FINANCIAL REPORT
in the Annual Report 2010

Deutsche Wohnen

ROOM

TO GROW

KEY FIGURES

Key figures of Deutsche Wohnen Group		2010	2009
PROFIT AND LOSS STATEMENT			
Earnings from residential property management	EUR m	150.9	151.0
Earnings from disposals	EUR m	12.7	9.7
Earnings from nursing and assisted living	EUR m	8.9	9.1
Corporate expenses	EUR m	-31.8	-34.6[1]
EBITDA	EUR m	136.1	133.5[1]
EBT (adjusted)	EUR m	33.7	18.6
EBT (as reported)	EUR m	57.1	3.4
Earnings after taxes	EUR m	23.8	-13.3
Earnings after taxes per share	EUR per share	0.29	-0.16[2]
FFO (without disposals)	EUR m	33.1	25.1
FFO (without disposals) per share	EUR per share	0.40	0.31
FFO (incl. disposals)	EUR m	45.8	34.8
FFO (incl. disposals) per share	EUR per share	0.56	0.43
BALANCE SHEET			
Investment properties	EUR m	2,821.0	2,835.5
Current assets	EUR m	108.8	123.1
Equity	EUR m	889.9	862.0
Net financial liabilities	EUR m	1,738.5	1,772.2
Loan-to-Value Ratio (LTV)	in %	60.6	61.5
Total assets	EUR m	3,038.2	3,079.3

Share		2010	2009
Share price (closing price)	EUR per share	10.50	6.70
Number of shares	m	81.84	81.84
Market capitalisation	EUR m	859	548
Dividend per share	EUR per share	0.20[3]	-

Net Asset Value (NAV)		2010	2009
EPRA NAV	EUR m	964.0	915.2
EPRA NAV per share	EUR per share	11.78	11.18

Fair values		2010	2009
Fair value of real estate properties[4]	EUR m	2,672.3	2,749.8
Fair value per sqm residential and commercial area[4]	EUR per sqm	926	895

[1] Adjusted for restructuring- and reorgansiational costs
[2] Based on 81.84m shares outstanding
[3] Dividend proposal for fiscal year 2010
[4] Only comprises residential and commercial buildings

CONTENTS

LETTER TO OUR SHAREHOLDERS

Michael Zahn, Chief Executive Officer

Helmut Ullrich, Chief Financial Officer

Letter to our shareholders

Dear Sir or Madam,
Dear shareholders,

If we reported here a year ago that 2009 was a very special year for Deutsche Wohnen AG, we can only repeat this for 2010. In the 2010 financial year now closed, we were able to successfully accomplish many important goals and significantly further developed the company. We will examine some of the highlights in detail in a moment. But first we would like to express our thanks to all the employees of Deutsche Wohnen – they are the reason for the company's success, both in the past and the future. We highly appreciate this and for this reason we remain strongly committed to their personal development and engagement to the company. We would particularly like to draw your attention to the magazine section of this year's Annual Report, entitled "Room to grow", which takes an in-depth look at our markets and positioning and thus identifies a number of interesting growth prospects. Detailed financial information can be found as usual in the financial section of our Annual Report.

All key earnings indicators exceeded

But first of all we would like to give you an overview of the most important figures. Again we were able to improve all major key figures compared to the previous year. Deutsche Wohnen was able to close the last financial year with a net profit. Adjusted earnings before taxes almost doubled to EUR 33.7 million as of 31 December 2010, compared to EUR 18.6 million in 2009. This is largely due to the optimised income and cost structures in the segments as well as to lower interest expenses. Cash flow from the portfolio after interest expenses also improved significantly and sustainably by EUR 13 million to EUR 47.6 million.

For greater transparency and better comparability with competitors, Deutsche Wohnen now discloses the EPRA NAV as an additional key indicator. It reflects the long-term fair value of equity. Mainly due to positive consolidated earnings, EPRA NAV increased by 5.4 % to EUR 11.78 per share by the end of 2010. The Net Net Asset Value (NNAV) reported in the past went up from EUR 870.3 million as of 31 December 2009 to EUR 926.4 million. We reduced our financial liabilities from EUR 1,802.7 million to EUR 1,784.5 million. All in all we were able to increase the Funds from Operations (FFO) without disposals substantially from EUR 0.31 per share to EUR 0.40 per share. This underlines the significant expansion of strong and stable cash flows, even without disposals, and simultaneously reducing the level of debt. Operating performance was also buoyed by higher rents, lower vacancy rates and nearly twice the volume of disposals.

Important milestones achieved in 2010

What contributed to this success? We had set ourselves two major objectives for last year: one was to improve our operating performance, to become sustainably profitable and to demonstrate our ability to pay dividends. Secondly, we envisaged to grow and to establish ourselves permanently among the major companies in Germany. Today, ladies and gentlemen, we can confirm that the turnaround has been definitively completed and that we are planning to pay a dividend for the first time in 2010. The Management Board and Supervisory Board will propose the payment of EUR 0.20 per share at the Annual General Meeting. Accordingly we are distributing half of the sustainably generated FFO to our shareholders. The capital markets also acknowledged our endeavours: the share price of your share increased by more than 56 % over the full year 2010, outperforming all benchmark indices. Furthermore, since 8 December 2010 Deutsche Wohnen AG has been listed in the MDAX, Deutsche Börse's second highest index, and is therefore one of 50 medium-sized German joint stock companies from classical industrial sectors. So the share has become demonstrably more attractive for you as shareholders. Trading volume has also increased considerably since the MDAX listing.

Last year we explained that competition for additional capital in our sector would increase. We are therefore more than proud to inform you that we also accomplished our financing objectives in 2010 prematurely at an early stage. We were able to refinance loans totalling EUR 516 million in a favourable interest rate environment and also to secure over the long term additional non-current loan funds of around EUR 94 million. Therefore essentially all of our major loans maturing until 2015 have been extended before maturity, which gives us a considerable head start over most of our competitors.

Furthermore, we achieved profitable growth as planned. We expanded our portfolio by acquiring a total of 1,808 residential units in our core regions of Berlin, Potsdam and the Rhine-Main area. We also increased our stake in DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG (DB 14) by more than 40 %. As we now hold a majority of the interests in this closed-end real estate fund, we will list its residential properties in our core portfolio from now on. We also plan to acquire the remaining limited partnership interests in the near future and to manage the portfolio for the long term. In total we invested EUR 111.8 million in 2010 in a target-oriented manner.

Ambitious new targets set for 2011

Nevertheless, we do not intend to rest on our laurels, ladies and gentlemen, but are entering the financial year 2011 with confidence and renewed vigour, having set ourselves new and ambitious targets. We want to continue to grow our business model and establish a wider portfolio basis. To do so we will continue to make acquisitions in our core regions and we intend to seize larger strategic market opportunities in the foreseeable future in conjunction with a capital increase. We have already established the basis for this: We have an excellent portfolio in German metropolitan areas, our financial structure has been optimised and our cost ratios are in order.

If the positive economic cycle continues in Germany as expected, we plan a significant increase in FFO without disposals, from EUR 0.40 per share to EUR 0.48 to 0.50 per share. Acquisitions could also generate further positive developments. Our Loan-to-Value Ratio (LTV) should also remain stable at today's level of around 60 %, in particular in light of our expansion plans. These estimates do not include earnings contributions from valuations, bloc disposals and strategic acquisitions.

Thank you, dear shareholders, for placing your trust in us and this company! We will continue to do everything we can to promote the success of Deutsche Wohnen AG in your best interests. You are warmly invited to stay with us on this promising path!

Yours faithfully,

Frankfurt/Main and Berlin, March 2011

Michael Zahn
Chief Executive Officer

Helmut Ullrich
Chief Financial Officer

WE HAVE AN EXCELLENT PORTFOLIO IN GERMAN METROPOLITAN AREAS, OUR FINANCIAL STRUCTURE HAS BEEN OPTIMISED AND OUR COST RATIOS ARE IN ORDER.

The share

The Deutsche Wohnen share enjoyed a very strong increase in 2010. In total, the share price increased by more than 56 % and market capitalisation was around EUR 859 million at the end of the year. Additionally, our share was included in the MDAX index in December 2010.

Volatile capital market with strong second half-year

Throughout 2010, particularly in the second quarter, the financial markets were heavily affected by uncertainty surrounding the debt crisis in the eurozone. Whilst it became increasingly clear during the course of the year that the global economy had entered a weaker phase after the strong growth at the beginning of the year, economic performance nevertheless soared in Germany from the second quarter onwards. After its deepest recession in the post-war period, Germany is therefore recovering and is leading other countries in the eurozone quite impressively. Germany's leading position in terms of its economic development applies not only to the recent past, but also to the forecasts for 2011 and 2012.

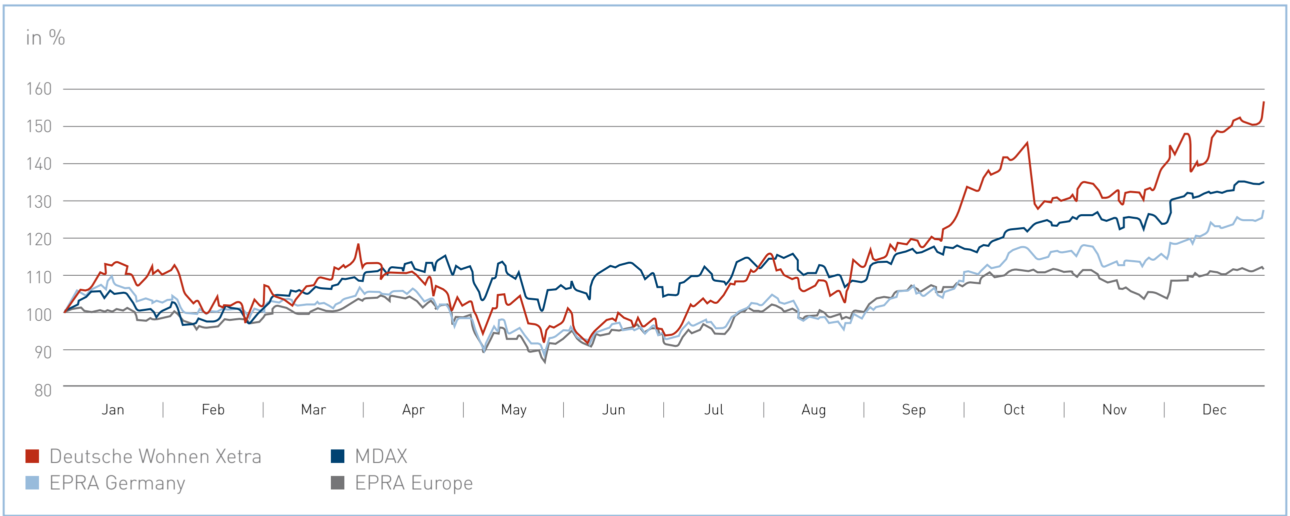
Both medium-sized and smaller companies in the MDAX and SDAX respectively benefited especially from the economic recovery: During the course of the year, the SDAX increased by just under 46 %, the MDAX by just short of 35 %. By contrast, the German benchmark index, the DAX, gained only 16 % in value. However, the DAX performed well compared to other major stock market indices around the world.

Real estate stocks, which did not participate in the upswing during the first half of 2010, also benefited from the general recovery. The EPRA Europe index, comprising 82 European companies at the end of 2010, improved by 11 % over the past financial year, while the EPRA Germany subindex even saw an improvement of 27 %.

Best performance of our share in years

The share price development of Deutsche Wohnen AG was far better last year compared to the previous years. With a closing price of EUR 10.50 per share at the end of the financial year, the share price rose by more than 56 % in 2010. It therefore comfortably outperformed all the benchmark indices such as the MDAX, EPRA Europe and EPRA Germany, as well as the development of the share prices of its competitors.

Share performance in 2010 (index-linked)



Key share figures	2010	2009
Number of shares outstanding in m	81.84	81.84
Closing price at end of year[1] in EUR	10.50	6.70
Market capitalisation in EUR m	859	548
Highest share price during year[1] in EUR	10.50	9.80[3]
Lowest share price during year[1] in EUR	6.13	4.45
Average daily turnover (up to 7 December in 2010 [SDAX])[2]	148,884	190,258
Average daily turnover (from 8 December in 2010 [MDAX])[2]	221,353	n/a

[1] Xetra closing price
[2] Xetra daily turnover
[3] Price adjusted for capital increase

In the first months of 2010, our share price initially moved more or less in line with the benchmark indices. The share began to outperform its competitors in the third quarter, however: Supported by excellent results at mid-year and for the third quarter, and after the successful conclusion of early refinancing, the share began to significantly outperform the benchmark indices and share prices of real estate companies listed in the SDAX and MDAX until year-end. The closing price at the end of the year of EUR 10.50 per share was also the highest share price of the year, after starting the year off at EUR 6.70 and hitting a low of EUR 6.13 per share in May 2010. The market capitalisation of Deutsche Wohnen AG improved during the financial year accordingly, from EUR 548 m to EUR 859 m.

Inclusion in MDAX makes our share even more attractive

The Deutsche Wohnen AG share has been listed in the MDAX index of Deutsche Börse since 8 December 2010. The step up into the second highest German share index confirms the sustainability and solidity of our business model. As the capital markets had previously reacted in a positive way to developments at Deutsche Wohnen AG, we now rightly belong to the group of 50 medium-sized German publicly listed share companies from the traditional industrial sectors. Inclusion in the MDAX was one of our stated goals, as it further increases the attractiveness of the share for institutional and private investors. An increase in average daily turnover has already been noted since 8 December.

Analyst coverage expanded

Our share is currently[1] followed by 16 analysts. UBS, Goldman Sachs and Close Brothers Seydler began to track the share in 2010, and they were joined by Morgan Stanley, Metzler and Silvia Quandt at the beginning of 2011. Other well-known banks have indicated that they will initiate the coverage of our share in 2011. This will further increase the visibility of our share in the capital markets.

The following table shows an up-to-date[1] overview of the analysts' rating assessments:

Rating	Number
Buy/outperform	5
Neutral/hold	8
Underweight/sell	3

In comparison to the EPRA NAV of EUR 11.78 per share as of 31 December 2010, the share now only has a discount of around 11 % (31 December 2009: 40 % discount). This has enabled Deutsche Wohnen AG to move closer to the usually lower NAV discount that is typical of European real estate companies as compared to their German counterparts. The low NAV discount acknowledges our performance in recent years and strengthens our resolve to consequently follow the path we have chosen.

[1] As of 25 February 2011

Change in shareholder structure increases share liquidity

The funds managed by the US financial investor Oaktree Capital Management L.P. ("Oaktree") informed us on 27 October 2010 by means of a voting rights notification in accordance with the German Securities Trading Act (WpHG) that the stake held by the two Oaktree funds in Deutsche Wohnen AG had fallen from approximately 22.7 % to 11.35 %. During this placement with institutional investors, Cohen & Steers increased its shareholding to 5.24 %; Ruffer LLP also became a large shareholder, and has since increased its shareholding to 4.61 %.

On 1 February 2011, Oaktree informed us by way of another voting rights notification pursuant to the German Securities Trading Act (WpHG) that the remaining 11.35 % of shares in Deutsche Wohnen AG had been sold off-market and that Oaktree therefore held no remaining shares in Deutsche Wohnen AG.

The two Oaktree transactions led to an increase of the share's free float, which in turn had a beneficial effect on its liquidity. According to Deutsche Börse definition, the free float currently amounts to around 94.3 %.

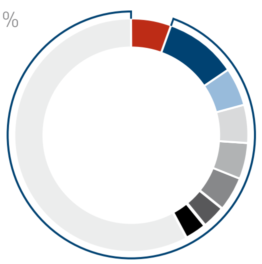
Eight large investors from Germany and abroad currently hold more than 3 % each of the total share capital. Asset Value Investors Ltd. is now the largest shareholder with around 10 % of shares. Approximately 42 % of the total share capital is now held by long-term institutional investors with whom we maintain continual and close contact. The remaining roughly 58 % of shares are held by national and international private investors and institutional investors who have no obligation to register their shareholdings.

Communication with capital markets further intensified

Our Investor Relations division keeps shareholders, analysts and other interested parties well informed about all current developments concerning the company in a comprehensive, transparent and timely manner. The aim of our Investor Relations work is to maintain open communications with the market about our business model, corporate developments and specifics about Deutsche Wohnen AG, and to create long-term acceptance and trust.

Shareholder structure *)

in %



Free float according to Deutsche Börse = 94.25 % **)

Total of 8 institutional investors = 42.20 %

- Zurich Deutscher Herold Lebensversicherung AG = 5.75 %
- Asset Value Investors Ltd.[1] = 9.99 %
- Cohen & Steers Inc.[2] = 5.24 %
- First Eagle Overseas Fund = 5.24 %
- Sun Life Financial Inc.[2] = 5.03 %
- Ruffer LLP[1] = 4.61 %
- Ärzteversorgung Westfalen-Lippe[3] = 3.33 %
- Oyster Asset Management S.A.[1] = 3.01 %
- Others = 57.80 %

*) In accordance with last notification pursuant to German Securities Trading Act (WpHG) of the specified shareholders (as of 25 February 2011)

**) Excluding Zurich Deutscher Herold Lebensversicherung AG

1) Attributed voting rights according to Section 22(1) sentence 1 number 6 German Securities Trading Act (WpHG)

2) Attributed voting rights according to Section 22(1) sentence 1 number 6 German Securities Trading Act (WpHG) in conjunction with Section 22(1) sentence 2 WpHG

3) Feri Finance AG resp. MLP AG attributed voting rights according to Section 22(1) sentence 1 German Securities Trading Act (WpHG)

As of 25 February 2011

Key share data	
ISIN	DE000A0HN5C6
WKN	A0HN5C
Type of share	Ordinary share
Reuters	DWNG.DE
Bloomberg	DWNI
Stock markets	Xetra, Frankfurt/Main, Stuttgart, Munich, Hamburg, Hanover, Düsseldorf, Berlin
Admission segment	Prime Standard
Major indices	MDAX, EPRA/NAREIT, GPR250
Number of shares in circulation (total)	81,840,000

Consequently we further expanded our Investor Relations activities in 2010. We presented the business development of Deutsche Wohnen at a total of nine conferences and seven roadshows. In the first half-year, we took part in the Kempen & Co. European Property Seminar in New York and the Merrill Lynch Small Mid Cap Conference in London. In the second half, we participated in the EPRA Conference in Amsterdam, the Uni Credit German Investment Conference in Munich, the Merrill Lynch Global Real Estate Conference in New York, the Credit Suisse Global Real Estate Conference in London, the 10th Initiative Immobilien Aktie, the WestLB Deutschland Conference and the Credit Suisse German Equity One-on-One Symposium (all of the last three took place in Frankfurt/Main). We also held roadshows in Amsterdam, Geneva, Zurich, Paris, Brussels, Edinburgh, Scandinavia, London and Frankfurt/Main.

Additionally, we conducted many individual discussions with investors and analysts, and presented our properties in Berlin and Frankfurt/Main during property tours.

We arrange telephone conferences after the publication of each financial report; these are subsequently available as an audio webcast on the Deutsche Wohnen website. Financial reports, presentations about financial reports and investor presentations are also available for download. Furthermore, our website gives an overview of current activities on the basis of our financial calendar, analyst recommendations, ad-hoc statements and press releases, corporate news, shareholder structure, resolutions of the Annual General Meeting and directors' dealings. The Chief Executive Officer addressed shareholders personally and regularly throughout 2010 with his "Letter to our shareholders" in which he reported about the company.

The Annual General Meeting for the past financial year was held on 15 June 2010 in the Japan Center in Frankfurt/Main, at which around 77 % of share capital entitled to vote was represented.

Further information can be found in the Investor Relations part of our website at www.deutsche-wohnen.com.

Corporate Governance Report

The German Corporate Governance Code contains essential statutory regulations and nationally and internationally recognised standards for the responsible management and supervision of German listed companies. It comprises a number of additional recommendations concerning the Annual General Meeting, the Management Board, the Supervisory Board, and cooperation between the two executive bodies, transparency, accounting and auditing. The management and corporate culture of the Deutsche Wohnen Group complies with the statutory requirements and, with a few exceptions, the additional recommendations of German Corporate Governance Code. In light of this, the Management Board and the Supervisory Board have drawn up the following corporate governance report.

Declaration of conformity with the German Corporate Governance Code

In March and December 2010, the Management Board and the Supervisory Board drew up their declaration of conformity with the recommendations of the German Corporate Governance Code for the financial year 2010 pursuant to Section 161 of the German Stock Corporation Act (AktG) and reported in detail on the minor variations from these recommendations. These statements can be viewed by shareholders and interested parties on the Deutsche Wohnen website at www.ir.deutsche-wohnen.com/websites/deuwo/English/8000/corporate-governance.html.

Overall management structure

Deutsche Wohnen AG, registered in Frankfurt/Main, is subject to German stock corporation and capital market law and the provisions in its articles of association. Its two executive bodies, the Management Board and the Supervisory Board, constitute a dual management and supervisory structure. In addition, there is the Annual General Meeting, in which the shareholders of Deutsche Wohnen AG participate in fundamental decisions concerning the company. Together, these three executive bodies are required to act in the best interests of the shareholders and for the benefit of Deutsche Wohnen AG.

Management Board

The Management Board is responsible for independently managing the enterprise of the company. It is bound to seek sustainable increase in value in the interests of the company. Members of the Management Board are appointed by the Supervisory Board. The Supervisory Board has set the statutory retirement age as the retirement age for members of the Management Board. Selection of members of the Management Board is made on the basis of knowledge, abilitiy and expert experience required to properly complete its tasks.

The Management Board currently comprises two members and has a Chairman. The work of the Management Board is governed by by-laws that include a division of responsibilities in accordance with functional criteria.

The Management Board draws up a strategic direction for the company, has it approved by the Supervisory Board and implements it. The Management Board also has to ensure appropriate risk management, financial control and management accounting in the company, along with regular, timely and comprehensive reporting to the Supervisory Board. Certain transactions and measures undertaken by the Management Board require the approval of the Supervisory Board.

Members of the Management Board must immediately disclose any conflicts of interest to the Supervisory Board and their colleagues on the Management Board. Significant transactions with Deutsche Wohnen AG by members of the Management Board and related persons and accepting secondary employment outside the company also require the approval of the Supervisory Board.

Directors and officers insurance (D&O insurance) has been taken out on behalf of the members of the Management Board and the Supervisory Board. Since 1 July 2010, it includes a deductible that meets the requirements of Section 93(2) of the German Stock Corporation Act (AktG).

Supervisory Board

The Supervisory Board comprises six members. It is not subject to employee participation requirements. All members are appointed by the Annual General Meeting as representatives of the shareholders. In accordance with statutory provisions and the company's articles of association, Supervisory Board members are appointed for five years. The selection of members of the Supervisory Board is made on the basis of the knowledge, ability and expert experience required to properly complete its tasks. The age limit for members of the Supervisory Board is 70.

The Supervisory Board advises and supervises the Management Board in the management of the company on a regular basis within the scope of statutory provisions, the company's articles of association and the Management Board's by-laws. The Supervisory Board works closely with the Management Board for the benefit of the company and is involved in fundamental decisions affecting the company.

The Supervisory Board also follows by-laws. According to these rules, the work of the Supervisory Board is performed both in board meetings and in committees. The work carried out by the committees seeks to improve the efficiency of the work carried out by the Supervisory Board. The committee chairpersons report to the Supervisory Board on a regular basis with respect to the work of their committees. The following committees have been set up:

- The Executive Committee: This committee is responsible for liaising with the Management Board and giving ongoing approvals and advice, and for preparing Supervisory Board meetings when this is expedient with respect to the scope and importance of the matters under discussion. Pursuant to resolutions of the full Supervisory Board, the Executive Committee is responsible for the conclusion and content of employment contracts for members of the Management Board. It is also responsible for giving advice and, where permitted, making decisions about urgent issues.

- The Nomination Committee: This committee makes recommendations to the Supervisory Board concerning the appointment proposals it makes to the Annual General Meeting.

- The Audit Committee: This committee is charged with checking the documentation for the annual financial statements and the consolidated financial statements, preparation of the approval or adoption of these reports, and preparation of the Management Board's proposal for the appropriation of earnings. The committee discusses principles of compliance, risk taking, risk management, and the appropriateness and functionality of the internal control system with the Management Board. The responsibilities of the Audit Committee also include preparation of the appointment of auditors by the Annual General Meeting, which involves ensuring compliance with independence requirements, subsequent appointment of the auditors, and determination of audit focus. Members of the Audit Committee have expert knowledge in areas such as accounting and auditing, and mostly fulfil all independence requirements in the sense of the EU recommendation regarding the role of supervisory directors (Official Journal of the European Union, no. L 52, 25.02.2005, p. 1) and the recommendations of the German Corporate Governance Code.

- The Acquisitions Committee: This committee drafts resolutions for the Supervisory Board regarding company and/or portfolio acquisitions.

- The Capital Markets and Communication Committee: This committee provides advice about share price developments and the shareholder structure of Deutsche Wohnen AG, other important capital markets issues and the company's communications policies. This committee was disbanded by resolution of the Supervisory Board dated 25 March 2010.

Annual General Meeting

Within the bounds of possibilities detailed in the articles of association, shareholders exercise their rights at the Annual General Meeting. Each share gives one vote.

The Annual General Meeting takes place once a year within the first eight months of the financial year. The agenda of the Annual General Meeting and the reports and documentation required for the Annual General Meeting are published on the website of Deutsche Wohnen AG.

The Annual General Meeting passes important resolutions about areas such as the appropriation of earnings, formal approval of the actions of the Management Board and the Supervisory Board, the selection of members of the Supervisory Board and auditors, changes to the articles of association and measures affecting the capital structure. The Annual General Meeting offers the Management Board and the Supervisory Board a good opportunity to have direct contact with shareholders and to discuss and coordinate with them about the future direction of the company.

In order to make it easier to personally exercise their rights, Deutsche Wohnen AG makes a company-appointed proxy available to shareholders, who is authorised by shareholders to vote according to their instructions and who may also be contacted during the Annual General Meeting. The invitation to attend the Annual General Meeting includes an explanation of how instructions can be issued in advance of the Annual General Meeting. Shareholders are also allowed to authorise a proxy of their own choice to represent them at the Annual General Meeting.

Remuneration of the Management Board

The remuneration system for the Management Board is regularly discussed, scrutinised and revised by the full meeting of the Supervisory Board.

Contracts for members of the Management Board of Deutsche Wohnen AG include fixed and performance-based components. The performance-based component was adjusted in line with the provisions of Section 87(1) sentence 3 of the German Stock Corporation Act (AktG) upon Mr Ullrich's contract being extended in 2010 and Mr Zahn's being extended in 2011. This component is tied to the company meeting economic targets and is mostly calculated by way of a multi-year basis of assessment. The performance-based component may only be paid if the company achieves the corresponding positive results. The remuneration structure is designed to promote sustainable company development, and the incentive and risk effect of performance-based remuneration will be further optimised.

The full remuneration report for Deutsche Wohnen AG for the financial year 2010 is contained in the management report on pages 48 to 49 and on the company website at www.ir.deutsche-wohnen.com/websites/deuwo/English/8460/report-on-compensation.html.

Remuneration of the Supervisory Board

Remuneration of the Supervisory Board was determined by the Annual General Meeting in Article 7(6) of the articles of association. In accordance with that provision, members of the Supervisory Board receive an annual fixed salary of EUR 20,000. The Chairman of the Supervisory Board receives double the amount of fixed remuneration, the Deputy Chairman receives one and a half times the fixed remuneration. Cash expenses are reimbursed. The company can also include members of the Supervisory Board in the Group D&O insurance for executive bodies and managers at its own cost, and this offer has been taken up. A deductible for members of the Supervisory Board has been agreed and this meets the requirements of Section 93(2) of the German Stock Corporation Act (AktG).

No performance-based remuneration is paid to members of the Supervisory Board. Due to the simplicity of the remuneration system, no further individualised presentation of Supervisory Board remuneration other than the information provided above is foreseen at this stage.

Directors' dealings subject to mandatory disclosure

Pursuant to Section 15a of the German Securities Trading Act (WpHG), members of the Management Board and Supervisory Board and related persons are required to immediately disclose any transactions with shares of Deutsche Wohnen AG or any financial instruments based on such shares. The company publishes details of these transactions immediately after it receives such notifications. Deutsche Wohnen AG was not notified of any such transactions during the past financial year.

Chief Financial Officer Helmut Ullrich owned 13,950 Deutsche Wohnen AG shares as of 31 December 2010. This represents around 0.02 % of the 81.84 million shares issued. Supervisory Board members Uwe E. Flach and Dr. Florian Stetter held 12,400 and 3,207 shares of Deutsche Wohnen AG respectively at the end of the year. The wife of the Deputy Chairman of the Supervisory Board Dr. Andreas Kretschmer held 2,633 shares of Deutsche Wohnen AG at this time, and the wife of the Supervisory Board member Uwe E. Flach owned 4,200 shares. Other members of the Supervisory Board and the Chief Executive Officer Michael Zahn held no shares in Deutsche Wohnen AG as of 31 December 2010. Therefore, the total shareholdings in Deutsche Wohnen AG of all the members of the Management Board and the Supervisory Board as of 31 December 2010 were less than 1 % of all shares issued by the company.

Compliance as an important managerial responsibility

Deutsche Wohnen AG appointed a compliance officer in order to guarantee compliance with the conduct standards and norms specified by the German Corporate Governance Code and with the relevant statutory provisions. This officer maintains the company's insider register and informs management, staff and business partners about the relevant prevailing legal circumstances and the consequences of breaches of insider regulations.

Adequate opportunity and risk management

An important aim for the Deutsche Wohnen Group is to deal with opportunities and risks in a responsible manner. This is guaranteed with comprehensive risk and opportunity management that identifies and monitors significant risks and opportunities. The system is under continuous development and is adjusted to reflect changing conditions.

Detailed information about this is available in the management report: The risk management of Deutsche Wohnen AG is presented in the risk report on pages 43 to 46, strategic corporate opportunities are described in the outlook section of the management report on page 47 and information about Group accounting is included in the notes on pages 60 to 70.

Transparency

As part of ongoing Investor Relations activities, all important dates for shareholders, investors and analysts for the full financial year are published in the financial calendar at the beginning of the financial year and are updated regularly. The financial calendar can also be viewed on the website at www.ir.deutsche-wohnen.com/websites/deuwo/English/7000/financial-calendar.html. An overview of the important information published in the financial year 2010 is published annually in a document pursuant to Section 10 of the German Securities Prospectus Act (WpPG) and is available at www.ir.deutsche-wohnen.com/websites/deuwo/German/3600/jaehrliches-dokument.html. (German version only)

The company informs shareholders, analysts and journalists in line with uniform criteria. The information is transparent and consistent for all capital market participants. Ad-hoc statements and press releases as well as presentations, press and analysts' conference and roadshows are published without delay on our website.

Insider information (ad-hoc publicity), voting rights notifications, and directors' dealings are immediately disclosed by Deutsche Wohnen AG in line with the statutory provisions.

Accounting

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was reappointed as auditor by the Annual General Meeting in 2010. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has made an advance statement that there are no business, financial, personal or other relationships which could cause any doubt to the independence of the auditor that exist between the auditor, its executive bodies and audit leaders on the one hand and the company or members of its executive bodies on the other.

Deutsche Wohnen AG seeks to maintain the publications deadlines specified by the German Corporate Governance Code of 90 days after the end of the financial year for the consolidated financial statements and 45 days after the end of the reporting period for interim reports. However, due to the necessary time needed to carefully prepare financial statements and corporate reports, no binding commitment can be given that reports will actually be available within these publication deadlines.

Further information

Further information about the activities of the Supervisory Board, its committees and its cooperation with the Management Board can be found in the report of the Supervisory Board on pages 14 to 17.

Frankfurt/Main, March 2011

Supervisory Board Management Board

Report of the Supervisory Board

Dear shareholders,

The financial year 2010 was extremely successful for Deutsche Wohnen AG. Our business model and clear focus on German metropolitan areas are now paying off. Earnings and rate of returns improved during the reporting year, the financing structure and liquidity saw significant optimisation, and there was an increase in asset value, and therefore in shareholder value. A recommendation is being made to the Annual General Meeting to reinstate dividend payments.

The share price increased by 56 % in 2010, and has outperformed its peer group. The company's success in this reporting year has also been recognised by the markets: Deutsche Wohnen AG was included in the Deutsche Börse MDAX in December 2010, the selection index of 50 medium-sized German publicly listed share companies from traditional industrial sectors that follows the 30 DAX listings. This shows recognition of growing investor interest and is affirmation of our corporate strategy, and also provides an incentive for further sustainable positive growth.

Trusting relationship between Management Board and Supervisory Board

The Supervisory Board took great care in carrying out its duties pursuant to statute, the company's articles of association, the German Corporate Governance Code and its by-laws during the financial year 2010. It provided regular advice to the Management Board regarding the corporate management of the company and supervised the Management Board's activities. It was also directly involved in all important company decisions at an early stage.

The Management Board informed the Supervisory Board in a regular, timely and comprehensive manner, both in writing and verbally, about company policy, corporate planning and strategy, the position of the company including risks, the progress of transactions and risk management. Differences between actual and planned development were explained in detail. Important business transactions undertaken by the Management Board were agreed with the Supervisory Board.

Outside of meetings of the Supervisory Board and its committees, the Chairman of the Supervisory Board and other members of the Supervisory Board were in regular contact with the Management Board and discussed important issues, including the strategic direction of the company, business development and risk management.

Supervisory Board met five times

During the financial year 2010, the Supervisory Board held four regular meetings to discuss current business developments, important business transactions and actions of the Management Board requiring the approval of the Supervisory Board. An extraordinary Supervisory Board meeting took place with respect to an issue that was outside the company's normal area of business activity. In the individual meetings, after a full examination and discussion of the issues in question, the Supervisory Board granted its approval when required. Four resolutions were also passed by written procedure in lieu of a meeting, made on the basis of comprehensive informational material and extensive prior discussion at the meeting of the full Supervisory Board. One Supervisory Board member was unable to attend the extraordinary Supervisory Board meeting due to an urgent prior engagement; otherwise all members of the Supervisory Board were present at all other meetings.

The focus of Supervisory Board activity in this reporting year comprised business planning and development, monitoring and advice about the internal control and risk management system, revision of the remuneration system for the Management Board in line with statutory requirements, and the development of an incentive plan for selected managers of Deutsche Wohnen AG. It held regular and intensive discussions about business development in the segments Residential Property Management, Disposals, Nursing and Assisted Living and about the financial and liquidity position of the Group. 2010 also saw an increasing focus on growth strategy and acquisitions by the Deutsche Wohnen Group.

At the ordinary meeting held on 25 March 2010, the Supervisory Board discussions focused on the report of the Audit Committee, developments in the financial year 2009, the annual financial statements for 2009, and preparation of the Annual General Meeting 2010. Representatives of the auditors were present for the discussions about the annual financial statements 2009 and they explained major items and accounting policies in the annual financial statements of the company and the Group.

The second ordinary meeting took place on 15 June 2010 both before and after the Annual General Meeting. This meeting focused on the counsel of external advisors regarding the internal audit system as the basis of the internal control and risk management system. Another important focus of discussions and decisions was the design and introduction of an incentive plan for managers of Deutsche Wohnen AG. The Supervisory Board was also informed about strategic acquisition targets by the Management Board. Lastly, the Supervisory Board was newly reconstituted, with the appointments of Dr. Kretschmer and Mr Hünlein as members of the Supervisory Board.

The ordinary meeting of the Supervisory Board held on 14 September 2010 discussed developments of the financial year in detail, including the upcoming refinancing of the company. The Management Board also reported on three specific acquisition projects and the current position with regard to the mandatory EK-02-taxation introduced by the 2008 German Annual Taxation Act (JStG).

In the extraordinary meeting held on 12 November 2010, the Supervisory Board explored the current state and future steps to be taken with respect to an acquisition project. It was also informed about the Investor Relations activities of the Management Board during the financial year 2010.

The ordinary meeting of the Supervisory Board held on 14 December 2010 discussed business development in 2010 in detail and the preparations for a resolution about the business plan for 2011. The Board also discussed the impact of the external consultant's audit report on the current control and risk management system. Besides the Board prepared decisions about members of the Management Board and was provided with information about the current status of the project discussed in the extraordinary meeting of the Supervisory Board. Furthermore the Supervisory Board discussed current corporate governance requirements and approved the draft declaration of compliance with the German Corporate Governance Code presented by the Management Board.

Resolutions of the Supervisory Board made by way of written procedure concerned the extension of the appointment of Helmut Ullrich as a member of the Management Board in January 2010; the revision of the declaration of compliance with the German Corporate Governance Code and the appointment of a further member to the Audit Committee of the Supervisory Board in March 2010; the approval of the agenda and draft resolutions for the Annual General Meeting of the company in April 2010; and the remuneration system for the Management Board in July 2010.

Efficient Supervisory Board work in five committees

The Supervisory Board has set up committees in order to carry out its functions more efficiently. The need for these committees and their activities are continually reassessed.

There were five different committees in the year under review:

- Executive Committee,
- Nomination Committee,
- Audit Committee,
- Acquisitions Committee,
- Capital Markets and Communication Committee,

and their duties are shown in greater detail in the corporate governance report on page 11.

The committees prepare draft resolutions for the Supervisory Board along with issues for discussion in the full Supervisory Board meeting. Where permitted by law, individual committees were given decision-making powers for individual circumstances by the rules of procedure or resolutions of the Supervisory Board. The chairpersons of the committees provided regular, comprehensive reports to the meetings of the Supervisory Board about the content and results of the committee meetings held.

The Executive Committee is responsible for constant and ongoing consultations with the Management Board. Where legally permissible, the committee is authorised to discuss all urgent issues and to make decisions if required. Pursuant to corresponding resolutions of the full Supervisory Board, the Executive Committee is responsible for the conclusion and content of the contracts with members of the Management Board. The Executive Committee did not meet in the year under review. Draft resolutions were provided to the Supervisory Board by the Management Board in good time so that it was possible to pass a valid resolution at the full meeting of the Supervisory Board. These were made in part by written voting procedure.

The Nomination Committee met once in the year under review in order to discuss a proposal to recommend two candidates for appointment to the Supervisory Board and to report to the full meeting of the Supervisory Board about the recommendation for the Annual General Meeting.

The Audit Committee met four times in the year under review and discussed relevant aspects of the work of the Supervisory Board. This included a preliminary examination of the annual financial statements, the consolidated financial statements and the company's interim reports, preparation of the agreement with the auditors, and analysis and further development of the company's risk management and compliance. The committee made a recommendation regarding the choice of auditors for the financial year 2010, secured a declaration of independence from the auditors and monitored their activities. It also took great care to analyse and further develop the Group-wide early detection of risks and monitoring system. Members of the Audit Committee have knowledge and experience about the application of accounting principles and internal control procedures. The Chairman of the Committee, Mr Uwe E. Flach, complies with all requirements of Section 100(5) of the German Stock Corporation Act (AktG).

The Acquisitions Committee drafts resolutions for the Supervisory Board regarding company and/or portfolio acquisitions. It provided extensive support in this respect once in the year under review.

The Capital Markets and Communication Committee, which had previously been responsible for providing advice on the development of the share price and shareholder structure and other important capital market issues and communications policies at Deutsche Wohnen AG, ceased to operate by resolution of the Supervisory Board dated 25 March 2010. It had not met in the year under review prior to this date.

Further development of corporate governance standards

The Supervisory Board continually observed and discussed development of the company's corporate governance standards. The Annual Report 2010 presents comprehensive information about the company's corporate governance, including the structure and amount of remuneration paid to the Supervisory Board and the Management Board.

The Management Board and the Supervisory Board held detailed discussions about the requirements of the German Corporate Governance Code in the versions applicable to the reporting year and the implementation of these requirements at the meeting of the Supervisory Board held on 14 December 2010. They published the updated declaration in compliance with the German Corporate Governance Code drawn up pursuant to Section 161 of the German Stock Corporation Act (AktG) on 28 December 2010 in the electronic German Federal Gazette (Bundesanzeiger) and on the company's website. The declaration of compliance with the German Corporate Governance Code can be viewed at www.ir.deutsche-wohnen.com/websites/deuwo/English/8300/declaration-of-compliance.html.

Detailed discussions about annual financial statements and consolidated financial statements

The annual financial statements of Deutsche Wohnen AG as of 31 December 2010 and the consolidated financial statements including management reports for the company and the Group drawn up by the Management Board were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as appointed by the Annual General Meeting and approved by the Supervisory Board on 15 June 2010, and were awarded an independent auditors report.

The annual financial statements of Deutsche Wohnen AG, the consolidated financial statements, the management reports for the company and the Group, and the audit reports from the auditors were made available to all members of the Supervisory Board immediately after preparation. The auditors took part in the meeting of the Audit Committee to prepare the accounts for the meeting of the full Supervisory Board held on 18 March 2011. The auditors reported on important audit results and provided additional information. The result of the audit of the annual financial statements of the company and the consolidated financial statements and the management reports of the company and the Group was approved by the Audit Committee after detailed discussions.

The Chairman of the Audit Committee reported to the Supervisory Board in detail about the annual financial statements and the consolidated financial statements at its meeting on 18 March 2011. The Supervisory Board gave careful consideration to the annual financial statements, the management report, the consolidated financial statements, the Group management report, the recommendation for appropriation of the balance sheet profit and the auditor's reports. No objections were raised. The Supervisory Board then approved the recommendation of the Audit Committee with respect to the annual financial statements and consolidated financial statements drawn up by the Management Board to 31 December 2010. The annual financial statements are thereby adopted.

The adopted annual financial statements show a balance sheet profit. The Supervisory Board agrees with the recommendation of the Management Board about the appropriation of the balance sheet profit. The agenda of the Annual General Meeting will therefore contain a resolution about the payment of a dividend.

Changes to Management Board and Supervisory Board

Dr. Michael Leinwand was appointed as a new member of the Supervisory Board on 18 August 2010 on the basis of a judicial order. Previously, Dr. Jens Bernhardt had resigned his appointment to the Supervisory Board with effect as of 31 July 2010. In order not to infringe upon the election competence of the Annual General Meeting, the appointment of Dr. Leinwand by legal order ends upon termination of the Annual General Meeting that decides upon the formal approval of the actions of the board for the financial year 2010.

There were no changes to the constitution of the Management Board of Deutsche Wohnen AG from the previous year. By written decision procedure dated 30 January 2010, the appointment of Mr Helmut Ullrich as a member of the Management Board was extended for another year and was thereby extended until 31 December 2011.

The Supervisory Board would like to express their thanks and recognition to the members of the Management Board and the staff of all companies in the Deutsche Wohnen Group for their successful work during the course of the year.

Frankfurt/Main, March 2011

on behalf of the Supervisory Board

Hermann T. Dambach

GMR

GROUP MANAGEMENT REPORT

OUR HIGHLIGHTS

POSITIVE NET RESULT

- Turnaround accomplished: Deutsche Wohnen generates positive Group's net result
- Adjusted EBT almost doubled from EUR 18.6 million to EUR 33.7 million
- FFO guidance (incl. acquisitions) exceeded at EUR 0.56 per share respectively by 3.7 %
- FFO (excluding disposals) increased by 29 % to EUR 0.40 per share
- EPRA NAV increased by 5.4 % to EUR 11.78 per share

SOUND OPERATIVE GROWTH

- Gross rental income per sqm increased by 1.9 % to EUR 5.46 in core portfolio (incl. DB 14 properties and acquisitions)
- New-letting rent per sqm raised by 2.6 % to EUR 6.41 in core portfolio
- Vacancy rate in core portfolio reduced from 2.9 % to 2.3 %; practically fully let in Berlin and Frankfurt/Main, with vacancy rates of 1.3 % and 1.5 % respectively
- Total sales volume more than doubled from EUR 85.7 million to EUR 171.7 million

STABLE AND COMPETITIVE FINANCIAL STRUCTURE

- Debt structure optimised: Loans totalling EUR 516 million refinanced at favourable interest rates and additional long-term loan funds totalling EUR 94 million agreed
- Essentially, all major loan obligations now refinanced until the end of 2015

GROWTH OPPORTUNITIES SECURED

- Total of 1,808 residential units acquired in our core areas to strengthen our core portfolio
- Positive key residential property data in urban metropolitan areas has a favourable effect on our business model

SUCCESSFUL SHARE PRICE PERFORMANCE

- Inclusion in MDAX
- Share price increase of over 56 % in 2010
- Dividend of EUR 0.20 per share proposed

Business environment

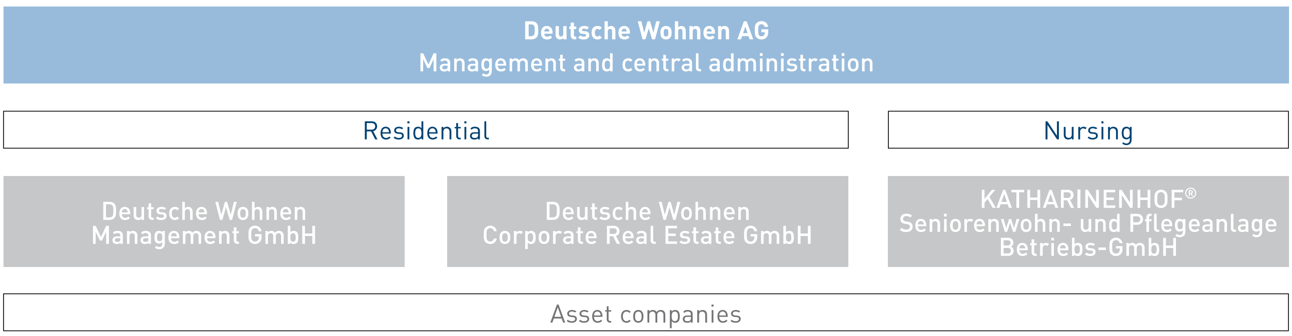
Organisation and Group structure

Deutsche Wohnen AG, together with its subsidiaries (hereinafter referred to as "Deutsche Wohnen" or the "Group") is currently the second-largest publicly listed German residential property corporation on the basis of its market capitalisation and its property portfolio of 48,131 units, of which 47,688 are apartments. Since 8 December 2010, it has been listed in the Deutsche Börse MDAX index. In accordance with our business strategy, we focus on attractive residential properties in the fast-growing metropolitan areas of Germany, which are currently Berlin, Frankfurt/Main and the greater Rhine-Main area. These regions are marked by above-average growth potential for current gross rental income.

The diagram below shows the clear organisational division between management companies and asset companies. The management companies are allocable to the respective segments. Deutsche Wohnen AG therefore has a traditional holding company function, with responsibility for the areas of Communications, Investor Relations, Legal, Human Resources, and Finance/Controlling/Accounting.

Deutsche Wohnen Management GmbH

The core business of Deutsche Wohnen, the development and management of its own property portfolio, is in the responsibility of Deutsche Wohnen Management GmbH. The company deals with all activities related to the management and administration of residential property, the management of rental contracts, and looking after its tenants. The strategic goal of Deutsche Wohnen in this area is to optimise rental income and to implement maintenance measures with attention paid to costs, value orientation and sustainability. The gradual growth of our portfolio allows us to take advantage of available rental increase potential and reduce vacancies. In addition, our cooperation with qualified system providers guarantees the efficient management of residential properties. A specially designed quality management system for facility management allows us to check specifically defined performance standards and secure the value of our portfolio.



Deutsche Wohnen Corporate Real Estate GmbH
Deutsche Wohnen Corporate Real Estate GmbH combines the portfolio management, acquisition and disposals activities. Property held for disposal by Deutsche Wohnen is divided into individual sales to owner-occupiers and investors, and bloc sales to institutional investors. All sales activities are directed towards optimising and concentrating the portfolio and are effected on a continuing but phased basis.

We would like to acquire further properties in the core regions Berlin and Frankfurt/Rhine-Main as part of our portfolio strategy. With the acquisition of 1,808 residential units in 2010, we have already started targeted strengthening and expanding our core portfolio. We are now working intensively on acquiring further properties.

We are also focusing on strategic acquisitions in new locations; this is being accelerated by the Management Board of Deutsche Wohnen AG in close cooperation with the portfolio management. The regions selected for such strategic acquisitions will likewise be attractive urban areas such as Munich, Hamburg or Stuttgart. Portfolio management is providing the foundations for the strategic alignment of the property portfolio with detailed market and portfolio analyses.

KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH
The Nursing and Assisted Living segment operates under the KATHARINENHOF® brand. In terms of residential care, the business philosophy has the aim of supporting those in need of care while maintaining a maximum of independence for them. Deutsche Wohnen also offers assisted living for elderly people with the additional offer of comprehensive and age-appropriate services.

Group legal structure

Registered capital and shares
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 non-cash 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 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 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.

Shareholder structure

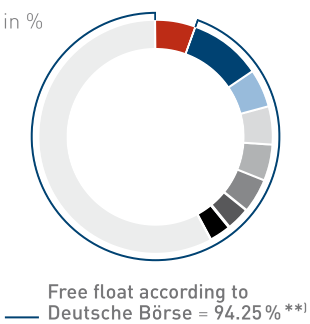
The following diagram shows our shareholder structure as of 25 February 2011 (on the basis of the last notification from the respective shareholder according to the German Securities Trading Act [WpHG]):

Appointment and dismissal of members of the Management Board and amendments to the articles of association

Members of the Management Board are appointed and dismissed in accordance with Sections 84 and 85 of the German Stock Corporation Act (AktG). The Supervisory Board appoints members of the Management Board for a maximum period of five years. A reappointment or extension of the appointment is allowed, for a maximum period of five years respectively. The articles of association of Deutsche Wohnen AG additionally stipulate in Article 5 that the Management Board must comprise at least two members, otherwise the number of members of the Management Board may be determined by the Supervisory Board. It may appoint deputy members of the Management Board and specify one member of the Management Board as Chief Executive Officer or spokesperson of the Management Board.

The Annual General Meeting approves amendments to the company's articles of association pursuant to Section 119(1) no. 5 of the German Stock Corporation Act (AktG). Amendments to the Company's articles of association that affect only wording may be made by the Supervisory Board pursuant to Article 11(5) of the articles of association. According to Article 11(3) of the articles of association, resolutions of the Annual General Meeting are passed by a simple majority and, if a majority of capital needs to be represented, by a majority of capital, unless otherwise specified by law or the articles of association.

Shareholder structure *)



Total of 8 institutional investors = 42.20 %

- Zurich Deutscher Herold Lebensversicherung AG = 5.75 %
- Asset Value Investors Ltd.[1] = 9.99 %
- Cohen & Steers Inc.[2] = 5.24 %
- First Eagle Overseas Fund = 5.24 %
- Sun Life Financial Inc.[2] = 5.03 %
- Ruffer LLP[1] = 4.61 %
- Ärzteversorgung Westfalen-Lippe[3] = 3.33 %
- Oyster Asset Management S.A.[1] = 3.01 %
- Others = 57.80 %

*) In accordance with last notification pursuant to German Securities Trading Act (WpHG) of the specified shareholders (as of 25 February 2011)

**) Excluding Zurich Deutscher Herold Lebensversicherung AG

1) Attributed voting rights according to Section 22(1) sentence 1 number 6 German Securities Trading Act (WpHG)

2) Attributed voting rights according to Section 22(1) sentence 1 number 6 German Securities Trading Act (WpHG) in conjunction with Section 22(1) sentence 2 WpHG

3) Feri Finance AG resp. MLP AG attributed voting rights according to Section 22(1) sentence 1 German Securities Trading Act (WpHG)

As of 25 February 2011

Group strategy and Group control

Competitive strengths and Group strategy

Deutsche Wohnen regards itself as an active manager of medium-priced apartments in fast-growing metropolitan areas of Germany that have an above-average potential to raise current gross rental income. Our business strategy is designed to realise this potential and thereby increase enterprise value. We achieve this through increases of current gross rental income in line with rent indices, new lettings at market rates and targeted modernisation of the core portfolio. Therefore, we generate sustainable value growth from the existing residential property portfolios while also expanding our holdings by means of selective acquisitions.

The competitive advantages of Deutsche Wohnen include:

- An attractive portfolio that generates strong rental income in two fast-growing core areas in Germany: Berlin and Frankfurt/Rhine-Main
- Expertise, experience and the market knowledge of the management team and employees
- Access to the various potential vendors of residential property and new property portfolios
- Optimised and fully funded financing structure
- Integration expertise and scalability of the company platform
- Realisation of increases in rental income by means of strategic asset and portfolio management

We were able to make significant improvements to our financial structure in 2010. Firstly, we have organised all of our refinancing requirements for 2012, 2014 and 2015, amounting to EUR 493 million already in 2010. This means that we have no further significant refinancing due until the end of 2015 and, hence, do not have to enter the refinancing market in 2012 and 2013, when large extensions of securitised debt capital will take place in the real estate sector. Secondly, we were again able to reduce our average interest costs from approximately 4.4 % p. a. to around 4.0 % by the end of 2010. Further detailed information may be found under "Optimisation of debt capital by means of early refinancing" in chapter "Milestones in 2010" on page 28.

We already announced last year that growth is the next step in the strategic development of Deutsche Wohnen AG. External growth is particularly important, as internal growth will reach its limits within the next few years. Our main portfolio locations in Berlin and Frankfurt/Main are already almost fully let and any further significant growth is going to have to come from the realisation of rent potential from the difference between current gross rental income and new-letting rents. In the last financial year, we were able to acquire 1,808 residential units in Berlin, Potsdam and Mainz. The corresponding funds were partly derived from funds generated during the 2009 capital increase. Our current aim is, besides further smaller portfolio acquisitions (transaction volumes of between EUR 10.0 million and EUR 50.0 million), a strategic acquisition in conjunction with a capital increase. We are well positioned for this, both as a company and as a existing consolidation platform.

Implementation of our growth strategy will be mainly driven by portfolio characteristics such as location, condition, percentage of non-rent restricted units and year of construction.

We are focusing on:

- Growth from targeted acquisitions (smaller portfolios in existing core areas and strategic acquisitions in attractive urban areas)
- An existing scalable platform that enables further growth without respective linear increases in corporate expenses
- Focus on the residential property management of our own holdings in Germany's growth regions
- Value-oriented individual acquisition and portfolio streamlining

Group management

One of Deutsche Wohnen's primary objectives is to optimise shareholder value and generate strong and stable cash flow. The company's centralised planning and control system is set up and designed accordingly.

Group management takes the respective special requirements of our segments into account. Management's parameters pertinent to the Residential Property Management segment are developments in rents per square metre and vacancy rates, differentiated according to defined portfolios and/or regions. These also include volume and results of new lettings and development of costs associated with letting, such as maintenance and rental marketing costs, service charges and rental loss. All parameters are evaluated on a weekly or monthly basis and are compared to detailed budget assessments. So procedures and strategies in order to realise rent increase potential while keeping cost developments in check can be developed, thus resulting in an ongoing improvement in the operating profit. This established system allows us to identify property holdings with low development potential for disposal, and also to determine potential for the company arising from portfolio acquisitions at short notice.

The Disposals segment is managed by monitoring average sales prices per sqm and the margin as the difference between the carrying amount and the sales price. The determined values are compared with target figures.

As part of regular reporting, portfolio management reports to the Management Board on the development of the key figures in comparison with plan figures, according to locations and subsidiaries.

Other operating expenses such as personnel, general and administration expenses and non-operating figures such as financial expenses and taxes are also an essential component of the central planning and control system, along with monthly reports to the Management Board. Current developments are shown here and compared with plan figures.

Financial expenses play a central role, as they have a significant effect on consolidated earnings and cash flow development. The Treasury division is responsible of the management of financial expenses whithin the holding company. It reports directly to the Management Board. Together with permanent monitoring of the markets, the active and ongoing management of loan obligations facilitates the constant optimisation of the financial result. Cash and cash equivalents are planned over an 18-month period and are monitored and updated on a rolling monthly basis. Available cash is invested according to the opportunities available in the market or used for repayment of loan facilities.

In the Nursing and Assisted Living segment, we generate organic growth mainly by means of rent increases and the reduction of vacancies or by new lettings (in residences/assisted living) and by increasing nursing care benefits and occupancy rates (in residential nursing homes). Rents and nursing care fees in all KATHARINENHOF® facilities are in the top third of the relevant regional market average. Reporting to the Management Board regarding the segment Nursing and Assisted Living is carried out on a monthly basis as well.

In order to measure the cash flow generated by operating activities and compare it with plan figures, we use the key figures of adjusted earnings before taxes (EBT) and funds from operations (FFO). Calculation of the FFO is based on consolidated earnings, which are then adjusted for one-off items, non-cash financial expenses/income and tax expenses/income.

Regular reporting permits the Management Board and the divisions to evaluate the economic development of the Group in a timely manner and to compare it with that of the previous month and the previous year, and with target figures. It also helps to determine estimated developments on the basis of updated forecasts. Both opportunities and negative developments can thus be identified quickly and measures can be taken in hand to take advantage of opportunities or counter negative developments.

Overall, the increase in shareholder value is determined on the basis of EPRA Net Asset Value (EPRA NAV).

Responsible business policies

Deutsche Wohnen recognises its responsibility to ensure sustainable corporate development in all sorts of areas: A sound financing and portfolio strategy contributes to the success of Deutsche Wohnen, as do ecological and cultural issues, a motivational corporate culture and corporate social responsibility.

Commitment to cultural heritage
Many of our properties, particularly in Berlin, were built back in the 1920s – a time of great housing shortages and the era when social housing first emerged. Our corporate history is closely linked to the work of Bruno Taut. As a freelance architect, he planned for the Berlin GEHAG housing developments in the style of "modern architecture" (Neues Bauen) to use clear and new forms in order to meet the expectations of social residential housing needs. The horseshoe-shaped Hufeisensiedlung designed by Taut and five other estates of the "Berlin modernism" (Berliner Moderne) were even given UNESCO World Heritage status in 2008. We also have extensive holdings in two of the other UNESCO estates, namely Weiße Stadt and Siemensstadt.

The cultural value of our portfolio is an important and unique feature of Deutsche Wohnen and we feel obliged to take care of this heritage. For example, as part of the programme to promote investment in national UNESCO World Heritage sites, we have been undertaking extensive renovations in the Hufeisensiedlung and in Siemensstadt since 2009. Our goal is to restore the properties to their historical appearance in line with monument preservation standards by 2013. Last year, we also received subsidy confirmation for the renovation of Weiße Stadt. In order to meet the expectations of the enormous public interest in the settlements, Deutsche Wohnen will set up so-called info points in the Hufeisensiedlung and in Siemensstadt this year.

Tradition and modernity
We have a long-term cultural commitment to staging regular exhibitions of contemporary art in the GEHAG Forum. We have therefore been offering artists a platform upon which to display their art since 1988. Again last year, numerous artists showed their drawings, paintings, sculptures and machines in our headquarter. We have given various drawings by Bruno Taut to the Academy of the Arts (Akademie der Künste) in Berlin on permanent loan so that they may be seen by the wider public.

Ecological awareness
The large proportion of old buildings and heritage-listed properties in our portfolio presents us with considerable challenges during renovations. As an energy efficient renovation of building shells would almost destroy the historical value of the buildings, we pay extra attention to efficient heating technology and ecological forms of energy provision. Hence, we have switched various properties over to district heating in combination with combined heat and power in recent years, and have therefore already significantly reduced CO_2 emissions. We will continue to invest in this area in the years to come, in order to offset increasing energy costs.

As well as the energy-related renovation of our properties, efficient waste management has also generated significant CO_2 savings. By collecting rather than burning all dry household recyclables in the properties, we are significantly reducing CO_2 emissions. We were able to save a total of 622.3 tonnes of CO_2 in 2009 alone by recycling light packaging, glass and paper.

Corporate social responsibility in our properties
In 2010, we continued the cooperation with Malteser Hilfswerk e.V. that we started in 2009. The Manna family centre in the large Berlin housing estate Gropiusstadt provides a meeting place for all generations. Schoolchildren in particular use the community centre to seek help with homework or for daily lunches. With Deutsche Wohnen's help, the activities offered to senior citizens were also vastly expanded last year.

We also participate regularly in the round-table discussions of the district management since mid 2010. Together with other property companies and associations, we will take part in the 50th anniversary celebrations of the Gropiusstadt housing estate in Berlin in 2012. Together with local politicians and other regional initiatives, we intend to promote the development of the housing estates and make it more attractive for its residents.

Open corporate culture and employee development
Our corporate culture is open and motivational in order to support our staff and ensure that they stay with the company. As the sustainable development of our company is inextricably linked with the commitment of our employees, an annual bonus allows them to participate in Deutsche Wohnen's success.

We support the long-term development of our staff with various training and development programmes that are customised according to individual requirements and needs.

We also introduced a health care concept for our employees in 2010. Targeted actions such as wellness days on which we offer free fruit and massages and company fun runs provide incentives for a conscious and healthy lifestyle.

Lastly, apprenticeship is an important focus of our human resources policy. By investing heavily in this area, we are ensuring that we have a new generation of qualified employees in the company. The large percentage of trainees who stay after their apprenticeship is completed shows that this programme is working: Almost all former trainees are now valued company employees.

The employee key figures of Deutsche Wohnen and KATHARINENHOF® are separately listed in the following overview:

Deutsche Wohnen employees	338
thereof % male	38.5
thereof % female	61.5
Women in management positions in %	44
Fluctuation rate in %	5.3
Average age in years	38.9
Employees der KATHARINENHOF®	**911**
thereof % male	14
thereof % female	86
Women in management positions in %	61.5
Fluctuation rate in %	2.2
Average age in years	42.8

Significant economic factors

General economic conditions

Global economy
After a substantial slump in the global economy in 2009 caused by one of the most serious crises in the post-war era during the final months of 2008 and at the beginning of 2009, the global economy has recovered surprisingly quickly. Global production was back above pre-crisis levels by the middle of 2010 and global trading was not far behind.[1]

However, development in the various groups of countries was highly heterogeneous. Whilst economic performance is already way above pre-crisis levels in many emerging market countries, there has not yet been a full rebound from the fall in gross domestic product (GDP) in many industrial countries.

The German Institute for Economic Research in Berlin (DIW Berlin) expects a total rise in the GDP of the global economy of 4.8 % for 2010, while the average rates are likely to be slightly lower in 2011 (at 4.0 %[2]).

Development in Germany
Germany is emerging from the crisis with sustained strength. Initial calculations by the German Federal Statistical Office show that Germany's price-adjusted gross domestic product (GDP) increased by 3.6 % in 2010.[3] DIW Berlin forecasts growth for the German economy over the full year 2011 of 2.0 %.

Therefore, the Germany economy is on the upswing again and is leading other countries in the eurozone by an impressive margin. Recovery in Germany took hold much earlier than in most other advanced economies. The increase in real gross domestic product in 2010 was in fact likely among the highest of all the G7 countries.

German economic growth was supported in particular by the increase in exports (+15 %) and investment activity (+5.7 %). Even if the growth rate will likely slow somewhat in the future, sentiment indicators remain at a high level and are supported by rising order books in industry. At the start of 2011, the factors most likely to contribute to dynamic consumer demand are relatively low

[1] German Council of Economic Experts, annual report 2010/2011
[2] DIW, Autumn Guidelines, weekly report no. 39/2010
[3] German Federal Statistical Office, press release no. 010, 12 January 2011

unemployment and minor price increases. At the same time, growing capacity utilisation will boost investment activity. In the coming year, domestic demand in Germany is likely to provide the basis for demonstrable growth in production.

German residential property market

Demographic change and demand for residential property

Germany is in the midst of a substantial demographic transformation. One significant current trend is that large German cities have become increasingly attractive and significant as residential and business locations in recent years. As a result, significant migration toward metropolitan areas is taking place within Germany.

In fact, resident numbers in these areas rose by almost 3% between 1999 and 2008, though the overall population of Germany fell slightly. Young people in particular are moving to the larger urban areas. The highest levels of net migration between 1999 and 2008 were achieved in Munich, Hamburg and Berlin, all of which have shown very dynamic population migration since 2005. Other German cities, with the exception of Duisburg, have also seen positive net migration trends.

Another significant demographic development is the rising age of the population overall. This is mainly due to the ongoing low birth rate and people's increasing life expectancy.

Nevertheless, the number of private households in Germany continues to increase. In 2009 there were 40.19 million households in Germany, 0.3% more than in 2008. This is mainly due to the rising number of single-person households, which continues to grow in the metropolitan areas in particular, and reached a level of 39.8% in 2009. At the same time, the number of square metres per person also continues to expand.

Above all, it is becoming more and more difficult to maintain sufficient amounts of affordable housing in German metropolitan areas. Rising transport costs and sustainability issues lead to a growing number of residents want to live closer to city centres, which transfers residential demand further inward as well. In coming years this will place increased pressure on rents and house prices in German cities. This challenge must also be addressed by the German real estate sector, not least because of the slow improvement in construction rates and limited availability of free land.

Berlin

Berlin as a scientific and economic location, and its demographic development

One of the most important metropolitan areas is Berlin, Germany's capital and with 3.4 million residents also the largest city in Germany. With its extensive creativity, highly qualified workers and increasing economic importance, Berlin has great innovative ability and capacity for future development. This makes Berlin particularly attractive to migrants: The migration balance for the period from 2003 to 2009 is 60,966 people; this is the second-highest figure after Munich. Employment figures also increased between 2003 and 2008 by 7.3%, a peak value in comparison with the rest of the country. The capital has thus shown a highly dynamic growth trend in recent years, and its demographic outlook is excellent.

Berlin's residential property market

Rents in Berlin are still very low, however, particularly in comparison to other German metropolitan areas. Rents in Berlin are only about half as high as in Munich, the most expensive city in Germany. This also means that there is substantial potential for investors to increase rents. With resident numbers rising for several years, the demand for additional residential units is also on an upward trend, and this may lead to a shortage of residential space. At the same time, the number of households continues to rise, with only few new apartments being built. While the number of residents increased by over 60,000, from 3.38 million in 2000 to more than 3.44 million in 2009, the number of households increased by over 160,000. According to the Housing Market Report produced by Investitionsbank Berlin (IBB), the number of single-person households alone increased by 22.9% to 1.05 million between 1999 and 2008. In addition to increasing indivualisation and the trend towards smaller families, this is also caused by the rise in number of small household with elderly residents resulting from higher life expectancy.

Group Management Report
Consolidated Financial Statements
Further Information

Frankfurt/Main

Frankfurt/Main as a economic location, and its demographic development

Frankfurt/Main is also one of the most attractive German metropolitan areas. With around 672,000 residents, it is the largest city in Hesse and the fifth largest city in Germany. The Frankfurt/Rhine-Main region has a strong and dynamic economy – number two out of the eleven German metropolitan areas. The GDP per employee was EUR 86,805 in 2008, in second place behind Dusseldorf in comparison with the rest of the country. The population enjoys above-average income and high buying power – further location advantages in favour of the banking city. Today it is one of the richest and best-performing metropolitan areas in Europe, which is made evident by the large number of international companies located in the city.

In the annual study "European Cities Monitor 2009" published by Cushman & Wakefield, Frankfurt came in third behind London and Paris as the best location for international groups in Europe since 20 years. In the HWWI/Berenberg city ranking, Frankfurt/Main landed first place, mainly due to its good location factors and excellent demographic outlook, emphasising that Frankfurt is the German city with the best transport connections to the 41 European metropolitan areas. The reason is its favourable geographical location and its large international airport.

The Frankfurt/Main residential property market

Net cold rents in Frankfurt are comparatively high, though still significantly lower than in Munich. The increasing number of residents and the simultaneous decline in construction is creating stronger demand for apartments. With population growth of 4.4 % between 2003 and 2009, Frankfurt ranks fourth in a national comparison. In addition, the population forecast for the period until 2020 anticipates further growth, particularly among young people under the age of 20. The number of households is rising even more strongly here, due to the trend towards individualised living space.

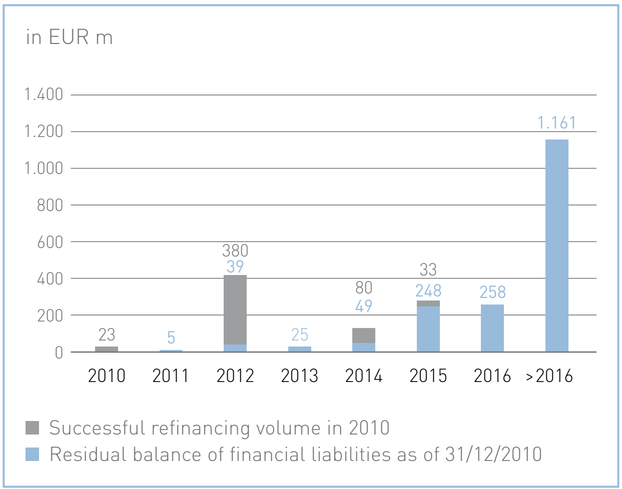
The Frankfurt residential property market, therefore, also offers attractive investment opportunities. This is demonstrated by the rising revenue figures for residential property: In the first half of 2010, 10 % more residential units were sold than in the first half of 2009, and almost 30 % more than in the same period of 2008.

Milestones in 2010

Debt capital structure optimised by means of early refinancing

Deutsche Wohnen was able to refinance loans totalling EUR 516 million in 2010 in a favourable interest rate environment and also secured additional non-current loan funds of around EUR 94 million. This means that we have extended almost all large loans before maturity until the end of 2015. As of 31 December 2010, our prolongation volume due between 2011 and 2014 just totalled EUR 118 million (taking into account regular repayments: around EUR 103 million at maturity). This relates to property-secured loans.

The following table shows the maturity structure of financial liabilities with a residual balance as of 31 December 2010:



In addition to the maturity structure, we adjusted our interest costs and interest hedging ratio. Our competitor analysis showed that, even after the substantial reduction of personnel and general and administration expenses, our interest costs were still unfavourable. This was mainly due to the fact that loans with corresponding interest rate hedging were concluded in the past with, in retrospect, unfavourably high interest rates. At the end of the year, we therefore terminated swaps with high fixed interest rates before maturity that were no longer needed to hedge interest rate risks in the individual companies. This primarily relates to the reduction of overhedged positions arising from 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 EUR 25 million. The term of the loan was extended until 2017.

These measures will reduce the average interest rate from 4.4 % to 4.0 % from 2011 onwards. The hedging ratio is now at a level between 75 % and 80 % – depending on the drawdown of credit facilities.

This optimisation of the financial structure triggered prepayment penalties of EUR 23.6 million that are one-off and are therefore adjusted in EBT and FFO. As part of our early refinancing measures, we also significantly improved our repayment structures, reducing future cash outflows for regular repayments up until and including 2013 by EUR 27.5 million.

Acquisition of around 1,800 residential units in our core regions

In the past financial year, we were able to acquire a total of 1,808 residential units in our existing core regions Berlin, Potsdam and Mainz in a targeted and sensible extension of our core portfolio. The table below shows important key figures relating to these acquisitions that, with the exception of 37 residential units, are allocated to their respective core regions in the portfolio overview in the Chapter “Segment performance”.

	Residential units	Area	Gross rental income	Vacancy rate	Transfer of risks and rewards
	Number	sqm	EUR/sqm	%	
Berlin	1,128	58,432	4.91	1.7	31/12/10; 01/01/11
Potsdam	515	28,783	5.59	1.0	01/01/11
Mainz	165	9,267	6.22	1.7	01/10/10
Total	**1,808**	**96,482**	**5.24**	**1.5**	

The net purchase price of these acquisitions was EUR 81.9 million, or EUR 848 per sqm. The net initial yield based on current gross rental income was 7 %.

The following portfolio tables comprise all acquisitions – including those with a transfer of risks and rewards as of 1 January 2011.

Portfolio management and valuation

The following table shows our portfolio as of 31 December 2010:

	Apartments						Commercial		Parking spaces
	Number	Share of total portfolio	Area	Gross rental income	New-letting rent	Vacancy rate	Number	Area	Number
		%	sqm k	EUR/sqm	EUR/sqm	%		sqm k	
Core portfolio	**40,256**	**84**	**2,431**	**5.46**	**6.41**	**2.3**	**385**	**75**	**12,460**
Berlin	21,598	45	1,282	5.33	6.15	1.3	230	34	1,878
Frankfurt/Main	3,656	8	217	6.90	8.24	1.5	44	16	1,773
Rhine-Main	4,300	9	258	5.89	7.30	5.4	51	13	2,307
Rhein Valley South	5,927	12	369	5.08	5.47	3.5	29	8	4,022
Rhein Valley North	3,165	7	205	4.96	5.13	2.4	3	0	2,125
Greater Berlin	914	2	55	5.32	6.62	1.4	6	1	59
Other	696	1	46	5.08	5.61	6.6	22	2	296
Disposals	**7,432**	**16**	**475**	**4.98**	**4.96**	**9.4**	**58**	**5**	**2,645**
Privatisation	3,759	8	248	5.49	5.87	7.9	16	2	1,472
Bloc sales	3,673	8	228	4.39	4.63	11.5	42	4	1,173
Total	**47,688**	**100**	**2,907**	**5.38**	**6.25**	**3.3**	**443**	**80**	**15,105**

Compared to 2009, there are changes caused by the clustering of DB 14 holdings within the core portfolio regions, as we have tendered and taken over the majority of shares.

The total number of residential units in the core portfolio increased to 40,256 as of the end of the financial year 2010. The relative share of the core portfolio with respect to the full portfolio increased from 81.9 % to 84.4 %.

The reconciliation of the core portfolio from 31 December 2009 to 31 December 2010 is as follows:

Core portfolio	Residential units
As of 31 December 2009	37,546
less disposals from the core portfolio	– 1,683
plus DB 14	2,622
plus acquisitions	1,771[1]
As of 31 December 2010	**40,256**

[1] Not including 37 residential units (shown in privatisation)

Overall, the balance of acquisitions and disposals in the core portfolio was positive in 2010. However, a more important decisive factor is that our disposals from the core portfolio comprise rather simple microlocations with low rent potential compared to the acquisition of around 1,800 units in better locations with an average rent potential of around 32 %. This constituted a sustained improvement to our portfolio.

In terms of individual disposals (privatisation) within the disposal portfolios during the past financial year, we successfully marketed 660 residential units and therefore increased our privatisation/disposal ratio from around 61 % to about 68 %.

In terms of bloc sales, we were able to dispose 971 residential units – primarily in rural areas – thereby increasing the disposal ratio to around 31 %. We envisage to dispose the remaining portfolio holdings over the next three years.

The sustained strengthening of the core portfolio and the successful disposal of units in rural areas have enabled us to generate a significant qualitative improvement in the Deutsche Wohnen residential property portfolio.

In addition to transaction-related changes, we were also able to reduce vacancy rates and increase rents, so that the operational portfolio performance saw a significant improvement, despite the loss of apartments due to disposals.

All these factors are also reflected in the valuation of our portfolio. For the first time in three years, we were able to increase our property fair values (by EUR 47.2 million as of 31 December 2010). This was justified and confirmed by an external surveyor, CB Richard Ellis (CBRE), as of year-end.

The following table shows the changes in valuations compared to the previous year:

	31/12/2010			31/12/2009		
	Fair Value EUR m	Fair Value per sqm	Rent multiplier Current gross rental income	Fair Value EUR m	Fair Value per sqm	Rent multiplier Current gross rental income
Core portfolio	2,337	971	14.6	2,357	929	14.4
Disposals	335	700	12.8	392	690	12.8
Total	**2,672**	**926**	**14.4**	**2,749**	**895**	**14.2**

DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG

Deutsche Wohnen holds shares in DB Immobilienfonds 14 Rhein-Pfalz Wohnen GmbH & Co. KG, a closed-end property fund that was issued and placed by a subsidiary of Deutsche Bank AG in 1999. A range of guarantee contracts and a put option up to 2019 were concluded with or granted by the Deutsche Wohnen Group during the placement. These oblige Deutsche Wohnen to fully consolidate DB 14, regardless of the amount of equity investment.

Last year, Deutsche Wohnen acquired 40.4 % of the capital share of DB 14 and therefore held 74.4 % of the company's capital by the end of the financial year. A further 9.2 % of the capital share was acquired in January and February 2011, hence the total capital share has now increased to 83.6 %.

During the financial year 2010, EUR 28.4 million was paid out to limited partners in funds for these shares, and in the financial year 2011 EUR 8.0 million will be paid out. We expect that the remaining share of 16.4 % will be acquired by the Deutsche Wohnen Group in the coming years.

In the past, we reported the DB 14 portfolio separately in our portfolio overviews due to its (minority) investment character. However, now that we have a majority shareholding, DB 14 residential holdings will henceforth be included in our core portfolio. We plan to also acquire the remaining shares in the short term and manage the portfolio long-term due to its characteristics.

The table below shows the spread of the approximately 2,600 residential units in the DB 14 portfolio across our core regions, showing current gross rental income and vacancy rates:

	Residential units	Area	Current gross rental income	Vacancy rate
	Number	sqm	EUR/sqm	%
Rhein-Main	413	26,205	5.74	0.9
Rhine Valley South	1,650	112,537	5.53	3.3
Rhine Valley North	559	39,943	5.41	2.6
Total	**2,622**	**178,685**	**5.53**	**2.8**

The DB 14 holdings mainly comprise new buildings from the 1990s, the majority of which, namely around 62%, are financed with loans from publicly subsidised housing programmes, with interest rates that are well below market rates. The total average interest rate of the financing of these properties is currently around 2.5%. Overall, low maintenance and financing costs result in attractive results of residential propert management for us – e.g. FFO contribution.

Dividend of EUR 0.20 per share proposed

As previously indicated, we successfully reinstated the ability of Deutsche Wohnen AG to pay dividends. Therefore, the Management Board and Supervisory Board recommend to the Annual General Meeting to pay out a dividend of around EUR 16.4 million (EUR 0.20 per share) for the financial year 2010. This represents half of the sustainably generated FFO (excluding earnings from disposals) being paid to our shareholders. We believe in a continuing dividend policy which is based in particular on the sustainable results from the rental business.

Sustainable use of our financial resources

The net proceeds from the successful capital increase undertaken in the financial year 2009 amounted to around EUR 238 million after deduction of expenses. These were intended to reduce debt levels and for acquisitions.

In 2008 and 2009 we paid back a total of around EUR 380 million in loans, of which EUR 136.1 million was paid back extraordinarily in 2009, using funds including those generated by the capital increase. In the last financial year, we also repaid an additional EUR 50.0 million above and beyond scheduled repayments and repayments from disposals. The success of these measures is shown in our earnings: At 60.6%, the Loan-to-Value Ratio is now at the lower end of our target range, interest costs and repayments were reduced by around 42 million. p.a. in comparison with 2008, and future refinancing needs were brought forward in a low-interest market environment.

In our estimation, these results will give us a great advantage in the competition for capital resources. We have extended the core circle of banks we use; the share price development, and therefore also market capitalisation, were well above average over the past financial year. Our shareholder base is now much wider and the disinvestment decisions of individual major shareholders were readily accepted by the market, much to our encouragement. Strengthend by this success, we can now concentrate on further growth whilst our competition will spend the next two to three years seeking to solve considerable refinancing requirements.

An initial step in this direction is the acquisition of a majority shareholding in DB 14 and the additional acquisition of 1,808 units in Berlin, Potsdam and Mainz with a total investment before refinancing at the amount of EUR 111.8 million.

Segment performance

The business activities of Deutsche Wohnen consist of letting and managing residential properties, primarily our own (earnings from Residential Property Management), sales of residential properties to owner-occupiers/investors and institutional investors (earnings from Disposals) and operating residential nursing homes and senior residences (earnings from Nursing and Assisted Living).

Below we show a summary of the individual segment earnings for the financial year 2010 in comparison with those of 2009:

in EUR m	2010	2009
Earnings from Residential Property Management	150.9	151.0
Earnings from Disposals	12.7	9.7
Earnings from Nursing and Assisted Living	8.9	9.1
Segment contribution to coverage of fixed costs	**172.5**	**169.8**
Corporate expenses	– 31.8	– 34.6
Other operating expenses/ income	– 4.6	– 1.7
Operating result	**136.1**	**133.5**[1]

[1] Adjusted for restructuring costs

Adjusted for restructuring costs in 2009, a year-on-year improvement of 1.9 % was made in the operating result, despite the disposal of 309,670 sqm of living space (4,887 apartments) over the last two years.

Earnings from Residential Property Management

The following table shows key portfolio figures as of the reporting dates:

	31/12/2010	31/12/2009
Residential units	47,688	49,026
Living space and floor space in sqm k	2,987	3,085
Fair value per sqm of living space and floor space in EUR	926	895
Debt per sqm of living space and floor space in EUR	577.1	561.8
In-place rent per sqm in EUR	5.38	5.29
Residential vacancy rate in %	3.3	4.2
Maintenance costs per sqm per year in EUR[1]	9.63[2]	9.85
Capital expenditure per sqm per year in EUR[1]	6.02[2]	4.35

[1] Based on the average floor space on a quarterly basis
[2] Excluding the floor space of acquisitions with a transfer of risks and rewards as of 31 December 2010 or 1 January 2011

An overview of the portfolio as of 31 December 2010 is available in the subchapter "Portfolio management and valuation" on page 30.

Rental of our holdings generated a contribution margin in the amount of EUR 150.9 million (previous year: EUR 151.0 million):

in EUR m	2010	2009
Current gross rental income	**189.8**	**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
Contribution margin	**150.9**	**151.0**
Personnel expenses, general and administration expenses	– 17.0	– 18.6
Operating result (Net Operating Income – NOI)	**133.9**	**132.4**
NOI margin in %	70.5	68.7
NOI in EUR per sqm and month[1]	3.73	3.51
Increase in %	+ 6.3	

[1] Based on the average floor space on a quarterly basis in the period under review

Despite disposals (3,314 residential units or 205,796 sqm in 2010), earnings were stable due to an improved income and cost structure: As we generated the same rental result from smaller holdings caused by disposals of properties, operational performance actually improved. Net Operating Income (NOI) per sqm increased by 6.3 % to EUR 3.73.

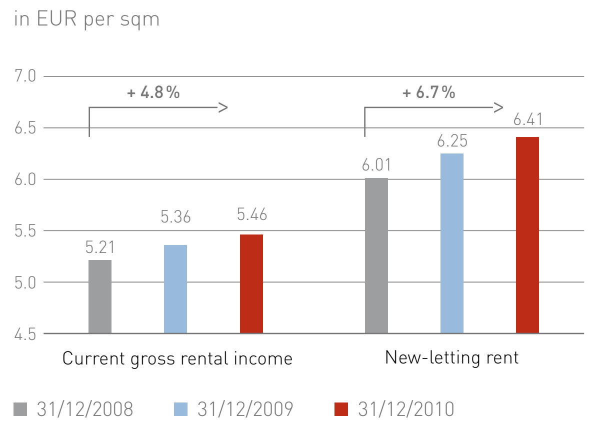
Around 95 % of our current gross rental income is derived from the rental of apartments (including subsidies), and the remaining 5 % is derived from renting commercial space or parking spaces.

The average residential rent (in-place rent) in the core portfolio at the reporting date was EUR 5.46 per sqm (2009: EUR 5.36 per sqm) and therefore showed an increase of 1.9 % over the previous year. In 2010 we were able to make rent increases due to tenant fluctuation (around 1.0 %) and index adjustments/'Mietspiegel' (0.7 %). Whilst residential rents comprised 93 % of our income, subsidies from publicly subsidised housing programmes (EUR 3.3 million) represented only 1.8 % of current gross rental income. These subsidies will gradually be phased out over the coming years and can be compensated for with rent increases.

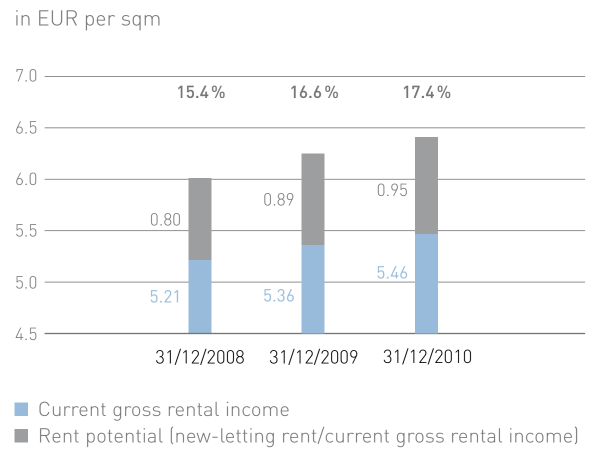
Broken down by portfolio clusters, the current gross rental income is as follows (both years take account of the inclusion of DB 14 properties):

	Current gross rental income		
	31/12/2010 EUR/sqm	31/12/2009 EUR/sqm	Change %
Core portfolio	**5.46**	**5.36**	**1.9**
Berlin	5.33	5.24	1.7
Frankfurt/Main	6.90	6.83	1.0
Rhine-Main	5.89	5.71	3.2
Rhine Valley South	5.08	5.02	1.2
Rhine Valley South	4.96	4.93	0.6
Greater Berlin	5.32	4.91	8.4
Other	5.08	5.05	0.6
Disposals	**4.98**	**4.94**	**0.8**
Total	**5.38**	**5.29**	**1.7**

We are benefiting from rising rents in our core portfolio, which are located in fast-growing metropolitan areas that have landlord-oriented rather than tenant-oriented markets. Rising demand for rental apartments in these regions does not just allow us to increase rents in the future – it also indicates an increase in rent potential. Whilst current gross rental income in the core portfolio increased by 4.8 % over the past two years, new-letting rents increased by 6.7 %.



All the figures include DB 14 properties in the core portfolio



All the figures include DB 14 properties in the core portfolio

Non-recoverable expenses mainly comprise non-recoverable costs due to vacancies and have remained stable in comparison with the previous year: Decreasing vacancy rates in the portfolio were almost entirely offset by rising service charges.

The vacancy rate of the entire portfolio improved to 3.3 % in the last financial year, improving by more than 21 % compared to December 2009:

in %	Vacancy rate (rent)		
	31/12/2010	31/12/2009	Change
Core portfolio	2.3	2.9	– 20.7
thereof Berlin	1.3	1.5	– 13.3
thereof Frankfurt/Main	1.5	2.0	– 25.0
Disposals	**9.4**	**10.3**	**– 8.7**
Total	**3.3**	**4.2**	**-21.4**

Both reporting dates take the inclusion of the DB 14 properties in the core portfolio into account.

The vacancy rate in the core portfolio was reduced to 2.3 % (previous year: 2.9 %). In particular in the two most important markets, Berlin and Frankfurt/Main (63 % of the core portfolio), the vacancy rate is almost at full rental level at 1.3 % and 1.5 % respectively.

The vacancy rate could also be reduced in the disposal portfolio due to focused disposals, mainly in rural areas in Brandenburg and Rhineland-Palatinate.

The following table shows the number of vacant apartments at the last two reporting dates:

Number of empty residential units	31/12/2010	31/12/2009
Total portfolio	1,842	2,356
Core portfolio	1,060[1]	1,321
Disposals	782	1,035
thereof privatisations	302	378
thereof bloc sales	480	657

[1] Including acquisitions

Around a third of the 1,060 residential units in the core portfolio were vacant for investment-related purposes at the end of the year. Of the remaining 724 residential units, almost a third had already been relet as of the balance sheet date. The average vacancy period of an apartment amount to 1.2 months in 2010.

The vacancy rate for privatisation is intentional, in order to market the vacant apartments at a higher price.

In bloc sales, new lettings and contract terminations were about equal. The decrease in the vacancy rate is directly due to the systematic streamlining of the portfolio.

Expenses for rental loss, i.e. the loss of receivables outstanding, remain at a very low level.

In the financial year 2010, maintenance costs amounted to EUR 28.0 million (previous year: EUR 30.1 million), while additional EUR 17.6 million (previous year: EUR 13.3 million) was spent on value-enhancing capital expenditures. We therefore invested a total of around EUR 16 per sqm p.a. in our investment portfolio (previous year: around EUR 14 per sqm).

in EUR m	2010	2009
Maintenance[1]	28.0[2]	30.1
Maintenance in EUR per sqm	9.63	9.85
Modernisation	17.6	13.3
Modernisation in EUR per sqm	6.02	4.35

[1] Based on the average floor space on a quarterly basis
[2] Excluding the floor space of acquisitions with a transfer of risks and rewards as of 31/12/2010 or 01/01/2011

Maintenance for 2010 also comprised around EUR 7.6 million (previous year: EUR 8.5 million) for ongoing value-enhancing maintenance measures as a result of tenant changes.

The corporate expenses (personnel expenses and general and administration expenses) incurred in the Residential Property Management segment were successfully reduced from EUR 18.6 million in 2009 to EUR 17.0 million in 2010. Therefore, costs per unit (annual average) in 2010 were just EUR 353 (previous year: EUR 373). This is evidence of efficiency improvements and successful economies of scale – also in relation to the successful concentration and acquisitions in the core regions and disposals of rural areas.

Earnings from disposals

The Disposals segment sold a total of 3,314 apartments (previous year: 1,573). The earnings from disposals are made up as follows:

in EUR m	2010	2009
Sales proceeds	171.7	85.7
Cost of sales	– 6.9	– 6.2
Net sales proceeds	**164.8**	**79.5**
Carrying amounts of assets sold	– 152.1	– 69.8
Earnings from disposals	12.7	9.7

We were able to double our transaction volume compared to 2009, whilst again improving net sales proceeds year on year due to a dwindling cost structure (from 7.2 % to 4.0 %).

Below we show the most important key figures and results for privatisation and institutional sales.

Privatisation

in EUR m	2010	2009
Sales proceeds	**56.8**	**57.6**
Average sales price per sqm	1,214	1,201
Volume in residential units	660	675
Cost of sales	– 4.9	– 4.9
Net sales proceeds	**51.8**	**52.6**
Carrying amounts of assets sold	– 42.3	– 42.8
Gross margin in %	34.3	34.3
Earnings	9.5	9.9
+ Carrying amounts	42.3	42.8
./. Loan repayment	– 18.0	– 17.8
Liquidity contribution	33.8	34.9

The privatisation segment was again able to beat its targets. With a gross margin (average sales price/fair value) of 34.3 %, we matched the sound level of the previous year. We privatised a total of 660 apartments over the course of the last year, again entirely from the defined portfolios set aside for sale in previous years. The sales ratio of the privatisation portfolio reached around 68 % (previous year: around 61 %).

Institutional sales

in EUR m	2010	2009
Sales proceeds	**114.9**	**28.1**
thereof from portfolio streamlining	35.8	17.9
thereof from the core portfolio	79.1	10.2
Average sales price per sqm	722	488
thereof from portfolio streamlining	388	383
thereof from the core portfolio	803	885
Volume in residential units	2,654	898
thereof from portfolio streamlining	971	711
thereof from the core portfolio	1,683	187
Cost of sales	– 2.0	– 1.3
Net sales proceeds	**113.0**	**26.8**
Carrying amounts of assets sold	– 109.8	– 27.0
thereof from portfolio streamlining	– 35.6	– 17.1
thereof from the core portfolio	– 74.2	– 9.8
Gross margin in %	4.6	4.6
thereof from portfolio streamlining	0.6	4.2
thereof from the core portfolio	6.6	5.4
Earnings	**3.2**	**– 0.2**
+ Carrying amounts	109.8	27.0
./. Loan repayment	– 65.0	– 19.2
Liquidity contribution	**48.0**	**7.6**

The transaction volume increased compared to the previous year and also in terms of differentiating between portfolio properties held for sale (portfolio streamlining) and core portfolio. The streamlining process (disposal of 971 apartments) improved our disposal ratio from around 13 % to around 31 %. We envisage to dispose the remaining bloc sales portfolio within the next three years. The fact that we are realising these streamlining sales primarily at their carrying amounts demonstrates that the fair value valuation of the portfolio of properties held for disposal is appropriate.

Disposals from the core portfolio (2010: 1,683 apartments) are from more basic locations in our core regions with very low rent potential for new-letting rent compared to the current gross rental income.

By comparing disposals from the core portfolio with acquisitions in 2010, it is evident that the acquisitions are in better locations in our core regions and comprise significant rent potential (around 32 %). The net acquisition multiple in relation to the market rent of these acquisitions is 10.3.

Earnings from Nursing and Assisted Living

The Nursing and Assisted Living segment is operated by the KATHARINENHOF® Group. The company focuses mainly on the operation of high-quality residential and nursing homes in the five federal states Berlin, Brandenburg, Saxony, Lower Saxony and Rhineland-Palatinate. The properties for the elderly are mainly owned by the Deutsche Wohnen Group. KATHARINENHOF® operates a total of 1,129 nursing care beds and 220 assisted living apartments. Overall, the KATHARINENHOF® Group was basically able to keep EBITDA in 2010 stable compared to the previous year.

in EUR m	2010	2009
Income	**40.6**	**38.8**
Nursing	33.4	32.2
Living	3.1	2.9
Other	4.1	3.7
Costs	**31.7**	**29.7**
Nursing and corporate expenses	11.7	11.2
Personnel expenses	20.0	18.5
Earnings (EBITDA)	**8.9**	**9.1**

The quality evaluation system for residential and outpatient care facilities introduced in 2009 in line with statutory requirements had the anticipated effect on marketing. Customers increasingly make decisions about nursing care companies based on these published quality ratings. In 2010, KATHARINENHOF® care facilities were awarded quality ratings that were substantially above the relevant state average almost entirely across the board; only two facilities were rated at the level of the state average.

The segment of residential and nursing homes for the elderly will continue to primarily generate organic growth through the value drivers of rent increases, vacancy rate reductions and new lettings (in assisted living) and through increases in nursing care benefits and occupancy rates (in residential nursing homes). Rents and nursing care fees in all KATHARINENHOF® facilities are in the top third of each regional market average.

The Nursing and Assisted Living division generated a total EBITDA yield (based on capital employed) of around 11 %.

Corporate expenses

Corporate expenses include personnel expenses as well as general and administration expenses excluding the Nursing and Assisted Living segment. They declined year on year by approximately 8 %. They are attributable to the following areas:

in EUR m	2010	2009
Property Management (Deutsche Wohnen Management GmbH)	17.0	18.6
Asset Management/Disposals (Deutsche Wohnen Corporate Real Estate GmbH)	3.0	4.1
Holding company function (Deutsche Wohnen AG)	11.8	11.9
Total	31.8	34.6

Notes on financial performance and financial position

Financial performance

Selected items from the consolidated profit and loss statement are as follows:

in EUR m	2010	2009
Revenue	297.8	306.3
Earnings from disposals before costs[1]	19.6	15.9
Expenses for purchased goods and services	– 122.6	– 134.8
Personnel expenses including nursing and assisted living	– 39.2	– 40.2
Other operating expenses/income	– 19.5	– 13.8
Operating result	**136.1**	**133.5**[2]
Depreciation and amortisation	– 3.0	– 2.8
Restructuring expenses	0.0	– 7.8
Fair value adjustment of investment properties	47.2	0.0
Financial result	– 123.2	– 119.6
Earnings before taxes	**57.1**	**3.4**
Income tax expense	– 33.3	– 16.6
Group profit/loss	**23.8**	**– 13.3**

[1] Not including cost of sales of EUR 6.9 million in 2010 (2009: EUR 6.2 million)
[2] Adjusted for restructuring and reorganisation costs

Deutsche Wohnen closed the financial year 2010 with a consolidated net profit. This included a range of extraordinary items that are explained below. It must be acknowledged that cost reductions in personnel expenses and general and administration expenses, significant debt reduction with resulting lower interest expenses and, not least, stable earnings from residential property management despite the level of disposals have turned Deutsche Wohnen into a profitable and competitive company.

The consolidated earnings for 2010 include a range of extraordinary items in opposite directions: The result from the fair value adjustment of investment properties

(EUR +47.2 million), the fair value adjustment to derivative financial instruments (EUR –0.2 million) and prepayment penalties from the repayment of loans and interest hedges ahead of schedule (EUR –23.6 million). Adjusted for these items, earnings before taxes are as follows in a year-on-year comparison:

in EUR m	2010	2009
Earnings before taxes	**57.1**	**3.4**
Restructuring and reorganisation costs	0.0	7.8
Earnings from the fair value adjustment of investment properties	– 47.2	0.0
Earnings from fair value adjustment to derivative financial instruments	0.2	1.2
Prepayment penalties	23.6	6.2
Adjusted earnings before taxes	**33.7**	**18.6**

The adjusted earnings before taxes have almost doubled. This is mainly due to an optimised income and cost structure in the business segments and lower interest expenses.

The Group's net result for 2009 was affected by one-off restructuring and integration costs of EUR 7.8 million. Restructuring and integration is now finalised and no costs of this nature were incurred in 2010.

Cash flow from the portfolio only after interest expenses improved significantly and sustainably by around EUR 13 million.

in EUR m	2010	2009
NOI from letting	133.9	132.4
Current interest expenses	– 86.3	– 97.8
Cash flow from the portfolio after current interest expenses	**47.6**	**34.6**
Interest ratio	1.55	1.35

The interest ratio (current interest expenses in relation to NOI) represents the coverage ratio of the operating result from residential property management (taking personnel expenses and general and administration expenses into account) and interest payments to be made. This ratio was already increased to 1.55 in 2010 and will improve even further in 2011 due to the optimised financing structure.

For details of operative developments, please refer to the Chapter "Segment Performance", where we provide details of the earnings development in the individual business segements.

The financial result is made up as follows:

in EUR m	2010	2009
Current interest expenses	86.3	97.8
Accrued interest on liabilities and pensions	13.9	15.3
Prepayment penalties	23.6	6.2
Fair value adjustment to derivative financial instruments	0.2	1.2
	124.0	**120.5**
Interest income	– 0.8	– 0.9
Financial result	**123.2**	**119.6**

Group's deleveraging once again led to significant savings of more than EUR 10.0 million in current interest expenses.

Non-cash accrued interest relates to low-interest loans of EUR 6.7 million, tax liabilities (EK 02: EUR 2.7 million), put options from limited partners in funds (EUR 1.8 million), pension provisions (EUR 2.1 million) and, lastly, accrued interest for convertible bonds (EUR 0.6 million).

Income taxes comprise mainly non-cash deferred taxes of EUR 28.5 million. The increase compared to the previous year is especially due to the revaluation of property that led to deferred tax expenses of around EUR 14.0 million.

Financial position

Selected key figures from the consolidated balance sheet:

	31/12/2010		31/12/2009	
	in EUR m	in %	in EUR m	in %
Investment properties	2,821.0	93	2,835.5	92
Other non-current assets	108.4	3	120.8	4
	2,929.4	**96**	**2,956.3**	**96**
Current assets	62.8	2	66.0	2
Cash and cash equivalents	46.0	2	57.1	2
	108.8	**4**	**123.1**	**4**
	3,038.2	**100**	**3,079.3**	**100**
Equity	**889.9**	**29**	**862.0**	**28**
Financial liabilities	1,784.5	59	1,802.7	59
Tax liabilities	63.9	2	84.1	3
Liabilities to limited partners in funds	22.5	1	49.1	2
Pensions	44.7	1	41.5	1
Other liabilities	232.7	8	239.9	8
	2,148.3	**71**	**2,217.3**	**72**
	3,038.2	**100**	**3,079.3**	**100**

Investment properties (EUR 2,821.0 million) are the main asset position of Deutsche Wohnen at 93 % and include all non-current asset properties with the exception of those that are being used by the company. The valuation was confirmed at the end of the year by CB Richard Ellis.

In addition to the cash and cash equivalents held at the reporting date, Deutsche Wohnen Group also has additional credit lines amounting to around EUR 101 million that are callable at short notice.

The equity ratio at the reporting date aomuted to 29 %.

In order to allow direct comparisons with competitors and for the purpose of transparency, we will in future disclose the EPRA Net Asset Value. The European Public Real Estate Association (EPRA) is a European association of real estate companies that publishes recommendations for reporting and key figures in its Best Practices Recommendations.

The EPRA NAV is used to highlight the fair value of equity on a long-term basis. The EPRA NAV is calculated on basis of equity (before minority interests) adjusted for effects from the exercise of options, convertible bonds and other equity rights, the market values of derivative financial instruments as well as deferred taxes (net credit and debit balances), i.e. adjusted for line items that have no effect on the Group's long-term performance.

in EUR m	31/12/2010	31/12/2009
Equity (before minority interests)	889.6	861.7
Effects from the exercise of convertible bonds[1]	0.0	0.0
Diluted NAV	889.6	861.7
Fair value adjustment to derivative financial instruments	61.1	70.5
Deferred taxes (net)	13.3	– 17.0
EPRA NAV	964.0	915.2
Number of shares (in m)	81.84	81.84
EPRA NAV in EUR per share	11.78	11.18

[1] No consideration of effects from the conversion of the convertible bond, as due to the underlying conversion price a conversion was not to be expected and a conversion did actually not take place; full repayment of convertible bond in 2010

Mainly due to the positive consolidated earnings, the EPRA NAV increased as of 31 December 2010 by 5.4 % to EUR 11.78 per share.

The Net Net Asset Value (NNAV) disclosed in the past increased from EUR 870.3 million as of 31 December 2009 to EUR 926.4 million. Based on the shares outstanding, NNAV per share amounted to EUR 11.32 per share as of 31 December 2010 (previous year: EUR 10.63 per share).

Net financial liabilities were reduced from EUR 1,802.7 million to EUR 1,784.5 million.

in EUR m	31/12/2010	31/12/2009
Financial liabilities	1,784.5	1,802.7
Convertible bond	0.0	26.6
	1,784.5	**1,829.3**
Cash and cash equivalents	– 46.0	– 57.1
Net financial liabilities	**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 in %	60.6	61.5

The ratio of net financial liabilities to real estate assets (Loan-to-Value Ratio) improved from 61.5 % to 60.6 % and is therefore in the lower bracket of our target range of 60 % to 65 %.

For detailed information about the refinancing measures carried out in 2010, please see the section "Debt capital structure optimised by means of early refinancing" on pages 28 et seq.

All loan agreements only include financial covenants relating to debt service coverage (DSCR/ISCR) and leverage ratios with respect to rental income (multipliers). Valuation-dependent key figures such as the Loan-to-Value Ratio (LTV) are no longer inlcluded in our loan agreements. The interest and repayment optimisation measures undertaken in 2010 further improved the existing buffer regarding these covenants.

The loan prolongation volume in the next four financial years – based on the residual balance at the end of 2010 – is just around EUR 118 million. This represents only about 6 % of total liabilities and underlines the stable financial structure of our Group. The loan extension structure for the coming years is as follows:

in EUR m	2011	2012	2013	2014	2015	2016	later than 2016
Prolongations	5	39	25	49	248	258	1,161

The average loan portfolio interest rate is approximately 4.0 % p.a. from 2011 onwards.

Tax liabilities mainly refer to liabilities from the lump-sum taxation of EK-02-holdings (2010: EUR 57.8 million, 2009: EUR 80.1 million). The outstanding EK-02-notifications were received in the third quarter of 2010, so that the reduction in tax liabilities as of 31 December 2010 was mainly due to the payments made with respect to 2008, 2009 and 2010. In future, EUR 9.6 million p.a. will be incurred for EK-02-payments until 2017. We have commenced legal action against this taxation.

In 2010, 40.4 % of the limited liability shares of DB 14 were tendered to us. As of 31 December 2010, Deutsche Wohnen AG held a 74.4 % share of the company's equity. A further 9.2 % of the capital share was acquired in January and February 2011, so that the total capital share has now increased to 83.6 %.

Other liabilities consist mainly of the following items:

in EUR m	31/12/2010	31/12/2009
Derivative financial instruments	70.3	70.5
Deferred tax liabilities	92.0	81.4
Convertible bond	0.0	26.6
Miscellaneous	70.4	61.4
Total	**232.7**	**239.9**

The convertible bond was repaid as scheduled in the third quarter of 2010.

Cash flow statement

The following table displays a short summary of the cash flows over the past financial year:

in EUR m	2010	2009
Cash flow from operating activities before EK-02-payments	33.7	7.6
EK-02-payments	– 23.8	– 4.3
Cash flow from investing activities	68.7	74.3
Cash flow from financing activities	– 89.7	– 62.5
Net change in cash and cash equivalents	– 11.1	15.1
Opening cash and cash equivalents	57.1	42.0
Closing cash and cash equivalents	46.0	57.1

Cash flow from operating activities before EK-02-payments improved considerably due to higher earnings before interest and taxes for the period as well as lower interest expenses.

The last outstanding EK-02-notifications were received in the third quarter of 2010, which means that the payments in 2010 relate to the years 2008 to 2010. Of these, EUR 15.2 million relates to previous periods; this represents a one-off liquidity charge. In future, EUR 9.6 million p.a. will be incurred for EK-02-payments until 2017.

The cash flow from investing activities comprises mainly income from disposals (EUR 182.3 million), expenses for investments in own property (EUR 17.5 million) and new acquisitions (EUR 70.2 million) as well as payments to limited partners in funds (EUR 28.4 million).

Payments totalling EUR 70.2 million were made with respect to purchase prices and ancillary costs, of which EUR 54.9 million relate to payments on account for properties with a transfer of risks and rewards as of 1 January 2011.

We repaid financial liabilities totalling EUR 66.1 million (net). Therof EUR 27.2 million related to the repayment of the convertible bond. About additonal EUR 83.0 million was repaid in relation to disposals.

Funds from Operations (FFO)
The excellent operative growth, cost savings and the reduction of current interest expenses also resulted in a significant improvement in FFO:

in EUR m	2010	2009
Group's profit/loss	**23.8**	**– 13.3**
Earnings from Disposals	– 12.7	– 9.7
Depreciation and amortisation	3.0	2.8
Fair value adjustment of investment properties	– 47.2	0.0
Fair value adjustment to derivative financial instruments	0.2	1.2
Non-cash financial expenses	13.9	15.3
Prepayment penalties	23.6	6.2
Deferred taxes	28.5	11.1
Tax advantage from capital increase costs	0.0	3.7
Restructuring expenses	0.0	7.8
FFO (without disposals)	**33.1**	**25.1**
FFO (without disposals) per share in EUR	0.40	0.31
FFO (incl. disposals)	**45.8**	**34.8**
FFO (incl. disposals) per share in EUR	0.56	0.43

Even without the contribution from disposals, i.e. from the sustainable operations, FFO was significantly increased from EUR 0.31 per share in 2009 to EUR 0.40 per share (+29 %). This underlines the significant increase of a strong and sustainable cash flow, even without disposals contribution, and simultaneous reduction of debt.

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 announcement 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.

Risk and opportunity report

Risk management

Deutsche Wohnen AG continually investigates opportunities that arise and may serve to secure the further development and growth of the Group. In order to make the most of such opportunities, it is sometimes also necessary to take risks. Therefore understanding, assessing and controlling all aspects of a transaction is of supreme importance. It is the only way to take a professional approach to risk. Deutsche Wohnen has set up a centralised risk management system for this purpose to identify, measure, manage and monitor all relevant significant risks facing the Group. The core element of this system is detailed reporting that is continually monitored and developed. Relevant operating figures and financial key figures give a picture of identified risk areas. We focus in particular on the key figures for lettings development and apartment privatisation, cash flow, liquidity and key figures in the balance sheet structure.

Intensive communication at Group management level increases the awareness of all decision makers at all times to relevant developments in the company. Any changes or arising risks that may potentially be dangerous are therefore identified at an early stage and corresponding countermeasures are taken.

Risk management information is documented on a quarterly basis and sent to all decision makers. The Supervisory Board receives comprehensive information about all relevant issues and Group developments prior to each of its meetings. The internal risk management handbook is also updated once a year.

The risk management system for accounting processes is part of the internal control system.

The main features of the Deutsche Wohnen internal control system and the risk management system with respect to the (Group) accounting processes can be summarised as follows:

- Deutsche Wohnen has a clear organisational, corporate, controlling and monitoring structure.
- Uniform Group-wide planning, reporting, controlling and early warning systems and processes are used to holistically analyse and manage risk factors affecting the balance sheet and risks that could endanger the viability of the Group as a going concern.
- The functions of all areas of accounting processes (such as accounting, financial controlling) are clearly assigned.
- The IT systems used for accounting purposes are protected against unauthorised access.
- Mainly standard commercial software is used for financial systems.
- Adequate internal guidelines (comprising e.g. Group-wide risk management guidelines) have been set up, and are amended if required.
- The departments involved in accounting processes meet qualitative and quantitative requirements.
- The completeness and correctness of accounting data are regularly checked by means of random tests and plausibility tests, by manual controls and software checks.
- Important accounting-relevant processes are subject to regular analytical tests. The Group-wide risk management system is subject to continual adjustment to take account of current developments and is continuously checked for functionality.
- Dual-control checks are applied to all accounting-relevant processes.
- The Supervisory Board deals with important accounting issues, risk management, commissioning the audit, and the main audit issues, among others.

The internal control and risk management system of the accounting process as described above ensures that details of corporate transactions are correctly recorded, prepared and dealt with and are therefore correctly transferred to external accounting.

A clear organisational, corporate and control and monitoring structure combined with sufficient personnel and material resources for accounting provide the basis for the efficient working of the divisions involved in accounting. Clear statutory and company stipulations and guidelines result in consistent and orderly accounting processes.

The internal control and risk management system ensures that accounting at Deutsche Wohnen AG and at all companies included in the consolidated financial statements is consistent and in accordance with legal and statutory regulations and internal guidelines.

Risk report

Strategic risks

Risks from failure to recognise trends: Not recognising market developments or trends can lead to risks affecting the viability of the Group as a going concern. In order to minimise theses risks, all divisions of the business are regularly sensitised to keep a close eye on developments in their sector and to communicate any changes to risk management immediately. So risk management can implement appropriate countermeasures.

Legal and corporate law risks

Legal risks that could potentially result in losses for the company arise from failure to observe legal regulations, failure to implement new or amended laws, a lack of comprehensive rules in concluded contracts, or insufficient management of insurance.

Orders to cease construction work and incomplete planning permission can also have a detrimental effect, leading to unplanned costs and construction delays. The removal of contamination and the implementation of amended statutory provisions may lead to increased costs.

Corporate law risks: There may also be risks associated with business combinations already implemented or planned in future. In order to counter these risks, the Management Board will order necessary analyses in circumstances as they arise, in order to get a complete picture of the problem and receive advice on how the identified risks can be countered. The Management Board will also seek comprehensive legal advice from the Corporate Law department and from renowned external law firms before concrete proceedings are initiated. The Management Board is aware that strategic external growth is not always pursuable by all means.

IT risks

After almost one year of preparation and testing, Deutsche Wohnen AG introduced SAP as the new Group-wide IT application on 1 January 2009.

In general, there is a risk of total breakdown of this application, which could lead to significant disruption in business processes. For this reason, Deutsche Wohnen has agreed contracts for functional operational, maintenance and administrative processes and effective control mechanisms with its IT provider which are designed to prevent such downtime and associated data losses.

Personnel risks

One decisive factor for the success of Deutsche Wohnen is its employees, their knowledge and their special skills. However, there is always a danger that Deutsche Wohnen will not be able to retain its most qualified and suitable employees. We seek to counter this risk by providing a motivational working environment and both financial and non-financial incentives. We think that Deutsche Wohnen is one of the best employers in its segment.

Market risks

Market risks can arise in the lettings market if economic conditions in Germany worsen, resulting in a stagnation or drop of market rental rates. A stagnating or shrinking economy can also result in increasing unemployment levels that limit the financial resources of tenants. A fall in disposable net income – whether caused by unemployment, tax increases, tax adjustments or increases in incidental costs – can also lead to lower new lettings, lower new rents and increasing vacancy levels, and thus have a negative effect on the business operations of Deutsche Wohnen.

If economic conditions should worsen in Germany, there is also a danger that jobs will be lost. This could lead to a loss of regular income for the tenants, who would therefore be unable to pay rents or to pay rents on time. This risk is regarded as relatively unlikely by management. It can be averted in advance by keeping close contact with tenants and by means of early recognition of financial problems. Tenants can be offered smaller and less expensive apartments from the diversified Deutsche Wohnen portfolio.

In addition, an overall economic downturn can lead to a fall in demand for acquiring property: In relation both to individual privatisation and bloc sales, there is a danger that potential buyers will put off their investments and delay the sales plans of Deutsche Wohnen.

Property risks

Property risks may arise at the individual property or portfolio level and with respect to the location of properties.

At the individual property level, it refers in particular to regulatory requirements, maintenance failures, structural damage, insufficient fire protection and tenants failing to maintain properties. Risks can also arise from contamination, including wartime contamination, soil composition, harmful substances in building materials and any breaches of building requirements. At the portfolio level, these risks refer to the concentration in the structure of holdings that might include increased maintenance and refurbishment expenses and difficulty in letting units.

Financial risks

With numerous investments and a complex investment structure, increased transparency and management input are necessary in order to avoid negative effects on the Group's business affairs. Dependence on commercial law and tax conditions is also increased. Insufficient planning and management, and defective controlling of investment proceeds may result in income shortfalls.

Fundamental changes to tax conditions (interest barrier, EK 02) can lead to financial risks.

The financial risks for Deutsche Wohnen include delayed cash flows for revenues and loans, and unplanned expenses leading to liquidity problems. Additionally, fluctuations in the valuation of property (IAS 40) due to negative growth in the residential property markets and of derivatives can result in annual adjustments recognised in the profit and loss statement.

Financial market risks

Banks may no longer be in a position or willing to extend expiring loans. It is possible that refinancing loans may be more expensive and that future contract negotiations may take more time. The refinancing volume of Deutsche Wohnen up until 2014 as of 31 December 2010 was EUR 118 million, of which EUR 5 million is due in 2011. The loan agreements contain financial covenants that could lead to termination without notice by the banks if the terms of the financial covenants are not met. At Deutsche Wohnen these are key financial figures relating to debt service coverage (debt service coverage ratio (DSCR)/interest service coverage ratio (ISCR)) and to the debt-equity ratio in relation to rental income (multiplier). With the measures to optimise the financial structure accomplished in 2010, we have already further improved the existing "buffers".

The significant risks to the Group arising from financial instruments comprise interest-related cash flow risks, liquidity risks and default risks. Company management prepares and checks risk management guidelines for each of these risks. Default risks, or the risk that a partner will not be able to meet its obligations, are managed by using credit lines and control processes. Deutsche Wohnen does not face any considerable default risk concentration, either from partners or from groups of partners with similar characteristics. The Group makes daily checks for the risk of liquidity shortfalls by using a liquidity planning tool. Deutsche Wohnen seeks to ensure the availability of sufficient funds to meet future obligations at all times. The interest rate risk to which the Group is exposed is mainly derived from non-current financial debt with floating interest rates and is largely hedged by interest rate derivatives.

Investment risks

The selection and planning of major renovation projects may lead to a false allocation of investment funds. It is also possible that additional acquired units will not meet profit expectations. This could have a negative effect on the Group's business performance. Incomplete disclosures in due diligence reports and valuations, non-transparent allocation decisions and non-observance of allocation regulations (such as in relation to public funds which then have to be paid back) can also generate risks.

Other risk factors directly connected to investments by the company are the overrun of planned costs, not meeting deadlines and failing to meet equipment standards. This can lead to additional expenses for the company. Delays in commissioning, rent defaults (or possibly rent reductions) and the insufficient follow-up of defects can likewise lead to extra expenses. Deutsche Wohnen uses external and internal specialists and ongoing project controlling to minimise these risks.

Opportunities for further development

Deutsche Wohnen has strengthened its position as the second-largest publicly listed German residential property company and has also demonstrated its integration capabilities. This process meant that employees gained a wealth of experience which can be used to increase the value of the Group during future acquisitions. Deutsche Wohnen has thus set itself up as a consolidation platform, in order to take advantage of market opportunities and play an active part in market consolidation.

In the current portfolio, our main locations in Berlin and Frankfurt/Main continue to show good growth potential. They are in the leading group in comparison with other German cities. A portfolio with a good mix of apartment sizes and microlocations within the metropolitan areas and intensive tenant services enables the company to generate constant income from the portfolio, even in challenging economic circumstances.

Overall, we have been able to considerably improve our capital market positioning. In addition, our financial structure is now very sound: We have long-term financing, we have an appropriate and comforatble Loan-to-Value Ratio (LTV) – including in comparison to our competitors – and we have been able to further reduce our interest and capital repayment charges. Our business model is accepted by banks, as demonstrated in particular by our ability to secure new strategic bank partners last year.

All these aspects support our growth strategy and greatly facilitate capital procurement, both in the capital markets and from banks.

Employees and organisation

Our employees are the foundations upon which the success of Deutsche Wohnen is built. Only their motivation, their commitment and their qualifications permit the successful implementation and progress of the Group strategy and the planned growth of the company.

The management holding company Deutsche Wohnen AG employs the Management Board and the staff of the central administrative divisions Human Resources, Legal, Financial/Controlling/Accounting, Communication, Investor Relations and Marketing. These non-operative divisions employed 72 staff members at the end of the financial year.

The operational core divisions Residential Property Management and Disposals employed a total of 267 staff members at the end of 2010 (Deutsche Wohnen Management GmbH: 234; Deutsche Wohnen Corporate Real Estate GmbH: 33).

There was also a total of 28 trainees as of 31 December 2010.

A further 965 employees (including 54 trainees) were active in the Nursing and Assisted Living division at the end of the year.

Further information about the personnel structure can be found in the "Responsible business policies" section on page 26.

Corporate management

We have published information pursuant to Section 289a of the German Commercial Code (HGB) on our website www.deutsche-wohnen.com.

Remuneration report

The remuneration for the Management Board and the total remuneration for individual members of the Management Board were determined by the full Supervisory Board and are subject to regular review.

In light of the new statutory framework under the German Appropriateness of Management Board Compensation Act (VorstAG), the Supervisory Board decided to review the remuneration system for the Management Board in the financial year 2010. The review determined monetary remuneration that is split evenly between a fixed and a variable component, which is in line with the present situation. The variable component is now divided into short-term incentives and long-term incentives. These are anchored in the employment contracts of the members of the Management Board, whereby a total of around 57 % of the variable remuneration is spread over multiple years for each member.

Specific individual targets are agreed in advance for the financial year between the Management Board member and the Supervisory Board. Remuneration of the short-term incentive is dependent upon the extent to which the targets have been met at the end of the financial year. 75 % of the short-term incentive might be paid after the end of the financial year. The remaining 25 % is paid over a longer period and is not paid out until three years later, provided that the economic position of the company has not deteriorated at that time due to reasons that are the responsibility of the member of the Management Board such that the Supervisory Board is entitled to deduct that remuneration pursuant to Section 87(2) of the German Stock Corporation Act (AktG).

The long-term incentive is measured by the regulations of the Deutsche Wohnen management participation programme "Performance Share Unit Plan" (hereinafter PSU Plan). This stipulates that the amount of the long-term incentive depends on the growth of the key figures Funds from Operations (FFO), Net Asset Value (NAV) and the share price of Deutsche Wohnen AG within a four-year performance period.

Each year starts a new performance period for the PSU Plan. At the beginning of the year, a base value is agreed for each member of the Management Board in line with that Board member's contract of employment. Any claim for payment of the remuneration component shall not be made until after expiry of the relevant performance period, i.e. after four years.

The amount of the payment entitlement is dependent on the historical development of the key figures FFO, NAV and the share price of Deutsche Wohnen AG during the performance period. The structure of the PSU Plan for the long-term incentive recognises both positive and negative developments. If there is extraordinary positive growth, there is a cap on payments that may be made. Negative development reduces the amount of the initial base value and the payment amount until the payment level reaches zero. No subsequent changes to the comparative parameters are intended.

The revisions to the remuneration system as described were applied in 2010 to the member of the Management Board Helmut Ullrich. For the Chief Executive Officer Michael Zahn, the revised remuneration system is coming into effect with the extention of his employment contract from 2011 onwards. Until 2010, two-thirds of the variable component of his remuneration payment was based on achieving individual personal targets set in advance for the financial year, and one-third from a share option plan that was not implemented.

In the case of the premature termination of his employment contract due to a change of control in the company, with the new contract, the Chief Executive Officer had secured payments that are in line with the requirements of Section 4.2.3 (4) of the German Corporate Governance Code and the severance cap contained in that provision.

As well as amending the remuneration system, the Supervisory Board also reviewed the appropriateness of total remuneration for both members of the Management Board in the financial year 2010. In this respect, it took into account the responsibilities of the respective members of the Management Board and the economic position of the company, along with acknowledging personal achievements, success and the positive outlook for the company. It also considered the level of salaries usually paid in comparable companies and the remuneration structure that normally applies in such companies. The Supervisory Board decided that the total remuneration paid to both members of the Management Board was appropriate.

The following remuneration payments were made to members of the Management Board in 2010:

2010 in EUR k	Michael Zahn	Helmut Ullrich
Fixed remuneration	**300**	**275**
Variable remuneration components		
Short-term incentive		
short-term due	400	120
long-term due	-	30
Long-term incentive (PSU-Plan)	-	125
Supplementary payments	**26**	**23**

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 are no pensions provisions for current and retired members of the Management Board or members of the Supervisory Board of Deutsche Wohnen AG. No loans were made to members of the Management Board of Deutsche Wohnen AG during the financial year 2010.

The Annual General Meeting decided on remuneration for the Supervisory Board on 17 June 2008. Each member of the Supervisory Board receives a fixed annual salary of EUR 20k, 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 2010 amounted to EUR 150k or EUR 174k including German value added tax (USt).

Forecast

We set ourselves two important goals over the past year: On the one hand, we envisaged to improve our operating figures, leave the years of losses behind us and restore the ability to pay out dividends; on the other hand, we wanted to grow and permanently establish ourselves amongst Germany's large publicly listed companies. Today, we can confirm our success: We have achieved the turnaround and are proposing a dividend for 2010. With the MDAX inclusion, we have also established ourselves amongst the large publicly listed companies. We also grew our business, as planned – but that is not enough for us.

We want to continue to achieve economies of scale with our business model and secure a wider portfolio basis. Therefor, we will continue to acquire properties in our core regions. We also plan to take advantage of strategic market opportunities in the near future in conjunction with a capital increase. We are now in a favourable position to do this. We own a stable portfolio in metropolitan areas, our financing structure is balanced and optimised, and our cost ratios are sound.

Independent financial institutions expect that the economic recovery in Germany will continue in 2011: For example, the German Institute for Economic Research in Berlin (DIW Berlin) forecasts growth in the German economy of 2.0 % in 2011.[1)]

With respect to 2011 and 2012, we have made the following forecasts, given that the economic environment in Germany in 2010 will continue:

In the long run our Loan-to-Value Ratio (LTV) should remain stable at today's level of 60 %, particularly in light of our expansion plans.

[1)] DIW. Autumn Guidelines, weekly report no. 39/2010

We expect a significant increase in FFO without disposals in 2011, from EUR 0.40 per share to about EUR 0.48 to 0.50 per share. In 2012 we expect a slightly increasing level. The development of acquisitions will act as a further stimulus.

In particular, the result from privatisation business is particularly vulnerable to the state of the transaction markets. Taking the volatility of these market conditions into account, we currently expect a transaction volume in the Disposals segment of about EUR 100 million, but we would turn over a larger transaction volume if there are sufficient opportunities. Though we focus on the portfolio adjustment. The FFO contribution from disposals should amount to between EUR 0.08 and EUR 0.12.

We expect an increased EPRA NAV by the end of the financial year 2011 compared to 31 December 2010.

All this does not take into account any earnings from valuation, bloc sales or acquisitions.

Frankfurt/Main, Germany, 25 February 2011

Michael Zahn Chief Executive Officer	Helmut Ullrich Chief Financial Officer

CFS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as at 31 December 2010

in EUR k	Notes	31/12/2010	31/12/2009
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**

in EUR k	Notes	31/12/2010	31/12/2009
EQUITIES AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Issued capital	D.8	81,840	81,840
Capital reserve	D.8	370,048	455,761
Accumulative retained earnings	D.8	437,682	324,068
		889,570	**861,669**
Minority interests	D.8	302	302
Total equity		**889,872**	**861,971**
Non-current financial liabilities	D.9	1,338,954	1,722,044
Pension provisions	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 bond	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

in EUR k	Notes	2010	2009
Revenue	E.17	**297,811**	**306,331**
Earnings 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
Personnel 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**
Earnings from the fair value adjustment 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**
Financial income		848	868
Result of fair value adjustment to derivative financial instruments	D.6	– 234	– 1,203
Financial expenses	E.22	– 123,728	– 119,242
Earnings before taxes		**57,139**	**3,352**
Income taxes	E.23	– 33,334	– 16,630
Net profit/loss for the period		**23,805**	**– 13,277**
Thereof attributable to:			
Shareholders of the parent company		23,805	– 13,277
Minority 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

from 1 January to 31 December 2010

in EUR k	2010	2009
Profit/loss for period	**23,805**	**– 13,277**
Other comprehensive income		
Net profit/loss on derivative financial instruments	9,630	– 19,916
Income tax effect	– 2,998	6,361
	6,632	**– 13,555**
Losses from pensions	– 3,650	– 2,865
Income tax effect	1,113	854
	– 2,537	**– 2,011**
Other earnings after taxes	**4,095**	**– 15,566**
Total comprehensive income for the period, net of tax	**27,900**	**– 28,843**
Thereof attributable to:		
Shareholders of the parent company	27,900	– 28,843
Minority interests	0	0

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 31 December 2010

in EUR k	Notes	2010	2009
Operating activities			
Profit/loss for the period		23,805	–13,277
Financial income		–848	–868
Financial expenses		123,728	119,242
Income taxes		33,334	16,630
Net cash flows 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
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, stocks 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**

in EUR k	Notes	2010	2009
Investing activities			
Sales proceeds		182,283	88,870
Investment outflows		– 89,243	– 13,250
Cash inflows from investment subsidies		4,106	0
Cash outflows to limited partners in funds		– 28,416	– 1,322
Net cash flows from investing activities		**68,730**	**74,298**
Financing activities			
Inflows from borrowing		137,894	1,243
Repayment of borrowing		– 203,963	– 295,263
Prepayment penalties		– 23,599	– 6,231
Inflows from the capital increase		0	249,480
Costs of the 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

in EUR k	Issued capital	Capital reserve
Notes	D.8	D.8
Equity as at 1 January 2009	**26,400**	**269,677**
Net profit/loss for the period		
Other comprehensive income		
Total comprehensive income		
Capital increase	55,440	194,040
Costs of capital increase, less tax effects		–7,956
Equity as at 31 December 2009	**81,840**	**455,761**
Equity as at 1 January 2010	**81,840**	**455,761**
Profit/loss for the period		
Other comprehensive income		
Total comprehensive income		
Withdrawal from the capital reserve		-85,713
Equity as at 31 December 2010	**81,840**	**370,048**

Other comprehensive income					
Pensions	Reserve for cash flow hedge	Other reserves	Subtotal	Minority interests	Equity
D.8	D.8	D.8		D.8	
2,215	**– 31,250**	**381,947**	**648,989**	**302**	**649,292**
		– 13,277	– 13,277		– 13,277
– 2,011	– 13,555		– 15,566		– 15,566
– 2,011	– 13,555	– 13,277	– 28,843	0	– 28,843
			249,480		249,480
			– 7,956		– 7,956
204	**– 44,805**	**368,670**	**861,670**	**302**	**861,972**
204	**– 44,805**	**368,670**	**861,670**	**302**	**861,972**
		23,805	23,805	0	23,805
– 2,537	6,632		4,095		4,095
– 2,537	6,632	23,805	27,900	0	27,900
		85,713			
– 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).

Minority interests

Minority 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. Pension commitments 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.

Minority interests represent the share of the profits and net assets not attributable to the Group. Minority 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 and valuation methods

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 intital 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 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 financial 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 financial expense and impairments as financial 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

Pension provisions 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 personnel 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 financial 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 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 or 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 measued 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 liabilties 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 liabilites 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 acquistions 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:

in EUR k	31/12/2010	31/12/2009
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 capital 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 capital 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:

in EUR k	31/12/2010	31/12/2009
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:

in EUR k	31/12/2010	31/12/2009
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:

in EUR k	31/12/2010	31/12/2009
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:

in EUR k	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
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 EUR k	Strike	Term from	Maturity	31/12/2010 EUR k	31/12/2009 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 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 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 issed 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, its associates or companies in which it holds a controlling interest, 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) Accumulative retained earnings
Accumulative retained earnings comprise the surplus reserve of Deutsche Wohnen and the accumulative 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 net 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 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) Minority interests
Minority 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:

in EUR m	31/12/2010	31/12/2009
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:

in EUR k	Nominal value	Residual balance 31/12/2010	Residual balance 31/12/2009	Maturity	Swap hedge	Interest rate
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:

in EUR m	Carrying amount 31/12/2010	Nominal value 31/12/2010	2011	2012	2013	2014	Greater than/ same as 2015
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:

in EUR k	31/12/2010	31/12/2009
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 Pension provisions

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

Pension provisions 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:

in %	31/12/2010	31/12/2009
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:

in EUR k	31/12/2010	31/12/2009
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:

in EUR k	31/12/2010	31/12/2009
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 "personnel expenses".

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

in EUR k	31/12/2010	31/12/2009	31/12/2008	31/12/2007	31/12/2006
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:

in EUR k	31/12/2010	31/12/2009
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 Provisions

Provisions are made up as follows:

in EUR k	Revitalisation	Restructuring	Other	Total
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:

in EUR k	31/12/2010	Change	31/12/2009
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 profits 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:

in EUR k	2010	2009
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:

in EUR k	2010	2009
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:

in EUR k	2010	2009
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:

in EUR k	2010	2009
Operating expenses	79,966	82,678
Maintenance	27,958	30,080
Other expenses	7,159	11,163
	115,083	**123,921**

19 Personnel 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:

in EUR k	2010	2009
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 personnel 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 Financial expenses

Financial expenses are made up as follows:

in EUR k	2010	2009
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:

in EUR k	2010	2009
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:

in EUR k	2010	2009
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:

in EUR m	31/12/2010	31/12/2009
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 cash flow statement

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:

in EUR k	2010	2009
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:

in EUR	2010	2009
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:

in EUR k	Valuation category in accordance with IAS 39	Carrying amount	Balance sheet measurement in accordance with IAS 39		Fair Value
		31/12/2010	Amortised cost	Fair Value recognised in profit/loss	31/12/2010
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			
		31/12/2009			31/12/2009
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):

in EUR m	Carrying amount 31/12/2010	2011	2012	2013	> 2014
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			
	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.

in EUR k 2010	Interest	Impairment	Fair value	Net loss
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				
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.

in EUR m	31/12/2010	31/12/2009
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
Leasehold 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:

in EUR k	2010	2009
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 Spervisory 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 Spervisory 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	
in EUR k	Michael Zahn	Helmut Ullrich	Michael Zahn	Helmut Ullrich
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 are no pension provisions 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 (i www.deutsche-wohnen.com).

Frankfurt/Main, Germany,
25 February 2011

Michael Zahn
Chief Executive Officer

Helmut Ullrich
Chief Financial Officer

Appendix 1 to the notes to the consolidated financial statements

SHAREHOLDINGS***

as at 31 December 2010

Company and registered office	Share-holding %		Equity EUR k	Earnings EUR k	Reporting date
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
**** waiver as of Section 264 (3) of the German Commercial Code (HGB)

Consolidated Financial Statements
Further Information

Appendix 2 to the notes to the consolidated financial statements

CONSOLIDATED SEGMENT REPORTING

for the financial year 2010

in EUR m	External revenue		Internal revenue	
	2010	2009	2010	2009
Segments				
Residential Property Management	264.1	272.2	2.1	2.1
Sales	171.7	85.7	7.6	0.0
Nursing and Assisted Living	40.6	38.8	0.0	0.0
Reconciliation with consolidated financial statements				
Central functions and other operating activities	0.5	0.0	28.8	49.3
Consolidation and other reconciliation	– 179.1	– 90.3[1]	– 38.5	– 51.4
	297.8	**306.3**	**0.0**	**0.0**

[1] Reconciliation items mainly comprise proceeds from disposals, as these are not recognised as revenues in the consolidated profit and loss statement.

Total revenue		Segment result		Assets		Depreciation and amortisation	
2010	2009	2010	2009	2010	2009	2010	2009
266.2	274.3	150.9	151.0	2,829.6	2,840.6	0.0	0.0
179.3	85.7	12.7	9.7	52.8	51.6	0.0	0.0
40.6	38.8	8.9	9.1	2.8	2.1	-0.3	– 0.4
29.4	49.3	– 36.4	– 36.3	72.0	84.1	-2.7	– 2.4
– 217.6	– 141.7	0.0	0.0	0.0	0.0	0.0	0.0
297.8	**306.3**	**136.1**	**133.5**	**2,957.2**	**2,978.4**	**– 3.0**	**– 2.8**

Independent auditors' report

We have audited the consolidated financial statements prepared by the Deutsche Wohnen AG, Frankfurt/Main, comprising the statement of financial position, the income 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 1 January to 31 December 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, 28 February 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Völker	Glöckner
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable accounting standards, the consolidated financial statements as of 31 December 2010 give a true and fair view of the net assets, financial and earnings position of the Group and the Group's management report gives a true and fair view of the development of the business including the business result and the position of the Group and describes the main opportunities and risks associated with the Group's expected future development."

Frankfurt/Main, 25 February 2011

Deutsche Wohnen AG
Management Board

Michael Zahn	Helmut Ullrich
Chief Executive Officer	Chief Financial Officer

GLOSSARY

Current gross rental income
The current gross rent corresponds to the sum of the contractually agreed net cold rent payments for the areas let of the respective properties for the period under review or as of the reporting date.

D&O (directors and officers) Group insurance
Personal liability insurance that provides general cover to corporate bodies for damages incurred due to neglect of duty.

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

EBT
Earnings before taxes; The company discloses an adjusted EBT as well: EBT (as reported) is adjusted for the result of fair value adjustment of investment properties, the result of fair value adjustments to derivative financial instruments, prepayment penalties and restructuring and reorganisational costs.

EBIT
Earnings before interest and taxes.

EBITDA
Earning before interests, taxes, depreciations and amortisation.

EURIBOR
Euro Interbank Offered Rate.

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

FFO
Funds from Operations: From the company's point of view, an essential operational figure for property companies geared towards liquidity derived from the Group's profit and loss statement. Based on the net result for the period (profit/loss), adjustments for one-off effects as well as financial expenses/income and tax expenses/income, not affecting liquidity, are made. The FFO (incl. disposals) is adjusted for the earnings from disposals to determine the FFO (excl. disposals).

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

In-place rent (per sqm)
Contractually owed net cold rent from the rented apartments (current gross rental income) divided by the rented area.

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

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

Multiplier (current gross rental income)
Net capital value divided by the current gross rental income as of December 2010 multiplied by 12.

Multiplier (potential gross rental income)
Net capital value divided by the current gross rental income as of December 2010 plus vacancy loss (i.e. potential gross rental income) multiplied by 12.

NAV
Net Asset Value: Indicates the net asset value or intrinsic/inherent value of a property company. The EPRA NAV is calculated based on equity (before minorities) adjusted for the effect of the exercise of options, convertibles and other equity interests as well as adjustments of the market value of derivative financial instruments and deferred taxes (net of assets and liabilities), i.e. the adjustment of balance sheet items that have no impact on the Group's long-term performance. In the past we reported the Net Net Asset Value (NNAV): The NNAV is the sum of all assets minus liabilities (= equity) and is adjusted for property related deferred taxes. The property related deferred taxes apply to the deferred tax assets and liabilities from the investment properties, deferred tax assets from loss carry-forwards, to the extent of available property related deferred tax liabilities, deferred tax liabilities from property related loans, as well as deferred tax assets from real estate related provisions and deferred tax liabilities from investment subsidies received.

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

Net Operating Income (NOI)
The Net Operating Income (NOI) represents the operating earnings from residential property management after deduction of incurred personnel expenses and general and administration expenses in this business segment.

New-letting rent (formerly described as market rent)
Deutsche Wohnen determines the new-letting rent by calculating the actual average agreed monthly net cold rent payments per sqm based on the new leases for units not subject to rent controls for the respective properties during the 12 month period preceding the respective reporting date.

Potential gross rental income
The potential gross rental income is the sum of current gross rental income and vacancy loss.

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

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

Vacancy rate
The vacancy rate quantifies the ratio between the vacancy loss and the potential gross rental income as of the respective reporting date.

COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Management Board
as of March 2011

Michael Zahn
Chief Executive Officer, Berlin

Helmut Ullrich
Chief Financial Officer, Berlin

Supervisory Board
as of March 2011

Hermann T. Dambach
Chairman, Bad Homburg

Dr. rer. pol. Andreas Kretschmer
Deputy Chairman, Düsseldorf

Uwe E. Flach
Frankfurt/Main

Matthias Hünlein
Oberursel

Dr. Michael Leinwand
Bad Honnef

Dr. Florian Stetter
Erding

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2011 F

FINANCIAL CALENDAR

HSBC Conference, Frankfurt/Main **1 March 2011**

Publication of Annual Report 2010 **29 March 2011**

Conference Call, Results of the Financial Year 2010 **29 March 2011**

Deutsche Bank's VIP Real Estate Event, Frankfurt/Main **5–6 April 2011**

Credit Suisse Global Real Estate Conference, London **12–13 April 2011**

Publication of Interim Report as of 31 March 2011/1st quarter **12 May 2011**

Roadshow New York, Boston, Toronto **13–17 May 2011**

9th European Property Seminar Kempen & Co., Amsterdam **25–26 May 2011**

Annual General Meeting 2011, Frankfurt/Main **31 May 2011**

Roadshow Vienna **6 June 2011**

European Property Conference Morgan Stanley, London **15 June 2011**

Publication of Interim Report as of 30 June 2011/ Half-year results **16 August 2011**

Merrill Lynch Global Real Estate Conference, New York **7–8 September 2011**

Uni Credit "Small Mid Cap" Conference, Munich **27–29 September 2011**

Expo Real, Munich **4–6 October 2011**

11th Initiative Immobilien-Aktie (IIA), Frankfurt/Main **19 October 2011**

Publication of Interim Report as of 30 September 2011/3rd quarter **15 November 2011**

WestLB Deutschland Konferenz, Frankfurt/Main **16–17 November 2011**

UBS Global Real Estate Conference, London **29–30 November 2011**

Deutsche Wohnen AG
Registered office
Pfaffenwiese 300
65929 Frankfurt/Main

Phone +49 (0)69 976 970 0
Fax +49 (0)69 976 970 4980

Berlin office
Mecklenburgische Straße 57
14197 Berlin

Phone +49 (0)30 897 86 0
Fax +49 (0)30 897 86 100

info@deutsche-wohnen.com
www.deutsche-wohnen.com