions and the loans are secured by way of land charges in particular.

Deutsche Wohnen AG is jointly and severally liable with affiliated companies for the liabilities to banks of these affiliated companies in the amount of EUR 614.5 million. Utilisation of these guarantees is considered to be unlikely as the companies in question have strong earnings and liquidity positions and the loans are secured by way of land charges.

There is a controlling agreement between Deutsche Wohnen AG as the controlling entity and Rhein-Pfalz Wohnen GmbH as the controlled entity.

There are controlling and profit and loss transfer agreements between Deutsche Wohnen AG (group parent) and Deutsche Wohnen Corporate Real Estate GmbH, Deutsche Wohnen Management GmbH, Deutsche Wohnen Management- und Servicegesellschaft mbH and Deutsche Wohnen Fondsbeteiligungs GmbH (previously Deutsche Wohnen Service GmbH), each of which are consolidated tax group subsidiaries.

VI Other disclosures

	up to one year	one to five years	more than five years	Total
		in EUR k		
Leases and rental agreements	994	2,214	284	3,492
Long-term contracts	3,738	8,818	885	13,441
Total	**4,732**	**11,032**	**1,169**	**16,933**

VII Other Information

In the financial year 2010, the Management Board was composed as follows:

Name	Memberships in supervisory boards and other supervisory bodies within the meaning of section 285 no. 10 HGB in conjunction with section 125 (1) sentence 5 AktG
Michael Zahn, Economist, Chief Executive Officer	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Chairman of the Supervisory Board) GEHAG GmbH, Berlin (Chairman of the Supervisory Board as of 8 September 2010) Sanierungs- und Gewerbebau-AG, Aachen (Chairman of the Supervisory Board until 25 July 2010) Haus und Heim Wohnungsbau-AG, Berlin (Member of the Supervisory Board until 25 November 2010 and Chairman of the Supervisory Board from 15 July 2010 until 25 November 2010)
Helmut Ullrich, Assessor, Chief Financial Officer	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Member of the Supervisory Board)

The following remuneration payments were made to members of the Management Board in 2010:

	Variable remuneration					
	Short Term Incentive				Long Term	
	fixed	short term due	long term due		PSU-Plan	Incidental benefits
	in EUR k					
Michael Zahn	300	400				26
Helmut Ullrich	275	120	30		125	23

Further information on the remuneration system for the members of the Management Board can be found in the Management Report.

There are no provisions for pensions for active or former members of the Management Board of Deutsche Wohnen AG. No loans were granted to members of the Management Board of Deutsche Wohnen AG in the financial year 2010.

Members of the Supervisory Board

The Supervisory Board is made up as follows:

Name	Occupation	Memberships in supervisory boards and other executive bodies within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Hermann T. Dambach, Chairman	Managing Director of Oaktree GmbH, Frankfurt/Main	GEHAG GmbH, Berlin (Member of the Supervisory Board until 25 March 2010) Nordenia International AG, Greven (Deputy Chairman of the Supervisory Board) Sanierungs- und Gewerbebau-AG, Aachen (Member of the Supervisory Board until 25 July 2010) R&R Ice Cream Ltd., North Yorkshire/United Kingdom (Board Member) OCM German Real Estate Holding AG, Hamburg (Deputy Chairman of the Supervisory Board)
Dr. Andreas Kretschmer, Deputy Chairman	Managing Director of Ärzteversorgung Westfalen-Lippe Einrichtung der Ärztekammer Westfalen-Lippe - KöR -, Münster	BIOCEUTICALS Arzneimittel AG, Bad Vilbel (Chairman of the Supervisory Board) IVG Institutional Funds GmbH, Wiesbaden (Member of the Supervisory Board) Private Life Biomed AG, Hamburg (Chairman of the Supervisory Board) Biofrontera AG, Leverkusen (Deputy Chairman of the Supervisory Board) TRITON, St Helier/Jersey (Advisory Committee) GEHAG GmbH, Berlin (Member of the Supervisory Board until 25 March 2010)

Name	Occupation	Memberships in supervisory boards and other executive bodies within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Dr. Jens Bernhardt (until 31 July 2010)	Managing Partner, Bernhardt Advisory GmbH, Bad Homburg	GEHAG GmbH, Berlin (Member of the Supervisory Board until 25 March 2010)
Matthias Hünlein	Managing Director, Tishman Speyer Properties Deutschland GmbH, Frankfurt/Main	A.A.A. Aktiengesellschaft Allgemeine Anlagenverwaltung, Frankfurt/Main (Member of Supervisory Board)
Dr. Florian Stetter	Real Estate Agent	GEHAG GmbH, Berlin (Member of the Supervisory Board until 25 March 2010) CalCon Deutschland AG, Munich (Member of the Supervisory Board since 19 November 2010)
Uwe E. Flach	Senior Advisor, Oaktree GmbH, Frankfurt/Main	Nordenia International AG, Greven (Chairman of the Supervisory Board) Haus und Heim Wohnungsbau- Aktiengesellschaft, Berlin (Chairman of the Supervisory Board until 27 August 2010) GEHAG GmbH, Berlin (Chairman of the Supervisory Board until 25 March 2010) OCM German Real Estate Holding AG, Hamburg (Chairman of the Supervisory Board) Versatel AG, Düsseldorf (Member of the Supervisory Board)
Dr. Michael Leinwand (from 18 August 2010)	Chief Investment Officer, Zurich Beteiligungs-AG, Frankfurt/Main	

The General Meeting on 17 June 2008 resolved on the remuneration of the Supervisory Board. In accordance with this resolution, each member of the Supervisory Board receives fixed annual remuneration of EUR 20k. The Chairman of the Supervisory Board receives double this amount, while the Deputy Chairman receives one and a half times this amount. The remuneration granted to the Supervisory Board for the financial year 2010 amounted to EUR 150k, or EUR 174k including value added tax.

There are no provisions for pensions for active or former members of the Supervisory Board of Deutsche Wohnen AG. No advances, loans or guarantees were granted to the members of the Supervisory Board in the year under review.

Shareholdings requiring notification in accordance with section 160 German Stock Corporation Act (AktG)

On 5 January 2010, ASSET VALUE INVESTORS LIMITED, London, United Kingdom, informed us in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, German Securities Code Number: A0HN5C, fell below the threshold of 10% on 30 December 2009 and amounted to 9.99% on this date (corresponding to 8,178,290 voting rights).

9.99% of the voting rights (corresponding to 8,178,290 voting rights) were attributable to the company in accordance with section 22 (1) sentence 1 no. 6 WpHG.

On 23 March 2010, Deutsche Bank AG, London, United Kingdom, informed us in accordance with sections 21 (1) and 24 WpHG and section 32 (2) of the German Investment Act (InvG) that the share of the voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, German Securities Code Number: A0HN5C, held by DWS Investment GmbH, Frankfurt/Main, Germany, fell below the threshold of 3% on 18 March 2010 and amounted to 2.989% at this date (corresponding to 2,446,074 voting rights).

On 1 June 2010, Cohen & Steers Capital Management, Inc., New York, USA, informed us in accordance with section 21 (1) WpHG that its share of the voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, German Securities Code Number: A0HN5C, fell below the threshold of 3% on 26 May 2010 and amounted to 2.20% on this date (corresponding to 1,798,832 voting rights).

2.20% of the voting rights (corresponding to 1,798,832 voting rights) were attributable to the company in accordance with section 22 (1) sentence 1 no. 6 WpHG.

On 1 June 2010, Cohen & Steers, Inc., New York, USA, informed us in accordance with section 21 (1) WpHG that its share of the voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, German Securities Code Number: A0HN5C, fell below the threshold of 3% on 26 May 2010 and amounted to 2.94% on this date (corresponding to 2,405,464 voting rights).

2.94% of the voting rights (corresponding to 2,405,464 voting rights) were attributable to the company in accordance with section 22 (1) sentence 1 no. 6 WpHG in conjunction with section 22 (1) sentence 2 WpHG.

On 21 October 2010, Ruffer LLP, London, United Kingdom, informed us in accordance with section 21 (1) WpHG that its share of the voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, German Securities Code Number: A0HN5C, exceeded the threshold of 3% on 21 October 2010 and amounted to 3.97% on this date (corresponding to 3,247,420 voting rights). 3.97% of the voting rights (corresponding to 3,247,420 voting rights) were attributable to the company in accordance with section 22 (1) sentence 1 no. 6 WpHG.

On 27 October 2010, Cohen & Steers Capital Management, Inc., New York, USA, informed us in accordance with section 21 (1) WpHG that its share of the voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, exceeded the threshold of 3% on 21 October 2010 and amounted to 3.49% on this date (corresponding to 2,852,130 voting rights).

3.49% of the voting rights (corresponding to 2,852,130 voting rights) were attributable to the company in accordance with section 22 (1) sentence 1 no. 6 WpHG.

On 27 October 2010, Cohen & Steers, Inc., New York, USA, informed us in accordance with section 21 (1) WpHG that its share of the voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, exceeded the threshold of 3% on 21 October 2010 and amounted to 4.55% on this date (corresponding to 3,723,301 voting rights).

4.55% of the voting rights (corresponding to 3,723,301 voting rights) were attributable to the company in accordance with section 22 (1) sentence 1 no. 6 WpHG in conjunction with section 22 (1) sentence 2 WpHG.

On 27 October 2010, OCM Luxembourg Opportunities Investments, S.à R.L., Luxembourg, Luxembourg, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date.

On 27 October 2010, OCM Luxembourg Real Estate Investments, S.à R.L., Luxembourg, Luxembourg, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 6.06% (4,960,000 voting rights) on this date.

On 27 October 2010, OCM Luxembourg Opportunities Holdings, LLC, Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via OCM Luxembourg Opportunities Investments, S.à R.L., which has a share of the voting rights of 3% or more.

On 27 October 2010, OCM Luxembourg Real Estate Holdings, LLC, Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 6.06% (4,960,000 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via OCM Luxembourg Real Estate Investments, S.à R.L., which has a share of the voting rights of 3% or more.

On 27 October 2010, OCM Opportunities Fund V, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L,
- OCM Luxembourg Opportunities Holdings, LLC,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, OCM Opportunities Fund VI, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L,
- OCM Luxembourg Opportunities Holdings, LLC,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, OCM Principal Opportunities Fund III, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L,
- OCM Luxembourg Opportunities Holdings, LLC,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, OCM Principal Opportunities Fund IIIA, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L,
- OCM Luxembourg Opportunities Holdings, LLC,

each of which has a share of the voting rights of 3% or more. On 27 October 2010, OCM Real Estate Opportunities Fund IIIA, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L,
- OCM Luxembourg Opportunities Holdings, LLC,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, OCM Opportunities Fund V GP, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund V, L.P.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, OCM Opportunities Fund VI GP, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund VI, L.P.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, OCM Principal Opportunities Fund III GP, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Principal Opportunities Fund III, L.P.,
- OCM Principal Opportunities Fund IIIA, L.P.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, JPMorgan Chase Bank, National Association, Columbus, Ohio, OH, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October

2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Principal Opportunities Fund IIIA, L.P.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, JPMorgan Chase & Co., New York, NY, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Principal Opportunities Fund IIIA, L.P.,
- JPMorgan Chase Bank, National Association,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, Teachers' Retirement System of the City of New York, New York, NY, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Real Estate Opportunities Fund IIIA, L.P.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, OCM Real Estate Opportunities Fund III, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 6.06% (4,960,000 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Real Estate Holdings, LLC,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, OCM Real Estate Opportunities Fund III GP, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 20% and 15% on 25 October 2010 and amounted to 11.35% (9,287,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Real Estate Holdings, LLC,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Real Estate Opportunities Fund III, L.P.,
- OCM Real Estate Opportunities Fund IIIA, L.P.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, Oaktree Fund GP I, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund V, L.P.,
- OCM Opportunities Fund VI, L.P.,
- OCM Principal Opportunities Fund III, L.P.,
- OCM Principal Opportunities Fund IIIA, L.P.,
- OCM Opportunities Fund V GP, L.P.,
- OCM Opportunities Fund VI GP, L.P.,
- OCM Principal Opportunities Fund III GP, L.P.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, Oaktree Fund GP II, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 20% and 15% on 25 October 2010 and amounted to 11.35% (9,287,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Real Estate Holdings, LLC,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Real Estate Opportunities Fund III, L.P.,
- OCM Real Estate Opportunities Fund IIIA, L.P.,
- OCM Real Estate Opportunities Fund III GP, L.P.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, Oaktree Capital I, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund V, L.P.,
- OCM Opportunities Fund VI, L.P.,
- OCM Principal Opportunities Fund III, L.P.,
- OCM Principal Opportunities Fund IIIA, L.P.,
- OCM Opportunities Fund V GP, L.P.,
- OCM Opportunities Fund VI GP, L.P.,
- OCM Principal Opportunities Fund III GP, L.P.,
- Oaktree Fund GP I, L.P.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, Oaktree Capital II, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 20% and 15% on 25 October 2010 and amounted to 11.35% (9,287,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Real Estate Holdings, LLC,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Real Estate Opportunities Fund III, L.P.,
- OCM Real Estate Opportunities Fund IIIA, L.P.,
- OCM Real Estate Opportunities Fund III GP, L.P.,
- Oaktree Fund GP II, L.P.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, Oaktree Capital Management, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 20% and 15% on 25 October 2010 and amounted to 11.35% (9,287,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 6 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, OCM Holdings I, LLC, Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund V, L.P.,

- OCM Opportunities Fund VI, L.P.,
- OCM Principal Opportunities Fund III, L.P.,
- OCM Principal Opportunities Fund IIIA, L.P.,
- OCM Opportunities Fund V GP, L.P.,
- OCM Opportunities Fund VI GP, L.P.,
- OCM Principal Opportunities Fund III GP, L.P.,
- Oaktree Fund GP I, L.P.,
- Oaktree Capital I, L.P.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, Oaktree Holdings, LLC, Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the threshold of 10% on 25 October 2010 and amounted to 5.29% (4,327,858 voting rights) on this date. In accordance with section 22 (1) sentence 1 no. 1 WpHG, all of the voting rights are assigned via:

- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund V, L.P.,
- OCM Opportunities Fund VI, L.P.,
- OCM Principal Opportunities Fund III, L.P.,
- OCM Principal Opportunities Fund IIIA, L.P.,
- OCM Opportunities Fund V GP, L.P.,
- OCM Opportunities Fund VI GP, L.P.,
- OCM Principal Opportunities Fund III GP, L.P.,
- Oaktree Fund GP I, L.P.,
- Oaktree Capital I, L.P.,
- OCM Holdings I, LLC,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, Oaktree Holdings, Inc., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 20% and 15% on 25 October 2010 and amounted to 11.35% (9,287,858 voting rights) on this date. All of the voting rights are allocated in accordance with section 22 (1) sentence 1 no. 1 and no. 6 in conjunction with sentence 2 WpHG. In accordance with section 22 (1) sentence 1 no. 1 WpHG, the voting rights are assigned via:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Real Estate Holdings, LLC,
- OCM Real Estate Opportunities Fund III, L.P.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Real Estate Opportunities Fund IIIA, L.P.,
- OCM Real Estate Opportunities Fund III GP, L.P.,
- Oaktree Fund GP II, L.P.,
- Oaktree Capital II, L.P.,

each of which has a share of the voting rights of 3% or more. In accordance with section 22 (1) no. 6 in conjunction with sentence 2 WpHG, the voting rights are also allocated via:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, Oaktree Capital Group, LLC, Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 20% and 15% on 25 October 2010 and amounted to 11.35% (9,287,858 voting rights) on this date. All of the voting rights are allocated in accordance with section 22 (1) sentence 1 no. 1 and no. 6 in conjunction with sentence 2 WpHG. In accordance with section 22 (1) sentence 1 no. 1 WpHG, the voting rights are assigned via:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Real Estate Holdings, LLC,
- OCM Real Estate Opportunities Fund III, L.P.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund V, L.P.,

- OCM Opportunities Fund VI, L.P.,
- OCM Principal Opportunities Fund III, L.P.,
- OCM Principal Opportunities Fund IIIA, L.P.,
- OCM Real Estate Opportunities Fund IIIA, L.P.,
- OCM Opportunities Fund V GP, L.P.,
- OCM Opportunities Fund VI GP, L.P.,
- OCM Principal Opportunities Fund III GP, L.P.,
- OCM Real Estate Opportunities Fund III GP, L.P.,
- Oaktree Fund GP I, L.P.,
- Oaktree Fund GP II, L.P.,
- Oaktree Capital I, L.P.,
- Oaktree Capital II, L.P.,
- OCM Holdings I, LLC,
- Oaktree Holdings, LLC,
- Oaktree Holdings, Inc.,

each of which has a share of the voting rights of 3% or more. In accordance with section 22 (1) no. 6 in conjunction with sentence 2 WpHG, the voting rights are also allocated via:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, Oaktree Capital Group Holdings, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 20% and 15% on 25 October 2010 and amounted to 11.35% (9,287,858 voting rights) on this date. All of the voting rights are allocated in accordance with section 22 (1) sentence 1 no. 1 and no. 6 in conjunction with sentence 2 WpHG. In accordance with section 22 (1) sentence 1 no. 1 WpHG, the voting rights are assigned via:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Real Estate Holdings, LLC,
- OCM Real Estate Opportunities Fund III, L.P.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund V, L.P.,
- OCM Opportunities Fund VI, L.P.,
- OCM Principal Opportunities Fund III, L.P.,
- OCM Principal Opportunities Fund IIIA, L.P.,
- OCM Real Estate Opportunities Fund IIIA, L.P.,
- OCM Opportunities Fund V GP, L.P.,
- OCM Opportunities Fund VI GP, L.P.,
- OCM Principal Opportunities Fund III GP, L.P.,
- OCM Real Estate Opportunities Fund III GP, L.P.,
- Oaktree Fund GP I, L.P.,
- Oaktree Fund GP II, L.P.,
- Oaktree Capital I, L.P.,
- Oaktree Capital II, L.P.,
- OCM Holdings I, LLC,
- Oaktree Holdings, LLC,
- Oaktree Holdings, Inc.,
- Oaktree Capital Group, LLC,

each of which has a share of the voting rights of 3% or more. In accordance with section 22 (1) no. 6 in conjunction with sentence 2 WpHG, the voting rights are also allocated via:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,

each of which has a share of the voting rights of 3% or more.

On 27 October 2010, Oaktree Capital Group Holdings GP, LLC, Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 20% and 15% on 25 October 2010 and amounted to 11.35% (9,287,858 voting rights) on this date. All of the voting rights are allocated in accordance with section 22 (1) sentence 1 no. 1 and no. 6 in conjunction with sentence 2 WpHG. In accordance with section 22 (1) sentence 1 no. 1 WpHG, the voting rights are assigned via:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Real Estate Holdings, LLC,
- OCM Real Estate Opportunities Fund III, L.P.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,
- OCM Luxembourg Opportunities Holdings, LLC,
- OCM Opportunities Fund V, L.P.,
- OCM Opportunities Fund VI, L.P.,
- OCM Principal Opportunities Fund III, L.P.,
- OCM Principal Opportunities Fund IIIA, L.P.,
- OCM Real Estate Opportunities Fund IIIA, L.P.,
- OCM Opportunities Fund V GP, L.P.,
- OCM Opportunities Fund VI GP, L.P.,
- OCM Principal Opportunities Fund III GP, L.P.,
- OCM Real Estate Opportunities Fund III GP, L.P.,
- Oaktree Fund GP I, L.P.,
- Oaktree Fund GP II, L.P.,
- Oaktree Capital I, L.P.,
- Oaktree Capital II, L.P.,
- OCM Holdings I, LLC,
- Oaktree Holdings, LLC,
- Oaktree Holdings, Inc.,
- Oaktree Capital Group, LLC,
- Oaktree Capital Group Holdings, L.P.,

each of which has a share of the voting rights of 3% or more. In accordance with section 22 (1) no. 6 in conjunction with sentence 2 WpHG, the voting rights are also allocated via:

- OCM Luxembourg Real Estate Investments, S.à R.L.,
- OCM Luxembourg Opportunities Investments, S.à R.L.,

each of which has a share of the voting rights of 3% or more.

On 8 November 2010, Cohen & Steers, Inc., New York, USA, informed us in accordance with section 21 (1) WpHG that its share of the voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, exceeded the threshold of 5% on 2 November 2010 and amounted to 5.24% on this date (corresponding to 4,291,180 voting rights).

5.24% of the voting rights (corresponding to 4,291,180 voting rights) were attributable to the company in accordance with section 22 (1) sentence 1 no. 6 WpHG in conjunction with section 22 (1) sentence 2 WpHG.

On 26 November 2010, Ruffer LLP, London, United Kingdom, informed us in accordance with section 21 (1) WpHG that its share of the voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, exceeded the threshold of 5% on 23 November 2010 and amounted to 5.61% on this date (corresponding to 4,591,485 voting rights).

5.61% of the voting rights (corresponding to 4,591,485 voting rights) were attributable to the company in accordance with section 22 (1) sentence 1 no. 6 WpHG.

On 23 December 2010, British Empire Securities and General Trust plc, Chelmsford, United Kingdom, informed us in accordance with section 21 (1) WpHG that its share of the voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, fell below the threshold of 5% on 22 December 2010 and amounted to 4.99% on this date (corresponding to 4,081,902 voting rights).

On 1 February 2011, OCM Luxembourg Opportunities Investments, S.à R.L., Luxembourg, Luxembourg, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, OCM Luxembourg Real Estate Investments, S.à R.L., Luxembourg, Luxembourg, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, OCM Luxembourg Opportunities Holdings, LLC, Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, OCM Luxembourg Real Estate Holdings, LLC, Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, OCM Opportunities Fund V, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, OCM Opportunities Fund VI, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, OCM Principal Opportunities Fund III, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, OCM Principal Opportunities Fund IIIA, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, OCM Real Estate Opportunities Fund IIIA, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, OCM Opportunities Fund V GP, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, OCM Opportunities Fund VI GP, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date. On 1 February 2011, OCM Principal Opportunities Fund III GP, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, JPMorgan Chase Bank, National Association, Columbus, Ohio, OH, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, JPMorgan Chase & Co., New York, NY, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, Teachers' Retirement System of the City of New York, New York, NY, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, OCM Real Estate Opportunities Fund III, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, OCM Real Estate Opportunities Fund III GP, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 10%, 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, Oaktree Fund GP I, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, Oaktree Fund GP II, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 10%, 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, Oaktree Capital I, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, Oaktree Capital II, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 10%, 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, Oaktree Capital Management, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 10%, 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, OCM Holdings I, LLC, Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, Oaktree Holdings, LLC, Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, Oaktree Holdings, Inc., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 10%, 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, Oaktree Capital Group, LLC, Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 10%, 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, Oaktree Capital Group Holdings, L.P., Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 10%, 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 1 February 2011, Oaktree Capital Group Holdings GP, LLC, Los Angeles, California, USA, informed us that its share of the voting rights in Deutsche Wohnen AG fell below the thresholds of 10%, 5% and 3% on 31 January 2011 and amounted to 0% (0 voting rights) on this date.

On 16 February 2011, Ruffer LLP, London, United Kingdom, informed us in accordance with section 21 (1) WpHG that its share of the voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, fell below the threshold of 5% on 15 February 2011 and amounted to 4.61% on this date (corresponding to 3,773,086 voting rights).

4.61% of the voting rights (corresponding to 3,773,086 voting rights) were attributable to the company in accordance with section 22 (1) sentence 1 no. 6 WpHG.

On 22 February 2011, Oyster Asset Management S.A., Luxembourg, Luxembourg, informed us in accordance with section 21 (1) WpHG that its share of the voting rights in Deutsche Wohnen AG, Frankfurt/Main, Germany, ISIN: DE000A0HN5C6, exceeded the threshold of 3% on 11 February 2011 and amounted to 3.01% on this date (corresponding to 2,461,000 voting rights).

3.01% of the voting rights (corresponding to 2,461,000 voting rights) were attributable to the company in accordance with section 22 (1) sentence 1 no. 6 WpHG.

Auditor's fees

The fees expensed for the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in the year under review were as follows:

	2010
	in EUR k
Final audit 2010	208
Tax advisory services	13
Other services	81
	302

Other services consist of project-related audit services in connection with the introduction and expansion of SAP modules and the determination of the terms and conditions of the long-term incentive plan for the Management Board.

Employees

The average number of employees in the year under review was 77 (previous year: 83).

Related party disclosures

All transactions between Deutsche Wohnen and related parties in the year under review were conducted at arm's-length conditions.

Consolidated financial statements

The Company is the group parent and prepares consolidated financial statements that are published in the German Federal Gazette (electronic Bundesanzeiger).

Corporate governance

The Management Board and the Supervisory Board have submitted the declaration of conformity with the German Corporate Governance Code required in accordance with section 161 AktG and made it permanently available to shareholders on the Company's website at www.deutsche-wohnen.de.

H Appropriation of net profit

The Management Board proposes that the net retained profits in the amount of EUR 16,368k, which consist of accumulated losses brought forward in the amount of EUR 45,639k, the net loss for the year in the amount of EUR 23,706k and a transfer from capital reserves in the amount of EUR 85,713k, be distributed to shareholders in the form of a dividend of EUR 0.20 per share.

Frankfurt/Main, Germany, 25 February 2011
Deutsche Wohnen AG

Michael Zahn	Helmut Ullrich
Chief Executive Officer	Chief Financial Officer

STATEMENT OF CHANGES IN FIXED ASSETS
for the fiscal year 2010 of Deutsche Wohnen AG

		Acquisition and production cost					Accumulated depreciation, amortisation and write downs			Carrying amount	
	1/1/2010	Additions	Disposals	Reclassification	31/12/2010	1/1/2010	Additions	Disposals	31/12/2010	31/12/2010	31/12/09
						in EUR					
Intangible assets											
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	5,388,025.74	90,938.28	0.00	273,728.81	5,752,692.83	1,173,875.69	1,172,695.89	0.00	2,346,571.58	3,406,121.25	4,214,150.05
Prepayments	273,728.81	7,140.00	0.00	−273,728.81	7,140.00	0.00	0.00	0.00	0.00	7,140.00	273,728.81
	5,661,754.55	**98,078.28**	**0.00**	**0.00**	**5,759,832.83**	**1,173,875.69**	**1,172,695.89**	**0.00**	**2,346,571.58**	**3,413,261.25**	**4,487,878.86**
Property, plant and equipment											
Other equipment, furniture and fixtures	1,102,039.00	360,426.88	68,756.14	0.00	1,393,709.74	271,017.21	248,798.10	15,936.77	503,878.54	889,831.20	831,021.79
Financial assets											
Shares in affiliates.	286,337,676.03	33,647.50	0.00	0.00	286,371,323.53	0.00	0.00	0.00	0.00	286,371,323.53	286,337,676.03
	293,101,469.58	**492,152.66**	**68,756.14**	**0.00**	**293,524,866.10**	**1,444,892.90**	**1,421,493.99**	**15,936.77**	**2,850,450.12**	**290,674,415.98**	**291,656,576.68**

The following auditor's report (Bestätigungsvermerk) refers to the annual financial statements as well as the management report prepared on the basis of German commercial law (HGB) ["Handelsgesetzbuch": "German Commercial Code"] of Deutsche Wohnen AG for the fiscal year ended December 31, 2010 as a whole and not solely to the annual financial statements presented in this Prospectus on the preceding pages. The above-mentioned auditor's report (Bestätigungsvermerk) and annual financial statements are both translations of the respective German-language documents.

AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the profit and loss statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Deutsche Wohnen AG, Frankfurt/Main, for the fiscal year from January 1, 2010 to December 31, 2010. The maintenance of the books and records and the preparation of the annual financial statements and 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 annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and 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, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Berlin, February 28, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Völker
Wirtschaftsprüfer
[German Public Auditor]

Glöckner
Wirtschaftsprüfer
[German Public Auditor]

Glossary

Adjusted EBITDA Adjusted EBITDA represents the Company's earnings before interest and taxes (EBIT) adjusted for the gains/losses from fair value adjustments of investment properties, depreciation and amortization, share of profit of associated companies and restructuring and reorganization expenses. Adjusted EBITDA is not recognized as a performance indicator in the HGB or IFRS. The adjusted EBITDA that we report is not necessarily comparable to the performance figures published by other companies as "adjusted EBITDA" or under a similar designation.

Adjusted EBT Adjusted EBT is calculated from profit/loss before taxes, which is adjusted for restructuring and reorganization expenses, gains/losses from fair value adjustments of investment properties, gains/losses from fair value adjustments of derivative financial instruments and prepayment penalties. Adjusted EBT is not recognized as a performance indicator in the HGB or IFRS. The adjusted EBT that we report is not necessarily comparable to the performance figures published by other companies as "adjusted EBT" or under a similar designation.

Asset Management Value-driven management and/or optimization of real estate investments through letting management, refurbishment, repositioning, and tenant management.

Block Sales Our residential portfolio intended for sale is broken down into units to be sold individually and into block sales. In block sales, several apartments or buildings are sold as a package.

Capital Gain A capital gain accrues when capital assets (for instance stocks or bonds) are sold at a higher price than the original purchase price.

Cash Flow Indicator that shows the net inflow of cash from sales activities and other current activities during a given period.

Company Company refers to Deutsche Wohnen AG, a stock corporation (*Aktiengesellschaft*) organized under the laws of the Federal Republic of Germany.

Condominium A condominium is the form of housing tenure where a specified part of a piece of real estate is individually owned while use of and access to common facilities is executed under legal rights associated with the individual ownership and controlled by the association of owners.

Contractual Rent At a given date, the contractual rent reflects the total annualized rent taking into consideration all signed current and future rental contracts.

CPI CPI means Consumer Price Index. A consumer price index measures changes in the price level of consumer goods and services purchased by households. In this prospectus CPI refers to the consumer price index as published by the German Federal Statistical Office (*Statistisches Bundesamt*).

Credit Suisse Credit Suisse Securities (Europe) Limited, London, United Kingdom.

DAIG Deutsche Annington Immobilien GmbH. A major competitor of Deutsche Wohnen.

Derivative Financial Instrument Derivative Financial Instruments or derivatives are contracts to hedge and compensate financial risk positions. The pricing is based on a market-linked underlying value (*e.g.*, interest rate, shares or indices).

Diluted NAV Diluted NAV is calculated as the Company's equity (before non-controlling interests) adjusted for the effects of the exercise of options, convertibles and other equity interests. Diluted NAV is not recognized as a performance indicator in the HGB or IFRS. Diluted NAV as reported by the Company is not necessarily comparable to the performance figures published by other companies as "diluted NAV" or under a similar designation.

DSCR DSCR refers to Debt Service Coverage Ratio. The Debt Service Coverage Ratio is a commonly used ratio in a loan agreement as part of the debtor's

	contractual assurances (covenants) for the duration of the loan and which is also used to assess debt service capacity. It indicates to which proportion the interest payments and contractual (periodic) debt repayments have to be/are covered by the earnings of the Company or the respective portfolio (sometimes after allowance for operating and/or maintenance expenses).
EBIT	Earnings before interest and taxes. EBIT is not recognized as a performance indicator in the HGB or IFRS. The EBIT that is reported in this prospectus is not necessarily comparable to the performance figures published by other companies as "EBIT" or under a similar designation.
EBT	Earnings before taxes. EBT corresponds to the Company's profit/loss before taxes. EBT is not recognized as a performance indicator in the HGB or IFRS.
EEA	EEA refers to the European Economic Area.
EPRA	EPRA refers to European Public Real Estate Association.
EPRA NAV	A specific definition of NAV as used by EPRA. It is the sum of total assets less total liabilities and non-controlling interests and is adjusted for deferred tax assets and liabilities and for derivative financial instruments (assets and liabilities).
EStG	German Income Tax Act (*Einkommensteuergesetz*). A law levying a tax on the income of all natural persons.
EU	EU refers to the European Union.
EURIBOR	EURIBOR refers to Euro Interbank Offered Rate, a daily reference rate based on the averaged interest rates at which banks offer to lend unsecured funds to other banks in the euro wholesale money market.
Facility Management	Facility Management includes the professional development of secondary operational processes like technical, infrastructural and commercial tasks supporting the management of real estate.
Fair Value	Valuation according to International Accounting Standard 40, which is the amount for which a property could be exchanged between knowledgeable, willing parties in an arm's length transaction.
FFO	FFO refers to Funds From Operations. The Company defines FFO (without disposals) as profit/loss for the period adjusted for gains/losses from disposals (net of cost of sales), depreciation and amortization, gains/losses from fair value adjustments of investment properties, profit/loss for the period from discontinued operations, gains/losses from fair value adjustments of derivative financial instruments, accrued interest on liabilities and pensions, prepayment penalties, restructuring and reorganization expenses and deferred taxes (tax expense/income). The Company believes that FFO is an important liquidity indicator for real estate companies and that it is a measure of the Company's ability to pay dividends, make loan payments and investments. FFO is not recognized as a performance indicator in the HGB or IFRS. The FFO that we report here is not necessarily comparable to the performance figures published by other companies as "FFO" or under a similar designation.
GDP	GDP means Gross Domestic Product. The Gross Domestic Product refers to the market value of all final goods and services produced within a country (or region, city etc.) in a given period.
GDP Per Capita	Is the GDP of a country (or region, city etc.) divided through the number of persons living in the respective area. GDP per capita is often considered an indicator of a country's (or region's, city's etc.) standard of living.
GewStG	German Trade Business Tax Act (*Gewerbesteuergesetz*). A law levying a tax on all natural or legal persons conducting a trade business (*Gewerbe*).
GSW	Gemeinnützige Siedlungs- und Wohnungsbaugesellschaft Berlin mbH. A major competitor of Deutsche Wohnen.
HGB	HGB refers to the German Commercial Code (*Handelsgesetzbuch*) and to the Accounting Principles stipulated by it, respectively.

IFRS/IAS	International Financial Reporting Standards/International Accounting Standards. In this Prospectus "IFRS" refers to the International Financial Reporting Standards, including International Accounting Standards (IASs) and interpretations published by the International Accounting Standards Board ("IASB"), as adopted by the European Union and (Commission Regulation (EC) No. 1126/2008 of November 3, 2008, as amended) available at http://www.iasb.org/IFRSs/IFRS.htm.
In-place Rent	Contractually owed rent from rented properties divided by rented area.
Investment Properties	Property, land and buildings which are held as financial investments to earn rents or to realize capital gains and not used for the Company's own purposes. The value of the investment properties is determined according to IAS 40.
ISCR	ISCR refers to Interest Service Coverage Ratio. Interest Service Coverage Ratio is a commonly used ratio which belongs in a loan agreement to the debtor's contractual assurances (covenants) for the duration of the loan and which is also used to assess the ability to service interest payments. It indicates to which proportion the interest payments are covered by the earnings of the Company or the respective portfolio (sometimes after allowance for operating and/or maintenance expenses).
KStG	German Corporate Tax Act (*Körperschaftsteuergesetz*). A law levying a tax on the income of all corporations.
LTV	LTV refers to Loan-to-value ratio, *i.e.*, the ratio of net financial liabilities (financial liabilities including convertible bonds minus cash and cash equivalents), to the value of investment properties plus non-current assets held for sale and land and buildings held for sale.
Market Value	Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion (PS 3.2 of the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors).
Morgan Stanley	Morgan Stanley Bank Aktiengesellschaft, Frankfurt am Main, Germany.
NAV	NAV refers to Net Asset Value. The figure shows the intrinsic equity value of a real estate company. Different definitions exist, but as a general matter, it is the sum of all assets less liabilities, and is adjusted for various items (*e.g.*, deferred taxes and fair value of derivative financial interests). Within that calculation, the property values of the property portfolio are adjusted to their fair values, if they are not already shown at their fair values.
Net Cold Rent	The net cold rent is the contractual rent without service charges and ancillary costs which are allocated to the tenant, like the costs for heating and warm water.
Office Building	Property where at least 75% of the lettable area is destined to office use (disregarding potential ground floor retail).
Prime Standard	Market segment of the Frankfurt Stock Exchange with the greatest relevance and degree of regulation. Being quoted on Prime Standard is a prerequisite for admission to DAX, MDAX, SDAX or TecDAX.
Privatizations	Privatizations refers to single-unit sales (privatizations) (*e.g.*, to tenants) and sales of privatized holdings (*i.e.*, portfolios in which some units have already been "privatized under German law according to the German Condominium Act (*Wohnungseigentumsgesetz*).
Property Appraisal Report	Property Appraisal Report refers to the property appraisal report from the independent appraisers CB Richard Ellis GmbH.
Property Management	Property management is the management of real estate assets including the processes, systems and manpower required to manage the life cycle of a building.

Rent Restrictions	Rent restrictions impose restraints on the ability of a landlord to effect rent increases. Rent restrictions can be stipulated by law or by contract. In both cases they can be enforced by way of an injunctive relief and a violation may result in damages.
RICS	Royal Institution of Chartered Surveyors. A leading professional body for qualifications and standards in land, property and construction.
Track Record	A record of actual performance or accomplishment.
UBS	UBS Limited, London, United Kingdom.
Vacancy Rate	The vacancy rate is the ratio of vacancy loss to the potential gross rental income, as of the respective reporting date.
Withholding Tax	A withholding tax is a government requirement for the payer of an item of income (*e.g.*, dividends or interest) to withhold or deduct tax from the payment, and pay that tax to the government.

RECENT DEVELOPMENTS AND OUTLOOK

While global gross domestic product (GDP) growth has rebounded since 2009, the economic outlook has distinctly worsened. The momentum with which the German economy started into 2011 has slowed down considerably. In the second quarter of 2011, German GDP rose just 0.1% — upon price, seasonal and calendar adjustment — on the first quarter, as reported by the German Federal Statistical Office (Source: German Federal Statistical Office *(Statistisches Bundesamt)*, database, www.destatis.de, press release no. 297, August 16, 2011). There are several critical factors upon which economic developments will depend as the year progresses. In particular, high sovereign debt levels, speculation about sovereign default and support measures for certain member states in the European Union have created substantial uncertainty and volatility in the markets and may increasingly negatively affect the economic environment. Some of the measures undertaken to alleviate the effects of the sovereign debt crisis may lead to higher inflation which in turn may result in increases in interest rates in the mid-term.

As to developments in our business operations the increase in earnings we experienced in the first nine months of 2011 continued throughout the fourth quarter. We expect a full-year forecast FFO (without disposals) of at least €45 million, *i.e.*, €0.55 per share (based on the number of existing shares). For further information see "*Profit Forecast*".

We believe that our Residential Property Management business segment is continuing to develop at a stable rate and see further earnings growth. In the past we have experienced a continuous increase both in the average in-place rent and the new-letting rent for units not subject to rent control and expect to realize further rent increase potential for the residential portfolio in our core regions. We continue our strategy of selective investments focussing on portfolios in attractive German Metropolitan Areas that fit with our existing portfolio and on other assets and indirect residential investments with upside potential.

From September 30, 2011 to the date of this Prospectus, we realized notarized sales of 615 residential units through block sales and single-unit sales (privatizations) with a total volume of approximately €23.1 million and an average margin of 9.2%. As of the date of this Prospectus, we have already exceeded our annual target (500 residential units per year) for units sold through single-unit sales (privatization). We expect to continue to sell further units on a staggered basis in our disposal regions as well as certain selected units in our core region through single-unit sales (privatizations) and block sales in order to optimize and consolidate our total residential portfolio.

We believe that the Nursing and Assisted Living segment is continuing its stable earnings and cash flow contributions based on continuing high capacity utilization. With regard to the full year 2011, we do not expect any significant changes in this segment that could influence results of operations.

From September 30, 2011 to the date of this Prospectus, other than as disclosed in this Prospectus, there have been no significant changes in our net assets, financial condition, trading position and results of operations.

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SIGNATURE PAGE

Frankfurt am Main, London, November 2011

Deutsche Wohnen AG

signed Helmut Ullrich	signed Lars Wittan

Credit Suisse Securities (Europe) Limited

signed Dr. Christian Schlüter	signed Philip Grosse

Morgan Stanley Bank AG

signed Oliver Puhl	signed Johannes Borsche

UBS Limited

signed Wolfgang Fuchs	signed Stefan Bartschat

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